



# City of Sachse, Texas

## Meeting Agenda

### City Council Workshop

---

Monday, November 7, 2016

6:30 PM

Council Chambers

---

The City Council of the City of Sachse will hold a Workshop Session on Monday, November 7, 2016, at 6:30 p.m. in the Council Chambers at Sachse City Hall, 3815 Sachse Road, Building B, Sachse, Texas to discuss the following items of business:

1. Discussion Items.

[16-3575](#) Conduct interview(s) for the City's Boards and Commissions.

[16-3580](#) Discuss City contribution rates for the Texas Municipal Retirement System (TMRS).

**Attachments:** [Presentation](#)

2. Discuss any City Council meeting agenda items.

*Please note: These items are for discussion purposes only and no Council action will be taken. The workshop session is for City Council and staff discussion. Citizen input is not permitted on this agenda.*

3. Adjournment.

As authorized by Section 551.072(2) of the Texas Government Code, this meeting may be convened into closed Executive Session at any time during the City Council workshop or regular meeting for the purpose of seeking confidential legal advice from the City Attorney on any workshop or regular meeting agenda item listed herein.

Posted: November 4, 2016; 5:00 p.m.

---

Michelle Lewis Sirianni, City Secretary

If you plan to attend this public meeting and you have a disability that requires special arrangements, please contact Michelle Lewis Sirianni, City Secretary at (972) 495-1212, 48 hours prior to the scheduled meeting date.



# City of Sachse, Texas

## Legislation Details (With Text)

**File #:** 16-3575      **Version:** 1      **Name:** Board and Commission interviews  
**Type:** Discussion Item      **Status:** Agenda Ready  
**File created:** 10/28/2016      **In control:** City Council Workshop  
**On agenda:** 11/7/2016      **Final action:**  
**Title:** Conduct interview(s) for the City's Boards and Commissions.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:**

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Title

Board and Commission interviews.

Background

The City Council recently conducted interviews on October 13 and 27, 2016. Most interviews were done during these two evenings. This agenda item will allow for any remaining interested candidates to be interviewed by Council.

Appointments are scheduled as an agenda item on the regular meeting.

Policy Considerations

None.

Budgetary Considerations

None.

Staff Recommendations

Conduct interviews as appropriate.



# City of Sachse, Texas

## Legislation Details (With Text)

<b>File #:</b>	16-3580	<b>Version:</b>	1	<b>Name:</b>	TMRS
<b>Type:</b>	Discussion Item	<b>Status:</b>	Agenda Ready		
<b>File created:</b>	11/3/2016	<b>In control:</b>	City Council		
<b>On agenda:</b>	11/7/2016	<b>Final action:</b>			
<b>Title:</b>	Discuss City contribution rates for the Texas Municipal Retirement System (TMRS).				
<b>Sponsors:</b>					
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	<a href="#">Presentation</a>				

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

Title  
City contribution rates for the Texas Municipal Retirement System (TMRS)

### Background

TMRS is a voluntary retirement system for 866 Texas cities. TMRS plans are portable across participating cities, with approximately 107,000 active member accounts and 57,000 annuitants. Each participating city chooses a benefit design for its employees with flexible options to meet the City's needs. Each TMRS city is independently funded, with its own assets and liabilities. The benefit is portable for members, and each city is only responsible for funding their portion. The primary financial objective of TMRS is to pre-fund the long-term costs of promised benefits to plan members and beneficiaries at an approximate level percent of payroll from year to year. The contribution rate for each TMRS city is set annually by an actuarial valuation performed as of December 31 of the preceding year. Many factors can affect changes in the city's contribution rate including investment returns, unexpected salary changes, higher/lower than expected turnover, and demographic changes.

For 2017, the actuarially determined contribution rate for the City of Sachse is 14.18%. The City's maximum contribution rate is commonly referred to as the Statutory Maximum, or "Stat Max". The TMRS Act sets a limit as to the maximum amount the System can require a city to contribute in a given year, based on the level of benefits the city has chosen to provide. The Stat Max was part of the original TMRS Act and was not individually adopted by the City of Sachse. This maximum does not limit the cost of a plan; it merely limits how much a city can be required to contribute in a given year for a certain benefit level. The TMRS Act allows any city to enact an ordinance that removes the Stat Max. Cities that joined TMRS after 1996 are not subject to the Stat Max law, and many TMRS cities have enacted ordinances to remove the maximum limit.

The City of Sachse has reached its statutory maximum and must consider one of the following maximum contribution rate limit options:

1. Remove the Statutory Maximum Contribution Rate Limit (by ordinance).
2. Increase the Statutory Maximum Contribution Rate Limit (by ordinance).

3. Pay the Actuarially Determined Calculated Rate (by ordinance; this is a one-year-at-a-time option, and causes annually repeating benefits to be turned off that year).
4. Pay the Statutory Maximum Contribution Rate Limit (annually repeating benefits will be turned off).

#### Policy Considerations

Consider approval of an ordinance that will allow the city to continue to pay the full contribution rate to TMRS. If the City's actuarially determined contribution rate exceeds the City's "Stat Max" limit and the City does not act to remove or increase the maximum, annually repeating benefits such as updated service credits and the annual annuity increases will be automatically turned off until the rate drops below the limit.

#### Budgetary Considerations

Actuarial rate for calendar 2017 was considered in establishing the 2016-2017 budget however an ordinance must be approved by the City Council to fully fund this benefit.

#### Staff Recommendations.

Discussion only.

# An Update on the Texas Municipal Retirement System

for

**City of Sachse**  
November 7<sup>th</sup>, 2016

[colin@tmrs.com](mailto:colin@tmrs.com)



# TMRS HISTORY AND MEMBERSHIP

- Voluntary retirement system for Texas cities.
- Governed by 6-member Board appointed by Governor with Senate approval.
- 866 cities participate in TMRS (not Houston, Dallas, Ft. Worth, Austin, El Paso, or Galveston).
- TMRS plans are portable across participating cities.
- TMRS has approximately 107,000 active member accounts and 57,000 annuitants.
- Each city chooses a benefit design for its employees; flexible options to meet city's needs (local control).

# SACHSE BENEFITS

- 7% Employee Contribution (01-1998)
- 2 to 1 match from city (01-1998)
- 5 year vesting – survivor benefits (01-2002)
- Retirement at 20 years of service or age 60 with 5 years service (03-2001)
- Restricted Prior Service Credit (09-1995)
- Supplemental Death Benefit (03-1988)
- Updated Service Credits (USC)-100% (01-1998)
- Cola – 70% CPI (01-1998)

# TMRS FUNDING BASICS

- TMRS is a “hybrid” cash-balance defined benefit plan with statutory regulations in place that ensure oversight and responsible funding.
- TMRS has a strong funding policy and a healthy funded ratio around 86%, with over 25 billion in assets.
- TMRS’ investment return assumption is 6.75%, one of the lowest among large public plans .
- Several changes have been made since 2007 to ensure long-term, advance funding of all benefits.
- All changes have also helped reduce volatility of city contributions from year-to-year.

# SACHSE FUNDING AND CONTRIBUTION RATE

- Each TMRS city is independently funded, with its own assets and liabilities. The benefit is portable for members, and each city is only responsible for funding their portion.
- The primary financial objective of TMRS is to pre-fund the long-term costs of promised benefits to plan members and beneficiaries at an approximate level percent of payroll from year to year.
- The contribution rate for each TMRS city is set annually by an actuarial valuation performed as of December 31 of the preceding year.
- Factors that can affect changes in the city's contribution rate include investment returns, unexpected salary changes, higher/lower than expected turnover, demographic changes, etc.
- For 2017, the actuarially determined contribution rate for the City of Sachse is 14.18%.

# WHAT IS THE MAXIMUM CONTRIBUTION RATE LIMIT?

- The Maximum Contribution Rate Limit is commonly referred to as the Statutory Maximum, or “Stat Max”.
- The TMRS Act sets a limit as to the maximum amount the System can require a city to contribute in a given year, based on the level of benefits the city has chosen to provide.
- The Stat Max was part of the original TMRS Act and was not individually adopted by the City of Sachse.
- For Sachse, and cities with similar TMRS plans, the Stat Max is 13.50%
- **The Stat Max does not limit the cost of a plan; it merely limits how much a city can be required to contribute in a given year for a certain benefit level.**
- The TMRS Act allows any city to enact an ordinance that removes the Stat Max.
- Cities that joined TMRS after 1996 are not subject to the Stat Max law, and many TMRS cities have enacted ordinances to remove the maximum limit.

# MAXIMUM CONTRIBUTION RATE LIMIT OPTIONS

- 1. Remove the Statutory Maximum Contribution Rate Limit (by ordinance).**
- 2. Increase, in certain cases, the Statutory Maximum Contribution Rate Limit (by ordinance).**
- 3. Pay the Actuarially Determined Calculated Rate (by ordinance; this is a one-year-at-a-time option, and causes annually repeating benefits to be turned off that year).**
- 4. Pay the Statutory Maximum Contribution Rate Limit (annually repeating benefits will be turned off).**

If a City's actuarially determined contribution rate exceeds the City's Stat Max limit and Sachse does not act to remove or increase the Stat Max, annually repeating benefits (USC and Annuity Increases) will be automatically "turned off" until the rate drops back below the limit.

# MAXIMUM CONTRIBUTION RATE LIMIT STAFF RECOMMENDATION

- Staff recommends Option 1, and that an ordinance is passed to remove the Stat Max.
- This will allow the city to continue to pay the full contribution rate to TMRS.
- Among your 21 benchmark cities:
  - 16 have removed the Stat Max
  - 1 increased the Stat Max to 15.50%
  - 4 have not reached the Stat Max

# QUESTIONS?

