July 17, 2015

City No. 00007

Finance Director
Town of Addison
P.O. Box 9010
Addison, TX 75001-9010

Subject: 2015 – Governmental Accounting Standards Board (GASB) Employer Reporting Package Based on the Actuarial Valuation dated December 31, 2014

Dear Finance Director:

This reporting package contains data specific to your city (TMRS city or "employer"), to assist your city in complying with the reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.* As a participating municipality with the Texas Municipal Retirement System (TMRS), your city should comply with provisions for an agent multiple-employer defined benefit pension plan.

In addition, this package contains information to assist you in complying with the reporting requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). GASB Statement No. 45 may be applicable if your city has elected to participate in the Supplemental Death Benefits Fund (SDBF) for your **retirees.** If applicable, your city should comply with the provisions for a cost-sharing multiple-employer defined benefit healthcare plan (as defined in GASB Stmt. No. 45).

Please also refer to the "Eye on GASB" section of the TMRS website for additional information related to the new pension standards. The reporting and disclosures are the responsibility of the city (employer) and the city's independent public accountant.

If you have questions or require additional assistance, please contact TMRS at 800-924-8677 or email to pensionaccounting@TMRS.com.

Sincerely,

Rhonda H. Covarrubias

Rhonda H. Covarrubias
Director of Finance

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

TOWN OF ADDISON, TEXAS

GASB STATEMENT NO. 68 EMPLOYER REPORTING

ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM

(AN AGENT MULTIPLE-EMPLOYER SYSTEM)

DECEMBER 31, 2014 MEASUREMENT DATE

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

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July 17, 2015

City #00007

Finance Director
Town of Addison
P.O. Box 9010
Addison, TX 75001-9010

Subject: GASB Statement No. 68 (GASB No. 68 or GASB 68) Employer Reporting Information

Dear Finance Director:

As required by the Governmental Accounting Standards Board (GASB) Statement No. 68 "*Accounting and Financial Reporting for Pensions*" (GASB No. 68), your city must disclose its participation in the Texas Municipal Retirement System (TMRS). This document includes schedules and information for your city to prepare its GASB disclosures for your 2015 fiscal year, as determined by the December 31, 2014 actuarial valuation and measurement date.

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB No. 68. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB No. 68. Our calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB No. 68 may produce significantly different results.

This report is based upon information, furnished to us by TMRS, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If your understanding of this information is different, please let us know by contacting your TMRS representative. This information was checked for internal consistency but was not otherwise audited.

To the best of our knowledge, the information contained with this report is accurate and fairly represents the actuarial position of the Town of Addison in its participation in the Texas Municipal Retirement System. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Mark Randall and Joe Newton are members of the American Academy of Actuaries (MAAA) and meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

By *Mark R. Randall*
Mark Randall, FCA, EA, MAAA
Chief Executive Officer

By *Joe Newton*
Joseph Newton, FSA, EA, MAAA
Senior Consultant

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
as of December 31, 2014

Actuarial Valuation and Measurement Date, December 31,	2013	2014
Membership		
Number of		
- Inactive employees or beneficiaries currently receiving benefits	154	169
- Inactive employees entitled to but not yet receiving benefits	164	179
- Active employees	255	256
- Total	573	604
Covered Payroll	$ 16,603,192	$ 17,479,153
Net Pension Liability		
Total Pension Liability	$ 124,907,757	$ 130,206,861
Plan Fiduciary Net Position	107,639,477	111,548,026
Net Pension Liability	$ 17,268,280	$ 18,658,835
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.18%	85.67%
Net Pension Liability as a Percentage of Covered Payroll	104.01%	106.75%
Development of the Single Discount Rate		
Single Discount Rate	7.00%	7.00%
Long-Term Expected Rate of Return	7.00%	7.00%
Long-Term Municipal Bond Rate*	4.73%	3.65%
Last year ending December 31 in the 100 year projection period for which projected benefit payments are fully funded	N/A	N/A

*Based on the Bond Buyer 20 Bond Index of general obligation bonds as of December 26, 2013 and December 25, 2014 respectively as these are the weekly rate closest to but not later than the Measurement Dates.

IMPLEMENTING AND REPORTING YOUR PENSION AMOUNTS

Report Purpose and Scope

GASB No. 68 establishes standards for pension accounting and financial reporting for your city as a member government ("employer") of TMRS (a defined benefit, multiple-employer, agent system). Under GASB No. 68, the employer must report the net pension liability, pension expense, and related deferred inflows and outflows of resources associated with providing retirement benefits to their employees (and former employees) in their basic financial statements. In addition, extensive note disclosures and related Required Supplementary Information are also required. The purpose of this report is to provide the employer government with the actuarially calculated pension amounts in the format recommended by the AICPA State and Local Government Expert Panel Whitepaper: *"Governmental Employer Participation in Agent Multiple-Employer Plans: Issues Related to Information for Employer Reporting".*

Actuarial information required to be reported or disclosed by GASB No. 68 are contained in this report. However, the following information is not included in this report because it is not actuarial in nature or it was not available at the time of this report:

- Pension Plan Description - Paragraph 40 requires the employer to include a description of the pension plan. A description of the plan is provided by TMRS in their "GASB – Employer Reporting Guide", and also in the TMRS CAFR, both found on their website. The city can use the description information and provide their respective plan provisions in their disclosure.
- Pension Investment Disclosures Related to Discount Rate - Paragraph 42.f. requires disclosures regarding asset allocation and expected rates of return which are also in the "GASB – Employer Reporting Guide".

Financial Reporting Overview

GASB 68 focuses primarily on the economic flow of resources, full accrual accounting that is reported in the government-wide and proprietary fund financial statements. Governmental fund reporting and budgetary basis accounting that most governments utilize throughout the year will be unaffected. This report will provide most of the information necessary for employer's financial reporting needs and for employer's to perform their year-end GAAP conversion. This conversion can be divided into the following categories:

1. Recording the initial entries as a prior period adjustment and
2. Recording current year entries for the employer's financial statements (Statement of Net Position and Statement of Changes in Net Position).

1. Beginning Prior Period Adjustment

For the year of implementation, the employer government will have to record a prior period adjustment to beginning Net Position as required by paragraph 137. TMRS has elected to not provide any beginning deferred inflow or outflow of resources as is permitted by the standard.

However, the member government will need to record a beginning deferred outflow of resources for contributions made between the measurement date and fiscal year-end as required by GASB Statement No. 71, *"Pension Transition for Contributions Made Subsequent to the Measurement Date."* The initial prior period adjustment entry will look similar to:

Deferred Outflow of Resources-Contributions (after 12/31/13)	xxx	
Unrestricted Net Position	xxx	
Net Pension Liability (as of 12/31/13)		yyy

In addition, those governments that chose to phase-in their 2009 rate increase, will need to eliminate the Net Pension Obligation that is currently reported in the government-wide and proprietary fund financial statements with a prior period adjustment entry similar to:

Net Pension Obligation	xxx	
Unrestricted Net Position		yyy

Governments that have made additional voluntary contributions above the annual required contribution will need to eliminate the Net Pension Asset recorded in their government-wide and proprietary fund financial statements with a prior period adjustment entry similar to:

Unrestricted Net Position	xxx	
Net Pension Asset		yyy

2. Current Year Entries

GASB 68 requires employers to recognize the net pension liability and the pension expense on their financial statements. The net pension liability (NPL) is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement). The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability and investment experience. Member governments should expect far greater volatility in the NPL than they have seen in the funding-based financial reporting of GASB Statement No. 27. Based on future investment performance, the NPL may be either higher or lower than the funding-based unfunded actuarial accrued liability and it is likely to change far more in any given year than the funding-based numbers.

Once the prior period adjustment(s) has been recorded, the member government will need to record the pension amounts for the year:

a. Recording the Net Pension Liability and related deferred inflows and outflows of resources on the Statement of Net Position and
b. Recording pension expense in the Statement of Changes in Net Position, by :
   (1) Converting fiscal year contributions to TMRS' calendar year contributions,
   (2) Eliminating total contributions/pension expenditures per the general ledger

(3) Reflecting the change in the Net Pension Liability from the beginning of the period to the end of the period
(4) Recording current year deferral amounts for expected vs. actual experience, current year changes in assumption(s) and investment return over/under expectation
(5) Amortizing any existing deferred inflows and outflows of resources (there should be none in the first/implementation year).

Employers will need to convert the fiscal year contributions currently recorded in their general ledger to the calendar year 2014 contributions received by TMRS. This is accomplished by recording a prior period adjustment for a deferred outflow of resources for all contributions made for periods between December 31, 2013 and your 2014 fiscal year-end (see item 1 – Beginning Prior Period Adjustment) and adjusting that deferred outflow at the end of your 2015 fiscal year-end so that it equals the contributions made between December 31, 2014 and your 2015 fiscal year-end (See item 1. of current year entries). Once these adjustments are made, the 2015 fiscal year contributions shown in your records should equal or approximate the contributions shown by TMRS on line B. 1 in the Schedule of Changes in the Net Pension Liability and Related Ratios shown in the Financial Schedules section of this report.

The entry below is provided for illustrative purposes only. This example assumes that the net pension liability increased from the beginning of the year, that current year actuarial experience resulted in a gain (deferred inflow) and that investment experience compared to expectation resulted in a loss (deferred outflow). Your experience may vary.

Pension Expense	xxx	
Deferred Outflow-Contributions After 12/31/2014	xxx	
Deferred Outflow-Investment Experience	xxx	
Contributions		yyy
Reversing of Deferred Outflow-Contributions After December 31, 2013		yyy
Deferred Inflow-Actual Experience vs. Assumption		yyy
Net Pension Liability (current year change)		yyy

In future years this entry will also include amortization of prior year deferred amounts.

In addition, the employer is responsible for allocating the pension amounts between the governmental activities and business-type activities columns of the government-wide financial statements and between individual proprietary funds.

Notes to Financial Statements

GASB No. 68 requires the notes of the employer’s financial statements to disclose the total pension expense, the pension plan’s liabilities and assets, and deferred outflows of resources and inflows of resources related to pensions.

In addition, GASB 68 (paragraphs 37 – 45) requires the notes of the financial statements for the employers to include certain additional information, including such items as (not all inclusive):

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;

- the number and classes of employees covered by the benefit terms;
- for the current year, sources of changes in the net pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the single discount rate;
- certain information about mortality assumptions and the dates of experience studies;
- the date of the valuation used to determine the total pension liability;
- information about changes of assumptions or other inputs and benefit terms;
- the basis for determining contributions to the plan, including a description of the plan's funding policy, as well as member and employer contribution requirements;
- the total pension liability, fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes; and
- a description of the system that administers the pension plan.

The employer can refer to TMRS' "GASB – Employer Reporting Guide" for more detailed information on these items and/or where the information is located.

Required Supplementary Information

The financial statements of employers should also include required supplementary information showing the 10-year fiscal history (built prospectively, as the information becomes available) of:

- changes in the net pension liability (as of the measurement date);
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll (as of the measurement date); and
- comparison of actual employer contributions to the actuarially determined contributions based on the plan's funding policy (as of the employer fiscal year-end date).

Timing of the Valuation

Per GASB 68, an actuarial valuation to determine the total pension liability is required to be performed at least every two years. For the employer's financial reporting purposes, the net pension liability and pension expense should be measured as of the employer's "measurement date" which may not be earlier than the employer's prior fiscal year-end date. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of December 31, 2014 and a measurement date of December 31, 2014; as such, no roll-forward is required.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan's projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 3.65% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve). A single discount rate of 7.0% was used to measure the total pension liability as of December 31, 2014. This single discount rate was based on the expected rate of return on pension plan investments of 7.0%. Based on the stated assumptions and the projection of cash flows, the City's fiduciary net position and future contributions were sufficient to finance the future benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for the City. The projection of cash flows used to determine the single discount rate for the City assumed that the funding policy adopted by the TMRS Board will remain in effect for all future years. Under this funding policy, the City will finance the unfunded actuarial accrued liability over the years remaining for the closed period existing for each base in addition to the employer portion of all future benefit accruals (i.e. the employer normal cost).

Ad Hoc Benefit Increases

Paragraph 62 of GASB 68 requires that the projected benefit payments used in the calculation of the Total Pension Liability (TPL) should include future ad hoc benefit changes if they are deemed to be substantively automatic. For purposes of determining the TPL for the municipality, the default method for determining whether ad hoc benefit enhancements are substantively automatic is if they have been granted in i) 1 of the last 2 years and ii) 2 of the last 5 years. The default criteria will be applied beginning with the first ad hoc adoption on or after January 1, 2015.

SECTION B

FINANCIAL SCHEDULES

SCHEDULE OF PENSION EXPENSE

1.	Total Service Cost	$	2,819,937
2.	Interest on the Total Pension Liability		8,660,470
3.	Current Period Benefit Changes		0
4.	Employee Contributions (Reduction of Expense)		(1,224,976)
5.	Projected Earnings on Plan Investments (Reduction of Expense)		(7,534,763)
6.	Administrative Expense		64,289
7.	Other Changes in Fiduciary Net Position		5,286
8.	Recognition of Current Year Outflow (Inflow) of Resources-Liabilities		(221,190)
9.	Recognition of Current Year Outflow (Inflow) of Resources-Assets		275,485
10.	Amortization of Prior Year Outflows (Inflows) of Resources-Liabilities		0
11.	Amortization of Prior Year Outflows (inflows) of Resources-Assets		0
12.	Total Pension Expense	$	2,844,538

SCHEDULE OF OUTFLOWS AND INFLOWS – CURRENT AND FUTURE EXPENSE

A.

	Recognition Period (or amortization yrs)	Total (Inflow) or Outflow of Resources	**2014 Recognized in current pension expense**	Deferred (Inflow)/Outflow in future expense
Due to Liabilities:				
Difference in expected and actual experience [actuarial (gains) or losses]	4.4661	$ (987,858)	$ (221,190)	$ (766,668)
Difference in assumption changes [actuarial (gains) or losses]	4.4661	$ 0	$ 0	$ 0
			$ (221,190)	$ (766,668)
Due to Assets:				
Difference in projected and actual earnings on pension plan investments [actuarial (gains) or losses]	5.0000	$ 1,377,425	$ 275,485	$ 1,101,940
			$ 275,485	$ 1,101,940
Total:				$ 335,272

B. Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2015	$ 54,295
2016	54,295
2017	54,295
2018	172,387
2019	0
Thereafter	0
Total	$ 335,272

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CURRENT PERIOD

A. Total pension liability		
1. Service Cost	$	2,819,937
2. Interest (on the Total Pension Liability)		8,660,470
3. Changes of benefit terms		0
4. Difference between expected and actual experience		(987,858)
5. Changes of assumptions		0
6. Benefit payments, including refunds of employee contributions		(5,193,445)
7. Net change in total pension liability	$	5,299,104
8. Total pension liability – beginning		124,907,757
9. Total pension liability – ending	**$**	130,206,861
B. Plan fiduciary net position		
1. Contributions – employer	$	1,789,255
2. Contributions – employee		1,224,976
3. Net investment income		6,157,338
4. Benefit payments, including refunds of employee contributions		(5,193,445)
5. Administrative Expense		(64,289)
6. Other		(5,286)
7. Net change in plan fiduciary net position	$	3,908,549
8. Plan fiduciary net position – beginning		107,639,477
9. Plan fiduciary net position – ending	**$**	111,548,026
C. Net pension liability [A.9 – B.9]	**$**	18,658,835
D. Plan fiduciary net position as a percentage of the total pension liability [B.9 / A.9]		85.67%
E. Covered-employee payroll	**$**	17,479,153
F. Net pension liability as a percentage of covered employee payroll [C / E]		106.75%

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Years (will ultimately be displayed)

	2014	2015	2016	2017
Total pension liability				
Service Cost	$ 2,819,937	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Interest (on the Total Pension Liability)	8,660,470	xxx,xxx	xxx,xxx	xxx,xxx
Changes of benefit terms	0	xxx,xxx	xxx,xxx	xxx,xxx
Difference between expected and actual experience	(987,858)	xxx,xxx	xxx,xxx	xxx,xxx
Change of assumptions	0	xxx,xxx	xxx,xxx	xxx,xxx
Benefit payments, including refunds of employee contributions	(5,193,445)	xxx,xxx	xxx,xxx	xxx,xxx
Net Change in Total Pension Liability	5,299,104	xxx,xxx	xxx,xxx	xxx,xxx
Total Pension Liability - Beginning	124,907,757	xxx,xxx	xxx,xxx	xxx,xxx
Total Pension Liability - Ending (a)	$ 130,206,861	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Plan Fiduciary Net Position				
Contributions - Employer	$ 1,789,255	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contributions - Employee	1,224,976	xxx,xxx	xxx,xxx	xxx,xxx
Net Investment Income	6,157,338	xxx,xxx	xxx,xxx	xxx,xxx
Benefit payments, including refunds of employee contributions	(5,193,445)	xxx,xxx	xxx,xxx	xxx,xxx
Administrative Expense	(64,289)	xxx,xxx	xxx,xxx	xxx,xxx
Other	(5,286)	xxx,xxx	xxx,xxx	xxx,xxx
Net Change in Plan Fiduciary Net Position	3,908,549	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position - Beginning	107,639,477	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position - Ending (b)	$ 111,548,026	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Net Pension Liability - Ending (a) - (b)	$ 18,658,835	xxx,xxx	xxx,xxx	xxx,xxx
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	85.67%	x.xx%	x.xx%	x.xx%
Covered Employee Payroll	$ 17,479,153	xxx,xxx	xxx,xxx	xxx,xxx
Net Pension Liability as a Percentage of Covered Employee Payroll	106.75%	x.xx%	x.xx%	x.xx%

Notes to Schedule:

N/A

Note to City: GASB 68 requires 10 fiscal years of data to be provided in this schedule. GRS will provide the current year results. The employer will be required to build this schedule over the next 10-year period.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2014	2015	2016	2017
Actuarially Determined Contribution	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contributions in relation to the actuarially determined contribution	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contribution deficiency (excess)	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Covered employee payroll	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx	$ xxx,xxx
Contributions as a percentage of covered employee payroll	xx.xx%	xx.xx%	xx.xx%	xx.xx%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	14 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	3.0%
Salary Increases	3.50% to 12.00% including inflation
Investment Rate of Return	7.00%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 - 2009
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	Granted 70% ad hoc COLA.

Note to City:

GASB 68 requires 10 fiscal years of data to be provided in the Schedule of Contributions; the City will build this report over the next 10-year period. **The data in this schedule is based on the City's fiscal year-end**, not the valuation/measurement date as provided in other schedules of this report.

The Actuarially Determined Contribution (ADC) dollar amount can be calculated by multiplying the City's Full Retirement Rate (excludes portion of rate for Supplemental Death Benefits Fund) by the applicable payroll amount (for payroll, cities can use "gross earnings" as noted on line 1 of their TMRS-3 "Summary of Monthly Payroll Report"). The applicable months for the City's fiscal year are summed to determine the total ADC. Actual contribution amounts (employer-portion) remitted to TMRS will equal the "contributions in relation to ADC", with the deficiency/(excess) result then calculated. Covered employee payroll is the sum of the "gross earnings" for the applicable months of the TMRS-3 reports.

For additional detailed information, please reference the TMRS "GASB-Employer Reporting Guide."

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

1% Decrease 6.00%	Current Single Rate Assumption 7.00%	1% Increase 8.00%
$37,218,667	$18,658,835	$3,487,151

SECTION C

ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Summary of Actuarial Assumptions

Except for the post-retirement mortality rates for healthy annuitants and the mortality assumption used to develop the Annuity Purchase Rates (APRs), these actuarial assumptions were developed from the actuarial investigation of the experience of TMRS over the four year period from January 1, 2006 to December 31, 2009. They were adopted in 2011 and first used, in conjunction with fund restructuring, in the December 31, 2010 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and APRs were updated based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the current valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. These assumptions apply to both the Pension Trust and the Supplemental Death Benefits Fund as applicable.

I. Economic Assumptions

A. General Inflation – General Inflation is assumed to be 3.00% per year.

B. Discount/Crediting Rates

1. System-wide Investment Return Assumption: 7.00% per year, compounded annually, composed of an assumed 3.00% inflation rate and a 4.00% net real rate of return. This rate represents the assumed return, net of all investment expenses. This is the discount rate used to value the liabilities of the individual employers.

2. For the Supplemental Death Benefits Fund, the rate is 4.25% per year, compounded annually, and derived as a blend of 5.00% for the portion of the benefits financed by advance funding contributions and a short-term interest rate for the portion of the benefits financed by current contributions.

3. Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

C. Overall Payroll Growth – 3.00% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth.

D. Individual Salary Increases -

Salary increases are assumed to occur once a year, on January 1.

Age	Rate (%)
20	5.25
25	5.25
30	5.25
35	5.00
40	4.50
45	4.50
50	4.00
55	4.00
60	3.75
65 & over	3.50

The above age-related rates are assumed for service with more than 10 years of service. For participants with 10 years of service or less, salaries are assumed to increase by the following graduated scale.

Years of Service	Rate (%)
0-1	12.00
1-2	9.00
2-3	7.00
3-4	7.00
4-5	6.00
5-6	6.00
6-7	5.50
7-8	5.50
8-9	5.50
9-10	5.50

E. Annuity Increase – The Consumer Price Index (CPI) is assumed to be 3.00% per year prospectively. Annuity Increases, for Town of Addison annual annuity increases of 2.1% are assumed when calculating the TPL.

II. Demographic Assumptions

A. Termination Rates

1. For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For Town of Addison the base table is then multiplied by a factor of 90.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee's classification: 1) Fire – 64%, 2) Police – 92%, or 3) Other – 105%. A sample of the base rates follows:

Males

Age	Service 0	1	2	3	4	5	6	7	8	9
20	0.3298	0.2707	0.2229	0.1876	0.1620	0.1426	0.1249	0.1094	0.0979	0.0867
25	0.3123	0.2485	0.2020	0.1701	0.1479	0.1308	0.1152	0.1013	0.0906	0.0810
30	0.2930	0.2235	0.1775	0.1490	0.1305	0.1163	0.1033	0.0914	0.0818	0.0744
35	0.2778	0.2089	0.1632	0.1356	0.1186	0.1059	0.0946	0.0842	0.0757	0.0696
40	0.2641	0.1987	0.1538	0.1264	0.1099	0.0980	0.0880	0.0789	0.0713	0.0661
45	0.2506	0.1900	0.1470	0.1199	0.1035	0.0922	0.0832	0.0752	0.0685	0.0635
50	0.2364	0.1811	0.1410	0.1149	0.0987	0.0880	0.0799	0.0730	0.0669	0.0616
55	0.2215	0.1718	0.1356	0.1110	0.0950	0.0854	0.0781	0.0720	0.0662	0.0601
60	0.2057	0.1623	0.1307	0.1082	0.0926	0.0844	0.0777	0.0723	0.0666	0.0591
65	0.1899	0.1530	0.1262	0.1058	0.0905	0.0839	0.0778	0.0731	0.0674	0.0584
70	0.1725	0.1427	0.1211	0.1031	0.0881	0.0832	0.0778	0.0739	0.0681	0.0575

Females

Age	Service 0	1	2	3	4	5	6	7	8	9
20	0.3289	0.2849	0.2465	0.2162	0.1941	0.1780	0.1621	0.1446	0.1274	0.1114
25	0.3079	0.2623	0.2252	0.1972	0.1774	0.1633	0.1496	0.1346	0.1191	0.1037
30	0.2837	0.2343	0.1976	0.1718	0.1549	0.1434	0.1330	0.1214	0.1084	0.0938
35	0.2664	0.2138	0.1761	0.1512	0.1360	0.1264	0.1185	0.1094	0.0984	0.0851
40	0.2532	0.1977	0.1585	0.1335	0.1192	0.1110	0.1048	0.0978	0.0887	0.0770
45	0.2427	0.1856	0.1449	0.1194	0.1051	0.0973	0.0921	0.0865	0.0792	0.0696
50	0.2337	0.1765	0.1352	0.1088	0.0936	0.0854	0.0802	0.0755	0.0698	0.0629
55	0.2250	0.1699	0.1294	0.1020	0.0849	0.0753	0.0692	0.0647	0.0606	0.0569
60	0.2166	0.1659	0.1277	0.0992	0.0793	0.0671	0.0590	0.0541	0.0515	0.0516
65	0.2082	0.1629	0.1275	0.0979	0.0749	0.0596	0.0493	0.0437	0.0426	0.0467
70	0.1990	0.1593	0.1270	0.0962	0.0697	0.0512	0.0384	0.0322	0.0327	0.0412

2. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For Town of Addison the base table is then multiplied by a factor of 90.0% based on the experience of the city in comparison to the group as a whole (same factor as above). A further multiplier is applied depending on an employee's classification: 1) Fire – 54%, 2) Police – 80%, or 3) Other – 109%. A sample of the base rates follows:

Years from Retirement	Male	Female
1	0.0171	0.0219
2	0.0244	0.0307
3	0.0300	0.0374
4	0.0348	0.0431
5	0.0390	0.0480
6	0.0429	0.0525
7	0.0464	0.0566
8	0.0497	0.0604
9	0.0528	0.0640
10	0.0557	0.0674
11	0.0585	0.0706
12	0.0612	0.0737
13	0.0637	0.0766
14	0.0662	0.0794
15	0.0686	0.0822

Termination rates end at first eligibility for retirement

B. Forfeiture Rates (withdrawal of member deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates shown in (A). The withdrawal rates for cities with a 2-to-1 match are shown below. 2% is added to the rates for 1½-to-1 cities, and 4% is added for 1-to-1 cities.

Age	Percent of Terminating Employees Choosing to Take a Refund
25	0.5200
30	0.4790
35	0.4380
40	0.3970
45	0.3560
50	0.3150
55	0.2740

Forfeiture rates end at first eligibility for retirement.

C. Service Retirees and Beneficiary Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by a factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. Sample rates prior to adjustment for city size are shown below.

	Annual Rate				
Attained Age in 2013	Males	Females	Attained Age in 2013 (cont.)	Males	Females
(1)	(2)	(3)	(4)	(5)	(6)
40	0.001437	0.000870	65	0.014477	0.009154
45	0.001880	0.001374	70	0.023964	0.016405
50	0.002528	0.001944	75	0.038627	0.027194
55	0.004398	0.002697	80	0.063179	0.043098
60	0.008228	0.004473	85	0.103059	0.073161

D. Disabled Annuitant Mortality Rates

For calculating the actuarial liability and the retirement contribution rates, the gender-distinct RP2000 Disabled Retiree Mortality Table with both male and female rates multiplied by 80%.

Age	Males	Females
40	0.018057	0.005960
45	0.018057	0.005960
50	0.023180	0.009228
55	0.028354	0.013235
60	0.033634	0.017471
65	0.040139	0.022421
70	0.050066	0.030108
75	0.065654	0.041784
80	0.087498	0.057850

Mortality Improvement: To account for future mortality improvement, the rates were chosen so that the assumed mortality rates are smaller than the rates observed in the most recent experience study. The ratio of the actual number of deaths occurring during this period to the expected number based on the selected assumptions was 98% for disabled male annuitants, 171% for disabled female annuitants, and 108% on a combined basis.

E. Annuity Purchase Rates

For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) for 2014 are based on the UP-1984 Table with an age setback of two years for retirees and an age setback of eight years for beneficiaries. Beginning in 2027 the APRs will be based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries. From 2015 through 2026, the fully generational APRs will be phased into.

F. Pre-Retirement Mortality Rates-Gender-distinct RP2000 Combined Healthy Mortality Table projected to the year 2003 by Scale AA, with a 5 year setback for both males and females

Age	Males	Females
20	0.000254	0.000162
25	0.000326	0.000182
30	0.000365	0.000198
35	0.000437	0.000256
40	0.000761	0.000459
45	0.001053	0.000675
50	0.001450	0.001071
55	0.002025	0.001592
60	0.003421	0.002652
65	0.006428	0.004980

Mortality Improvement: While future mortality improvement is not assumed, the rates were chosen so that the assumed mortality rates are larger than the rates observed in the most recent experience study to build in margin for adverse experience.

G. Disability Rates

Age	Males	Females
20	0.000042	0.000014
25	0.000049	0.000021
30	0.000095	0.000043
35	0.000265	0.000131
40	0.000673	0.000359
45	0.001295	0.000754
50	0.002082	0.001333
55	0.003061	0.002178
60	0.003842	0.002990
65	0.003842	0.002990

H. Service Retirement Rates, applied to both Active and Inactive Members

The base table rates vary by gender, entry age group, and age. For retirees under the age of 62, the rates for active members are then multiplied by 2 factors based on 1) employee contribution rate and employer match and 2) if the city has a recurring COLA.

	Males Entry Age Groups			Females Entry Age Groups		
Age	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over	Ages 32 & Under	Ages 33 - 47	Ages 48 & Over
40-44	0.06	-	-	0.06	-	-
45-49	0.06	-	-	0.06	-	-
50-52	0.08	-	-	0.08	-	-
53	0.08	0.10	-	0.08	0.10	-
54	0.08	0.10	-	0.11	0.10	-
55-59	0.14	0.10	-	0.11	0.10	-
60	0.20	0.15	0.10	0.14	0.15	0.10
61	0.25	0.30	0.20	0.28	0.26	0.20
62	0.32	0.25	0.12	0.28	0.17	0.12
63	0.32	0.23	0.12	0.28	0.17	0.12
64	0.32	0.35	0.20	0.28	0.22	0.20
65	0.32	0.32	0.20	0.28	0.27	0.20
66-69	0.22	0.22	0.17	0.22	0.22	0.17
70-74	0.20	0.22	0.25	0.22	0.22	0.25
75 and over	1.00	1.00	1.00	1.00	1.00	1.00

Note: For cities without a 20-year/any age retirement provision, the active employee rates for entry ages 32 and under are loaded by 20% for ages below 60.

Plan Design Factors Applied to Base Retirement Rates

	Employee Contribution Rate		
Employer Match	5%	6%	7%
1 - 1	0.75	0.80	0.84
1.5 - 1	0.81	0.86	0.92
2 - 1	0.86	0.93	1.00

Recurring COLA: 1.00

No Recurring COLA: 0.90

I. Methods and Assumptions

A. Valuation of Assets – For purposes of GASB 68 assets are valued at market value.

B. Actuarial Cost Method: The actuarial cost method being used is known as the Entry Age Normal Actuarial Cost Method. The Entry Age Normal Actuarial Cost Method develops the annual cost of the Plan in two parts: that attributable to benefits accruing in the current year, known as the normal cost, and that due to service earned prior to the current year, known as the amortization of the unfunded actuarial accrued liability. The normal cost and the actuarial accrued liability are calculated individually for each member. The normal cost rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The normal cost is calculated using an entry age based on benefit service with the current city. If a member has additional time-only vesting service through service with other TMRS cities or other public agencies, they retain this for determination of benefit eligibility and decrement rates. The salary-weighted average of these rates is the total normal cost rate. The unfunded actuarial accrued liability reflects the difference between the portion of projected benefits attributable to service credited prior to the valuation date and assets already accumulated. The unfunded actuarial accrued liability is paid off in accordance with a specified amortization procedure outlined in C below.

C. Amortization Policy: For "underfunded" cities with twenty or more employees, the amortization as of the valuation date is a level percentage of payroll over a closed period using the process of "laddering". Bases that existed prior to this valuation continue to be amortized on their original schedule. New experience losses are amortized over individual periods of either 25 or 30 years. New gains (including lump sum payments) are offset against and amortized over the same period as the current largest outstanding loss base for the specific City which in turn decreases contribution rate volatility.

Once a City reaches an "overfunded" status, all prior non ad hoc bases are erased and the surplus for overfunded cities is amortized over a 25 year open period.

Ad hoc benefit enhancements are amortized over individual 15 year periods using a level dollar policy.

For the December 31, 2013 actuarial valuation, there was a one-time change in the amortization policy for underfunded cities implemented in conjunction with the changes to the assumptions and cost method to minimize rate volatility associated with these changes. An initial ARC was developed using the methodology described above. For cities with a decrease in the rate compared to the rate calculated prior to changes, the amortization period for all non-ad hoc bases was shortened enough to keep the rates stable (if possible). Cities with an increase of more than 0.50% were allowed to extend the amortization periods for non-ad hoc bases up to 30 years to keep the full contribution rate from increasing. For cities with an increase of 0.50% or less, the amortization periods for all non-ad hoc bases *could* be extended to 25 years to keep the rate from increasing. The amortization period calculated in the prior steps was then rounded up to the nearest integer to calculate the final full contribution rate.

D. Small City Methodology – For cities with fewer than twenty employees, more conservative methods and assumptions are used. First, lower termination rates are used for smaller cities, with maximum multipliers of 75% for employers with less than 6 members, 85% for employers with 6 to 10 members, and 100% for employers with 11 to 15 members.

There is also a load on the life expectancy for employers with less than 15 active members. The life expectancy will be loaded by decreasing the mortality rates by 1% for every active member less than 15. For example, an employer with 5 active members will have the baseline mortality tables multiplied by 90% (10 active members times 1%).

For underfunded plans, the maximum amortization period for amortizing gains and losses is decreased from current levels by 1 year for each active member less than the 20 member threshold. For example, an employer with 8 active members and a current maximum amortization period of 25 will use (25-(20-8)) = 13 year amortization period for the gain or loss in that year's valuation. Under this policy, the lowest amortization period will be 25-(20-1) = 6 years. Once the plan is overfunded, the amortization period will revert back to the standard 25 years.

II. Other Assumptions

1. Valuation payroll (used for determining the amortization contribution rate): A three year exponential average of the actual salaries paid during the prior fiscal years, moved forward with one year's payroll growth rate and adjusted for changes in population.

2. Individual salaries used to project benefits: Actual salaries from the past three fiscal years are used to determine the USC final average salary as of the valuation date. For future salaries, this three-year average is projected forward with two years of salary scale to create the salary for the year following the valuation. This is similar to a three-year exponetial moving average. This value is then projected with normal salary scales.

3. Timing of benefit payments: Benefit payments are assumed to be made in the middle of the month. Although TMRS benefits are paid at the end of the month, eligibility for that payment is determined at the beginning of the month. A middle of month payment approximates the impact of the combination of eligibility determination and actual payment timing.

4. Percent married: 75% of male and 70% of female employees are assumed to be married.

5. Age difference: Male members are assumed to be three years older than their spouses, and female members are assumed to be three years younger than their spouses.

6. Percent electing annuity on death (when eligible): All of the spouses of vested, married participants are assumed to elect an immediate life annuity.

7. Partial Lump Sum Utilization: It is assumed that each member at retirement will withdraw 40% of their eligible account balance.

8. Inactive Population: All non-vested members of a city are assumed to take an immediate refund if they are not contributing members in another city. Vested members not contributing in another city are assumed to take a deferred retirement benefit, except for those who have terminated in the past 12 months for whom one year of forfeiture probability is assumed. The forfeiture rates for inactive members of a city who are contributing members in another city are equal to the probability of termination multiplied by the forfeiture rates shown in II(A) and II(B) respectively. These rates are applied each year until retirement eligibility. Once a member is retirement eligible, they are assumed to commence benefits based on the service retirement rates shown in II(H).

9. There will be no recoveries once disabled.

10. No surviving spouse will remarry and there will be no children's benefit.

11. Decrement timing: Decrements of all types are assumed to occur mid-year.

12. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

13. Decrement relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

14. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.

15. Benefit Service: All members are assumed to accrue 1 year of eligibility service each year.

16. The decrement rates for service related decrements are based on total TMRS eligibility service.

III. Participant Data

Participant data was supplied in electronic text files. There were separate files for (i) active and inactive members, and (ii) members and beneficiaries receiving benefits.

The data for active members included birthdate, gender, service with the current city and total vesting service, salary, employee contribution account balances, as well as the data used in the next calculation of the Updated Service Credit (USC). For retired members and beneficiaries, the data included date of birth, gender, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, form of payment code, and aggregate increase in the CPI that will be used in the next calculation of the cost of living adjustment.

To the extent possible we have made use of all available data fields in the calculation of the liabilities stated in this report. Actual CPI is used to model the wear-away effect or "catch-up" when a city changes its COLA provisions. Adjustments are made for members who have service both in a city with "20 and out" retirement eligibility and one that hasn't adopted it to calculate the earliest possible retirement date.

Salary supplied for the current year was based on the annualized earnings for the year preceding the valuation date.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

SECTION D

DEFERRED INFLOWS/OUTFLOWS OF RESOURCES – AMORTIZATION SCHEDULES FOR FUTURE PENSION EXPENSES

Amortization Schedule

Deferred (Inflows)/Outflows of Resources

	Recognition period (or amortization years)	Total (Inflow) or Outflow of Resources	Measurement Year 2014	2015	2016	2017	2018	2019	Thereafter	Total
Due to Liabilities:										
2014 difference in experience (inflows) /outflows	4.4661	$ (987,858)	$ (221,190)	$ (221,190)	$ (221,190)	$ (221,190)	$ (103,098)	$ 0	$ 0	$ (987,858)
			$ (221,190)	$ (221,190)	$ (221,190)	$ (221,190)	$ (103,098)	$ 0	$ 0	
2014 difference in assumptions (inflows) /outflows	4.4661	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
			$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	
Due to Assets:										
2014 excess investment returns (inflows) /outflows	5.0000	1,377,425	$ 275,485	$ 275,485	$ 275,485	$ 275,485	$ 275,485	$ 0	$ 0	$ 1,377,425
			$ 275,485	$ 275,485	$ 275,485	$ 275,485	$ 275,485	$ 0	$ 0	

SECTION E

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Agent Multiple-Employer Defined Benefit Pension Plan	A multiple-employer plan in which the assets of the participating government employers are pooled for investment purposes but separate accounts are maintained for each individual employer. As a result, each participating employer's share of the pooled assets is legally available to pay the defined benefit pensions of only its retirees.

GLOSSARY OF TERMS

Amortization Method The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be "open" (meaning, reset each year) or "closed" (the number of years remaining will decline each year.

Covered-Employee Payroll The annual payroll of covered employees, which is typically only the pensionable pay.

Deferred Inflows and Outflows The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.

Discount Rate For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:

1. The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and;

2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

Entry Age Actuarial Cost Method (EAN) The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

GLOSSARY OF TERMS

Fiduciary Net Position	The fiduciary net position is the market value of the assets of the trust.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net Pension Liability (NPL)	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total Pension Expense	The total pension expense is the sum of the following items: 1. Service Cost 2. Interest on the Total Pension Liability 3. Current-Period Benefit Changes 4. Employee Contributions (reduction of expense) 5. Projected Earnings on Plan Investments (reduction of expense) 6. Administrative Expense 7. Other Changes in Plan Fiduciary Net Position 8. Recognition of Outflow (Inflow) of Resources due to Liabilities 9. Recognition of Outflow (Inflow) of Resources due to Assets

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

TOWN OF ADDISON, TEXAS

GASB STATEMENT NO. 45 EMPLOYER REPORTING
ADMINISTERED BY TEXAS MUNICIPAL RETIREMENT SYSTEM
DECEMBER 31, 2014

GASB Statement No. 45 "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" (OPEB) may be applicable if your city has elected to participate in the Supplemental Death Benefits Fund (SDBF) for your **retirees.**

Participating municipalities should comply with the GASB Statement No. 45 provisions for a cost-sharing multiple-employer defined benefit healthcare plan. The GASB statement provides information in paragraph 24 and also an example of the note disclosures in Illustration 4 (Notes to the Financial Statements for an Employer Contributing to a Cost-Sharing Multiple-Employer Defined Benefit Healthcare Plan). In addition, the participating employer can refer to the footnotes in the TMRS CAFR to obtain a general description of the SDBF.

In making your disclosures, you may need to consider your accounting year if it is different than TMRS' December 31 plan year (PY) and the valuation period.

The following data charts should assist your city in making its OPEB disclosures.

Your city offers supplemental death to:	Plan Year 2014	Plan Year 2015
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

Schedule of Contribution Rates

(RETIREE-only portion of the rate, for OPEB)

Plan/ Calendar Year	***Annual Required Contribution (Rate)***	***Actual Contribution Made (Rate)***	***Percentage of ARC Contributed***
2012	*0.02%*	*0.02%*	*100.0%*
2013	*0.02%*	*0.02%*	*100.0%*
2014	*0.02%*	*0.02%*	*100.0%*
2015	*0.02%*	*(city to provide)*	*(city to provide)*
2016	*0.03%*	*(city to provide)*	*(city to provide)*

Your city is only required to disclose participation in the Supplemental Death Benefits Fund for OPEB reporting purposes if you provide this coverage to your RETIREES.

Your city can disclose the Annual Required Contribution (ARC) in dollars or in a chart, similar to the chart on the previous page. In addition, the city is only required to show three years of information; additional years have been provided for informational purposes only. The disclosure should state the contributions for the City's respective fiscal year. The city can determine the dollar contributions made each month by multiplying its monthly payroll by the retiree-portion SDBF rate noted in the chart above (payroll can be obtained from line 1 of the TMRS-3 report). Cities should also note that TMRS, at one time, only allowed a phase-in rate for pension contributions; all contributions to the SDBF are paid at the stated % rate above, and as such, the % of ARC contributed will always be 100%.

Disclosures are the responsibility of the city and its independent public accountant. As a courtesy, we have provided *(in italics below*) some possible sample language that you may consider in making your disclosures.

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees **[this sentence should be updated to reflect the City's actual provisions as noted in the chart provided**]. *The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.*

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the years ended 2015, 2014 and 2013 were $____, $_____ and $______, respectively, which equaled the required contributions each year.