Human Resources
Texas Municipal Retirement System (TMRS)

Cheryl Marthiljohni, Director of Human Resources
Finance Committee Meeting – March 5, 2025

Today's Presenter

Anthony Mills, TMRS Director of Education Services

Texas Municipal Retirement System

City's Mandatory Retirement Plan

- Employees become a TMRS Member as soon as they begin working in a position with a TMRS city that normally requires 1,000 hours per year.
- As a TMRS Member, employees can qualify to receive a monthly retirement benefit for life and possibly the life of any beneficiary.
- Employees contribute a percentage (5%, 6%, 7%) of your paycheck to TMRS. The percentage is selected by the city and employees cannot change that percentage.
- Employee contributions are deposited into an employees TMRS account.
- City matches employee's account balance when they retire at your city's matching contribution rate (1:1, 1.5:1, 2:1).
- Employees earn a month of service credit for each month that they work for a TMRS participating city.
- Once the employee has received enough service credit, they become eligible to receive a TMRS lifetime monthly benefit at retirement.
- To be eligible to receive a TMRS monthly benefit for life, the employee must:
  - be at least 60 years old and have at least five years of service credit OR
  - have at least 20 years of service credit, regardless of the age

Burleson’s TMRS Plan

7% Employee Deposit Rate (Mandatory)

2:1 City Match

Vested after 5 years of service

Updated Service Credit (USC) Rate 100%

Updated Service Credit (USC) Transfer

Retro Cost of Living Allowance (COLA) for Retirees at 70% of CPI-U*

Military Service Credit

Restricted Prior Service Credit

Supplemental Death benefit for employees and retirees

An attractive element of our overall benefit package is our TMRS retirement plan.

The City of Burleson has elected the maximum options for our plan design to be able to attract and retain employees.

**The Retro COLA is the only option in our current plan that we are reviewing – all other elections remain the same*

New Non-Retroactive Cost of Living Adjustment (COLA) Option

What Is a COLA?

- A COLA is a cost-of-living adjustment that increases a retiree’s or beneficiary’s monthly benefit to help offset inflation
- The Consumer Price Index (CPI-U*) is used to measure inflation
- TMRS cities can provide a COLA that is 30%, 50%, or 70% of the change in the CPI-U.

*CPI-U is Consumer Price Index for all Urban Consumers

New Repeating COLA Option Available for Cities

- Effective May 27, 2023, the Texas Legislature amended the TMRS Act to provide participating cities with a new repeating COLA option.
- Currently, a COLA must be calculated retroactively by looking back to the cumulative change in the Consumer Price Index (CPI-U) since each retiree's retirement date, commonly called the "catchup."
- The new non-retroactive repeating COLA option eliminates the retroactive calculation by only looking back to the change in the CPI-U for the one-year period that ends 12 months before the COLA's effective date (the "New COLA Option").
- In almost every case, the New COLA Option will be slightly less expensive for a city than a repeating COLA calculated retroactively.
- While the impact of the New COLA Option on each retiree depends on many factors, no retiree's current monthly benefit will be reduced.
- The city still must advance fund all COLAs for both current and future retirees.
- A city does not have to adopt the New COLA Option. All current repeating or ad hoc COLA options with the retroactive calculation are still in place

New Repeating COLA Option Available for Cities

Key Provisions

- To adopt the New COLA Option, a city must pass an ordinance and provide it to TMRS by December 31 for a January 1 effective date.
- Adopting the New COLA Option replaces any previous COLA and remains in effect until the city adopts any ordinance impacting COLAs.
- Because the New COLA Option is calculated based on the CPI-U during the year that ends 12 months before the COLA's effective date, each retiree will receive the same percentage increase to their monthly benefit. For example, if a city adopts a non-retroactive 50% repeating COLA effective January 1, 2024, each eligible retiree's benefit increase will be 3.23% (50% of 6.45% inflation during 2022).
- Cities can only use the New COLA Option to maintain or increase their COLA CPI-U percentage; they cannot decrease it.
- Cities that have a 70% retroactive repeating COLA as of January 1, 2023, can pass a new ordinance to maintain the 70% COLA with the non-retroactive calculation.
- The non-retroactive repeating 70% COLA will be slightly less expensive than the retroactive repeating 70% COLA.
- Future legislation being considered that may make this a "permanent" option for cities to consider.

Impact to Retirees, Employees, and City

Retirees/Employees:

- No plan design changes
- Monthly benefit **does not** reduce
- Continue providing annual increases to monthly benefit (70% CPI-U) - no benefit change
- Calculate COLA differently as a non-retro calculation vs. retro during the year that ends 12 months before the COLA's effective date, resulting in a decrease in the amount of COLA increase received.
- Each retiree will receive the same percentage increase to their monthly benefit regardless of the year retired.
- No plan design changes.

City:

- Continue funding retirement as we do today.
- The non-retro calculation is estimated to have recurring annual savings of $189,000. This savings is recommended to be returned to the City's Unfunded Actuarial Liability for TMRS.
- No changes to the plan design.

Example:

- Employee retires in 2024
- $2,500 Monthly Benefit
- Assumes CPI-U grows at 2.5% after 2024
- As a repeating COLA city, COLA is applied each year

	2027	2046	2059
Retro 70%	$2,596	$3,700	$4,817
Non-Retro 70%	$2,595	$3,608	$4,521
DELTA	**$1**	**$92**	**$296**

Benefit continues to increase; however, the Non-Retro COLA calculation decreases the amount of the COLA increase

Retro Vs. Non-Retro Projected Benefits
Retire in 2024 with $2,500 Monthly Benefit

Year	Dec CPI-U*	Retro 70%	% Increase Retro	Non-Retro 70%	% Increase Non-Retro	$ Difference
2023	306.746					
2024	315.605	2,500		2,500		-
2025	323.495	2,500	0.00%	2,500	0.00%	-
2026	331.582	2,551	2.02%	2,551	2.02%	-
2027	339.872	2,596	1.76%	2,595	1.75%	0
2028	348.369	2,642	1.78%	2,641	1.75%	1
2029	357.078	2,689	1.79%	2,687	1.75%	2
2030	366.005	2,737	1.80%	2,734	1.75%	4
2031	375.155	2,787	1.82%	2,782	1.75%	5
2032	384.534	2,838	1.83%	2,830	1.75%	8
2033	394.147	2,890	1.84%	2,880	1.75%	10
2034	404.001	2,944	1.85%	2,930	1.75%	14
2035	414.101	2,999	1.86%	2,982	1.75%	17
2036	424.454	3,055	1.87%	3,034	1.75%	21
2037	435.065	3,112	1.89%	3,087	1.75%	26
2038	445.942	3,172	1.90%	3,141	1.75%	31
2039	457.091	3,232	1.91%	3,196	1.75%	36
2040	468.518	3,294	1.92%	3,252	1.75%	42
2041	480.231	3,358	1.93%	3,309	1.75%	49
2042	492.237	3,423	1.94%	3,367	1.75%	56
2043	504.543	3,490	1.95%	3,425	1.75%	64
2044	517.157	3,558	1.96%	3,485	1.75%	73
2045	530.086	3,628	1.97%	3,546	1.75%	82
2046	543.338	3,700	1.98%	3,608	1.75%	92
2047	556.921	3,774	1.99%	3,672	1.75%	103
2048	570.844	3,850	2.00%	3,736	1.75%	114
2049	585.115	3,927	2.01%	3,801	1.75%	126
2050	599.743	4,007	2.02%	3,868	1.75%	139
2051	614.737	4,088	2.03%	3,935	1.75%	153
2052	630.105	4,172	2.04%	4,004	1.75%	167
2053	645.858	4,257	2.05%	4,074	1.75%	183
2054	662.004	4,345	2.06%	4,146	1.75%	199
2055	678.554	4,435	2.07%	4,218	1.75%	216
2056	695.518	4,527	2.08%	4,292	1.75%	235
2057	712.906	4,621	2.09%	4,367	1.75%	254
2058	730.729	4,718	2.09%	4,444	1.75%	274
2059	748.997	4,817	2.10%	4,521	1.75%	296

* Assumes CPI-U grows at 2.5% after 2024.

2025 Plan Change Study – Non-Retro COLA

TMRS Comparison of Alternate Plan Design(s)

FOR CITIES

2025 Rates • Burleson

February 12, 2025

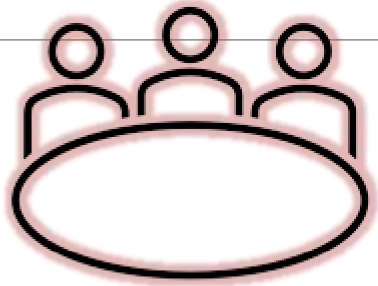
Plan Provisions	Current	Option 1
Employee Contribution Rate	7%	7%
City Matching Ratio	2 to 1	2 to 1
Updated Service Credit (USC)	100% (Repeating)	100% (Repeating)
Transfer USC *	Yes	Yes
COLA	70% (Repeating)	70% (Repeating)
Retroactive COLA	Yes	No
Retirement Eligibility Any Age	20 years	20 years
Vesting	5 years	5 years
Supplemental Death Benefit	Actives + Retirees	Actives + Retirees
Contribution Rates	**2025**	**2025**
Normal Cost Rate	11.94%	11.76%
Prior Service Rate	5.85%	5.52%
Retirement Rate	**17.79%**	**17.28%**
Supplemental Death Rate	0.19%	0.19%
Total Contribution Rate	**17.98%**	**17.47%**
Unfunded Actuarial Liability	$27,862,777	$26,251,030
Funded Ratio	82.3%	83.1%
Benefit Increase Amortization Period	20 years	20 years

* As of the December 31, 2023 valuation date, there were 101 employees with service in other TMRS cities eligible for transfer USC.

Next Steps

Education meetings for Retirees, Employee Benefits Committee, and Fire/PD Association Members

Return to Finance Committee during next schedule meeting to review Retiree and Employee feedback



Present to City Council in June-July for final direction prior to decision date of December 31, 2025, to be effective on January 1, 2026.

Council direction will include the following options:

(1) Change how the 70% COLA is calculated to a Non-Retro active COLA; **OR**

(2) Maintain the 70% COLA calculation at a Retro COLA (current calculation)

THE CITY OF BURLESON TEXAS

Questions