

## La Porte's Pension Plans

The City of La Porte participates in two pension plans. Texas Municipal Retirement system (TMRS) for all of the municipal employees and the Texas Emergency Services Retirement System (TESRS) for the volunteer firefighters. The TMRS plan will be detailed first and then followed by the details on the TESRS plan.

### Texas Municipal Retirement System (TMRS)

The City of La Porte participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

### Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. A summary of plan provisions for the City are as follows:

Employee Deposit Rate:	7% of pay
Matching Ratio (City to Employee):	2 to 1
Vesting of Benefits:	10 years
Service retirement eligibility:	20 years at any age, 10 years at the age of 60 and above
Updated Service Credit:	100% Repeating Transfers
Annuity Increases (to retirees):	70% of CPI Repeating
Death Benefits:	Yes

### Employees Covered by Benefit Terms

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

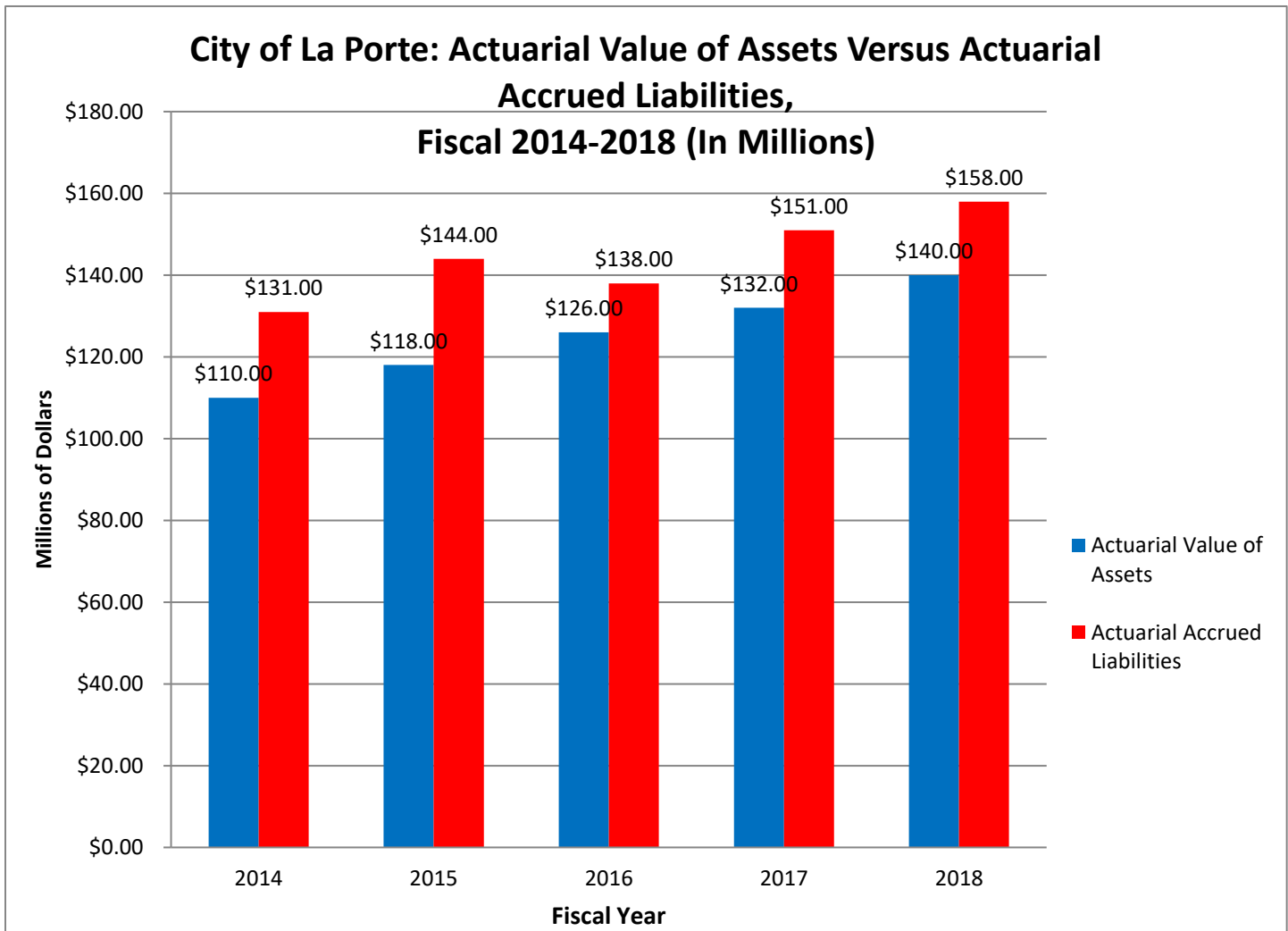
Inactive employees or beneficiaries currently receiving benefits	207
Inactive employees entitled to but not yet receiving benefits	164
Active employees	373
Total	744

## Pension Summary

TMRS provides each of its member cities with two slightly different actuarial valuations which are both reflected below as of December 31, 2016. The first is a smoothed valuation used to calculate the City of La Porte's actuarially determined contribution (ADC) to the plan. The second valuation is provided for Governmental Accounting Standards Board (GASB) Pronouncement 68 financial reporting purposes and reflects the City of La Porte's fiduciary net position based on the market value of its assets.

Discount rate	6.75%
Equivalent Single Amortization Period	16.1 years
Covered Payroll	\$ 22,553,362

Funding Valuation (Smoothed Value)	12/31/2017	GASB 68 Valuation (Market Value)	12/31/2017
Total Actuarial Accrued Liability	\$ 157,840,283	Total Pension Liability	\$ 157,840,283
Actuarial Value of Assets	\$ 140,331,837	Plan Fiduciary Net Position	\$ 146,301,408
Unfunded Actuarial Accrued Liability (UAAL)	\$ 17,508,446	Net Pension Liability (NPL)	\$ 11,538,875
Funded Ratio	88.90%	Funded Ratio	92.69%
UAAL as a percentage of covered payroll	77.60%	NPL as a percentage of covered payroll	51.16%

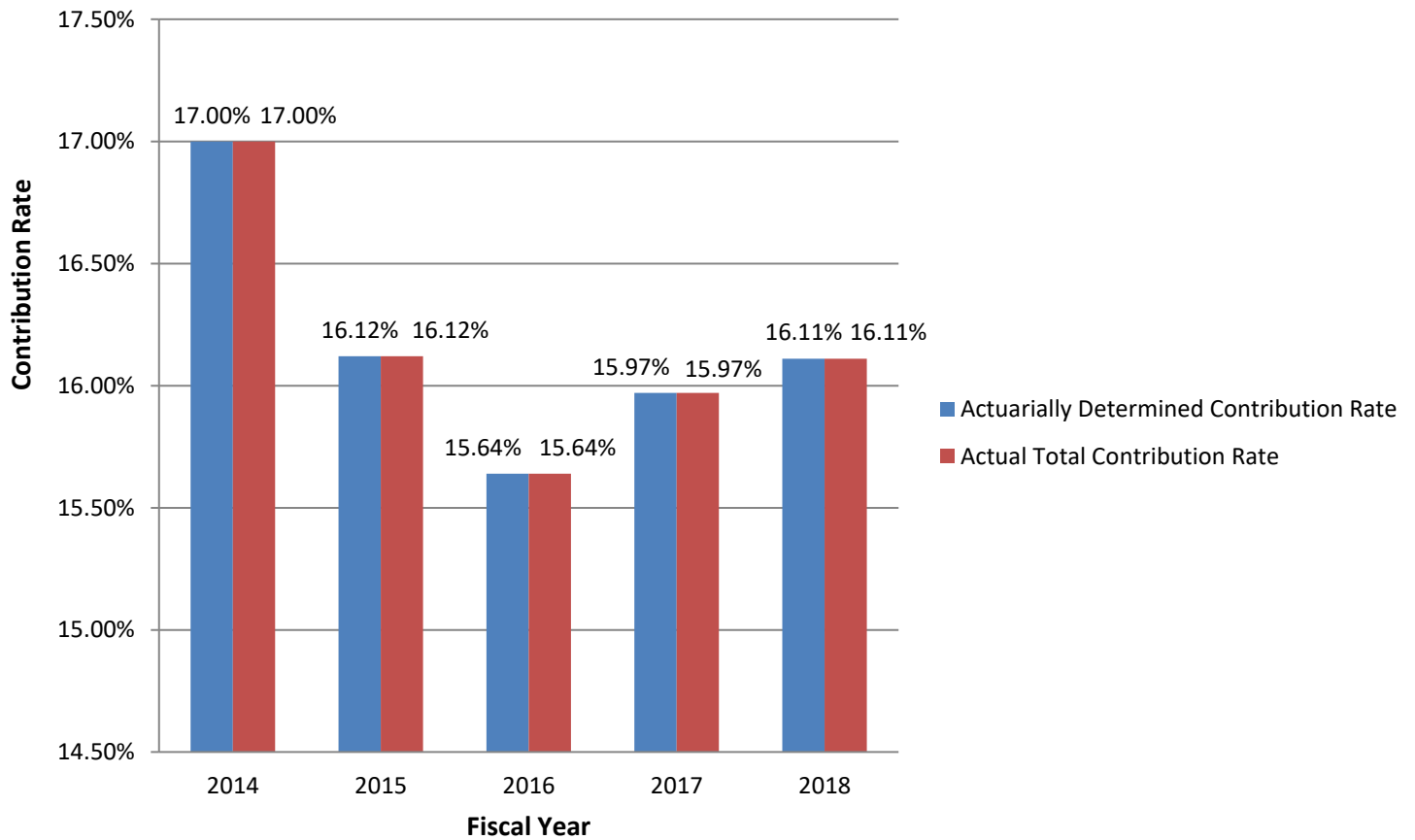


## Contributions

Employees are required to contribute 7% of their annual gross earnings based on the City’s plan provisions. Beginning in 2009, certain eligible member cities could elect to contribute a minimum amount equal to their ADC less a “Phase In” of the increase resulting from a change in the TMRS actuarial cost method in the 2007 valuation. The phase-in period was for eight years; however, the City of La Porte began contributing the full ADC rate in 2012.

Actuarially Determined Contributions (as a % of pay)					
Year	2018	2017	2016	2015	2014
Employee Rate	7.00%	7.00%	7.00%	7.00%	7.00%
Employer ADC Rate	16.11%	15.97%	15.64%	16.12%	17.00%
Total ADC Contributions	23.11%	22.97%	22.64%	23.12%	24.00%
Minimum Employer Phase-In Rate	n/a	n/a	n/a	n/a	16.87%

### City of La Porte: Actuarially Determined Contribution Rate Versus Actual Total Contribution Rate, Fiscal 2014-2018



## Investments

More detailed information regarding investment objectives, policies, and performance of the TMRS pension system can be found at <https://www.tmr.org/investments.php> or in the TMRS Comprehensive Annual Financial Report (CAFR).

### TMRS' Current Assumed Rate of Return = 6.75%

2017 Investment Results (TMRS Total Fund Return)			
1 Year	3 Year	5 Year	10 Year
14.27%	7.19%	7.46%	6.71%

**Source: TMRS 2017 Comprehensive Annual Financial Report (CAFR)**  
Rates of return presented are calculated using a time-weighted rate of return methodology based upon market values, and are presented gross of investment management fees.

## Reference Documents

### Actuarial Valuations – La Porte Specific

- [2018 Rate Letter \(2017 Funding Valuation Summary\)](#)
- [2018 GASB 68 Valuation for City of La Porte](#)
- [2017 Rate Letter \(2016 Funding Valuation Summary\)](#)
- [2017 GASB 68 Valuation for City of La Porte](#)
- [Prior Years TMRS Rate Letters – \(Funding Valuations\)](#)
- [Prior Years GASB 68 Actuarial Valuations for City of La Porte](#)

### TMRS System Documents (La Porte specific citations)

- [2013 TMRS Comprehensive Annual Financial Reports \(pages 80-81\)](#)
- [2013 Schedule of Changes in Fiduciary Net Position \(pages 28-29\)](#)
- [2014 TMRS Comprehensive Annual Financial Report \(pages 128-129\)](#)
- [2014 Schedule of Changes in Fiduciary Net Position \(pages 128-129\)](#)
- [2015 TMRS Comprehensive Annual Financial Report: Plan Provisions Chosen \(pages 128-129\)](#)
- [2015 Schedule of Changes in Fiduciary Net Position \(pages 26-27\)](#)
- [2016 Schedule of Changes in Fiduciary Net Position \(pages 28-29\)](#)
- [2016 TMRS Funding Valuation \(page 145\)](#)
- [2016 TMRS Comprehensive Annual Financial Report \(Pages 132-133\)](#)
- [2017 Schedule of Changes in Fiduciary Net Position \(pages 28-29\)](#)
- [2017 TMRS Comprehensive Annual Financial Report \(pages 132-133\)](#)
- [2018 TMRS Comprehensive Annual Financial Report \(pages 122-123\)](#)
- [2018 Schedule of Changes in Fiduciary Net Position \(Pages 28-29\)](#)
- [5 Year City of La Porte History of Net Position \(Downloadable Data\)](#)
- [5 Year City of La Porte Actuarial Value of Assets versus Accrued Liabilities \(Downloadable Data\)](#)

## Texas Emergency Services Retirement System (TESRS)

The city participates in the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple-employer defined benefit pension established and administered by the State of Texas. The TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, established policy for the administration of the Texas Emergency Services Retirement System. The TESRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tesrs.org](http://www.tesrs.org).

The TESRS was created as a standalone agency by the 83<sup>rd</sup> Legislature via the passage of SB 220 effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighter’s Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas government code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested services, as well as to their survivors/beneficiaries. Additional information for this pension plan can be found on the state’s website at <https://comptroller.texas.gov/application.php/pension/336>

### Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. A summary of plan provisions for the City are as follows:

Vesting of Benefits:	10 years , 50% vested increasing 10% for each year of service up to 15 years at which time vesting is 100%
Service retirement eligibility:	At age 55
Benefits:	Vested members receive a monthly pension equal to their vested percentage multiplied by six times the City’s average monthly contribution over the member’s years of qualified service. For years in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.
Annuity Increases (to retirees):	No provision for automatic postretirement benefit increases
Death Benefits:	Yes

### Employees Covered by Benefit Terms

As of June 20, 2018, the following was provided by TESRS for the City of La Porte.

Total Participants	44
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### Pension Summary

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to contributions of all participating employers to the plan for the period September 1, 2017 through August 31, 2018.

Unfunded Actuarial Accrued Liability (UAAL) total for state as of August 31, 2018	\$22,845,636
Unfunded Actuarial Accrued Liability (UAAL) for City of La Porte as of August 31, 2018	\$156,731

## Contributions

Contributions are made by the City for the participating employees. No contributions are required from the individuals who are members of the TESRS, nor are they allowed. The city is required to make contributions to the plan for each month an eligible emergency service personnel provides qualified services. The minimum contribution is \$36 per member. Contributions to the pension plan for the year ended September 30, 2018 was \$40,265.

## Investments

More detailed information regarding investment objectives, policies, and performance of the TESRS pension system can be found at [http://www.tesrs.org/TESRS\\_AFR\\_Audited%202016-1.pdf](http://www.tesrs.org/TESRS_AFR_Audited%202016-1.pdf)

Fiscal Year Ending	Annual Money-Weighted Net Real Rate of Return
August 31, 2013	13.84%
August 31, 2014	14.92%
August 31, 2015	-3.58%
August 31, 2016	5.57%
August 31, 2017	10.32%
August 31, 2018	10.86%

## Reference Documents

[TESRS 2016 Actuarial Valuation](#)

[TESRS 2018 Actuarial Valuation](#)

[TESRS Audited Annual Financial Report For the Year Ended August 31, 2016](#)

[TESRS Audited Annual Financial Report For the Year Ended August 31, 2017](#)

[TESRS Audited Annual Financial Report For the Year Ended August 31, 2018](#)

[Texas Emergency Services Retirement System Report on Pension Information August 31, 2016](#)

[Texas Emergency Services Retirement System Report on Pension Information August 31, 2018](#)

## Links to Other Information

[Texas Transparency Information](#)

to Texas Comptroller's website

[Public Pension Search Tool](#)

[TMRS Prior Years Comprehensive Annual Financial Reports](#)