TACOMA EMPLOYEES’ RETIREMENT SYSTEM (TERS)

Funding and Benefits Policy

Objective

A sustainable pension plan is able to pay the promised benefits to members - now and in the future. This policy is intended to provide guidance as to when adjustments to TERS contributions and benefits should be considered. The Funding and Benefits Policy is meant to assist in establishing a contribution rate which is relatively stable over the long term while the System provides its members dependable retirement income.

Policy

When the Funding Ratio is:

(a) Above 120% - Investment de-risking will be considered, and then the potential for recommendations to the City Council on contribution rate reductions and/or benefit improvements will be reviewed, provided the Retirement System’s funding status is expected to remain stable after the changes.

(b) Between 95% and 120% - There will be no action, provided that the combined employer and employee contribution rate is greater than or equal to the Actuarially Determined Total Contribution; if this condition is not met, then the Retirement Board will consider recommending an increase in the contribution rates.

(c) Below 95% - The Retirement Board will consider recommending an increase in the contribution rates.

Additional Guidelines

(a) There is a long-term goal of maintaining a combined employer and employee contribution rate greater than or equal to the Actuarially Determined Total Contribution so that the System is appropriately funded.

(b) Increases in the contribution rate may be made in small increments.

(c) To the extent possible, ample notification regarding changes in the contribution rate should be provided to all parties to facilitate budgetary adjustments.

(d) Contribution rate increases should consider amortizing any Unfunded Actuarial Accrued Liability over a period of 25 years or less.

(e) Calculations based on the Fair Value of Assets will also be considered.

(f) Long-term funding projections will also be considered.

(g) Funding Ratios between 100% and 120% should be viewed as desirable reserves to offset future adverse events and not as surplus funds.

Terminology

(a) The Funding Ratio is calculated by dividing the System’s Actuarial Value of Assets by the Actuarial Accrued Liability.

(b) Unfunded Actuarial Accrued Liability (UAAL) is the dollar amount by which the System’s Actuarial Accrued Liability exceeds the Actuarial Value of Assets.

(c) The Actuarially Determined Total Contribution is the greater of (1) the Normal Cost Rate or (2) the recommended combined employer and employee contribution for the reporting period that amortizes the UAAL (if any) over a maximum of 25 years, but will not be less than the actual contribution rate.

Board approval July 14, 2016