TCDRS: Doing Retirement Right

Amy Campbell, TCDRS Employer Services Manager
294,000 members and retirees

89% funded

More than 760 employers

$30B in assets

8.8% 35-year return

89% funded
Set Up for Success

★ Created in 1967 by the Texas Legislature

★ Managed independently by a **nine-member** board of trustees

★ Manage **$30 billion** in assets as of Dec. 31, 2017

★ Operating costs average **0.26%** of assets

★ Receive **no funding** from the State of Texas
Benefits Texas

★ $1.4 billion in benefits paid in 2017
  – 96% stays in Texas

★ Supports:
  – $2 billion in total economic output
  – 14,752 jobs created
  – $1.1 billion added to Texas GDP
TCDRS Does Retirement Right

★ Savings-based benefits
★ Responsible plan funding
★ Flexibility and local control
Savings-based benefits

- Members save over their careers for retirement
- Savings earn 7%, set by statute
- At retirement, benefit is based on savings account balance and employer matching
**Texans Earn Reasonable Benefits**

*Averages as of Dec. 31, 2017*

<table>
<thead>
<tr>
<th>Age at Retirement</th>
<th>Years of TCDRS Service at Retirement</th>
<th>Current Annual Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>61</td>
<td>18</td>
<td>$22,764</td>
</tr>
</tbody>
</table>
TCDRS Does Retirement Right

★ Responsible plan funding

- Employers pay 100% of required contributions
- Nearly 35% of employers make additional contributions
- 2019 estimated weighted-average required employer contribution rate is 11.57%
Investment Income Funds Benefits

Estimated Investment Income

Employer Contributions

Employee Deposits

77¢

Investment Income

13¢ 10¢
Diversified Portfolio Reduces Risk

As of April 1, 2018

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>32%</td>
</tr>
<tr>
<td>Credit</td>
<td>20%</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>18%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>16%</td>
</tr>
<tr>
<td>Real Assets</td>
<td>11%</td>
</tr>
<tr>
<td>Investment-Grade Bonds</td>
<td>3%</td>
</tr>
</tbody>
</table>

Target Asset Allocation
### Estimated as of Dec. 31, 2018

<table>
<thead>
<tr>
<th>Annualized Returns</th>
<th>2018 Return</th>
<th>5 Year</th>
<th>10 Year</th>
<th>15 Year</th>
<th>20 Year</th>
<th>25 Year</th>
<th>30 Year</th>
<th>35 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund</td>
<td>-3.0%</td>
<td>4.9%</td>
<td>8.9%</td>
<td>6.2%</td>
<td>6.4%</td>
<td>7.0%</td>
<td>8.0%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Benchmark</td>
<td>-4.1%</td>
<td>3.9%</td>
<td>8.0%</td>
<td>5.6%</td>
<td>5.5%</td>
<td>6.0%</td>
<td>6.9%</td>
<td>7.6%</td>
</tr>
</tbody>
</table>
TCDRS Does Retirement Right

★ Flexibility and local control

- Employers choose benefit levels based on their local needs and budgets
- Employers may increase or reduce benefits by adjusting the employee deposit rate or employer matching
Case Study: Harris County

★ After rate increase due to 2008 Great Recession:
  – Reduced benefits by lowering employee deposit rate from 7% to 6%
  – Experienced immediate rate relief
  – Employees could choose to put the difference in voluntary 457 if wanted to save for retirement. Otherwise, it increased net pay.

★ When economy rebounded:
  – Increased deposit rate back to 7% with salary increase to offset
  – Subsequently adopted an elected rate to improve funding
Stabilize Rates

★ Contribute at a higher **elected rate** or make an **additional contribution**

- Allows employers to **prefund** benefit increases
- Provides a **cushion** against possible future negative plan experience, such as investment losses
Case Study: Tarrant County

★ Adopted elected rate significantly greater than required rate

★ This policy:
  – Has improved funding
  – Provides budget stability
  – Funds retiree COLAs
  – Establishes plan level reserves to offset adverse markets

★ Even with the 2018 investment returns, required rate is projected to remain stable from 2019 to 2020
Each year, TCDRS actuaries look at each plan to determine the required contribution rate.

- Study workforce and estimate benefits employer will pay
- Estimate the value of future benefits in today’s dollars
- Compare plan assets with estimate of benefits
- Determine a rate to appropriately fund benefits while keeping rates stable
When You Review Your Plan

January thru April:
Actuaries perform plan valuation

May thru December:
Employers make plan decisions

Dec. 31:
Actuaries take a snapshot of your plan

May 1:
Rate information and Plan Customizer available

July:
TCDRS Annual Conference

Dec. 16:
Plan changes due

Jan. 1:
New rate goes into effect
TCDRS ANNUAL CONFERENCE

JULY 24–26, 2019
AT&T EXECUTIVE EDUCATION & CONFERENCE CENTER
AUSTIN, TEXAS

Register today and save!
www.TCDRSConference.org
Providing a Secure Retirement Benefit
Providing a Secure Retirement Benefit
Other Ways to Earn Service Time

- Multiple TCDRS Accounts
- Proportionate Retirement Program
  - ERS (State of Texas)
  - JRS (Courts)
  - TRS (Schools)
  - TMRS (Select Cities)
  - COA (City of Austin)
- Military or USERRA
Survivor Benefit

★ Earned after 4 years of TCDRS service
★ Gives beneficiaries the option to receive a lifetime monthly benefit from the account, if the member were to pass away before retirement
★ Beneficiaries don’t have to wait until that member would have become eligible to retire
★ Gives loved ones peace of mind
Vesting

★ Vested after 5, 8 or 10 years of service
★ Set by each employer
★ Means you’ve earned the right to a lifetime benefit when you’re eligible and choose to retire
# Retirement Eligibility

★ Vesting + Eligibility = Lifetime Monthly Benefit

<table>
<thead>
<tr>
<th>Age 60</th>
<th>and</th>
<th>5,8, or 10 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>plus</td>
<td>Years of Service* = 75 or 80</td>
</tr>
<tr>
<td>Any Age</td>
<td>and</td>
<td>20 or 30 Years</td>
</tr>
</tbody>
</table>

*Employee must be vested.*
**Benefit Payment Options**

**Single Life**
- Highest monthly payment
- Payments stop when retiree passes away
- Select multiple beneficiaries, change if needed

**Guaranteed Term**
- Retiree receives lifetime monthly payment
- If retiree passes away before the end of term, beneficiary receives benefit for remainder of term (term begins on retirement date)
- Select multiple beneficiaries, change if needed

**Dual Life**
- Select 100%, 75% or 50% of payment to continue for beneficiary’s lifetime
- Variation: 100% to beneficiary with pop-up option
- Only select one beneficiary, no changes
FIND YOUR EMPLOYER SERVICES REPRESENTATIVE

800-651-3848 ★ employerservices@tcdrs.org
Questions?

www.TCDRS.org