AGENDA
WATAUGA CITY COUNCIL
WORKSHOP MEETING
MONDAY, OCTOBER 14, 2024
CITY HALL COUNCIL CHAMBER, 7105 WHITLEY ROAD
5:30 PM

This notice is posted pursuant to the Texas Open Meetings Act. Notice is hereby given that a **City Council Workshop Meeting** of the City of Watauga, Texas will be held at which time the following subjects will be discussed and may be acted upon.

CALL TO ORDER (Council Members, City Staff, Members of the Public - when speaking during the meeting please speak directly into the microphones on the dais or podium)

ROLL CALL

ANNOUNCEMENTS

PUBLIC COMMENT This is an opportunity for citizens to address the Council on items not posted on the current meeting agenda. Only those who have submitted a proper “Request to Speak Form” Shall be permitted to speak. Citizens should provide their name and address for the record and will have no more than 3 minutes to speak. If representing an organization or group, the speaker should identify who they represent. Those wishing to speak are reminded 1). All comments are to be directed to the Council. 2) Be respectful of others. 3) No profanity permitted. 4) Violators will be removed from the premises. No discussion by the Council or Staff is allowed except to correct factual inaccuracies or request that the item be placed on a future agenda.

PUBLIC TESTIMONY FOR ACTION ITEMS This is an opportunity for citizens to address the Council on current agenda action items (excludes presentations and reports). Only those persons who have submitted a proper “Request to Speak Form” will be allowed to speak. Citizens will be required to state their name and address for the record. They have up to 3 minutes to speak, and their comments must be germane to the item. If speaking for an organization or group, the speaker should identify the group represented. Council members may ask questions or discuss the item with the citizens directly.

PRESENTATIONS

1. Presentation from Texas Municipal Retirement System

ADJOURNMENT

Meeting Notices and Reservation of Rights
The City Council may retire to executive session any time between the meeting's opening and adjournment for the purpose of consultation with legal counsel pursuant to Chapter 551.071 of the Texas Government Code; discussion of personnel matters pursuant to Chapter 551.074 of the Texas Government Code if the requisite information is otherwise posted; deliberation regarding real property pursuant to Chapter 551.072 of the Texas Government Code; deliberation regarding economic development negotiations pursuant to Chapter 551.087 of the Texas Government Code; and/or deliberation regarding the deployment, or specific occasions for implementation of security personnel or devices pursuant to Chapter 551.076 of the Texas Government Code (as applicable) when determined necessary by the [City Council/Board/Commission/Committee] to address a subject matter on the agenda. Action, if any, will be taken in open session.

Attendance by Other Elected or Appointed Officials: It is anticipated that members of other governmental bodies, and/or city council, boards, commissions and/or committees may attend the meeting in numbers that may constitute a quorum of the body, board, commission and/or committee. Notice is hereby given that the meeting, to the extent required by law, is also noticed as a possible meeting of the other body, board, commission and/or committee, whose members may be in attendance, if such numbers constitute a quorum. The members of the city council, boards, commissions and/or committees may be permitted to participate in discussions on the same items listed on the agenda, which occur at the meeting, but no action will be taken by such in attendance unless such item and action is specifically provided for on an agenda for that city council, body, board, commission or committee subject to the Texas Open Meetings Act.

NOTICE

THIS FACILITY IS WHEELCHAIR ACCESSIBLE AND ACCESSIBLE PARKING SPACES ARE AVAILABLE. REQUESTS FOR ACCOMMODATIONS OR INTERPRETIVE SERVICES MUST BE MADE 48 HOURS PRIOR TO THIS MEETING. PLEASE CONTACT THE CITY SECRETARY'S OFFICE AT (817) 514-5825, OR FAX (817) 514-3625.

I, Linda Proskey, City Secretary for the City of Watauga, hereby certify that this agenda was posted on the bulletin boards at City Hall, 7105 Whitley Road, Watauga, Texas, on October 11, 2024, before 5:00 p.m., in accordance with Chapter 551 of the Texas Government Code.

/S/ Linda Proskey

City Secretary

AGENDA MEMORANDUM

DATE: September 13, 2024

TO: Honorable City Council Members

FROM:

THROUGH:

SUBJECT: Presentation from Texas Municipal Retirement System

BACKGROUND/INFORMATION:

Anthony Mills, Director of Education, will present the recent TMRS rate change, how rates are calculated and a summary of the new non-retroactive COLA option.

FINANCIAL IMPLICATIONS:

RECOMMENDATION/ACTION DESIRED:

ATTACHMENTS/ SUPPORTING DOCUMENTATION:

1. Watauga_Council Workshop Oct 14_FINAL_100824 (002)

REVIEWED BY:

Sandra Gibson, Interim City Manager and Director of Finance Approved - 9/30/2024
Sandra Gibson, Interim City Manager and Director of Finance Approved - 9/30/2024
Linda Proskey, City Secretary Final Approval - 9/30/2024
Approved as to form for inclusion on Agenda

City of Watauga

City Council Workshop

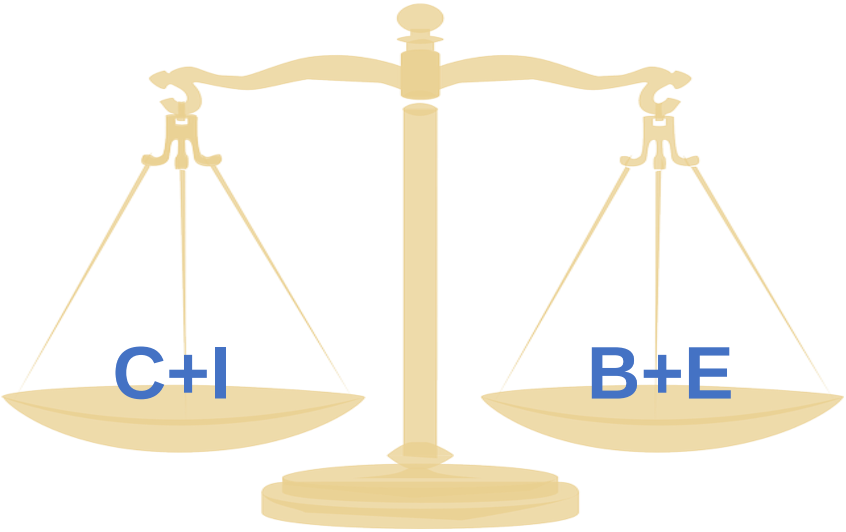
October 14, 2024

Presented by: Anthony Mills, Director of Education Services

Rate Calculations

Pension Funding Basics

Contributions (C) + Investment Earnings (I) = Benefits (B) + Expenses (E)



Contributions: Two Kinds

Contributions (C) + Investment Earnings (I) = Benefits (B) + Expenses (E)

- Employee Contributions
- City Contributions

Investment Earnings

Contributions (C) + Investment Earnings (I) = Benefits (B) + Expenses (E)

Investment earnings fund almost 70% of a retiree's TMRS benefit

Benefits are Controlled By Your City

Contributions (C) + Investment Earnings (I) = Benefits (B) + Expenses (E)

- 7% Employee Contribution Rate
- 2:1 City Matching Ratio
- 100% Repeating USC with Transfers
- 70% of CPI Retroactive Repeating COLA
- Supplemental Death Benefit (Annual Salary for Actives and $7,500 for Retirees)

Expenses

Contributions (C) + Investment Earnings (I) = Benefits (B) + Expenses (E)

TMRS' administrative expenses are among the lowest of any public pension plan

Actuarial Valuation as of December 31, 2023

- Watauga's contribution rate is determined annually as part of the actuarial valuation by TMRS' actuaries to fund benefits.
  - Annual Snapshot of Watauga's funding status
  - Determines 2025 city contribution rates
- The total contribution rate (17.73%) is composed of the retirement rate (17.45%) and the supplemental death benefit rate (0.28%).

2023 Actuarial Valuation Results – Retirement Plan Only

• Actuarial Accrued Liability (AAL)	$73,446,131
Represents the value of benefits accrued in the past	
• Actuarial Value of Assets (AVA)	$64,343,754
Smoothed value of assets	
• Unfunded Actuarial Accrued Liability (UAAL)	$ 9,102,397
Difference between AAL and AVA	
• Funded Ratio	87.6%
AVA as a percentage of the AAL	

Calculation of 2025 Contribution Requirements – Retirement Plan Only

- Normal Cost Rate 11.26%
  - Contribution Rate needed to fund new benefits being earned next year (active members only)
  - For example, for a member with 10 years of service, this is the cost of the 11th year
  - Needed as long as there are active members even if UAAL has been eliminated (100% funded ratio)

- Prior Service Rate 6.19%
  - Contribution Rate needed to pay off the UAAL over the amortization period
  - Once Watauga reaches 100% funded ratio, no longer necessary
  - Will be a credit if assets are more than liabilities

- Total Retirement Contribution Rate 17.45%

Change in Retirement Rate from 2024 to 2025

• 2024 retirement rate		16.53%
• Experience loss (primarily due to)	0.43%	
• Salary increases greater than expected		
• Retiree COLAs greater than expected		
• Actuarial assumption changes	<u>0.49%</u>	
• Total Increase	0.92%	
• 2025 retirement rate		17.45%

New Non-Retroactive 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

TMRS' Traditional Retroactive COLA

- TMRS' traditional retroactive COLA is calculated by multiplying the cumulative change in the CPI-U since retirement by the COLA percentage (30%, 50%, 70%) adopted.
- That percentage increase is applied to the original benefit in determining the new benefit.
- Each retiree will receive a different percentage increase in their benefit depending on their year of retirement. In general, the longer retired, the greater the percentage increase in the current benefit. For 2025, benefits will increase by 2.72% for 1998 retirees trending down to 2.35% for 2023 retirees.

TMRS' New Non-Retroactive COLA

- TMRS' new COLA is calculated by multiplying the change in the CPI-U for the one-year period ending 12 months before the COLA effective date by the COLA percentage (30%, 50%, 70%) adopted.
- That percentage increase is applied to the current benefit in determining the new benefit.
- All eligible retirees will receive the same percentage increase (2.35% = 3.35% inflation during 2023 x 70%) in their current benefit for 2025.

TMRS' New Non-Retroactive COLA Features

- Simpler, less expensive and more equitable than the traditional retroactive COLA
- All current and future retirees receive the same percentage increase in their benefit each year
- Cities cannot adopt a lower CPI-U percentage (30%, 50%, 70%) than they currently offer
- Can be adopted to take effect January 1, 2025 or 2026

2025 Plan Change Study – Non-Retro COLA

2025 Rates • Watauga

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	11.26%	11.09%
Prior Service Rate	6.19%	5.67%
Retirement Rate	**17.45%**	**16.76%**
Supplemental Death Rate	0.28%	0.28%
Total Contribution Rate	**17.73%**	**17.04%**
Unfunded Actuarial Liability	$9,102,397	$8,375,463
Funded Ratio	87.6%	88.5%
Benefit Increase Amortization Period	20 years	20 years

Questions?

Please Contact:

Anthony Mills

Director of Education Services

amills@tmrs.com

(512) 225-3764