

# TACOMA EMPLOYEES' RETIREMENT SYSTEM

## Funding and Benefits Policy

### Objective

This policy is intended to provide guidance as to when adjustments to the Retirement System's contributions and benefits should be considered. The Funding & 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 superior retirement income.

### Policy

When the Funding Ratio is:

- (a) Above 120% - The potential for benefit improvements will be reviewed providing the Retirement System's funding status is expected to be stable and remain stable after the improvements.
- (b) Between 95% and 120% - There will be no action, provided that either:
  - 1. The Contribution Rate is greater than or equal to the Normal Cost Rate, or
  - 2. There is a Funding Reserve which is projected to be amortized over not less than 20 years.

If neither of these conditions is met, then the Retirement Board will consider an increase in the contribution rates.

- (c) Between 80% and 95% - The Retirement Board will consider an increase in the contribution rates.
- (d) Under 80% - The funding and benefits policy will be reviewed and reevaluated.

### Additional Guidelines

- (a) There is a long-term goal of achieving a Contribution Rate greater than or equal to the Normal Cost Rate so that if the Funding Reserve is lost due to adverse experience, there will not be a sudden increase in the calculated required contribution.
- (b) Increases in the contribution rate may be made in small increments.
- (c) Requests for increases in the contribution rate should be made at least one-year prior to the beginning of the financial biennium.
- (d) Contribution increases should consider amortizing any Unfunded Actuarial Accrued Liability over a period of 30 years or less.
- (e) Calculations based on the Market Value of Assets will also be considered.
- (f) Long-term funding projections will also be considered.

### Terminology

- (a) The Funding Ratio is calculated by dividing the System's Actuarial Value of Assets by the Actuarial Accrued Liability.
- (b) The Funding Reserve is the dollar amount by which the System's Actuarial Value of Assets exceeds the Actuarial Accrued Liability.
- (c) Unfunded Actuarial Accrued Liability is the dollar amount by which the System's Actuarial Accrued Liability exceeds the Actuarial Value of Assets.