

## McKinney's Pension Plan

The City and three of its component units participate 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) is 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:	5 years
Service retirement eligibility:	20 years at any age, 5 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	269
Inactive employees entitled to but not yet receiving benefits	363
Active employees	962
Total	1,594

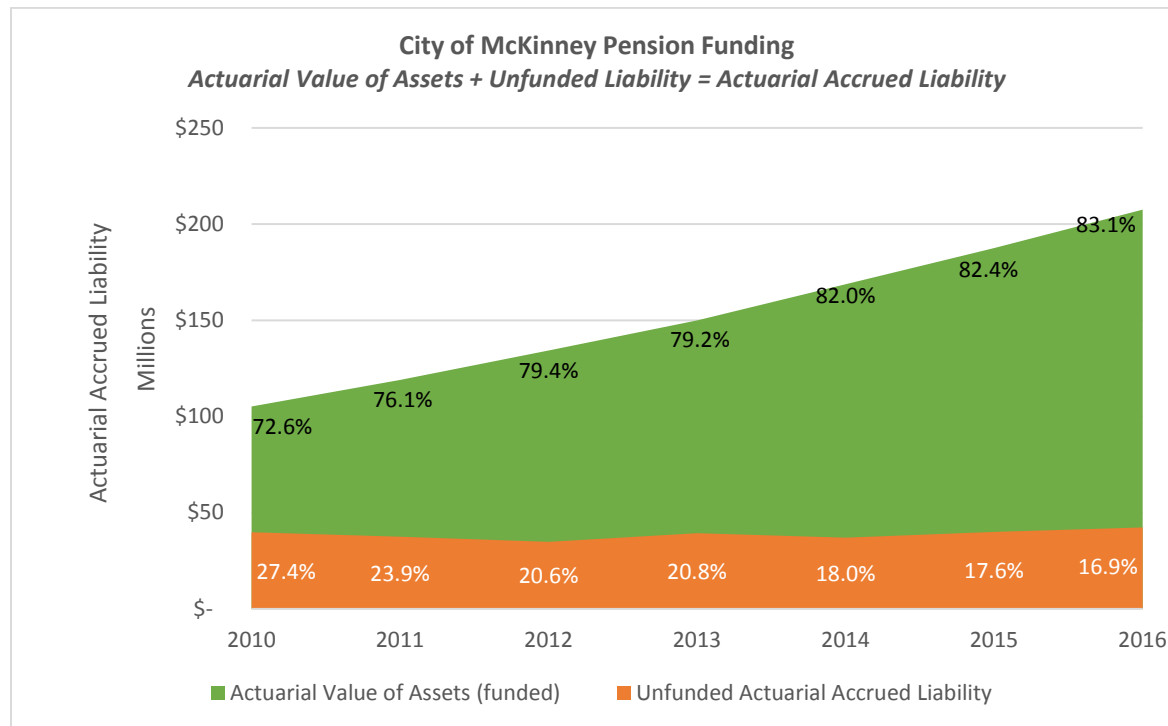
## Pension Summary

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 McKinney'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 McKinney's fiduciary net position based on the market value of its assets.

Equivalent Single Amortization Period                      27.0 years  
 Covered Payroll    \$    63,285,492

Funding Valuation (Smoothed Value)	12/31/2016
Total Actuarial Accrued Liability	\$ 249,860,330
Actuarial Value of Assets	\$ 207,519,510
Unfunded Actuarial Accrued Liability (UAAL)	\$ 42,340,820
Funded Ratio	83.05%
UAAL as a percentage of covered payroll	66.90%

GASB 68 Valuation (Market Value)	12/31/2016
Total Pension Liability	\$ 249,860,330
Plan Fiduciary Net Position	\$ 203,488,097
Net Pension Liability (NPL)	\$ 46,372,233
Funded Ratio	81.44%
NPL as a percentage of covered payroll	73.27%

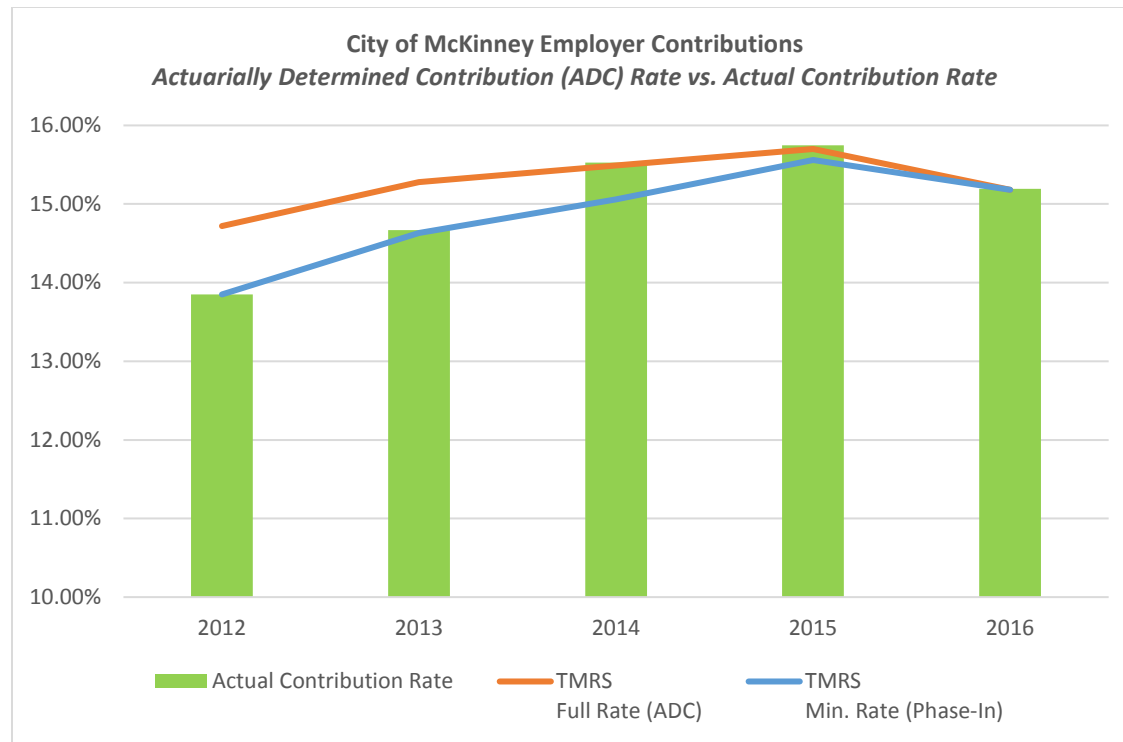


[Downloadable Data](#)

## 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 McKinney began contributing the full ADC rate in 2014.

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	15.36%	15.30%	15.18%	15.70%	15.49%
Total ADC Contributions	22.36%	22.30%	22.18%	22.70%	22.49%
Minimum Employer Phase-In Rate	n/a	n/a	n/a	15.56%	15.06%



[Downloadable Data](#)

## 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%

2016 Investment Results (TMRS Total Fund Return)			
1 Year	3 Year	5 Year	10 Year
7.42%	4.54%	6.65%	6.09%

*Source: TMRS 2016 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 – McKinney Specific

[2016 Rate Letter \(2015 Funding Valuation Summary\)](#)

[2016 GASB 68 Valuation for City of McKinney](#)

[Prior Years TMRS Rate Letters – \(Funding Valuations\)](#)

[Prior Years GASB 68 Actuarial Valuations for City of McKinney](#)

TMRS System Documents (*McKinney specific citations*)

[2016 TMRS Comprehensive Annual Financial Report: Plan Provisions Chosen](#) (pages 136-137)

[2016 Schedule of Changes in Fiduciary Net Position](#) (pages 32-33)

[2016 TMRS Funding Valuation](#) (page 151)

[5 Year City of McKinney History of Net Position \(Downloadable Data\)](#)

## Links to Other Information

[Texas Transparency](#) Information to Texas Comptroller's website

[Public Pension Search Tool](#)

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

