



TERS 101

A BRIEF OVERVIEW OF THE

Tacoma
Employees'
Retirement
System

TODAY'S AGENDA

What is TERS?

How does TERS compare to other types of retirement savings plans?

What does “Vesting” mean?

What happens if I leave the City before I retire?

What else can I be doing now?

How safe is TERS?

Questions?

WHAT IS TERS?

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- TERS is a Defined Benefit (DB) pension plan
 - Assuming certain eligibility criteria are met, members are entitled to a lifetime benefit for themselves and potentially a spouse or partner
 - The starting pension amount is typically based on a member's final average salary, a factor and the number of credited service years
 - Funded through Employer (11.34%) and Employee (9.66%) contributions and earnings from the \$2.1 billion investment portfolio
 - Includes early (but reduced) retirement options
 - Adjusted for inflation up to 2.125% annually
 - Pensions are mostly treated as taxable income

HOW DOES TERS COMPARE TO OTHER TYPES OF RETIREMENT SAVINGS PLANS?

- Defined Contribution (DC) plan (i.e., a private sector 401(k) Plan)
 - Employees and employers make contributions
 - At separation, vested DC members take ownership of the entire balance
 - Separating DB members *cannot* withdraw employer contributions
- Comparing DB and DC plans
 - DB Plans reduce mortality/longevity risk
 - DB Plans reduce inflation risk
 - DB Plans can access additional investment asset classes
 - DB Plans have professional parties (staff/consultant) overseeing investments
 - DB Plans can have lower fees



WHAT DOES “VESTING” MEAN?



- TERS members begin their membership classified as unvested
- Vesting is achieved by
 - Age 60
 - Earning five years of credited TERS service (may be different than City service)
 - Having combined five years of credited service with a portable system before/after joining TERS

WHAT HAPPENS IF I LEAVE THE CITY BEFORE I RETIRE?

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- *Unvested* members are entitled to a lump sum refund of all employee contributions plus credited interest
 - *Vested* members are entitled to a lump sum refund of all employee contributions plus credited interest, plus an additional amount, OR
 - *Vested* members can choose to leave their funds with TERS and receive a pension once eligibility has been achieved

NOTE:

- Withdrawals are taxable unless rolled directly to a qualified plan
- Employer contributions are never available for withdrawal

WHAT ELSE CAN I BE DOING NOW?

Ensure your TERS beneficiary form is correct

Ensure your home address on file with the City is correct

Attend Mission Square or City Wellness financial related webinars

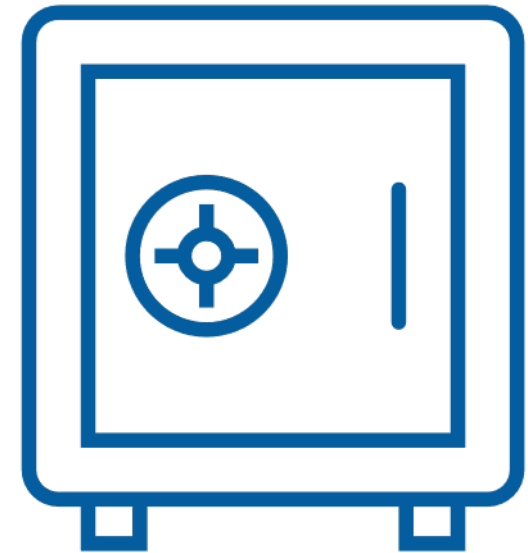
Start a 457 or increase your 457 contributions

Learn about 457 catch-up / near-retirement annual contribution limits

For non-represented members, start strategizing the timing of your separation and retirement dates to determine HRA VEBA status

HOW SAFE IS TERS?

- One measure of a public pension plan's health is called the Funded (or Funding) Ratio
- This compares assets dedicated to paying future benefits (what we have) to projected liabilities (what we owe)
- It is based on assumptions and is just a snapshot - even a 100% Funded Ratio does not guarantee success (see TERS 2008/2009)
- Some U.S. public pension plans are severely underfunded
- At a fair value Funded Ratio of around 95%, TERS is in a strong position, particularly versus peers



QUESTIONS?

