TYLER COUNTY COMMISSIONERS COURT
SPECIAL MEETING
July 14, 2008 ---- 1:15 p.m.

THE STATE OF TEXAS ON THIS THE 14th day of July, 2008 the Commissioners' Court in and for Tyler County, Texas convened in a Special Meeting at the Commissioners' Courtroom in Woodville, Texas, the following members of the Court present, to wit:

JACQUES L. BLANCHETTE	COUNTY JUDGE, Presiding
MARTIN NASH	COMMISSIONER, PCT. #1
JOE MARSHALL	COMMISSIONER, PCT. #3
JACK WALSTON	COMMISSIONER, PCT. #4
DONECE GREGORY	COUNTY CLERK, EX OFFICIO

The following were absent: Commissioner Hughes thereby constituting a quorum. In addition to the above were:

JOYCE MOORE	COUNTY AUDITOR
SHARON FULLER	COUNTY TREASURER
MELISSIE EVANS	DISTRICT CLERK

Ralph Wallace with the Texas County & District Retirement System presented a review of the **retirement benefits plan.** This meeting was for informational purposes; therefore, no action was taken.

I, Donece Gregory, County Clerk and ex officio member of the Tyler County Commissioners Court, do hereby certify to the fact that the above is a true and correct record of the Tyler County Commissioners Court session held on July 14, 2008.

Witness my hand and seal of office on this the 14th day of July, 2008.

Attest: ____________________
Donece Gregory, County Clerk
Tyler County, Texas

Funding Your TCDRS Retirement Plan and Retiree Cost of Living Adjustments (COLAs)

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

Ralph Wallace

Employer Services Representative

The county is saving in advance

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

The court established a retirement benefit plan for county employees. The county's contributions to TCDRS become part of the trust and are used to payout employees' annuities.

The better the benefits promised to employees, the more the county must contribute to save for those benefits down the road.

July 2, 2008

The county is saving in advance (cont.)

While the county is saving for retirement benefits,

- ★ **Employees will make benefit decisions**
- ★ **The economy will grow stronger and weaker**
- ★ **Future courts could raise and lower certain retirement benefits**

These affect what the county will have available to provide benefits.

Each year TCDRS compares your county's savings (projected assets) to the benefits promised to employees (projected future payouts). This is why your contribution rate either decreases or increases annually.

July 2, 2008

Employer Funding Process

- ★ Look at what is expected to happen
- ★ Look at what actually happened
- ★ Compare what happened to what was expected to happen
- ★ Receive New Employer Contribution Rate

July 2, 2008

What is Expected to Happen:

Setting
Actuarial Assumptions

July 2, 2008

What are Actuarial Assumptions?

- ★ Some are system-wide assumptions and some are locally determined assumptions
- ★ Based upon past 4 years of plan experience
- ★ Reviewed and modified every 4 years to ensure that they reflect current plan trends

July 2, 2008

The Major Assumptions

TEXAS ... SYSTEM

- ★ Expected employee withdrawals
- ★ Expected payroll growth
- ★ Expected return on investments
- ★ Expected retirements
- ★ Mortality Rates

% ≠ %

July 2, 2008

TEXAS ... SYSTEM

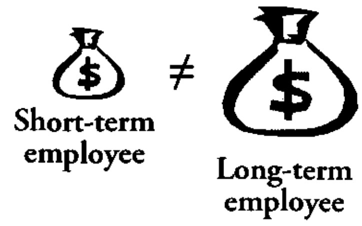
What Actually Happened:

Measuring
Annual Plan Experience

July 2, 2008

Annual Plan Experience

- ★ **Actual employee withdrawals**
- ★ **Actual payroll growth**
- ★ **Actual retirements**
- ★ **Actual return on investments**
- ★ **Actual Mortalities**
- ★ **Actual benefit changes, if any**
  - Addition of benefits
  - Changes to existing benefits

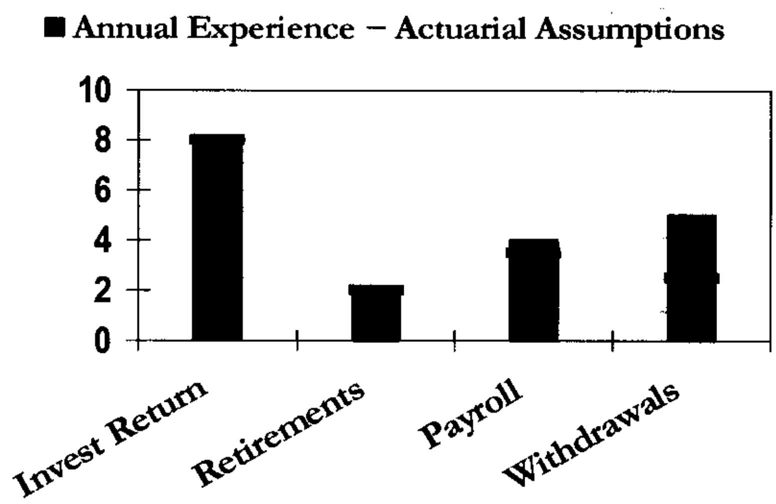


July 2, 2008

Comparing Annual Plan Experience to Actuarial Assumptions

July 2, 2008

Positive Plan Experience (Sample)



July 2, 2008

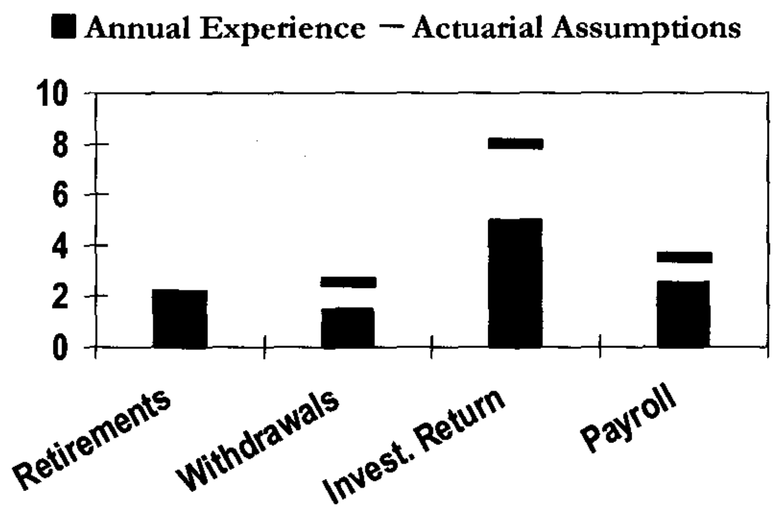
Possible Effect on Employer Rates

Sample	Last Plan Year	Present Plan
Total Rate	9.07%	8.74%

Employer contribution rates reflect the estimated funding levels needed to finance benefit obligations

July 2, 2008

Negative Plan Experience (Sample)



Possible Effect on Employer Rates

Sample	Last Plan Year	Present Plan
Total Rate	9.07%	9.73%

Employer contribution rates reflect the estimated funding levels needed to finance benefit obligations

Pension Funding

Employee and Employer dollars are kept in separate accounts until a benefit is paid out.

Employee
7%
Contribution
+ 7% Interest

190%
($1.90)
Match

Tyler Co.
7.74%
Required Rate*
+ 9% Interest

Employee Benefit Paid Upon:

1. Retirement
2. Disability
3. Death

*County's employer contribution rate determined by:

- ★ Court's annual benefit selections
- ★ TCDRS actuarial assumptions
  - County's annual plan experience
  - Amount of annual TCDRS covered payroll
  - Annual % of employee refunds
  - Annual investment returns

July 2, 2008

Tyler County Rates/Costs For 2009

Normal Cost Rate	**6.97%**
UAAL Rate	**+0.85%**
Total Rate	7.82%

✗ 2009

July 2, 2008

We Assess an Employer Contribution Rate

1. **Normal Cost Rate**
   Rate that spreads the expected cost for an employee across their entire career

In a world where nothing ever changed, the NCR would likely be enough to fund future benefits. But:

- ★ Annual gains and losses will occur
- ★ Benefits may be changed

July 2, 2008

We Assess an Employer Contribution Rate

2. **Unfunded Liability Rate**
   Remaining liability for benefits earned that have not yet been funded

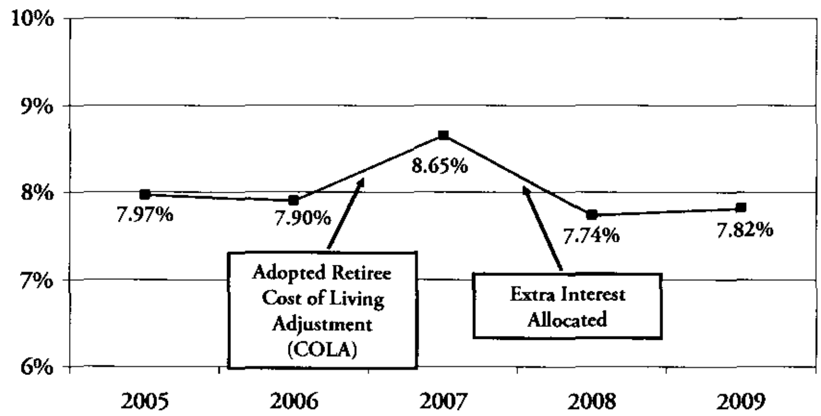
Normal Cost Rate
\+ **<u>Unfunded Liability Rate</u>**
= **Total Employer Contribution Rate**

July 2, 2008

Tyler County Rate History

Five Year History of Employer Rates as a Percentage of Payroll

Tyler County



July 2, 2008

Tyler County Funding Ratio

Funding Ratio	97%

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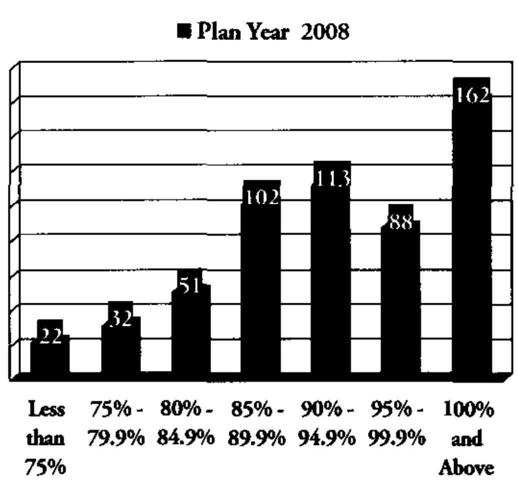
What is a Funding Ratio?

- ★ Not a measure of total funding
- ★ Not a percentage that can be paid off in full
- ★ Is a snapshot of your plan's funding status for a given year (variable)
- ★ Can't be accurately compared with another employer's funding ratio

July 2, 2008

Funding Ratios Across the System



July 2, 2008

Tyler County Unfunded Amount For 2009

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

UAAL (Unfunded Amount)	**$259,525**

July 2, 2008

What is an Unfunded Liability?

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

- ★ One indication of your plan's funding status
- ★ Is a number influenced by your annual plan experience
- ★ Is an amount paid off over a 15 year period

July 2, 2008

Cost of Living Adjustments (COLAs)

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

1. **CPI-Based COLA**

   Tied to Consumer Price Index and change in cost-of-living since year of retirement (10% -- 100%)

2. **Flat-Rate COLA**

   An across the board percentage increase (Set By TCDRS Board Annually Based On Inflation 1% -- 4%)

July 2, 2008

Tyler County 2009 COLA Rates

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

COLAs must be re-authorized each year. They are not "automatic". If you wish to authorize a COLA for the next plan year, you can estimate the cost based on the schedule of rates below:

CPI-based increases	% of payroll
10%	0.07
20%	0.28
30%	0.59
40%	0.91
50%	1.24
60%	1.58
70%	1.91
80%	2.24
90%	2.57
100%	2.91

Flat-rate increases	% of payroll
1%	0.16
2%	0.33
3%	0.49
4%	0.65

July 2, 2008

Tyler COLA Adoption Cost Samples for 2009

	Current Plan	4% Flat COLA Added	40% CPI COLA Added
Required Rate	7.82%	8.47%	8.73%
Funded Ratio	97%	95%	94%
Unfunded Liability	$259,525	$451,657	$527,205
Years to Pay Off	15	15	15

July 2, 2008

Consider Additional Contributions

- ★ An annual lump-sum contribution helps pay down your UAAL (annual payment)
- ★ Electing a higher monthly rate helps pay down your UAAL and may insure a stable budget amount (monthly payments)

July 2, 2008

The Moral of the Story

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

★ The "true" cost of your plan won't be known until the last benefit is paid out; you won't be overcharged or undercharged.

★ Projections of employer assets, pension obligations and unfunded liabilities are measures of ***funding progress.***

July 2, 2008

nclosed is the annual assessment of your TCDRS plan. Like an almanac, this assessment includes helpful information that will assist you in making decisions for the upcoming year. Please review your retirement plan assessment. If you'd like to make plan changes, please call your TCDRS Employer Services representative and we'll be happy to walk you through the process. If you decide to maintain your current plan, please fill out and return the "Authorization to maintain TCDRS plan provisions."

UNDERSTANDING YOUR BENEFITS

Each year you should look at your benefit plan and determine whether or not your benefits are adequate, and if you can afford the TCDRS can help you decide which plan options may help you meet your goals. For help defining the best program for your wo force, contact your TCDRS Employer Services representative at 800-823-7782.

PLAN PROVISIONS

There are several basic plan provisions that you can choose from when building your retirement plan. There are also other optio benefits available to you, such as military service, partial lump-sum payments at retirement, buybacks and COLAs. If you are cons ering changing any of these options, call TCDRS and we can send you the rates and forms you need.

Basic Plan Provisions

Every TCDRS plan has four basic provisions: employee deposit rate, employer matching, prior service credit and retirement eligibility. It's up to you to define these basic provisions for your plan.

Employee deposit rate — This is the percentage of your employees' paychecks that goes to TCDRS every month. You may choose an employee deposit rate of 4%, 5%, 6% or 7%. The more you require employees to save, the more they will contribute to their own benefit.

Employer matching — This is the amount you, as an employer, add to an employee's retirement fund when he or she retires. It can range from one dollar for every dollar in the account ($1.00:$1.00 or "dollar for dollar" matching) to two-and-a-half dollars for every dollar ($2.50:$1.00 matching). The more you agree to match, the higher an employee's benefit will be.

Prior service credit — Employees automatically receive service credit for prior service, the time they worked for your organization before you joined TCDRS. In addition, you may also opt to give monetary credit for prior service.

Retirement eligibility — This sets the requirements that employees must meet to earn the right to a lifetime monthly retirement benefit. Once you adopt more generous retirement eligibility provisions, they cannot be rescinded.

Retirement eligibility has three components:

★ *Vesting at age 60 — The years of service credit your employees must have to retire at age 60 or older. Under your TCDRS plan, you may choose 5-, 8- or 1(year vesting.*

★ *"Rule of" eligibility — This allows vested employees retire before age 60. You can choose either "Rule o, 75" or "Rule of 80" eligibility. Under these rules, a vested employee can retire if his or her age and years o service credit add up to either 75 or 80.*

★ *20-year or 30-year retirement at any age — This lets employees retire when they have 20 or 30 years of service credit, no matter how old they are.*

Optional Plan Provisions

Your TCDRS plan also lets you add extra benefits to your retirement plan. These provisions are optional — you can choose to add them or not.

- ★ *Military service credit — Lets vested employees count previous military service toward meeting their retirement eligibility.*
- ★ *Partial lump-sum payment at retirement — Allows an employee to withdraw all or part of his or her TCDRS account balance as a lump sum at retirement.*
- ★ *Authorizing buying back — Allows current employee to re-establish a closed TCDRS account from previous service with your organization and receive employer matching on those funds at retirement. In addition to re-depositing the withdrawn money, the returning employee is required to submit a 5% per year penalty to help offset the cost of the buyback to the employer.*
- ★ *Retiree cost-of-living adjustments (COLAs) — Allows you to increase retiree benefit payments to restore purchas ing power lost due to the effects of inflation.*

UNDERSTANDING COLAS

The TCDRS benefit payments that your retirees receive don't automatically increase to compensate for inflation. This means th your retirees lose buying power as the years go by. Paying for everyday living expenses — such as groceries, housing and tran portation — can get increasingly difficult as prices go up. Granting your retirees a cost-of-living adjustment (COLA) is a goo way to help them maintain their buying power throughout their retirement years. You can choose either a flat-rate COLA or on that's based on the Consumer Price Index.

Flat-rate COLAs — With this type of adjustment, the benefit payment increases by a percentage you choose, not to exceed the upper limit set by the TCDRS Board of Trustees each year. All of your retirees get the same percentage increase.

However, a flat-rate COLA may not adequately address a retiree's loss of buying power. For example, a recent retiree may have lost only a small percentage of her buying power, while someone who's been retired for 20 or 30 years may have lost more than 50%. A 3% flat-rate COLA might take care of the recent retiree's loss of buying power, but wouldn't begin to address the lost buying power of someone who has been retired for many years.

CPI-based COLAs — The Consumer Price Index for A Urban Consumers (CPI-U) is an index the federal gover ment uses to measure inflation. With this type of adjus ment, you may choose to increase your retirees' benefit pa ments by a percentage based on the increase in the CPI-U A CPI-based COLA helps restore the buying power fo each retiree, based on the retiree's original benefit payme amount and how much inflation has occurred since a retir started receiving the benefit payment.

How COLAs Affect Rates

COLAs are funded over 15-year periods. If you adopt a COLA, your employer contribution rate will reflect the cost of that COL for 15 years. If you regularly adopt COLAs, the rates for each COLA will stack up on the rates of any previous COLAs grante As a result, your contribution rate will tend to creep upward. To keep frequent COLA adoptions from causing your contributio rate to climb, consider making extra contributions, either in the form of an elected rate or a lump-sum contribution (see "Keepin Rates Stable").

UNDERSTANDING THE COST OF YOUR PLAN

No one knows for sure how much your retirement benefits will actually cost until all benefits are paid. But the bottom line is t
The more benefits you provide to your employees, the more you must pay to fund them.

Funding

Your TCDRS plan is an advance-funded plan. This means that you are investing now for future retirements, rather than paying benefits as they come due.

A combination of three elements fund your plan:

- ★ *Employee deposits (a percentage of each paycheck).*
- ★ *Your employer contributions (a percentage of your covered payroll).*
- ★ *Investment income (the earnings on employee deposits and your contributions, pooled together and invested by TCDRS on your behalf). Investment income funds a large part of the benefits your employees earn.*

Your Annual Employer Contribution Rate

Your employer contribution rate represents the percentage of payroll your organization is required to contribute to fund future benefits for your current employees, former employees and retirees.

TCDRS actuaries calculate your employer contribution rate in two parts. The first part is the normal cost rate. This is the percentage of your organization's payroll needed to fund benefits your current employees will earn over their entire career. The second part is the unfunded accrued actuarial liability (UAAL) rate. This rate is the percentage of your covered payroll needed to fund benefits not funded by your normal cost rate. It covers retiree cost-of-living adjustments, prior service credit, positive and negative plan experience, and retroactive benefit increases.

Actuaries add your normal cost rate and UAAL rate together to come up with your required employer contribution rate.

How TCDRS Determines Rates

Each year TCDRS actuaries take a look at your plan to det mine your employer contribution rate.

- ★ *They study your workforce and estimate the benefits y will pay to your employees.*
- ★ *They estimate how much the benefits you provide are worth in today's dollars — this is what's known as th present value of your plan's future benefits.*
- ★ *They compare the plan assets you have already investe with what you will need to pay benefits.*
- ★ *Based on this comparison, they determine how much yo will need to pay each year to fund those benefits.*

A lot of factors affect your plan assets and the current value the benefits that you provide. Five major factors are:

- ★ *Investment earnings — The amount allocated to employer funds based on TCDRS investment return.*
- ★ *Payroll growth — How much your payroll grows from year to year.*
- ★ *Mortality — When plan participants die.*
- ★ *Employee withdrawals — How often employees withdraw their accounts when they leave your employ (instead of holding out for a retirement benefit).*
- ★ *Employee retirements — If and when employees choose to receive a monthly benefit when they retire.*

The difference between what really happened to your pl (plan experience) and what the actuaries projected to happe represented by your plan's UAAL rate. Plan experience c cause your UAAL rate to go up (negative experience) or do (positive experience).

MONITORING YOUR PLAN'S HEALTH

In general, a healthy TCDRS plan provides an adequate benefit level for career employees — at a reasonable contribution rate for the employer — with adequate funding to provide security and stability. Maintaining a healthy plan requires a careful balance of benefit and funding levels.

Because each plan is unique, there is no one equation that will work for every organization. It's up to you to find the right balance for your particular plan and organization.

There are two tools for measuring the health of your plan:

Employer contribution rate — You may compare your current contribution rate with your rates for the last several years. Has your rate increased significantly? A steady or sudden rise might indicate that something is amiss with your plan.

Any number of factors could be contributing to a rate increase. If your rate has increased, your plan may need some extra help getting back on track.

Funded ratio — You may look at your current funded ratio and compare that with your funded ratios over the last several years. Has your funded ratio decreased significantly? A steady or sudden drop in funded ratio may indicate an issue with your plan.

The funded ratio is a comparison of the actuarial value of your plan assets (what you've invested) to your plan's accrued actuarial liabilities (what you are estimated to owe). Your funded ratio should move to 100% over time because any unfunded accrued actuarial liabilities are amortized over 15-year periods.

The advantages of a higher funded ratio are that your plan is more stable and current generations of employees are funding their own benefits. In addition, the funded ratio is a widely used measure of plan health and a higher funded ratio may demonstrate prudent public policy-making. Therefore, if your funded ratio is not moving toward 100%, you need to understand why.

For more help pinpointing any issues with the health of your plan, contact your TCDRS Employer Services representative.

KEEPING RATES STABLE

You can stabilize your rate by making extra contributions to your plan. By making extra contributions you are creating a cushion in the event your plan has negative experience (such as investments not performing as well as expected or your payroll not growing as much as expected). On the other hand, if your plan has positive experience, these extra contributions may be used to pre-fund a future benefit increase. There are two approaches:

1. Paying an elected contribution rate (a higher rate than your required contribution rate). This also increases the likelihood that the rate you pay will stay the same from year to year, which can make budgeting easier. If you adopt an elected rate it will remain in effect until rescinded or until the total required rate exceeds the elected rate.
2. Making an extra lump-sum contribution directly to your employer account each year.

RETIREMENT PLAN ASSESSMENT

FOR PLAN YEAR 2009

Tyler County – 328

Tyler County, #328
Retirement plan assessment
for plan year 2009

It's that time of year again — time to look at your TCDRS retirement plan and decide whether or not your benefits are adequate and affordable. This plan assessment will give you an overview of the benefits you currently provide. It also includes estimates on how much it will cost to provide these benefits in 2009.

If you are interested in adding to or changing your plan provisions for 2009, please contact your TCDRS Employer Services representative by Oct. 01, 2008. We will send you cost and benefit information on any changes you are considering. If you are satisfied with your current plan, please return the enclosed authorization by Dec. 15, 2008.

If you have questions, contact your TCDRS Employer Services representative at 800-823-7782.

NEXT STEPS

1. If you are not considering any plan changes ...
   return the enclosed authorization by Dec. 15, 2008.
2. If you are only adopting a COLA or elected rate ...
   return the enclosed authorization by Dec. 15, 2008.
3. If you are considering changing or adding other plan provisions ...
   contact TCDRS at 800-823-7782 by Oct. 01, 2008. We will be happy to send you the rates and authorization for the plan changes you are considering.

KEY DATES

Oct. 01, 2008

- Contact your TCDRS Employer Services representative by this date if you are considering any changes to your plan provisions.
- Deadline to contact TCDRS in writing if you are considering authorizing a buyback.

Dec. 15, 2008

Send in your authorization to TCDRS confirming your 2009 plan provisions.

YOUR BENEFITS

Basic Benefit Provisions:

Employee deposit rate — 7%

Matching rate — 190%

Prior service credit — 145%

Retirement Eligibility:

Age 60 with 8 years of service

Any age with 30 years of service

Rule of 75 (age plus years of service equals 75)

Cost-of-Living Adjustments (COLAs) for retirees:

Your last adopted COLA was a 4% flat-rate COLA in 2007.

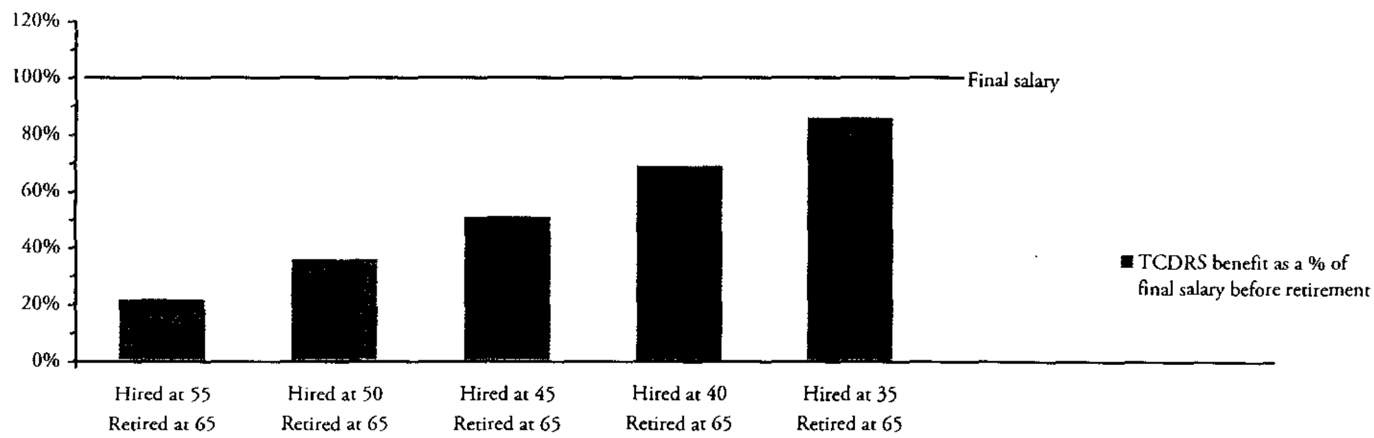
Optional Benefit Provisions:

- *Military service* – If your employees have earned at least 8 years of service with TCDRS, they can be credited with up to 60 months of military service.
- *Buyback* – You last passed a buyback authorization in 1998.

WHAT YOU ARE PROVIDING

Under your plan, each employee makes deposits into his or her personal TCDRS account by paying in a percentage of each paycheck. Employee accounts earn 7% interest each year, which is compounded annually based on the account balance at the beginning of the year. If one of your employees chooses to receive a retirement benefit, TCDRS adds the employee's personal account balance to matching and other credits you provide as an employer. We then convert that sum into a monthly benefit payment, payable for life.

The following chart shows the estimated TCDRS benefit as a percentage of final salary prior to retirement for a new hire:



Assumptions

- Employees are new hires and will work for you until retirement.
- Your current plan provisions will remain in effect through employee's retirement.
- Current laws governing TCDRS will continue as they are.
- Graded salary scales give bigger raises early in careers, with smaller raises later in careers (see Summary Valuation Report at www.tcdrs.org).
- Based on life-only benefit.

YOUR COSTS

Your employer contribution rate represents the percentage of payroll your organization needs to contribute to fund future benefits for your current employees, former employees and retirees.

To calculate your total required rate, add the rate for any COLA you plan to adopt to the provided calculated contribution rate.

Your normal cost rate		6.97%
Your UAAL rate	+	0.85%
Calculated contribution rate		7.82%
COLA rate (if adopting)	+	
Total Required Rate		

To determine the cost of your plan in dollars, move the decimal for your "Total required rate" two places to the left, then multiply it by your estimated payroll for next year.

COLAs must be re-authorized each year. They are not "automatic". If you wish to authorize a COLA for the next plan year, you can estimate the cost based on the schedule of rates below:

CPI-based increases	% of payroll
10%	0.07
20%	0.28
30%	0.59
40%	0.91
50%	1.24
60%	1.58
70%	1.91
80%	2.24
90%	2.57
100%	2.91

Flat-rate increases	% of payroll
1%	0.16
2%	0.33
3%	0.49
4%	0.65

Below is a record of your required employer contribution rate history over the last five years.

REASONS FOR RATE CHANGE	2005-2006	2006-2007	2007-2008	2008-2009
Beginning Rate	7.97%	7.90%	8.65%	7.74%
Plan Changes Adopted	0.00	0.39	0.00	N/A
Investment Return	0.00	0.00	0.00	0.00
Elected Rate/Lump Sum	0.00	0.00	0.00	0.00
Demographic/Other Changes	0.09	-0.10	-0.20	0.08
Assumptions/Methods	-0.16	0.46	-0.71	0.00
Ending Rate	7.90%	8.65%	7.74%	7.82%

VALUATION YEAR	2004	2005	2006	2007
FUNDED RATIO	93%	92%	96%	97%

A complete Summary Valuation Report for the Dec. 31, 2007 valuation is available on the Web.

TYLER COUNTY COMMISSIONERS COURT

TYLER COUNTY COMMISSIONERS COURT

July 14, 2008 — Tyler County Courthouse, Room 101
1:15AM. — Woodville, Texas

NOTICE Is hereby given that a ***Special Meeting*** of the Tyler County Commissioners Court will be held on the date stated above, at which time the following subjects will be discussed;

AGENDA

Annual Review of Retirement Benefits Plan: Mr. Ralph Wallace with *Texas County & District Retirement System.*

Jacques L. Blanchette
JACQUES L. BLANCHETTE
County Judge

I do hereby certify that the above Notice of Meeting of the Tyler County Commissioners Court is a true and correct copy of said Notice and that I posted a true and correct copy of said Notice in the Tyler County Courthouse at a place readily accessible to the general public at all times and that said Notice remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting, as is required by Article 6252-17, V.T.C.S.

Executed on 7-11 2008

Donece Gregory, Tyler County Clerk

By: Wanda Johnston (Deputy)

NO.______ TIME 8:20 Am

JUL 11 2008

DONECE GREGORY, COUNTY CLERK
TYLER COUNTY, TEXAS
By Wanda Johnston

1:15 PM

All comm but Rusty
Melissie, Shannon, Joyce
Donece

Did not get to stay for meeting DG