EXECUTIVE WORKSHOP

AGENDA	
9:00	Introductions
9:15	System Overview
9:45	Actuarial Funding
10:15	Break
10:30	Investment Overview
11:00	TMRS Makes Sense
11:30	Conclusion, Questions

Presentations are viewable online at
www.tmrs.com/workshop.php

EXECUTIVE WORKSHOP

Texas Municipal Retirement System

Deer Park Public Library
Deer Park, Texas • May 24, 2016

Presented by
Shannon Lucero, Regional Manager
Dan Wattles, Governmental Relations Director

TMRS System Overview

TMRS Governance

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- Six-member Board of Trustees appointed by the Governor, approved by the Texas Senate.
- Board members are unpaid; serve staggered six-year terms.
- The Board exercises fiduciary responsibility for investments.
- The Board has chartered an Advisory Committee, comprised of major constituency groups, to study potential plan design changes.

TMRS Membership*

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- 867 cities have chosen to participate in TMRS. This number increases each year.
- The plan covers over 104,000 employees and over 53,000 retirees/annuitants.
- Participating cities vary in size from over 6,000 employees (San Antonio non-uniformed employees) to just 1 employee (15 TMRS cities).
- 86% of TMRS cities are fully or partially covered by Social Security; for those cities that do not participate in Social Security, TMRS is an even more important benefit.

*As of 12/31/14 TMRS Comprehensive Annual Financial Report (CAFR)

TMRS Plan Design (Cash Balance)

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

TMRS has features from both a traditional Defined Benefit (DB) plan and a Defined Contribution (DC) plan:

- **Defined Benefit** – Benefit paid to employee is based on a formula determined by statute or regulation and not determined by account balance. Examples: Teacher Retirement System, Employees Retirement System.
- **Defined Contribution** – Benefit is based solely on the amount of money in the individual participant's account at retirement. Examples: 401(k) and 457 plans.
- **Cash Balance** – Maintains individual member accounts similar to DC plans, but they are credited with a fixed rate of return each year.

TMRS Hybrid Plan Design (Cash Balance)

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

DB Feature	Optional DB Features	DC Feature
Assets are centrally, professional invested	*Annuity Increases (COLAs) either repeating or ad hoc	**Employer sets the mandatory employee deposit rate
Employers bear investment risk, but receive interest based on actual rate earned	*Updated Service Credits, which help protect members' benefits from inflation	***Employer sets matching rate
Member accounts receive guaranteed 5% annual interest credit		Annuity is based on account balance (deposits, interest & match), not a formula based on average salary
Account balance is annuitized at retirement and guaranteed for life	*May be adopted, modified or rescinded by employer **May be changed by employer after initial adoption; consent of employees needed to lower rate ***May be changed by employer after adoption	

Basic City Plan Options

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

Employee Deposit Rate

- 5%, 6%, or 7% of gross compensation
- 5% interest paid on Dec 31 of each year
- All employees contribute at same level

Employer Match

- 1:1, 1.5:1, 2:1
- Match applied toward deposits & interests

Vesting Requirements

- 5 or 10 years of service

Retirement Eligibility

- Vested and age 60, or 20 or 25 years of service at any age

Additional Plan Options

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- Supplemental Death Benefit
- Restricted Prior Service Credit
- Military Service Credit
- Buyback of previously refunded TMRS credit
- Updated Service Credit (USC)
  - 50%, 75%, or 100% (with or without Transfer)
  - Annually Repeating or Ad Hoc
- Annuity Increase (COLA)
  - 30%, 50%, or 70% of CPI
  - Annually Repeating or Ad Hoc

The TMRS Benefit

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

Employee deposits

+ 5% annual interest

+ City match

+ Other credits (USC, prior service, etc.)

Total account balance annuitized at retirement in an option chosen by member

How Can Cities Change Benefits?

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- Cities may add, modify, or discontinue options in order to better serve employees
- Plan changes are made by ordinance at the City Council level (see pages 2 and 3 of flyer).
- TMRS Actuarial staff and Travel Team can run various scenarios to see the cost impact of changing plan options.
- TMRS can send sample ordinances to cities upon request.
- Any plan change by ordinance must be filed with TMRS.

What Is *TMRSDirect*?

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

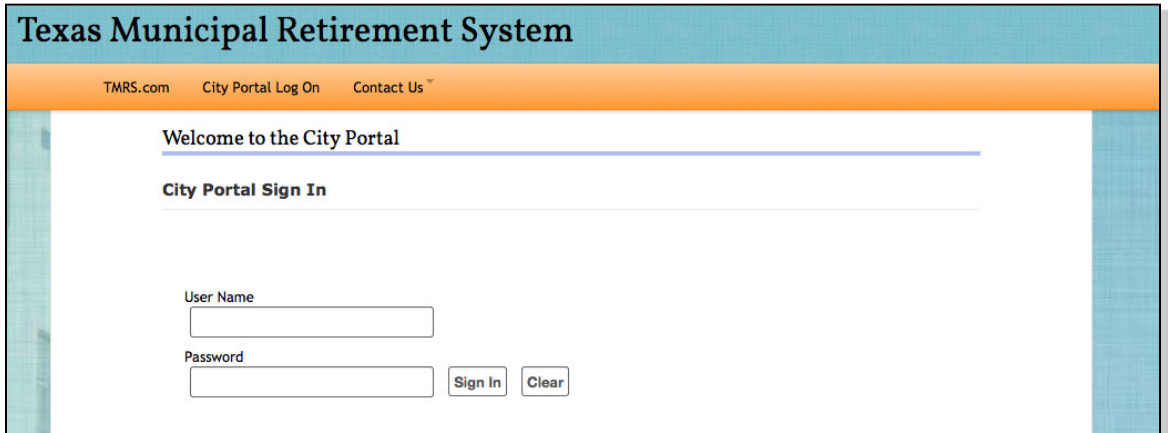
- Strategic initiative to transform TMRS administration from paper-based to "Straight-Through Processing" – reducing paperwork, improving data accuracy, enhancing security, and increasing the speed of data updates
- TMRS' online systems, MyTMRS® and the City Portal, are affected

TMRSDirect – The City Portal

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

An online tool (accessed through a secure web URL) that gives TMRS cities web-based administration

- Member enrollment
- Estimates for members
- Administrative reports
- GASB documents
- More features coming



TMRSDirect – MyTMRS

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

Member self service

- Change address/contact info
- Run estimates
- View account balance and service credits
- View and print Annual Statements
- View beneficiary(ies)

Retiree/Annuitant self service

- Change address/contact info
- Verify annuity amount, print annuity verification letter
- View and print tax documents (1099-Rs)
- Change withholding election online
- View beneficiary(ies)
- View and print annual Account Statements

TMRS Training for Cities

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- Annual Training Seminar – 2016 seminar, "The Power of Partnership," set for September 7-9 at the Sheraton Austin Hotel
- City Correspondent Certification Courses
  - In depth courses for City Correspondents and other TMRS administrators in cities; two more planned this year, in Austin on June 28-29 and November 15-16
- Executive Workshops
  - New overview sessions for city decision-makers; five were planned for 2016 – Next up: Nacogdoches

See the Events Calendar on the TMRS website for training opportunities for Members and Cities

15

Recent Governance Activity

Legislative Changes to the TMRS Act
(Board Recommended & Passed)

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

81st Legislative Session (2009): HB 360

- Enabled total return strategy and investment diversification; guaranteed a 5% interest credit for members

82nd Legislative Session (2011): SB 350

- Restructured TMRS' internal accounts, which reduced unfunded liabilities System-wide by $1.4 billion

Legislative Proposals

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- In the last two legislative sessions (2013 and 2015), bills have been introduced that would have affected TMRS benefits, had they passed
- The Board took no positions on these bills
- The issues addressed by the bills included the TMRS COLA, Return-to-Work by TMRS retirees, and the 1000-hour eligibility threshold for participation by employees in TMRS

Legislative Proposals

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

- COLA proposals have included:
  - Removal of the retroactive "catch-up" feature
  - Flat rate alternative COLAs for cities
  - "13th checks"
- Proposed alternatives to the "1,000-hour rule" would have allowed cities the flexibility to choose an increased participation threshold for their members of up to 1,500 hours in a year

Legislative Proposals

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

Proposals have been filed to modify the restrictions on TMRS retirees returning to work for the city from which they retire. Currently:

- If a retiree does return to work at the same city, his or her annuity is suspended.
- If a retiree is separated (retired) for 8 years or longer before returning to work, he/she is eligible to receive a lump sum payment of suspended annuity payments after re-retiring.

Recent TMRS Board Decisions

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

The TMRS Board has made a number of changes to improve the System's sustainability:

- Adopted new "Generational" mortality tables (2013)
- Approved a change in the actuarial cost method from "Projected Unit Credit" to "Entry Age Normal" (2013)
- Lowered the actuarial assumed rate of return from 7% to 6.75% (2015)

Advisory Committee 2016

EXECUTIVE WORKSHOP
Texas Municipal Retirement System

At its May meeting, the TMRS Board approved charter changes for the Advisory Committee. Interim study topics for the Advisory Committee include:

- Alternative COLA options
- Return to work provisions

Advisory Committee meetings are currently scheduled for:

- June 23
- August 18

QUESTIONS?