

**February Board Meeting Recap, Advisory Committee, GASB Info Bulletin,  
Upcoming Certification Course and Pre-Retirement Conferences**

**TMRS February Board of Trustees Meeting**

The TMRS Board of Trustees met on February 16 and 17, 2012. Highlights of the meeting include:

- The Board considered guidelines for the 2012 work of the TMRS Advisory Committee on Retirement Matters. A brief report on the Committee and the Board's direction for their work appears below.
- The Board approved the interest allocation to the Benefit Accumulation Fund (BAF) for the year ending December 31, 2011. Following the recommendation of TMRS consulting actuary, GRS, and based on preliminary year-end 2011 asset information, the Board approved crediting the BAF with the investment income remaining after the statutory requirements have been fulfilled, an estimated 2.37%. Under the current actuarial asset smoothing method, that market value credit, plus deferred gains resulting from the Board's distribution of the reserve in 2011, produces an actuarial rate of return of approximately 7.1% for 2011 on the BAF. The Board's action results in approximately \$250 million in deferred gains remaining as of December 31, 2011. The Board also voted to maintain the interest reserve fund at \$100 million. The net result of the credit is that city rates will not change significantly as a result of the investment performance of the fund. Other factors, such as member turnover and retirement rates, will not be known until completion of the actuarial valuation as of December 31, 2011. City rates for 2013 will be available following the Board meeting on May 3-4, 2012.
- TMRS investment consultant R.V. Kuhns reported the investment performance as of December 31, 2011, and will present an in-depth performance analysis at the Board's March meeting. TMRS' total fund composite return for the year was approximately 2.41%. More detailed performance data is available [here](#).
- The Board approved amendments to the TMRS Investment Policy discussed at previous meetings. The amendments include revisions to the credit rating of the fixed income portfolio resulting from the Standard and Poor's downgrade of U.S. Treasuries and Agencies in 2011. A current copy of the TMRS Investment Policy, as amended, is available [here](#).
- The Board heard two educational presentations from staff and R.V. Kuhns' consultants on potential future investments:

- The first presentation built upon a previous educational session on Absolute Return strategies and how they can potentially improve the total portfolio returns while reducing risk through improved diversification. The current TMRS diversification plan includes an eventual allocation of 5% of assets to Absolute Return strategies. Educational sessions will continue later this year.
- The second presentation focused on a study to identify improvements in the potential performance of the fund's equity allocation, through a combination of active and passive management.
- The Board approved the appointment of Ms. Flor Garcia to the Advisory Committee in the Group Class position for the City of San Antonio. Ms. Garcia replaces Ms. Nikki Ramos. TMRS extends its thanks to Ms. Ramos for her service on the Committee.
- The Trustees approved amendments to Rule 34 TAC Section 127.7 to address compliance with the Pension Protection Act of 2006 with regard to direct rollovers of distributions from the retirement fund. A copy of the amended Rule may be found in the [December 26, 2011, issue](#) of the *Texas Register* on page 8498.

The next meeting of the Board of Trustees will be March 29-30 in Austin.

### **Advisory Committee Information**

Pursuant to the direction of the TMRS Board, the Advisory Committee on Retirement Matters will meet several times in 2012 to deliberate potential legislative issues. Any recommendations from the Committee will be presented to the Board for their consideration in preparation for the 83<sup>rd</sup> Regular Legislative Session, which begins in January, 2013. The first two Committee meetings for 2012 are scheduled for March 29 and May 3 — both are tentatively set to begin at 9 a.m. and run until 3 p.m.

Topics likely to be considered by the Committee this interim include alternate COLA structures for TMRS; the potential for gain sharing of investment returns with employees in years when the fund's return exceeds 7%; the potential for employees to make additional contributions to the plan to fund benefits such as COLAs; and possible changes in retirement eligibility provisions.

Created in 1994 as a 9-person body, the Advisory Committee was expanded to 19 members in 2008. The Committee's recommendations helped enact HB 360 in 2009 and SB 350 in 2011. For this legislative interim, the TMRS Board Chair, Frank Simpson, and its Vice Chair, Julie Oakley, also serve as the Chair and Vice Chair of the Advisory Committee.

The Committee is comprised of two classes of membership. Nine of the members are Individual Class appointments, and ten members are Group Class representatives. The associations and groups represented are Texas Municipal League (TML), Combined Law Enforcement Associations of Texas (CLEAT), Government Finance Officers Association of Texas (GFOAT), Texas Municipal Police Association (TMPA), City of San Antonio, Texas State Association of Fire Fighters (TSAFF), Texas Municipal Human Resources Association (TMHRA), Service

Employees International Union - San Antonio (SEIU), Texas City Management Association (TCMA), and Arlington Professional Fire Fighters.

The Committee's charter is available [here](#), and a list of the current members is [here](#). An application for the Individual Class is available [here](#).

If members or city representatives have suggestions for potential legislation, especially if such ideas are likely to affect the cost of a city's plan or require legislative change, TMRS encourages these suggestions to be submitted to Dan Wattles, TMRS Director of Governmental Relations, at [dwattles@tmrs.com](mailto:dwattles@tmrs.com).

### **TMRS Introduces New Bulletin, "Eye on GASB"**

Background: As noted in previous e-bulletins, the Governmental Accounting Standards Board (GASB) issued exposure drafts for amending Statement No. 25, *Accounting and Financial Reporting for Pensions*, and Statement No. 27, *Financial Reporting for Pension Plans*, in September 2011. GASB is still in deliberations and is continuing to review comments and feedback it received during the comment period. The new GASB statements are expected to be issued in June 2012. Information in the "Eye on GASB" is based on what is currently known about the exposure drafts and therefore could change when the final statements are published.

The first of this series of bulletins about the proposed GASB pension accounting changes is [available online](#) now. The new bulletin is produced in flyer format, and each issue will be linked to the [Cities](#) page of the TMRS website, with notice given in the TMRS E-Bulletin for Cities.

### **GASB Invites Comment about Economic Condition Reporting**

In addition to its proposed changes to Statements 25 and 27, the Governmental Accounting Standards Board (GASB) is seeking public comment on another set of proposals, which are outlined in Preliminary Views, *Economic Condition Reporting: Financial Projections*. GASB is proposing that state and local governments should present five-year projections of cash inflows, cash outflows, and financial obligations that would be reported as required supplementary information following the notes to the entity's financial statements. Per GASB, "the objective of this requirement is to better enable taxpayers, bond holders, and other interested parties to assess a government's financial health — it's important to understand whether governments are on a financially sustainable path." GASB believes that five-year projections of major non-debt financial obligations, such as unfunded actuarial accrued liability for pensions and OPEB liabilities, may assist financial report users in evaluating the longer term financial health of public entities.

GASB is seeking public comments on the Preliminary Views (PV) through March 16, 2012, before considering whether to develop proposed new standards. The complete PV may be downloaded free of charge from the GASB website, [www.gasb.org](http://www.gasb.org).

This new set of proposals may require significant additional information in your city's annual financial report. TMRS will be covering this subject in more detail in its next "Eye on GASB," which will be posted on the website soon.

### **Annual Statements for Members Coming in March**

Beginning March 9, TMRS will start sending Annual Statements to members. These detailed statements include the member's service history, retirement account balance, beneficiary information, and retirement estimates for the member's first year of eligibility and five years later. The planned mail dates are:

- March 9      Zip codes 00000 - 75999
- March 14     Zip codes 76000 - 77499
- March 19     Zip codes 77500 - 78299
- March 23     Zip codes 78300 - 99999

We plan to have all statements available online (through MyTMRS) by March 22, ahead of the final mailing.

### **2012 Regional Pre-Retirement Conferences Rolling Along**

The regional pre-retirement conferences kicked off in Schertz on February 7 to a large crowd of area employees and spouses. To keep pace with the numbers of employees who are contemplating retirement, conferences are scheduled in the cities below. Signup sheets and agendas for the next two conferences are available on the TMRS website (see links below). Stay tuned to the online TMRS calendar for more signup sheets and agendas as they become available (approximately one month before each conference).

- Conroe - Thursday, March 8 | [agenda, map, and RSVP form](#)
- Georgetown - Wednesday, March 21 | [agenda, map, and RSVP form](#)
- Beaumont - Monday, March 26
- McAllen - Tuesday, April 24
- Longview - Thursday, May 3
- Amarillo - Wednesday, May 30
- Addison - Monday & Tuesday, June 25 & 26
- Hurst - Wednesday, June 27
- Midland - Thursday, July 12

TMRS extends our gratitude to all the host cities!

### **City Correspondent Certification Course Planned for April**

TMRS' next Certification Course for City Correspondents and other TMRS plan administrators will be presented April 17 and 18 at the TMRS headquarters in Austin. This is an ideal one-and-a-

half day class designed to give our city partners the knowledge and tools they need to administer their TMRS program.

Those city employees interested in attending need to sign up by sending in a [registration form](#) (also available are the course [agenda](#) and a [hotel map](#)). TMRS has reserved a block of rooms at the Doubletree – University Area hotel, which is located a few blocks north of our building. We will provide shuttle service to the TMRS building for attendees.

If you wish to attend, please fill out and return the registration form. After you make your hotel reservation, notify us if you would like shuttle service between your hotel and TMRS (e-mail [mthomas@tmrs.com](mailto:mthomas@tmrs.com)).

*NOTE - Previously issued e-bulletins are posted in the E-Bulletin section under the Publications page on the TMRS Website.*