

**June Board Meeting, Legislative Summary,
Actuarial Valuation and Rate Letters, Funding Workshops**

June Board Meeting Report

The TMRS Board of Trustees met on June 16 and 17, 2011, and heard or acted upon the following items. The Board:

- Adopted the TMRS Actuarial Valuation prepared by the System's consulting actuary, Gabriel, Roeder, Smith & Company (GRS), for the year ending December 31, 2010. Besides the results of the year's actuarial experience, the valuation included assumption changes made as a result of the experience study performed as of December 31, 2010, and the fund restructuring enabled by SB 350. The valuation is used to set the city contribution rate levels for 2012. The valuation (177-page PDF) is posted on the TMRS website [here](#). See the article on Rate Letters below for more information. A copy of GRS' summary presentation to the Board is [here](#).
- Heard a report on TMRS legislation in the recently concluded 82nd Regular Session of the Texas Legislature. See article below.
- Adopted resolutions honoring State Senator Tommy Williams and State Representative Vicki Truitt for their authorship and sponsorship of SB 350.
- Heard an economic outlook presentation from TMRS consultant, economist Dr. A. Gary Shilling (<http://www.agaryshilling.com/>).
- Heard a presentation by TMRS staff and a consultant from R.V. Kuhns reviewing the TMRS securities lending program. The report recommended no changes at this time.
- Heard an educational presentation by TMRS staff and a consultant from ORG Portfolio Management on real estate fee structures.
- Heard an investment report from TMRS staff and a representative from consultant R.V. Kuhns. A summary of the performance data as of May 31, 2011 is posted [here](#).
- Adopted an amendment to the Charter of the TMRS Advisory Committee on Retirement Matters. Following the amendment, members of the Individual Class of the Advisory Committee will be required to be a member or retiree of TMRS, a former Board member, or an elected official of a city that provides TMRS benefits.

- Appointed retired City of Victoria City Manager and former Board Member Charles Windwehen to the Advisory Committee.

The next scheduled meeting of the TMRS Board of Trustees will be a joint meeting with the Advisory Committee on July 21-22, in Austin.

Summary of the 82nd Legislative Session

SB 350

The 82nd Texas Legislature enacted SB 350 by Senator Tommy Williams (House sponsor Representative Vicki Truitt), containing the recommendations for TMRS internal fund restructuring recommended by the TMRS Board of Trustees and the TMRS Advisory Committee on Retirement Matters. Governor Perry signed the bill on June 17. It is effective immediately.

Under the provisions of SB 350, the three internal TMRS funds — the Municipality Accumulation Fund (MAF), the Employee Saving Fund (ESF), and the Current Service Annuity Reserve Fund (CSARF) — are combined into a new Benefit Accumulation Fund in a manner typical of the vast majority of public retirement systems. The structure provides greater efficiency and, for many cities, reduces annual contribution rates.

TMRS' consulting actuary, GRS, recommended in 2009 that TMRS consider fund restructuring. The Board and its advisors spent much of the interim between legislative sessions analyzing the proposal. TMRS wishes to extend deep gratitude to our bill sponsors, Senator Tommy Williams and Representative Vicki Truitt, the members of the Advisory Committee, and all of the other individuals who contributed to this important legislation.

Restructuring does not affect the benefits of any TMRS member, active or retired.

Other Legislation

Three other bills potentially affecting all TMRS cities were approved by both houses of the Legislature, were signed into law by the Governor on June 17, 2011, and are effective immediately.

HB 159 by Raymond and **SB 812 by Zaffirini**, which are identical, provide that a retiree who resumes employment with the city from which he or she retired, after a bona fide separation from service with the city of at least eight years, will be eligible upon re-retirement from the city for a lump sum payment of any benefit payments suspended during the period of re-employment. This legislation affects only a small number of current members of the System, but cities should be aware of this provision when reemploying a member who has previously retired.

HB 2460 by Truitt clarifies that the Texas Public Information Act applies to the governing bodies of Texas' public retirement systems. The Act stipulates that records that are in the custody

of a retirement system or a specified party (which includes an administering firm, a carrier, or another governmental body) are confidential and not subject to public disclosure. The Texas Legislature considered, but did not pass, a number of other bills that would have affected TMRS. A complete list of the bills and links to their final status in the session may be found [here](#).

Actuarial Valuation and City Rate Letters

TMRS plans to mail City Rate Letters containing your city's contribution rate for 2012 by June 24. The Actuarial Valuation is available [here](#).

Here are a few important points about this year's Rate Letter:

- Your 2012 Full Contribution Rate (and a Phase-in Rate, if applicable) is shown on the front page. The additional detail in the letter is provided to help you understand the computation of the rate and to give you needed information for your financial disclosures.
- Some cities currently have a Phase-in option regarding their contribution Rate. For those cities, the Total Phase-in Rate shown in the letter is the minimum contribution rate for 2012. **Note that a city that pays a Phase-in Rate will incur a Net Pension Obligation (NPO) for 2012 (see below).**
- TMRS strongly encourages every city to pay the Full Rate, or as close to the Full Rate as possible.
- In most years, the change in your contribution rate is caused by any modifications you might have made to your plan during the year as well as your city's experience. This year, the change in your rate reflects not only those two factors but also the fund (internal account) restructuring enabled by passage of SB 350, the distribution of reserves following restructuring, and the results of an actuarial experience study performed by TMRS' consulting actuary (see below).
- The net effect of the above factors will be a reduction in the required Full Retirement contribution rate for most cities. Cities with a reduced rate will have the option to begin paying the 2012 retirement rate beginning with the October 2011 payroll. **Note that any city that exercises this option will incur a Net Pension Obligation (NPO) for their 2012 fiscal year. Please also note that your 2011 Supplemental Death Benefit Rate will not change for the remainder of the year.**
- As in past years, the Rate Letter also contains the information your city needs for writing its pension disclosures (in compliance with GASB standards).
- Rate Letters will be available on the TMRS website soon after they are mailed.

Net Pension Obligation (NPO)

As noted above, a city that pays a Phase-in Rate or a city that chooses to exercise the option to pay the 2012 rate beginning with the October 2011 payroll will incur an NPO for its 2011-2012 fiscal year. An NPO is the cumulative difference between the Actuarially Required Contribution (ARC) and the amount your city actually pays. The NPO must be disclosed in your city's financial statements as a liability that will be amortized over your city's actuarial funding period (25 or 30 years).

Actuarial Experience Study

An actuarial experience study is a systematic examination by an actuary of the actuarial assumptions used to project a pension plan's assets and liabilities. Ordinarily an experience study is performed every four or five years to ensure that the assumptions match actual experience over a reasonable period of time. If an assumption proves to be inaccurate, the actuary will recommend that the assumption be adjusted for future annual Actuarial Valuations. GRS recommended that an experience study be performed in conjunction with the restructuring under SB 350 and made a number of recommendations that were included in the December 31, 2010 valuation; these revised assumptions will also be reflected in future actuarial valuations.

Assistance with City Contribution Rate Issues

In addition to the information provided in the Rate Letter, TMRS has resources to help you understand your city's contribution rate and communicate it to elected officials and others. The TMRS Deputy Executive Director and Staff Actuary are available to provide assistance, and the TMRS Travel Team can work with you one on one or visit your city if needed. Call TMRS at 800.924.8677 or go to the [Travel Team page](#) for more information. In addition, TMRS is offering several two-hour "Post-Restructuring" Regional Funding Workshops (see item below) and an Annual Training Seminar (see item below) where cities can meet with staff.

Funding Workshops Planned for July and August

In order to help cities understand city rates for 2012, TMRS has scheduled Regional Funding Workshops in July and August, and may add more if needed. Designed primarily for city managers and finance department personnel, each workshop will feature a 30-45 minute presentation, followed by questions and answers, and sufficient time to meet one-on-one with a TMRS Travel Team member or the System's Decision Support Actuary.

Please send an e-mail to communications@TMRS.com to let us know if you plan to attend a specific workshop or [fill out this form on the TMRS website](#). A Travel Team member will get in touch with you to talk about any plan change modeling or other issues you may wish to discuss. Advance notice of particular requests helps the Team prepare the modeling tools. **All workshops will run from 10-12** at the locations shown below.

WORKSHOP SCHEDULE

<u>City</u>	<u>Date</u>	<u>Location</u>
Addison	Tuesday, July 12	Addison Conference & Theatre Centre, 15650 Addison Rd.
Schertz	Thursday, July 14	Schertz Civic Center (Bldg. 5), 1400 Schertz Parkway
Amarillo	Wednesday, July 20	Globe-News Center, 401 S. Buchanan
Sugar Land	Tuesday, July 26	City Hall (Council Chambers), 2700 Town Center Blvd. N.
McAllen	Tuesday, August 2	McAllen Convention Center, 700 Convention Center Blvd.
Tyler	Thursday, August 4	Rose Garden Center (Rose Room), 420 Rose Park Drive

Annual Seminar Coming August 14-16!

July 25 is the deadline to sign up for the TMRS Annual Training Seminar, “All Together Now,” for registration and to book a hotel room at the TMRS rate. Don’t miss out on this chance to understand the full picture of the legislative changes, as well as hear two prominent economists, A. Gary Shilling and Dean Baker, who will be our keynote speakers.

This year’s seminar reintegrates the former Finance/Funding Seminar and the Administrative seminar back into one seminar with two program tracks. The seminar invitation, schedule, and registration form are available [here](#). Sign up today!

Financial Publication Releases Delayed

Due to the fund restructuring and the timing of the legislative session, the TMRS *Comprehensive Annual Financial Report* (CAFR) and the Summary Annual Financial Report (Popular Report or PAFR) will be slightly delayed this year. Also, note that the CAFR will be provided only in electronic format this year, available on the TMRS website. We will send a notice to all cities when it becomes available. The PAFR will be mailed to members and retirees as inserts in the summer issues of *INSIGHT*, and *RetirementWise*.

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