

TMRS E-bulletin

FOR CITIES

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March Board Meeting Summary

The TMRS Board of Trustees met in Austin on March 22 and 23. The Board:

- Approved an approximate 13.05% interest allocation to the [TMRS Benefit Accumulation Fund](#) for the year ending December 31, 2017. (See item below.)
- Named Jesús Garza as Vice Chair of the Advisory Committee on Benefit Design and Jim Jeffers as Vice Chair of the Board's Budget Committee.
- Authorized the Chair of the Advisory Committee on Benefit Design to convene an organizational meeting of the Committee in April or May. (Note: Subsequent to the Board meeting, the Committee Chair set April 26 as the date for the organizational meeting.)
- Heard a report on the external financial audit plan for the year ending December 31, 2017.
- Provided guidance on the Board's role in selecting an external auditing firm.
- Approved three managers/five funds in the [private equity portfolio](#) and two managers in the [non-core fixed income portfolio](#), pending successful negotiations of agreements.
- Heard a report from RVK, general investment consultant, on [investment performance](#) for the quarter ending December 31, 2017.
- Heard a report on the status of the [Internal Audit department](#).

- Discussed potential changes to the TMRS employee manual.
- Discussed information gathered on electronic access to meetings.

The next meeting of the Board will be a joint meeting with the Advisory Committee in Austin on May 24 and 25.

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2017 Interest Rate Credit for the Benefit Accumulation Fund

The Board's approval of the [interest credit to the Benefit Accumulation Fund \(BAF\)](#) at an approximate 13.05% will result in an estimated 7.11% "smoothed" or actuarial return for 2017. This will also decrease 2019 employer contribution rates on average (will vary by city) by approximately 0.09% due to 2017 investment performance.

The actuarial rate of return of 7.11% is being driven by the partial recognition of deferred gains (excess returns above 6.75%, the assumed rate of return). System-wide, a 13.05% interest credit to the BAF generates \$1,539.5 million in excess returns for 2017, of which \$610.8 million will be used to completely offset the deferred losses (shortfalls) remaining as of December 31, 2016. Of the remaining excess returns, \$92.9 million will be recognized in the 2017 valuation and \$835.8 million will be deferred to future valuations. The BAF interest credit and other actuarial experience will be reported in the December 31, 2017 actuarial valuation along with 2019 city contribution rates at the May meeting of the Board.

Emails from TMRS

TMRS has received questions from cities about unsolicited emails, sometimes with bogus "invoices," which originate from such email addresses as rateletter @ tmrs.com, or cityrates @ tmrs.com. TMRS sent a Special E-Bulletin for Cities on February 21 discussing this issue as a "phishing" attempt, but we want to remind city contacts again that TMRS doesn't send out group emails from this type of address. Unless you are receiving a direct email from a specific TMRS staff member, our "official" group email address will look like the one on this e-bulletin, sent by Texas Municipal Retirement System <tmrs_@public.govdelivery.com>.

If you receive a suspicious email that appears to come from TMRS, please call us at 800-924-8677.

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Additional GASB Packet Coming this Summer

In July, TMRS will provide a new packet of information to cities that offer Supplemental Death Benefits (SDB) for retirees as part of their TMRS benefit program. New reporting standards under GASB 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions," also referred to as "Other Post Employment Benefits" (OPEB), are first effective for cities with a fiscal year ending June 30, 2018. This new standard requires additional information that will be provided to cities in a separate document from the GASB 68 packages that TMRS has prepared for the past several years. Generally, TMRS' communications for cities (posted to website) will be on this schedule:

June 2018 City Contribution Rate Letters for all TMRS cities
July 2018 GASB 68 Employer Reporting Packages for all TMRS cities
July 2018 GASB 75 Employer Reporting Packages for applicable TMRS cities that offer SDB for retirees

TMRS will send emails to all cities notifying you when these documents are available for download from the TMRS website. We will also publish more information as the delivery date gets closer. Please send any questions to pensionaccounting@tmrs.com.

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New Monthly E-Newsletter

This e-newsletter gathers informative stories about public pension plans in Texas, other states, and nationwide. The March 2018 issue is posted [here](#). If you have any suggestions for coverage, send an email to the editor at communications@tmrs.com.

TMRS currently offers five separate e-newsletters available by subscription through Govdelivery, our email service: Pension Intelligence, TMRS E-Bulletin for Cities, TMRSDirect News for Members, TMRSDirect News for Retirees, and Executive E-News. You may sign up for email delivery of any of these titles at this [link](#) or from the E-Bulletin sign up button on the [Electronic Publications](#) web page; creating a password is optional.

Sign Up for Electronic Payroll — Get Free Registration to a TMRS Training Course!

Act now! If you are not currently sending your payroll data and funds electronically, TMRS strongly encourages you to do so. The benefits of electronic reporting and ACH payments are safety, speed, accuracy, and cost savings. Sign up and submit your first electronic payroll and you'll qualify to send one employee from your city to a 2018 TMRS training event (either the Annual Seminar or a Correspondent Course). For either option, TMRS will waive the registration fee (\$125 or \$50, respectively). To take advantage of this offer and also receive payroll upload assistance, email Chris Gillis at cgillis@tmrs.com or Jennifer Andrews at jandrews@tmrs.com, or call our office at 800-924-8677 and ask to speak to Chris G. or Jennifer.

Employees who are responsible for submitting their city's Monthly Payroll Report to TMRS can learn about electronic payroll using [TMRS' online training](#). The training page includes the following components:

1. [Payroll Reference Guide](#), a resource that can be reviewed, printed, and kept for future reference.
2. "[How to Fill Out Payroll Forms](#)," a tutorial that guides you through completion of TMRS payroll forms and shows you how to calculate the correct amount to send to TMRS each month.
3. "[FAQs Regarding Payroll Submission](#)," as needed for review.
4. Instructions for filing payroll electronically, using either the [Electronic Payroll Guide](#) or the [TMRS City Portal](#).

2018 Maximum Compensation Limit

Each year, the IRS sets a compensation limit specifying the maximum amount of an employee's compensation that can be used in calculating a participant's benefits under a retirement plan. Employees who began participating with TMRS on or after January 1, 1996, are subject to this compensation limit. For 2018, the annual cap on compensation for which TMRS employee deposits can be calculated is \$275,000. For example, in a city with a 7% deposit rate, the maximum amount of the employee deposit contribution for 2018 would be \$19,250 (7% × \$275,000).

Employee deposits submitted by cities in excess of the cap will be returned to the city and may affect the amount of the employee's wages subject to federal income tax. TMRS identifies members who may be subject to the limit and makes every effort to advise both the members and their employers. Contact TMRS Member Services at 800.924.8677 if you have questions.

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Correction of Errors and Settlement Issues

From time to time, mistakes happen or a legal settlement with an employee may result in a retroactive change to TMRS contributions. For example, a city may have miscalculated a member's contribution, which results in an incorrect city contribution and a need to adjust amounts after the error has been discovered.

TMRS statutes allow correction of certain errors that occurred up to four years prior to the date that written application for a correction of error is received by TMRS. The first step a city needs to take if an error has been identified (or if an agreement with an employee results in a need to make a

retroactive correction) is to notify TMRS **in writing** —either in a letter or by email — of the error. TMRS will respond with an acknowledgement of the notice and details on items TMRS requires for the city to properly apply for correction of error.

IMPORTANT NOTE – Applications are time sensitive; corrections can only be made for errors that occurred within four years prior to the date **written application** for correction is received by TMRS.

In addition, if a city is entering into negotiations for a settlement agreement that may result in a retroactive adjustment of benefits, we strongly recommend that your legal advisors work with the TMRS Legal department **before finalizing** the agreement, to ensure it does not conflict with TMRS statutes so that TMRS has the authority to implement the adjustments.

If you have any questions, please contact one of our Membership Analysts at 800-924-8677.

Website Improvements

The TMRS website was redesigned last summer and features content areas with separate announcements for members, retirees, cities, and other audiences. These announcements are updated frequently, usually weekly.

The TMRSDirect® areas of the website (secured programs that access member and city data) are easily found using the [MyTMRS®](#) and [City Portal](#) links. The appearance of these portals has been upgraded to match the overall website.

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2018 City Correspondent Certification Course Schedule

Want to be a pro at explaining TMRS benefits to your employees? If you attend a City Correspondent Certification Course, you'll get the knowledge and tools you need to answer any TMRS benefit question your employees have. This one-and-a-half-day course covers forms used, online tools, special situations, and other issues you may encounter when assisting active and retiring members. Whether you are brand new or experienced in administering TMRS benefits, you will find this course valuable.



Register to attend this important training using the links below or through our [Facebook Events page](#). Email questions about this course to registration@tmrs.com. The Correspondent courses planned for 2018 are:

- **May 29-30** – City Correspondent Certification Course • [Humble, Texas](#)
- **July 19-20** – City Correspondent Certification Course • [North Richland Hills, Texas](#)
- **October 16-17** – City Correspondent Certification Course • [Cedar Park, Texas](#)
- **November 13-14** – City Correspondent Certification Course • [Plano, Texas](#)

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NOTE • Previously issued e-bulletins are posted in the [E-Bulletin section](#) under the City Services tab on the TMRS website.