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June Board of Trustees Meeting

The TMRS Board of Trustees met in Austin on Thursday and Friday, June 20-21. The Board:

- Heard a report on the outcome of the 86th Regular Session of the Texas Legislature, including final passage into law of Senate Bill 1337 (see item below)
- Approved resolutions thanking Senator Joan Huffman and Representative Dan Flynn for their work in passing SB 1337
- Heard a presentation on three [upcoming studies](#): asset liability modeling, asset allocation, and experience studies (see article below)
- Approved a \$125 million allocation in the [Absolute Return](#) portfolio and a \$60 million allocation in the [Private Equity](#) portfolio, pending successful completion of legal documents
- Discussed a schedule for [governance education](#)
- Approved the external financial audit for the year ending December 31, 2018, and heard a presentation from the external auditor on [2018 Financial Statements and System and Organization Controls \(SOC\) Audit](#)
- Heard a presentation on the [2018 Comprehensive Annual Financial Report \(CAFR\)](#) and approved distribution of the CAFR.

TMRS Bill Signed into Law

Governor Greg Abbott signed Senate Bill 1337, the TMRS bill, into law on June 14, 2019. With his signature, the TMRS Act is officially amended to include all of the provisions approved by the TMRS Board at their December 2018 meeting. The bill will go into effect on January 1, 2020. TMRS would again like to thank Senator Joan Huffman and Representative Dan Flynn for sponsoring the legislation and for their hard work to ensure passage. For details and background, see the [Texas Legislature web page](#) and the [TMRS Legislative News page](#).

Submitting Payroll with the City Portal

Is your city mailing paper payroll reports containing employee Social Security numbers and salary information? Please be aware of the potential risk in sending confidential information through the mail. TMRS provides a secure method for cities to transmit sensitive data -- the TMRS City Portal.

The City Portal is a secure tool for not only *enrolling new members* and viewing and entering *confidential information*, but also for *uploading payroll* documents. If you are not on the City Portal, [sign up now!](#) **See special offer below.**

Uploading your payroll documents is done in four easy steps (from Payroll tab, submit payroll window, browse to desired file, select file, then Upload). If your city uses Incode® the process is even faster.

SPECIAL OFFER! If you start uploading your monthly payroll via the City Portal between now and October, we will waive the registration fee for the TMRS Annual Seminar in San Antonio, November 3-5! For information, contact [Jennifer Andrews](#), Member Services Manager.

Take this [short survey](#) on the City Portal now!

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City GASB 68 Reporting Packages Now Available

The Governmental Accounting Standard's Board Statement No. 68 (GASB 68) pension disclosure information for 2019 fiscal years is now available on our website. GASB 75 Reporting Packages will be available by July 31.

The "[GASB 68 Employer Reporting Package](#)" is based on the December 31, 2018 (measurement date) actuarial valuation. Topics under the "[2019 What You Need for GASB 68 Compliance](#)" page are grouped under: Financial Statement Audit, Financial Reporting, Actuarial Resources, and General GASB Resources. **Please be sure your finance officer is aware of this resource.**

In addition, TMRS' SOC-1 Audit Report (PDF; for use with GASB 68) and your city's census data (Excel; for use with both GASB 68 and 75) are available as downloads from the [City Portal](#). If you have questions about these materials, send an email to pensionaccounting@tmrs.com.

Training Opportunities for Members

[Regional Pre-Retirement Conferences](#) • Employees within five years of retiring may wish to attend a free Regional Pre-Retirement Conference to help them understand their TMRS benefits and make plans for their retirement. The programs also include a presentation by a Social Security expert. TMRS provides a

continental breakfast, and spouses are welcome to attend. Employees are encouraged to self-register through Eventbrite using the link in the invitation, and to bring a retirement estimate downloaded from MyTMRS®.

The remaining Regionals for 2019 are:

- **July 11** – Addison
- **November 19** – Nacogdoches
- **December 11** – Grapevine

Also stay tuned to the [Facebook](#) page for registration reminders.

Mid-Career Meetings • These free two-hour meetings are designed for employees who are vested with TMRS but are several years away from retirement (view the Mid-Career Meeting presentation, [Understanding the Value of Your Benefit](#)).

If you are interested in bringing this type of event to your city, contact the TMRS [Travel Team](#).

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SAVE THE DATE! TMRS Annual Seminar



The 2019 TMRS Annual Seminar, “Retirement Roundup,” will be held from the evening of November 3 through noon of November 5 at the [JW Marriott San Antonio Hill Country Resort and Spa](#), 23808 Resort Parkway, San Antonio.

The seminar offers a great lineup of speakers, plus updates on legislation, investments, actuarial, and member service issues. An event webpage with details and a link to register will be available in July.

Mark your calendars to attend this informative and fun event!

Overview of Upcoming Asset Liability, Asset Allocation, and Experience Studies

During the remainder of 2019, the Board will be considering and/or acting on the results of three major projects – the asset liability modeling study, the asset allocation study, and the four-year experience study. Each of these projects has both an actuarial and investment component, with results helping TMRS assess its overall strategies for funding benefits.

Asset Liability Modeling (ALM) Study. An ALM study is a comprehensive analysis of risk and reward in terms of the overall pension plan impact (e.g., contribution levels and volatility, funded ratio trends, benefit security, intergenerational equity) compared to the more traditional, asset only analysis where risk and reward are analyzed in terms of expected investment performance. ALM produces a range of possible outcomes based on various investment scenarios and the demographic and economic assumptions from the experience study. The ALM study will provide input to the asset allocation study about liquidity concerns, potential shock risks, and the sensitivity of the liabilities to price and/or wage inflation, which help identify the asset allocation strategies that have the greatest chance of success. ALM will also provide information about the current funding policy and any potential options for improvement.

Asset Allocation Study. The asset allocation decision is arguably the most important investment decision the Board makes. The risk and return characteristics of the individual asset classes included in the selected strategic target asset allocation drive the long-term expected rate of return that will be included in the economic assumptions adopted by the Board as part of the experience study. Approved assumptions will be used in the annual actuarial valuation to determine contribution rates and liabilities. The asset allocation study presents the risk/return/correlation expectations for each asset class based on current capital market assumptions and then produces potential alternative portfolios for the Board’s consideration. After evaluating the alternative portfolios, the Board can choose the portfolio that is most consistent with its investment beliefs, risk appetite, and long-term investment objectives.

Experience Study. Recognizing that actuarial assumptions are not static and should be reviewed periodically, the purpose of an experience study is to compare actual plan experience to expected plan experience and to determine if a change is warranted. Over time, the true cost of plan benefits will be borne out in actual plan experience. The ultimate cost of benefits is not affected by actuarial assumptions but is determined by actual participant behavior, actual investment returns, and plan provisions.

The assumptions reviewed in the experience study are generally divided into two broad categories:

- Economic Assumptions – investment return, wage and price inflation, payroll growth, and individual salary increases
- Demographic Assumptions – termination rates, forfeiture rates, disability rates, service retirement rates, pre-retirement mortality rates, post-retirement mortality rates, and disabled annuitant mortality rates.

Based on the results of these three studies, the Board will be equipped with the knowledge to consider and act on a new set of actuarial assumptions to be effective with the December 31, 2019 actuarial valuation.

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