

# TMRS E-bulletin

FOR CITIES

## TMRS Board Meeting and Advisory Committee Meeting Summaries, Severance Pay Reminder, Upcoming Training

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### August TMRS Board Meeting Summary

The TMRS Board of Trustees met in Austin on August 18 and 19, 2016. The Board:

- Approved new private equity allocations totaling \$100 million to [two new managers](#).
- Heard a presentation on an [Asset Liability Study](#) by investment consultant RVK.
- Heard the annual investment portfolio [risk management review](#).
- Heard a [quarterly investment summary](#) from RVK.
- Received [internal audit reports](#) on the implementation of annuity purchase rate factors and investment accounting. Controls in all areas in both audits are assessed “strong.”
- Heard Board education presentations on [Benefits Administration](#) and [Ethics/Fiduciary Responsibility](#) to fulfill education requirements under provisions established by the State Pension Review Board.
- Heard a management update from the System’s Chief Investment Officer.
- Heard a report on the activities of the Advisory Committee on Benefit Design (see article below).
- Heard an Executive Director update on the [Communications Department](#).

The Board’s next meeting will be held in Austin on September 22-23.

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### Advisory Committee Meeting Summary

The TMRS Advisory Committee on Benefit Design met the morning of August 18 to finalize a list of advantages and disadvantages on potential legislative proposals for the upcoming 2017 Regular Session of the Legislature.

The Board requested input on two specific benefit design options, each with two possible variations:

1. Changes or additions to the COLA provisions available to TMRS cities.
  - a. Allow a city to adopt a CPI-based COLA without the current “catch-up provision”
  - b. Allow a city to adopt a COLA at a flat percentage rate (e.g., 5%)
2. Changes in the provisions governing an employee who returns to work at the city from which he or she retired. Current law requires such retiree’s annuity be suspended upon returning to work for the city from which he or she retired – with an exception that allows the repayment of the suspended benefits to be repaid at subsequent retirement if the separation in service prior to returning to work is at least eight years.
  - a. Allow the retiree to return to work after a separation of at least one year and continue to receive the annuity (no suspension of annuity)
  - b. Shorten the eight-year requirement to one year and place the suspended annuity payments into an account to be received by the member upon re-retirement

The Board will be presented with the advantages and disadvantages identified by the Advisory Committee and decide whether to recommend any legislative changes.

Presentations from the meeting and background materials on the [Advisory Committee](#) are available on the TMRS website. [Legislative updates](#) are also posted regularly.

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## Reminder about Payroll Processing Survey!

We need your help to streamline city payroll reporting and payment to TMRS. In early June we asked City Correspondents to answer [a short survey](#) or forward the link to appropriate personnel; since then, we've sent two reminders. As of August 18, 563 TMRS cities (65%) have responded, but we still need to hear from the remaining cities to have full representation. If your city has not received this survey, or if it has not been forwarded to the appropriate person, please send a note to [surveyquestions@tmrs.com](mailto:surveyquestions@tmrs.com). If you handle reporting payroll to TMRS and have not received the survey, please click on the link above! If you have already responded, THANK YOU! If not, please give us this important feedback as quickly as possible.

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## Important Reminder about Severance Pay

Some cities have asked whether the funds granted to an employee as part of a severance payment from city employment are TMRS-eligible. If a city's employment contract with an employee includes a contingency for severance pay or the city is planning to pay severance pay and you have any questions about the effect of the arrangement on TMRS-eligible compensation, please contact us. The timing of severance pay for a terminating employee can affect its inclusion in TMRS-eligible compensation, which is used to calculate contributions to TMRS.

Here are some important things to remember:

1. TMRS deductions are mandatory from compensation paid to **employees**, and an employee is defined as someone in a position that regularly requires working a minimum of 1,000 hours a year.
2. Determine how and when the severance pay compensation is expected to be paid out:
  - At termination in a lump-sum payment? Then the severance pay is part of compensation from which the TMRS contribution must be deducted. *Note: Payment may be paid the month after termination due to administrative timing issues. For example, if the termination date is August 30 and the pay period falls in September, then TMRS wouldn't receive the deposit until the September payroll.*
  - In several months/end of the year? Then the severance pay is **NOT** TMRS-eligible compensation and TMRS contribution(s) cannot be deducted from these payments because the individual is no longer an employee.

**Under the TMRS Act, contributions may only be made on behalf of employees.** Once terminated, a person is no longer an employee and only a brief, administratively reasonable time is allowed for cities to submit a final payroll report and contributions after their termination date.

A city and a terminating employee can agree to any terms they desire regarding any severance payments, but it is important to remember that the **timing** of those payments will affect whether or not the severance pay can be included as "compensation" for purposes of making TMRS contributions. Please contact TMRS if you have questions about a specific severance pay arrangement, particularly if payments might be extended over time beyond employment.

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## Coming Soon to MyTMRS® – Additional Account Protection

Member information is confidential, and we want to be sure it is as secure as possible. This is especially important as we add more features to MyTMRS that provide users more access to their information. In the coming months, we will be adding an extra level of security when users log in to MyTMRS. This means in addition to providing a password, users will be prompted to obtain a security code when logging in. The code will be sent as a text, email, or phone call. As a first step in this effort, TMRS is asking all MyTMRS users to verify the information we have on file for them when they log in to the system. Watch for more details on "dual factor authentication" soon.

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## City Correspondent REMINDERS

**Address Change Reminder** – Whenever employees change their address with your city, it is important that they also change their address with TMRS so that we have the most up-to-date information. Please let your employees know they also need to change their address with TMRS, and they can do it online now. If they are not yet on MyTMRS, please encourage them to sign up so they can take advantage of its new features and keep their information current there.

**Beneficiary Forms** – When new employees are enrolled with TMRS using the online enrollment feature in the City Portal, they will still need to complete a beneficiary designation form. You play an important role in giving the new employee either a non-vested (TMRS-0007) or a vested (TMRS-007V) beneficiary form to send to TMRS.

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## Upcoming Training Events — Panhandle Workshop Added!

Panhandle-area city executives are invited to sign up for the last planned Executive Workshop for 2016 – all you have to do is send an email to [communications@tmrs.com](mailto:communications@tmrs.com) indicating your interest. The workshop will be held October 13 at the Amarillo Civic Center, Regency Room, 401 S. Buchanan St. We hope to see you there!

#### **City Correspondent Certification Course (CCCC) | November 15-16**

The last two-day City Correspondent course (for city staff who administer the TMRS program) for 2016 will be held November 15-16 in Austin at the TMRS building. The fee to attend the one-and-a-half day course is \$50. Breakfast (both days) and lunch is provided, and hotel information will be posted on the TMRS website. Contact [Colin Davidson](#) for more information.

#### **Regional Pre-Retirement Conferences**

These free half-day events are designed to help employees better understand their TMRS benefits so they can 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. City Correspondents in the Lubbock and Plano regions will receive an email to distribute to employees (describing the conference and pointing them to online registration) approximately one month before each conference.

- **Lubbock | November 2** | [Register Online](#) with EventBrite!
- **Plano | November 17** | [Register Online](#) with EventBrite!



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

