

Summary

Meeting of the TMRS Advisory Committee on Retirement Matters

June 19, 2014

Opening Remarks

Ms. Julie Oakley welcomed the Advisory Committee members to their third meeting and thanked the members for attending. Ms. Oakley offered condolences to the family of Mr. Ron Crabtree, an Advisory Committee member who had recently passed away. After brief introductions, Ms. Oakley noted that the Advisory Committee brings great value to the TMRS Board, even if the Committee is unable to reach a broad consensus or make specific legislative recommendations at this time. The agenda for the meeting was then reviewed, and the May meeting minutes were approved.

Texas Legislative Update

There are major shifts occurring in statewide elected offices, the House of Representatives, and the Senate. These sweeping changes could affect TMRS in the 2015 legislative session. Key champions within the Legislature who are familiar and experienced with TMRS and its issues are moving on, and turnover at the legislative committee level is significant; therefore, fundamental relationship building and basic educational efforts will be required. Given the themes and polarized political dynamics, this Legislative session is expected to be even less predictable than the previous session. Even those experienced with the Legislature and legislative process stated that they are uncertain as to what to expect.

Review of April and May Advisory Committee Meetings

The issues discussed at the April and May Advisory Committee meeting were briefly summarized, along with the dominant themes arising from the discussion. The topics that were studied in April were the flat-rate Cost of Living Adjustment (COLAs) and potential modifications to the retroactive “catch-up” provision which is a feature of the current CPI-based COLA. In the May meeting, TMRS staff addressed additional questions related to the two COLA topics, and the Committee discussed the member eligibility threshold and two-tier plan structure topics.

Results of the Straw Poll

The results of the straw poll sent to the Advisory Committee members after the May meeting were introduced, and the Committee was thanked for its participation, noting a 100% response rate. The poll results indicated that Committee members are split on the COLA related issues, but there was clear consensus that change not be pursued at this time regarding the 1,000-hour member eligibility threshold and the two-tier plan structure concept. Additionally, there was no consensus as to whether a statement of philosophy should be offered up to the TMRS Board for its consideration. The topic of a “13th check” was offered through the straw poll as an additional item for the Committee’s consideration. A brief explanation and discussion ensued, followed by a general agreement that further study of the 13th check was not necessary at this time.

Discussion

The Committee discussed whether it is the right time to move forward with any legislative changes given the current political climate. Some thought that doing so may be counterproductive to TMRS as a system. Others questioned whether the Legislative climate would ever stabilize in the next five to ten years. Some Committee members offered that a philosophical discussion on long-term goals should be taken up. Ms. Oakley reminded the Committee that the TMRS Board has a current strategic plan and process for updating the plan for the system where long-term goals are stated.

The two dominant themes from the May discussion again surfaced: 1) some cities may say that change is worth pursuing so that they can have more options, flexibility, and control, while 2) others may say that

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the current options for controlling costs are adequate, and that the cost savings to be gained by the features discussed are smaller than anticipated.

One Committee member noted that a merit of the two-tier benefit structure is allowing cities to honor their commitment to retirees and current employees, and that that commitment takes priority over future employees. Other members agreed with the point and stated that the topic should again be discussed in the future.

Advisory Committee members were then asked to share what comments they think ought to be conveyed to the TMRS Board, and to offer up any modifications or enhancements to the prior statement of philosophy adopted by the Board in 2012.

David Crow – Pursuing any change right now would be counterproductive to TMRS.

Kevin Lawrence - Has great difficulty seeing past the current and next legislative sessions. We should not be pursuing tweaks to the System that have no extraordinary upside at this time. Play defense unless big issues come up and concentrate on education.

Bryan Langley – Play defense right now and focus on education of legislators.

Victor Hernandez – We have lost a lot of key players in the Legislature. There is more work in terms of grooming and educating that needs to be done.

Keith Dagan – The System currently has flexibility. Continue the education program to new legislators. Tell the story of how TMRS is different, the value of TMRS, and that the System is in great shape. Do not pursue any of the issues studied by the Advisory Committee at this time.

Paulette Hartman - The risks outweigh the potential benefits. Offer more education for city managers and finance directors so they know more about how to control cost using the current slate of options available. It would be helpful to see some guiding principles from the Advisory Committee for the long-term.

Charles Windwehen – Don't initiate any legislation now. Educate the city managers and finance directors on options. Cities would benefit from additional resources and assistance to help educate councils.

Dean Frigo – TMRS has a good story to tell. Agrees with Charles Windwehen's comments regarding the two-tier benefit structure. That item should be brought up in the future for further discussion. Would like to see a legislative package or strategy from TMRS of some type so that if a bill comes up, TMRS has something to offer as a substitute.

Tadd Phillips – In the years in which there isn't a clear need from TMRS to run a bill, what would the TMRS Board like for the role of the Advisory Committee to be? Ms. Oakley explained how the Advisory Committee's comments from the last interim were integrated into the statement of philosophy adopted by the TMRS Board, which subsequently became the bedrock of the messaging that TMRS staff conveyed when working with the Legislature.

Michael Dane – Don't see anything that rises to the level of a "have to" with the Legislature this session except for the need to build relationships.

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Julie Masters – Need to have a vision that comes from the TMRS Board. We need to see what the new Legislature will be like. We can all take part in educating legislators on the benefits of TMRS.

Allen Bogard – Don't bring anything forward right now. We should try to influence TML to accomplish the same thing as discussed here. It would be counterproductive for TML to bring something up in the Legislature that we as an Advisory Committee agreed was not necessary at this time. It may be valuable to consider adding something to the philosophy statement that says that legislative change should not be considered unless the short-term and long-term impacts to the System are vetted.

Jerry Gonzalez - Figure out how to educate the Legislature. Wait and see how it works this session and then determine a strategy going forward.

Joe Angelo – Playing defense can only go so far. Would prefer to play offense, but there is no consensus on what to bring forward in the short-term. If we do not have a two-tier structure as a tool, and if we don't modify the COLA or catch-up provisions, how is a city supposed to address fiscal challenges? The two-tier benefit structure seems to present potential problems over the long-term, but current fiscal challenges are also a concern. This legislative session focus on training, education, and relationship building. Also expressed a wish to explore long-term options and sees the need for additional options for some cities. TMRS needs to do more to get its success story told.

Scott Kerr – The Advisory Committee should encourage the TMRS Board to adopt a philosophy statement or refresh the prior philosophy statement.

Greg Shipley – Continually educate over at the Capitol and play defense. Generally supports the concept of a one-time opportunity for cities to adopt a COLA with no catch-up but agrees that this is not the right time to pursue the issue.

A brief discussion followed to explain how a TMRS statement of philosophy enters into the legislative process, including the role of TMRS staff in working with the Legislature as a resource, but not a lobbyist.

The majority of the Committee agreed to convey the following message to the TMRS Board:

“This Advisory Committee finds that the current options are adequate for controlling costs at this time. As such, no change is needed in this Legislative Session. The Committee’s recommendation is that the TMRS Board consider a resolution similar to the one adopted in December 2012.”

Agenda for the August 2014 Advisory Committee Meeting

There will be a joint meeting of the TMRS Board and Advisory Committee meeting in August. Committee members are invited to attend.

PARTICIPANTS	
<u>TMRS Board Members</u>	<u>Advisory Committee Members</u>
Julie Oakley	Joe Angelo
David Landis	Allen Bogard

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	David Crow
TMRS Staff	Keith Dagen
David Gavia	Michael Dane
Eric Davis	Dean Frigo
T.J. Carlson	Jerry Gonzalez
Christine Sweeney	Paulette Hartman
Dan Wattles	Victor Hernandez
Leslee Hardy	Scott Kerr
	Bryan Langley
TMRS Consultants	Kevin Lawrence
Nancy Williams, Hewitt EnnisKnupp	Julie Masters
Amy McDuffee, Hewitt EnnisKnupp	Tadd Phillips
Mark Randall, Gabriel Roeder Smith &Co.	Greg Shipley
	Charles Windwehen