Meeting of the TMRS Advisory Committee on Benefit Design

August 18, 2016

(Covers Agenda Items 1 – 9)
Welcome!
Consideration and Approval of June Advisory Committee Meeting Minutes
1. Welcome and Introduction
2. Consideration and Approval of June Advisory Committee Meeting Minutes
3. Review of the Agenda and Desired Outcomes
4. Quick Recap of Study Topics
5. Discussion of Member Requests from June Meeting
6. Presentation and Refinement of a List of Advantages and Disadvantages for Each Return to Work Option Based Upon Advisory Committee Survey Results
   - BREAK -
7. Presentation and Refinement of a List of Advantages and Disadvantages for Each COLA Option Based Upon Advisory Committee Survey Results
8. Review of Session and Next Steps
9. Public Comment
10. Adjourn
Advisory Committee Charge / Desired Outcomes

- Provide input to the Board on the advantages and disadvantages of benefit design issues affecting TMRS cities, members, and retirees as assigned to the Advisory Committee by the Board;
- Provide an additional conduit for communication between the TMRS Board and its members, retirees, city officials and policy makers;
- Maintain communication with statewide professional organizations, including employer and employee groups, and member cities.
The Interim Session – Where We Are Today

June 23, 2016 – Advisory Committee Meeting #1
- Receive education from TMRS Actuary (GRS) and Staff on study issues
- Consider, discuss and develop the advantages and disadvantages of each study issue
- Request additional information as needed

Between Advisory Committee Meetings
- Individually consider and respond to a possible survey from TMRS staff regarding the study issues
- Review and consider materials provided in response to information requests
- Contact TMRS staff with any requests for clarification or further information

August 18, 2016 – Advisory Committee Meeting #2
- Review the results of the Committee survey and materials provided in response to information requests
- Further consider and discuss study topics
- Finalize the list of significant advantages and disadvantages of each study topic
Expectations

- We would like to hear your additional perspectives, rationale and insights
- We will not be taking votes but would like to finalize a comprehensive and complete listing of advantages and disadvantages for each study topic option
- We will not spend time “wordsmithing” at this meeting
- Aon Hewitt and Staff will adjust and edit the lists with today’s Committee input and prepare a final package for the Board for delivery in September
Recap of Study Topics – Return to Work and COLA/Catch-up Provisions

August 18, 2016
Discussion of Committee Information Requests
Summary of Information Requests from the June Meeting

1. Return to Work: Survey results of selected TMRS cities that rehired retirees

2. COLA/Catch-up Provision
   a) Treatments of COLAs by other Texas Statewide Systems
   b) Overview of whether other statewide public retirement systems have a “retroactive” COLA provision
   c) List of TMRS cities that have never adopted a COLA
Presentation and Refinement of Advantages and Disadvantages Compiled from Committee Survey: Return to Work Options
Suggested Approach to Meet Desired Outcomes

1. Review the list of summarized advantages and disadvantages compiled from the Advisory Committee Survey Results

2. Add to or clarify the summarized issues
   - Aim for completeness of the list, not necessarily consensus on each issue listed and whether it is an advantage or disadvantage
   - If there are diverging viewpoints, we will make note of it

3. Questions?
After a 1-year break in service, do not suspend the benefit, but treat employee the same as if he/she were going to work at a city other than the last-employing city. The retiree continues to receive his/her benefit payments and his/her salary while employed.
Return to Work Option 1: Questions for the Committee’s Consideration

- Are there additional advantages or disadvantages not reflected in this listing that ought to be included?

- Do any summarized issues need clarification?
After a 1-year break in service, the retiree could return to work at the last-employing city, have his/her annuity suspended but have his/her annuity, including any COLAs granted during the period of suspension, held in an account and paid as a lump sum payment, with or without interest, or re-annuitized upon his/her re-retirement.
Return to Work Option 2: Questions for the Committee’s Consideration

- Are there additional advantages or disadvantages not reflected in this listing that ought to be included?
- Do any summarized issues need clarification?

<table>
<thead>
<tr>
<th>Option 2 Description</th>
<th>Summarized Advantages</th>
<th>Summarized Disadvantages</th>
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<td>A. Eliminates the preferential leave out for employees retired at least eight years</td>
<td>B. Treats the retiree differently than any other private or public employer</td>
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<td>C. Lifts penalty for returning to work after a reasonable separation period without a penalty and true loss of annuity payments already earned</td>
<td>D. May not be affordable to the employee, could have an overwhelming negative impact on retirees hoping to return to work for their current employers</td>
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<td>F. Removes the retirees' concerns that he/she retired too early or at the wrong time</td>
<td>E. TMRS administrative burden (as would exist with any change)</td>
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<td>G. Allows the retiree to compete for the services of that employee on a level playing field, and provides cities more workforce flexibility, particularly for those in geographically isolated areas and for those who have &quot;key knowledge&quot; positions</td>
<td>H. Some employers/employees could possibly take advantage of the system</td>
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<td>J. Less likely to be perceived by the Legislature and public as &quot;double dipping&quot;</td>
<td>I. Allows the city an opportunity not to fill that position with a promotion or a new hire</td>
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<td>L. Fiscal impact on cities would be insignificant since the payout would not change</td>
<td>K. Possibility of negatively affecting retirement trends for TMRS as a whole</td>
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<td>M. May affect city contribution rates and COLA provisions</td>
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Return to Work: Additional Considerations

- Should the retiree be made whole (to some degree)? In what way?
- To whom would such a provision apply?
  a) Future retirees only?
  b) Those who have already retired but have yet to return to work at their last-employing city?
  c) Those retirees who have already returned to work for their last-employing city with less than an eight year break in service?
Break
Presentation and Refinement of Advantages and Disadvantages
Compiled from Committee Survey:
COLA and Catch-up Provision Options
Allow cities to adopt a COLA (either ad hoc or repeating) at 30%, 50%, or 70% of CPI based only on the change in the CPI in the most recent year. In other words, allow a city to adopt a COLA that does not include the catch up feature.
COLA and Catch-up Provision Option 1: Questions for the Committee’s Consideration

- Are there additional advantages or disadvantages not reflected in this listing that ought to be included?
- Do any summarized issues need clarification?
Allow cities to adopt a COLA (either ad hoc or repeating) at a flat rate based on a percentage of the retiree’s annuity. In other words, a COLA not tied to the CPI change, 5% for example, subject to IRS limitations. By definition, a flat rate COLA does not have a catch-up feature.
COLA and Catch-up Provision Option 2: Questions for the Committee’s Consideration

- Are there additional advantages or disadvantages not reflected in this listing that ought to be included?
- Do any summarized issues need clarification?
Review of the Session and Next Steps
Next Steps

- Aon Hewitt and Staff will work together to finalize the lists of advantages and disadvantages for each option based upon Committee input.
- The summarized input along with the Committee survey results will be provided to the Board for its consideration.
- A summary of today’s meeting will be provided to you for your review and distribution to your respective stakeholder groups.
- Should you be unclear about anything discussed today or have follow up questions, please contact TMRS staff.
Public Comment
Adjournment

Thank You For Your Time!