

insight

The Newsletter for TMRS® Members

From the Executive Director



Dear TMRS Members,

The 2015 TMRS Summary Annual Financial Report, included in the middle of this issue of *INSIGHT*, is an overview of the System's finances and investments in 2015. As of December 31, 2015, the market value of our portfolio totaled \$24.3 billion.

The front-page story describes our first initiative to reduce the use of paper communications with members. You now have the option to receive future newsletters in either hard copy or online (PDF) format. As part of the **TMRS Direct™** initiative, increased functionality of MyTMRS® lets us move customer service functions online, and in the case of communication preferences, offers an option that was previously unavailable. As with all changes to our online programs, we continue to safeguard your personal information to keep it secure.

The 85th Regular Session of the Texas Legislature will begin next January (see story, page 2). As in previous sessions, the Board of Trustees will consider recommendations to the Legislature that could improve TMRS.

As online activities grow, we encourage you to refer to www.tmr.com when you have questions. If you need to know anything else about your retirement system, contact our call center to speak to a Member Services analyst, or send an email to help@tmr.com.

Enjoy your summer and fall!

Sincerely,

David Gavia
Executive Director

TMRS is Going Green

Twice a year, we mail this printed newsletter to all employee members. It contains useful information to help you understand the value of your TMRS benefit, but providing this same information electronically will save trees, printing, and postage costs. We are already sending electronic newsletters to registered users of MyTMRS. MyTMRS users now also have the option to choose to receive future issues of *INSIGHT* by mail or to receive an email notification when a new issue is available online.

Here's what will happen: MyTMRS users will automatically get a notice that the newsletter is available online, instead of receiving a printed copy. Therefore, **if you want to continue to receive paper copies after this issue of *INSIGHT*, you will need to make the selection on your MyTMRS member profile page.**

The screenshot shows the MyTMRS user interface. At the top, there are navigation tabs: 'My Membership', 'My Profile', and 'Contact TMRS'. The main content area is divided into several sections:

- Quick Links:** A sidebar menu with links for 'Estimate Retirement Payments', 'View Recent Estimates', 'View...', 'Tax Documents', 'Update...', 'User Information', 'Contact Information', 'Tax Withholding', 'Communication Preferences' (circled in red), 'TMRS Forms...', and 'Download Forms'.
- MyTMRS User Information:** Displays 'User name' as jsmithsoRad45 and 'Email address' as joes@tmr.com.
- Security:** Includes links for 'Change password' and 'Change challenge questions'.
- My Contact and Personal Information:** Shows 'TMRS - Contributing - TMRS ID: 73653' and lists personal details for Joe Smith, including Social Security Number, Date of Birth, Gender, and Home/Work/Mobile phone numbers.

continued on page 2

Members who have not yet signed up for MyTMRS will continue to receive a printed newsletter. We encourage all members to register for MyTMRS and choose the electronic option to help reduce our costs for future publications. MyTMRS users are also receiving electronic notification of important dates, such as vesting and retirement eligibility. We still send these notifications by mail, but your registration on MyTMRS gives us an additional way to communicate with you. ■

MyTMRS Update

MyTMRS continues to grow, offering new features for member self-service. The overall goal of MyTMRS is to enable “straight-through processing” across the board, so that you’ll eventually be able to make all changes to your account online instead of submitting a paper form.

Active employees and retirees who are on MyTMRS can run estimates, change addresses, change withholding election (if they are retirees), choose to receive electronic newsletters, create account statement letters, and view a detailed history of their TMRS service. In the future, MyTMRS users will be able to make beneficiary changes, apply for refunds, and even retire using MyTMRS. TMRS is working constantly to enhance the usability and ensure the security of MyTMRS.

If you’re not using MyTMRS to access your TMRS information, go to www.tmr.com, click on the MyTMRS button, and get started today! ■

Use Your Personal, Rather than Work, Email Address

Last winter we added the ability to make address and contact information changes on MyTMRS. As we contact members more and more through email, a long-standing (or “persistent”) email address becomes even more important. To check what email address we have on file for you, sign into MyTMRS and click on the “My Profile” tab.

Since MyTMRS also serves retirees, it’s important to remember that, after retirement, you will no longer have your email address with the city. That’s why an email address with a Gmail, Yahoo, Mac, or other permanent address is recommended. In those instances when you must change your personal email address, **be sure to update it on MyTMRS** so you don’t miss any important news! ■

Annual Financial Report

The 2015 Summary Annual Financial Report (also called the Popular Annual Financial Report), is included in this issue. TMRS sends this report annually so members will be advised of the System’s financial status for the previous fiscal year. ■

LEGISLATIVE UPDATE

The 85th Session of the Texas Legislature will begin in January of 2017. Prior to the session, the TMRS Advisory Committee will meet to study specific benefit design features, with the possibility of proposing changes to the Board of Trustees for their consideration. In its meeting on May 19, the TMRS Board of Trustees adopted changes to the Committee charter, some that took immediate effect and others that become effective in January 2018. One immediate change was to rename the Committee to the Advisory Committee on Benefit Design, which more accurately reflects its charge to provide valuable assistance to the Board in considering benefit design issues.

The House Pensions Committee held hearings on March 30 and April 13 in Austin and on June 13 in Houston to address its interim charges, which included the general oversight charge over Texas’ pension systems. TMRS provided testimony on March 30 at the request of Committee Chairman Dan Flynn. The Senate State Affairs Committee has also been holding hearings to address its interim charges involving the Employees Retirement System and the Teacher Retirement System. None of the interim charges assigned to the Senate State Affairs Committee involve TMRS.

TMRS will update the Legislative page on our website to keep everyone informed about the progress of the Advisory Committee and the interim hearings being held by the Legislature. ■

TMRS 2015 Summary Annual Financial Report

For the Year Ended December 31, 2015



The Texas Municipal Retirement System (TMRS, or, the System) prepares this report annually to provide you with an overview of how the System has performed financially in the past year. This report describes the accomplishments TMRS made this year to serve members, cities, and retirees.

TMRS in 2015

- TMRS' consulting actuary, GRS, conducted an actuarial experience investigation study for the period ending December 31, 2014. The Board considered recommendations on assumptions and adopted several changes, including a reduction in the inflation assumption from 3.00% to 2.50% and a reduction in the investment return assumption from 7.00% to 6.75%.
- After a detailed Asset Allocation review during 2015, TMRS adopted a new, more diversified asset allocation strategy. The updated strategy is expected to meet the new, lower, long-term total return objective of 6.75%, consistent with the actuarial investment return assumption for the plan.
- In preparation for GASB Statement No. 68, TMRS engaged KPMG LLP to complete the System's first annual SOC-1 Type 2 audit in 2015. Throughout 2015, TMRS continued its communications to cities and provided them with resources to assist with implementation of the new GASB requirements.
- The overall one-year gross rate of return on the investment portfolio was 0.34%, enabling the Board to credit member municipalities with approximately 0.06% interest on their January 1, 2015 Benefit Accumulation Fund balances. After smoothing, the actuarial return is approximately 6.69%. By law, member accounts were credited 5% to their accounts as of December 31, 2015.
- TMRS made significant progress in 2015 toward developing **TMRSDirect™**, its "straight-through processing" initiative for member and city self-service. MyTMRS® and the City Portal are the two online programs under the **TMRSDirect** initiative.
- As of December 31, 2015, TMRS as a whole was 85.8% funded; this funded ratio remained unchanged from 2014.
- TMRS staff answered over 101,100 member requests for assistance and processed 3,302 new retirements in 2015.
- Seven new cities joined the System in 2015. At year-end 2015, TMRS administered plans for 866 member cities that included:
 - 157,601 employee accounts
 - 56,481 retirement accounts

Contact Us: 800.924.8677 • help@tmrs.com • www.tmrs.com

TMRS Board of Trustees (as of December 31, 2015)

The six members of TMRS' Board of Trustees are appointed by the Governor with the advice and consent of the Senate. Board members serve six-year terms and have fiduciary oversight of the System. The Board adopts investment and other policies; appoints the Executive Director; and selects financial, medical, legal, and other experts to perform important services for TMRS.

Julie Oakley, CPA, 2015 Chair
Director of Finance, Lakeway

David Landis
City Manager, Perryton

Jim Parrish, 2015 Vice Chair
Deputy City Manager – Administrative Services, Plano

Bill Philibert
Human Resources Director, Deer Park

James "Jim" Paul Jeffers
City Manager, Nacogdoches

Roel "Roy" Rodriguez, PE
City Manager, McAllen

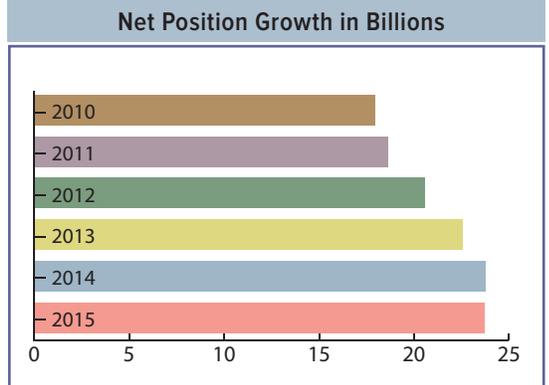
Financial Information

The first summary statement (below) is a snapshot of what we hold (assets), what we owe (liabilities), and the resulting difference (net position) at years ended 2015, 2014 and 2013. Net position represents funds accumulated for the payment of future benefits.

Investments, stated at fair market value, make up the largest portion of the net position held in trust for pension benefits, and reflect an increase due primarily to investment cash flows in 2015, as well as net appreciation in value from year end 2013 to 2014. As a result of our participation in a securities lending program, we are required to report both the asset and the related liability of the

collateral received for securities on loan at year end. At December 31, 2015, 2014, and 2013, the cost basis of the collateral exceeded its market value, and therefore an unrealized loss on the collateral pool of \$2.7 million, \$2.6 million, and \$4.3 million, respectively, is reflected in the Statements of Fiduciary Net Position.

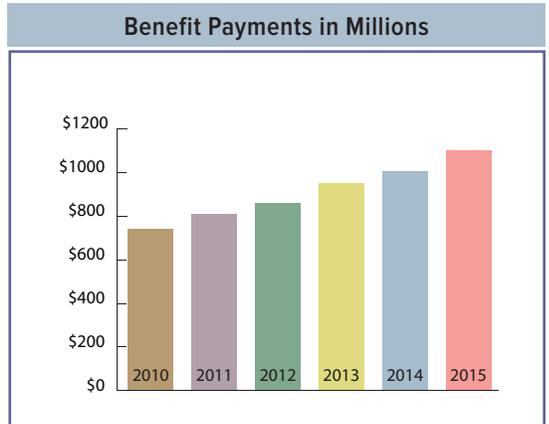
	2015	2014	2013
ASSETS			
Investments, at fair value	\$ 24,289,053,366	\$ 23,896,100,903	\$ 23,868,363,416
Cash, receivables, and other	1,465,821,221	1,602,558,921	1,241,750,049
Invested securities lending collateral	864,114,464	1,030,835,345	1,886,115,119
Capital assets, net	9,909,170	7,889,360	8,449,172
TOTAL ASSETS	26,628,898,221	26,537,384,529	27,004,677,756
LIABILITIES			
Payables and accrued liabilities	2,033,395,221	1,754,249,820	2,622,251,033
Funds held for Supplemental Death Benefits Fund	20,490,711	22,176,214	23,421,789
Securities lending collateral	866,849,709	1,033,480,569	1,890,371,310
TOTAL LIABILITIES	2,920,735,641	2,809,906,603	4,536,044,132
NET POSITION RESTRICTED FOR PENSIONS	\$ 23,708,162,580	\$ 23,727,477,926	\$ 22,468,633,624



The second summary statement (below) reports activity for the year (changes in net position). Additions include member and employer contributions, and income earned from our investment portfolio. Investment income, which is presented net of investment expenses (i.e., after investment expenses have been deducted), is composed of interest, realized gains from the sale of securities, securities lending income, and net unrealized appreciation/(depreciation) in the fair value of investment securities (or mark-to-market changes).

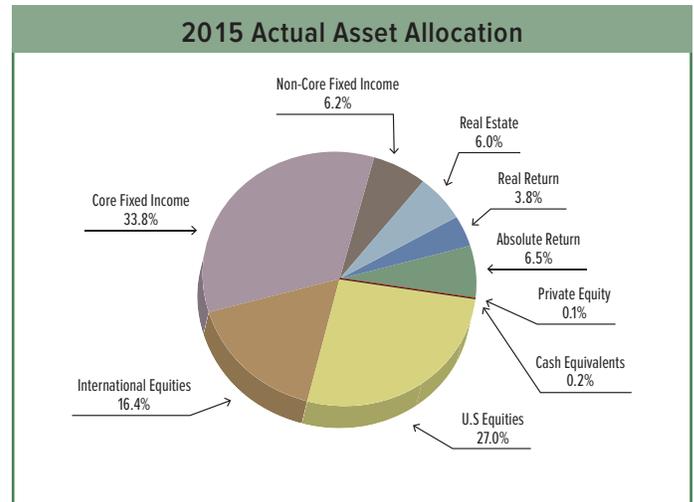
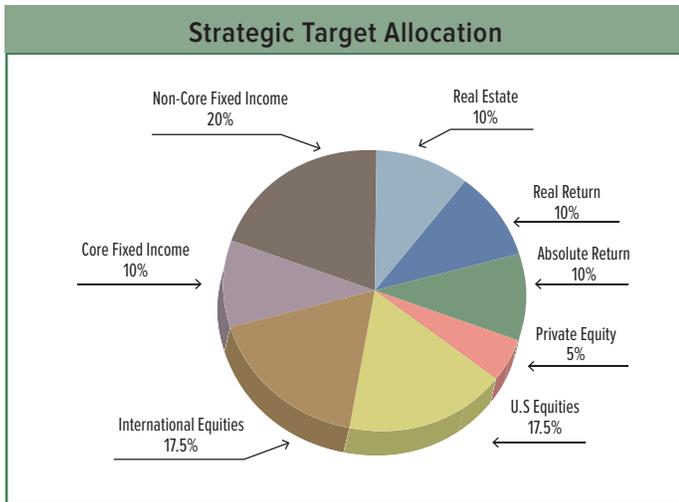
Net investment income in 2015, 2014, and 2013 was most significantly affected by the unrealized gains/(losses) recognized in the domestic and international equities asset classes. The total gross return on TMRS' investment portfolio was 0.34%, 6.0%, and 9.9% in 2015, 2014, and 2013, respectively. Investment earnings in 2015 enabled the Board to credit approximately 0.06% to municipality accounts while maintaining a reserve of \$100 million; member accounts received the statutory credit of 5%. Deductions include payments to retirees, refunds of contributions to withdrawing members, and administrative expenses. The increase in benefit payments represents a steady rise in the number of retirement accounts (from 49,969 in 2013 to 56,481 in 2015).

	2015	2014	2013
ADDITIONS			
Contributions and other	\$ 1,127,816,123	\$ 1,075,347,736	\$ 1,021,394,107
Net investment income	35,011,429	1,285,344,179	1,974,888,477
TOTAL ADDITIONS	1,162,827,552	2,360,691,915	2,996,282,584
DEDUCTIONS			
Benefit payments	1,102,785,029	1,028,572,120	946,496,522
Refunds of contributions	56,975,269	58,723,123	57,727,674
Allocation to Supplemental Death Benefits Fund	1,057,178	1,132,803	1,202,065
Administrative expenses	21,325,422	13,419,567	12,821,721
TOTAL DEDUCTIONS	1,182,142,898	1,101,847,613	1,018,247,982
CHANGE IN NET POSITION	(19,315,346)	1,258,844,302	1,978,034,602
NET POSITION			
BEGINNING OF YEAR	23,727,477,926	22,468,633,624	20,490,599,022
END OF YEAR	\$ 23,708,162,580	\$ 23,727,477,926	\$ 22,468,633,624

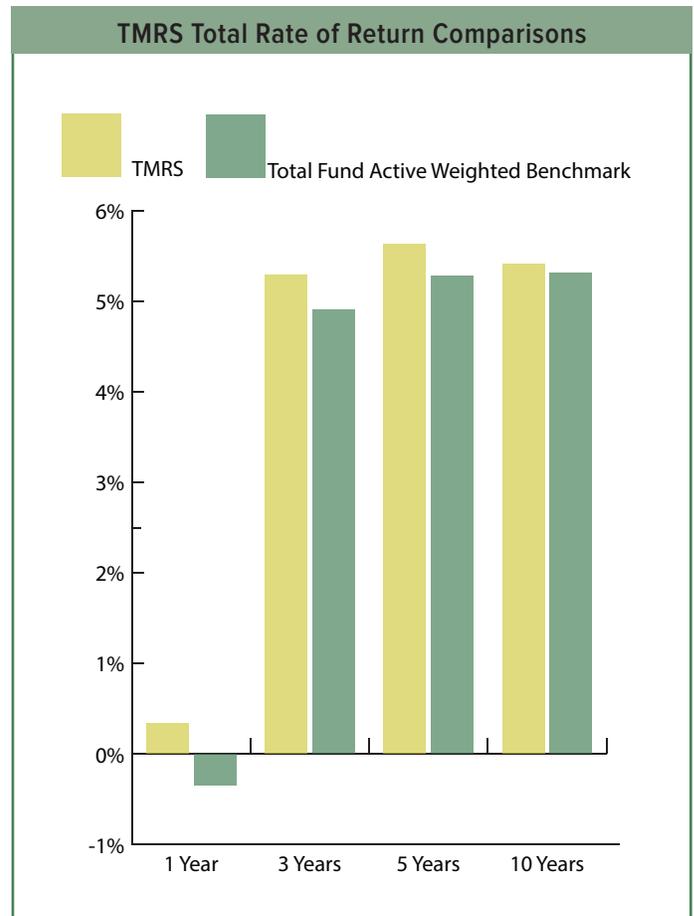


Investments

The Board of Trustees establishes investment policies and provides oversight to ensure that those policies are implemented. Seventeen professionals on TMRS' staff oversee the System's investment portfolio and its management. The Board approves the Investment Policy Statement (IPS), which governs the investment and management of assets for TMRS and, as presented below, establishes target asset allocations, with implementation over a multi-year period. Initiatives during 2015 toward this strategic target allocation included an initial investment into private equity funds, as well as continued investment in the non-core fixed income, real estate, and absolute return (hedge funds) asset classes.



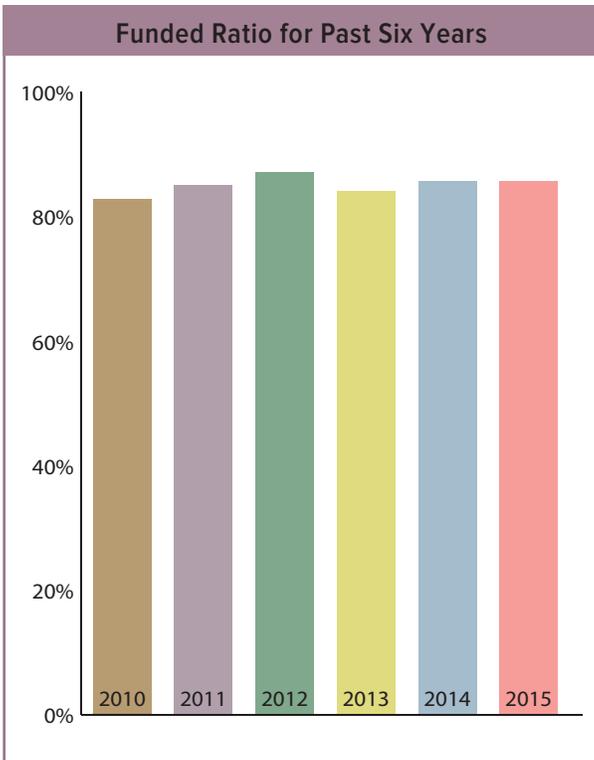
The total gross return on TMRS' investment portfolio was 0.34% in 2015. The graph (right) compares TMRS' actual returns to the Total Fund Active Weighted Benchmark, which comprises all policy benchmarks associated with each asset class.



Reporting Standards

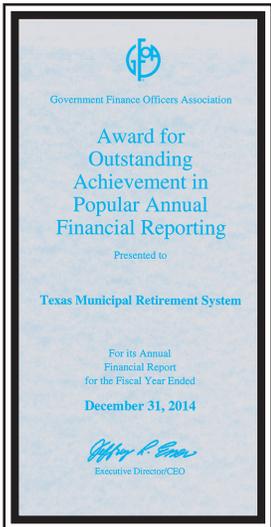
This Summary Annual Financial Report is derived from the *TMRS 2015 Comprehensive Annual Financial Report for the Years Ended December 31, 2015 and 2014 (CAFR)* but does not include all information necessary to be presented in conformity with generally accepted accounting principles (GAAP). The CAFR is prepared in accordance with GAAP and is subject to external audit. In contrast, this summary report provides information only for the TMRS Pension Trust Fund and is presented at a more condensed level. If you would like to review / print a copy of the CAFR, please download the PDF version from www.tmr.com.

TMRS' Funded Status



- The most important factor that affects the soundness of a retirement program is the employer funding policy. Under TMRS law, all cities pay the actuarially determined contribution needed to fully fund benefits. The TMRS Actuarial Funding Policy is available on the TMRS website.
- One common measure of the soundness of a retirement plan is the plan's funded ratio, which is the ratio of actuarial assets to liabilities. Ratios above 80% are generally considered to be positive. As certified by the System's actuary, Gabriel Roeder Smith & Company, as of December 31, 2015, TMRS as a whole was 85.8% funded; this funded ratio remained unchanged from 2014.
- A key assumption that affects the long-term stability of a retirement plan is the future long-term annual rate of investment earnings. TMRS uses a 6.75% assumption (previously 7.0%).

Awards



The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TMRS for its Summary Annual Financial Report for the fiscal year ended December 31, 2014.

The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

TMRS also received the Public Pension Standards 2015 Award from the Public Pension Coordinating Council (PPCC) in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.



TMRS Mission Statement

To deliver secure and competitive retirement plans through a professionally managed organization that anticipates diverse needs; provides quality services; and openly and effectively communicates with members, retirees, and cities.

Planning for Retirement



Thinking about retirement? Congratulations! Please visit with your TMRS City Correspondent and be sure you have planned for this new phase in your life. To retire with TMRS, follow these guidelines:

- ✓ Check your estimate and consider the retirement annuity options available to you. Estimates can be run with MyTMRS at any time.
- ✓ Decide your effective date of retirement. It must be the last day of a calendar month, and on or after your termination date from all TMRS cities.
- ✓ Attend a TMRS Regional Pre-Retirement Conference; these free events are held in different locations around Texas. See the calendar in this issue for the remaining conference locations in 2016. Locations for 2017 will be announced in the fall on the TMRS website.
- ✓ If you still have questions, call 800-924-8677 and speak with one of our Member Services Analysts, who can answer any questions you may have. Or, come to the TMRS office in Austin (no appointment necessary) during business hours and speak to a Retirement Analyst in person.
- ✓ Three months before retirement (but not earlier), submit your completed Service Retirement Application (TMRS-15) to TMRS. **Be sure your retirement paperwork is complete.** These forms must be completed and faxed (512-476-5576) or mailed to TMRS:
 - ▶ Application for Service Retirement
 - ▶ Selection of Partial Lump Sum Distribution (only if applicable)
 - ▶ Selection of Retirement Plan
 - ▶ Proof of Birth for member (Texas Driver's License is acceptable)
 - ▶ Proof of birth for beneficiary (only if selecting a lifetime payment plan for beneficiary)
 - ▶ Name Certifications, if applicable
 - ▶ Direct Deposit Authorization
- ✓ Your application must be received by TMRS no later than the effective date of retirement and no earlier than 90 days before the effective date of retirement. We will send a confirmation letter to you and your city after we receive and process your application. ■

TMRS Direct™

NEWS FOR MEMBERS

E-newsletter for Employee Members

E-newsletters with updates about TMRS are sent as needed to all members who have MyTMRS accounts. If you haven't yet registered for MyTMRS, we encourage you to do so to gain access to this news source.

Important Information about Severance Pay

If you are negotiating or in the process of receiving a severance package from a city, there are a few facts you should be aware of. Some cities have asked whether the funds granted to an employee as part of a severance payment from city employment are TMRS-eligible. The answer is: It depends on the timing of the payments. If your employment contract with a city includes a contingency for 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. Generally, severance pay will be included in TMRS-eligible compensation if payment is made at termination or within an administratively reasonable time, such as the next payroll date after the employee's termination. However, if severance pay is anticipated to extend for a period of time beyond your termination date (such as payments over several months), then those extended payments may not be TMRS-eligible compensation. 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.

Of course, a city and a terminating employee can agree to any terms they desire regarding any severance payments, but it is important for all to remember the timing of those payments will affect whether or not the severance pay can be included as "compensation" for purposes of making TMRS contributions. If you are engaged in a discussion of severance pay, please be sure your city is aware of this restriction. We encourage you and your city to contact us if you have questions about a specific severance pay arrangement, particularly if payments might be extended over time beyond your employment. ■



TEXAS MUNICIPAL RETIREMENT SYSTEM
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TMRS 2015 SUMMARY ANNUAL FINANCIAL REPORT INSIDE!

Calendar

July 4
 July 12
 August 18-19
 August 23
 September 5
 September 22-23
 October 20-21
 November 2
 November 17
 November 24-25
 December 8-9
 December 23 & 26

Thinking about retirement?

Attend a regional conference in your area!

Holiday – Independence Day (TMRS office closed)
Regional Pre-Retirement Conference – Nacogdoches
 TMRS Board of Trustees Meeting – Austin
Regional Pre-Retirement Conference – Pasadena
 Holiday – Labor Day (TMRS office closed)
 TMRS Board of Trustees Meeting – Austin
 TMRS Board of Trustees Meeting - Austin
Regional Pre-Retirement Conference – Lubbock
Regional Pre-Retirement Conference – Plano
 Holidays – Thanksgiving (TMRS office closed)
 TMRS Board of Trustees Meeting – Austin
 Holidays (observed) – Christmas (TMRS office closed)

How to Contact TMRS

Location

1200 North Interstate 35, Austin, TX 78701

Mailing

P.O. Box 149153, Austin, TX 78714-9153

Toll-free

800.924.8677

Local (in Austin)

512.476.7577

Fax

512.476.5576

Website

www.tmrs.com

E-mail

help@tmrs.com

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INSIGHT is an informal presentation of information about TMRS and related issues. If any specific questions of fact or law should arise, the statutes will govern.

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If you have questions, suggestions, or ideas for stories in future newsletters or on the website, send an email to communications@tmrs.com.



TMRS is on Facebook!