

insight

The Newsletter for TMRS® Members

From the Executive Director



Dear TMRS Members,

The TMRS 2017 Summary Annual Financial Report, included in the middle of this issue of *INSIGHT*, is an overview of the System's finances and investments as of December 31, 2017. In 2017, the total net assets of our retirement system were

\$28.6 billion at market value. In addition, the plan's funded ratio increased from 86.3% in 2016 to 87.4% in 2017, a sign of a robust retirement system.

The story at right explains the value of our member online program, [MyTMRS®](#). Having access to your own information and the ability to change some of that information puts control of your account in your hands. MyTMRS gives you more access to information while maintaining a high level of security.

Other stories in this issue describe changes in the Board of Trustees and new resources for members, including online videos and informational flyers.

If you need to know anything about your member account, you can review the information online through MyTMRS or call our phone center (800.924.8677 during normal business hours, Monday through Friday, 8:00 a.m. to 5:00 p.m.) to speak to a helpful staff member. Also, we have set up a "[Need Help](#)" form on the website, which allows you to send a note directly to Member Services. TMRS responds to this form promptly during normal business hours.

We hope you enjoy your summer and the rest of the year!

Sincerely,

David Gavia
Executive Director

Make Your Account Work for You

If you haven't already registered for your MyTMRS® account, now is the time to set it up! It's easy — click the [MyTMRS button](#) on the TMRS website, then follow the instructions to create your account.

Empowering You, the Member

Establishing your MyTMRS account puts power in your hands. You can see the information TMRS has for your account — your user name and contact information, documents, service credit, and beneficiaries. MyTMRS also indicates whether you are a vested member or eligible to retire, and gives you the ability to run estimates, in most cases.

In addition to viewing and downloading information, you have the ability to **update** account details, including:

- Login information — user name, password, and challenge questions
- Contact information — home address, phone numbers, and longstanding personal email address
- Communication preferences — choose email only, or email and mail delivery for publications such as this newsletter
- Beneficiaries — if the designation does not require spousal consent

Keeping your contact information current is important so that TMRS can notify you of important events.

continued on page 2

Beneficiary Designation Is Essential

It is very important to keep your beneficiary designation up-to-date. Before you are vested (5 or 10 years of service, depending on your city's plan), your beneficiary is eligible to receive your account balance. After you vest, maintaining the correct beneficiary is even more important because of the increased value of your benefit. Beneficiary data is shown on your annual statement, can be viewed through MyTMRS, or may be requested in writing.

If you have questions about registering for MyTMRS or any problems logging in, call our Phone Center during normal business hours (800.924.8677). ■

Deterring Fraud on Many Levels



Registering your account on MyTMRS helps protect your retirement information from hackers. "Unclaimed" accounts can be targets for abuse if an imposter registers for them.



MyTMRS accounts require a **strong password** and answers to security questions known only to you. **Do not share** your password.



Dual factor authentication is requested when you log in; you'll be prompted to request an email, text, or phone call from TMRS, which contains a separate security code. ■

Annual Financial Report

The 2017 Summary Annual Financial Report (also called the Popular Annual Financial Report, or PAFR), is included in this issue. TMRS sends this report to you every year so you will be advised of the System's financial status for the previous fiscal year. The complete TMRS Comprehensive Annual Financial Report (CAFR) is available at www.tmr.com/financial_reports.php. ■

Board of Trustees Update

In February, Governor Greg Abbott announced two appointments to the TMRS Board of Trustees. The Governor reappointed Jim Parrish, Deputy City Manager of Plano and current TMRS Board Chair, for a second term and appointed Jesús A. Garza, City Manager of Kingsville, for his first term. Both terms end February 1, 2023. Mr. Garza replaces Roy Rodriguez on the Board.

TMRS Thanks Roy Rodriguez for His Service...

Roel "Roy" Rodriguez, PE, City Manager of McAllen, joined the TMRS Board of Trustees in August 2005. During his time on the Board, Mr. Rodriguez oversaw important changes in TMRS, including major legislation in 2009 and 2011 designed to ensure the future soundness of the System and diversification of the TMRS investment portfolio. TMRS is grateful for his exemplary service to the System, its members, and its member cities.



...And Welcomes New Trustee, Jesús A. Garza

New Board Member Jesús A. Garza has hit the ground running in his new position. He has already been appointed Vice Chair of the Advisory Committee on Benefit Design. Mr. Garza is a native of Brownsville, Texas, and currently serves as the City Manager of Kingsville. Before going to Kingsville, he worked in the City Manager's Office at the City of San Antonio, as City Administrator for the City of Von Ormy, and for an international NGO (MATT Foundation) as Director of Economic Development Initiatives.

Mr. Garza holds a Master's in Public Administration in Urban Management from St. Mary's University, a Graduate Certificate in Urban and Regional Planning from the University of Texas – San Antonio, and is an alumnus of the Public Executive Institute, Lyndon B. Johnson School of Public Affairs, University of Texas – Austin. We appreciate Mr. Garza's service on the Board. ■

TMRS 2017 Summary Annual Financial Report

For the Year Ended December 31, 2017



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 also describes the accomplishments TMRS made in 2017 to serve members, cities, and retirees.

TMRS in 2017

- By law, member accounts were credited 5% as of December 31, 2017. The overall one-year gross rate of return on the TMRS investment portfolio was 14.27%, enabling the Board to credit member municipalities with approximately 13.05% interest on their January 1, 2017 Benefit Accumulation Fund balances. After smoothing, the actuarial return is approximately 7.11%.
- TMRS continued to expand the capabilities of **TMRSDirect**[®], its “straight-through processing” initiative for member and city self-service, which includes the MyTMRS[®] and the City Portal programs. As of December 31, 2017, approximately 99,000 TMRS members and retirees have registered for MyTMRS[®] accounts, and 730 cities are using the City Portal for plan administration.
- As of December 31, 2017, TMRS as a whole was 87.4% funded, which represents an increase to the funded ratio from December 31, 2016.
- TMRS engaged KPMG LLP to complete TMRS’ third annual SOC-1 Type 2 audit in 2017, and a fourth is underway with an estimated completion date of June 2018. The SOC audit supports city financial reporting under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, the primary objective of which is to improve accounting and financial reporting for pensions by state and local governments.
- TMRS staff answered more than 78,000 member requests for assistance and processed 3,550 new retirements in 2017.
- Eleven new cities joined the System in 2017. At year-end 2017, TMRS administered plans for 883 member cities that included:
 - 110,208 active plan member accounts
 - 57,369 inactive plan member accounts
 - 62,776 retired member accounts

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

TMRS Board of Trustees (as of December 31, 2017)

The Governor appoints the six members of TMRS’ Board of Trustees 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.

Jim Parrish, 2017 Chair

Deputy City Manager – Administrative Services, Plano

David Landis

City Manager, Perryton

Bill Philibert, 2017 Vice Chair

Director of Human Resources and Risk Management, Deer Park

Julie Oakley, CPA

Assistant City Manager, Lakeway

Jim Jeffers

City Manager, Nacogdoches

Roel “Roy” Rodriguez, PE

City Manager, McAllen

On February 8, 2018, Governor Greg Abbott appointed Jesús A. Garza, City Manager of Kingsville, to the Board of Trustees, replacing Trustee Roy Rodriguez. Mr. Rodriguez was appointed to the TMRS Board of Trustees in 2005 and served as Board Chair in 2008 and 2013. TMRS thanks Mr. Rodriguez for his years of dedicated service.

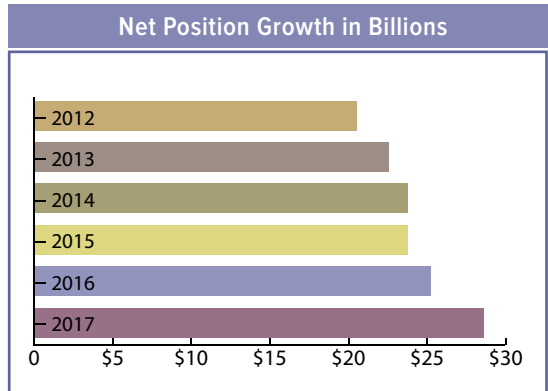
Financial Information

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 2017, 2016, and 2015. Net position represents funds accumulated for the payment of future benefits.

Investments, stated at fair value, make up the largest portion of the net position restricted for pensions, and reflect an increase due primarily to net appreciation in value from year end 2015 to 2017, and investment cash flows over the three-year period ended December 31, 2017. As a result of prior participation in a securities lending program, TMRS was required to report both the asset

and the related liability of the collateral received for securities on loan at year end. During 2016, TMRS terminated its securities lending program with its third-party securities lending agent.

Summary Comparative Statements of Fiduciary Net Position As of December 31, 2017, 2016, and 2015			
	2017	2016	2015
ASSETS			
Investments, at fair value	\$ 28,921,028,586	\$ 25,830,231,450	\$ 24,289,053,366
Cash, receivables, and other	1,054,363,313	1,330,996,531	1,465,821,221
Invested securities lending collateral	-	-	864,114,464
Capital assets, net	9,732,194	9,766,674	9,909,170
TOTAL ASSETS	29,985,124,093	27,170,964,655	26,628,898,221
LIABILITIES			
Payables and accrued liabilities	1,317,499,340	1,917,805,578	2,033,395,221
Funds held for Supplemental Death Benefits Fund	18,250,136	19,953,304	20,490,711
Securities lending collateral	-	-	866,849,709
TOTAL LIABILITIES	1,335,749,476	1,937,758,882	2,920,735,641
NET POSITION RESTRICTED FOR PENSIONS	\$ 28,649,374,617	\$ 25,233,205,773	\$ 23,708,162,580

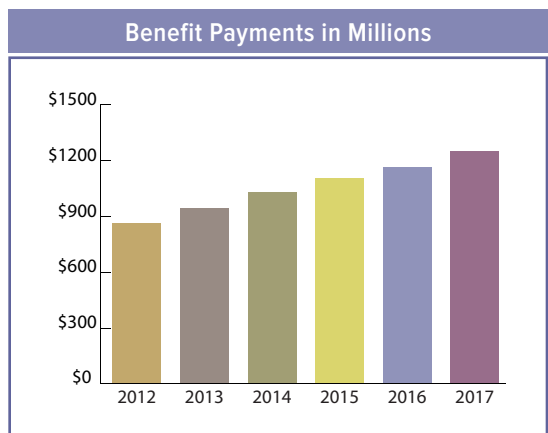


The second summary statement (below) reports activity for the year (changes in net position). Additions include member and employer contributions, and income earned from our investment portfolio. Investment income, which is presented net of investment expenses (i.e., after investment expenses have been deducted), is composed of interest, realized gains from the sale of securities, securities lending income (in 2015), and net unrealized appreciation (depreciation) in the fair value of investment securities (or mark-to-market changes).

Net investment income in 2017, 2016, and 2015 was most significantly affected by the unrealized gains recognized in the domestic and international equities asset classes. The total gross return on TMRS' investment portfolio was 14.27%, 7.42%, and 0.34% in 2017, 2016, and 2015, respectively. Investment earnings in 2017 enabled the Board to credit approximately 13.05% to municipality accounts

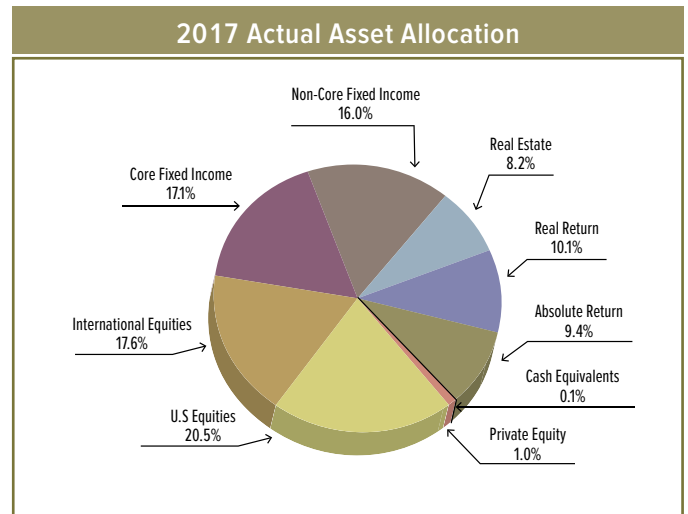
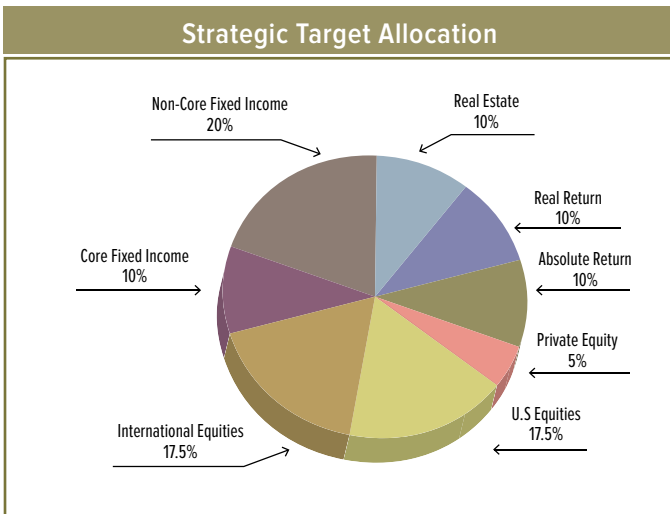
while maintaining a reserve of \$280 million; member accounts received the statutory credit of 5%. Deductions include payments to retirees, refunds of contributions to withdrawing members, and administrative expenses. The increase in benefit payments reflects a steady rise in the number of retirement accounts (from 56,481 in 2015 to 62,776 in 2017).

Summary Comparative Statements of Changes in Fiduciary Net Position For the Years Ended December 31, 2017, 2016, and 2015			
	2017	2016	2015
ADDITIONS			
Contributions and other	\$ 1,248,937,991	\$ 1,158,197,685	\$ 1,127,816,123
Net investment income	3,497,133,077	1,602,187,418	35,011,429
TOTAL ADDITIONS	4,746,071,068	2,760,385,103	1,162,827,552
DEDUCTIONS			
Benefit payments	1,251,406,534	1,162,064,108	1,102,785,029
Refunds of contributions	59,405,912	54,181,595	56,975,269
Allocation to Supplemental Death Benefits Fund	965,614	1,000,892	1,057,178
Administrative expenses	18,124,164	18,095,315	21,325,422
TOTAL DEDUCTIONS	1,329,902,224	1,235,341,910	1,182,142,898
CHANGE IN NET POSITION	3,416,168,844	1,525,043,193	(19,315,346)
NET POSITION			
BEGINNING OF YEAR	25,233,205,773	23,708,162,580	23,727,477,926
END OF YEAR	\$ 28,649,374,617	\$ 25,233,205,773	\$ 23,708,162,580



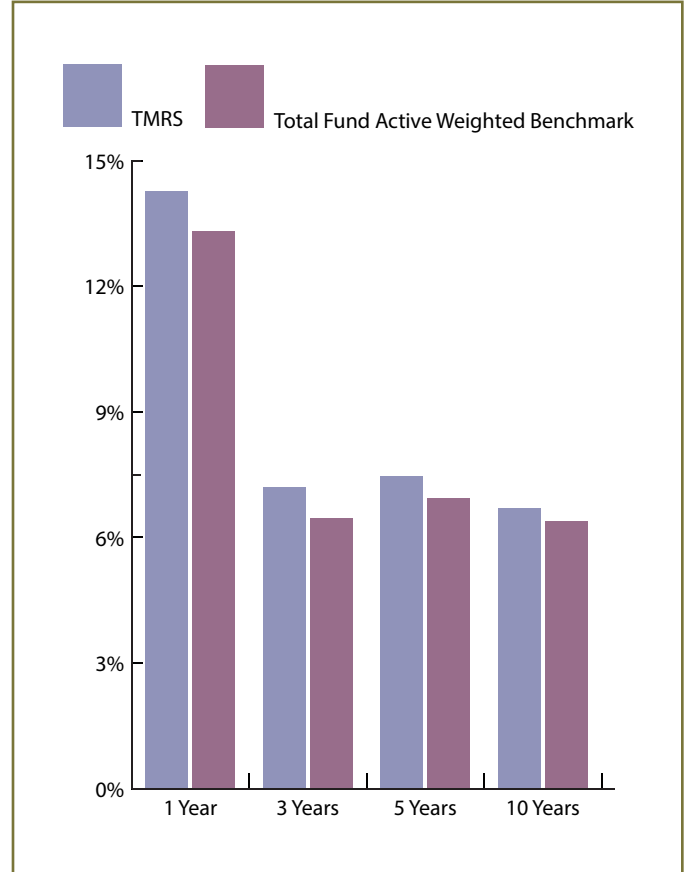
Investments

The Board of Trustees establishes investment policies and provides oversight to ensure that those policies are implemented. Twenty 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 2017 toward this strategic target allocation included continued investment into the non-core fixed income, real return, and private equity asset classes.



The total gross return on TMRS' investment portfolio was 14.27% in 2017. The table at right compares TMRS' actual returns to the Total Fund Active Weighted Benchmark, which comprises all policy benchmarks associated with each asset class.

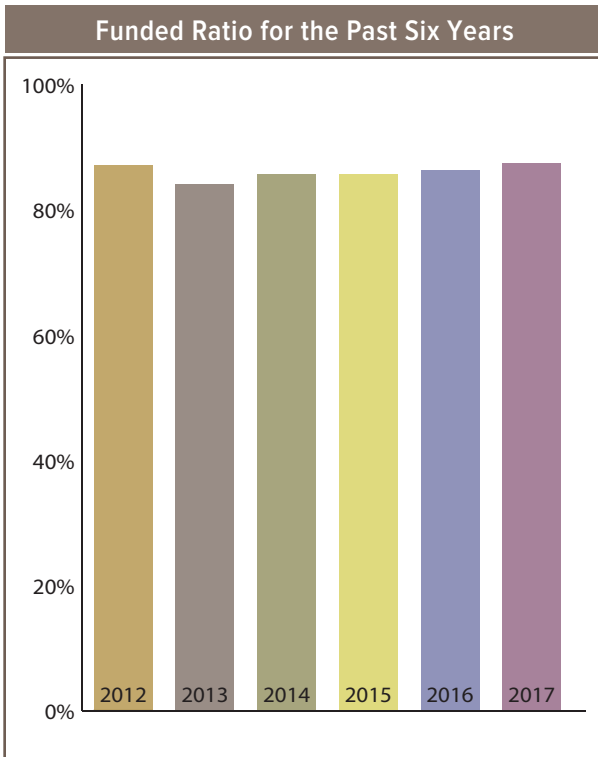
TMRS Total Rate of Return Comparisons



Reporting Standards

This Summary Annual Financial Report is derived from the *TMRS 2017 Comprehensive Annual Financial Report for the Years Ended December 31, 2017 and 2016* (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 download a PDF file of the CAFR, go to [www.tmsr.com / Cities / Actuarial & Accounting / Financial Reports](http://www.tmsr.com/Cities/Actuarial%20&%20Accounting/Financial%20Reports).

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 employer contribution needed to fully fund benefits. The complete TMRS funding policy can be found 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, 2017, TMRS as a whole was 87.4% funded, an increase from 86.3% as of December 31, 2016.
- 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. To reduce volatility that might arise from investment returns in any single year, actuaries use "smoothing techniques." A complete description of the asset smoothing method can be found in the TMRS funding policy. The System's smoothing policy and deferred gains resulted in an actuarial return of 7.11% for the year ended December 31, 2017.

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, 2016.

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 popular 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 2017 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.



Mission Statement • Providing secure, reliable, retirement benefits
Vision Statement • To be the model for empowering retirement
Core Values • Accountability, Excellence, Integrity, Respect, Teamwork

RESOURCES FOR MEMBERS

Got a Question? We've Got a Flyer!

If you have a question about a complicated topic, such as how COLAs work for retirees, or what Updated Service Credit is all about, you can find answers in TMRS topic flyers.

We recently released two flyers geared toward two generations of active members: those who have just joined TMRS, and those who are considering retirement:

- [Your TMRS Retirement Benefit — for New Members](#)
- [How to Retire with TMRS — for Eligible Members](#)

All flyers are available for viewing and printing on the TMRS website under [Resources | Benefits](#).

The image shows three overlapping flyers from the TMRS website. The top flyer is titled "How to Retire For Eligible Members" and includes contact information: Phone: 512.476.7577 • Fax: 512.476.5578, Need help? www.tmr.com/contact.php, Mailing address: P.O. Box 149153 • Austin, TX 78714-9153. The middle flyer is titled "Cost of Living Adjustments for Retirees" and includes contact information: Phone: 512.476.7577 • Fax: 512.476.5578, Email: help@tmrs.com • Website: www.tmr.com, Mailing address: P.O. Box 149153 • Austin, TX 78714-9153. The bottom flyer is titled "What Are COLAs?" and includes a toll-free number: Toll free: 800.924.8677, Hablamos Español.

SUMMER BLOCKBUSTERS TMRS Training Videos!

Kick back, relax, grab some popcorn, and tune in to a video from our website under Members | Video Training Library. If you're new to TMRS, get an overview of your benefits by watching [Welcome to TMRS](#), and learn how the TMRS Plan works in the [Introduction to TMRS](#) video. Find out why it's important to designate a beneficiary, or get help selecting a retirement plan in the [Designating Your Beneficiary](#) or [Retirement Annuity Options](#) videos.

Later this summer, look for two more releases: *Funding the Benefit* will show you how your member deposits and your city contributions, combined with TMRS investments, are used to finance your retirement plan benefits. *How to Register for MyTMRS* will give you step-by-step instructions for creating your MyTMRS account. Keep up with TMRS' video releases by following us on Facebook and YouTube ([@TexasMunicipalRetirementSystem](#)). ■

Considering Retirement?

TMRS Regional Pre-Retirement Conferences are half-day events that are held in different cities around Texas. As of this date, two remaining Regionals are scheduled for 2018, in Plano on November 15 and in Corpus Christi on December 5. To register using Eventbrite, go to [Calendars / Events & Training / Regionals](#) on the TMRS website. Pre-Retirement Regionals are open to interested city employees from other Texas cities in addition to the host city.

At each Regional Conference, the TMRS Travel Team provides an overview of your TMRS retirement, and a Social Security expert summarizes the benefits you can expect from Social Security, if your city participates. Your spouse is welcome (just indicate you're bringing a guest when you sign up). Please bring your retirement estimate(s) so that TMRS Staff can answer any questions you may have.

Information on retirement is available on the TMRS website ([Quick Links | How to Retire](#)). Also, we have recently produced an [overview flyer](#) for members who are close to retirement (see story above). It's available on the website under the Resources page.

If you want to talk to a TMRS representative in person, you are welcome to walk in to the TMRS office in Austin during normal business hours – no appointment necessary. Or, we can come to you! Check with your City Correspondent (the person who handles TMRS administration) to see if members of the Travel Team can attend a city benefit fair to speak with employees. ■



Texas Municipal Retirement System



TEXAS MUNICIPAL RETIREMENT SYSTEM
 PO Box 149153 • Austin, Texas 78714-9153

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TMRS 2017 SUMMARY ANNUAL FINANCIAL REPORT INSIDE!

Calendar	Thinking about retirement? Attend a regional conference in your area!	How to Contact TMRS
August 23-24	TMRS Board of Trustees Meeting – Austin	Location 1200 North Interstate 35, Austin, TX 78701
September 3	Holiday – Labor Day (TMRS office closed)	Mailing P.O. Box 149153, Austin, TX 78714-9153
September 27-28	TMRS Board of Trustees Meeting – Austin	Toll-free 800.924.8677
October 25-26	TMRS Board of Trustees Meeting – Austin	Local (in Austin) 512.476.7577
November 12	Holiday – Veterans Day (TMRS office closed)	Fax 512.476.5576
November 15	Regional Pre-Retirement Conference – Plano	Website www.thrs.com
November 22-23	Holidays – Thanksgiving (TMRS office closed)	Need Help? www.thrs.com/contact.php
December 5	Regional Pre-Retirement Conference – Corpus Christi	
December 6-7	TMRS Board of Trustees Meeting – Austin	
December 24-25	Holidays – Christmas Eve and Christmas Day (TMRS office closed)	

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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.

