

insight

The Newsletter for TMRS® Members

New MyTMRS® Feature

Online Beneficiary Selection

If you are currently using MyTMRS to access information about your TMRS account, you can now make beneficiary designations and changes using MyTMRS! You no longer have to send in a hard copy form for basic beneficiary changes (see exceptions, described below). If you're not a MyTMRS user, there's never been a better time to create an account (click on MyTMRS button on www.tmr.com and follow the instructions to register).

TMRS needs correct beneficiary information for your retirement benefit, and you should verify this information periodically to be sure it matches your wishes. To review these designations, log in to MyTMRS to verify your selection(s). After logging in, click on the **Beneficiaries** button. If you need to make any updates or changes, click the blue **Update** button, and MyTMRS will guide you through the steps. You'll receive an immediate confirmation message, and you'll also receive an email stating a change was made.

Beneficiary choices that require spousal consent (for example, if you are vested, married, and naming a beneficiary other than your spouse) still require a paper form and a signature. MyTMRS will alert you if spousal consent is necessary and will direct you to the correct form. A blue "Update" button will be available if you are eligible to make a change.

Why Designating a Beneficiary Is Important

Changes in your life circumstances (death, marriage, having a child, divorce) can occur any time during your career. It is very important to keep your beneficiary designation up-to-date, because after you are vested (after either 5 or 10 years of service, depending on your city plan), your beneficiary will be the person who receives your TMRS benefit in the event of your death. Beneficiary data is shown on your annual statement and can be viewed through MyTMRS or may be requested in writing.

If you are not yet a MyTMRS user, you may use the new Beneficiary Designation Before Retirement (TMRS-BENE) form. This form replaced the TMRS-7 and TMRS-7V and is for both vested and non-vested members. This form must be mailed or faxed to TMRS. ■



From the Executive Director

Dear TMRS Members,

The TMRS 2016 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, 2016. In 2016, the total net investments of our retirement system totaled \$25.2 billion at market value.

The lead story (left) explains a new MyTMRS feature — online beneficiary designation. A story beginning on page 3 (after the insert) describes other updates to the member online program MyTMRS.

A story for new members on page 2 describes why TMRS is important to your career and your future well-being. The opportunity to receive a lifetime annuity at the end of a full municipal career is one of the most important benefits you have as an employee of a TMRS city.

The 85th Regular Session of the Texas Legislature finished in May and a special session is under way (see page 2). With high profile legislation this session addressing retirement systems in Houston and Dallas, TMRS worked extra hard to be sure legislators understood how TMRS plans for long-term stability and how we differ from other retirement programs.

If you need to know anything about your account with TMRS, you can review the information online through MyTMRS, call our phone center to speak to a helpful staff member, or send an email to help@tmr.com.

Enjoy your summer and fall!

Sincerely,

David Gavia
Executive Director

FOR NEW MEMBERS

How TMRS Benefits You!

New to city employment? You may be wondering what this retirement plan called TMRS is all about. Your city, by city council ordinance, chose to be part of the Texas Municipal Retirement System (or TMRS) to help provide a lifetime retirement benefit to its employees. Essentially, TMRS is a form of savings plan for your future financial security. If you retire with TMRS, you will receive a **pension**, a monthly annuity for the rest of your life. This is indeed a well-earned reward at the end of your public service!

Saving for your future pension. Unlike other retirement savings plans, it is mandatory (by state law) that the employees of your city whose positions normally require 1,000 hours of work per year must contribute a percentage of their salary toward their future retirement. This is similar to a savings account but with a guarantee that the money stays in your account with TMRS and is combined with money from your city into a fund that is professionally invested for your future benefit. (*Important note:* Unlike a savings account, you may not withdraw any part of your money unless you stop working for your city — or any other TMRS city — and apply for a refund.)

By state law, all member accounts are credited with 5% interest annually. To keep track of the funds and interest credits in your TMRS account, register for MyTMRS® for online access to your account. If you haven't already signed up for MyTMRS, do so as soon as possible! Go to the TMRS website, www.tmr.com, to register. The story on page 3 explains how MyTMRS can help you manage your TMRS account.

Where does the money for your pension come from?

Your account starts with your contributions — the percentage of your monthly salary your city has chosen for employees to contribute. Interest (currently mandated by law as 5% each year) is earned on your account annually. Then, at the time of your retirement, your city matches the amount you have saved (depending on the city matching percentage). To view the choices your city has made for its plan, go to the My City Plan feature on the TMRS website (see details on page 3).

The combined investment of your deposits and your city's monthly contributions provides the financial basis for a large portion of your retirement benefit. Your money and the city's money are pooled and professionally invested in a diversified portfolio. Investments provide a significant portion of the TMRS total fund for paying out retirement benefits. The Summary Annual Financial Report (right) gives you details about investment performance and policies.

How much money will you receive as a retiree?

At any time during your city employment, you can run a retirement estimate online using MyTMRS. You can enter any future date after your retirement eligibility date, and you can see the different available retirement options in your estimates.

Welcome to TMRS — a great benefit for your future security! Our website provides answers to many employee questions; you have a TMRS City Correspondent (the person at your city who can answer questions); and you can always call our toll-free number (800-924-8677) to get help. ■

Annual Financial Report

The 2016 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. ■

85th Legislative Session Summary

Both the House and the Senate adjourned on May 29, 2017, officially ending the 85th Regular Legislative Session. No bill affecting TMRS benefits passed during the session. For detailed information on bills that passed, please see the "Final Status of Bills that Affect TMRS" document on the Legislative page of our website.

A Special Session of the Legislature began July 18. ■

TMRS 2016 Summary Annual Financial Report

For the Year Ended December 31, 2016



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 2016 to serve members, cities, and retirees.

TMRS in 2016

- By law, member accounts were credited 5% to their accounts as of December 31, 2016. The overall one-year gross rate of return on the TMRS investment portfolio was 7.42%, enabling the Board of Trustees to credit member municipalities with approximately 6.73% interest on their January 1, 2016 Benefit Accumulation Fund balances. After smoothing, the actuarial return is approximately 6.44%.
- TMRS continued to develop **TMRSDirect**[®], its “straight-through processing” initiative for member and city self-service, which includes the MyTMRS[®] and the City Portal programs. During 2016, almost 20,000 new users registered for MyTMRS[®], and cities enrolled almost 3,200 new members through the City Portal.
- As of December 31, 2016, TMRS as a whole was 86.3% funded, which represents an increase to the funded ratio from December 31, 2015.
- TMRS engaged KPMG LLP to complete TMRS’ second annual SOC 1 Type 2 audit in 2016, and a third is underway with an estimated completion date of June 2017. 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 90,000 member requests for assistance and processed 3,456 new retirements in 2016.
- Six new cities joined the System in 2016. At year-end 2016, TMRS administered plans for 872 member cities that included:
 - 108,891 active plan member accounts
 - 53,721 inactive plan member accounts
 - 59,611 retired member accounts

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

TMRS Board of Trustees (as of December 31, 2016)

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, 2016 Chair

Deputy City Manager – Administrative Services, Plano

David Landis

City Manager, Perryton

Bill Philibert, 2016 Vice Chair

Director of Human Resources and Risk Management, Deer Park

Julie Oakley, CPA

Assistant City Manager, Lakeway

James “Jim” Paul Jeffers

City Manager, Nacogdoches

Roel “Roy” Rodriguez, PE

City Manager, McAllen

Financial Information

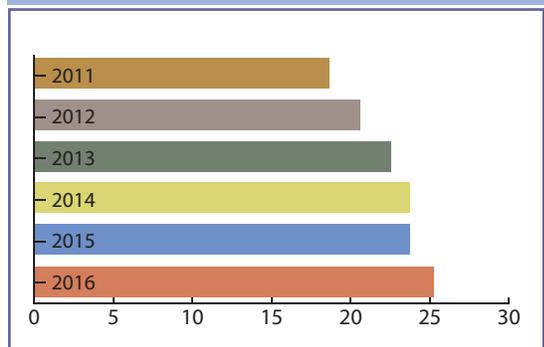
The first summary statement (below) is a snapshot of what we hold (assets), what we owe (liabilities), and the resulting difference (net position) at years ended 2016, 2015, and 2014. Net position represents funds accumulated for the payment of future benefits.

Investments, stated at fair value, make up the largest portion of the net position held in trust for pension benefits, and reflect an increase due primarily to net appreciation in value from year end 2015 to 2016, and investment cash flows over the three-year period ended December 31, 2016. As a result of prior participation in a securities lending program, we were 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 and 2014,

the cost basis of the collateral exceeded its market value, resulting in an unrealized loss on the collateral pool of \$2.7 million and \$2.6 million as of December 31, 2015 and 2014, respectively. 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, 2016, 2015, and 2014			
	2016	2015	2014
ASSETS			
Investments, at fair value	\$ 25,830,231,450	\$ 24,289,053,366	\$ 23,896,100,903
Cash, receivables, and other	1,330,966,531	1,465,821,221	1,602,558,921
Invested securities lending collateral	-	864,114,464	1,030,835,345
Capital assets, net	9,766,674	9,909,170	7,889,360
TOTAL ASSETS	27,170,964,655	26,628,898,221	26,537,384,529
LIABILITIES			
Payables and accrued liabilities	1,917,805,578	2,033,395,221	1,754,249,820
Funds held for Supplemental Death Benefits Fund	19,953,304	20,490,711	22,176,214
Securities lending collateral	-	866,849,709	1,033,480,569
TOTAL LIABILITIES	1,937,758,882	2,920,735,641	2,809,906,603
NET POSITION RESTRICTED FOR PENSIONS	\$ 25,233,205,773	\$ 23,708,162,580	\$ 23,727,477,926

Fiduciary Net Position Growth (in Billions)



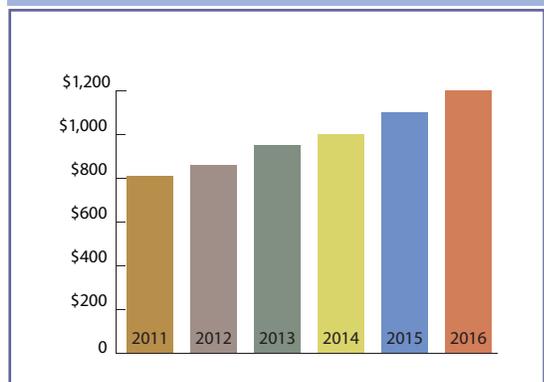
The second summary statement (below) reports activity for the year (changes in net position). Additions include member and employer contributions, and income earned from our investment portfolio. Investment income, which is presented net of investment expenses (i.e., after investment expenses have been 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 2016, 2015, and 2014 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 7.42%, 0.34%, and 5.99% in 2016, 2015, and 2014, respectively. Investment earnings in 2016 enabled the Board to credit approximately 6.73% 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 reflects a steady rise in the number of retirement accounts (from 53,455 in 2014 to 59,611 in 2016).

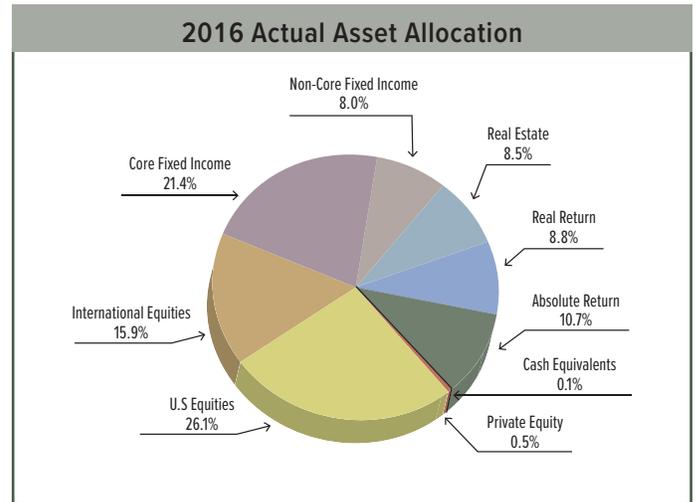
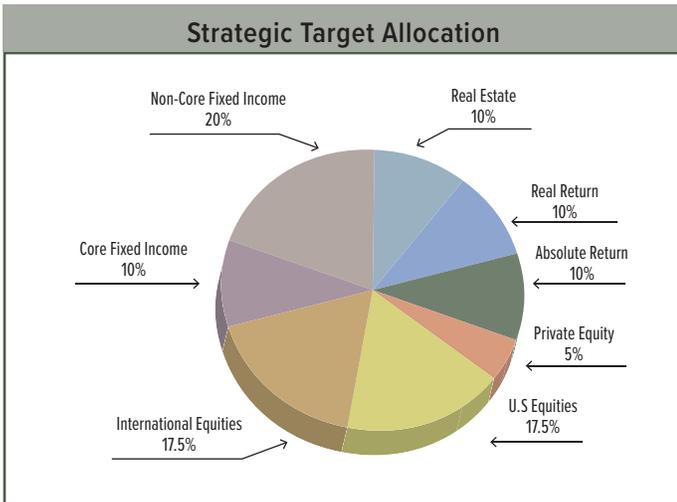
Summary Comparative Statements of Changes in Fiduciary Net Position For the Years Ended December 31, 2016, 2015, and 2014			
	2016	2015	2014
ADDITIONS			
Contributions and other	\$ 1,158,197,685	\$ 1,127,816,123	\$ 1,075,347,736
Net investment income	1,602,187,418	35,011,429	1,285,344,179
TOTAL ADDITIONS	2,760,385,103	1,162,827,552	2,360,691,915
DEDUCTIONS			
Benefit payments	1,162,064,108	1,102,785,029	1,028,572,120
Refunds of contributions	54,181,595	56,975,269	58,723,123
Allocation to Supplemental Death Benefits Fund	1,000,892	1,057,178	1,132,803
Administrative expenses	18,095,315	21,325,422	13,419,567
TOTAL DEDUCTIONS	1,235,341,910	1,182,142,898	1,101,847,613
CHANGE IN NET POSITION	1,525,043,193	(19,315,346)	1,258,844,302
NET POSITION			
BEGINNING OF YEAR	23,708,162,580	23,727,477,926	22,468,633,624
END OF YEAR	\$ 25,233,205,773	\$ 23,708,162,580	\$ 23,727,477,926

Benefit Payments in Millions

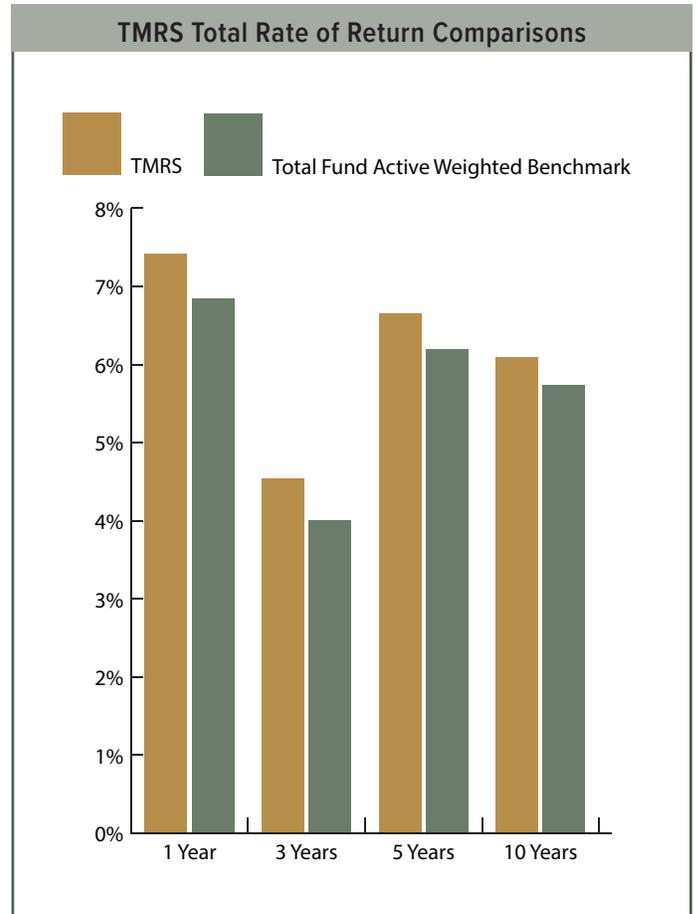


Investments

The Board of Trustees establishes investment policies and provides oversight to ensure that those policies are implemented. Nineteen 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 2016 toward this strategic target allocation included continued investment into the private equity, non-core fixed income, real estate, real return, and absolute return (hedge funds) asset classes.



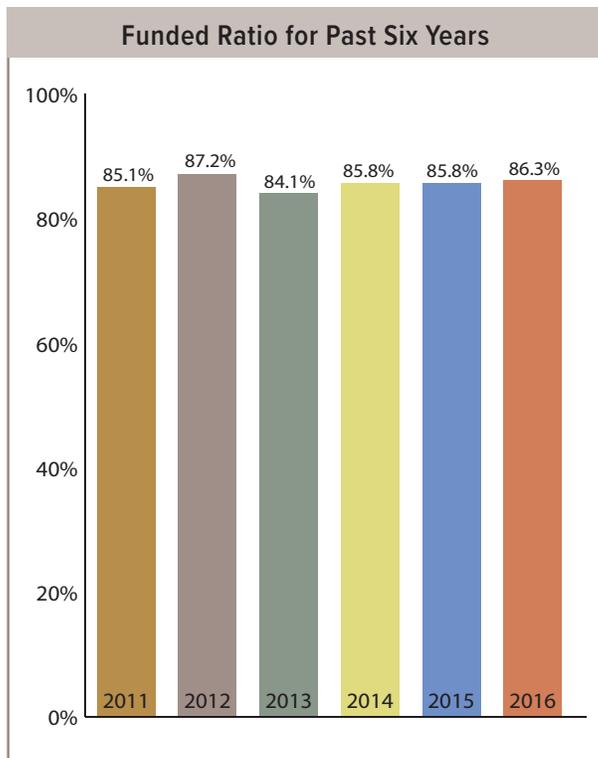
The total gross return on TMRS' investment portfolio was 7.42% in 2016. The table at right compares TMRS' actual returns to the Total Fund Active Weighted Benchmark, which comprises all policy benchmarks associated with each asset class.



Reporting Standards

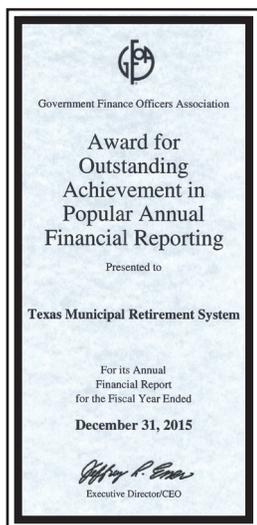
This Summary Annual Financial Report is derived from the *TMRS 2016 Comprehensive Annual Financial Report for the Years Ended December 31, 2016 and 2015 (CAFR)* but does not include all information necessary to be presented in conformity with generally accepted accounting principles (GAAP). The CAFR 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.tmr.com / City Publications / Financial Publications](http://www.tmr.com/CityPublications/FinancialPublications).

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 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, 2016, TMRS as a whole was 86.3% funded, an increase from 85.8% as of December 31, 2015.
- 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.

Awards



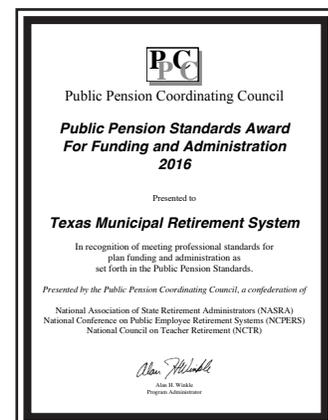
The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TMRS for its Summary Annual Financial Report for the fiscal year ended December 31, 2015.

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 2016 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.

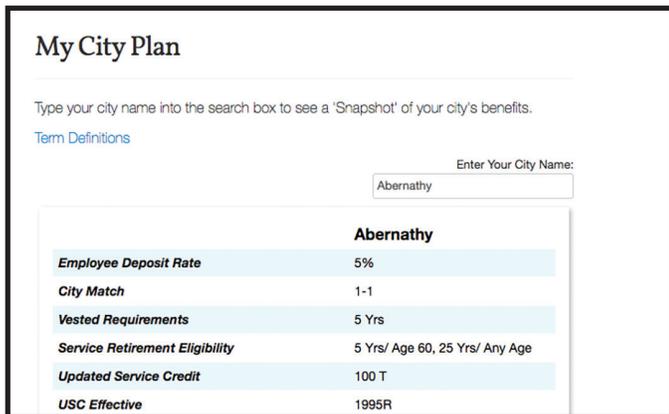


TMRS Mission Statement

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.

New Feature – My City Plan

To view specific information about your city's TMRS plan choices, check out My City Plan on the TMRS website. From the Member Information tab, choose My City Plan from the pull-down menu. This lets you view a "snapshot" of your city's benefit choices, including employee deposit rate, city match, vesting, retirement eligibility, and other benefit options. Simply enter your city's name to see its chosen benefits. *Note:* This feature is available on the public website only. ■



The screenshot shows the "My City Plan" web interface. At the top, there is a search box labeled "Enter Your City Name:" with "Abernathy" entered. Below the search box is a table of benefits for Abernathy:

Abernathy	
Employee Deposit Rate	5%
City Match	1-1
Vested Requirements	5 Yrs
Service Retirement Eligibility	5 Yrs/ Age 60, 25 Yrs/ Any Age
Updated Service Credit	100 T
USC Effective	1995R

Update on MyTMRS

If you're not using MyTMRS to access your TMRS information, go to www.tmr.com, click on MyTMRS, and get started! The overall goal of MyTMRS is to enable "straight-through processing" wherever possible, so that you'll be able to make changes to your account online instead of submitting a paper form.

Features on MyTMRS have grown since its original rollout. Besides viewing your account details, printing documents such as statements, and running retirement estimates, you'll be able to use these recent additions to MyTMRS:

- **New! – online beneficiary selection.** This allows you to designate beneficiaries electronically in many cases (see story, page 1).
- **Opt-in to receive newsletters by mail.** You now have the option to receive your newsletter in either hard copy or online (PDF) format.
- **Multifactor authentication (MFA).** An additional layer of security was provided this past April — a best practice for online systems. ■

Interest Credit on Member Accounts

Under the TMRS Act, on the last day of the calendar year (December 31), eligible member accounts receive a 5% interest credit. The interest amount is reflected in the account balance of all member accounts as of January 1 and is viewable on MyTMRS and on your TMRS Member Annual Statement. ■

Did You Know?

Easy Way to Manage your E-Newsletter Subscriptions

As described in the MyTMRS story above, you may choose to receive this print newsletter in electronic-only format. However, TMRS is also producing electronic-only e-newsletters. Two such e-newsletters are designed specifically for employees and retirees. MyTMRS users automatically receive news about their TMRS benefits sent to the email address in MyTMRS. If you have included an email address in your MyTMRS profile (TMRS encourages you to use a long-standing or "persistent" email address), you will automatically receive the "TMRS Direct® News for Members" email. To check or change what email address we have on file for you, sign into MyTMRS and click on the "My Profile" tab.

When you navigate to the Electronic Publications page on the website, you'll see a pop-up box (above). Entering your email address takes you to a subscriber preferences page, where you can add or delete e-newsletters. You may also go to this link through the "Manage Subscriptions" link at the bottom of any TMRS e-newsletter. ■



The screenshot shows a pop-up box titled "Executive E-News" and "TMRS E-Newsletters". It contains the following text and elements:

- Text: "Enter your email address to receive up-to-date news from TMRS."
- Input field: "Enter your email address"
- Button: "SUBSCRIBE"
- Links: "No Thanks" and "Remind Me Later"



TEXAS MUNICIPAL RETIREMENT SYSTEM
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TMRS 2016 SUMMARY ANNUAL FINANCIAL REPORT INSIDE!

Calendar

August 23
 September 4
 September 21-22
 October 12
 October 25
 November 10
 November 15
 November 23-24
 December 7-8
 December 23-24

Thinking about retirement?
 Attend a regional conference in your area!

Regional Pre-Retirement Conference — Cleburne
 Holiday — Labor Day (TMRS office closed)
 TMRS Board of Trustees Meeting — Austin
Regional Pre-Retirement Conference — Temple
 TMRS Board of Trustees Meeting — Grapevine
 Holiday — Veterans Day (TMRS office closed)
Regional Pre-Retirement Conference — Grapevine
 Holidays — Thanksgiving (TMRS office closed)
 TMRS Board of Trustees Meeting — Austin
 Holidays — Christmas (TMRS office closed)

How to Contact TMRS

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help@tmrs.com

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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!