

# TMRS Main Street

For City Officials and Staff

## From the Executive Director



Dear City Correspondents and Officials,

I am happy to report that Senate Bill 1337, enacting recommendations made by the TMRS Board of Trustees, passed during the recent session of the Texas Legislature, and Governor Abbott signed the bill into law. We are grateful for the hard work by the bill's sponsors, House

and Senate committees, the Board, Advisory Committee, and TMRS staff. In a session where nearly 8,000 bills were filed, only approximately 20% made it through the session and became law.

Other stories in this issue cover topics of importance to city staff: investments, actuarial matters, cyber security, financial publications, and training events. Helpful reminders include uploading payroll documents through the City Portal and return-to-work considerations for retirees. Don't forget to register for the TMRS Annual Seminar being held in San Antonio on November 3-5.

Thank you for using the City Portal, encouraging employees to use MyTMRS®, and staying in touch with TMRS on Facebook, LinkedIn, Instagram, and YouTube. You can always go to our website for answers to questions about TMRS.

I've announced my retirement for May of 2020, and since this might be my last issue of *Main Street*, I want to thank all of you for your partnership with TMRS. It has been an honor to get to know you all and, like you, I am grateful for the secure retirement TMRS provides.

Hope the rest of 2019 is prosperous and fulfilling!

Sincerely,

David Gavia  
Executive Director



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## TMRS Bill Passes, Goes into Effect January 1

On June 14, 2019, Governor Greg Abbott signed Senate Bill 1337 into law. The TMRS Act, the law that governs TMRS, now includes all of the provisions approved by the TMRS Board at its December 2018 meeting. SB 1337, effective January 1, 2020, will improve the administrative and operational efficiency of the System.

TMRS would like to thank Senator Joan Huffman and Representative Dan Flynn for sponsoring this legislation and for their support of TMRS.

The TMRS Bill was filed in the Texas Senate on February 28, 2019 (SB 1337, by Senator Huffman) and in the House of Representatives on March 1 (HB 2821, by Representative Flynn). SB 1337 was passed by the House on May 3 and the Senate gave its final approval on May 22.

A summary of SB 1337's amendments to the TMRS Act is posted on the Legislative News page of the TMRS website: [www.tmr.com/download/legislative/SB\\_1337\\_Overview\\_Signed.pdf](http://www.tmr.com/download/legislative/SB_1337_Overview_Signed.pdf). See details and the text of the bill on TMRS' Legislative News page: [www.tmr.com/legislative.php](http://www.tmr.com/legislative.php). Watch for details of the legislation's implementation in future issues of the TMRS E-Bulletin. ■

### MISSION

Providing secure, reliable retirement benefits

### VISION

To be the model for empowering retirement

### CORE VALUES

Accountability • Excellence • Integrity • Respect • Teamwork

# EXECUTIVE DIRECTOR TO RETIRE

**O**n June 3, Board Chair Bill Philibert announced that David Gavia, TMRS Executive Director since 2010, will retire on May 31, 2020. With this announcement, the Board began a formal search process for Mr. Gavia's successor.

"It has been an honor to serve as Executive Director," Mr. Gavia said, "and to have taken steps to ensure that TMRS continues to serve the cities and municipal employees of Texas as a sound provider of retirement security. I believe that actions by the Board and the staff have made TMRS one of the best-designed retirement systems in the U.S. We have provided exemplary customer service and lifetime benefits for thousands of Texans while controlling the costs to the public. It is my personal goal in the coming year to work with the Board and staff to ensure that our transition to new leadership will continue the tradition of excellence we have established."

Of Mr. Gavia's stewardship, Mr. Philibert said, "For nearly the past decade, David has been the dedicated caretaker of TMRS' mission to provide secure, reliable retirement benefits to our members, retirees, and cities. His communication and outreach with policymakers and stakeholders, along with his unwavering ethics and integrity, have built TMRS into a highly regarded, respected system, both within the State and nationally. Because of David, TMRS is well-positioned to achieve its vision of being the model for empowering retirement. On behalf of the Board, I thank David for his steadfast commitment and loyalty to TMRS, its members, and beneficiaries."

During Mr. Gavia's tenure, TMRS undertook some of the most significant structural changes the System has seen. Under the leadership of the Board, Mr. Gavia and the staff of TMRS have accomplished the following:

- Attained a funded ratio in 2017 of 87.4%, the highest funded ratio for TMRS in over 10 years.
- Achieved investment performance in 2017 of 13.8% net of fees; the highest investment performance in over 10 years.
- Transitioned the portfolio from predominantly fixed income to a fully diversified asset allocation that is more in line with institutional investing best practices.
- Received recognition in April 2017 from the Center for State & Local Government Excellence and the National Association of State Retirement Administrators for exemplary pension reporting and communications by state retirement administrators.
- Oversaw changes in actuarial cost methodology, mortality assumptions, and funding structure that have ensured the long-term security of TMRS.

Before he was selected as the System's Executive Director, Mr. Gavia, a native of San Antonio, served as General Counsel, starting in 2001, and as Acting Executive Director in 2009. We are grateful for Mr. Gavia's service to the System and wish him a happy, well-deserved retirement in 2020! ■

## Submitting Payroll with the City Portal

Is your city mailing TMRS paper payroll reports containing employee Social Security numbers and salary information? Please be aware of the potential risk in sending confidential information through the mail. TMRS provides a secure method for you to transmit sensitive data — the TMRS City Portal.

The City Portal is a secure tool for not only enrolling new members and viewing and entering confidential information, but also for uploading payroll documents. If you are not on the City Portal, sign up now! See the special offer on the right.

Once you log in, uploading your payroll documents is done in four easy steps! From the Payroll tab:

1. Navigate to the submit payroll window.
2. Browse to your desired file.
3. Select your file.
4. Click Upload.

If your city uses Incode® payroll software, the process is even faster.

Remember, your authorized city staff should not give City Portal access to unauthorized persons, including external auditors.

In addition to sending your payroll data, please remit your funds to TMRS electronically as well. Writing, mailing, and processing checks for city contributions is both costly and inefficient.

A simple set-up with your bank will allow you to remit your funds via ACH each month to TMRS. Please send an email to [accountsreceivable@tmrs.com](mailto:accountsreceivable@tmrs.com) for assistance. ■

### SPECIAL OFFER!

If you haven't yet used the City Portal to upload your payroll but start using this method between now and October, we will waive the registration fee for the TMRS Annual Seminar in San Antonio, November 3-5 (a \$125 value)! For information, contact Jennifer Andrews, Member Services Manager at [jandrews@tmrs.com](mailto:jandrews@tmrs.com) or 800-924-8677.

# INVESTING IN YOUR FUTURE

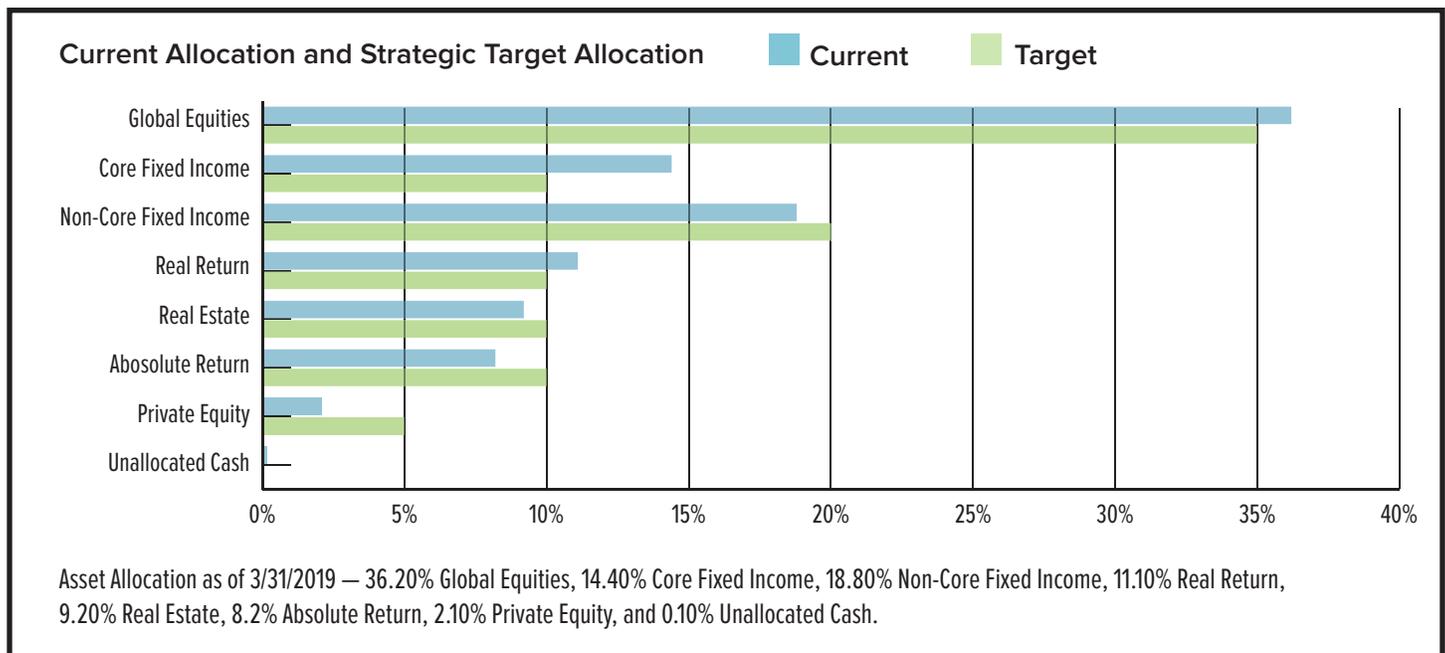
TMRS enhances the System’s long-term stability by working toward Board-approved allocation targets. The current and target investment allocations as of March 31, 2019 are shown in the chart below.

TMRS’ overall one-year gross rate of return for 2018 on the investment portfolio was -2.11%, which resulted in a -3.08% interest credit to the city Benefit Accumulation Fund (BAF) accounts after all the statutory requirements and operating expenses had been fulfilled. Under TMRS’ asset smoothing policy, the difference between actual and expected interest credits is recognized or smoothed over a 10-year period to minimize the contribution rate volatility related to investment performance. For 2018, the smoothed or actuarial rate of return was 6.06% on average (varies by city), slightly lower than TMRS’ 6.75% investment return assumption. It is important to remember that TMRS is a long-term investor.

At year-end 2018, TMRS administered \$27.6 billion in assets. As of 1Q 2019, the asset figure was \$29.3 billion. For details on investments, finance, and actuarial matters in FY 2018, see the TMRS CAFR and supplemental documents (see story on p. 5).

Investment-related Powerpoints are posted the day of the TMRS Board meeting under About | Board of Trustees | Agendas/Minutes. Quarterly summaries of investment performance and other data are posted under About | Investments | Reports after they have been presented to the Board. ■

## TMRS Investment Portfolio Asset Allocation as of March 31, 2019



## 2019 BOARD OF TRUSTEES

**Bill Philibert, Chair** • Director of Human Resources and Risk Management, *Deer Park*

**David Landis, Vice Chair** • City Manager, *Perryton*

**Jesús A. Garza** • City Manager, *Victoria*

**Jim Jeffers** • City Manager, *Nacogdoches*

**Julie Oakley** • Assistant City Manager, *Lakeway*

**Jim Parrish**

TMRS Board activities are posted on the Board of Trustees web page: [www.tmrs.com/governance.php](http://www.tmrs.com/governance.php). ■

## 2019 BOARD COMMITTEES

### Advisory Committee on Benefit Design

Chair Jesús A. Garza, Vice Chair David Landis

### Legislative Committee

Chair Bill Philibert, Vice Chair Jim Parrish

### Internal Audit Committee

Chair Jim Jeffers, Vice Chair David Landis

### Compensation Committee

Chair Julie Oakley, Vice Chair Bill Philibert

### Budget Committee

Chair Julie Oakley, Vice Chair Jim Jeffers

### Technology Committee

Chair Jim Parrish, Vice Chair Jesús A. Garza

# Think Before You Click!



## How to Prevent Phishing and Ransomware Attacks

Email is one of the essential ways we communicate. Due to its widespread use, it is also one of the primary attack methods used by cybercriminals. Every organization — including cities — should educate employees on how to spot and stop phishing attacks.

### What Is Phishing?

Phishing is a type of cyber-attack that uses manipulation of people to obtain sensitive information or trick someone into taking an action. Cybercriminals utilize phishing to obtain information from human beings because this technique is easy to use. Modern phishing methods are difficult to detect and continuously evolve to increase their effectiveness.

### How Do I Identify Phishing?

These red flags may help you identify phishing attacks that may have slipped through your email filtering system:

- Urgent requests to take immediate action (e.g., “Your account has been suspended”; “You have emails that could not be delivered”)
- Piquing your curiosity or appealing to human instincts (e.g., “Donate for hurricane relief”; “Fill out this survey for a \$25 gift card”)
- Generic greetings (e.g., “Hi There”; “Greetings”)
- Poor grammar and spelling errors
- Requests to confirm or provide personal, sensitive, or confidential information
- Attempts to get you to ignore your policies or procedures at work

If an email seems too good to be true or if you sense it is not authentic, immediately report it to your internal IT security team for additional review.

If you receive an email from a TMRS contact that does not seem to be legitimate or makes an unusual request, do not hesitate to contact TMRS to validate its authenticity.

### What Is Ransomware?

Ransomware is a type of malicious software designed to deny access to a computer system or data until a ransom is paid.

Ransomware typically spreads through phishing emails or by visiting an infected website. Cybercriminals use this type of attack because it is easy and profitable.

### How Do I Protect My Organization?

One of the best security measures your city can take is to spread awareness among all employees. Inform your employees that they are a key factor in keeping the organization secure from cyber criminals. Encourage your employees to reach out to your internal IT security team for help reviewing items of concern. Provide a way for employees to report suspicious emails or strange activity. Additional measures you can take to protect against attacks are:

- Keep ALL of your systems fully patched and mobile devices up-to-date.
- Back up your files consistently, including offsite and offline copies.
- Test on a regular basis that your backups work properly.
- Write a plan detailing what to do if your city is attacked by ransomware.
- Use up-to-date antivirus software from a trusted vendor.
- Detect and prevent ransomware or other attacks with anti-malware software.
- Remain vigilant when opening unexpected email attachments.
- Always verify links before clicking them using contact information from known sources like official websites.
- Provide security awareness training and simulated phishing exercises to all employees.

Technology such as antivirus and anti-malware software is one piece of an in-depth defense, but it is not enough. Phishing and ransomware attacks will continue to evolve and will remain serious threats for many years to come. Discuss these topics with your employees so they are aware of the impact that phishing and ransomware can have on your organization. Informed employees are the first and last lines of defense. ■

*Source: Oscar Guzman and Brian Farrar  
TMRS Information Resources Department*

# RETIREMENT ROUNDUP!

Register for the TMRS Annual Seminar, November 3–5, 2019

It's time to saddle up for TMRS' largest training event for city administrators, the 2019 TMRS Annual Seminar! "Retirement Roundup" will be held in north San Antonio at the JW Marriott San Antonio Hill Country Resort & Spa November 3–5. Designed for TMRS benefit administrators and city decision makers, this event gives you a chance to network with your peers while learning more about TMRS and listening to an engaging lineup of keynote speakers. Register on the event website here:

[www.tmr.com/events.php](http://www.tmr.com/events.php)

Seminar registration is \$125, payable to TMRS by check or credit card through the Registration tab of the event website. The group rate for rooms at the Resort is \$209 plus a \$20 resort fee. Make your reservation through Wednesday, October 9, using the booking link to the JW Marriott on the event website.

What better place to round up the skills you need to help your city employees than our Annual Seminar in San Antonio? See you there! ■



## Finance and GASB Documents Available Online

**Please be sure your finance officer is aware of these resources!**

TMRS' *Comprehensive Annual Financial Report (CAFR)* for the year ending December 31, 2018 is available on the Publications page of the TMRS website under the Financial Reports tab. In addition to the CAFR, the Schedule of Changes in Fiduciary Net Position and Summary Annual Financial Report are posted on this page.

GASB-related materials may be found on the TMRS website under Cities | Actuarial & Accounting | Eye on GASB. The Governmental Accounting Standard's Board Statement No. 68 (GASB 68) pension disclosure information for 2019 fiscal years is now available on the TMRS website. Under "What You Need for GASB Compliance," you will find GASB 68 Reporting Packages by year. In addition, if your city offers the Supplemental Death Benefit (SDB) for retirees, your auditor will need the GASB 75 Reporting Package.

For both the GASB 68 and the GASB 75 reporting packages, select the year 2019 and then your city from the drop-down menu to download the package. In addition, TMRS' SOC-1 Audit Report (PDF; for use with GASB 68) and your city's census data (Excel; for use with both GASB 68 and 75) are available as downloads from the City Portal.

If you have questions about GASB disclosures or the materials posted on the website, send an email to [pensionaccounting@tmrs.com](mailto:pensionaccounting@tmrs.com). ■

### City Rate Letters

Your city's 2020 Rate Letter is also available on the TMRS website. Choose your city's name from the drop-down menu to view or download your rate letter. The letter contains detailed information on your city's contribution rate for the year beginning January 1, 2020. Please call 800-924-8677 if you have questions.

# ACTUARIAL MATTERS



## Overview of Upcoming Asset Liability, Asset Allocation, and Experience Studies

During the remainder of 2019, the Board will be considering and/or acting on the results of three major projects — the asset liability modeling study, the asset allocation study, and the four-year experience study. Each of these projects has both an actuarial and investment component, with results helping TMRS assess its overall strategies for funding benefits.

### **Asset Liability Modeling (ALM) Study**

and volatility, funded ratio trends, benefit security, intergenerational equity) compared to the more traditional, asset-only analysis where risk and reward are analyzed in terms of expected investment performance. ALM produces a range of possible outcomes based on various investment scenarios and the demographic and economic assumptions from the experience study. The ALM study will provide input to the asset allocation study about liquidity concerns, potential shock risks, and the sensitivity of the liabilities to price and/or wage inflation, which help identify the asset allocation strategies that have the greatest chance of success. ALM will also provide information about the current funding policy and any potential options for improvement.

An ALM study is a comprehensive analysis of risk and reward in terms of the overall pension plan impact (e.g., contribution levels

### **Asset Allocation Study**

The asset allocation decision is arguably the most important investment decision the Board makes. The risk and return characteristics of the individual asset classes included in the selected strategic target asset allocation drive the long-term expected rate of return that will be included in the economic assumptions adopted by the Board as part of the experience study. Approved assumptions will be used in the annual actuarial valuation to determine contribution rates and liabilities. The asset allocation study presents the risk/return/correlation expectations for each asset class based on current capital market assumptions and then produces potential alternative portfolios for the Board's consideration. After evaluating the alternative portfolios, the Board can choose the portfolio that is most consistent with its investment beliefs, risk appetite, and long-term investment objectives.

### **Experience Study**

Recognizing that actuarial assumptions are not static and should be reviewed periodically, the purpose of an experience study is to compare actual plan experience to expected plan experience and to determine if a change is warranted. Over time, the true cost of plan benefits will be borne out in actual plan experience. The ultimate cost of benefits is not affected by actuarial assumptions but is determined by actual participant behavior, actual investment returns, and plan provisions. The assumptions reviewed in the experience study are generally divided into two broad categories:

- Economic Assumptions — investment return, wage and price inflation, payroll growth, and individual salary increases
- Demographic Assumptions — termination rates, forfeiture rates, disability rates, service retirement rates, pre-retirement mortality rates, post-retirement mortality rates, and disabled annuitant mortality rates

Based on the results of these three studies, the Board will be equipped with the knowledge to consider and act on a new set of actuarial assumptions to be effective with the December 31, 2019 actuarial valuation. ■

Source: Leslee Hardy  
TMRS Actuarial Services Department

## What Cities Need to Know about Return-to-Work Restrictions

When retirees want to return to work with your city, please be sure they are fully informed — and explain the TMRS limits to this reemployment. TMRS offers a video on this topic at [www.tmr.com/video\\_returning\\_work.php](http://www.tmr.com/video_returning_work.php).

There are a few important considerations before a retiree returns to the workplace:

- **Under federal regulations, any retirement must be based on a “bona fide” separation from service.** In other words, there must be no prearrangement for employees to return to service at the city from which they retired.
- If a retiree goes back to work at the city he/she retired from, in a position that requires TMRS participation, his/her monthly benefit payment will be suspended and forfeited for as long as he/she remains reemployed with that city. In most cases, this will be the TMRS city where the retiree was last employed. Once the retiree retires again, the suspended monthly benefit payments, including any COLAs granted during the suspension, will resume, and the retiree can also choose how to receive the retirement benefit he/she earned during his/her return to employment.
- Other post-retirement employment will not affect retirees’ TMRS benefits. Retirees may go to work in the private sector or with another public employer and continue to receive their benefits. Retirees also may work for a TMRS city other than the city from which they retired.
- Some TMRS retirees have multiple accounts because they retired from several cities. **If a retiree is receiving multiple monthly benefit payments from TMRS and returning to work for one of those cities, that retiree should contact TMRS to determine if benefits will or will not be suspended.**
- If retirees have been retired for at least eight years and then return to work for the city from which they retired, their benefits will still be suspended, but the suspended payments will be paid to them as a lump sum when they re-retire.

If you have any questions about returning to work after retirement, please contact TMRS at 800.924.8677 or send a message through the *Need Help?* form on the TMRS website. ■

### Executive Workshops

These free events are held in cities around the state to provide TMRS-related education for City Managers, Assistant City Managers, Finance Officers, HR Directors, elected officials, and other decision-makers at cities. Presentations cover TMRS plan design, legislation, the value of TMRS as a benefit for your city, TMRS investments, and actuarial funding to help you understand your plan’s costs. Each Executive Workshop lasts approximately 2.5 hours, with a light breakfast and lunch served.

Three workshops are scheduled in 2019. We will post venues, registration links, and more information soon. Stay tuned to the website and the TMRS E-Bulletin for Cities in the coming months.

- October 17 — Austin
- November 13 — Plano
- December 17 — Deer Park

### Mid-Career Meetings

Attendees of the regional conferences have told us they wish they could have learned more about TMRS earlier in their careers. To meet that need, TMRS is now offering a specialized presentation for your employees who may be years away from retirement but need to know how TMRS benefits them. Topics covered include why vesting matters, how to earn service credit, options when an employee leaves employment, and how life changes may affect the employee’s retirement.

The Travel Team is happy to come to your city and present information about TMRS. To find out more about these meetings, send an email to [communications@tmr.com](mailto:communications@tmr.com). To view the mid-career presentation, “Understanding the Value of Your Benefit,” go to [www.tmr.com/download/presentations/MidCareerMeeting.pdf](http://www.tmr.com/download/presentations/MidCareerMeeting.pdf).

### Other Training Options

The rest of TMRS’ training events, including the Annual Seminar, Correspondent Certification Courses, and Pre-Retirement Regional conferences for employees who are close to retiring, are posted on the website (see also Calendar, page 8). Watch for updates in the E-Bulletin for Cities, or consult [www.tmr.com/calendars.php](http://www.tmr.com/calendars.php) in early 2020 for next year’s upcoming events. ■



Texas Municipal Retirement System  
 PO Box 149153 • Austin, Texas 78714-9153

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## Calendar

August 22-23	Board of Trustees Meeting, Austin
September 2	Holiday (Labor Day)
September 17-18	City Correspondent Certification Course, Waco
September 26-27	Board of Trustees Meeting, Austin
October 17	Executive Workshop, Austin
October 29-30	City Correspondent Certification Course, Plano
October 31 – November 1	Board of Trustees Meeting, Austin
November 3-5	TMRS Annual Seminar, San Antonio
November 11	Holiday (Veterans Day, observed)
November 13	Executive Workshop, Plano
November 19	Regional Pre-Retirement Conference, Nacogdoches
November 28-29	Holidays (Thanksgiving)
December 5-6	Board of Trustees Meeting, Austin
December 11	Regional Pre-Retirement Conference, Grapevine
December 17	Executive Workshop, Deer Park
December 24-25	Holidays (Christmas)

## 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.tmr.com](http://www.tmr.com)
- Need Help?**  
[www.tmr.com/contact.php](http://www.tmr.com/contact.php)

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*Main Street* is sent to TMRS city contacts once per year. If you have questions or suggestions, email [communications@tmr.com](mailto:communications@tmr.com).

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This newsletter 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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