

Main Street

For city officials and staff

TMRS® in 2016 – A Model System

In recent years, TMRS has been held up as a “model” public pension plan. Our pension plan is a cash-balance defined benefit plan rather than a traditional formula-based plan. TMRS does not have the same problems as other plans that have been garnering media attention. **Conservative actuarial assumptions, prudent investing, employer flexibility, and statutory funding requirements have helped TMRS earn a reputation as a strong public retirement program.**

The media has focused on “troubled” plans that have funding deficiencies or budget-breaking contribution rates. While causes of these problems vary depending on the employers, troubled plans share a few common problems:

Systems that do not receive sufficient contributions will experience shortfalls. It seems self-evident that employers need to pay their contribution rates in full, but some employers have knowingly “underfunded” their pensions. TMRS benefits are funded by member deposits, investment returns, and city contributions, which are calculated annually. State law requires TMRS cities to pay their contribution rate.

Some systems promised benefits that are difficult to sustain or adjust when funding shortages occur. While TMRS does not encourage benefit reductions, the System is designed so that cities can reduce or increase most benefits without statutory constraint.

Some systems have actuarial assumptions that are difficult to meet in actual experience. In 2015 TMRS reduced its long-term investment return assumption to 6.75%, one of the most conservative rates among U.S. public systems. TMRS also adopted new tables that project anticipated lifetimes of retirees, which helps account for the longer expected life spans of TMRS retirees.

Important TMRS Facts

An individual member’s retirement benefit is not affected by current investment performance, and each member’s accrued account balance cannot be reduced, no matter what happens in the markets.

TMRS is a cash balance plan. Cash balance plans are increasingly gaining favor as one alternative to formula-based defined benefit plans.

TMRS offers flexibility. Cities can control the cost of their benefit program by designing their own plan from available benefit options.

Funding discipline is mandatory. State law requires mandatory employee contributions, and TMRS cities must pay their full actuarially determined contribution each year.

Benefits are funded over each employee’s active working career, with any unfunded liability amortized over a maximum of 25 or 30 years. ▲

From the Executive Director



Dear City Correspondents and Officials,

We hope you and your city employees have enjoyed a wonderful holiday season. Our cover story provides you with information to

educate those who may not understand how TMRS works as a System.

Another feature in this issue summarizes current progress with **TMRSDirect™** – a program that enables cities to do more benefit administration online. As more and more capabilities are made available, we encourage you to remind employees about MyTMRS and to be sure they keep their contact information up-to-date online.

Also in this issue are updates on our investments and on preparation for the upcoming legislative session.

Thank you for your assistance in helping your employees, who are also our members, understand and use their TMRS retirement benefits. If there’s anything we can provide to assist you in your important work as a TMRS benefits administrator, please let us know!

Sincerely,

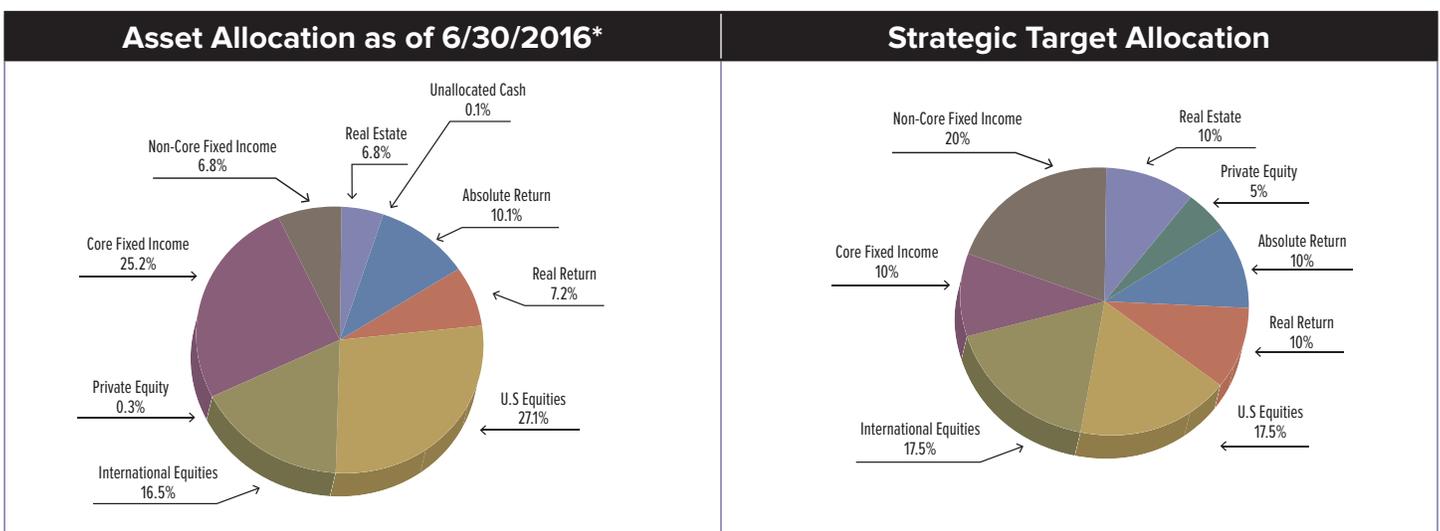
David Gavia
Executive Director

Overview of Investments

TMRS began asset diversification in 2008 and has continued to make strides toward Board-approved targets, while also adding new Board-approved asset classes. In 2015, the TMRS Board adopted a new strategic asset target allocation. Also in 2015, in recognition of the change in the target allocation and forecasts of likely returns, the Board adopted an actuarial investment return assumption of 6.75%, one of the most conservative return assumptions among all public plans.

These adjustments to investment allocations and actuarial assumptions help ensure TMRS' long-term stability. They are also important to our overall goal of keeping city contribution rates as stable as possible over time. The adjustment of the actuarial investment return (which combines a reduced inflation rate assumption of 2.5% and an investment return assumption of 4.25%) is a prudent move in the current environment.

Public materials on investment agenda items presented at Board meetings are posted on the TMRS website in the Agendas / Minutes area: www.tmr.com/agendas_minutes.php. Quarterly summaries of investment performance, and other data are updated on the Investments page after they have been presented to the Board. ▲



* The sum of individual asset class allocations may not add up to 100% due to rounding.

Planning for the 85th Legislative Session

The 85th Session of the Texas Legislature begins on January 10, 2017. In general, as it plans for each legislative session, the TMRS Board convenes the Advisory Committee on Benefit Design during the interim period between sessions. The Advisory Committee is appointed by the TMRS Board of Trustees and provides assistance to the Board in considering benefit changes and improvements to the System.

At its December meeting, the TMRS Board decided not to pursue any legislation to amend the law that governs TMRS. Also at its December meeting, the Board adopted a resolution stating its position on potential issues in the upcoming session. The Board resolved to support the current state of TMRS; to encourage the Legislature to support the System and not support proposals that negatively affect TMRS; and to encourage the U.S. Congress and federal and state regulatory entities not to support proposals that would negatively affect the System's operations or tax-qualified status. See the resolution on the TMRS website at www.tmr.com/agendas_minutes.php.

The Board also appointed Jim Parrish as Chair and Bill Philibert as Vice Chair of the Legislative Committee, which will be active during the upcoming session.

TMRS will continue to monitor bills and update the Legislative page on the website during the session. Stay up-to-date on news at www.tmr.com/legislative.php. ▲

Update on *TMRSDirect*TM

TMRS continues to expand our online self-service capabilities with an increased emphasis on account security. Two recent MyTMRS® additions include the ability to update communications preferences and change contact information (address, phone, email) online. Registered MyTMRS users have received emails about these features.

In 2017, members who do not require a spousal consent notarization (see definition under TMRS Terms, page 4) will be able to change their beneficiary information online instead of submitting a form. Many cities are already enrolling new members online through the City Portal, so the ability of members to designate their beneficiaries online will result in a smoother process.

New Security Feature on MyTMRS

To protect members' online capabilities and personal information, we're adding a layer of privacy protection. Members and retirees who recently logged in to MyTMRS were asked to verify their contact information on file with TMRS and, in some cases, were requested to add another means of contact. Please encourage employees who have not logged in recently to do so right away.

As a TMRS member, this includes YOU! After signing in to MyTMRS, you'll see a window prompting you to verify your contact information and make changes if needed. After you change your contact information, you'll get a verification email from TMRS. We appreciate your hands-on involvement with MyTMRS and your communicating this information to your employees.

Long-Term Email Addresses

Please remind employees that when they register for MyTMRS, they should provide a long-standing (or persistent) email address (not their work email address with the city). If the employee changes jobs or retires, MyTMRS access will not be interrupted.

The City Portal

In addition to MyTMRS, contact information for all City Portal authorized users should be kept up-to-date. If any person who has access to the City Portal leaves his/her position or no longer needs to access the Portal, the Administrator should be sure that the former authorized user is deleted and any other appropriate additions or changes are made. The City Portal is a secure area, so please keep your password secure. ▲



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Main Street is sent to TMRS city contacts once per year. If you have questions or suggestions, email communications@tmrs.com. Issued December 2016 by the Texas Municipal Retirement System. ISSN 1559-9760.

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REMINDERS FOR CITIES

- ☑ **Severance Pay Reminder.** You may get questions from employees who plan to separate from service and are negotiating a severance package with your city. Be aware that funds granted as part of a severance payment may or may not be TMRS-eligible. If such payments are made at the time of separation, they may be considered part of the employee's compensation. However, because cities make contributions to TMRS only for employees, only a brief, administratively reasonable time is allowed for cities to submit a final payroll report and make contributions after an employee's separation date. If your city has questions regarding severance pay, please call TMRS.
- ☑ **E-newsletters.** E-newsletters are sent to employees and retirees who have MyTMRS accounts. The most recent emails explained multi-factor authentication and reminded users about the newsletter preference feature. Starting with the Winter 2016 issues of *INSIGHT* and *RetirementWise*, most MyTMRS users will simply receive an email that the publication is available online (with a link to the newsletter) instead of receiving a printed copy.
- ☑ **Privatizing Departments?**
TMRS Is Here to Help. A few cities around Texas have recently considered privatizing some of their services or departments. If your city is pursuing a privatization effort, please contact TMRS so that we can help you with any communication issues to employees who may be affected.
- ☑ **Transparency Resource Page.** The Texas Comptroller of Public Accounts has fostered governmental transparency by offering a "Transparency Star" program for governments. TMRS posted an online resource page to help cities locate the information needed to apply for the public pension star, one of the five stars awarded under the Transparency Stars program. For information, see www.tmr.com/city_transparency.php. ▲

How to Contact TMRS

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TMRS TERMS

"Spousal Consent"

"Spousal consent" is a statement found on some TMRS forms in which the spouse asserts, "I understand that my consent is required before my spouse can designate anyone other than me as primary beneficiary. I hereby consent to the beneficiary designated above." The spousal consent statement must be notarized.

A member's spouse must complete this section if the spouse is not the member's only beneficiary or if the member names someone other than his/her spouse as a primary beneficiary. Also, if the member names his/her spouse as beneficiary but selects a retirement plan payment option other than one that pays a lifetime survivor benefit, the spouse must consent to the selection.

Spousal consent affects vested members (if a member is married and does not designate his/her spouse as the only primary beneficiary, spousal consent is required). It also affects retiring members (if member is married, the spouse must consent if naming a beneficiary other than spouse or if selecting a retirement option other than a joint and survivor benefit with the spouse as survivor). ▲

2017 CALENDAR FOR CITIES

The full-year version of the "Important Dates for Cities" calendar included with this issue provides you – at a glance – the dates for TMRS training events, Board meetings, payroll deadlines, holidays, and other important dates. The information in the calendar is also listed on the TMRS website (where TMRS members will find links to register online).