• Birding in Texas
• TMRS is Going Green
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From the Executive Director

Dear TMRS Retiree,

In this issue of RetirementWise, you will find the TMRS 2015 Summary Annual Financial Report for the year ended December 31, 2015. In the last calendar year, the System’s net investments totaled $23.7 billion, reflecting our continuing investment diversification. The electronic (PDF) version of this report and the full Comprehensive Annual Financial Report (or CAFR) are posted on the TMRS website.

In this issue, our cover story and its related quiz (page 6) celebrate our state’s birds and the birders who follow their migrations and habitats all over Texas. Birding is a fun activity, and the diversity of birds reflects the diversity of our state, from coastal wetlands to high plains prairies.

An important feature this month discusses how TMRS is “Going Green” (see story on page 2). This is part of our electronic initiative, TMRSDirect™, which will enable you to choose whether you want to continue receiving RetirementWise in the mail, or whether you prefer to view an online copy. We continue to add new features to MyTMRS (see story, page 5) – most notable for retirees is the ability to change your income tax withholding online. If you’re not yet using MyTMRS to access your account information, now’s the time to sign up.

In this issue we also include information about the new Advisory Committee and the preparations for the next legislative session (see story, page 4). Remember, TMRS is here for you – please contact us if you have any questions!

Sincerely,

David Gavia
Executive Director
TMRS IS GOING GREEN

Twice a year, we mail this magazine to all retirees (or their beneficiary annuitants). RetirementWise contains useful information to help you understand your TMRS benefit, and we want to provide the information in the way you find most useful. Delivering this same information electronically will save trees, printing, and postage costs.

We already send electronic newsletters to registered users of MyTMRS®. MyTMRS users now also have the option to choose to receive future issues of RetirementWise 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, MyTMRS users who want to continue to receive paper copies after this issue of RetirementWise will need to make the selection on the MyTMRS profile page.

Retirees who have not yet signed up for MyTMRS will continue to receive a printed newsletter. We encourage all retirees to register for MyTMRS and choose the electronic option to help reduce our costs for future publications. Your registration on MyTMRS gives us an additional way to communicate with you.

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TMRS Board Room Dedication

On June 24, the TMRS Board of Trustees dedicated the new Board of Trustees meeting room at the TMRS Building in Austin to the late H. Frank Simpson. Mr. Simpson, who was City Manager of College Station, served on the TMRS Board from 2003 until his untimely passing in 2013. He was Chair of the Board in 2006 and 2012, and presided over many important decisions that reshaped and improved the retirement system.

Mr. Simpson’s widow, Kelly, and their children, Price, Courtnie, and Seth Simpson, were present at the dedication.

In making the dedication, Mr. Jim Parrish, the current TMRS Board Chair and Deputy City Manager for the City of Plano, said, “Frank was fair, even-handed and direct. He was never afraid to ask tough questions and push for the best answers. He left an outstanding record of public service.”

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Photographs:

TMRS Executive Director David Gavia (right) visits with the family.

Board Chair Jim Parrish (right) with the family of H. Frank Simpson.
Preparations for the Legislative Session

Advisory Committee on Benefit Design. The 85th Session of the Texas Legislature will begin in January of 2017. Prior to the session, the TMRS Advisory Committee on Benefit Design is meeting to study specific benefit design features, with the possibility of providing input to the Board of Trustees for its consideration.

In its meeting on May 19, the TMRS Board of Trustees adopted changes to the Committee charter, some taking immediate effect and others becoming 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. During this interim, the Advisory Committee is studying potential changes to the TMRS Act regarding new Cost of Living Adjustment options and changes to the provisions that govern return to work by retirees. The Advisory Committee will identify advantages and disadvantages of any changes and will provide this information to the Board of Trustees later this year.

Texas Legislative Committees. 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.

Summary Annual Financial Report...

...in this issue! The TMRS 2015 Summary Annual Financial Report is sent to all retirees every year to brief you on the System’s financial status.

Request for Information

Organizations for Municipal Retirees

A number of organizations represent the interests of retired Texas municipal employees and provide opportunities for social interaction and networking. If your city has a retired city employee group, we’d like to hear about it! Send contact information to communications@tmrs.com and watch for articles in future issues of RetirementWise.
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

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

James “Jim” Paul Jeffers
City Manager, Nacogdoches

David Landis
City Manager, Perryton

Bill Philibert
Human Resources Director, Deer Park

Roel “Roy” Rodriguez, PE
City Manager, McAllen

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

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).
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.

**Investments**

**Strategic Target Allocation**

- Core Fixed Income: 10%
- U.S. Equities: 17.5%
- International Equities: 17.5%
- Non-Core Fixed Income: 20%
- Real Estate: 10%
- Private Equity: 5%
- Absolute Return: 10%
- Real Return: 10%
- Cash Equivalents: 0.2%

**2015 Actual Asset Allocation**

- Core Fixed Income: 33.8%
- U.S. Equities: 27.0%
- International Equities: 16.4%
- Non-Core Fixed Income: 6.2%
- Real Estate: 6.0%
- Private Equity: 0.1%
- Absolute Return: 6.5%
- Real Return: 3.8%
- Cash Equivalents: 0.2%

**TMRS Total Rate of Return Comparisons**

- 1 Year: 0%
- 3 Years: 5%
- 5 Years: 5%
- 10 Years: 6%

**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 or print a copy of the CAFR, please download the PDF version from www.tmrs.com.
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 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 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.
MyTMRS Update

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

Currently, annuitants (retirees and their beneficiaries) who are on MyTMRS can change addresses, change their withholding election, choose to receive paper or electronic newsletters, create account statement letters, and view a detailed history of their TMRS service.

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, get started today!

For assistance with MyTMRS, call TMRS or send an email to MyTMRS-Help@tmrs.com.

*Important note:* Beginning later this summer, when you sign on to MyTMRS, you will be shown the contact information TMRS has on file for you and asked to let us know of any changes. This step will help us ensure that your information remains secure and confidential as we add more features to MyTMRS.

**Stay in Touch!**

In any situation where you must change your personal email address, be sure to update it on MyTMRS so you don’t miss any important news!

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**How to Sign Up**

More than 20,000 TMRS retirees are using MyTMRS. If you’re not registered for MyTMRS, go to www.tmrs.com and get started today!

To register, follow these steps:

1. Click on MyTMRS (button on the home page)
2. Click on “Create an Account"
3. Complete the registration process to set up your account

**Use a “Persistent” Email Address**

Last winter we added the ability to make address and contact information changes on MyTMRS. As we contact retirees 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.

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**TMRS Direct**

**NEWS FOR RETIREES**

E-newsletters with updates about TMRS are sent as needed to all members and retirees 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!
You don’t have to be an expert to be a birder. The Nature Conservancy offers this advice on how to be a birder in five easy steps:

1. Get some binoculars.
2. Get a bird guide (a book or flyer that summarizes the type of birds in your area).
3. Take a walk. Your local Audubon chapter or nature center posts group bird walks.
4. Use the Internet (for advice and directions to great places to see lots of birds).
5. Take your time – walk slowly, quietly, look, and LISTEN for birds (that will usually be your first hint they are there).

Identify these well-known Texas Birds
(Answers on next page.)

Bonus question: Which one is the State Bird of Texas?
Here are the popular and scientific names for these Texas birds.

1. Red-tailed hawk (Buteo jamaicensis)
2. Mockingbird (Mimus polyglottos) – The State Bird of Texas!
3. Snowy egret (Egretta thula)
4. Sanderling, aka Sandpiper (Calidris alba)
5. Cactus wren (Campylorhynchus brunneicapillus)
6. Crested caracara (Caracara cheriway)
7. Western kingbird (Tyrannus verticalis)

RetirementWise • Summer 2016
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<td>August</td>
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<td>18</td>
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<td>5</td>
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<td>22-23</td>
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<td>11</td>
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<td>30</td>
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How to Contact TMRS
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