TMRS Membership

- **Election Results**
  - Statewide/Senate/House
  - What Legislature will look like
  - Important Dates

- **Interim Work**
  - House Pensions Committee
  - Pension Review Board
  - TMRS Board and Adv. Committee

- **What You Can Do**
  - Understand Environment
  - TMRS Differentiating Qualities
  - Basics about TMRS
Election Results

It's OK. The attack ads are gone.
## Election Results

### Statewide: New Officials in Every Major Office

<table>
<thead>
<tr>
<th>Office</th>
<th>Official</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governor</td>
<td>Greg Abbott</td>
</tr>
<tr>
<td>Lt. Governor (Senate Presiding Office)</td>
<td>Dan Patrick</td>
</tr>
<tr>
<td>Comptroller of Public Accounts</td>
<td>Glenn Hegar</td>
</tr>
<tr>
<td>Attorney General</td>
<td>Ken Paxton</td>
</tr>
<tr>
<td>General Land Office Commissioner</td>
<td>George P. Bush</td>
</tr>
<tr>
<td>Agriculture Commissioner</td>
<td>Sid Miller</td>
</tr>
</tbody>
</table>
Election Results

Texas Senate (31 members)

- Republicans picked up one seat (vacated by Senator Davis)
- Republicans have 19 to 11 member advantage; special election will be announced to fill vacant seat
- Will 2/3 rule survive?
- Loss of tenure:
  - Lt. Governor David Dewhurst (Presiding Officer)
  - Tommy Williams (Chair, Finance)
  - Robert Duncan (Chair, State Affairs)
  - Bob Deuell (Vice-Chair, State Affairs)
  - John Carona (Chair, Business and Commerce)
  - Glenn Hegar (Nominations chair)
Texas Senate

• Challenge for Senate Membership (31 members)
  • New presiding officer
  • 8 new members, not including new presiding officer
  • 5 members with one session of experience
  • 2 members with two sessions of experience
  • Nearly 50% have two sessions or less of experience

• State Affairs Committee (oversees Pensions)
  • Past Session Chair and Vice Chair not returning
  • One other member not returning
Texas House of Representatives

- 150 members
- Republicans picked up three seats
- 25 total freshmen now, maybe more to come
- Now have 98 to 52 advantage
- Will be more conservative
- Over 2/3 of members will have two sessions or less of experience
Texas House of Representatives

- Challenge for House Membership (150 members)
  - 12 incumbents chose not to run
  - 5 chairs retired, including Appropriations and Pensions Committee chairs
  - 4 other chairs ran for other office and not returning
  - 1 chair lost in primary

- Pensions Committee
  - Chair not returning
  - Will have 3rd different chair in last three sessions
Election Results

Legislative Priorities:
• Governor-Elect Abbott
  • Border security
  • Maintain business and job creation
  • Open Carry gun laws
  • More transportation funding
• Lt. Governor-Elect Patrick
  • Border security
  • Property tax reduction
  • Sales tax increase (to compensate)
  • School vouchers
### Important Dates

**84th Regular Legislative Session (140 days)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 10, 2014</td>
<td>Bill pre-filing starts</td>
</tr>
<tr>
<td>January 13, 2015</td>
<td>Session begins</td>
</tr>
<tr>
<td>March 13, 2015 (+60)</td>
<td>Bill filing deadline (except emergency and local bills)</td>
</tr>
<tr>
<td>May 15, 2015 (+123)</td>
<td>Last day for House to pass House bills</td>
</tr>
<tr>
<td>May 22 (+130)</td>
<td>Last day for House to pass local House bills</td>
</tr>
<tr>
<td>May 27, 2015 (+135)</td>
<td>Last day for House to pass all Senate Bills</td>
</tr>
<tr>
<td>June 1, 2015 (+140)</td>
<td>Session ends (last day; Sine die)</td>
</tr>
<tr>
<td>June 21, 2015 (+20)</td>
<td>Bill signing period (20 ends)</td>
</tr>
</tbody>
</table>
"I KNOW I DON'T HAVE MUCH SAVED UP, BUT I REALLY NEED TO RETIRE BEFORE THE END OF THE MONTH."
Interim Work

House Pensions Committee
• Held Committee hearings on 5 interim charges
• No specific TMRS charges
• Two charges related to TMRS
  • Impact of new GASB 67 and 68 reporting requirements
  • General committee oversight over state pension systems
• TMRS’ involvement
  • Provided information on impact of new GASB reporting requirements on cities and system
  • Committee updated committee on TMRS status
• Interim Report expected to be released in November
Pension Review Board
Implement Senate Bill 200 and House Bill 13; This includes:

- **Financial Health Study (HB 13)**
  - “Report on the financial health of public retirement systems in Texas including ability to meet long-term obligations”
  - Draft report before 9/30/14; Final report to Legislature by 12/31/14
  - Will include specific information on plans of each TMRS city

- **Trustee and Administrator Training (SB 200 and HB 13)**
  - Develop and administer a training program for all system administrators and trustees
  - Establish minimum training requirements by 9/1/2014
  - Make reasonably accessible including via internet website
  - Develop system to track compliance by January 1, 2015
Interim Work – TMRS

• Board adopted new mortality tables and new actuarial funding method

• Advisory Committee on Retirement Matters
  • Studied potential design changes including a new fixed rate COLA option; modifications to the COLA “Catch-up” provision; increasing the number of hours for employees to enroll in TMRS; and a “two-tiered” plan proposal
  • Determined that potential changes provided minimal savings to cities
  • Recommended no benefit design changes for 84th Session

• TMRS Board
  • Studied design options / Advisory Committee recommendation
  • Determined that no plan design changes needed
  • Adopted a “Legislative Resolution” for the 84th Session encouraging legislative support for the current plan design
What You Can Do

Understand Environment

• Perception of pension systems viewed differently than 20 or even 10 years ago
• Systems in other states are still being scrutinized
• All systems are lumped together; few take the time to differentiate between types of defined benefit plans;
• Texas Legislature faces funding needs of the Employees Retirement System (ERS) pension system and the Teacher Retirement System (TRS) health care system
• Legislature will likely be less knowledgeable on retirement issues
• Not likely a good time to be asking for benefit changes, especially enhancements
Understand TMRS’ Differentiating Qualities

- TMRS is a hybrid, “cash balance plan”, not a traditional, formula-based defined benefit plan.
- TMRS does not receive funding from the state nor does TMRS administer a health care plan.
- Each city participating in TMRS has its own plan and controls the benefits and costs of that plan (local control).
- Prospective benefits can be changed depending upon each participating cities’ unique situation.
- TMRS has a conservative targeted investment allocation and assumed rate of return (7%).
- TMRS is well-funded and retirement benefits are modest.
Understand TMRS Basics

- **Funded Ratio has Improved**: (point-in-time measure of system health) is now 84.1% and trending up
- **Benefits are Modest**: Based on each member’s account balance when retiring; average annual annuity is $16,484
- **Investment Targets Met**: For 3, 5, 10, 20, and 30-year periods
- **Costs are Low**: Investment Management fees were .07 of 1%
- **Decision-Making Sound**: TMRS Board acted to address increased longevity (improved life expectancy) by adopting new mortality tables and a new funding method
- **Contributions are Mandatory**: Cities must make required contributions based on plan design chosen; no contribution “holidays”
- **Local Control**: Cities can prospectively change benefit design
QUESTIONS?