

November 17-18, 2014

2014 Annual Training Seminar

# Exploring TMRS



## State Legislative Update

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# 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



# Election Results



## Statewide: New Officials in Every Major Office

Office	Official
Governor	Greg Abbott
Lt. Governor (Senate Presiding Office)	Dan Patrick
Comptroller of Public Accounts	Glenn Hegar
Attorney General	Ken Paxton
General Land Office Commissioner	George P. Bush
Agriculture Commissioner	Sid Miller

# 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)

# Election Results



## 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

# Election Results



## 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

# Election Results



## 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 3<sup>rd</sup> 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



## 84<sup>th</sup> Regular Legislative Session (140 days)

Date	Significance
November 10, 2014	Bill pre-filing starts
January 13, 2015	Session begins
March 13, 2015 (+ 60)	Bill filing deadline (except emergency and local bills)
May 15, 2015 (+123)	Last day for House to pass House bills
May 22 (+130)	Last day for House to pass local House bills
May 27, 2015 (+135)	Last day for House to pass all Senate Bills
June 1, 2015 (+140)	Session ends (last day; Sine die)
June 21, 2015 (+20)	Bill signing period (20 ends)

# Interim Work



"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

# Interim Work



## 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 84<sup>th</sup> Session
- TMRS Board
  - Studied design options / Advisory Committee recommendation
  - Determined that no plan design changes needed
  - Adopted a “Legislative Resolution” for the 84<sup>th</sup> 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

# What You Can Do



## 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

# What You Can Do



## 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' 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



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QUESTIONS?

