SAILING INTO RETIREMENT

2018

TMRS Annual Seminar

Presentations available at www.tmrs.com/ats.php
SAILING INTO RETIREMENT

Staying Ship Shape
Transparency and Compliance

Presentations available at www.tmrs.com/ats.php
Transparency and Compliance

• Transparency at TMRS
  — Dan Wattles, Director of Governmental Relations, TMRS

• Texas Comptroller’s Office - Transparency Stars
  — Bob Scott, CFO, City of Carrollton

• Financial Resources on the TMRS Website
  — Rhonda Covarrubias, Director of Finance, TMRS

Moderator: David Rodriguez, Senior Regional Manager, TMRS
What Is Transparency?

• Definition:
  **Openness, accountability, and honesty** define government transparency

• Why it is important to our stakeholders

• Organizational transparency
  • Board level
  • Department level: Finance, Investments, Communications, Governmental Relations, Member Services, Legal
How TMRS Is Transparent

• The Board and its committees hold open meetings; materials are posted on TMRS’ website prior to and after each meeting

• TMRS continuously communicates with cities, members, and elected officials through print, electronic, and face-to-face meetings

• TMRS’ actuarial and financial documents support transparency and sound management — such as actuarial valuations, experience studies, city rate letters, and the CAFR

• TMRS provides a Resources web page to guide cities in attaining the Comptrollers Transparency Star in the Public Pensions category
Recognition of TMRS Transparency

• In 2017, TMRS was recognized by the Center for State and Local Government Excellence as one of five systems nationwide that have developed effective approaches to pension reporting, communication, and transparency.

• Cited in four areas:
  • **Organizational Culture** – Transparency is a priority of the Board and Staff
  • **Communication with Stakeholders** – TMRS uses a variety of methods
  • **Reporting** – Reporting methods have been recognized
  • **Investments** – Clarity of investment information on web page and in presentations
Key Transparency Feature — Stakeholder Communication (Advisory Committee on Benefit Design)

• Chair of Committee is David Landis; Vice Chair is Jesús A. Garza

• Committee composed of 10 members representing stakeholder groups, cities, members, elected officials, and retirees

• Committee has met twice in 2018, third meeting scheduled for Nov. 15

• Primary responsibilities:
  • Represent their constituency; communicate concerns to the Board
  • Provide Board with advantages and disadvantages of proposed benefit design changes to the TMRS Act
Preparing for the 86th Legislative Session

• TMRS Staff completed TMRS Act Review Project
• Presented suggestions to the Board; these suggestions included benefit design and operational/administrative items
• At its October meeting, the TMRS Board decided to pursue only operational/administrative improvements in the 86th session
• Advisory Committee will review changes at November meeting
Legislative Outreach

- Regular legislative session starts January 8, 2019; lasts for 140 days
- Governmental Relations / transparency efforts will include:
  - Working with legislative committees and governor’s office
  - Board-initiated meetings with the Pension Review Board and other groups to increase awareness
  - Coordinating with other Systems and organizations
  - Educational meetings with key congressional offices
  - Meetings with key stakeholder groups
  - Updates on the Legislative page of the website
Texas Comptroller’s Office
“Transparency Stars” Program
Carrollton, Texas

Case Study

• Pensions Transparency
• Building trust among citizens and elected officials
Why Provide Pension Transparency Information?

• We have a good story to tell!
• It helps us to better understand our pension commitments
• It shows citizens and critics that we are open about what is often a sensitive subject
• It communicates that even though TMRS is a state-wide plan, each city stands alone and needs to manage its plan
Public Pensions

Requirement #1 - Public Pensions Summary

- Funded Ratio
- Amortization Period
- One, three, and ten year rates of return and assumed rate of return
- Actuarially Determined Contribution (ADC) for normal cost and total rate
- Unfunded Actuarial Accrued Liability

Requirement #2 - Visualizations

- Five-year trend data: actuarial assets vs. actuarial accrued liability
- Five-year trend data: ADC to total contribution rate
Public Pensions, cont.

**Requirement #3 - Documents**
- Five most recent actuarial valuations
- Five most recent CAFRs, including basic financial statements

**Requirement #4 - Downloadable data**
- Five years of actuarial value of asset vs. actuarial accrued liability
- Datasets including:
  - Total additions to FNP
  - Total deductions from FNP

**Requirement #5 - Other Information**
- Links to Comptroller’s website
TMRS Rate of Return

**Historical Investment Returns**

- **1-Year Return:** 14.27%
- **3-Year Return:** 7.19%
- **5-Year Return:** 7.46%
- **10-Year Return:** 6.71%

**Assumed Rate of Return:** 6.75%

**Report Date:** 12/31/17
# Additions and Deductions

## Financials

**As of 12/31/17 Valuation**

Total Actuarial Liabilities (Both Valuations): $414,241,130

### Actuarial Assets

Per Funding Valuation: $393,485,849

### Total Fiduciary Net Position

Per GASB 68: $410,286,206

## Total Additions: $61,526,894

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<tr>
<th>Description</th>
<th>Amount</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Employer Contributions</td>
<td>$7,043,544</td>
<td>11.48%</td>
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<tr>
<td>Employee Contributions</td>
<td>$4,110,524</td>
<td>6.41%</td>
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<tr>
<td>Investment Income</td>
<td>$3,211,301</td>
<td>5.22%</td>
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<tr>
<td>Other Investment Income</td>
<td>$3,211,322</td>
<td>5.22%</td>
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## Total Deductions: $16,647,192

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<tr>
<td>Service Retirement Benefits</td>
<td>$14,208,200</td>
<td>85.35%</td>
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<td>Disability Retirement Benefits</td>
<td>$2,051,174</td>
<td>12.21%</td>
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<td>Partial Lump Sum Distributions</td>
<td>$1,693,811</td>
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<tr>
<td>Refunds of Contributions</td>
<td>$266,181</td>
<td>1.60%</td>
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<td>Administrative Expenses</td>
<td>$251,456</td>
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<td>Other Activity</td>
<td>$13,301</td>
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Contributions
Funding Levels

Funded Percentage Over Time - Funding Valuation (Fiscal Year 2018)
Guide for Transparency Stars Program

- Found under the Cities section of the TMRS website

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<thead>
<tr>
<th>Resources</th>
<th>Events &amp; Training</th>
<th>Actuarial &amp; Accounting</th>
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<tr>
<td>City Portal Information</td>
<td>Events &amp; Training</td>
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<td>Payroll Reporting (FTP)</td>
<td>Travel Team</td>
<td>City Rate Letters</td>
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<td>Payroll Training</td>
<td>Video Training Library</td>
<td>Actuarial Reports</td>
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<td>My City Plan</td>
<td>Payroll Training</td>
<td>Financial Reports</td>
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<td>City Plan Provisions</td>
<td>Calendars</td>
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<td><strong>Transparency Stars Program</strong></td>
<td>Contact TMRS</td>
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Participation from TMRS Cities

- Carrollton took the lead in completing the process for earning the Public Pensions star
- Since its initial rollout, 20 TMRS cities have received their Transparency Star for Public Pensions (page from Comptrollers site shown)

<table>
<thead>
<tr>
<th>Entity Name</th>
<th>Entity Type</th>
<th>Traditional Finances</th>
<th>Contracts &amp; Procurement</th>
<th>Economic Development</th>
<th>Public Pensions</th>
<th>Debt Obligations</th>
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Compliance Resources on the TMRS Website

- Financial Documents
- Eye on GASB
TMRS Documents

Several documents are used by your city to obtain information, all within the City Services section of the website or from direct links from the Transparency Resource page:

- City Rate Letters
- Actuarial Reports
- GASB Reporting Packages
- CAFR
- Schedule of Changes in Fiduciary Net Position
TMRS Documents

- GASB Reporting Packages (Eye on GASB, for both 68 and 75)
- CAFR and Schedule of Changes in Fiduciary Net Position
GASB 68 and GASB 75

- GASB 68 – disclosure packages for pensions
  - 4 years of data now available
- GASB 75 – disclosure package for OPEB (Supplemental Death)
  - 1st/initial year available for fiscal years ending in 2018 (12/31/17 measurement date)
- Employer Reporting Guides (PDFs) also available on website, to walk you through each disclosure package.
If Cities Have Specific Questions

GASB compliance, pension disclosure questions –
  pensionaccounting@tmrs.com

Financial reporting questions –
  Call 800-924-8677 and ask for the Finance Department
Questions

Presentations available at www.tmrs.com/ats.php