



Overview of the

2019

TMRS
CAFR

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and

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Controller

2019

Comprehensive Annual Financial Report

Today's review / walk-through of the CAFR

- Five sections
- Distribution

2019

Comprehensive Annual Financial Report

Five sections of the CAFR

Introductory

Financial

Investment

Actuarial

Statistical



State Bird ♦ State Musical Instrument

Introductory Section

- Awards
 - Certificate of Achievement for Excellence in Financial Reporting for the 2018 CAFR – presented to TMRS from GFOA
 - ✓ 32nd consecutive year in receiving this award
 - Public Pension Standards Award for 2019 – presented to TMRS from the Public Pension Coordinating Council

- Letter of Transmittal

Activity in 2019

- 5% interest credit to employee accounts; approximately 15.42% to city accounts
- One new city joined TMRS
- Continuing to evolve straight-through processing, self-service options
 - ✓ Most retirement estimates are created by the members using MyTMRS and City Portal
 - ✓ Continuing to see more cities using the Portal for enrollments (10% increase from prior year)

Letter of Transmittal, continued

▪ Activity in 2019, continued

- Information about the initiatives that will be completed as part of the Pension Administration System Modernization program (PASMod)
- Provided various statistics about customer service (phone calls; emails; city visits; training sessions)

Investments overview

- \$31.9 billion in assets as of 12/31/19
- One-year gross time-weighted rate of return – 14.96%
- Refer reader to Investment Section for more details

Funding and Actuarial overview

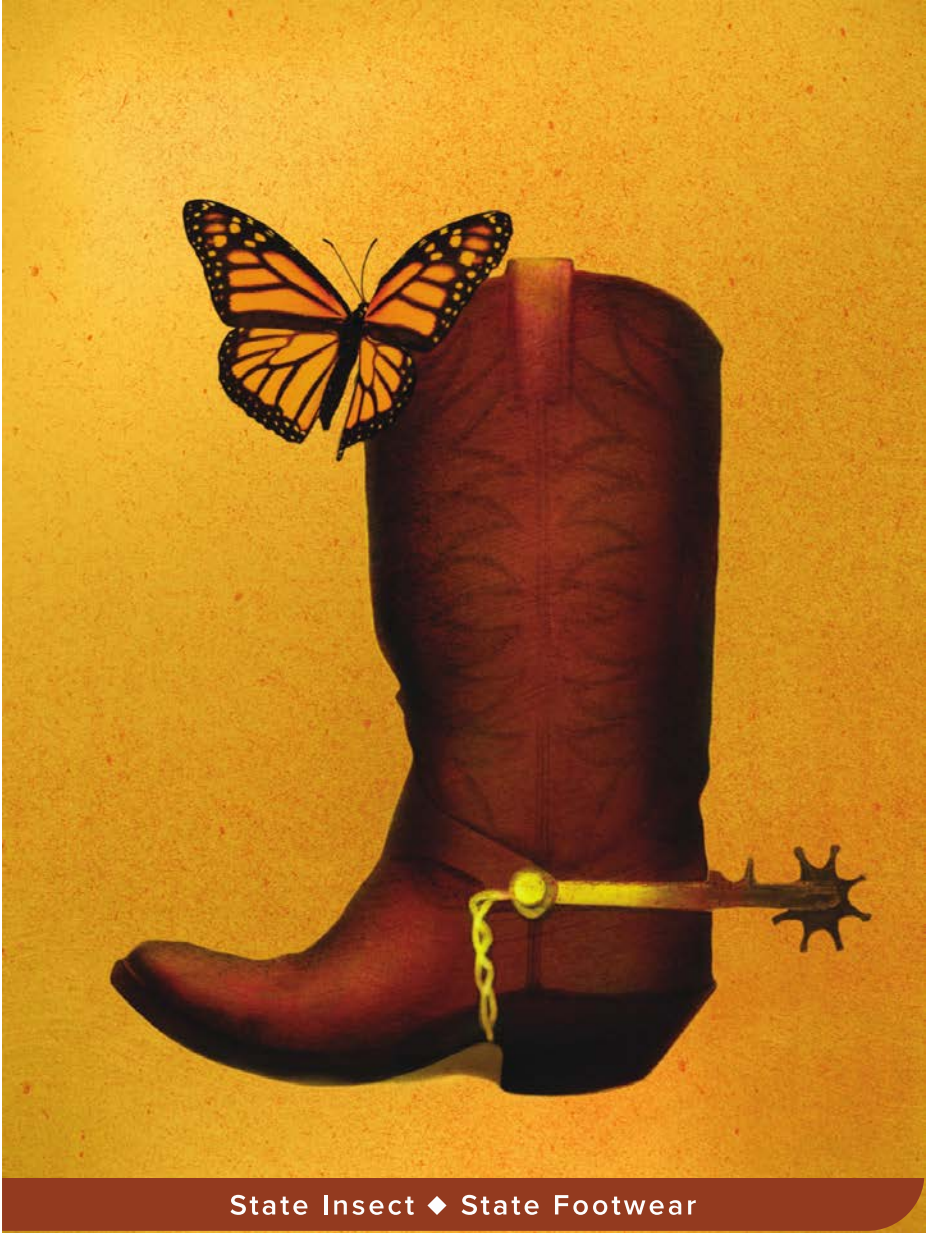
- 2019 was 12th valuation completed by GRS
- TMRS as a whole is 88.0% funded as of 12/31/19 (up from 87.1% in 2018)
- Refer reader to Actuarial Section for valuation assumptions

Introductory Section, continued

- Other Items

- TMRS Highlights – (pp. 11 – 12)
- Board of Trustees (p. 13)
- TMRS Professional Advisors (p. 14)
- TMRS Advisory Committee (p. 14)
- TMRS Administrative Organization (p. 15)
- Summary of Plan Provisions (pp. 16 – 20)
 - ✓ Updated Service Credit and Disability Retirement sections were updated for SB 1337

Financial



State Insect ♦ State Footwear

Financial Section

- Independent Auditors' Report (pp. 22-23)
 - Unqualified (clean) opinion
- Management's Discussion & Analysis (MD&A)
 - Provides a narrative overview of TMRS' financial condition
 - Defines the content of the Financial Section
 - ✓ Financial statements / Notes / Required Supplementary Information / Other Supplemental Schedules
 - Describes financial highlights

Financial Section, continued

- MD&A – continued

Pension Trust Fund:Statement of Fiduciary Net Position (“Balance Sheet”)

- ✓ Net position increased \$4.1 billion or 14.9% from 12/31/2018 to 12/31/2019
 - Due to increase in fair value of investments (\$27.9 billion at 12/31/2018 to \$31.8 billion at 12/31/2019)

Statement of Changes in Fiduciary Net Position (“Income Statement”)

- ✓ Net increase in net position (additions less deductions) - \$4.1 billion for 2019
 - Due to \$4.3 billion net investment income

See 10-year financial information provided in the Statistical Section

Financial Section, continued

- MD&A - continued

Net Position – **Supplemental Death Benefits Fund**

- ✓ \$14.1 million net position at 12/31/19 – decrease of \$3.2 million or 18% from 12/31/18 (\$17.3 million), due to benefit payments exceeding contributions

See 10-year financial information provided in Statistical Section

| Statement of Changes in Fiduciary Net Position For the Year Ended December 31, 2019 | 2019 | | |
|--|--------------------------|--|--------------------------|
| | Pension Trust Fund | Supplemental Death Benefits Fund | Total |
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$ 930,236,155 | \$ 8,321,181 | \$ 938,557,336 |
| Plan member | 453,608,174 | — | 453,608,174 |
| Total contributions | 1,383,844,329 | 8,321,181 | 1,392,165,510 |
| Net investment income: | | | |
| Net appreciation in fair value of investments | 3,757,666,033 | — | 3,757,666,033 |
| Interest and dividends | 566,140,388 | — | 566,140,388 |
| Total investment income | 4,323,806,421 | — | 4,323,806,421 |
| Less investment expense | (44,321,124) | — | (44,321,124) |
| Net investment income | 4,279,485,297 | — | 4,279,485,297 |
| Other miscellaneous | 32,880 | — | 32,880 |
| Income allocation from Pension Trust Fund | — | 759,316 | 759,316 |
| TOTAL ADDITIONS | 5,663,362,506 | 9,080,497 | 5,672,443,003 |
| DEDUCTIONS | | | |
| Benefit payments: | | | |
| Service retirement | 1,247,542,653 | — | 1,247,542,653 |
| Disability retirement | 17,080,384 | — | 17,080,384 |
| Partial lump sum distributions | 180,929,339 | — | 180,929,339 |
| Supplemental death benefits | — | 12,313,886 | 12,313,886 |
| Total benefit payments | 1,445,552,376 | 12,313,886 | 1,457,866,262 |
| Refunds of contributions | 62,685,940 | — | 62,685,940 |
| Administrative expenses | 24,183,038 | — | 24,183,038 |
| Income allocation to Supplemental Death Benefits Fund | 759,316 | — | 759,316 |
| TOTAL DEDUCTIONS | 1,533,180,670 | 12,313,886 | 1,545,494,556 |
| NET INCREASE/(DECREASE) IN NET POSITION | 4,130,181,836 | (3,233,389) | 4,126,948,447 |
| FIDUCIARY NET POSITION | | | |
| Fiduciary net position restricted for pensions | | | |
| Beginning of year | 27,683,629,439 | — | 27,683,629,439 |
| End of year | 31,813,811,275 | — | 31,813,811,275 |
| Fiduciary net position held in trust for other benefits | | | |
| Beginning of year | — | 17,306,500 | 17,306,500 |
| End of year | — | 14,073,111 | 14,073,111 |
| TOTAL FIDUCIARY NET POSITION | \$ 31,813,811,275 | \$ 14,073,111 | \$ 31,827,884,386 |

Statement of Changes in Fiduciary Net Position

Financial Section, continued

■ Notes to Financial Statements (pp. 30 - 50)

➤ Note 2 – Plan Description

Informative note providing information on the Pension and Supplemental Death Benefits plans, along with TMRS' Investment Policy. TMRS cities can find this footnote useful in making their respective pension note disclosures. Also includes information on TMRS' benefit plans for its own employees.

➤ Note 3 – Deposits and Investments

- ✓ Note 3-B – Fair Value of Investments – fair value hierarchy (levels 1-3), based on “source” utilized to determine the value, as well as information on those measured at the NAV.
- ✓ Note 3-C – Addresses various investment risks (credit risk, concentrations of credit risk, interest rate risk, foreign currency risk)

Only one new note disclosure as compared to prior year:

- Note 7 – Subsequent Event – COVID-19 (global economies and capital markets have been adversely impacted; events will be appropriated monitored; no financial statement impact at 12/31)

Financial Section, continued

- Required Supplementary Information (RSI):
 - Pension Trust Fund:
 - ✓ Annual money-weighted rate of return, 2014 to 2019
(building each year to eventually be a 10-year schedule, per GASB)

- Supplemental Schedules (pp. 52-55)
 - Changes in Fiduciary Net Position – by Fund
(Fund-level activity, including transfers between funds)
 - Schedule of Administrative Expenses
 - Schedule of Professional Services
 - Schedule of Investment Expenses

Investment



State Plant ♦ State Hat

Investment Section

- Report on Investment Activity (from RVK)
 - 2019 experienced a broad rally throughout all major asset classes, extending the longest bull market in history.
 - Federal Reserve decreased policy rates three times over the year
 - ✓ Fed funds rate ending the year at 1.5%-1.75%, down from the prior year of 2.25% - 2.5%
 - TMRS: 14.7% return for the year [PY = - 2.1%]
 - 3-yr annualized = 8.4% [PY = 6.3%]
 - 5-yr annualized = 6.4% [PY = 5.0%]
 - 10-yr annualized = 6.9% [PY = 6.6%]
 - At December 31, 2019, all asset classes were within target ranges
 - During 2019, the Board conducted an Asset/Liability Study and an Asset Allocation Study
 - ✓ a new target allocation was adopted, reducing the public equity allocation and increasing the private equity allocation

Investment Section, continued

- Outline of Investment Policies (pp. 60 - 62)
 - Investment Policy Statement (IPS)
 - Asset allocation (strategic targets)
 - Policy benchmarks by asset class
- Actual Asset Allocation at December 31, 2019 (p. 63)
- Summary of Investments, by type and asset class (p. 64)
- Investment Results (pp. 66-67)
 - 1, 3, 5 and 10-yr. results, compared to benchmarks for TMRS Total Fund and for individual asset classes
- Schedule of Investment Expenses (p. 68)
 - Expenses incurred internally, as well as externally for investment management
 - Provided schedule of external investment fees (in format, as recommended by PRB)



State Flying Mammal ♦ State Small Mammal

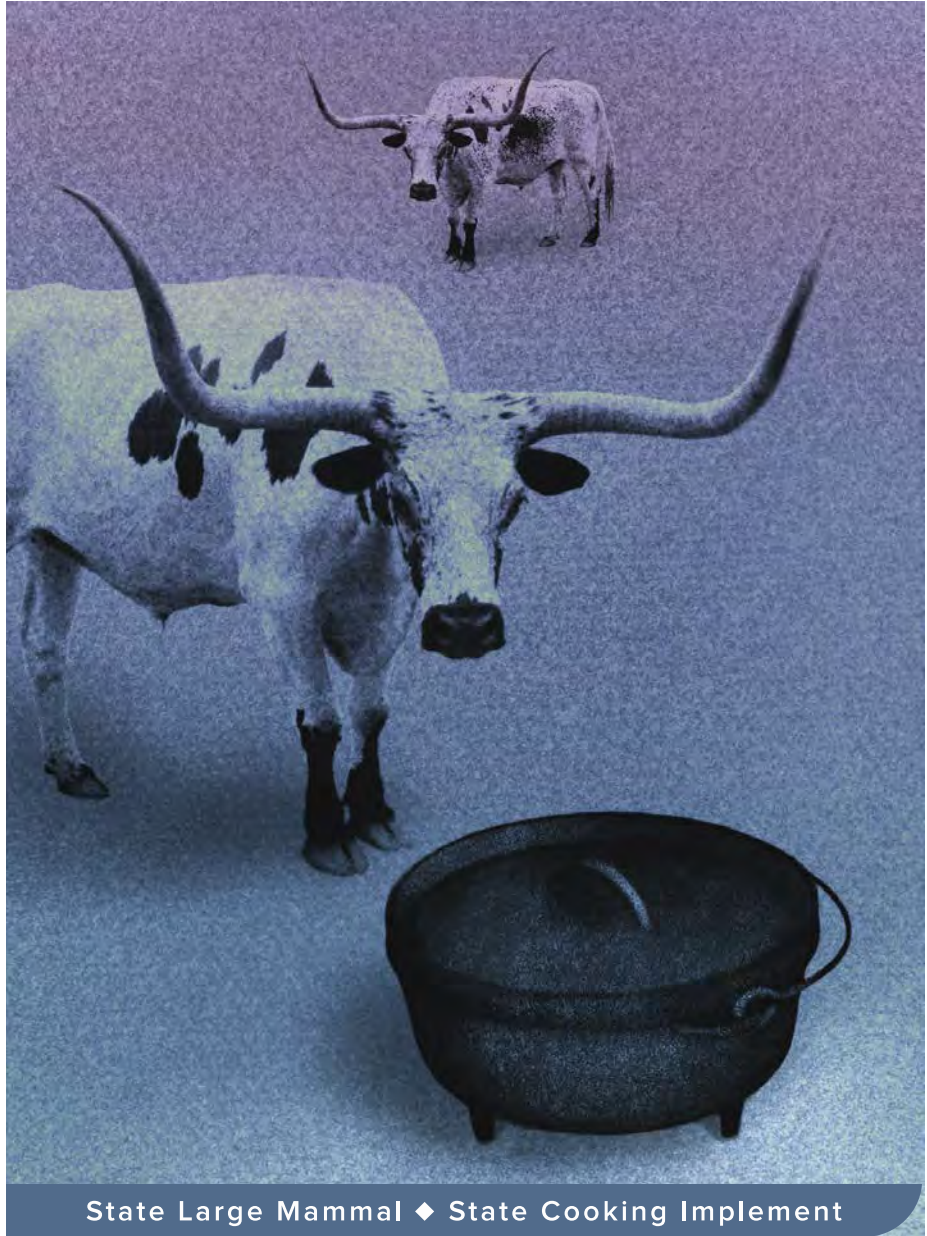
Actuarial Section

Separate sections for Pension Trust and Supplemental Death

Both sections include GRS' certification letter; assumptions used for the 12/31/2019 actuarial valuation; and definitions

- New assumptions were adopted in 2019, based on Experience Study (covering the four-year period 2015 through 2018)
- Pension Trust (pp. 70 - 86)
 - The Actuarial Section provides assumptions used for actuarial valuation as well as certain information for the System as a whole (10-year schedules)
 - The actuarial valuations by city (for funding purposes) are not provided in the CAFR; these were approved by the Board as part of the actuarial valuation process and are accessible from the TMRS website.
- Supplemental Death Benefits Fund (pp. 88 - 91)
 - Provides assumptions used for actuarial valuation as well as certain information for the Plan as a whole (6-year schedules)
 - GRS will again provide reporting packages for each participating employer for their OPEB reporting under GASB Stmt. No. 75 (retiree-coverage). These will be on the TMRS website.

Statistical



State Large Mammal ♦ State Cooking Implement

Statistical Section

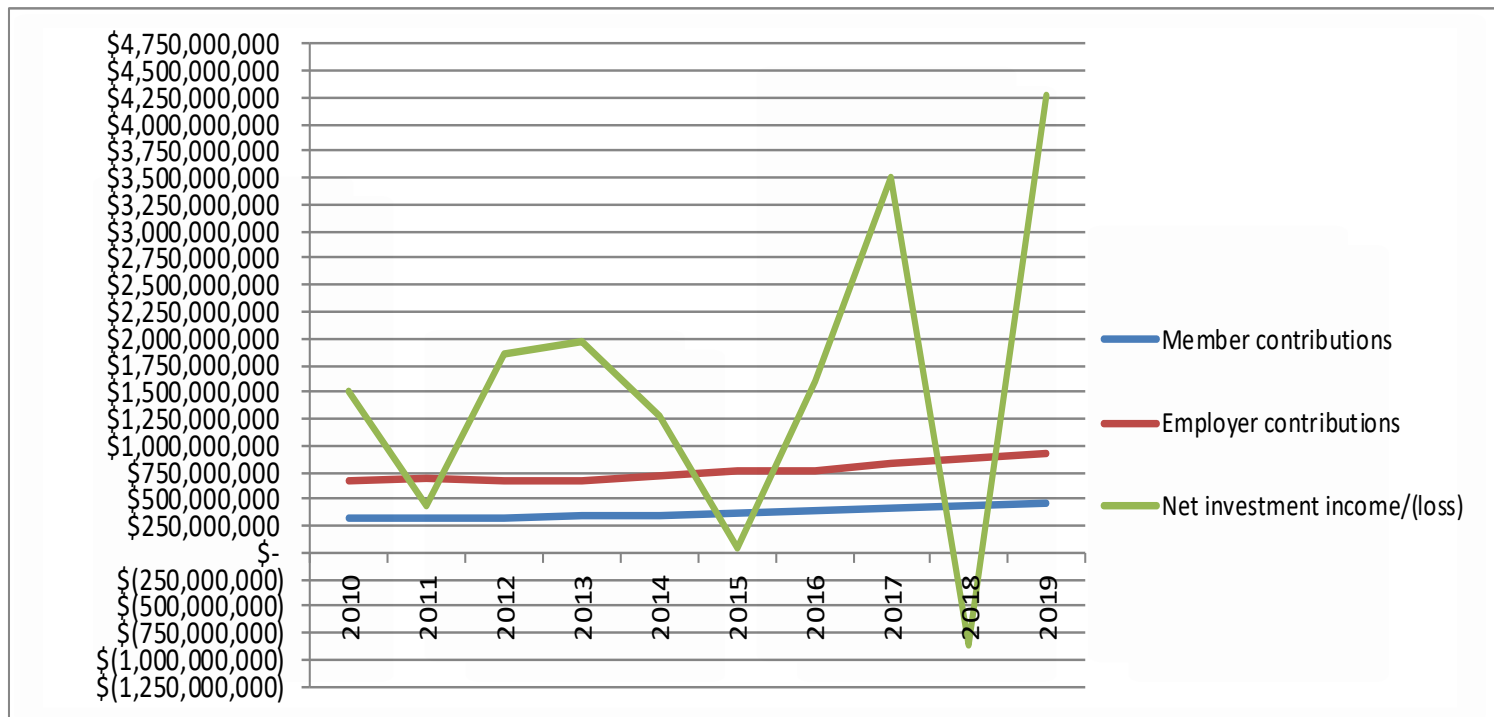
(begins on page 94)

- GASB Stmt. 44 (Economic Condition Reporting)
 - No changes from prior years reporting requirements
 - To provide users with additional historical perspective
(10-year trend information)

Statistical Section, continued

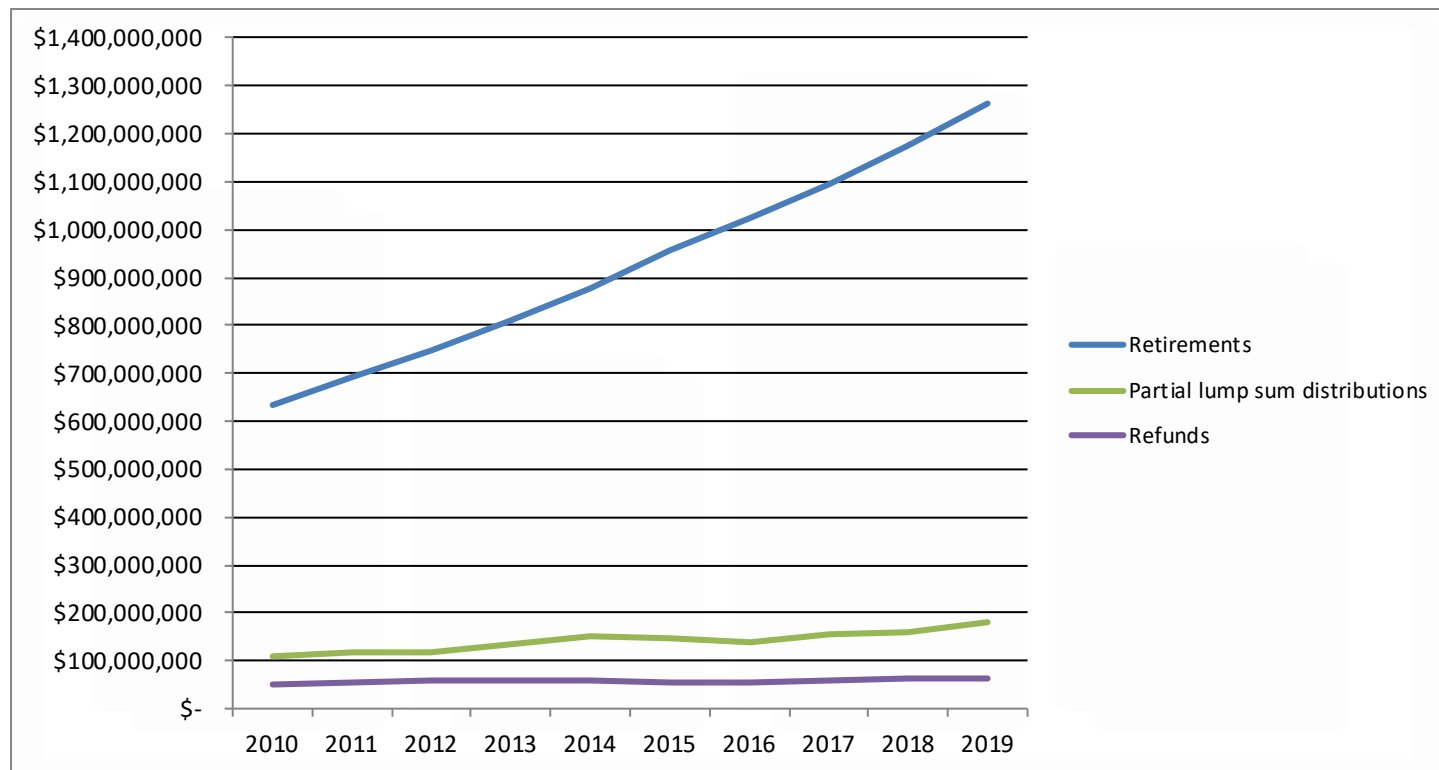
- Schedule of Changes in Fiduciary Net Position

Additions, by source (10-yr period: 2010 – 2019)



- Schedule of Changes in Fiduciary Net Position, continued

Deductions, by type (10-yr period: 2010 – 2019)



Statistical Section, continuedSchedule of Average Benefit Payments (page 97)

- 10-year history (2010 – 2019); average monthly benefit, based on years of credited service (in 5-yr increments)
- Over the last ten years, the highest number of retirees have been in the 20-25 and 30+ years categories.

Schedule of Retired Members by Type of Benefit (page 98)

- Provides a range of the monthly benefit, based on the annuity payment option chosen
- 97% are service-related retirements (as in prior year)
- 31% have chosen the 100% survivor lifetime option (as in prior year); 27% have chosen the retiree-life only option (26.5% in prior year)

Statistical Section, continued

Schedule of Principal Participating Employers (p. 99)

- This shows the ranking of employers (10 largest, and then all others), based on current employee accounts for 2019 compared with 2010
 - For the Pension Trust, top 10 rankings show no change from 2018 to 2019

Plan Provisions for Participating Municipalities (pp. 100 - 145)

- Summary of benefit plan provisions for each participating municipality

Distribution of CAFR

- Electronic-format (pdf) on TMRS website
- Announce in next E-bulletin
- Electronic submission to GFOA Certification program

Distribution of Schedule of Changes in Fiduciary Net Position – by employer

- Electronic-format (pdf) in “Eye on GASB” section of TMRS website
- Announce in next E-bulletin

Questions and Discussion

