

# All Together Now

## TMRS in 2011

Presented by

David Gavia, Executive Director

Dan Wattles, Governmental Relations



# Three Areas of Interest

- Funding
- Legislation and Regulation — State and Federal
- Customer Service

# How 2010 Ended

- Overall Year-end Return on Investments: 9%
  - Domestic Equities: 16.9%
  - International Equities: 8.4%
  - Fixed Income : 6.5%
- Market Value of Investments: \$17.937 billion
- Investment income available for allocation: \$1,496 billion

Source: TMRS 2010 CAFR

# Interest Credits and Reserve

- Members' accounts were credited with 5%
- In line with Board policy, cities' accounts were credited with 7.5%
  - Remainder held in Reserve to mitigate volatility in future contribution rates
  - Reserve policy goal at end of 2010 was 20% of total assets
  - Reserve was \$1.2 billion as of 12/31/10

## System-Wide Adoptions of USC

<b>Effective January 1, 2011:</b>	<b>Cities</b>	<b>Contributing Members</b>
Adopted Annually Repeating USC	575	85,778
Adopted Ad Hoc USC	12	7,254
No USC adopted effective	260	8,763
<b>Total</b>	<b>847</b>	<b>101,795</b>
Percentage adopting either Repeating or Ad Hoc USC	69.30%	91.39%

## System-Wide Adoptions of COLAs

<b>Effective January 1, 2011:</b>	<b>Cities</b>	<b>Retirees</b>
Adopted Annually Repeating COLA	458	25,415
Adopted Ad Hoc COLA	16	6,089
No COLA adopted	373	7,103
<b>Total</b>	<b>847</b>	<b>38,607</b>
Percentage adopting either Repeating or Ad Hoc COLA	55.96%	81.60%

# Where We Were Before SB 350

- Funded Ratio as of 12/31/09 was 75.8%
- UAL as of 12/31/09:
  - Actuarial Accrued Liability (AAL): \$21.5 billion
  - Unfunded AAL: \$5.2 billion
- Average Weighted City Contribution Full Rate: 16.41%

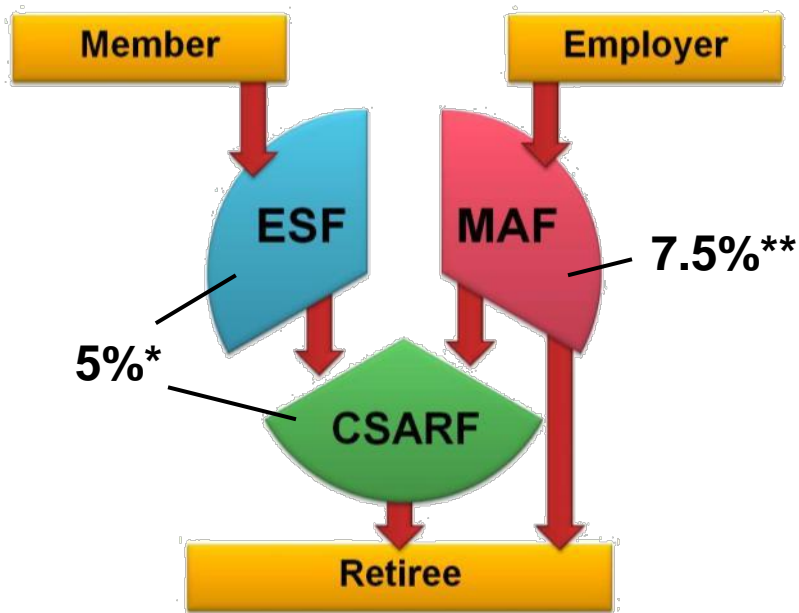
Source: GRS

# SB 350 — Restructuring

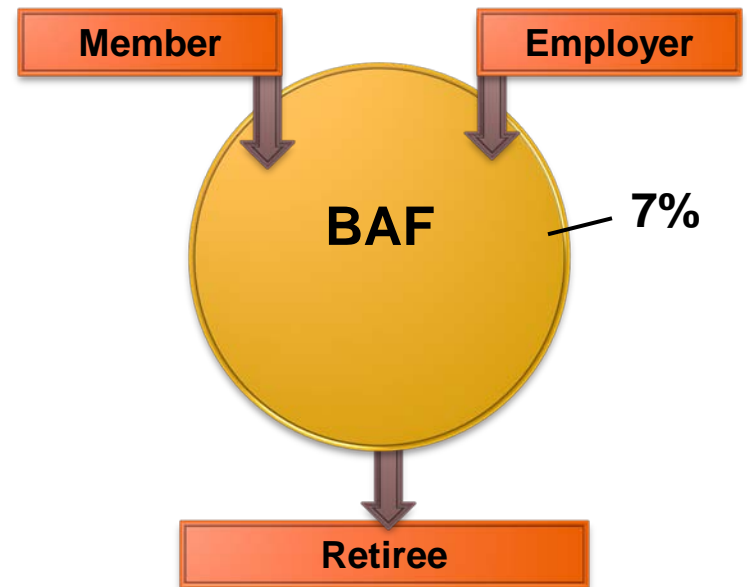
- SB 350 by Senator Williams (House sponsor Truitt) passed in the 82<sup>nd</sup> Legislature
  - Enacted TMRS Board's and Advisory Committee's recommendation for fund restructuring
  - Amends the TMRS Act, signed into law on June 17, was effective immediately

# How Fund Structure Changed Under SB 350

Annual Investment Return Assumption: 7%



\* Guaranteed annual interest  
\*\* Assumed MAF credit



Member accounts still receive 5%

## All Together Now

# How SB 350 Changed Funding Status

- Funded Ratio under new structure is now **82.9%**
- Actuarial Accrued Liability (AAL) is now \$20.5 billion
- Unfunded AAL under new structure is \$3.5 billion
- Average Weighted City Contribution Full Rate is 13.31%

Source: GRS

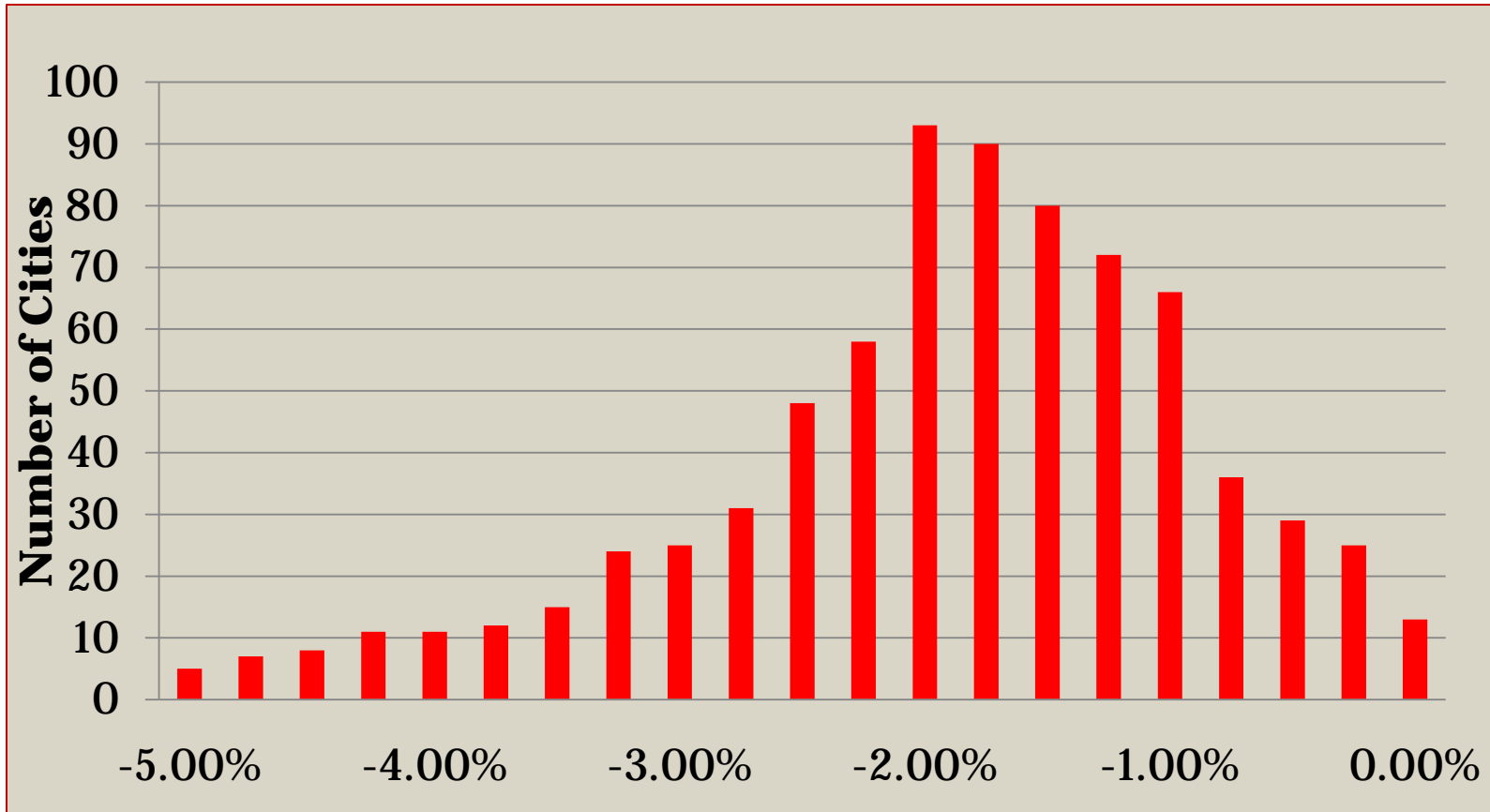
# Effects of Restructuring

- Eliminates “leveraged returns” to MAF
- Reduces volatility in city contribution rates
- Reduces contribution requirements for many cities
- Improves funded ratios and decreases UAAL for most cities
- Eliminates requirement to maintain a large reserve

# Distribution of Reserve

- Board voted to distribute \$1.1 billion of Reserve to the BAF
- Large Reserve fund not needed after restructuring
- Reserve distribution will be treated as an interest gain — interest credit smoothed over 10 years

# Rate Reductions after SB 350



Source, GRS, May 2011

# Interest Credits in 2012

- Member accounts will be credited with 5% interest on 12/31/11
- Board will meet early in 2012 and credit interest to BAF based on 2011 net investment return — assumed rate is 7%

# Legislation and Regulation

# Focus on Public Plans

Prior to and during 82<sup>nd</sup> Legislative Session, heightened focus on pension plans came from variety of sources:

- Texas Lyceum
- Texas Public Policy Foundation
- Pension Briefing by Chairs of House Pensions, Investments, Financial Services Committee, and Senate State Affairs Committee

# HB 159/SB 812 — Return-to-Work

- Return-to-work under specific circumstances
  - HB 159 — passed both houses (identical bill SB 812 also passed both houses)
- Allows retirees, after a break in service of at least eight years, to return to work for the same city
  - Will be eligible for a lump-sum payment of any benefit payments suspended during the period of re-employment

# HB 2460 – Confidential Information

- Public Retirement Systems to be treated the same as a governmental body regarding the distribution and maintenance of records
- Pertains to records of Members, Annuitants, Beneficiaries, and Program Participants
- Records are exempt from disclosure
- Attorney General Opinion is not required to determine whether records are confidential

# Other TMRS Bills

Bills filed during the 82<sup>nd</sup> Regular Legislative Session that would have changed TMRS benefit provisions but did not pass included proposals for:

- Flat rate COLAs — SB 642, SB 1164
- A change to the definition of “part-time” employee — HB 1820
- TMRS Service Credit for Reserve Police Officers — HB 925
- Two-Tier Benefit Structure for Public Safety employees — HB 2683

# Other Pension-Related Bills

Other bills filed that would have affected public pension plans but that did not pass:

- All statewide public pension plans required to create a defined contribution plan for new hires — HB 1974
- Prohibition of including overtime pay in calculating retirement benefits — HB 2261

# Federal Legislation

Public Pension Transparency Act — H.R. 567 (Nunez / Ryan) and S. 347 (Burr):

- Would require new reporting responsibilities to the Secretary of the Treasury, and information would be placed on a searchable website
- Would prohibit the federal government from providing financial assistance or bailouts
- Plans not reporting would not be eligible to issue tax-exempt bonds

# Federal Legislation (cont.)

## H.R. 567

- Referred to the House Ways and Means Committee, Subcommittee on Oversight; hearing held in May; no action taken

## S. 347

- Referred to Senate Finance Committee; no hearing held

## Other

- Senate Committee on Health, Education, Labor, & Pensions held hearing in July on Pensions
  - Tenets of bill discussed; no action taken

# Advisory Committee

- 19-member body of TMRS stakeholders: employees, retirees, and elected officials from TMRS cities, and representatives of employee associations
- Met in 2009-2010 to discuss topics, including:
  - Fund restructuring
  - Alternate COLA calculations
  - Tiered TMRS plans within a city
  - Increased employee contributions
  - Local options for additional interest credits

# Advisory Committee (cont.)

- In 2010, unanimously recommended restructuring but did not reach a consensus on other issues
- Met jointly with TMRS Board on July 22, 2011, to hear a presentation on the 12/31/10 Actuarial Valuation and CAFR and to discuss potential interim issues

# GASB Updates

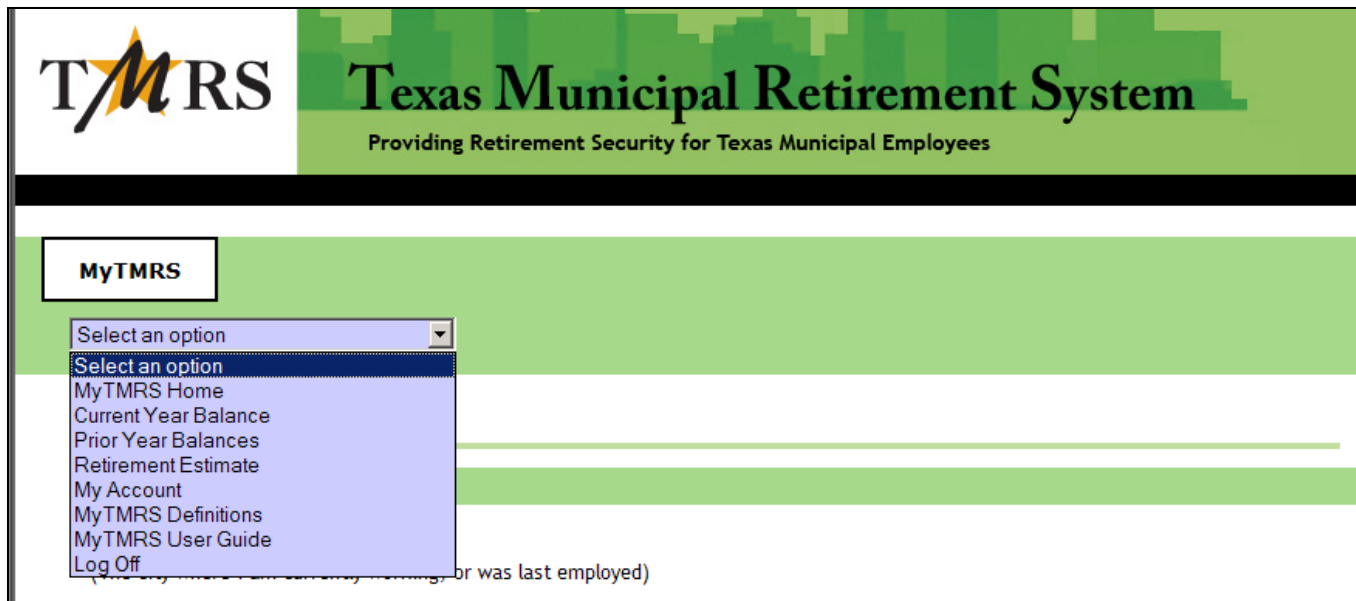
## Amendments to GASB 25 & 27 Exposure Drafts —Accounting and Financial Reporting for Pensions

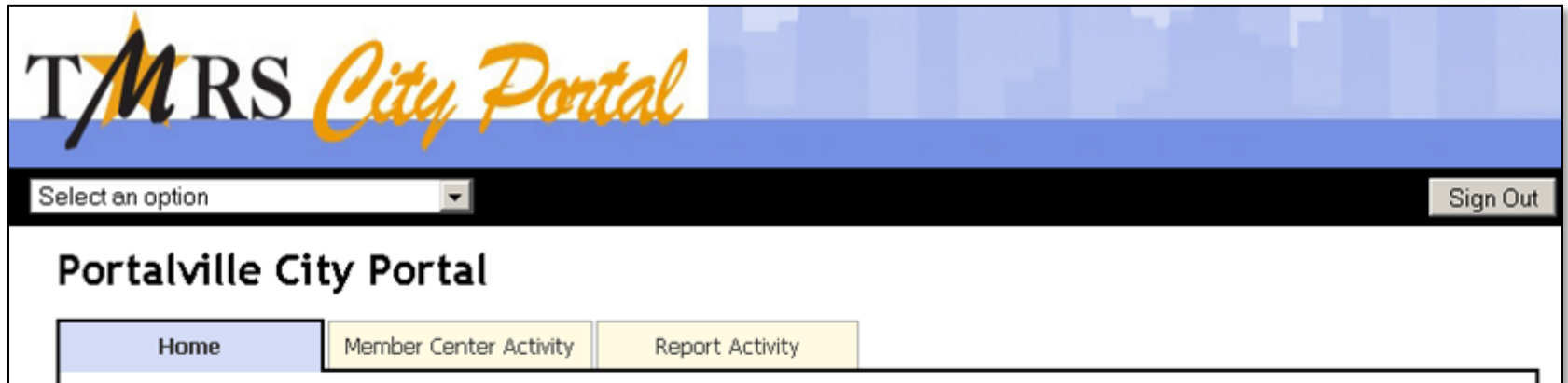
- Changes how state and local governments report and account for pension benefits
- Relates to accounting and financial reporting; does not extend to plan funding
- Disconnects pension accounting and funding
- Requires unfunded pension obligations on balance sheet and pension expenses on income statements
- Effective for fiscal years beginning after June 15, 2013

# Customer Service

# MyTMRS

- Allows members online access to their personal data
- Retirement Estimate Calculator added in 2009
- Annual Statements for members and 1099s for retirees available online in 2011





- Provides online TMRS access for cities
- Allows web-based administrative functions
- A means to access employee data for your city
- City Portal training for Authorized Administrators is now available online
- Training session during this seminar takes place today at 3:30!

# Web Videos

Easy-access training, posted on the TMRS website or provided to user in e-mail links:

## On Web:

- Welcome to TMRS (formerly in video/DVD format)
- Retirement Options
- City Payroll Training (in process)

## E-mail link (send request to TMRS)

- City Portal Administrator Training

# TMRS Assistance for Your City

- We'll be glad to travel to your city – to speak with employees, city staff, or the city council
- Areas of coverage:
  - TMRS background information for councils
  - Actuarial scenarios for finance officers
  - System and retirement information for benefit fairs and employee meetings

QUESTIONS?