

GFOAT Leadership

You get the third string today as both TMRS Liaison Casey Srader and alternate Keith Dagen were unable to make the meeting. I have the following to report regarding significant items at the March Meeting:

- 1) **2017 Interest Credit.** At the previous meeting, it was reported out that TMRS had earned 13.8% on the investment portfolio for the year. This meeting it was decided that each member city would receive 13.05% with the remainder going into a 1% Reserve account. The purpose of this reserve account is not to smooth contribution rates but rather to acknowledge that the 13.8% is an estimate and that certain parts of the portfolio such as real estate and private equity don't have firm numbers for an extended period after year end with the reserve serving as a cushion for any downward revision of return. As a reminder, the reserve is included in Fiduciary Net Position for GASB 68 reporting but is not included in the actuarial value of assets for the funding valuation. So Bob, put this in plain English that my City Manager or Council Member could understand: Funding percentages will be going up dramatically for both reporting and funding valuations and there will be downward pressure on contribution rates.
- 2) **2017 Audit.** The 2017 audit is currently underway and TMRS external auditor, KPMG made some of their required communications to the Board. This is KPMG's 11th year as auditor and the firm has a mandatory partner rotation after 10 years so they introduced the new partner and went over the standard items. As a reminder of the annual calendar, the actuarial funding valuation is typically finalized in May and the audit is done in June.
- 3) **Upcoming RFP for New Auditors.** The system's internal auditor, Sandra Vice working with the Audit Committee (Jim Jeffers and David Landis) is putting together the RFP for issuance next month. Key decisions made was that KPMG would be eligible to propose and that two finalists would be selected by the Audit Committee but interviewed by the entire Board with the board selecting the winning proposer.
- 4) **TMRS Employee Manual.** I have attached the presentation as it was handed out at the meeting but not posted on the website. These recommended changes were the result of an Employee Task Force. TMRS models its benefits based on the state which in certain areas can be on the generous side. The Board was not prepared to accept all recommended changes without some additional information so this item will be brought back at the May meeting.

- 5) **Investments.** Investments continues to be a major part of every meeting with the quarterly report and two manager searches (private equity and non-core fixed income). Nothing significant to report.
- 6) **Advisory Committee.** The Board discussed the role of the new revised advisory committee appointing adding new Trustee Jesus Garza as Vice Chair to assist Board Member and Chair, David Landis. While no topics have been determined yet, **an organizing meeting has been scheduled for April 26th** that will be in addition to the normal May meeting. The Advisory Committee's task will be to identify the advantages and disadvantages of options for each study topic to determine if any statutory changes should be proposed in the 86th Legislative Session.
- 7) **Live streaming of Meetings.** The Board wanted to consider ways to make the meeting discussions more accessible. While the initial thought was audio, the Board change3d focus from meeting and began discussing other communication venues. No action taken.
- 8) **Attendance.** Attendance continues to an issue as it has become somewhat rare for all six Trustees to be in full attendance for both days of the meeting. The last two meetings for example there were only five trustees in attendance and for over an hour at each meeting there were only four (the minimum for a quorum) as a different trustee each meeting left early.

Handouts from the meeting are at: <https://www.tmr.com/governance.php>

Bob