AGENDA

Date: October 8, 2021

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Friday, October 15, 2021, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas and via telephone conference for audio at 214-271-5080 access code 588694 or Toll-Free (US & CAN): 1-800-201-5203 and Zoom meeting for visual** **https://us02web.zoom.us/j/84172282006?pwd=VzU4Q3htZTBQQWZwZ1pSd3l2WVlVQT09** **Passcode: 965336**. Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 9, 2021

2 Approval of Refunds of Contributions for the Month of September 2021

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for October 2021**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

8. **Spouse Wed After Retirement (SWAR)**

9. **Approval of Payment of Previously Withdrawn Contributions**

10. **Approval of Payment of Military Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Financial Audit Status**

2. **Initial Reading and Discussion of the 2022 Budget**

3. **Staff Retirement Plan**

4. **Monthly Contribution Report**

5. **Board approval of Trustee education and travel**

   a. Future Education and Business-related Travel
   b. Future Investment-related Travel

6. **Report on Investment Advisory Committee**

7. **Portfolio Update**

8. **Public Equity Portfolio Review**

9. **Public Equity Structure Review**

10. **Private Asset Cash Flow Projection Update**

    Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code.

11. **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation including the case of DPFP v. Sandy Alexander or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

12. Budget Adjustment – Legal

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

D. BRIEFING ITEMS

1. Public Comment

2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (October 2021)

b. Open Records

c. CIO Recruitment

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Board may, as permitted by the Texas Government Code, Section 551, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file. At the discretion of the Board, items on this agenda may be considered at times other than in the order indicated in this agenda.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records.

DALLAS POLICE & FIRE PENSION SYSTEM

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Joyce E. Keeter	Retired	Police	Aug. 25, 2021
David R. Frykholm	Retired	Police	Aug. 26, 2021
Stanley L. Southall	Retired	Police	Aug. 26, 2021
F. L. Creech	Retired	Fire	Aug. 28, 2021
Johnny A. McKiver	Retired	Police	Aug. 31, 2021
David Leos	Active	Fire	Sep. 2, 2021
Mickey D. East	Retired	Police	Sep. 5, 2021
Harold M. Rice	Retired	Police	Sep. 8, 2021
M. R. Hilliard	Retired	Fire	Sep. 13, 2021
Grady W. King	Retired	Police	Sep.13, 2021
C. T. Hughes	Retired	Fire	Sep. 15, 2021
Arnulfo Pargas	Active	Police	Sep. 23, 2021
Frank J. Losoya	Retired	Fire	Sep. 24, 2021
Wayne L. Brandon	Retired	Police	Oct. 3, 2021

Regular Board Meeting –Friday, October 15, 2021

Dallas Police and Fire Pension System
Thursday, September 9, 2021
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Nicholas A. Merrick, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30 a.m.	Nicholas A. Merrick, William F. Quinn, Armando Garza, Robert B. French (by telephone), Kenneth Haben (by telephone), Tina Hernandez Patterson, Steve Idoux (by telephone), Mark Malveaux (by telephone)
Absent:	Michael Brown, Gilbert A. Garcia
Staff	Kelly Gottschalk, Josh Mond, Ryan Wagner, Brenda Barnes, John Holt, Damion Hervey, Michael Yan, Cynthia Thomas (by telephone), Milissa Romero
Others	Dick Mullinax, Louis Tridico, Leandro Festino, Aaron Lally, Colin Kowalski, David Harper, Ben Mesches, Jason Jordan (all by telephone)

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The meeting was called to order at 8:30 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers James W. Behringer, Ronnie T. Smith, Clarence A. Durst, Jimmy L. Holland, Kevin G. Huey, David E. Ruiz, and retired firefighters Johnny R. Horn, Willie L. Galloway, Gerald H. Dees, T. R. Winkelvoss, Samuel E. Mobly, Randle E. Richardson, J. F. Lehew.

No motion was made.

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Regular Board Meeting
Thursday, September 9, 2021

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of August 12, 2021

2. Approval of Refunds of Contributions for the Month of August 2021

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2021

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Alternate Payee Benefits

After discussion, Ms. Hernandez Patterson made a motion to approve the minutes of the meeting of August 12, 2021. Mr. Garza seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Quinn made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board. Mr. Garza recused himself from the vote.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Communications Plan Framework

Dick Mullinax and Louis Tridico of FleishmanHillard presented the communication framework and discussed the next steps and budget for developing the communication plan.

After discussion, Ms. Hernandez Patterson made a motion to authorize the Executive Director to engage Fleishman Hillard to prepare a communications plan for an amount not to exceed $35,000. Mr. Garza seconded the motion, which was unanimously approved by the Board.

Regular Board Meeting
Thursday, September 9, 2021

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2. HB 3898

Staff briefed the Board on HB 3898 and its potential effect on DPFP.

No motion was made.

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3. Possible Rescheduling of October Board Meeting

The Board directed staff to reschedule the October 2021 Board meeting date to Friday, October 15, 2021, at 8:30 a.m. due to a potential scheduling conflict.

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4. Financial Audit Status

The Chief Financial Officer provided a status update on the annual financial audit.

No motion was made.

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5. Monthly Contribution Report

The Executive Director reviewed the Monthly Contribution Report.

No motion was made.

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6. Board approval of Trustee education and travel

a. Future Education and Business-related Travel
b. Future Investment-related Travel

The Board and staff discussed future Trustee education. There was no future Trustee business-related travel or investment-related travel scheduled.

No motion was made.

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Regular Board Meeting
Thursday, September 9, 2021

7. Portfolio Update

Investment staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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8. Public Fixed Income Portfolio Review

Investment staff provided an overview of DPFP's public fixed income investments.

No motion was made.

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9. Second Quarter 2021 Investment Performance Analysis and First Quarter 2021 Private Markets & Real Assets Review

Meketa and investment staff reviewed investment performance.

No motion was made.

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10. Hardship Request

The Board went into closed executive session at 10:57 a.m.

The meeting was reopened at 12:15 p.m.

After discussion, Mr. Garza made a motion to deny a portion of the hardship request being considered, subject to reconsideration on receipt of additional information that can support the request. Mr. Quinn seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
Thursday, September 9, 2021

11. Closed Session - Board serving as Medical Committee

The Board went into closed executive session at 10:57 a.m.

The meeting was reopened at 12:15 p.m.

After discussion, Ms. Hernandez Patterson made a motion to grant survivor benefits under the provisions of Article 6243a-1, Section 6.06(o-2). Mr. Garza seconded the motion, which was unanimously approved by the Board.

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12. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

The Board went into closed executive session at 10:57 a.m.

The meeting was reopened at 12:15 p.m.

The Board and staff discussed legal issues.

No motion was made.

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Mr. Idoux and Mr. French left the meeting at 11:42 a.m.

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D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Chairman extended an opportunity for public comment. No one requested to speak to the Board.

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Regular Board Meeting
Thursday, September 9, 2021

2. Executive Director's report

a. Associations' newsletters
- NCPERS Monitor (September 2021)

b. Open Records
c. Office Reopening Status
d. CIO Recruitment
e. Employee Service Awards

The Executive Director's report was presented.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Quinn and a second by Mr. Garza, the meeting was adjourned at 12:17 p.m.

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Nicholas A. Merrick
Chairman

ATTEST:

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Kelly Gottschalk
Secretary

D A L L A S POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Financial Audit Status**

Discussion: The Chief Financial Officer will provide a status update on the annual financial audit.

Regular Board Meeting – Friday, October 15, 2021

DISCUSSION SHEET

ITEM #C2

Topic: **Initial Reading and Discussion of the 2022 Budget**

Discussion: Attached is the budget proposal for Calendar Year 2022.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and the projected 2021 actual expenses are explained in the comments accompanying the proposed budget.

Staff Recommendation: **Direct** staff to revise the proposed budget based on the direction of the Board and bring the revised proposed budget to the Board at the November 11, 2021 Board meeting for consideration for adoption. **Authorize** forwarding the 2022 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the November meeting.

DALLAS POLICE AND FIRE PENSION SYSTEM
OPERATING BUDGET SUMMARY
FOR THE YEAR 2022

				Variances		Variances	
				2022 Budget vs	2021 Budget	2022 Budget vs	2021 Proj. Act.
Expense Type	**2021 Budget**	**2021 Projected Actual**	**2022 Budget**	**$**	**%**	**$**	**%**
Administrative Expenses	6,110,808	5,415,380	6,143,401	32,593	0.5%	728,021	13.4%
Investment Expenses	16,001,610	17,829,956	14,044,000	(1,957,610)	-12.2%	(3,785,956)	-21.2%
Professional Expenses	1,507,120	814,914	1,533,477	26,357	1.7%	718,563	88.2%
Total	$ 23,619,538	$ 24,060,250	$ 21,720,878	$ (1,898,660)	-8.0%	$ (2,339,372)	-9.7%
Less: Legal Expenses	762,500	2,584,607	1,035,000	272,500	35.7%	(1,549,607)	-60.0%
Adjusted Total	$ 22,857,038	$ 21,475,643	$ 20,685,878	$ (2,171,160)	-9.5%	$ (789,765)	-3.7%

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022

	Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
Administrative Expenses								
1	Salaries and benefits	3,775,241	3,499,618	3,919,613	144,372	3.8%	419,995	12.0%
2	Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%
3	Memberships and dues	19,917	18,599	19,487	(430)	(2.2%)	888	4.8%
4	Staff meetings	1,000	-	500	(500)	(50.0%)	500	100.0%
5	Employee service recognition	5,030	138	5,080	50	1.0%	4,942	3581.2%
6	Member educational programs	3,250	700	2,750	(500)	(15.4%)	2,050	292.9%
7	Board meetings	6,420	1,267	6,420	-	0.0%	5,153	406.7%
8	Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%
9	Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%
10	Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%
11	Travel - Staff	43,200	3,638	42,950	(250)	(0.6%)	39,312	1080.6%
12	Liability insurance	727,147	608,213	664,899	(62,248)	(8.6%)	56,686	9.3%
13	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	(57.9%)	(52,680)	(63.8%)
14	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%
15	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%
16	IT software/hardware	17,000	32,328	25,000	8,000	47.1%	(7,328)	(22.7%)
17	Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%
18	Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%
19	Office supplies	24,850	9,642	24,475	(375)	(1.5%)	14,833	153.8%
20	Leased equipment	24,000	22,112	24,000	-	0.0%	1,888	8.5%
21	Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%
22	Printing	14,000	2,098	4,100	(9,900)	(70.7%)	2,002	95.4%
23	Subscriptions	2,125	895	2,396	271	12.8%	1,501	167.7%
24	Records storage	1,400	1,392	1,500	100	7.1%	108	7.8%
25	Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%
26	COVID 19 Expense	7,500	-	-	(7,500)	(100.0%)	-	100.0%
27	Depreciation Expense	240,947	240,946	240,947	-	0.0%	1	0.0%
28	Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	(0.0%)
Investment Expenses								
29	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
30	Investment consultant and reporting	340,000	337,380	345,000	5,000	1.5%	7,620	2.3%
31	Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%
32	Other portfolio operating expenses (legal, valuation, tax)	777,610	3,760,169	981,500	203,890	26.2%	(2,778,669)	(73.9%)
33	Investment due diligence	35,000	35,001	42,500	7,500	21.4%	7,499	21.4%
Professional Services Expenses								
34	Actuarial services	190,500	118,250	158,250	(32,250)	(16.9%)	40,000	33.8%
35	Accounting services	60,770	59,001	60,770	-	0.0%	1,769	3.0%

Dallas Police & Fire Pension System
Operating Budget
Calendar Year 2022

	Description	2021 Budget	2021 Projected Actual*	2022 Proposed Budget	$ Change 2022 Prop. Bud. vs. 2021 Bud.	% Change 2022 Prop. Bud. vs. 2021 Bud.	$ Change 2022 Prop. Bud. vs. 2021 Proj. Actual	% Change 2022 Prop. Bud. vs. 2021 Proj. Actual
36	Independent audit	166,000	100,000	103,000	(63,000)	(38.0%)	3,000	3.0%
37	Legal fees	562,500	17,259	515,000	(47,500)	(8.4%)	497,741	2884.0%
38	Legislative consultants	159,000	180,074	126,000	(33,000)	(20.8%)	(54,074)	(30.0%)
39	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%
40	Pension administration software & WMS	302,000	267,681	292,000	(10,000)	(3.3%)	24,319	9.1%
41	Business continuity	18,300	20,219	18,000	(300)	(1.6%)	(2,219)	(11.0%)
42	Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%
43	Network security monitoring	102,000	77,756	100,000	(2,000)	(2.0%)	22,244	28.6%
44	Disability medical evaluations	16,500	3,000	12,000	(4,500)	(27.3%)	9,000	300.0%
45	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%
46	Miscellaneous professional services	21,550	24,430	18,457	(3,093)	(14.4%)	(5,973)	(24.4%)
	Total Budget	23,619,538	24,060,250	21,720,878	(1,898,660)	(8.0%)	(2,339,372)	(9.7%)
	Less: Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	(15.2%)	(1,060,000)	(7.9%)
	Adjusted Budget Total	8,955,538	10,560,250	9,280,878	325,340	3.6%	(1,279,372)	(12.1%)

SUPPLEMENTAL BUDGET

	Total Budget (from above)	23,619,538	24,060,250	21,720,878	(1,898,660)	-8.0%	(2,339,372)	-9.7%
	Less: Allocation to Supplemental Plan Budget**	207,503	203,309	183,541	(23,962)	(11.5%)	(19,768)	(9.7%)
	Total Combined Pension Plan Budget	**23,412,035**	**23,856,941**	**21,537,337**	**(1,874,698)**	**(8.0%)**	**(2,319,604)**	**(9.7%)**

** Projected based on 7/31/21 YTD annualized or estimated*

*** Allocation to Supplemental is based on JPM allocation between accounts as of 7/31/21 of .0085%*

0.85% per JPM Unitization report as of 7/31/21

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Significant Budget Changes - 2022
Budget Changes (>5% and $10K)
SORTED BY THE $ CHANGE FROM 2021 BUDGET TO 2022 BUDGET

	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Other portfolio operating expenses (legal, valuation, tax)	777,610	3,760,169	981,500	203,890	26.2%	(2,778,669)	-73.9%	Increased legal fees related to investments are projected to be partially offset by declines in investment audits, appraisal and other fees.
2	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible communications project with FH
3	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Increased costs for projects like on premises dual authentication and 10G switch
4	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
5	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
6	Bank fees	3,100	20,007	20,000	16,900	545.2%	(7)	0.0%	Lower Federal Reserve rate resulted in lower Earnings Credit Rate which did not offset fees as it has in the past.
7	Bank custodian services	220,000	232,407	235,000	15,000	6.8%	2,593	1.1%	Increased number of accounts managed.
	REDUCTIONS:								
8	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	-15.2%	(1,060,000)	-7.9%	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
9	Independent audit	166,000	100,000	103,000	(63,000)	-38.0%	3,000	3.0%	New reduced contract rate
10	Liability insurance	727,147	608,213	664,899	(62,248)	-8.6%	56,686	9.3%	Actual 2021 renewal was less than projected due to policy changes, but it is partially offset by a projected 10% increase in the 2022 renewal rates.
11	Legal fees	562,500	17,259	515,000	(47,500)	-8.4%	497,741	2884.0%	Legal expense in 2022 is projected to be primarily driven by litigation with the prior actuary and the COLA case.
12	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	-57.9%	(52,680)	-63.8%	Several analog lines, primarily related to the building, are being deactivated or ported to new services.
13	Legislative consultants	159,000	180,074	126,000	(33,000)	-20.8%	(54,074)	-30.0%	Legislature not in session in 2022 resulting in lower fees.
14	Actuarial services	190,500	118,250	158,250	(32,250)	-16.9%	40,000	33.8%	Projecting less specialized work from Segal in 2022.

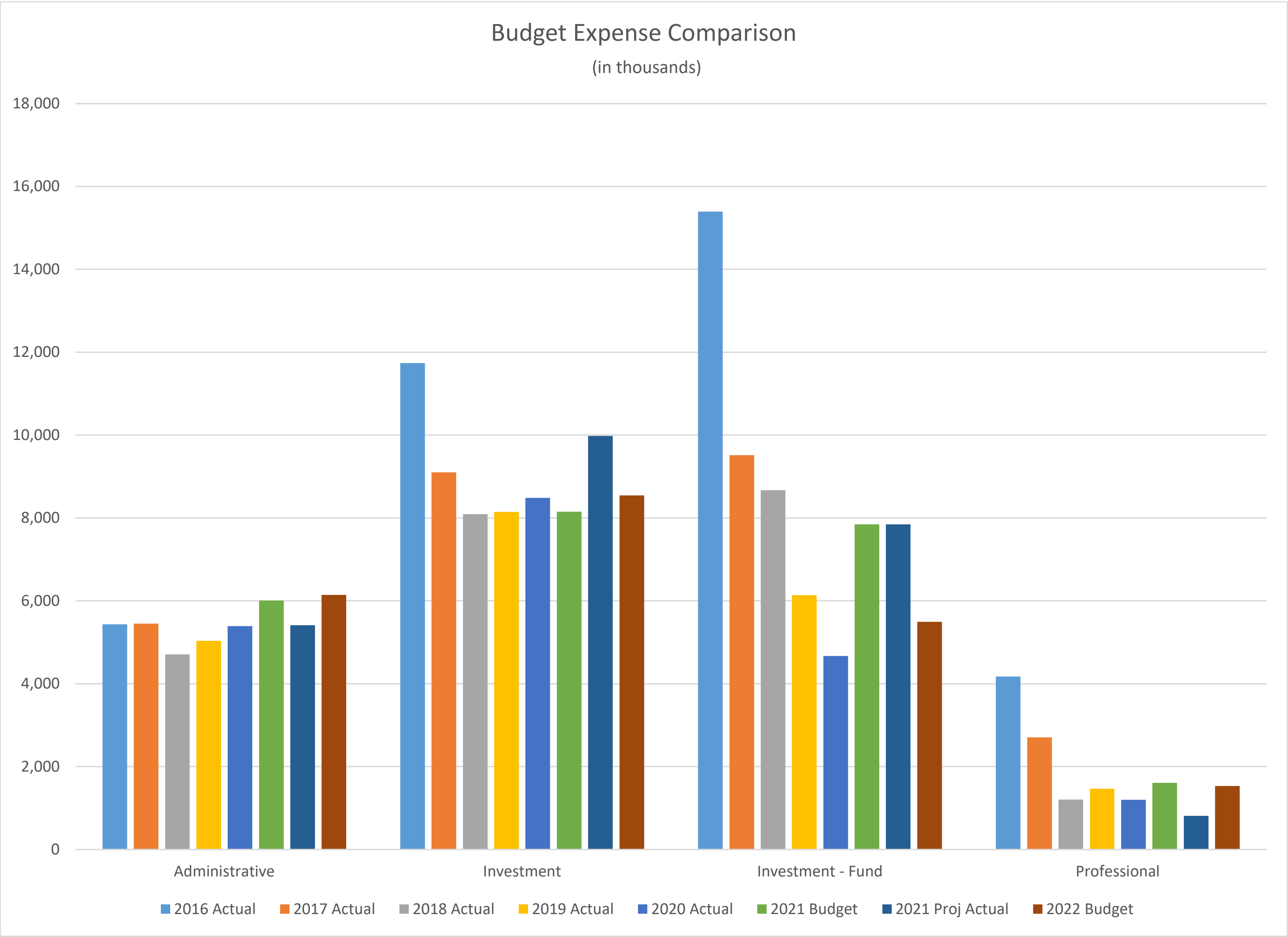
*** Projected based on 7/31/21 YTD annualized or estimated*

Significant Budget Changes - 2022
Budget Changes (>5% and $10K)
SORTED BY THE $ CHANGE FROM 2021 PROJECTED ACTUAL TO 2022 BUDGET

	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
	INCREASES:								
1	Legal fees	562,500	17,259	515,000	(47,500)	-8.4%	497,741	2884.0%	Expected legal costs related to the actuary case, open records and USERRA were less than budgeted.
2	Salaries and benefits	3,775,241	3,499,618	3,919,613	144,372	3.8%	419,995	12.0%	2021 Projected actual is less due to three current staff vacancies. We hope to be fully staffed again in 2022.
3	Information technology projects	190,000	87,817	250,000	60,000	31.6%	162,183	184.7%	Most 2021 projects came in budget - total $102k. At least one project delayed until 2022. More projects planned for 2022.
4	Public relations	-	25,000	100,000	100,000	100.0%	75,000	300.0%	Possible new contract with FH in 2022
5	Liability insurance	727,147	608,213	664,899	(62,248)	-8.6%	56,686	9.3%	Projections of 10% across the board increase for renewal
6	Actuarial services	190,500	118,250	158,250	(32,250)	-16.9%	40,000	33.8%	Budgeting $75k for specialized work related to changes in the discount rate, board requests, member issues and other items.
7	Travel - Staff	43,200	3,638	42,950	(250)	-0.6%	39,312	1080.6%	Reduced staff travel in 2021 due to COVID-19. Expect to return to more normal level in 2022.
8	Building expenses	401,482	387,063	420,413	18,931	4.7%	33,350	8.6%	Replacing freeze damaged plantings, planning additional maintenance such as indoor window washing and additional AC filter replacements.
9	Conference/training registration/materials - Staff	36,300	5,577	37,750	1,450	4.0%	32,173	576.9%	Staff conference training significantly reduced due to COVID-19. Hoping to return to more normal levels during 2022.
10	IT subscriptions/services/licenses	182,715	186,343	212,300	29,585	16.2%	25,957	13.9%	Additional licenses and devices to be covered along with projected increases for renewals and potential new programs like Security Awareness.
11	Pension administration software & WMS	302,000	267,681	292,000	(10,000)	-3.3%	24,319	9.1%	2021 maintenance and enhancements were less than expected. Price increases were less than expected.
12	Network security monitoring	102,000	77,756	100,000	(2,000)	-2.0%	22,244	28.6%	Actual 2021 costs were less than expected. Adding services in 2022.
13	Repairs and maintenance	84,424	67,649	88,576	4,152	4.9%	20,927	30.9%	Some projects deferred until 2022. Budgeting for painting of elevator, stairwell and other common areas. Also, budgeting for irrigation and roof repairs, if needed.
14	Elections	-	-	20,000	20,000	100.0%	20,000	100.0%	Non-Member Trustee election in 2022
15	Travel - Board	21,500	2,671	21,500	-	0.0%	18,829	704.9%	Limited Board travel in 2021 due to COVID-19.
16	Employment Expense	25,110	7,049	25,610	500	2.0%	18,561	263.3%	Primarily Agency fees for new staff
17	Postage	21,700	13,883	29,650	7,950	36.6%	15,767	113.6%	Non-Member Trustee election in 2022 and expect to return to more normal activity in this account in 2022.
18	Office supplies	24,850	9,642	24,475	(375)	-1.5%	14,833	153.8%	Office Supplies usage down in 2021 due to remote work. Expect to return to more normal levels in 2022.
19	Administrative contingency reserve	12,000	206	12,000	-	0.0%	11,794	5725.2%	Did not need to use contingency reserve in 2021.
20	Conference registration/materials - Board	11,650	257	11,650	-	0.0%	11,393	4433.1%	Limited Board conference attendance in 2021 due to COVID-19.
21	Network security review	10,000	-	10,000	-	0.0%	10,000	100.0%	Budgeting for possible additional review in 2022.
	REDUCTIONS:								
22	Other portfolio operating expenses (legal, valuation, tax)	777,610	3,760,169	981,500	203,890	26.2%	(2,778,669)	-73.9%	2022 budget only includes base fees for appraisal, audit, registrations for investments. Additional legal expenses could be incurred in any investment cases go to trial.
23	Investment management fees	14,664,000	13,500,000	12,440,000	(2,224,000)	-15.2%	(1,060,000)	-7.9%	Declines in fee rates and the decrease in market value of the portfolio are driving the decrease in management fees.
24	Legislative consultants	159,000	180,074	126,000	(33,000)	-20.8%	(54,074)	-30.0%	Legislature is not in session in 2022. Fees are lower in non session years.

	Item	2021 Budget	2021 Projected Actual**	2022 Budget	$ Change 2022 Budget vs. 2021 Bud.	% Change 2022 Budget vs. 2021 Bud.	$ Change 2022 Budget vs. 2021 Proj. Act.	% Change 2022 Budget vs. 2021 Proj. Act.	Explanation
25	Communications (phone/internet)	70,800	82,515	29,835	(40,965)	-58%	(52,680)	-64%	Several analog lines primarily related to the building are being deactivated or ported to new services to reduce costs.

*** Projected based on 7/31/21 YTD annualized or estimated*


Budget Expense Comparison
(in thousands)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Administrative
Investment
Investment - Fund
Professional
2016 Actual
2017 Actual
2018 Actual
2019 Actual
2020 Actual
2021 Budget
2021 Proj Actual
2022 Budget

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C3

Topic: **Staff Retirement Plan**

Discussion: The retirement plan for the DPFP staff is a 401(a) defined contribution plan. DPFP and the employee contribute 12% and 6.5% of compensation, respectively, to the plan on a bi-weekly basis. DPFP employees do not contribute to any retirement system where they are entitled to an annuity upon retirement. Without some form of an annuity, employees are at risk of not having a secure retirement. As providing secure retirements is the goal of DPFP, this would appear to be a reasonable goal to achieve for DPFP employees as well.

In May and June of 2019, staff presented a possible staff defined benefit plan where the staff plan would join the group trust for the regular and supplemental plans. The Board indicated it would not approve such a plan and directed the Executive Director to seek an alternative plan.

HB 4068 was passed in the last legislative session and gave the Board the authority to elect to have DPFP staff placed into the Texas Municipal Retirement System (TMRS).

DISCUSSION SHEET

ITEM #C3
(continued)

Staff Recommendation: **Authorize** staff to take any actions necessary to (i) cause DPFP staff to become members of TMRS with such elections with respect to the TMRS plan as the Board may direct and (ii) terminate the current DPFP staff 401(a) plan.

DALLAS POLICE & FIRE PENSION SYSTEM

DPFP Staff Retirement

October 15, 2021

Key Points

- Moving the staff retirement plan to TMRS is about using the dollars DPFP is already paying towards staff retirement in a more effective manner.
  - Staff members do not participate in social security or any retirement plan that provides a lifetime stream of payments in retirement.
  - Many options were evaluated as alternatives and TMRS is the only viable solution identified.
- The contributions to TMRS are not an additional expense for DPFP. Joining TMRS is projected to save DPFP money.
- All employees start with a zero balance and no part of their benefit payment or any contributions would relate to prior service before the effective participation date in TMRS.

Status

- The Board authorized staff to pursue the legislative change necessary to allow the DPFP staff members to join the TMRS retirement plan as a replacement plan for the current 401a defined contribution plan.
- The legislature passed the needed change to the Statute to allow DPFP to join TMRS if the Board chooses to do so.
- The next step is for the Board to determine if the staff retirement should be changed to TMRS or keep the current defined contribution plan.

DALLAS POLICE & FIRE PENSION SYSTEM

Purpose of this presentation

- The purpose of this meeting is:
  - to provide an overview of TMRS
  - discuss the election options that the Board will have to make if the decision is made for the staff to participate in TMRS.
  - provide feedback about additional information needed to address any remaining questions so the Board can make a decision on this issue in November. Staff is not requesting action by the Board at this meeting.

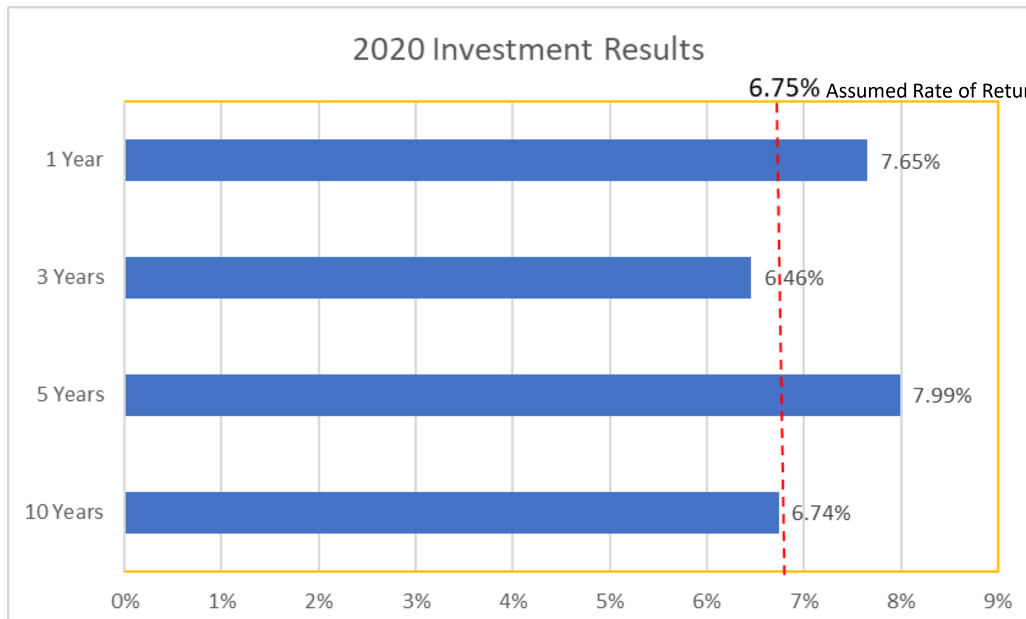
DALLAS POLICE & FIRE PENSION SYSTEM

TMRS Financial Snapshot source 2020 TMRS PAFR

Composite Funded Ratio - Last 10 Years									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
85.1%	87.2%	84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%

2020 Facts

895 cities
205,000 members and retirees
Contributions of $1.7 B
Benefit Payments $1.5 B
Net Position $34.3 B



Important considerations

- Consider the decision to join TMRS an irrevocable decision
- All participating "cities" of TMRS are required to fund 100% of the Actuarial Determined Contribution (ADC).
- The required employer contribution will change annually since it is based on the ADC for the DPFP plan.
  - The risks to the plan and therefore the Actuarial Determined Contribution are the same risks associated with the Regular DPFP member plan including investment risk, asset/liability mismatch, contribution risk, salary & payroll risk, longevity risk, other demographic risks.

How TMRS Works

- An employee contributes a set percentage of compensation each pay period to an account in their name.
- Annually on December 31st the employees account is credited with 5% interest based on their prior January 1st balance (interest has a one-year lag).
- The employee contributions plus interest is the employee balance
- DPFP employer contributions will go into a DPFP employer account each pay period, 5% interest is earned on the account
- The required percentage for the employer contributions differs for each participating "city" and will change annually. The TMRS actuary determines the actuarially determined contribution rate for each plan and that is the required contribution.
- At retirement, the employees account balance is credited with the employer match at the adopted ratio (1:1, 1.5:1 or 2:1) plus any other credits that may apply

Benefit Payment

- An employee's benefit is not determined like a defined benefit plan benefit (years of service x multiplier x average compensation).
- The TMRS benefit is determined by: (source: TMRS Benefits Guide)
  - total employee deposits plus interest
  - DPFP matching funds and other credits granted
  - the employee's remaining life expectancy at retirement
  - any beneficiary's life expectancy if a survivor option is selected
  - the selected payment plan
  - future interest rate assumption as set by law

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – not optional

- Vesting: 5-years of service
  - Time with DPFP prior to joining TMRS counts for vesting but does not impact the benefit calculation
- Retirement Eligibility:
  - 5-years of service and age 60 or
  - 20-years of service at any age
- Leaving DPFP Prior to Vesting:
  - DPFP matching dollars are forfeited
- Disability:
  - Allows a disability retirement prior to retirement eligibility, allowing the employee to get credit for the DPFP match and retire without meeting the age/years of service requirements if a permanent disability is determined.

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – not optional

- Factors Impacting the Retirement Annuity Calculation
  - Life Expectancy for the member and, if applicable, the spouse
  - Future interest rate assumption used in determining the annuity – currently 5%
  - Payment Options
    - Retiree Life
    - Retiree Life plus 50%, 75%, or 100% options for a survivor benefit
    - Retiree Life with options (5, 10 or 15 years) for a minimum guaranteed term
    - In addition, a member can elect to receive a limited amount at retirement as a lump sum payment which reduces the account balance to annuitize

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – Required Board Elections

- Employee Contribution Rate: 5%, 6% or 7%
- DPFP Match: 1:1, 1.5:1 or 2:1
- Supplement Death Benefit: Active and Retiree

DALLAS POLICE & FIRE PENSION SYSTEM

Supplemental Death Benefit

- Death while an active employee
  - Approximately equal to the employee's annual pay
- Death after retirement
  - $7,500 to a beneficiary
- Most TMRS employers offer the Supplemental Death Benefit.
  - Estimated cost for all DPFP employees based on 2022 budgeted salaries is an annual total cost of $4,100.

Contributions Rates and Employer Costs of the Current DPFP 401a Plan and TMRS

Comparison of the Contributions Rates and Employer Costs of the Current DPFP 401a Plan and TMRS			
	Current Plan	6%/2X	7%/2X
Employee Contribution Rate	6.5%	6.0%	7.0%
DPFP Match	1.85x	2.0x	2.0x
DPFP Match as a Percentage	12.0%	12.0%	14.0%
Total Contributions as a Percentage	18.5%	18.0%	21.0%
2022 Contribution Rate/Normal Cost (Required)	12.0%	7.98%	9.31%
Supplemental Death Benefit (Optional)	N/A	0.13%	0.13%
Total Rate	12.0%	8.11%	9.44%
Total Dollars (2022 Estimated Salaries)	$ 378,322	$ 251,584	$ 293,515
DPFP Estimated 2022 Savings	$ -	$ 126,738	$ 84,807

DALLAS POLICE & FIRE PENSION SYSTEM

Plan Features – Optional Elections

- There are two other credits that the Board could adopt now or in the future. Updated Service Credit (USC) and a COLA.
  - TMRS will be providing a cost for each prior to the next Board meeting. Staff is not recommending adopting either but may recommend the USC depending on cost at the next meeting.

- Updated Service Credit (USC): None, 50%, 75%, or 100%, this election can be done on an annual or repeating basis. This is the most complicated feature of TMRS and staff will describe it at a high level at the meeting.
  - 592 of 886 plans (67%) covering 91% of the total members in TMRS have adopted annually repeating updated service credits.

DALLAS POLICE & FIRE PENSION SYSTEM

TMRS

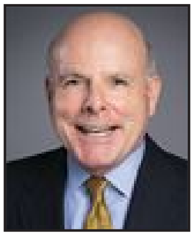
Member Benefits Guide

April 2021 Edition

TEXAS MUNICIPAL RETIREMENT SYSTEM

Career Retirement Guide

This *Benefits Guide* provides a comprehensive overview of your TMRS retirement program. You may find particular sections of the book especially helpful to you at different points in your career as a municipal employee.



Dear Member,

Welcome to membership in the Texas Municipal Retirement System. As an employee of a TMRS participating city, you join more than 170,000 city employees throughout Texas who participate in a stable and secure retirement plan that will provide income to you for life after you retire.

This Member Benefits Guide describes your retirement plan as customized by your city. Information on your city's plan on TMRS' website, tmrs.com, also provides important information for you about your TMRS benefits. The website's Member portal, MyTMRS, allows you to access your account information, designate your beneficiaries, update your address and submit other information to TMRS at any time. And, TMRS' Member Service Center is always available to answer your questions at 800-924-8677 between 8 a.m. – 5 p.m., Monday – Friday.

Again, welcome to TMRS. We are pleased you are part of our plan.

Sincerely,

David Wescoe

Executive Director, TMRS

How to Contact TMRS

Member Service Center

Toll-free	800-924-8677
Fax	512-476-5576
Email	help@tmrs.com
Website	tmrs.com

Mailing Address
P.O. Box 149153, Austin, TX 78714-9153

About TMRS

The Texas Municipal Retirement System (TMRS) provides retirement benefits to employees of approximately 890 Texas cities. In TMRS, each city chooses from a menu of retirement plan provisions to provide affordable, sound benefits to meet the needs of employees and their families.

This *Member Benefits Guide* will help you understand your retirement program and make the best use of your benefits. Because each participating city chooses from TMRS' menu of plan options, TMRS benefits vary from city to city. For specific questions about your city's benefits, contact your city's personnel department or TMRS. The TMRS website also provides current information on individual city plan provisions.

If you have questions about benefits, call the TMRS Member Service Center toll-free at 800-924-8677 or fill out the web form at tmrs.com/contact.php.

TMRS is governed by the TMRS Act, Texas Government Code, Title 8, Subtitle G, and is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code. The TMRS Act provides that the administration of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate.

MyTMRS provides online access to your TMRS account 24/7. On MyTMRS, you can access your account information, service history, beneficiaries and contributions. You can also change your beneficiary designation, run retirement estimates, update your contact information and confirm your communication preferences. If you have not yet registered for MyTMRS, please do so at tmrs.com.

The TMRS website, tmrs.com, contains up-to-date information to supplement what is found in this guide. From the website, you can download forms, check city plan provisions, and see your own TMRS account status.

The TMRS website also offers benefit information in Spanish. *La página de internet también ofrece información sobre beneficios en Español.*

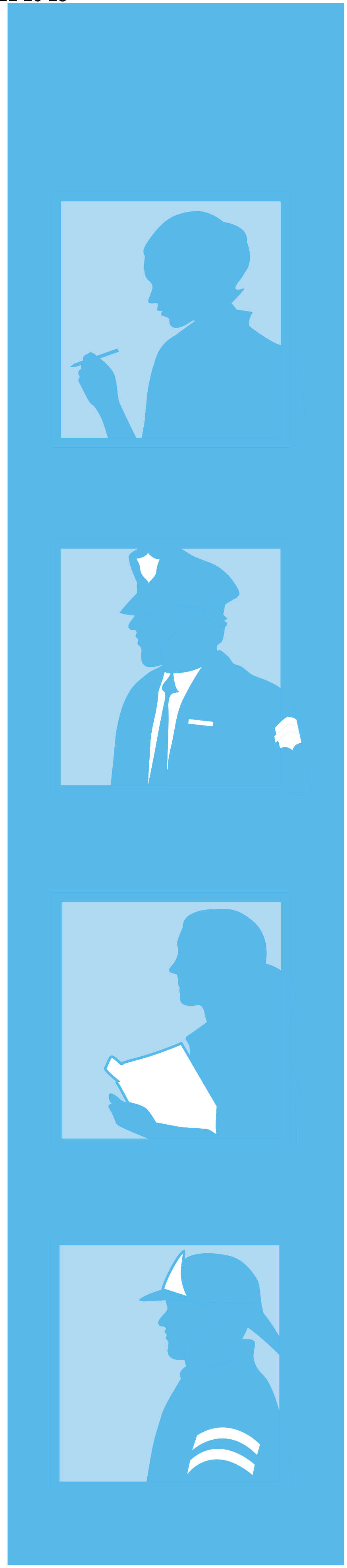


Table of Contents

Benefits in Brief

Membership

If you are employed by a TMRS participating city, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position.

Credit for Your Service

In general, you earn a month of service credit toward retirement for each month you are employed in an eligible position (see page 7) by a TMRS city and the required contribution is made. You may establish other types of service credit, including credit for previous government employment or active-duty military service. (See Chapter 4.)

In the spring of each year, TMRS sends you an Account Statement of your service credit and your account balance. You may also view your account information on TMRS' website using MyTMRS.

Vesting

In most TMRS cities, you are vested when you have 5 years of service credit. Some cities require 10 years of service credit to vest.

"Vesting" means you have worked enough years and established enough service credit to meet the minimum length-of-service requirement for retirement. Once vested, if you leave city employment, you may leave your contributions with TMRS and retire with a TMRS retirement benefit when you reach age 60 (or meet other retirement requirements that may be necessary).

Your Beneficiary

Your beneficiary is the person (or persons) you choose to receive payments from your retirement account if you die. Although you name a beneficiary when you first become a TMRS Member, reviewing your beneficiary designation becomes especially important when you have vested after 5 or 10 years of service credit (depending on your city's plan). TMRS will contact you when you vest to have you designate a beneficiary for your vested benefit.

Important

Please keep TMRS informed of any changes you wish to make to your beneficiary, especially if your marital status changes. Forms for changing your beneficiary are available by calling TMRS, or may be printed off the TMRS website.

TMRS forms require your signature.

Certain beneficiary changes may be made on MyTMRS.

Contributions and Accounts

Your **Member contributions** are deducted by your city from your pay. Depending on your city's plan, your contributions will be 5%, 6%, or 7% of your gross compensation. Your contributions in your account are credited with **interest** each year.

Your city matches your Member contributions and interest at retirement at a rate chosen by the city: 1 to 1, 1.5 to 1, or 2 to 1. The **city match** is combined with your Member contributions and the interest credited to your account to calculate your retirement benefits when you retire.

Member contributions are deducted from your pay before taxes, so you are not taxed on your Member contributions or interest credits until you receive them from TMRS as a benefit payment. See Chapter 11 for more information on tax issues.

By law, you cannot borrow from your Member account; nor can you use it as collateral for a loan.

Retiring

In most TMRS cities, you can retire when you have at least 5 years of service credit (10 years in a few cities) and are at least age 60.

You may also retire at any age if you have 20 or 25 years of service credit, depending on the plan chosen by your city.

At retirement, you will choose a **monthly payment option** to receive your benefit. All options pay you a monthly benefit for the rest of your life. Besides the **Retiree Life Only** benefit, six payment options are available that can provide payments to your beneficiary if you die. Choosing your retirement option is one of the most important decisions you will make as a TMRS Member. Detailed information on the options begins on page 27.

Your monthly benefit at retirement is based on your Member contributions and interest, the city's matching funds, other credits, your life expectancy (and your beneficiary's, if you choose certain options), future account interest assumptions as set by law, and the retirement option you choose.

Important

By law, you cannot borrow from your Member account; nor can you use it as collateral for a loan.

Your Member Account Statement contains **estimates** of your retirement benefits. You may also get an estimate through MyTMRS (see page 52) or by calling TMRS.

Death Benefits

Upon your death, your beneficiary or estate is guaranteed to receive at least a refund of your remaining Member contributions and interest. If you are vested at the time of your death, your beneficiary may also be eligible for a monthly payment. If you die after retirement, the payment your beneficiary receives will be based on the retirement option you chose. See Chapter 8 for full information on beneficiaries and death benefits.

Many TMRS cities have chosen to offer a **Supplemental Death Benefit** for Members and retirees. Survivors of active employees of these cities receive an additional benefit approximately equal to the employee's annual salary. If an employee of a city with Supplemental Death Benefits dies after retirement, the Supplemental Death program pays a lump sum of $7,500 to a beneficiary.

Register for MyTMRS

MyTMRS provides online access to your TMRS account 24/7. On MyTMRS, you can access your account information, service history, beneficiaries and contributions. You can also change your beneficiary designation, run retirement estimates, update your contact information and confirm your communication preferences. If you have not yet registered for MyTMRS, please do so at tmrs.com.

Disability Benefits

TMRS provides an **Occupational Disability** benefit (see Chapter 7). If you become disabled in a manner likely to be permanent and that prevents you from performing your job with the city, you may be eligible to retire immediately. Your benefit will be based on your Member contributions and interest, the city's matching funds, and any other credits you have earned.

Leaving City Employment Before Retirement

If you are no longer employed by any TMRS participating city, you may apply for a refund of your Member contributions and interest. **You are not required to withdraw (refund) your contributions. If you withdraw (refund) your Member contributions and interest, your TMRS membership will end. You will not receive any city matching funds.**

If you think you may be working for another TMRS city in the future, you may want to leave your money in your account. As long as you are a TMRS Member, your account earns interest. If you are not vested, your membership ends after 5 years of inactivity, and your account will no longer be credited with interest.

Chapter 2 • Membership

If you are employed by a city that participates in TMRS, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position. Regardless of your age, you become a Member of TMRS on the date you are employed in an eligible position by a participating city.

Employees who are not eligible for TMRS membership include:

- Those in positions that normally require less than 1,000 hours of work in a year
- Those who are hired by cities on a seasonal or temporary basis
- Volunteer firefighters

When you are employed in a position that requires TMRS participation, part of your **compensation** will be deducted from each paycheck and credited to your Member account. Funds contributed by your city to fund their promise to match a Member's account balance at retirement are credited to the city's account. Upon meeting certain requirements, you can retire and receive a guaranteed monthly payment for life based on your contributions and interest, the city's matching funds, and other credits.

Your participation begins on your date of employment, even though the city might consider you a probationary employee for other benefits.

Q: Is participation in TMRS mandatory?

A: As long as you are employed at a TMRS city in a position that normally requires at least 1,000 hours per year (determined by your city), you are required to be a Member of TMRS as a condition of your job. The only way to end your TMRS membership (besides retirement or death) is to stop working for all TMRS participating cities and withdraw (refund) your Member contributions and interest. If you take a refund, you will not receive the city's matching funds.

Membership

Q: For TMRS purposes, what is compensation?

A: Compensation consists of your gross wages paid by the city. Compensation includes overtime pay, car allowances, uniform allowances, sick leave, vacation pay, and other taxable payments you receive from your city. For information on workers' compensation payments, see pages 16 – 17.

Q: Who decides which TMRS options my city will adopt?

A: Your City Council decides which provisions are included in your city's plan of TMRS benefits. The TMRS Act requires cities that are beginning participation in TMRS to include certain provisions in the plan. For cities that are already TMRS Members, optional provisions, such as Updated Service Credit and Cost of Living Adjustments (COLAs), can be added or changed by actions of the City Council.

Vested Membership

When you are "vested," you have reached an important milestone in your TMRS membership. Once you have enough service credit to be vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your Member contributions with TMRS, you keep your right to a retirement benefit. Your TMRS contributions will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS. Most TMRS participating cities require 5 years of service credit to become a vested Member. Some cities require 10 years.

Vesting

Once you become vested in TMRS, you remain vested, even if you go to work in another TMRS participating city with a higher vesting requirement.

Q: I've worked for two TMRS cities with different vesting requirements. How can I tell when I'm vested?

A: If you have at least 5 years of service credit, all with 5-year cities, you are vested. Even if you leave a 5-year city after vesting, you are still vested in TMRS.

If you are not vested with 5 years of service and must combine service credit from cities with 5 and 10-year vesting requirements, you must have 10 years of combined service credit to become vested.

Your Beneficiary

One of your most important decisions as a TMRS Member is the designation of your beneficiary. Your beneficiary is the person who may receive a TMRS benefit (or the refund of your Member contributions and interest) if you die.

When you first become a TMRS Member, you will choose a beneficiary. Until you become vested (after 5 or 10 years of service credit, depending on your city's plan), if you die, your beneficiary will receive a refund of your Member contributions and interest. Once you become vested, your beneficiary has certain options with regard to your retirement account if you die (see pages 38 – 40).

Terminating TMRS Membership

Once established, your membership in TMRS continues until one of the following occurs:

- You terminate employment with all TMRS cities, and you withdraw (refund) your Member contributions from TMRS
- You retire under TMRS or die before retirement
- You terminate employment with all TMRS cities and do not earn service credit with any participating city for more than 60 months (5 years), and
  - You do not have enough service credit to be vested (5 years in most cities); or
  - You are not employed in a position covered by a retirement system that participates in the Proportionate Retirement Program (see pages 10 and 24).

Q: What happens if I stop working for a TMRS city and start service with another TMRS participating city?

A: As long as you leave your Member contributions in TMRS, you keep your membership in TMRS. This applies even if you are considered a probationary employee (for other non-TMRS benefits) of your new city.

Q: What happens if I begin a new job that is covered by another Texas statewide retirement system?

A: As long as you leave your Member contributions with TMRS, you can participate in the following systems and retain your TMRS membership:

- Teacher Retirement System of Texas
- Employees Retirement System of Texas
- Judicial Retirement System of Texas (Plan 1 or 2)
- Texas County and District Retirement System
- City of Austin Employees Retirement System

This applies even if you are not a vested TMRS Member. Please inform TMRS if you become a Member of one of these other retirement systems.

You can also combine service credit with these other systems for determining service retirement eligibility. If you do elect to use the Proportionate Retirement Program, you should notify each retirement system that you have service in other systems and wish to combine your service credit (see pages 22 – 23). Also see page 25 for information on Proportionate Buyback.

60-month Interest Period

Your post-employment 60-month period begins with the month after you make your final deposit. TMRS only credits interest for the full year (one time per year in December). If your 60th month is not December, you will not receive interest for a partial year.

Q: What happens if I leave employment with all TMRS cities and I do not have enough service credit to be vested (5 or 10 years of service, depending on your city's plan)?

A: If you are not working for any TMRS city, you may leave your Member contributions with the System for up to 60 months and keep your TMRS membership. After the 60-month period, your membership terminates. If you leave your Member contributions with TMRS, your contributions will stop being credited with interest after the 60-month period. Therefore, at that time, you should apply for a refund of your Member contributions and interest. You can roll over your refund into an IRA or qualified retirement plan for income tax purposes (see pages 50 – 51).

For more information on refunds, see Chapter 9.

Q: I'm vested, and plan to leave the city workforce before I'm eligible to retire. If I take a refund, do I get the city's matching funds?

A: No. If you take a refund, you do not receive the city's matching funds. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly benefit.

Q: If I leave city employment, do I have to receive a refund of my account?

A: No. If you are vested, you may leave your account with TMRS until age 70½ (if you were born before July 1, 1949) or age 72 (if you were born after June 30, 1949). If you are not vested, your account continues to be credited with interest only for a 60-month period after you leave employment. After the 60-month period ends, your membership is terminated and you will need to refund your account.

For more information on leaving funds in your account if you are not vested, see pages 42 – 45.

Elected Officials

At one time, elected officials were not eligible to participate as Members of TMRS. Now, compensated elected officials whose office normally requires performance of services of at least 1,000 hours per year in a participating department of a city are eligible if:

- The city began its participation in TMRS after December 31, 1981; or
- The city began its participation prior to January 1, 1982, but has adopted an ordinance providing for participation by elected officials.

In either event, the elected official becomes a Member on the later of the effective date of the ordinance or the date the person took office. The official may be entitled to Prior Service Credit for employment with the city before the city joined TMRS.

Your Member Account

Your Member Contributions

Each month, your city withholds a percentage of your gross monthly compensation and deposits the money in a TMRS account in your name. These are your Member contributions. Each TMRS city chooses the rate of Member contributions — either 5%, 6%, or 7% of your gross compensation.

Your Member contributions to TMRS are tax-deferred, which means they are not subject to federal income tax until they are paid back to you in the form of a refund or a monthly retirement benefit. See Chapter 11 for more tax information.

At retirement, your Member contributions and interest are combined with the city's matching funds and other credits granted. TMRS then calculates a monthly retirement benefit based on these amounts, a discount rate of 5%, an estimate of your remaining life expectancy at retirement, and other factors.

Interest on Member Contributions

Interest on your TMRS Member account is credited once each year on December 31. Interest is calculated on the balance in your account as of January 1 of that calendar year. For example, interest on your account for the year 2024 will be credited on December 31, 2024, and is calculated on your balance at the beginning of the year, January 1, 2024. Due to a law passed in 2010, all Member accounts are guaranteed a minimum 5% interest credit annually.

Important

Interest is not credited for parts of a year, except in the year a Member retires or when a Member dies and a refund of Member contributions is paid to the beneficiary or estate.

Prorated Interest <u>Only</u> When You Retire

You receive prorated interest on your account only during the year in which you retire. For example, if you decide to retire in July 2022, your account will receive prorated interest for part of that year. For a July 2022 retirement, you would receive 7/12 of the preceding (2021) year's interest rate based on the balance in your account on January 1, 2022. Prorated interest allows you to choose the time of the year you would like to retire without losing interest on your account.

Q: Can I borrow money from my TMRS Member account?

A: No. By law, your Member contributions and interest are unassignable. This means you cannot borrow from your account, nor can you use your account as collateral for a loan.

Q: If I leave TMRS-covered employment and withdraw my money, and later become a Member again, can I buy back my former service credit?

A: If your city has adopted an ordinance that allows buyback and you are an employee of the city when the ordinance is adopted, then you may. See page 17.

Your Member Account Statement

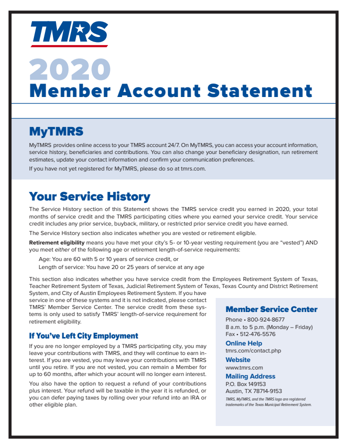
Each year, TMRS mails you an Account Statement. Your Account Statement shows the funds in your Member account and the total service credit you have with TMRS. The statement also shows your estimated retirement income.

Please remember the retirement estimates shown on the Account Statement are simply estimates based on certain assumptions. You should contact TMRS for further information before you decide to retire.

Review your Account Statement carefully. If you see any errors, contact TMRS.

It is very important that you keep TMRS informed if your address changes. A correct address is necessary for TMRS to send your Account Statement and other important information.

You can change your address, beneficiary and contact information as well as view and print your Account Statement using MyTMRS on the TMRS website.



Your TMRS ID Number

TMRS does not use Social Security numbers to reference your account in writing. For your privacy and security, we give TMRS Members their own 6-digit identification numbers. Member personal information is confidential, and we do not share Member lists or other personal information with anyone unless authorized under the TMRS Act.

MyTMRS

This feature of the TMRS website allows you to view your personal information online. You can see your account's current status, refund status, Account Statement, and monthly retirement payments through this secure area of tmrs.com. You can change your address and run retirement estimates based on different dates. You may designate or change your beneficiary online if spousal consent is not required. Retirees can view and print their 1099-R forms and update tax withholding. To use this feature, you will need to set up a password by logging on to the website, clicking on the MyTMRS option, and following the instructions. Use a "persistent" personal (non-work) email address to help TMRS stay in touch with you.

City Matching Funds

For every month you make a contribution to TMRS, **your city agrees to match your contributions and interest at retirement** at a rate chosen by the city: 1 to 1, 1.5 to 1, or 2 to 1 (or 100%, 150%, or 200%). The city's contributions to fund its match of your contributions and interest are held in the city's TMRS account. When you retire, the city's contributions become part of your benefit. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly payment.

How Do I Review or Change My Account?

Account balance	☎	✎	🖱	
Address or name **change**	☎		🖱	📄
View Beneficiary		✎	🖱	
Change beneficiary			🖱	📄
Change tax withholding			🖱	📄
Credited service	☎	✎	🖱	
Request for statement	☎	✎	🖱	
Retirement Estimate	☎	✎	🖱	

☎ **By phone** – requires 5 account identifiers*

✎ **In writing** – by letter or fax; include signature and date

🖱 **Online** – use MyTMRS with password

📄 **Form** – to make a **change** requires a specific form with signature and date; forms are available from tmrs.com

* Account identifiers are personal details known to the Member only.

Your Member Account

Earning Service Credit

Service credit is the time you accumulate toward earning a retirement benefit. Your TMRS benefit may be based on several types of service credit. Once each year, in March, you will receive an Member Account Statement showing your TMRS service credit. You may also view your service credit by using MyTMRS.

Current Service Credit

Current Service Credit is the credit you earn for each month of active employment in an eligible position with a TMRS city. You receive one month of Current Service Credit for every month in which you make your required member contribution to TMRS. For most TMRS Members, the majority of your service credit will be Current Service Credit.

Workers' Compensation

Your TMRS contributions are based on the compensation you receive from your city. Since workers' compensation payments are compensation replacement, TMRS contributions should continue to be withheld and contributed to TMRS.

Workers' compensation may be paid in different ways by different cities. You should check with your employer to determine how workers' compensation contributions are calculated and submitted to TMRS. If your city pays all or a portion of your workers' compensation, it should calculate your contributions based on the total compensation paid to you. Total compensation may include amounts paid by the city, a third-party insurer or a third-party administrator. If your city does not pay any portion of your workers' compensation, you may need to plan with the city to make contributions to TMRS for you. You will not receive service credit in TMRS for any months in which no contributions are submitted to TMRS while you are out on workers' compensation.

Buyback of Service Credit

If you have been a TMRS Member and end your membership by leaving employment and withdrawing your Member contributions, and later return to work for a TMRS city,

Important

Federal tax law allows you to use money from some deferred compensation plans and IRAs to purchase service credit. If you are eligible to buy back service credit previously refunded or to purchase Military Service Credit (see page 21), you may use money from your deferred compensation plan or IRA without paying taxes or paying a penalty for early withdrawal. If you are interested in using this method to purchase service credit, contact TMRS for more information about your options.

you may be able to buy back the TMRS service you refunded. The city you go to work for must adopt a buyback ordinance as part of its TMRS plan. Your former employment can be with your current city or another TMRS participating city.

To buy back service credit you previously refunded:

- You must be an employee of the city and a Member of TMRS on the date of the buyback ordinance's adoption;
- You must have at least 24 consecutive months of service credit as an employee of the city adopting the ordinance; and
- You must re-deposit, in one lump sum, all of the amount previously refunded plus a reinstatement fee equal to 5% of the amount you withdrew for each year since your refund.

Your Member account with TMRS is credited with the lump sum payment, while the 5% reinstatement fee is credited to the city's account with the System.

Updated Service Credit (USC)

Updated Service Credit (USC) is a special feature of the TMRS retirement plan that may increase the value of your retirement benefits. A city may adopt USC as part of its TMRS plan.

In calculating USC, TMRS looks at the changes in your salary over your career and at any changes the city has made to its TMRS plan, such as your deposit rate or the city's matching ratio. In some cases, USC can increase your monthly retirement payment.

Although USC may increase the value of your retirement benefit, USC does not affect the amount of money in your Member account, or the amount you will receive if you take a refund of your Member contributions and interest. USC will only be part of your benefit if you retire and receive a monthly retirement payment, and your city has chosen this option as part of its plan.

Earning Service Credit

Check if Your City has USC

Use the My City Plan link on the TMRS website to check your city's specific plan. Locate your city in the dropdown menu. The USC percentage (50%, 75%, or 100%) and the effective year are shown. If no percentage is shown, your city has not adopted USC. An R beside the year indicates that your city has chosen to repeat the USC calculation every year. A T by the percentage indicates your city will include a transfer of USC credits from other cities.

How USC Works

Updated Service Credit interest is prorated in the year you retire, so you receive the value of your USC no matter which month you choose to retire.

Cities adopt or modify USC by ordinance. Prior to adoption, TMRS must prepare an actuarial study to determine the cost of the USC adoption. After receiving the TMRS study, the city determines the percentage (50%, 75%, or 100%) of Updated Service Credit it will provide and whether it will adopt USC on a one-time or annually repeating basis.

You must have made 36 monthly Member contributions to be eligible for USC, and these contributions must have been made for service with the city that is adopting USC, prior to the USC study date. The study date is 13 months before the date the city adopts the provision.

Some cities include a transfer feature in the USC calculation. With this feature, if you have contributions in other TMRS participating cities, your USC will include all service and account balances from each city.

Prior Service Credit

When a city joins TMRS, the employees of that city receive credit for service performed with the city before the city joined. Each participating city determines the percentage value and pays the cost of the service credit granted.

Prior Service Credit treats your account as if you had been a Member of TMRS and were making monthly contributions throughout those earlier periods of time.

TMRS issues a letter to each eligible Member detailing their amount of Prior Service Credit and the monetary value of the credit at the time it is granted. Interest on Prior Service Credit is prorated in the year of retirement, so you receive the value of your Prior Service Credit no matter which month you choose to retire.

Loss of Prior Service Credit

If your membership in TMRS terminates, any Prior Service Credit you have received becomes void. You keep Prior Service Credit only if you remain a Member of TMRS until you retire.

Excluded Prior Service Credit

Certain cities may only grant Prior Service Credit at 0% of the calculated value. This credit provides Members with service credits without adding monetary value to the Member's account.

Military Service Credit

TMRS recognizes two types of Military Service Credit. One type, governed by the federal Uniformed Services Employment and Reemployment Rights Act — USERRA — is available to all TMRS Members. The other type must be adopted by your city.

To qualify for either type of Military Service Credit, the following conditions must be met:

- Your active-duty service cannot have been terminated on dishonorable terms.
- You have not received credit for the same military service in any other retirement system or program established under the laws of the State of Texas.

❑ ***Military Service While a TMRS Member – USERRA Credit (Applies to All TMRS Cities).*** If you enter active-duty military or war-related service — either voluntarily or because you are called to active duty — while you are a covered employee, and you do not withdraw your Member contributions, you may be eligible to establish service credit in TMRS for your length of military service, not to exceed 60 months.

In order to qualify for USERRA Credit, you must be re-employed by the city within 90 days of:

- Your release or discharge from active duty, or
- Your recovery from an illness or injury incurred in or aggravated during your performance of uniformed service (if your recovery period does not exceed two years).

You receive credit for the months of active-duty service performed. Under certain circumstances, you can make the Member contributions you would have made to TMRS as an employee of the city (up to 60 months) had you not

Survivor Benefits to Fallen Military Members

The Heroes Earnings Assistance and Relief Tax Act (the "HEART Act") requires all qualified plans to treat a participant who dies while performing qualified military service as if he or she resumed employment on the day before death. In addition, upon reemployment, qualified military service would count for vesting purposes. Consequently, if a Member dies while performing qualified military service and has enough service credit (including the qualified military service) to be vested at the time of death, then the Member's beneficiary may retire the Member's account and receive a monthly retirement benefit. See Chapter 2 for additional details related to a vested membership and Chapter 8 for details on death benefits for vested Members.

performed military service. You have up to three times the length of your military service to make these contributions, but no more than 60 months. Your USERRA rights are established by federal law. For the rules and regulations regarding USERRA, contact either your city's personnel department or TMRS.

❑ ***Credit for Other Periods of Military Service (Provision Must be Adopted by Your City).*** This provision is optional for cities. Once adopted, the provision recognizes military service either:

- Performed before you were employed by the city, or
- Performed during a time when you voluntarily left city service for the military and withdrew your Member contributions or did not exercise your rights under USERRA.

You may establish up to 60 months of military service credit (time only) if your city has adopted this provision. This type of Military Service Credit may only be received if you are not receiving (and are not eligible to receive) federal military retirement payments based on 20 or more years of active duty or the equivalent.

Q: Does my time in the Armed Forces Reserves or National or State Guard count?

A: Generally, no. However, if you were issued a DD-214 or equivalent that shows active-duty time, then that time may be eligible for Military Service Credit.

Q: Can I get credit for time served in the military by using Restricted Prior Service Credit?

A: Yes. If your city has adopted Restricted Prior Service Credit (see below), you can receive time-only credit (no money will be added to your account) for any service performed on active duty. Restricted Prior Service Credit can be established for any military service — even for military retirees with 20 or more years of active duty or the equivalent.

Federal tax law allows you to roll over from some deferred compensation plans and IRAs to purchase certain Military Service Credit, if you meet the requirements. You may not

Military Records

If you have lost your military papers, you can get duplicates by contacting:

National Personnel Records Center
Military Service Personnel Records
1 Archives Drive
St. Louis, MO 63138-1002

Phone: 314-801-0800

Email:
stlarr.archives@nara.gov

National Archives website:
archives.gov/veterans

have to pay income taxes or penalties for early withdrawal at the time of the rollover. If you are interested in purchasing Military Service Credit and you participate in a deferred compensation plan or have an IRA, contact TMRS for more information about your options.

Restricted Prior Service Credit

If your city adopts this provision, you can receive Restricted Prior Service Credit for the following types of previous full-time employment:

- With any public authority or agency created by the United States
- With any state or territory of the U.S.
- With any political subdivision of any state in the U.S.
- With any public agency or authority created by a state or territory of the U.S.
- As a commissioned law enforcement officer employed as a college campus security employee at a Texas institution of higher education

OR

If you were an employee of the State of Texas or any branch, agency, or subdivision of the State and refunded service credit under:

- Employees Retirement System of Texas
- Teacher Retirement System of Texas
- Judicial Retirement System of Texas (Plan 1 or 2)
- City of Austin Employees Retirement System
- TMRS

To receive Restricted Prior Service Credit for service in one of the other statewide systems, you cannot have received service credit for that service in that system or in TMRS. You must have refunded your service credit in the other statewide system by withdrawing your contributions. If you have service credit in another statewide system that

Military Service Purchase

If you were employed on December 31, 2003, by a city that had previously adopted Military Service Credit, and you earn at least 5 years of TMRS credit, you have the option to purchase Military Service Credit (a maximum of 60 months) by paying TMRS $15 for each month you wish to establish, and submitting an application form along with a copy of your discharge papers. The money you deposit will become part of your TMRS account, where it will earn interest and be matched by your city.

The Military Service Credit you purchase also counts toward your eligibility for service retirement, but is not included in any calculation of Updated Service Credit. If you choose to purchase Military Service Credit, you may be able to use funds from a deferred compensation plan, IRA, or other eligible plan to make the purchase.

Important

Only your service time is counted under Restricted Prior Service Credit; you do NOT receive any monetary credit.

has not been refunded, you may be eligible for the Proportionate Retirement Program (see page 24).

Also, see "Proportionate Buyback," page 25, for an option regarding refunded TMRS service with these systems.

Q: What qualifies as a public authority or agency?

A: Generally, a public authority or agency is one operated by a U.S. city, county, state, or the federal government. This includes regional councils of governments, public school districts, and airport authorities. Publicly operated hospitals, water and utility districts, and colleges and universities also qualify. Service as a contracting agent with a government does not count.

Adding Restricted Prior Service Credit toward your length-of-service requirements helps you reach vesting requirements and retirement eligibility sooner. For example, if you work for a city with a 5-year vesting requirement, have three years of service credit in TMRS, and you are granted two years of Restricted Prior Service Credit for your time as a public school teacher in another state, you are now vested with 5 years of service credit.

Probationary Prior Service Credit

If you were employed by a TMRS participating city on a probationary basis before September 1, 1989, and did not make TMRS contributions during your probationary period, you may be entitled to a maximum of six months of Prior Service Credit if your employing city adopts an ordinance granting this credit.

Note

If you have refunded service under the Texas County and District Retirement System (TCDRS), your service can be applied to your TMRS account under the Proportionate Retirement Program (see page 24).

Elected Officials

If you were an elected official and you were not eligible to participate in TMRS, you cannot receive Restricted Prior Service Credit for your service as an elected official.

Concurrent Service Credit

Concurrent Service Credit occurs when you make a Member contribution with more than one city or retirement system in the same calendar month. Contributions you make count toward your retirement benefit; however, you only receive one month of service credit toward vesting and retirement eligibility. Concurrent Service Credit can occur when an employee leaves one TMRS participating city during a part of the month and begins a new job with another participating city later in that month.

Family and Medical Leave Act (FMLA)

In cities subject to the Family and Medical Leave Act, employees can take an unpaid leave of absence under FMLA.

If you are on unpaid leave under FMLA, you do not receive service credit under TMRS because you are not receiving a salary from your city and are not making the required Member contributions. You are not, however, considered absent from service during that period of time.

Although you are not making contributions for your retirement, you still retain your TMRS membership. If your city has adopted Supplemental Death Benefits (see pages 40 – 41), you should apply for extended coverage in order to maintain this death benefit. Once you return to work and again make Member contributions to TMRS, you will start receiving service credit again.

Proportionate Retirement Program

The Proportionate Retirement Program is a program created by State law that allows people with service in two or more designated retirement systems to combine service credit to meet retirement eligibility. Each participating system has its own procedures for administering benefits under the Proportionate Retirement Program. The participating systems are:

- TMRS
- Teacher Retirement System of Texas
- Employees Retirement System of Texas
- Judicial Retirement System of Texas (Plan 1 or 2)
- Texas County and District Retirement System
- City of Austin Employees Retirement System

If you have service credit in two or more of these retirement systems, you may, under certain circumstances, combine that service credit to meet service retirement eligibility in TMRS and the other systems. Please notify TMRS if you become a Member of one of these other retirement systems. Proportionate Service Credit can also help you meet the length-of-service requirement for leaving your Member contributions with TMRS.

Service Credit with Other Systems

In certain situations, service credit earned in one system may not be recognized by another system in connection with the Proportionate Retirement Program. If you have service credit with more than one of the statewide retirement systems listed, please contact each system to make an accurate determination of whether the service credit will be allowed.

You should consult each system in which you have credit about Proportionate Retirement before making retirement plans. If you qualify for benefits under Proportionate Retirement, you will receive benefit payments from each system, based on your service credit with that system.

Proportionate Buyback

If you are a current Member of a participating Proportionate Retirement Program system other than TMRS and you have previously refunded service credit in TMRS, you may choose to reestablish that service credit under the participating system rules. TMRS will verify your former membership in TMRS to the participating system to enable you to establish previously cancelled or refunded service credit with that system. You must notify TMRS of your intention to establish the credit with the proportionate system using the Proportionate Buyback Application form, available on the website. Service credit in TMRS that is established using Proportionate Buyback has no monetary value and counts only as time. Proportionate Buyback does not reestablish your previously refunded TMRS account.

Chapter 5 • Service Retirement

When you have the necessary service credit and you meet the age requirements, if any, you may retire and receive a monthly payment for the rest of your life.

In most participating cities, you can retire if:

- You are at least 60 years old and have at least 5 years of service credit with TMRS (some cities require 10 years of service at age 60); or
- You have at least 20 or 25 years of service credit with TMRS, regardless of your age, depending upon which option your city has selected.

Q: I've worked for two TMRS cities — one with "20 years at any age retirement" and one with "25 years at any age retirement." How can I tell when I'm eligible to retire?

A: If you have at least 20 years of service credit, all with a "20-year" city, you are eligible to retire. Even if you leave the 20-year city and go to work for a 25-year city, you are still eligible to retire with TMRS.

If you do not have at least 20 years of service credit with a 20-year city and must combine service credit from a 20-year and a 25-year city, you must have 25 years of combined service credit to be eligible to retire.

Retirement Eligibility

Once you are eligible to retire in a TMRS participating city, you remain eligible to retire in that city, even if you go to work in another TMRS city with a higher eligibility requirement. You must meet the higher eligibility requirement only when you combine service from multiple TMRS cities.

If you have service in more than one TMRS city and wish to know more about retirement eligibility, call TMRS.

How Your Service Retirement Benefit Is Calculated

The amount of your monthly retirement benefit is based on:

- Your total Member contributions plus interest
- City matching funds and other credits granted
- Your remaining life expectancy at retirement
- Your beneficiary's life expectancy (if you select a payment option that pays a lifetime benefit to a survivor)
- The future interest rate assumption as set by law

- The TMRS monthly payment plan you choose
- Whether you choose to take a Partial Lump Sum Distribution

City matching funds are the funds your city contributes toward your benefit. Each city sets a rate at 1 to 1, 1.5 to 1, or 2 to 1 (100%, 150%, or 200%) and matches your monthly contributions and interest at that rate for your retirement.

Retirement Benefit Payment Options

When you retire, you will be asked to choose a monthly payment plan. Your choice of the "best" payment plan for you and your beneficiary should be based on your own situation at the time of retirement.

Your choice of a retirement option is a very important decision. Once you have retired and begun to receive monthly payments, you cannot change your retirement option (except as described on pages 29 – 30, "Marriage After Retirement").

If you are married at the time you apply for retirement and you designate a person other than your spouse as beneficiary, or you choose your spouse but select a retirement plan other than one that pays a lifetime survivor benefit, your spouse must consent to the selection in writing.

The TMRS monthly payment plans are:

1. **Retiree Life Only Option:** A benefit paid only for the life of the retired Member with no provision for a survivor benefit.

OR, one of three **Survivor Lifetime Options** that pay a lifetime benefit to the retired Member and, if the retiree dies before the beneficiary, a lifetime benefit to the survivor:

2. **Retiree Life — 100% Survivor Benefit:** A benefit payable for the life of the retired Member, and a lifetime benefit payable to a designated survivor equal to 100% of the retiree's benefit payable on the retiree's death.

3. **Retiree Life — 75% Survivor Benefit:** A benefit payable for the life of the retired Member, and a lifetime benefit payable to a designated survivor equal to 75% of the retiree's benefit payable on the retiree's death.

Important

The only way you can receive the city's matching funds to your Member contributions and interest is to retire and choose a monthly payment plan. The city's matching funds cannot be paid to you in a lump sum payment; they can only be paid out through a monthly benefit. (See page 30, "Accounts with $10,000 or Less.")

4. **Retiree Life — 50% Survivor Benefit:** A benefit payable for the life of the retired Member, and a lifetime benefit payable to a designated survivor equal to 50% of the retiree's benefit payable on the retiree's death.

OR, one of three **GUARANTEED TERM OPTIONS** that pays a lifetime benefit to the retired Member and guarantees a fixed number of payments to the beneficiary from the retirement date if the retiree dies before the guaranteed term of payments ends.

5. **Retiree Life — 5 Years Guaranteed:** A benefit payable for the life of the retired Member. If the retiree dies within 5 years from the retirement date, payments will be made to the beneficiary for the remaining period.

6. **Retiree Life — 10 Years Guaranteed:** A benefit payable for the life of the retired Member. If the retiree dies within 10 years from the retirement date, payments will be made to the beneficiary for the remaining period.

7. **Retiree Life — 15 Years Guaranteed:** A benefit payable for the life of the retired Member. If the retiree dies within 15 years from the retirement date, payments will be made to the beneficiary for the remaining period.

"Pop-Up" Feature

All three options that provide a lifetime survivor benefit include a **"pop-up"** feature. If the designated beneficiary dies before the retiree, the retiree's benefit will "pop-up" to an amount based on the Retiree Life Only benefit.

The guaranteed term of payments begins with the first payment received by the retiring Member. A Member will receive benefits for his or her entire life, but if the Member dies before the guaranteed term is reached, **payments will only be made to the Member's beneficiary for the remaining period of the guaranteed term.**

For example, a Member choosing the 5-year guaranteed term retires and begins receiving monthly payments. After two years, the retired Member dies. Payments will continue to the beneficiary for the remainder of the 5-year term — three years in this case — then cease.

Q: How much money will I receive as a retiree?

A: At any time, you can run a retirement estimate online under MyTMRS (in most cases). If you want us to mail or fax your estimate, call the TMRS Member Service Center toll-free at 800-924-8677. Estimates cannot be emailed for security reasons.

Q: Is my first retirement monthly payment direct deposited?

A: Yes. Your first monthly payment is direct deposited to your designated financial institution. You must set up direct deposit to receive payments from TMRS.

Q: When are direct contributions made?

A: Direct contributions of retirement benefits are made on the last business day of each month.

You can see and print a yearly calendar of direct deposit payment dates on tmrs.com, or you may request the calendar by calling 800-924-8677.

Marriage After Retirement

If you marry after retirement, you may be eligible to change your payment plan to provide a survivor benefit for your new spouse. To be eligible for this change, you must have chosen the Retiree Life Only option or a Guaranteed Term Option at retirement and married after retirement. If you retired under a Survivor Lifetime Option and marry after retirement, under certain limited circumstances you may be able to change the beneficiary to your new spouse, but you would need to contact TMRS for assistance. In any case, you must file the necessary paperwork to make the change with TMRS **before** the first anniversary of the date of your marriage. **This change can be made only one time and cannot be made online.**

Note that changing your option does not increase the total benefit you and your survivor will receive. Depending on your circumstances, the option you choose, and the age of your beneficiary, **the monthly benefit you receive may be reduced to pay the cost of the additional survivor benefit.** If you marry after retirement and wish to consider making this change, contact TMRS.

IRS Limits on Benefits

Section 401(a)(9) of the Internal Revenue Code limits the choice of retirement options for new retirees who designate a younger "non-spouse" beneficiary. In other words, TMRS may not be able to allow the Member to select the 100% or 75% "survivor" options if the non-spouse beneficiary is significantly younger than the Member. If affected, the retiring Member will be notified that he or she must either choose an eligible retirement option or change the designated beneficiary.

Section 415 of the Internal Revenue Code of 1986 limits the annual amount of pension payments that may be paid by a pension plan's trust to its retirees. This provision is known as the Section 415 limit, which is set by Congress and can be periodically adjusted by the IRS. Consequently, any portion of a retiree's annual benefit that exceeds the annual limit cannot be paid from the TMRS trust fund. However, the IRS allows pension plans to create a separate fund to pay the "excess" benefits. Accordingly, the TMRS Act established such a fund to ensure that a retiree or beneficiary receives the full amount of his or her retirement benefit, even when it exceeds the annual 415 limit. If a retiree exceeds the annual limit in any given year, TMRS will notify the retiree.

Accounts with $10,000 or Less

If your Member contributions, interest, the city's matching funds, and other credits in your account total $10,000 or less on your effective date of retirement, you will receive that amount in a lump sum at the time you retire. Rather than receive a very small payment each month, you will receive all your funds at one time.

Partial Lump Sum Distribution (PLSD)

You may choose to receive a partial lump sum payment from your Member account when you retire. The lump sum payment is equal to the monthly payment of your Retiree Life Only option multiplied by your choice of 12, 24, or 36 and cannot exceed 75% of your Member contributions and interest. This lump sum payment is then deducted from the total amount used to calculate your monthly retirement payment, and a new, reduced monthly payment is determined.

The Partial Lump Sum Distribution is subject to income tax and possibly an additional 10% tax penalty at the time of payment (exceptions to this penalty for certain employees may apply; see page 48 – 49). You may be able to roll over this distribution into an IRA or other qualified retirement plan to continue to defer any income tax payments. For information on taxes, see Chapter 11.

Q: Are the city's matching funds included BEFORE my Partial Lump Sum Distribution is determined?

A: Yes. Your city match, Member contributions, interest, and other credits are all used to calculate a monthly retirement benefit from which your PLSD is determined.

HELPS Provision for Retired Public Safety Officers

TMRS participates in a program made possible by the Healthcare Enhancement for Local Public Safety (HELPS) provision of federal law. This provision allows retired public safety officers to elect an amount to be deducted from their TMRS retirement benefit payment to pay for health care or long-term care insurance premiums. The amount an eligible retiree excludes from taxable income may not exceed $3,000 in one year. If a retired (or retiring) officer wishes to make this election, the amount is directly paid by TMRS to an insurer.

❑ ***Definition of Public Safety Officer.*** By law, the term "public safety officer" includes the following individuals serving a public agency in an official capacity:

- An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including but not limited to police, corrections, probation, parole and judicial officers
- Professional firefighters
- Officially recognized or designated:
  - Public employee members of a rescue squad or ambulance crew
  - Chaplains of fire departments and police departments

Call 800-924-8677 for more information or to see if you qualify. You may wish to consult with your tax advisor or the IRS to determine if you can use this provision for public safety officers.

Cost of Living Adjustments (COLAs)

After you retire, your city may choose to grant retirees an increase (when the cost of living increases) to protect their benefit from the effects of inflation.

If your city chooses this option, your retirement benefit payments may be increased by the percentage (30%, 50%, or 70%) of the Consumer Price Index (CPI) increase chosen by your city. The cost of living adjustment, or COLA, is measured from the December before your retirement through the December that is 13 months prior to the effective date of the COLA. The calculated increase will be applied to your original monthly retirement payment.

You will be notified in your Retiree Benefit Statement (sent in early February) if you will receive a COLA for the coming year. You must be retired for 13 months to be eligible for any increase.

Retiree Benefit Statements

In early February of each year, TMRS provides retirees a statement reflecting their account status. This statement shows the benefit payment amount, withholding, and amount of COLA (if any) for the coming year.

It is important that you keep TMRS informed if your address changes. A correct address is necessary for TMRS to send your statement and other important information. You may also download your statement from MyTMRS.

Continuing to Work After You are Eligible to Retire

If you are eligible for retirement under TMRS but continue to work for a participating city, you continue to make Member contributions. Your Member account continues to be credited with interest, and you continue to earn service credit. You don't have to retire when first eligible but may make this decision at any time after you attain eligibility.

Returning to Work

If you go to work for a TMRS city that was not your employing city when you retired, you will again make monthly TMRS Member contributions from your salary. The retirement benefit you earned from your previous employment will not be affected.

Employment After Retirement

Make your retirement decision carefully. **If you return to work at the same city you retired from, your benefits could be affected.** If you return to work for the city that was your last employer prior to retirement, in a position that requires TMRS membership, **your monthly retirement benefit will be suspended.** You must rejoin TMRS and make Member contributions.

"Suspended" means that you forfeit your monthly benefit payments as long as you are a Member making contributions to TMRS. Your monthly benefit will not be recalculated to include these forfeited payments (with one exception; see below). When you later terminate this new period of employment, TMRS will resume payment of your original monthly retirement benefit, and you will receive an additional retirement benefit based on your post-retirement employment.

Your benefit **will not be suspended** if you go to work for:

- An employer that is not a TMRS participating city
- The TMRS participating city that was your last employer before you retired, and you are employed in a position that does not require TMRS membership; or
- A TMRS participating city other than the one that employed you at the time of your retirement, provided your new employment begins **after your effective date of retirement**

Exception: If a retiree returns to work for the same city from which he or she retired at least 8 years after his or her effective retirement date, he or she may be eligible for a lump sum payment of any benefit payments that were suspended during the period of reemployment.

Separation from Service Must Be "Bona Fide"

Employees participate in TMRS until they retire, die, or separate from service. Upon separation, employees may apply for a distribution (refund or retirement), and the city is required to certify the termination, which must be bona fide for both state and federal tax law purposes. The TMRS Act and the Internal Revenue Code do not permit a distribution if an employee resigns and is rehired by the same city in a prearranged manner. Such an arrangement would not be considered a bona fide separation.

Applying For Service Retirement

To apply for TMRS retirement, request a Service Retirement Packet from TMRS or download the packet from the TMRS website. The packet contains all the forms you need, as well as information about retirement. See also the How to Retire link on the TMRS website.

Application and Retirement Date

Your Service Retirement Application must be received in the TMRS office by your effective date of retirement but no more than 90 days before the effective date. **Remember, retiring from TMRS and notifying your city that you intend to retire are separate processes. Check with your city's personnel office for their requirements.**

Your TMRS effective retirement date must be the last day of a calendar month. Your first benefit payment will be made at the end of the month following your effective retirement date, if we have received all the necessary retirement papers. If we have not received them, then your benefit payments will be delayed until we have all the required documents.

Social Security and Your TMRS Benefit

If you receive Social Security benefits, they will not affect your TMRS benefit. However, there are some Social Security provisions you may want to learn more about.

❑ ***The Government Pension Offset.*** If you receive a Social Security benefit based on your spouse's employment, and you also receive a pension from a government employer **who was not part of the Social Security program,** your Social Security benefit may be offset by your government pension. The offset may reduce the amount of your spouse's Social Security benefit by two-thirds of the amount of your government pension.

❑ ***The Windfall Elimination Provision.*** If you receive a Social Security benefit but the majority of your career was spent working for a government employer **who was not part of the Social Security program,** your Social Security benefit may be calculated using a formula that reduces your Social Security benefit.

Information

For detailed information on preparing for retirement, call TMRS or go to the TMRS website. A How to Retire link is available on the home page of tmrs.com.

TMRS Retirement Checklist

You will need the following items to complete your retirement application process.

Forms and Information
In the Service Retirement Packet:

- Application for Service Retirement (TMRS-15) – no more than 90 days before retirement.
- Selection of Retirement Plan (TMRS-24) — may require notarization and proof of birth for your beneficiary.
- Selection of Partial Lump Sum Distribution (TMRS-PLSD) – use this form if you want part of your benefit in a lump sum. Add the Rollover of PLSD (TMRS-ROLL) form if you choose to rollover your lump sum.
- Special Tax Notice Regarding Plan Payments.
- Acceptable Proof of Birth (TMRS-27); list includes drivers license, ID card, or birth certificate.
- Name Certification (TMRS-30) – use this if your current name differs from the name on your proof of birth.
- Electronic Direct Deposit Authorization (TMRS-80E).

Other documents:

- Acceptable proof of birth for beneficiary.
- Tax Withholding Form (W4-P) – available online and may be submitted with the retirement application.
- HELPS application (TMRS_HLPS), if applicable; see page 31.

Occupational Disability

If you become disabled so that you are no longer able to perform your job, and the disability is likely to be permanent, you may be eligible for Occupational Disability benefits from TMRS. An Occupational Disability benefit is calculated like a Service Retirement benefit, based on your contributions and interest, your city's matching funds, and other credits, and is payable to you beginning on the last day of the month following your effective retirement date, assuming your disability is certified by the TMRS Medical Board.

If you are eligible for Service Retirement and you become disabled, you may wish to consider applying for Service Retirement rather than Occupational Disability. The monthly benefits are equal, and Service Retirement places no restrictions on your earnings.

Applying for Occupational Disability

If you become disabled, you may apply for an Occupational Disability Benefit using an Occupational Disability Retirement Packet. You may obtain this packet either from your city, by calling TMRS, or by downloading it from tmrs.com. As part of the application process, you will need to be examined by a physician.

After you file your application, including the physician's statement, a statement from your city, and a copy of your city job description, the TMRS Medical Board will make a determination. If the Medical Board finds you are disabled to the extent that you should be retired (and you meet the other requirements for Occupational Disability Retirement), your application will be approved.

If the Medical Board finds that you do not meet the requirements, additional medical examinations may be required, or your application may be denied.

Occupational Disability Benefits / Other Earnings

If the Medical Board approves your Occupational Disability Retirement, you will receive a monthly benefit. While receiving Occupational Disability Retirement benefits, you may pursue other employment.

Disability

There is no minimum length of service or age required to be eligible for Occupational Disability Retirement Benefits, and the cause of the disability can either be duty-related or non-duty-related. **Disability retirees also receive the Retiree Benefit Statement** annually (see page 32).

Tax Note

TMRS Occupational Disability benefits based on contributions you made after January 1, 1984, are subject to income tax in the same manner as service retirement benefits, based on federal tax law. Consult your tax advisor for more information. See Chapter 11 for more information on TMRS benefits and taxes.

If you retire under Occupational Disability, TMRS may request that you provide evidence of continued disability each year until you reach age 60.

Occupational Disability Benefit Options

If you become eligible for Occupational Disability Retirement, you may select either a Retiree Life Only benefit or any other payment option (pages 27 – 29). The amount of the benefit is based on the same factors (contributions, service credits, life expectancy, interest rate assumption, plan selected) as those used in determining the amount of a Service Retirement benefit. Occupational disability benefit options do not include a Partial Lump Sum Distribution.

Death Benefits

" Choosing a beneficiary and making sure your choice is kept up-to-date are two of your most important responsibilities as a TMRS Member."

Upon your death, your beneficiary or estate is guaranteed to receive at least a refund of your remaining Member contributions and interest. The benefit payments and the recipient of your benefits will be determined by several factors, including your employment status, beneficiary designation (if applicable), benefit payment selection (if applicable), and any other TMRS statutory provisions in effect at the time of your death.

Designating Your Beneficiary

Your beneficiary is the person you choose to receive your TMRS benefit in the event of your death. You may designate one person, your estate, a trust, or up to three different people on a "share-and share alike" basis (each person receiving an equal share) as your beneficiary. You may also designate alternate beneficiaries, in the event your primary beneficiary dies first.

If you are married and vested at the time you designate a beneficiary, state law requires your spouse to give his or her consent before you can name someone other than, or in addition to, your spouse as beneficiary.

TMRS will ask you to choose a beneficiary three different times while you are employed with the city — when you first become a TMRS Member, when you become vested, and when you retire. Also, you may change your beneficiary as your personal circumstances change. **If TMRS does not have a properly designated beneficiary on file at the time of your death, benefit payments may be delayed and may not be paid in accordance with your wishes.**

Benefit Payments

If you are not vested or retired at the time of death, your designated beneficiary will receive a lump sum refund of your Member contributions and interest. Your designated beneficiary is not eligible to receive monthly retirement benefits and will not receive any city matching funds. If a valid beneficiary designation is not on file with TMRS, the refund will be paid to your estate.

If you are vested but have not retired at the time of death, your designated beneficiary may be eligible to receive a monthly retirement benefit based on your Member contributions and interest and the city's matching funds. When you become vested (after 5 or 10 years of service, depending on your city's plan), TMRS will notify you of your vested status and ask you to designate a beneficiary at that time. If you do not properly designate a beneficiary after becoming vested, your previous beneficiary designation is no longer valid, and your benefits will be paid in this order:

- To your surviving spouse
- If you have no spouse, to any surviving children
- If you have no spouse and no children, to the last beneficiary you designated prior to becoming vested
- If you have never designated a beneficiary, to your estate

If you have properly designated a beneficiary after vesting, your designated beneficiary may choose to receive one of the following benefits at the time of your death:

- **A lump-sum refund** of your Member contributions and interest. If this benefit option is selected, the city's matching funds are forfeited and there will be no further payments.
- **Monthly payments for life** based on both the city's matching funds and your Member contributions and interest. This benefit option is only available if you have designated only one beneficiary.
- **Monthly payments for 15 years** based on both the city's matching funds and your Member contributions and interest. If the beneficiary is your estate, the maximum monthly payout is 5 years.

A spouse beneficiary may choose to leave your Member contributions and interest with TMRS, where they will continue to be credited with interest until the date you would have reached age 60. At that time, your spouse may choose to receive monthly payments for life or for 15 years, based on both the city's matching funds and your Member contributions and accumulated interest.

To exercise this option, your surviving spouse must make that election within 180 days from your date of death; otherwise, the benefit is payable immediately. Your Member

Online Designations

You may make beneficiary designations and changes using MyTMRS. Choices that require spousal consent still require a paper form and notarized signature.

contributions and interest may be refunded to your spouse beneficiary at any time after the election is made, but withdrawing the contributions and interest will prevent your spouse beneficiary from receiving future monthly benefits, and the city's matching funds will be forfeited.

If you are retired at the time of your death, benefit payments will be issued in accordance with the benefit option you selected at retirement. See pages 27 – 29 for specific information on these benefit options.

Supplemental Death Benefits

Your city may choose to include a Supplemental Death Benefit (SDB). If your city has chosen this provision and you die while employed by the city, TMRS will pay your designated beneficiary or estate a benefit approximately equal to your current annual salary, plus any retirement benefits due.

A different beneficiary may be designated to receive the SDB, but most Members designate the same beneficiary as the one chosen for their retirement benefit. If you retire from multiple cities, your beneficiary will receive only one SDB payment.

For Supplemental Death Benefit purposes, "annual salary" is calculated as the salary from which you made the required Member contributions to TMRS during the 12 months before your death. If you were paid less than 12 months, TMRS will request annual salary information from your city.

Q: Is the SDB payment taxable?

A: In general, no. The IRS considers the SDB payment to the beneficiary to be similar to proceeds from a group-term life insurance program. If the SDB is made payable to an individual, it is not subject to federal income tax. However, TMRS encourages you to consult a tax advisor.

Period of Coverage

You are covered for Supplemental Death Benefits if your city has adopted the Supplemental Death Benefits option for its Members and you are a city employee required to make Member contributions with TMRS.

You are covered on the first day of the first month in which these requirements are satisfied. Except as described be-

Survivor Benefits to Fallen Military Members

The Heroes Earnings Assistance and Relief Tax Act (the "HEART Act") requires all qualified plans to treat a participant who dies while performing qualified military service as if he or she resumed employment on the day before death. In addition, upon reemployment, qualified military service would count for vesting purposes. Consequently, if a TMRS Member dies while performing qualified military service and has enough service credit (including the qualified military service) to be vested at the time of death, then the Member's beneficiary may retire the Member's account and receive a monthly retirement benefit. See Chapter 2 for additional details related to a vested membership.

low under "Extended Coverage," coverage stops on the last day of any month in which either of the above requirements is not satisfied.

Supplemental Death Benefit Extended Coverage

If circumstances cause you to be absent from your city employment for an extended period of time, your coverage under the Supplemental Death Benefits program may be extended if these three conditions are met:

- As a result of illness or injury, you are unable to engage in any gainful employment or you are on extended leave under the provisions of the federal Family Medical Leave Act (FMLA).
- You made a required Member deposit with TMRS as an employee of a city offering the coverage for Supplemental Death Benefits for the month preceding the first entire month of your absence from work.
- Your application is approved by TMRS.

Extended coverage continues until the last day of the month in which any of the following occur:

- You return to work
- The Board finds that you have become able to engage in gainful employment
- You cease to be a Member of TMRS
- You retire
- The city terminates coverage

A request for **Extended Supplemental Death Benefits** must be made in writing by the city correspondent on city letterhead to the Board of Trustees; it must contain a statement from your doctor regarding your inability to work and the length of time you expect to be away from the job.

Retiree Supplemental Death Benefits

If you retire with TMRS, a Supplemental Death Benefit in the amount of $7,500 will be paid on your death as long as the TMRS city from which you retired offers such coverage.

Leaving City Employment / Refunds

If your employment terminates with all TMRS participating cities, you may choose to — but do not have to — apply for a refund of your total Member contributions plus interest.

Leaving City Employment

If you leave your city before you are vested (after 5 or 10 years of service, depending on your city's plan), and do not go to work for another TMRS participating city, you may leave your Member contributions with the System for up to 60 months and keep your TMRS membership. You are not considered absent from service if you are on FMLA leave. After the 60-month period, your TMRS membership terminates. If you go to work for a public employer who participates in the Proportionate Retirement Program, the 60-month limit may not apply (see page 24).

If you are not vested and you leave your Member contributions with TMRS, your contributions will stop being credited with interest after the 60-month period. Therefore, at that time, you should apply for a refund of your Member contributions and interest. You may be able to roll over your refund into an IRA or other eligible retirement plan for income tax purposes. See pages 50 – 51 for information on rollovers.

If you stop working for one TMRS city, but become employed by another TMRS city before withdrawing your Member contributions, your membership in TMRS has not terminated. You cannot withdraw your Member contributions and interest.

If you leave employment with a TMRS city and go to work in a position covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 24), you may withdraw your Member contributions, but you should be aware of the value of your TMRS service credit under the Proportionate Retirement Program.

If you are vested, you may leave your Member contributions with TMRS until you are eligible and choose to retire. Your contributions continue to be credited with interest.

Important

A refund only includes your Member contributions and interest. It does NOT include the city's matching funds, even if you are vested.

Leaving City Employment / Refunds

Refunds (Withdrawing Your Contributions)

A refund cannot be processed until your final Member deposit to TMRS is received and credited to your account. The city's contribution report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's contribution report and your final deposit are received, your refund will be processed for payment.

Q: What is vesting?

A: In most TMRS participating cities, you are vested when you earn 5 years of service credit. Some cities require 10 years to vest. Once you are vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your Member contributions with TMRS, you keep your right to a retirement benefit. Your TMRS contributions will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS. Remember, you can only receive the city's matching funds if you retire and receive a monthly retirement benefit. For more information, see Chapter 5.

Q: If I choose to take a refund, do I receive the city's matching funds?

A: No. When you receive a refund, you receive your Member contributions and interest but not the city's matching funds. The only way you can receive the city's matching funds is to retire and receive a monthly benefit payment.

If you cease to be employed by one TMRS city, you can choose to receive your Member contributions and interest — only if you do not become employed in another TMRS city prior to receiving your refund payment from TMRS. **If you do take a job with another TMRS city and are enrolled in TMRS prior to receiving your refund, you cannot receive a refund.** You must continue your TMRS membership and leave your

Member contributions and interest in your Member account to earn retirement credit.

Q: Can I refund part of my Member account and leave the rest in TMRS?

A: No. If you choose to receive a refund of your Member contributions and interest, you must refund all of your account. You must also stop employment and your membership with all TMRS cities to receive a refund. Remember that a refund does not include the city matching funds.

Q: If I stop working for a TMRS city and I am not vested, why should I consider leaving my Member contributions with TMRS?

A: If you might return to work for a TMRS city or in a job covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 24) within 60 months, you should consider leaving your Member contributions in TMRS.

Your Member contributions continue earning interest as credited by TMRS during the 60-month period, and the service credit you have earned still counts toward retirement. Also, if you take a refund, you lose the city's matching funds.

Q: What is the city's monthly payroll report, and when does the city have to submit it to allow me to get my refund?

A: Each city sends TMRS a monthly payroll report and contributions, which must be received by TMRS by the 15th of the month after the month being reported. The monthly report shows each Member's individual deposit for the month. After the city has submitted the report (with your final deposit) to TMRS, the report information must be added to your account before any refunds can be issued.

Q: How long does it take to get my refund?

A: Refunds are typically paid by TMRS 6 to 8 weeks after you were last paid by the city, provided TMRS receives everything from your city on time.

A refund cannot be processed until your final Member deposit to TMRS is received and credited to your ac-

Refund Timeline Example

The city certifies on your refund application that your last deposit will be June 6. The city has until July 15 to submit the June contribution report and contributions to our office. Once the report has been filed with TMRS, the information must then be posted to your account before any refunds can be issued.

count. The city's report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's report are received, your refund is processed for payment. If you have registered for MyTMRS (tmrs.com), you can track the status of your refund.

Q: Why does TMRS take out 20% of my refund for taxes?

A: TMRS is a tax-deferred retirement plan. This means you have not paid income taxes on your Member contributions or the interest credited to your account. The IRS requires TMRS to withhold 20% of the taxable amount of your refund as taxes, unless you roll the funds over to an IRA (Individual Retirement Account) or other qualified retirement plan.

If you withdraw your Member contributions and interest before you turn age 59½, you may owe an additional 10% income tax penalty for an early distribution. However, if you leave city employment in the year you turn 55 or later, and withdraw your Member contributions and interest, you will not owe the additional 10% income tax. See the "Special Tax Notice Regarding Plan Payments" included in your TMRS refund packet.

If you roll over the payment to a Roth IRA, a special IRS rule applies, making the amount of the payment (reduced by any after-tax amounts) taxable to you. TMRS must withhold 20% of the taxable portion of the payment. The additional 10% income tax on early distributions may apply to the amount withheld but will not apply to the amount deposited in the Roth IRA. However, you may owe the additional 10% penalty if you withdraw the amount rolled over to the Roth IRA within 5 years of the rollover. Please consult your tax advisor.

Exceptions: Public safety employees qualify for an exception to the additional 10% income tax penalty if they separate from service at age 50 or later. Your city will need to certify your status as a public safety employee (a form is available from the TMRS website).

For more information on leaving your TMRS participating city, see pages 9 – 11.

Note

Member contributions made before January 1, 1984, were taxed at the time of deposit. Any amount refunded to you based on those contributions will not be taxed at the time of payment.

Divorce

If you divorce, your TMRS retirement benefit may be involved in the settlement or division of property. **In the event of a divorce, TMRS encourages you to contact us as soon as possible in the process.** The TMRS Member Service Center can be reached toll-free at 800-924-8677 or you can send an email to help@tmrs.com.

Your attorney should consult the "Divorce and Retirement" publication at tmrs.com/down/pubs/divorce.pdf, which has more detailed information on dividing TMRS benefits.

Estimates with QDROs

If you have a QDRO on file, you cannot run estimates in MyTMRS. You may need to call TMRS to request an estimate, which will be mailed to you (expect 7 –1 0 days to process).

Divorce and Your TMRS Benefit

Texas is a community property state, which means property acquired during your marriage is owned by both you and your spouse. Any TMRS retirement benefit earned during marriage is community property.

Dividing your TMRS benefit requires a special court order known as a Qualified Domestic Relations Order (QDRO). A QDRO is usually a separate document from your divorce decree, but in some cases may be contained within the divorce decree. State law requires that the QDRO meet certain legal requirements. TMRS has developed a model QDRO to assist your legal advisor in drafting a QDRO that meets these requirements.

The QDRO will specify what portion of your benefit will be paid to your former spouse. Benefits are not payable immediately to the former spouse. When you begin to receive a TMRS benefit, the portion specified in the QDRO will be paid to your former spouse. Likewise, if you withdraw your Member contributions and interest, the QDRO will govern what portion your former spouse receives.

If your TMRS benefit is not divided between you and your former spouse, TMRS requires specific language in the divorce decree to specify that the benefit is not to be divided.

Certified Copy

If the retirement benefit is to be divided, TMRS must review and approve a certified copy of the QDRO before retirement benefits can be paid to a former spouse or before a refund can be processed. A certified copy is one that is certified with the original stamp and seal, plus the signature of the clerk of the court in the county where the divorce was granted. A certified copy is **not** a document bearing only the seal of a notary public.

Divorce After Retirement with TMRS

If you divorce after you retire from TMRS and your retirement benefit is to be divided, a QDRO is required. Call TMRS for assistance.

Removing Your Former Spouse as Beneficiary

If you retired under a Joint Survivor Lifetime option, designated your spouse as beneficiary, and divorced after retirement, the divorce decree or QDRO may allow TMRS to remove your former spouse as beneficiary. If this occurs, TMRS may also be able to increase your future benefit payments to the monthly amount you would have received had you originally selected a Retiree Life Only benefit. Please call TMRS for assistance with this provision; this cannot be done on MyTMRS.

Remarriage After Divorce, Post-Retirement

If you remarry after retirement, you may be eligible to change your option in certain circumstances to provide a benefit for your new spouse. If you are eligible, **this change must be made prior to the first anniversary of the date of marriage.** You must contact TMRS directly for assistance and you cannot make this change simply by changing your beneficiary online.

Chapter 11 • Taxes

Taxes

TMRS is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code. You do not pay income tax on your monthly Member contributions to TMRS, but you will pay tax when you receive a payment from the System, either as a refund or a monthly benefit.

When you receive a payment from TMRS, all or part of that payment will be subject to federal income taxes, based on the tax laws and the rules and regulations of the Internal Revenue Service. The information in this *Benefits Guide* is based on the Internal Revenue Code and the IRS regulations in effect at the time this *Guide* was published. IRS regulations and federal tax law can change. In any matter involving taxation of your TMRS benefit, TMRS encourages you to contact a tax advisor.

Pre-1984 Contributions

If you made Member contributions to TMRS before January 1, 1984, you have already paid taxes on those contributions. On statements and communications from TMRS, you may see amounts divided between taxable and non-taxable portions. The taxable portion represents your Member contributions made since January 1, 1984, and any and all interest earned since you began contributing to TMRS.

If you became a TMRS Member after January 1, 1984, all your contributions were made before taxes were withheld, and any return of those contributions, either as a refund or a benefit, will be subject to income taxes.

Monthly Retirement Benefits

If you retire and receive a monthly benefit from TMRS, part or all of your monthly benefit will be taxable as income. For those Members who have service before January 1, 1984, a portion of the benefit based on the contributions made before that date will not be taxable. This portion is called the “monthly exclusion amount.”

Each year, at the end of January, TMRS will mail you a form 1099-R, showing your total retirement payments for the preceding year, the taxable and nontaxable amounts (if any), and the amount of tax withheld by TMRS. This form can be viewed and printed through MyTMRS. Withholding may be changed by retirees using MyTMRS.

Partial Lump Sum Distribution

When you retire, if you choose to receive part of your benefit as a Partial Lump Sum Distribution (PLSD), that lump sum will be taxable income for the year in which it is payable to you.

The PLSD will be considered taxable income for the year in which you receive it. You can defer paying income tax by rolling your PLSD into an IRA or other eligible plan.

If you receive your PLSD directly before reaching age 59½ and you do not roll over your PLSD, you may be subject to **an additional 10% income tax penalty** for an early distribution.

You will not incur the additional 10% income tax on your PLSD if you terminate employment with the TMRS city from which you retire **in the year you turn age 55 or later** or if you are a public safety employee who terminates employment in the year you turn age 50 or later. Although you may receive your PLSD directly with no additional 10% income tax, you will still be subject to regular income tax on the PLSD for the year you receive it.

Federal income tax law requires TMRS to withhold 20% of a PLSD, unless it is rolled into an IRA, a Section 457 deferred compensation plan for governmental employees, or another qualified retirement plan (see list under "Rollovers," pages 50 – 51). If only a part of your PLSD is rolled into an eligible plan, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a PLSD, the form you will fill out includes a "Special Tax Notice Regarding Plan Payments," which contains current information on federal regulations governing distributions and rollovers. The form, "Selection of Partial Lump Sum Distribution," which includes the "Special Tax Notice," is also available on the TMRS website under Forms.

Refunds

If you leave employment with a TMRS city and apply for a refund of your Member contributions and interest, your refund will be taxable income for the year in which it is payable to you. (If your refund includes any contributions you made before January 1, 1984, that portion will not be taxed because those contributions were made before TMRS contributions became tax-deferred.)

When you receive your refund check, you will also receive a statement showing the taxable portion of the refund. TMRS will mail you a 1099-R form, showing the amount of the refund and taxes withheld, in January of the year following your refund. Your form 1099-R can be viewed and printed through MyTMRS.

A refund will be considered taxable income for the year in which it is payable to you. You can defer paying income tax by rolling over your refund into an IRA or other qualified retirement plan.

In certain cases, if you do not roll over your refund, you may be subject to an additional 10% tax penalty. You will not incur the additional 10% penalty on your refund if you terminate employment with a TMRS city in the year you turn age 55 or later. However, if you terminate employment before the year you turn age 55, then decide to receive a refund directly (not rolled over) before age 59½, you may incur the additional 10% tax.

Exception: If you are a public safety employee (fire, police, or emergency medical personnel) who terminates in the year you turn 50 or later, you will not incur the additional 10% tax penalty. (Note: If you meet the definition of public safety employee for the age 50 exemption, a city official must certify your eligibility. A certification form for this purpose is available on our website.) Although you may receive your refund directly with no additional 10% tax penalty, you will be subject to regular income tax on the refund in the year it is payable to you.

The term "Public safety employees" includes law enforcement, fire fighting, and emergency medical services personnel as defined in federal law. You must be in an eligible position at the time of your retirement to qualify for this provision.

Federal income tax law requires TMRS to withhold 20% of a refund, unless it is rolled over to an IRA, a Section 457 deferred compensation plan for governmental employees, or another qualified retirement plan. If only a part of your refund is rolled over, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a refund, the form you will fill out includes a "Special Tax Notice Regarding Plan Payments," which contains current information on federal regulations governing distributions and rollovers. The Refund Application, which includes the "Special Tax Notice," is also available on the TMRS website.

Rollovers

Your PLSD or refund is eligible to be rolled over to an IRA or other qualified retirement plan. If you roll over one of these payments from TMRS, you will defer payment of taxes until the money is withdrawn, and you may avoid a tax penalty that you would owe if you received the payment directly.

Federal law on rollovers provides that plans eligible to receive a rollover from TMRS (of either a PLSD or a refund) are:

- Governmental 457(b) plan
- 403(b) plan
- 401(a) plan (including 401(k) plans)
- IRAs
- Roth IRA (after 20% is deducted for federal income tax)
- Simple IRAs

It is important to understand that special rules apply to rollovers to Roth IRAs, including additional income taxes and withholding requirements that may not apply to other types of rollovers.

Once your refund or PLSD is rolled over into another plan, future distributions from that plan may be subject to other federal laws and regulations. **Consult a tax advisor to be sure of the tax consequences of your options.**

Supplemental Death Benefit (SBD)

TMRS considers the Supplemental Death Benefit to be similar to group-term life insurance for federal income tax purposes.

Q: Is the SDB payment taxable?

A: In general, no. TMRS considers the SDB payment to the beneficiary to be proceeds from a group-term life insurance program. If the SDB is made payable to an individual, it is not subject to federal income taxes. However, TMRS encourages you to consult a tax advisor.

Tax Advice

While TMRS will assist Members and retirees with information on tax matters, **we cannot give advice or interpret IRS regulations as they might apply to individual circumstances.** Those questions should be directed to your tax advisor or the IRS.

Taxes

TMRS Services / Retirement Estimates

TMRS is committed to helping you understand your benefits and make the best use of your city's TMRS retirement program. Some of the resources TMRS makes available to Members include:

- **tmrs.com.** The TMRS website offers up-to-date benefit information; news on TMRS legislation, investments and Board of Trustee actions; downloadable forms; a searchable list of city plan provisions; videos; and much more. The website is your best source for current TMRS information.
- **MyTMRS.** This is a special feature of the TMRS website that allows you to run retirement estimates, access account information and make changes. Go to the TMRS website and click on MyTMRS to register.
- **Member Service Center.** The Member Service Center is staffed by benefit counselors trained to answer your questions on specific benefit issues. Call the Member Service Center at 800-924-8677 or send an email to help@tmrs.com.
- **Newsletters.** TMRS publishes both electronic and print newsletters for Members (*TMRS Times*) and retirees (*RetirementWise*) at regular intervals each year. The newsletters offer announcements and in-depth articles on issues of interest to TMRS Members. Please keep your address and email address current with TMRS so the newsletters will reach you.
- ***TMRS FACTS.*** This is a booklet for Members that answers most Member questions in a Q&A format. This guide is meant to be used in conjunction with your city plan. It is available in English and Spanish.
- **Specialized brochures on benefit topics.** These can be downloaded from the website, obtained from your city, or requested directly from TMRS by calling the Member Service Center.
- **Member Account Statements.** These annual

statements provide a written summary of your account, reflecting the information TMRS has on file for you. Account Statements summarize your service history, your retirement account balance, your beneficiary information, and also give you retirement estimates. If you see errors in this statement, please contact us immediately.

- **Retiree Benefit Statements.** These are statements sent early each year that show the amount of the monthly benefit, federal tax withholding, other adjustments (if any), and the amount of the COLA, if any.
- **TMRS Annual Conference and Regional Pre-Retirement Conferences.** TMRS holds an annual conference each year for city employees who help administer TMRS benefits. TMRS also conducts a number of virtual and in-person Regional Conferences for Members approaching retirement. See the website or call TMRS for a schedule.
- **Email newsletters.** TMRS sends newsletters to cities, retirees, and Members on various topics. Be sure to keep your email address up-to-date in MyTMRS and use a persistent (non-work) email address.

Information

To obtain a retirement estimate, use the MyTMRS feature on tmrs.com. Or call the TMRS Member Service Center toll-free at 800-924-8677.

Retirement Estimates

Since retirement benefits vary from city to city, benefit estimates from TMRS must be prepared on an individual basis.

TMRS Members get estimates of their retirement benefits each year on the Member Account Statement. The estimates show the benefit that you would receive under the available options in December of your first eligible year and five years later.

As you near retirement, the best way to run estimates at your convenience is to use MyTMRS. Estimates may be based on one or more anticipated dates of retirement and provide benefit information, such as the value of your

Estimate Note

Remember, all estimates are based on assumptions, and your actual benefit may be different.

optional Partial Lump Sum Distribution (PLSD) and how taking a PLSD will affect the amount of your retirement benefit. If you have a QDRO on file, you will need to call TMRS for your estimates.

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TEXAS MUNICIPAL RETIREMENT SYSTEM

TMRS

April 2021 Edition

TMRS

Popular Annual Financial Report

For the Year Ended December 31, 2020


TEXAS MUNICIPAL RETIREMENT SYSTEM

From the Executive Director

On behalf of the Texas Municipal Retirement System (TMRS) Board of Trustees and staff, I am pleased to present you with this Popular Annual Financial Report (PAFR) for the year ended December 31, 2020. The PAFR provides a summary of TMRS membership, financial, investment, actuarial and Board information. The financial data was taken from TMRS' Comprehensive Annual Financial Report for the year ended December 31, 2020 (Report), which is available on our website at tmrs.com.

TMRS is a statewide public retirement plan that provides retirement, disability and death benefits to more than 205,000 Members and retirees of 895 participating cities. TMRS is funded by Member and participating city contributions and does not receive state funding. In 2020, TMRS paid $1.5 billion in retirement benefits, an increase of $98.5 million, or 6.8%, from $1.4 billion paid in 2019.

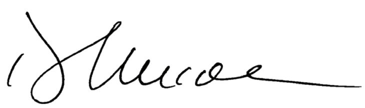
The Plan is financially sound and well-funded. As of December 31, 2020:

- Our net investment return was 7.65%, exceeding TMRS' 6.75% actuarial return assumption
- Trust Fund investments totaled $34.5 billion at December 31, 2020 — an all-time high

2020 was an historic year. The COVID-19 pandemic presented significant challenges, but TMRS met them all. Not one retiree or beneficiary payment was delayed, and Member service remained at high levels.

I thank the Board for their leadership and support. I appreciate the warm welcome from my colleagues and thank them for their commitment to our Members and participating cities.

Sincerely,



David B. Wescoe
Executive Director

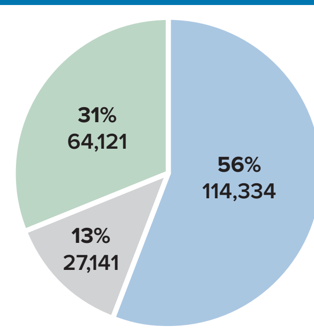
Plan Information

TMRS administers a cash-balance defined benefit retirement plan for eligible employees of participating cities. Members and participating cities continue to grow. At December 31, 2020, we had 205,596 Members and retirees from 895 participating cities.

Members are eligible to retire based on their city's vesting, age and years of service requirements. Generally, a Member vests after either 5 or 10 years of service and is eligible to retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age.

TMRS also administers a Supplemental Death Benefits Fund (SDBF), which provides a one-time death benefit for Members and retirees of participating cities that elect this benefit.

2020 MEMBERSHIP



Financial Information

TMRS administers a Pension Trust Fund that provides monthly service and disability retirement benefits for the life of a retiree.

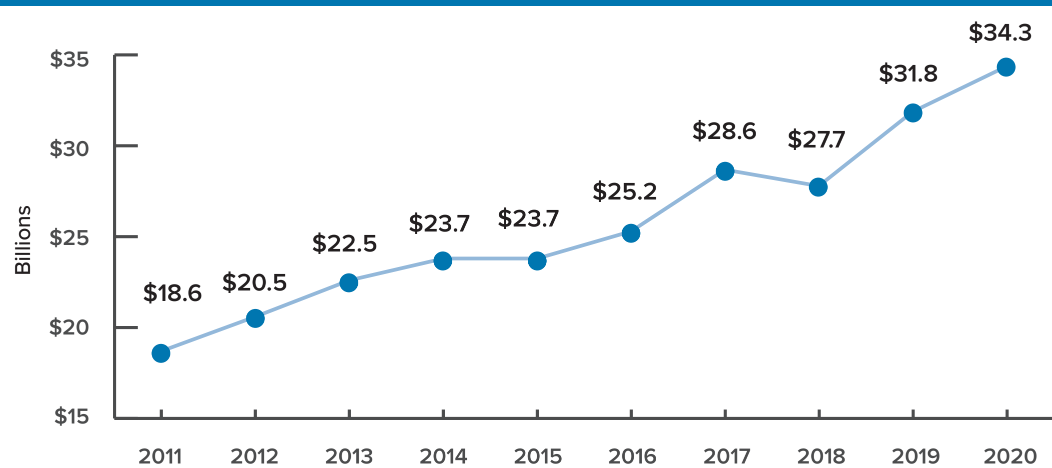
The following table presents TMRS' assets and liabilities for the years ending December 31, 2020 and 2019. The fiduciary net position is the difference between assets and liabilities and represents the funds accumulated for the payment of future benefits.

Fiduciary Net Position – Pension Trust Fund (dollars in millions)
As of December 31

	2020	2019	Increase (Decrease)	% Change
ASSETS				
Investments	$ 34,522.3	$ 31,871.2	$ 2,651.1	8.3 %
Receivables and other assets	840.6	479.5	361.1	75.3
Capital assets, net	7.9	8.5	(0.6)	(7.1)
Total assets	35,370.8	32,359.2	3,011.6	9.3
LIABILITIES				
Payables and accrued liabilities	1,076.2	532.0	544.2	103.0
Funds held for SDBF	11.7	13.4	(1.7)	(12.7)
Total liabilities	1,087.9	545.4	542.5	99.5
FIDUCIARY NET POSITION	**$ 34,282.9**	**$ 31,813.8**	**$ 2,469.1**	**7.8 %**

TMRS' net position has steadily increased over the last ten years from $18.6 billion to $34.3 billion. Our investment portfolio is the most significant component of the fiduciary net position. Contributions from Members and participating cities are invested in a diversified portfolio that includes equities, bonds and private investment funds. In 2020, investments increased in value by $2.7 billion, or 8.3%.

Net Position — Pension Trust Fund
Last 10 Years (in billions)



The following table presents the changes in fiduciary net position for 2020 and 2019. Additions include Members' and participating cities' contributions and investment income. Deductions include benefits paid and operating expenses.

Changes in Fiduciary Net Position – Pension Trust Fund (dollars in millions)
For the Years Ended December 31

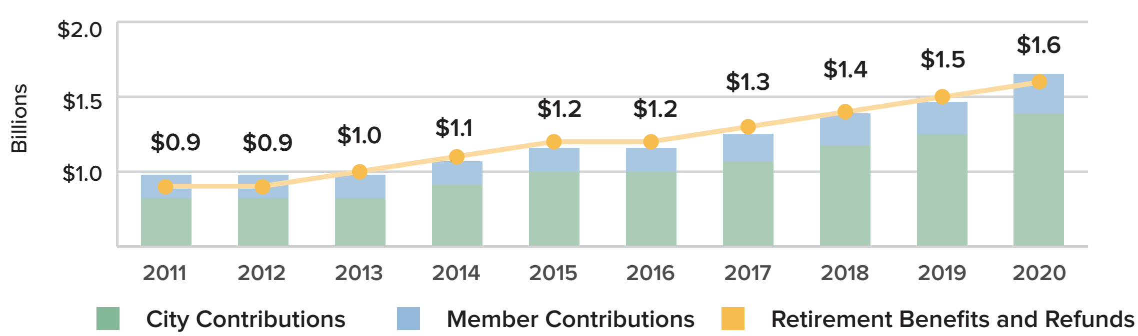
	2020	2019	Increase (Decrease)	% Change
ADDITIONS				
City contributions	$ 1,191.7	$ 930.2	$ 261.5	28.1 %
Member contributions	479.2	453.6	25.6	5.6
Net investment income	2,414.5	4,279.5	(1,865.0)	(43.6)
Total additions	4,085.4	5,663.3	(1,577.9)	(27.9)
DEDUCTIONS				
Retirement benefit payments	1,544.0	1,445.5	98.5	6.8
Inactive Member refunds	56.0	62.7	(6.7)	(10.7)
Administrative expenses	15.6	24.2	(8.6)	(35.5)
Income allocation to SDBF	0.7	0.7	–	–
Total deductions	1,616.3	1,533.1	83.2	5.4
Change in net position	2,469.1	4,130.2	(1,661.1)	(40.2)
NET POSITION				
Beginning of year	31,813.8	27,683.6	4,130.2	14.9
End of year	**$ 34,282.9**	**$ 31,813.8**	**$ 2,469.1**	**7.8 %**

Contributions. Participating cities and Members make contributions to TMRS. Participating cities' contribution rates are determined by our actuary to fund their cities' future benefits. In 2020, in addition to regular monthly contributions, participating cities also contributed $214.4 million in lump sum contributions, compared with $3.6 million in 2019. Members make contributions based on a percent of their compensation, 3%, 5%, 6% or 7%, as adopted by their city.

Investment Income. Investment income includes interest, dividends and the change in the value of the investment portfolio. Investment income is reduced by the expenses directly associated with managing the investment portfolio, resulting in net investment income. The change in net investment income is due to market volatility causing changes in the investment portfolio's value.

Benefit Payments. Retirement benefit and refund payments increased to $1.6 billion because the number of retirees grew from 61,266 in 2019 to 64,121 in 2020.

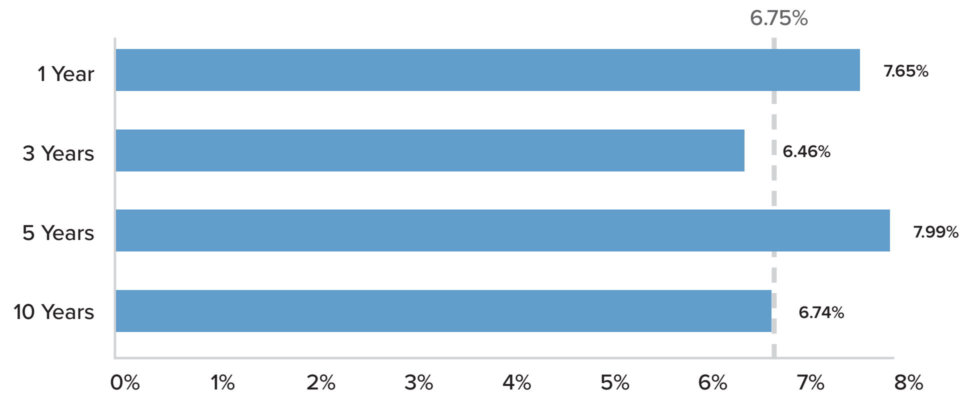
Membership Activity — Last 10 Years



Investments

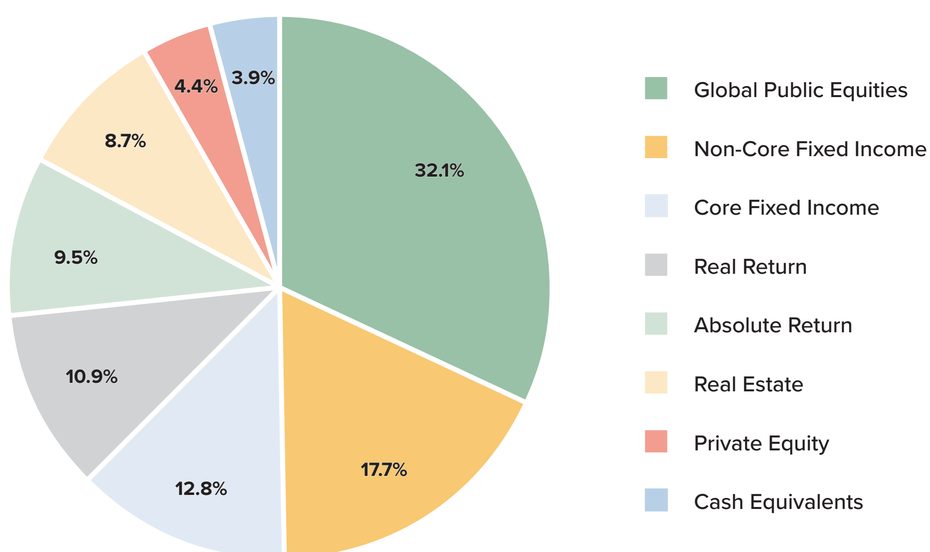
TMRS' 2020 net investment return was 7.65%, which exceeded our 6.75% actuarial return assumption. Trust Fund investments totaled $34.5 billion, an all-time high, at December 31, 2020.

2020 Investment Results



TMRS has a highly diversified portfolio of assets, with investments in public and private markets, across different asset classes. The TMRS Board of Trustees approves the strategic target allocation, with the objective of meeting or exceeding the 6.75% actuarial return assumption. TMRS' actual asset allocation as of December 31, 2020 is presented below.

2020 Asset Allocation



Actuarial

The Board's independent actuary, GRS, performs an annual actuarial valuation for each TMRS participating city and calculates their annual contribution rate required to fully fund benefits. These contribution rates go into effect January 1 of the year following the date of the valuation. Participating city rate letters are available on our website at tmrs.com.

TMRS is one of the best-funded public pension plans in the U.S. and is well positioned to meet its commitments to current and future retirees. While every participating city has its own funded ratio, TMRS' composite funded ratio was 89.5% as of December 31, 2020.

The funded ratio, which compares the actuarial value of assets to anticipated future benefits, is considered a measure of the soundness of a retirement plan. Therefore, a plan with a 100% funded ratio is considered to have enough assets to cover all of its projected accrued liabilities.

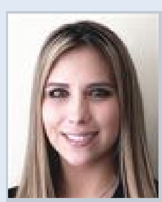
Funded Ratio — Last 10 Years									
2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
85.1%	87.2%	84.1%	85.8%	85.8%	86.3%	87.4%	87.1%	88.0%	89.5%

2020 Board of Trustees

TMRS is governed by a six-member Board of Trustees who are appointed by the Governor of Texas and confirmed by the Texas Senate. Board members serve six-year terms and have fiduciary oversight of TMRS. The Board receives counsel from staff, investment consultants and an Advisory Committee on Benefit Design representing various stakeholders.

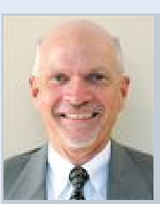
Governor Greg Abbott appointed Anali Alanis and Johnny Huizar to the Board of Trustees in February 2020. In July 2020, he appointed Bob Scott and reappointed Bill Philibert. Ms. Alanis was reappointed in April 2021, and the Texas Senate unanimously confirmed these appointments in May 2021.

Bill Philibert, 2020 Chair
Director of Human Resources and Risk Management
City of Deer Park

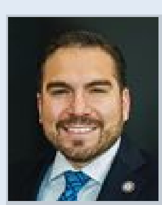


Anali Alanis
Assistant City Manager
City of Pharr

Johnny Huizar
City Manager
City of Pleasanton



David Landis, 2020 Vice Chair
City Manager
City of Perryton



Jesús A. Garza
City Manager
City of Victoria

Bob Scott
Assistant City Manager and Chief Financial Officer
City of Carrollton

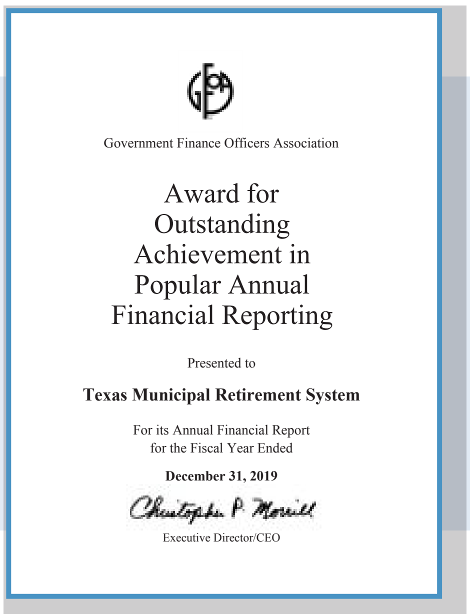
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to TMRS for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR Award) is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive a PAFR Award, a government unit must publish a PAFR whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

A PAFR Award is valid for a period of one year only. TMRS has received this award for the last 15 consecutive years.

TMRS also received the 2020 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.



Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

Texas Municipal Retirement System

For its Annual Financial Report for the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2020

Presented to

Texas Municipal Retirement System

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

For More Information

TMRS prepares the PAFR annually to provide you with an overview of how TMRS has performed financially in the past year. Unlike the financial data in the Report, the data in this PAFR is unaudited and does not include all of the financial statements and note disclosures required by generally accepted accounting principles. In addition, while TMRS also administers the Supplemental Death Benefits Fund, the PAFR includes only the financial information of the Pension Trust Fund. For detailed financial information, please refer to the TMRS Comprehensive Annual Financial Report for the Year Ended December 31, 2020 at tmrs.com.

P.O. Box 149153
Austin, TX 78714-9153
800-924-8677
tmrs.com

On the cover: photos of city halls from TMRS participating cities courtesy of Texas Department of Transportation, City of North Richland Hills and iStock photos.

DISCUSSION SHEET

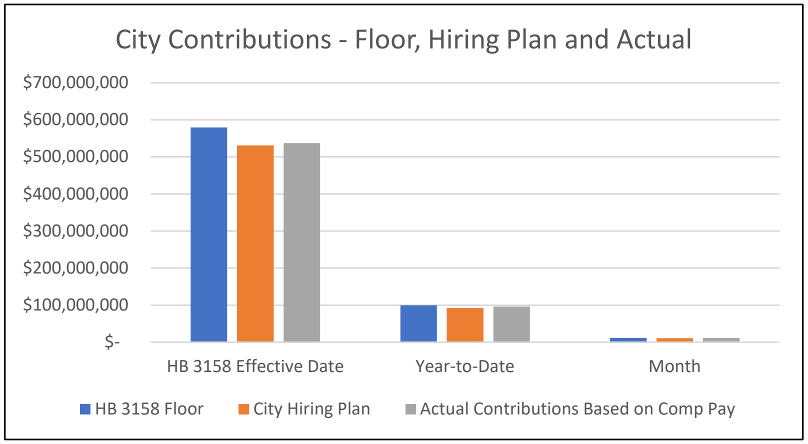
ITEM #C4

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Friday, October 15, 2021

Contribution Tracking Summary - October 2021 (August 2021 Data)



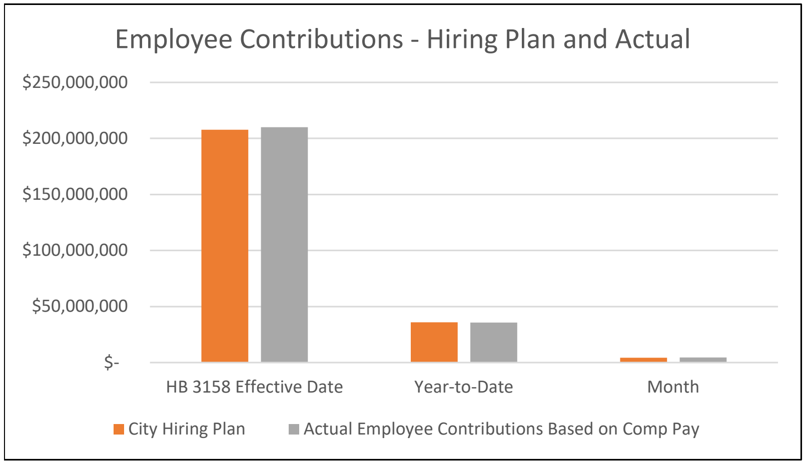
Actual Comp Pay was 101% of the Hiring Plan estimate since the effective date of HB 3158.

In the most recent month Actual Comp Pay was 105% of the Hiring Plan estimate and 97% of the Floor amount.

The Hiring Plan Comp Pay estimate increased by 3.03% in 2021. The Floor increased by 2.76%.

Through 2024 the HB 3158 Floor is in place so there is no City Contribution shortfall.

The combined actual employees was 170 less than the Hiring Plan for the pay period ending August 31, 2021. Fire was over the estimate by 41 fire fighters and Police under by 211 officers.



Employee contributions exceeded the Hiring Plan estimate for the month, the year and since inception.

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Aug-21	Number of Pay Periods Beginning in the Month	HB 3158 Floor	City Hiring Plan	Actual Contributions Based on Comp Pay	Additional Contributions to Meet Floor Minimum	Comp Pay Contributions as a % of Floor Contributions	Comp Pay Contributions as a % of Hiring Plan Contributions
Month	2	$ 11,764,000	$ 10,827,692	$ 11,415,061	$ 348,939	97%	105%
Year-to-Date		$ 99,994,000	$ 92,035,385	$ 96,513,715	$ 3,322,285	97%	105%
HB 3158 Effective Date		$ 579,165,000	$ 530,795,769	$ 537,301,578	$ 41,937,128	93%	101%

Due to the Floor through 2024, there is no cumulative shortfall in City Contributions
Does not include the flat $13 million annual City Contribution payable through 2024.
Does not include Supplemental Plan Contributions.

Employee Contributions

Aug-21	Number of Pay Periods Beginning in the Month	City Hiring Plan	Actual Employee Contributions Based on Comp Pay	Actual Contribution Shortfall Compared to Hiring Plan	Actuarial Valuation Contribution Assumption	Actual Contributions as a % of Hiring Plan Contributions	Actual Contributions as a % of Actuarial Val Assumption
Month	2	$ 4,236,923	$ 4,466,196	$ 229,273	$ 4,236,924	105%	105%
Year-to-Date		$ 36,013,846	$ 35,740,220	$ 1,844,836	$ 36,013,854	99%	99%
HB 3158 Effective Date		$ 207,702,692	$ 210,091,664	$ 2,388,972	$ 202,593,496	101%	104%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (464,029)

Does not include Supplemental Plan Contributions.

Reference Information

City Contributions: HB 3158 Bi-weekly Floor and the City Hiring Plan Converted to Bi-weekly Contributions

	HB 3158 Bi-weekly Floor	City Hiring Plan-Bi-weekly	HB 3158 Floor Compared to the Hiring Plan	Hiring Plan as a % of the Floor	% Increase/ (decrease) in the Floor	% Increase/ (decrease) in the Hiring Plan
2017	$ 5,173,000	$ 4,936,154	$ 236,846	95%		
2018	$ 5,344,000	$ 4,830,000	$ 514,000	90%	3.31%	-2.15%
2019	$ 5,571,000	$ 5,082,115	$ 488,885	91%	4.25%	5.22%
2020	$ 5,724,000	$ 5,254,615	$ 469,385	92%	2.75%	3.39%
2021	$ 5,882,000	$ 5,413,846	$ 468,154	92%	2.76%	3.03%
2022	$ 6,043,000	$ 5,599,615	$ 443,385	93%	2.74%	3.43%
2023	$ 5,812,000	$ 5,811,923	$ 77	100%	-3.82%	3.79%
2024	$ 6,024,000	$ 6,024,231	$ (231)	100%	3.65%	3.65%

The HB 3158 Bi-weekly Floor ends after 2024

Employee Contributions: City Hiring Plan and Actuarial Val. Converted to Bi-weekly Contributions

		City Hiring Plan Converted to Bi-weekly Employee Contributions	Actuarial Valuation Assumption Converted to Bi-weekly Employee contributions	Actuarial Valuation as a % of Hiring Plan
2017		$ 1,931,538	$ 1,931,538	100%
2018		$ 1,890,000	$ 1,796,729	95%
2019		$ 1,988,654	$ 1,885,417	95%
2020		$ 2,056,154	$ 2,056,154	100%
2021		$ 2,118,462	**$ 2,118,462**	100%
2022		$ 2,191,154	**$ 2,191,154**	100%
2023		$ 2,274,231	**$ 2,274,231**	100%
2024		$ 2,357,308	**$ 2,357,308**	100%

The information on this page is for reference. The only numbers on this page that may change before 2025 are the Actuarial Valuation Employee Contributions Assumptions for the years 2020-2024 and the associated percentage.

Reference Information - Actuarial Valuation and GASB 67/68 Contribution Assumptions

Actuarial Assumptions Used in the Most Recent Actuarial Valuation - These assumptions will be reevaluated annually & may change.
City Contributions are based on the Floor through 2024, the Hiring Plan from 2025 to 2037, after 2037 an annual growth rate of 2.75% is assumed
Employee Contributions for 2018 are based on the 2017 actual employee contributions inflated by the growth rate of 2.75% and the Hiring Plan for subsequent years until 2038, when the 2037 Hiring Plan is increased by the 2.75 growth rate for the next 10 years

Actuarial/GASB Contribution Assumption Changes Since the Passage of HB 3158

	Actuarial Valuation	GASB 67/68
YE 2017 (1/1/2018 Valuation)		
2018 Employee Contributions Assumption - based on 2017 actual plus growth rate not the Hiring Plan Payroll	$ (2,425,047)	*
2019 Estimate (1/1/2019 Valuation)		
2019 Employee Contribution Assumption	$ 9,278	*
**90% of Hiring Plan was used for the Cash Flow Projection for future years in the 12/31/2017 GASB 67/68 calculation. At 12-31-17, 12-31-18 and 12-31-2019 this did not impact the pension liability or the funded percentage.*		

The information on this page is for reference. It is intended to document contribution related assumptions used to prepare the Actuarial Valuation and changes to those assumptions over time, including the dollar impact of the changes. Contribution changes impacting the GASB 67/68 liability will also be included.

City Hiring Plan - Annual Computation Pay and Numbers of Employees						
	Computation Pay			Number of Employees		
Year	Hiring Plan	Actual	Difference	Hiring Plan	Actual EOY	Difference
2017	$ 372,000,000	Not Available	Not Available	5,240	4,935	(305)
2018	$ 364,000,000	$ 349,885,528	$ (14,114,472)	4,988	4,983	(5)
2019	$ 383,000,000	$ 386,017,378	$ 3,017,378	5,038	5,104	66
2020	$ 396,000,000	$ 421,529,994	$ 25,529,994	5,063	4,988	(75)
2021	$ 408,000,000			5,088		
2022	$ 422,000,000			5,113		
2023	$ 438,000,000			5,163		
2024	$ 454,000,000			5,213		
2025	$ 471,000,000			5,263		
2026	$ 488,000,000			5,313		
2027	$ 507,000,000			5,363		
2028	$ 525,000,000			5,413		
2029	$ 545,000,000			5,463		
2030	$ 565,000,000			5,513		
2031	$ 581,000,000			5,523		
2032	$ 597,000,000			5,523		
2033	$ 614,000,000			5,523		
2034	$ 631,000,000			5,523		
2035	$ 648,000,000			5,523		
2036	$ 666,000,000			5,523		
2037	$ 684,000,000			5,523		

Comp Pay by Month - 2021	Annual Divided by 26 Pay Periods	Actual	Difference	2020 Cumulative Difference	Number of Employees - EOM	Difference
January	$ 31,384,615	$ 33,074,493	$ 1,689,878	$ 1,689,878	4960	(128)
February	$ 31,384,615	$ 33,017,462	$ 1,632,847	$ 3,322,725	4926	(162)
March	$ 31,384,615	$ 32,960,217	$ 1,575,602	$ 4,898,327	4929	(159)
April	$ 47,076,923	$ 49,564,745	$ 2,487,822	$ 7,386,148	4935	(153)
May	$ 31,384,615	$ 33,011,653	$ 1,627,037	$ 9,013,186	4913	(175)
June	$ 31,384,615	$ 32,932,804	$ 1,548,189	$ 10,561,374	4904	(184)
July	$ 31,384,615	$ 33,011,207	$ 1,626,592	$ 12,187,966	4939	(149)
August	$ 31,384,615	$ 33,136,708	$ 1,752,092	$ 13,940,059	4918	(170)
September				$ 13,940,059		
October				$ 13,940,059		
November				$ 13,940,059		
December				$ 13,940,059		

DISCUSSION SHEET

ITEM #C5

Topic: **Board approval of Trustee education and travel**

a. Future Education and Business-related Travel
b. Future Investment-related Travel

Discussion:

a. Per the Education and Travel Policy and Procedure, planned Trustee education and business-related travel and education which does not involve travel requires Board approval prior to attendance.

Attached is a listing of requested future education and travel noting approval status.

b. Per the Investment Policy Statement, planned Trustee travel related to investment monitoring, and in exceptional cases due diligence, requires Board approval prior to attendance.

There is no future investment-related travel for Trustees at this time.

Future Education and Business Related Travel & Webinars
Regular Board Meeting – October 15, 2021

ATTENDING **APPROVED**

2022 EVENTS

1. **Conference:** **TEXPERS Annual Conference**
   Dates: April 3-6, 2022
   Location: Fort Worth, TX
   Est Cost: TBD

2. **Conference:** **NCPERS Trustee Educational Seminar (TEDS)**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

3. **Conference:** **NCPERS Program for Advanced Trustee Studies (PATS)**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

4. **Conference:** **NCPERS Accredited Fiduciary (NAF) Program**
   Dates: May 21 – 22, 2022
   Location: Washington, DC
   Est Cost: TBD

Future Education and Business Related Travel & Webinars
Regular Board Meeting – October 15, 2021

ATTENDING APPROVED

2022 EVENTS

5. **Conference:** **NCPERS Annual Conference & Exhibition (ACE)**
Dates: May 22 – 25, 2022
Location: Washington, DC
Est Cost: TBD

6. **Conference:** **NCPERS Public Safety Conference**
Dates: October 25-28, 2022
Location: Nashville, TN
Est Cost: **TBD**

DISCUSSION SHEET

ITEM #C6

Topic: **Report on Investment Advisory Committee**

Discussion: The Investment Advisory Committee met on September 23, 2021. The Committee Chair and Investment Staff will comment on Committee observations and advice.

DISCUSSION SHEET

ITEM #C7

Topic: **Portfolio Update**

Discussion: Investment Staff will brief the Board on recent events and current developments with respect to the investment portfolio.

Regular Board Meeting – Friday, October 15, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

October 15, 2021

Executive Summary

- Liquidation of private market assets remains the top focus.
  - Received $149M in distributions year to date, including $13M of distributions in September.
  - ~$30M in additional distributions projected thru year-end.

- Rebalancing Activity: $90M of capital redeployed into Global Equity, EM Equity and EM Debt towards new Asset Allocation. Additional rebalancing actions to occur before year-end. An additional ~$70M to occur by year-end.

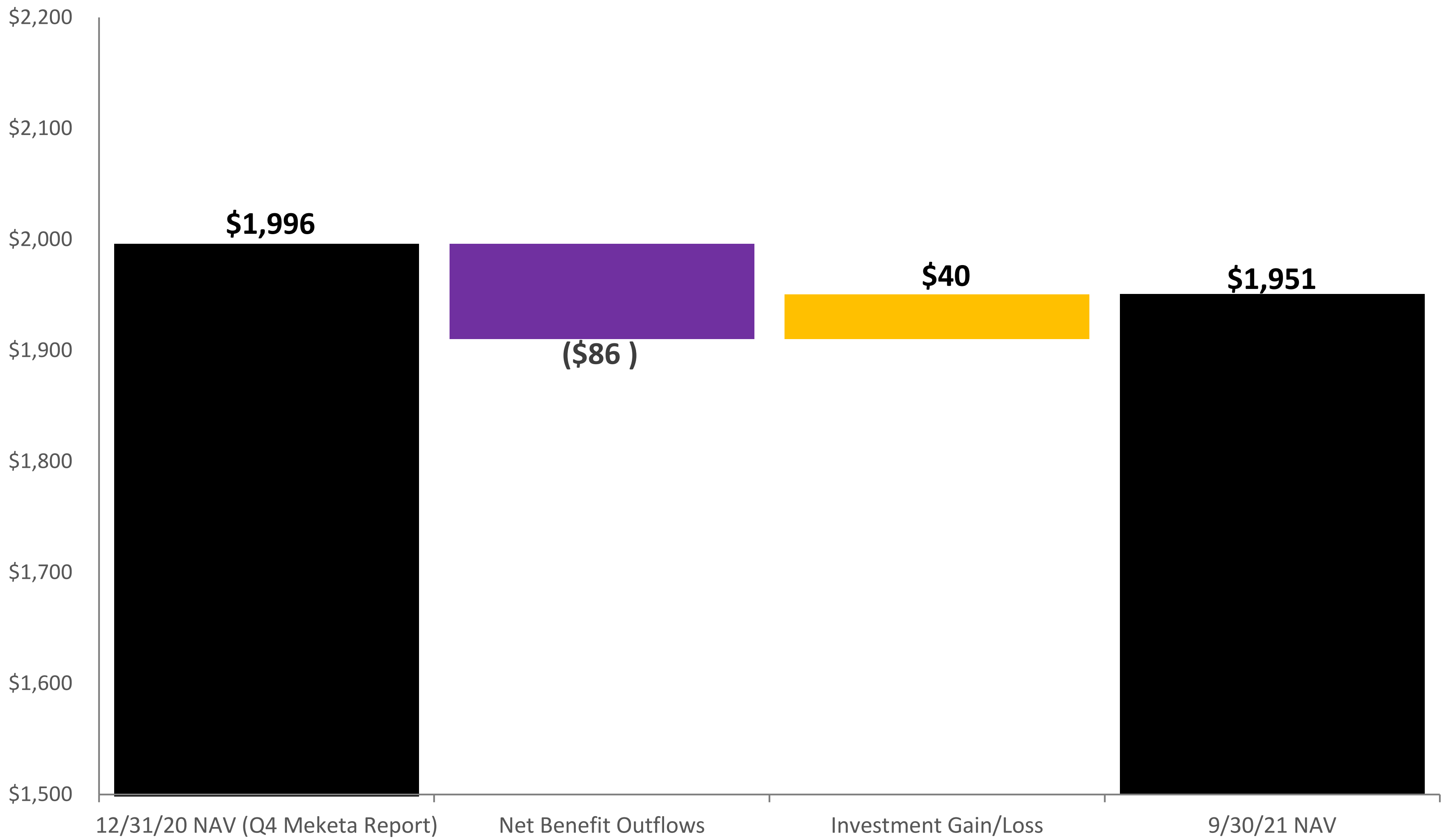
- Final outstanding 2020 audit received from Huff Energy. Lone Star valuation adjustments booked so no longer need to show “Adjusted Private Market” valuations.

- Staff discussed International (Non-US) Small Cap search process with IAC at September meeting and issued RFP to 6 semi-finalists in late September.

2021YTD Change in Market Value Bridge Chart

In Millions

Annual Investment Return estimated at 2.1% YTD as of 9/30/21



Public Markets Performance Snapshot - Estimates

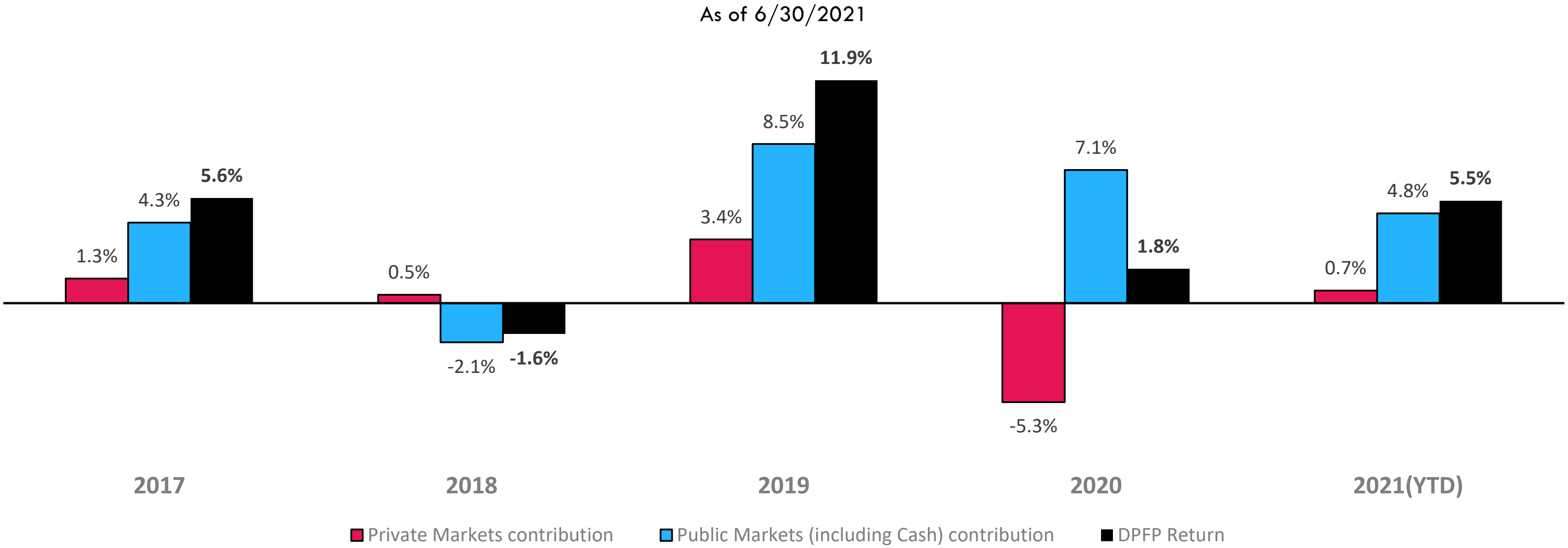
Public Markets (ex-Cash) currently make up 68% of DPFP Investment Portfolio.

		Sep-21			YTD as of 9/30/21		
Net of fees	**Index**	**Manager**	**Index**	**Excess**	**Manager**	**Index**	**Excess**
Total Public Portfolio (ex-Cash)	**60% MSCI ACWI IMI / 40% BBG Global AGG**	**-3.0%**	**-3.1%**	**0.1%**	**6.6%**	**5.0%**	**1.6%**
Global Equity	**MSCI ACWI IMI**	**-4.2%**	**-4.0%**	**-0.2%**	**12.1%**	**11.4%**	**0.7%**
Boston Partners	MSCI World	-2.0%	-4.2%	2.2%	17.6%	13.0%	4.6%
Manulife	MSCI ACWI	-4.1%	-4.1%	0.1%	12.0%	11.2%	0.8%
Invesco (OFI)	MSCI ACWI	-5.6%	-4.1%	-1.5%	10.7%	11.2%	-0.4%
Walter Scott	MSCI ACWI	-5.2%	-4.1%	-1.1%	10.1%	11.2%	-1.0%
Northern Trust ACWI IMI Index	MSCI ACWI IMI	-4.1%	-4.0%	-0.1%	8.3%	8.4%	-0.1%
Eastern Shore US Small Cap	Russell 2000	-4.9%	-3.0%	-2.0%			
EM Equity - RBC	**MSCI EM IMI**	**-4.6%**	**-3.7%**	**-0.9%**	**-4.4%**	**0.8%**	**-5.2%**
Public Fixed Income (ex-Cash)	**BBG Multiverse TR**	**-0.7%**	**-1.8%**	**1.1%**	**0.4%**	**-3.8%**	**4.2%**
S/T IG Bonds - IR+M	BBG 1-3YR AGG	-0.1%	-0.1%	0.0%	0.3%	0.1%	0.2%
IG Bonds - Longfellow	BBG US AGG	-0.7%	-0.9%	0.2%	-0.6%	-1.6%	1.0%
Bank Loans - Pacific Asset Management	CS Leveraged Loan	0.6%	0.7%	0.0%	4.2%	4.6%	-0.4%
High Yield - Loomis Sayles	BBG USHY 2% Cap	-0.1%	0.0%	-0.1%	3.5%	4.5%	-1.0%
EM Debt - Ashmore	50% JPM EMBI / 25% ELMI / 25% GBI-EM	-4.3%	-2.3%	-2.0%	-5.9%	-2.6%	-3.2%

Source: JPM Morgan custody data, manager reports, Investment Staff estimates and calculations. Numbers may not foot due to rounding.

** - Eastern Shore performance inception date 09/03/2021*

Return Contribution from Public and Private Markets



	2017	2018	2019	2020	2021 (YTD)
Private Markets Avg. Allocation	62.8%	50.1%	43.2%	41.0%	32.3%
Private Markets Return	2.1%	0.9%	7.9%	-12.9%	2.1%
Private Markets Return Contribution	1.3%	0.5%	3.4%	-5.3%	0.7%
Public Markets Avg. Allocation	37.2%	49.9%	56.8%	59.0%	67.7%
Public Markets Return	11.6%	-4.2%	15.0%	12.1%	7.1%
Public Markets Return contribution	4.3%	-2.1%	8.5%	7.1%	4.8%
DPFP Total Return	**5.6%**	**-1.6%**	**11.9%**	**1.8%**	**5.5%**

* - DPFP Total Return is a calculation derived from annual average market value of Public and Private markets, respectively. Typically matches actual DPFP annual return within 50 basis points.

DALLAS POLICE & FIRE PENSION SYSTEM

Asset Allocation & Global Equity Detail

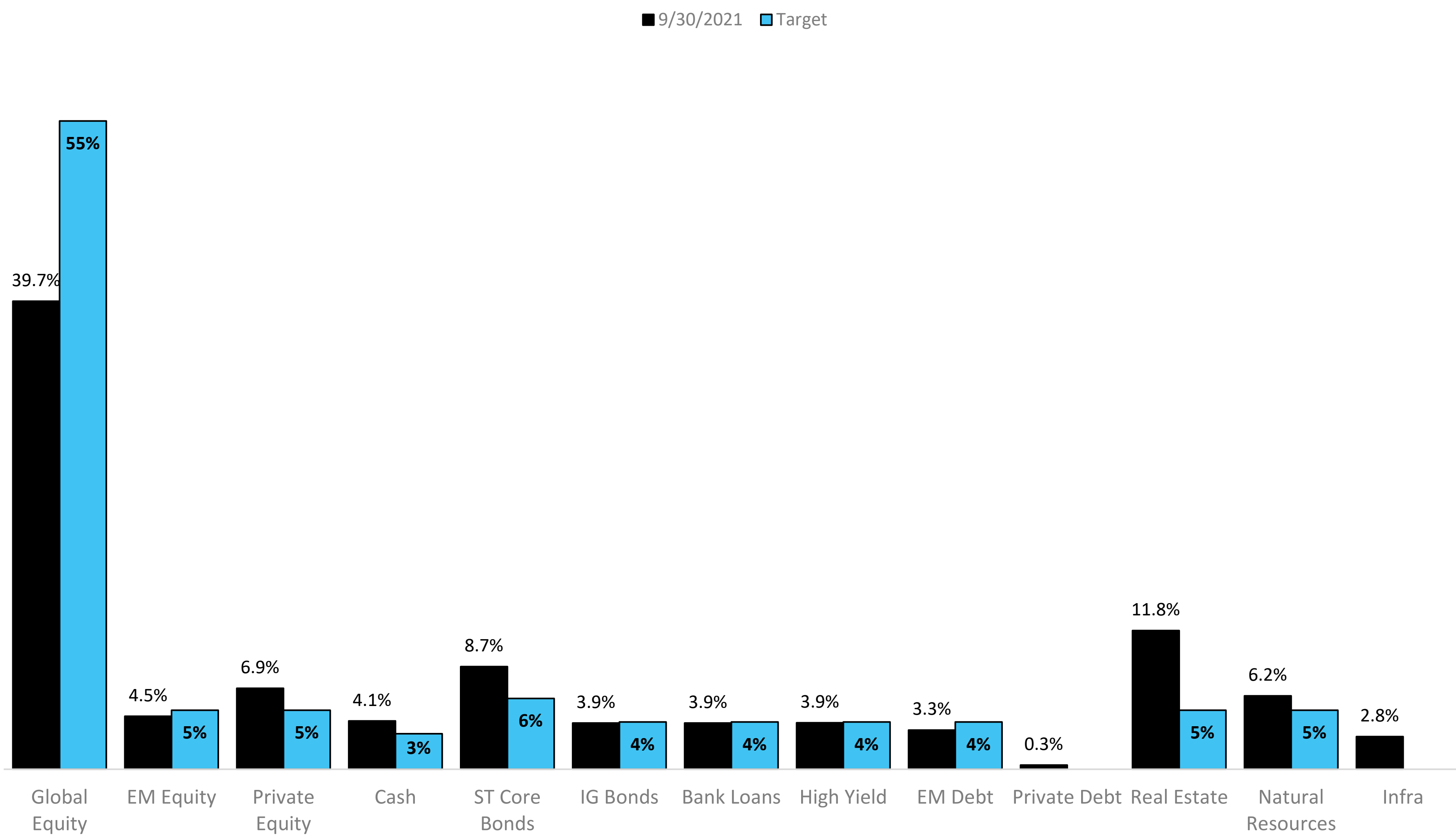
DPFP Asset Allocation	9/30/2021 NAV	%	Target $ mil.	%	Variance $ mil.	%
Equity	**995**	**51.0%**	**1,268**	**65%**	**-273**	**-14.0%**
Global Equity	775	39.7%	1,073	55%	-298	-15.3%
Boston Partners	*142*	*7.3%*	*156*	*8%*	*-14*	*-0.7%*
Manulife	*132*	*6.8%*	*156*	*8%*	*-24*	*-1.2%*
Invesco (OFI)	*134*	*6.9%*	*156*	*8%*	*-22*	*-1.1%*
Walter Scott	*133*	*6.8%*	*156*	*8%*	*-23*	*-1.2%*
Northern Trust ACWI IMI Index	*196*	*10.0%*	*293*	*15%*	*-97*	*-5.0%*
Eastern Shore US Small Cap	*38*	*2.0%*	*78*	*4%*	*-40*	*-2.0%*
Future International Small Cap Mandate	*0*	*0.0%*	*78*	*4%*	*-78*	*-4.0%*
Emerging Markets Equity - RBC	87	4.5%	98	5%	-10	-0.5%
Private Equity*	133	6.8%	98	5%	36	1.8%
Fixed Income	**550**	**28.2%**	**488**	**25%**	**63**	**3.2%**
Cash	80	4.1%	59	3%	21	1.1%
S/T Investment Grade Bonds - IR+M	170	8.7%	117	6%	53	2.7%
Investment Grade Bonds - Longfellow	76	3.9%	78	4%	-2	-0.1%
Bank Loans - Pacific Asset Management	76	3.9%	78	4%	-2	-0.1%
High Yield Bonds - Loomis Sayles	77	3.9%	78	4%	-1	-0.1%
Emerging Markets Debt - Ashmore	65	3.3%	78	4%	-13	-0.7%
Private Debt*	7	0.3%	0	0%	7	0.3%
Real Assets*	**405**	**20.8%**	**195**	**10%**	**210**	**10.8%**
Real Estate*	230	11.8%	98	5%	132	6.8%
Natural Resources*	121	6.2%	98	5%	24	1.2%
Infrastructure*	54	2.8%	0	0%	54	2.8%
Total	**1,951**	**100.0%**	**1,951**	**100%**	**0**	**0.0%**
Safety Reserve ~$162M=18 mo net CF	249	12.8%	176	9%	74	3.8%
*Private Mkt. Assets w/NAV Discount	545	27.9%	293	15%	252	12.9%

Source: Preliminary JP Morgan Custodial Data, Staff Estimates and Calculations

Individual target percentages for Global Equity managers are expected targets based on increase in allocation to 55%. Will be reviewed by Board in October.

Numbers may not foot due to rounding

Asset Allocation – Actual vs Target



Asset Class Returns – JPM Guide to the Markets

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	2006 - 2020 Ann.	2006 - 2020 Vol.
REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Comdty. 29.1%	Large Cap 9.9%	EM Equity 23.3%
EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	REITs 21.6%	Small Cap 8.9%	REITs 23.1%
DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Large Cap 15.9%	High Yield 7.5%	Small Cap 22.6%
Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 12.4%	REITs 7.1%	DM Equity 19.1%
Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	DM Equity 8.8%	EM Equity 6.9%	Comdty. 18.8%
Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	Asset Alloc. 8.7%	Asset Alloc. 6.7%	Large Cap 16.7%
High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.7%	DM Equity 5.0%	High Yield 12.2%
Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income 4.5%	Asset Alloc. 11.8%
Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	EM Equity -1.0%	Cash 1.2%	Fixed Income 3.2%
Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Fixed Income -1.6%	Comdty. -4.0%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2005 to 12/31/2020. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of September 30, 2021.

Investment Initiatives – Quarterly Plan

Q4 2021

- International Small Cap Search & RFP
- Public Equity Structure Review

Q1 2022

- International Small Cap Manager Selection & Funding

2021 Board Investment Review Plan*

Staff presentations targeted for 15 minutes, Manager presentations 30 – 60 minutes.

January ✓	• Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr.
February ✓	• Real Estate: Clarion Presentation
March ✓	• Natural Resources: Staff Portfolio Review - Forest Investment Associates and BTG Pactual
April ✓	• Real Estate: AEW Presentation
May ✓	• Natural Resources: Hancock Presentation
August ✓	• Infrastructure: Staff review of AIRRO and JPM Maritime
September ✓	• Staff review of Public Fixed Income managers
October	• Staff review of Public Equity managers
November	• Staff review of Private Equity and Debt

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

Topic: **Public Equity Portfolio Review**

Discussion: Staff will provide an overview of DPFP public equity investments.

Regular Board Meeting – Friday, October 15, 2021

DALLAS POLICE & FIRE PENSION SYSTEM

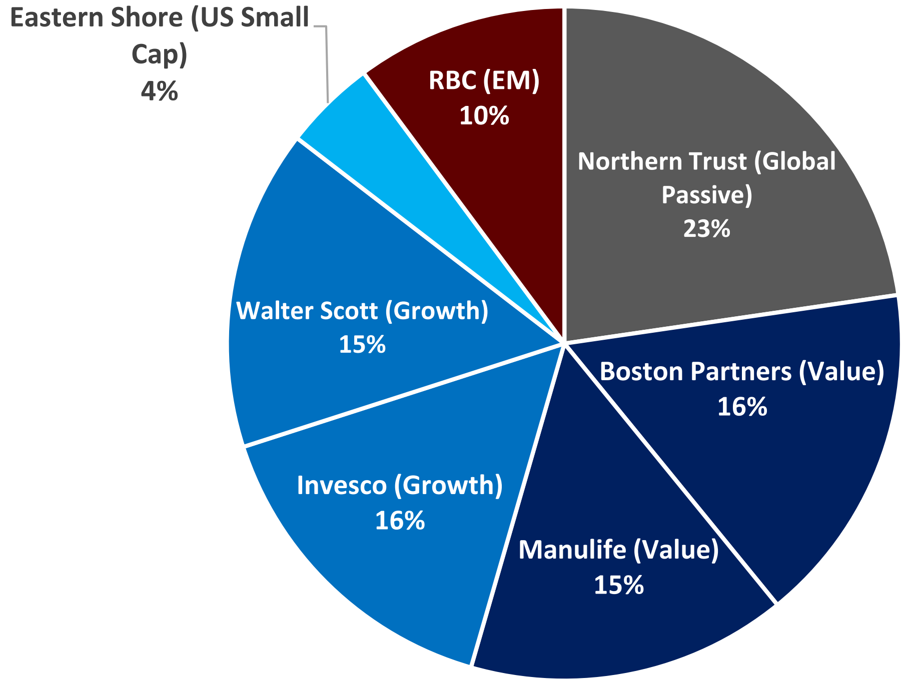
Public Equity Portfolio Review

October 15, 2021

Public Equity Current Allocation

Total AUM: $861,850,223 (44% of DPFP)

As of 09/30/2021



- July 2017: Global Equity structure of 4 equally-weighted managers implemented
- January 2018: Emerging Markets manager (RBC) implemented
- March 2020: Northern Trust Passive index component implemented
- September 2021: US Small Cap (Eastern Shore) manager implemented

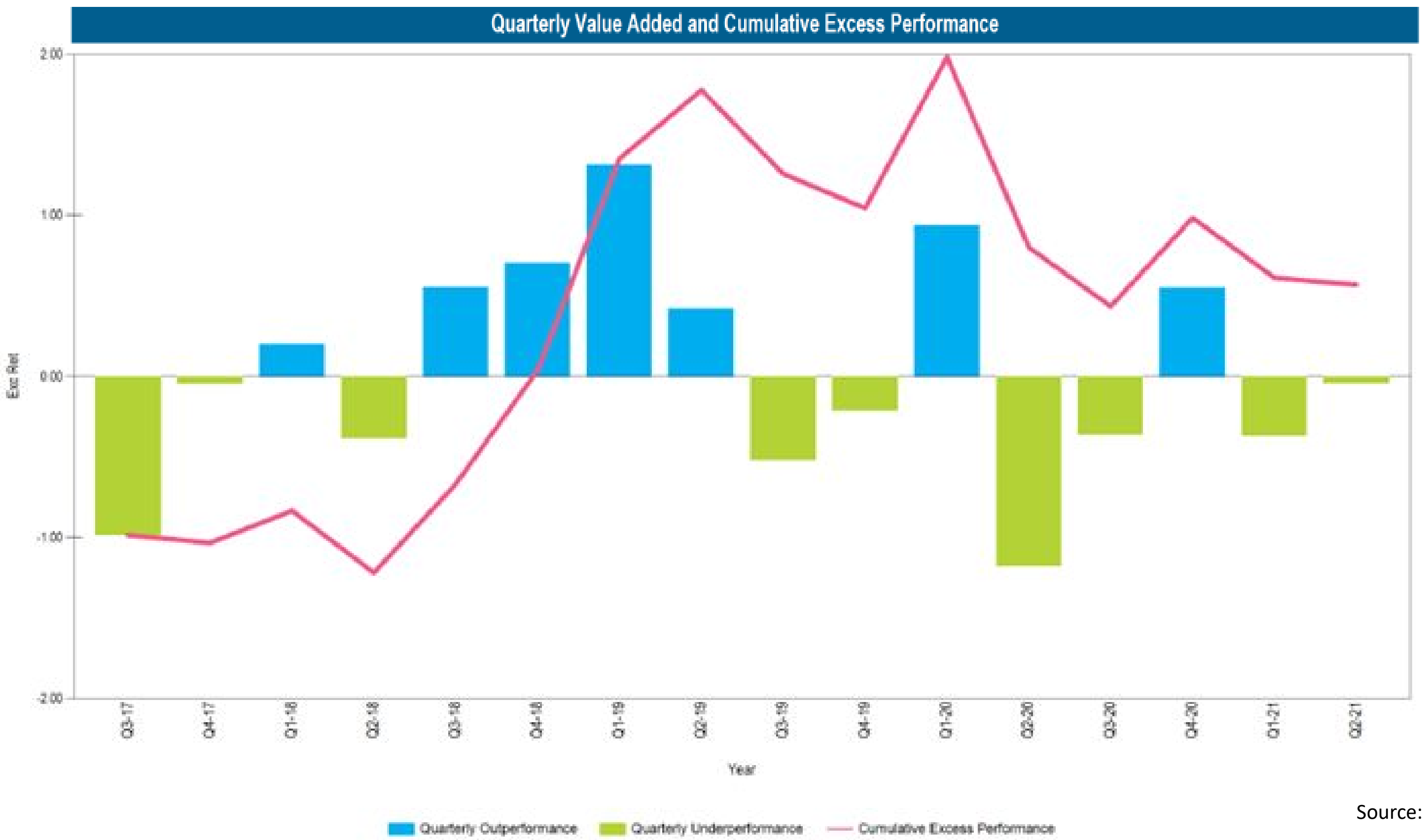
$385M contributed since 2016 low of $155M in AUM

$111M redeployed into Public Equity to date in 2020 & 2021

DALLAS POLICE & FIRE PENSION SYSTEM

Public Equity Performance

as of 6/30/21 *(net)*	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	SI 07/06
Public Equity	7.1%	12.2%	40.6%	15.1%	15.4%	10.7%	8.1%
MSCI ACWI IMI Net	7.2%	12.7%	40.9%	14.2%	14.5%	9.9%	7.7%
Excess Return	*-0.1%*	*-0.5%*	*-0.3%*	*0.9%*	*0.9%*	*0.8%*	*0.4%*



Source: Meketa

Public Equity Manager Characteristics

as of 06/30/2021

	Boston Partners	Manulife	Invesco	Walter Scott	MSCI ACWI	Eastern Shore	Russell 2000	RBC EM	MSCI EM
Number of Holdings	111	49	61	51	2,973	91	1,971	49	1,411
Weighted Avg. Market Cap. ($B)	64.6	363.2	349	279.2	340.9	4.1	3.4	141.8	169.1
Price To Earnings	16.2	22.6	39.2	37.8	23.4	26.4	18.2	20.1	16.4
Primary Style Emphasis	Value	Value	Growth	Growth	--	Core	--	Core	--
Primary Capitalization	All Cap	Large Cap	All Cap	Large Cap	--	Small Cap	--	All Cap	--
3 years as of 06/30/2021:									
Active Share	90%	85%	87%	87%	--	87%	--	70%	--
Turnover	79%	6%	56%	5%	--	87%	--	14%	--
Up Market Capture	96%	98%	117%	101%	--	85%	--	85%	--
Down Market Capture	110%	97%	106%	91%	--	90%	--	88%	--

DALLAS POLICE & FIRE PENSION SYSTEM

Invesco Global Equity

Market Value *(09/30/2021)*:	$134,203,379	Inception Date:	October 2007
Investment Structure:	Separate Account	Style:	Global All Cap Growth

as of 06/30/2021 *(net)*	**QTD**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**SI 10/07**
Invesco	10.8%	11.2%	44.8%	17.4%	20.0%	12.4%	8.9%
MSCI ACWI Net	7.4%	12.3%	39.3%	14.6%	14.6%	9.9%	6.3%
Excess Return	*3.4%*	*-1.1%*	*5.5%*	*2.8%*	*5.4%*	*2.5%*	*2.6%*

Manager Summary

- High beta, high growth manager with outperformance driven by stock selection over the long-term, but considerable performance volatility in the short-term.
- Primarily large cap, but typically has some mid cap and emerging markets exposure.
- Position sizing driven by high conviction, with high concentration in top ten holdings.

Walter Scott Global Equity

Market Value *(09/30/2021)*:	$132,717,538	Inception Date:	December 2009
Investment Structure:	Separate Account	Style:	Global Large Cap Growth

as of 06/30/2021 *(net)*	**QTD**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**SI 12/09**
Walter Scott	8.7%	8.7%	33.1%	17.1%	16.3%	11.9%	11.5%
MSCI ACWI Net	7.4%	12.3%	39.3%	14.6%	14.6%	9.9%	10.2%
Excess Return	*1.3%*	*-3.6%*	*-6.2%*	*2.5%*	*1.7%*	*2.0%*	*1.3%*

Manager Summary

- High quality focus, concentrated portfolio with low turnover and very long-term hold periods. 77% of positions have been held longer than 4 years.
- Typically outperforms during down markets and when growth or momentum is out of favor. Lags during growth and momentum rallies.
- ESG considerations are an important part of the investment process.

Boston Partners Global Equity

Market Value *(09/30/2021):*	$141,633,889	Inception Date:	July 2017
Investment Structure:	Separate Account	Style:	Global All Cap Value

as of 06/30/2021 *(net)*	**QTD**	**YTD**	**1 Yr**	**3 Yr**	**SI 7/17**
Boston Partners	5.2%	18.9%	51.0%	10.4%	9.7%
MSCI World Net	7.7%	13.0%	39.0%	15.0%	14.0%
Excess Return	*-2.5%*	*5.9%*	*12.0%*	*-4.6%*	*-4.3%*

Manager Summary

- Value focused manager that maintains conviction in positions regardless of prevalent broader market trends.
- Provides more small and mid-cap exposure relative to other DPFP active managers and the benchmark.
- Will have large differences vs. the benchmark in sector and geographic allocations. Significant underweights to Information Technology and United States.

Manulife Global Equity

Market Value *(09/30/2021):*	$132,203,328	Inception Date:	July 2017
Investment Structure:	Separate Account	Style:	Global Large Cap Value

as of 06/30/2021 *(net)*	**QTD**	**YTD**	**1 Yr**	**3 Yr**	**SI 7/17**
Manulife	7.3%	14.0%	36.2%	14.3%	11.2%
MSCI ACWI Net	7.4%	12.3%	39.3%	14.6%	13.6%
Excess Return	*-0.1%*	*1.7%*	*-3.1%*	*-0.3%*	*-2.4%*

Manager Summary

- Strong quality bias, predominately large-cap portfolio of companies with low leverage.
- Benchmark agnostic, will take large sub-industry and sector bets.
- Typically performs well in down markets, but lags in growth and momentum rallies.

Eastern Shore Small Cap Equity

Market Value *(09/30/2021):*	$38,036,659	Inception Date:	Product: Mar 2007 DPFP: Sep 2021
Investment Structure:	Separate Account	Style:	US Small Cap Core

as of 06/30/2021 *(net)*	**QTD**	**YTD**	**1 Yr**	**3 Yr**	**5 Yr**	**10 Yr**	**SI 03/07**
Eastern Shore	4.1%	12.1%	45.0%	13.0%	15.7%	13.5%	12.2%
Russell 2000	4.3%	17.5%	62.0%	13.5%	16.5%	12.3%	9.2%
Excess Return	*-0.2%*	*-5.4%*	*-17.0%*	*-0.5%*	*-0.8%*	*1.2%*	*3.0%*

Manager Summary

- Modest Growth tilt, focus on quality via company fundamentals, both established and improving.
- Outperforms during periods of negative market performance but underperforms in speculative rallies. Quality bias has caused performance to lag benchmark in the last year.
- Smaller but growing AUM at only $1.1 billion total assets. Only manages small cap and SMID.

RBC Emerging Markets Equity

Market Value *(09/30/2021)*:	$87,473,010	Inception Date:	Jan 2018
Investment Structure:	Commingled Fund	Style:	Emerging Markets Core

as of 06/30/2021 *(net)*	QTD	YTD	1 Yr	3 Yr	SI 1/18
RBC EM Equity	0.4%	3.5%	34.0%	11.2%	7.2%
MSCI EM IMI Net	5.7%	8.7%	43.2%	11.4%	7.5%
Excess Return	*-5.3%*	*-5.2%*	*-9.2%*	*-0.2%*	*-0.3%*

Manager Summary

- Concentrated portfolio focused on quality, ESG factors, and growth at a reasonable price (GARP).
- Typically provides downside protection in declining EM equity markets.
- Notable and consistent under-weight to China has been a considerable factor in relative performance the past few years.
- Staff conducted analysis in mid-2021, concluding comfort in having as sole EM Equity manager.

DISCUSSION SHEET

ITEM #C9

Topic: **Public Equity Structure Review**

Discussion: In December 2020, the Board approved a Global Equity Structure that limits active manager size and added passive and small cap exposure. Implementation of this Structure continues through 2021 with the hiring of a passive index manager, a US small cap manager, and a search underway for an international small cap manager. Considering recent changes to the long-term asset allocation targets to Global Equity and Emerging Markets Equity, an updated Public Equity (includes Global and EM Equity allocations) Structure is being proposed with new target weights. The updated Structure was reviewed with the Investment Advisory Committee on September 23, 2021. The attached presentation from Meketa provides details.

Staff Recommendation: **Approve** the proposed Public Equity Structure.

MEKETA

Dallas Police and Fire Pension System

Public Equity Structure Review
2021

MEKETA

Dallas Police and Fire Pension System

Public Equity Structure Review

History[1]

- **July 2017** – The structure with four active global equity managers was implemented.
- **August 2018** - When Meketa started working with DPFP, we evaluated the global equity program as part of our Initial Fund Review.
- **February 2019** – Meketa conducted a comprehensive global equity program review. It was noted that an underweight to small cap equities and US existed relative to the MSCI ACWI IMI index.
- **October 2020** – The Board agreed to equal weight the four global equity managers after Meketa conducted a risk weighted study with the IAC and Staff, and determined the complexities of managing a risk weighted program did not provide an added benefit.
- **October 2020 –** The Board approved two managers searches (US equity small cap and international small cap equity) due to the underweight to small cap.
- **March 2021** - A global equity index was funded to complement the four active global equity managers.
- **July 2021 –** The Board approved the hiring of Eastern Shore US small cap equity
- **September 2021 –** Manager search is underway for international small cap equity strategy.

[1] A more detailed history of global equity work accomplished over the past four years is listed in the September 2020 Investment Advisory Committee materials.

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Public Equity Structure Review

Recommendation

- We are seeking approval of the proposed full weighting structure detailed on page 7 of this report.
- Today we will be presenting a pro forma look through analysis on the expected exposures.

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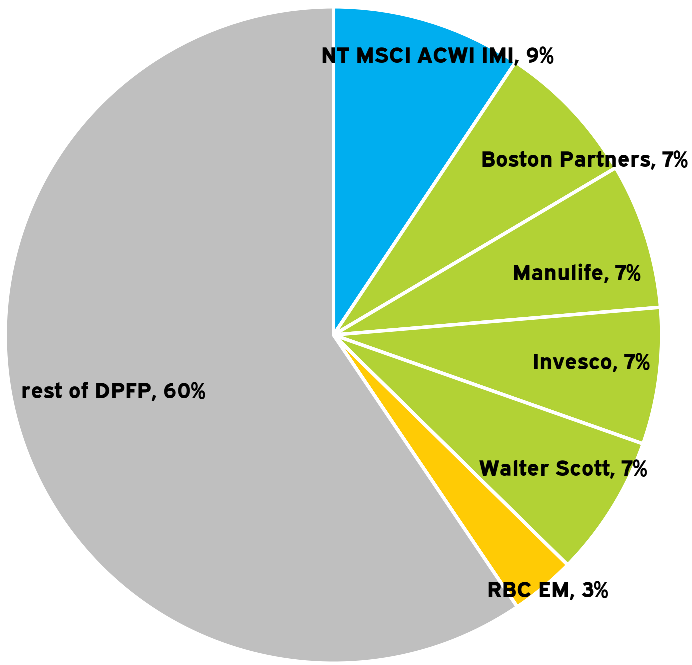
Public Equity Structure Review

Current Public Equity Exposure as of 6/30/2021

- The four active global equity managers are generally roughly equal weighted (by market value).
- In addition, DPFP has an allocation to the Northern Trust MSCI ACWI IMI index and the RBC Emerging Markets Equity strategy.



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Public Equity Structure Review

Recent Decisions

- The Board recently approved the following changes to public equity targets.

	Previous Targets	Change	New Targets
Global Equity	40%	+15%	55%
Emerging Market Equity	10%	-5%	5%
Total Public Equity	50%	+10%	60%

- The Board expressed a desire for a market neutral weight to emerging market equities.

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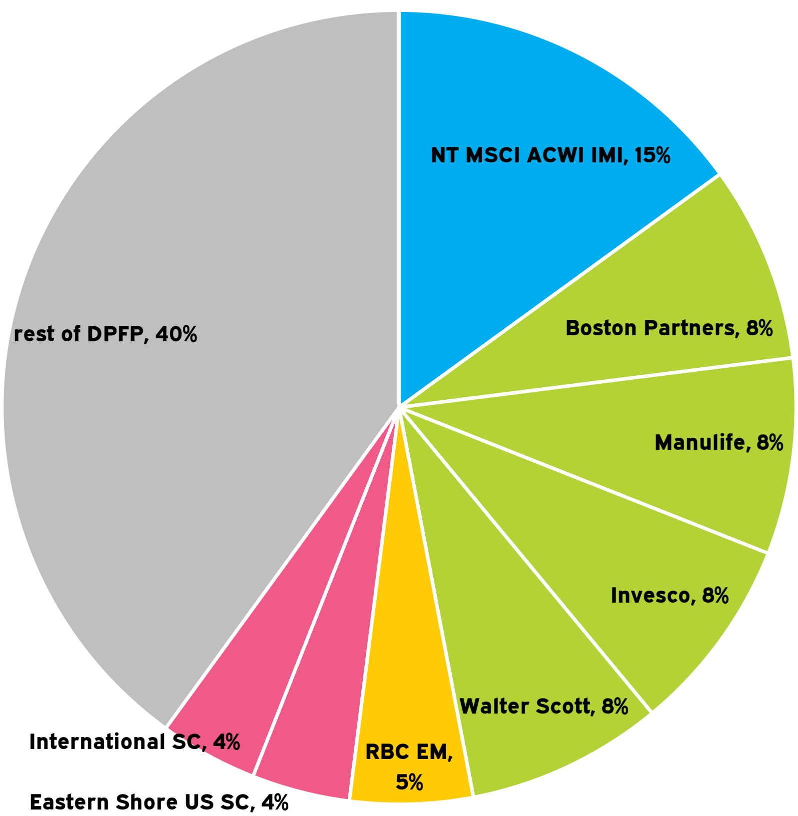
Public Equity Structure Review

Proposed DPFP Full Weighting Allocation



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Public Equity Structure Review

Proposed DPFP Full Weighting Allocation

Manager	Original Manager Target Weights (as % of total DPFP)	Proposed Manager Weights (as % of total DPFP)	Current Market Value 6/30/21 DPFP equity exposure	Projected MV (Once public equity is fully funded to 60% of DPFP[1])	Funding required to reach full weight
Boston Partners Global Equity	7	8	$143	$159	+$16
Manulife Global Equity	7	8	$144	$159	+$15
Walter Scott Global Strategy	7	8	$140	$159	+$19
Invesco/OFI Global Equity	7	8	$135	$159	+$24
NT MSCI ACWI IMI Index	6	15	$188	$299	+$111
Active Intl. Small Cap	3	4	$0	$80	+$80
Eastern Shore Small Cap	3	4	$0	$80	+$80
RBC Emerging Markets Equity	10[2]	5	$64	$100	+$36
Totals	50	60	$814	$1,195	$381

- All strategies would need to increase in allocation given the new larger total target weight to public equity.
- The biggest increases in exposure will need to occur with the two active small cap managers and the NT MSCI ACWI IMI Index.

[1] Based on total DPFP adjusted market value of $1.99 billion as of 6/30/2021. For proxy purposes, the MSCI ACWI ex-US Small Cap index was used for this allocation for any pro-forma modeling.
[2] If the target to EM stayed at 10%, the allocation would have likely been split across two EM managers once funding was available to bring the asset class up to target weight.

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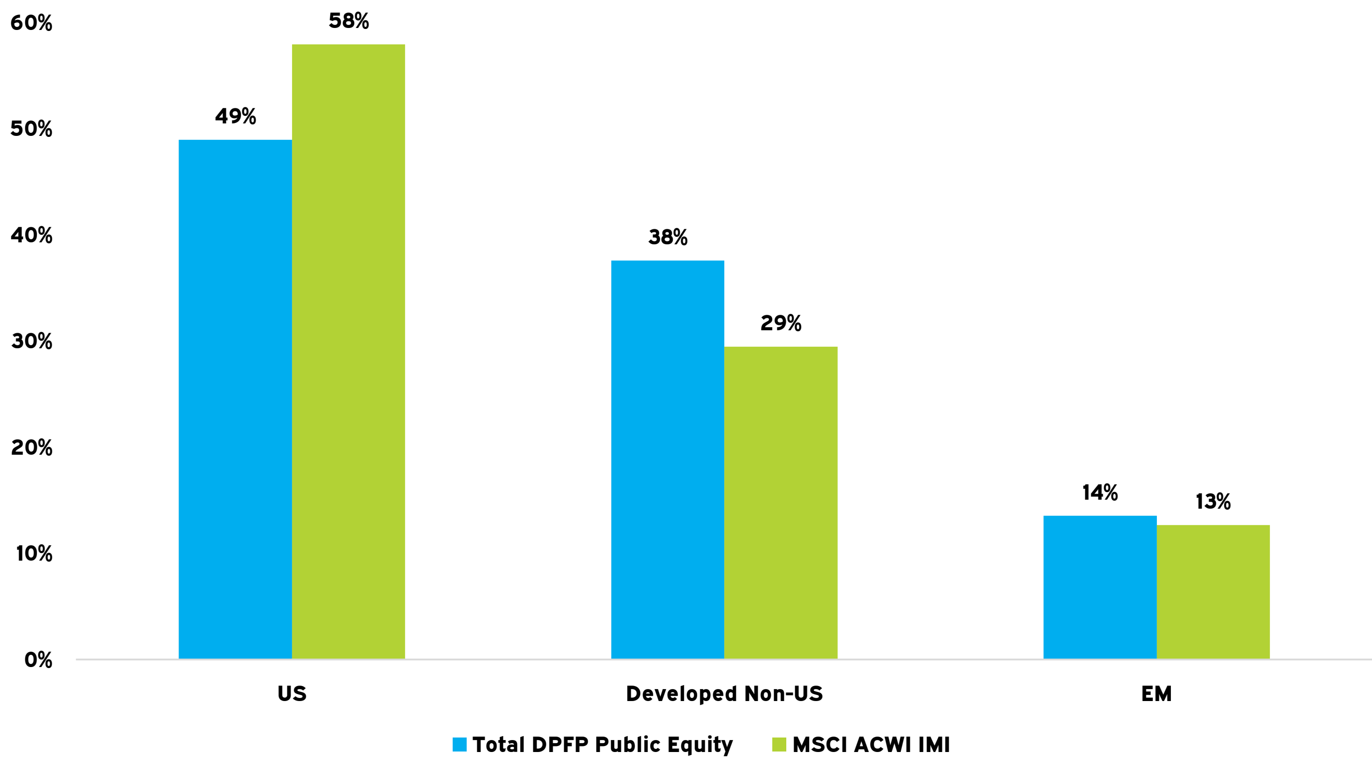
Public Equity Structure Review

Expected Regional Exposure at Full Weights



- At the full weights listed on the prior page (with the simplifying assumption the underlying managers' regional exposure does not change in the future) the total public equity exposure will have an underweight to US, overweight to developed non-US exposure, and market weight to emerging markets.

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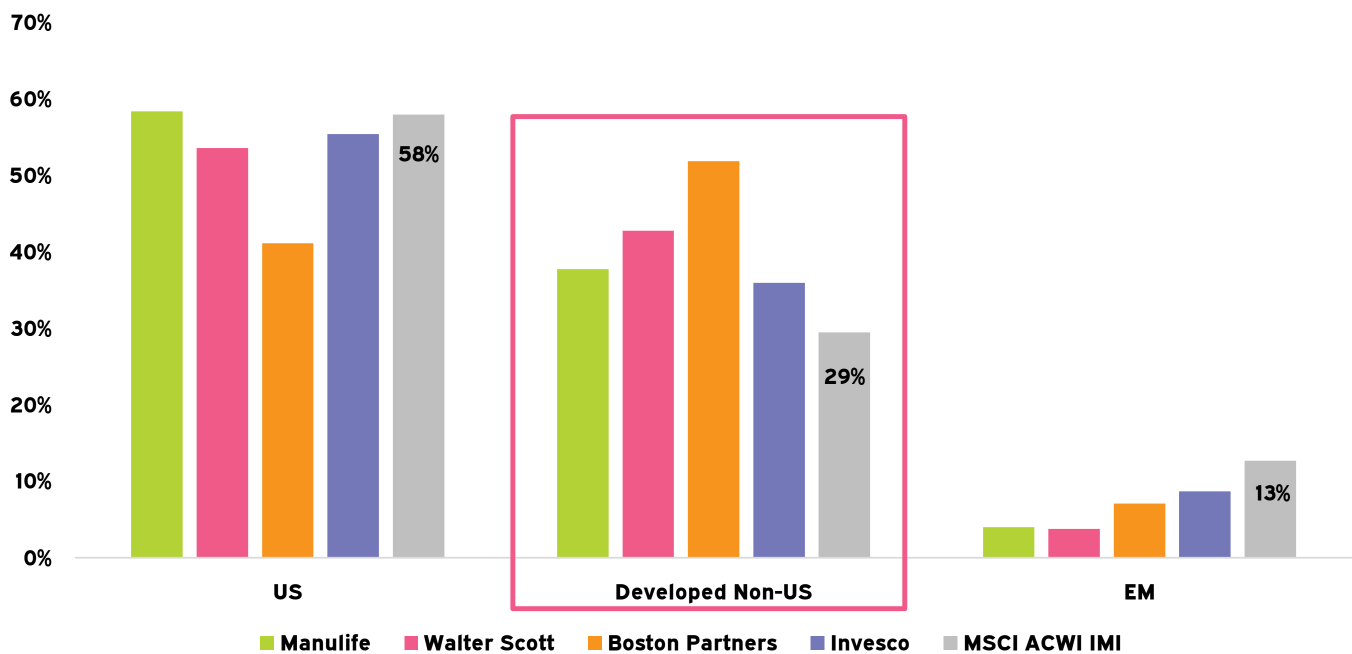
Public Equity Structure Review

Drivers of Regional Exposure (subset: Global Active Managers)



- All four global equity managers are contributing to the overweight to the developed non-US region. Boston Partners has the biggest deviation from the MSCI ACWI IMI index with 52% in developed non-US vs. the index weight of 29%.
- All four managers have an underweight to emerging markets, with Manulife at just 4% and Invesco with 9% at the high end of the range. The MSCI ACWI IMI index has 13% exposure to emerging markets.

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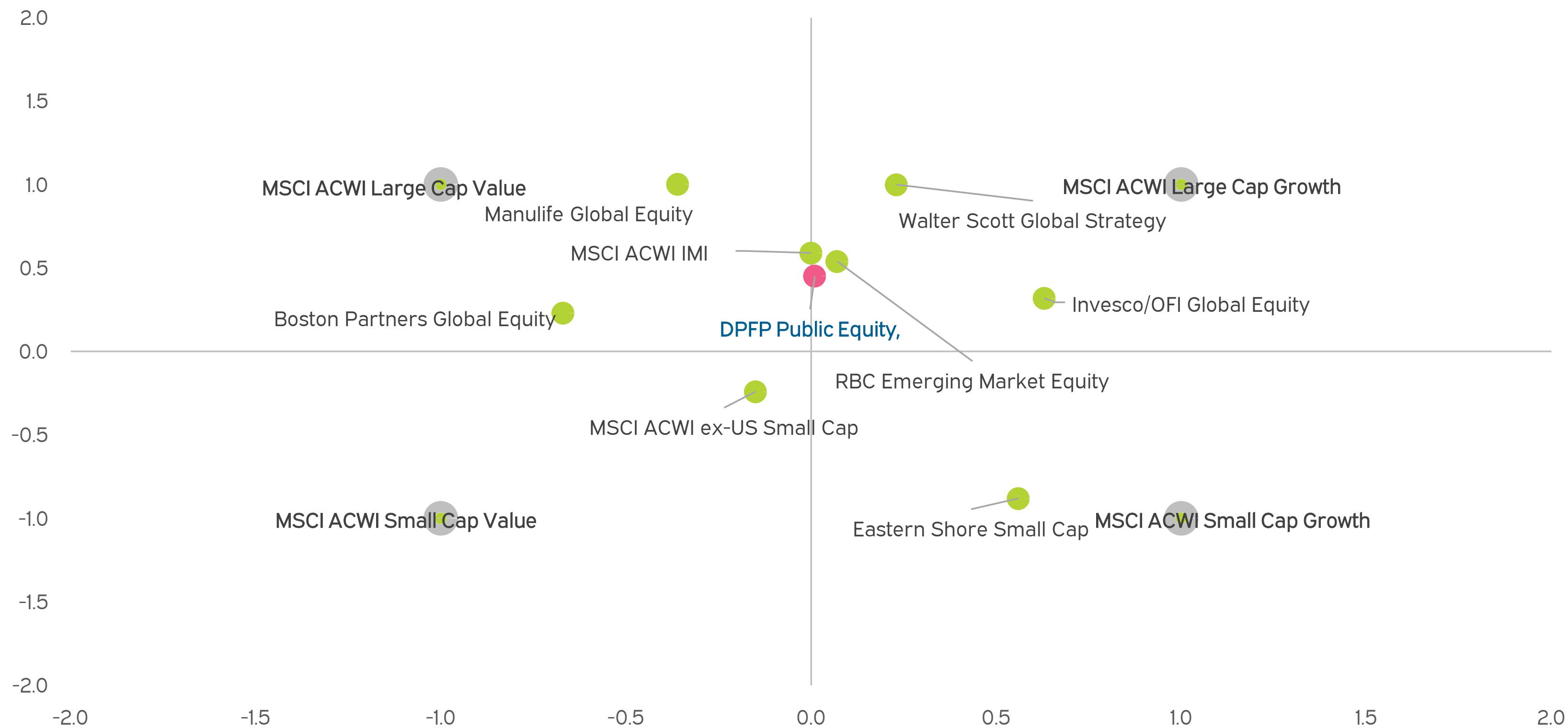
Public Equity Structure Review

Returns Based Portfolio Characteristics: Style Tilts vs. MSCI ACWI IMI (April 2010 – June 2021)



- At full proposed weights, we expect the portfolio should have a core stance. Note this is based on historical returns-based analysis, if DPFP's public equity was at the full proposed weights over the observation period.

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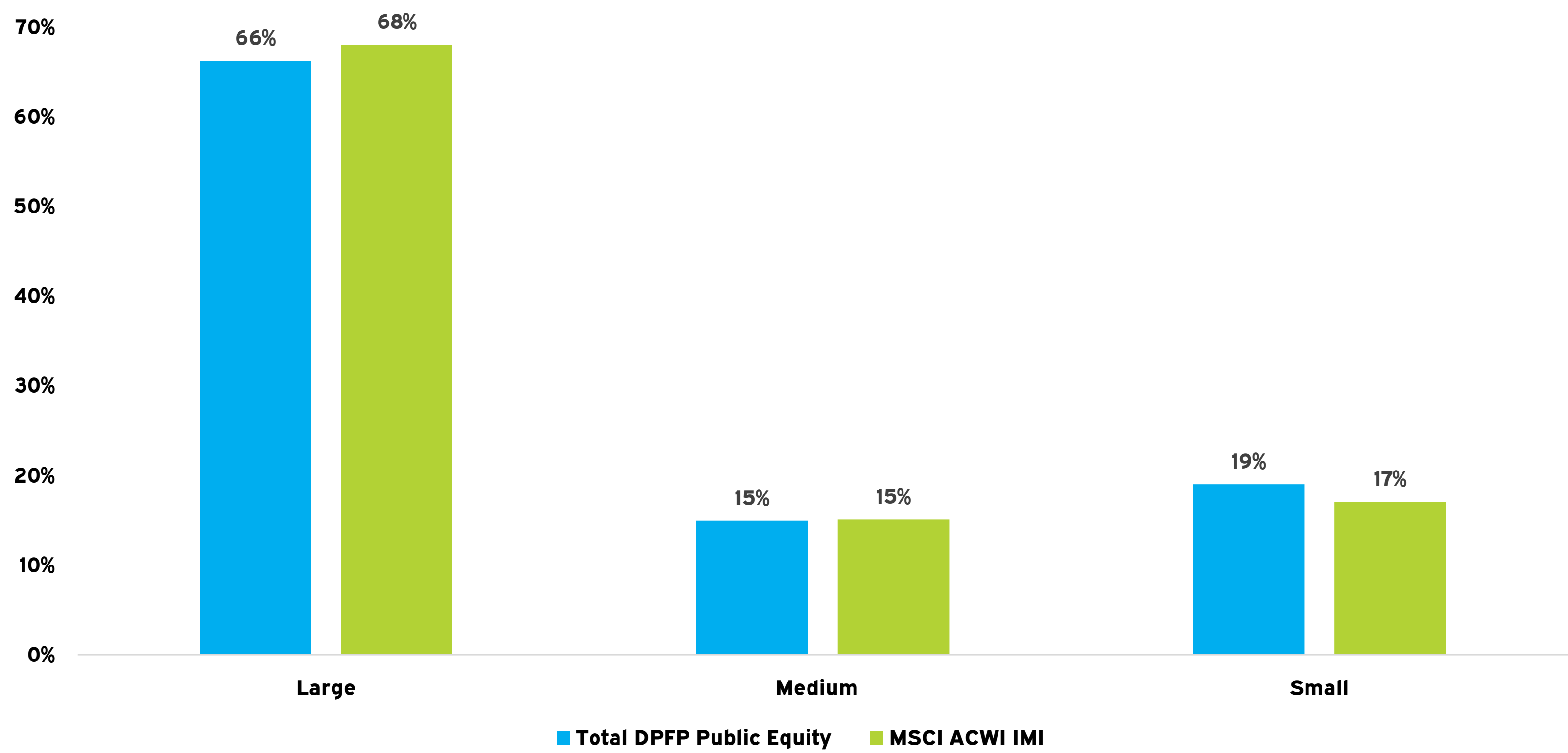
Public Equity Structure Review

Expected Market Cap Exposure at Full Weights



- At the full proposed weights, DPFP should have market cap exposure very similar to the MSCI ACWI IMI index, with a small overweight to small cap, driven by the two active small cap strategies.

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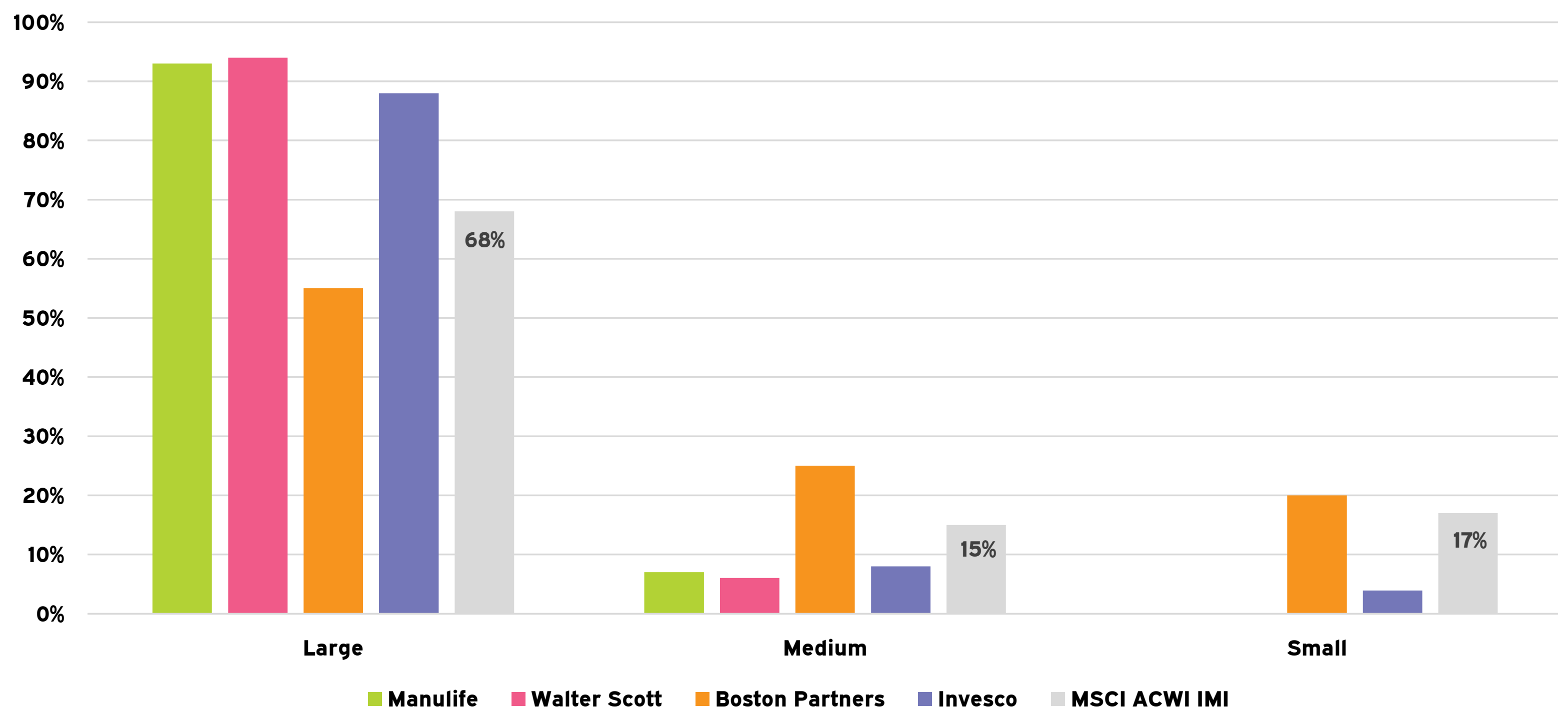
Public Equity Structure Review

Drivers of Market Cap Exposure (subset: Global Active Managers)



- Three of the four global managers have nearly all large cap exposure (over 80%) and correspondingly minimal mid cap and minimal/no small cap exposure. Boston Partners is the only global equity manager with above index weight to mid cap and small cap companies. The two dedicated small cap strategies (not shown here) will naturally be the biggest contributors to small cap exposure for DPFP.

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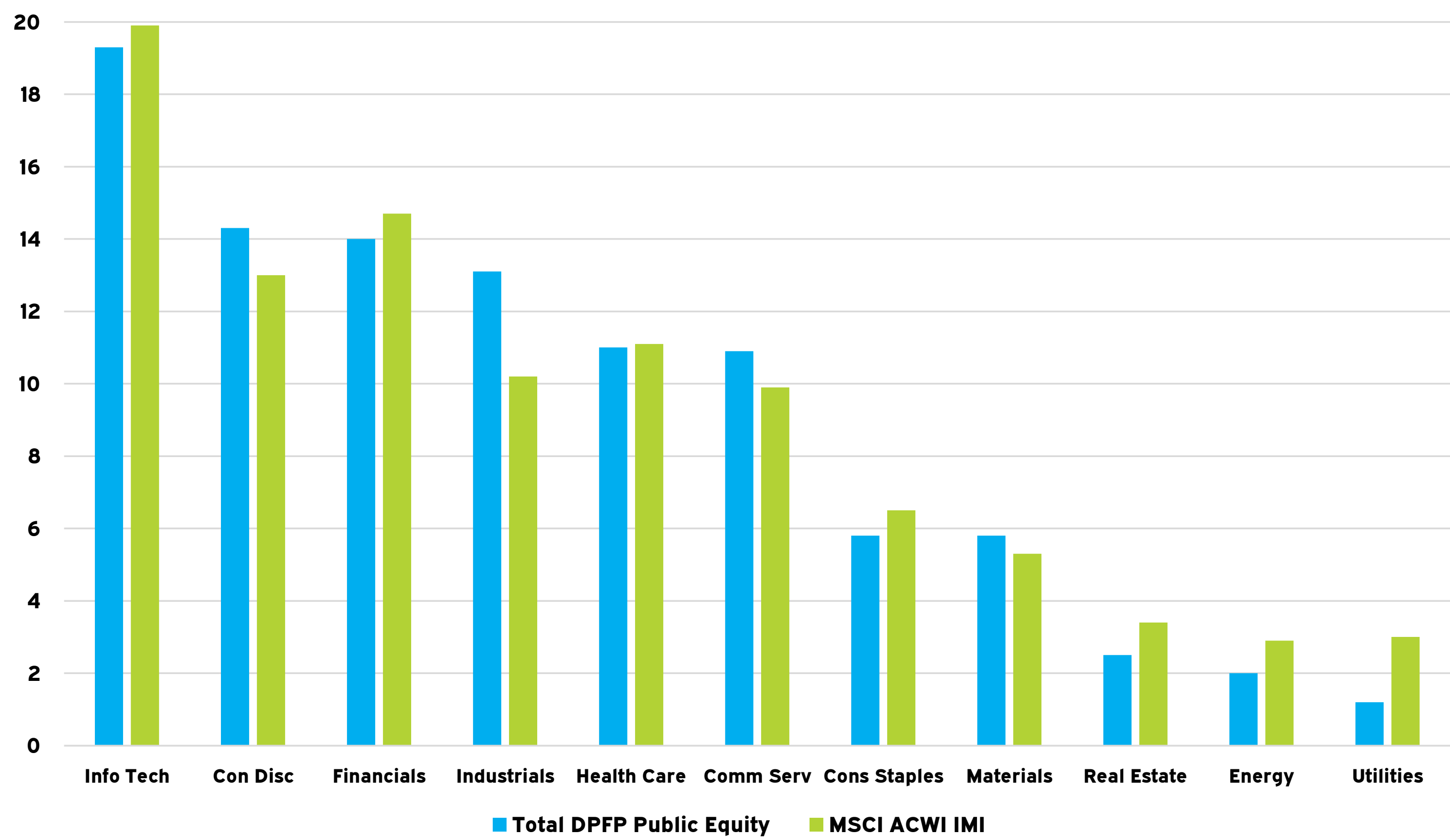
Public Equity Structure Review

Sector Exposure at Full Proposed Weights



- Based on current manager holdings, we do not expect any material sector tilts relative to the index.

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Public Equity Structure Review

Historical Excess Return Correlation (Four Active Global Managers)

(Longest Common Period, As of June 30, 2021)

	Boston Partners Global Equity	Invesco/OFI Global Equity	Manulife Global Equity
Boston Partners Global Equity	1.00		
Invesco/OFI Global Equity	-0.03	1.00	
Manulife Global Equity	0.11	-0.25	1.00
Walter Scott Global Strategy	-0.14	-0.04	0.33

- Most of the global managers have negative excess-return correlation between each other, indicating they are complementary.
- Walter Scott and Manulife have had a modest positive excess return correlation as both managers typically generate alpha in down markets, on average.

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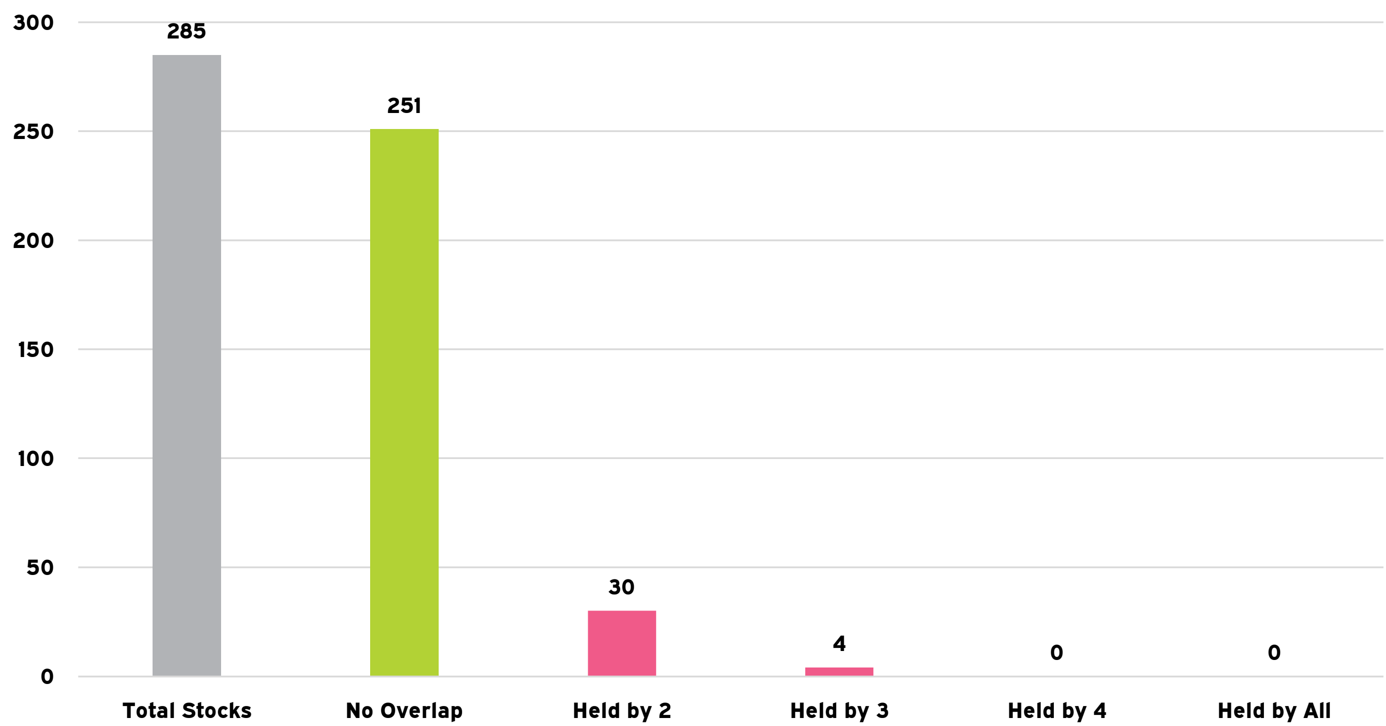
Public Equity Structure Review

Overlap Analysis (based on actual 6/30/21 DPFP exposure)[1]



- Across the four active global equity managers and RBC there is minimal name overlap. Just 34 stocks are held in common out of 285 positions.

[1] This analysis excludes the index. It also excludes Eastern Shore. The four stocks that are held in common by three managers are: Alphabet, Fanuc, Microsoft, and Oracle. According to composite Eastern Shore holdings, one position (Eagle Materials) out of Eastern Shore's 92 holdings overlaps with one other manager - Boston Partners.

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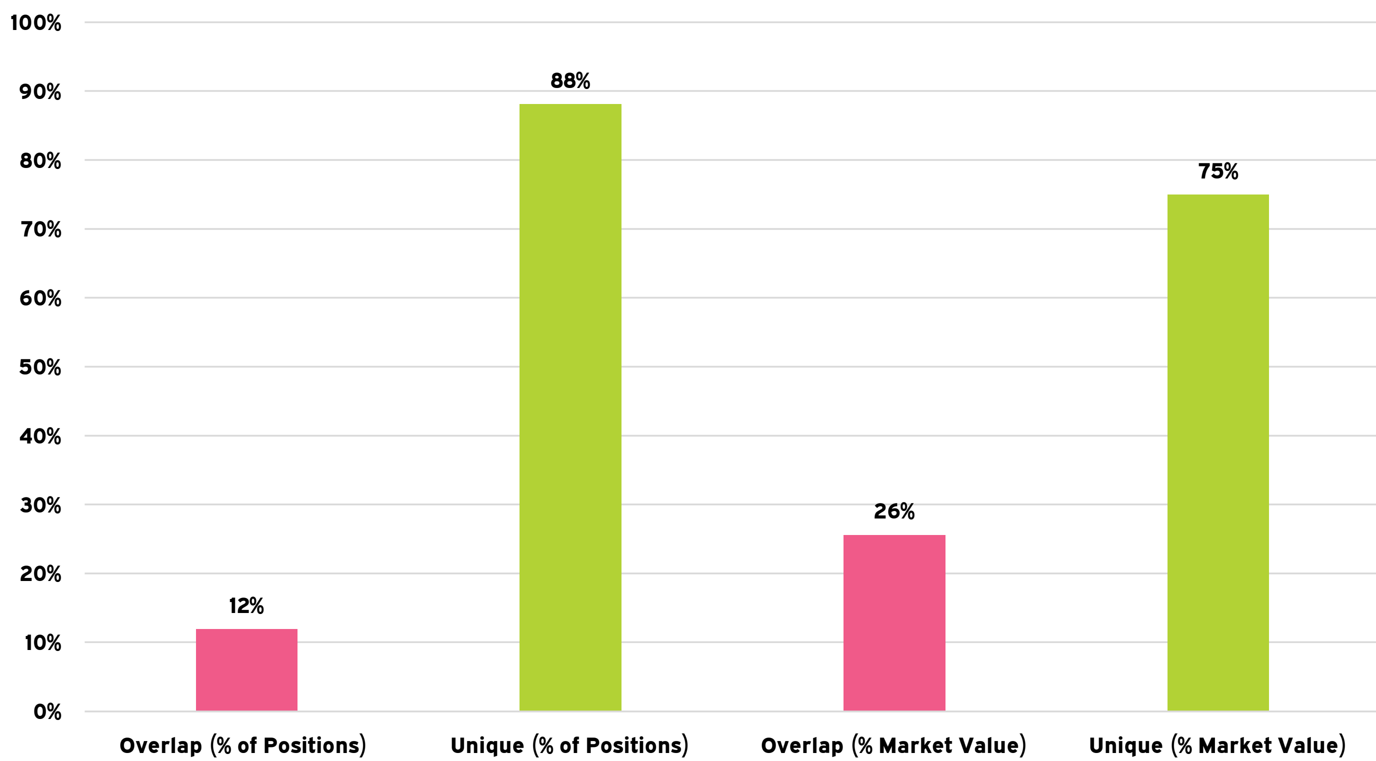
Public Equity Structure Review

Overlap Analysis (Continued)



- The positions that are held in common represent 26% (market value) of the current active public equity exposure.

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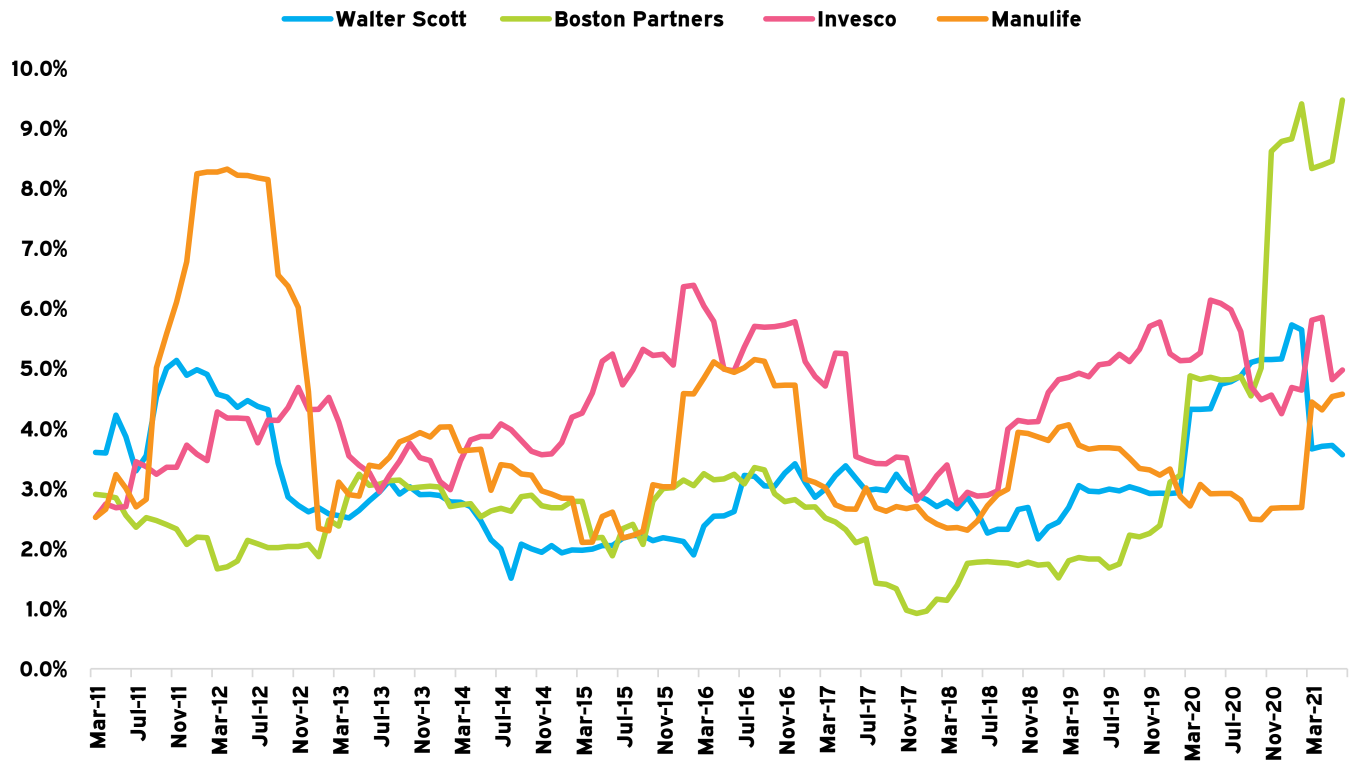
Public Equity Structure Review

Active Global Equity Managers: Rolling One-Year Tracking Error[1]

June 30, 2021



[1] Tracking error vs. MSCI World Net for Boston Partners. All other managers vs. MSCI ACWI Net.

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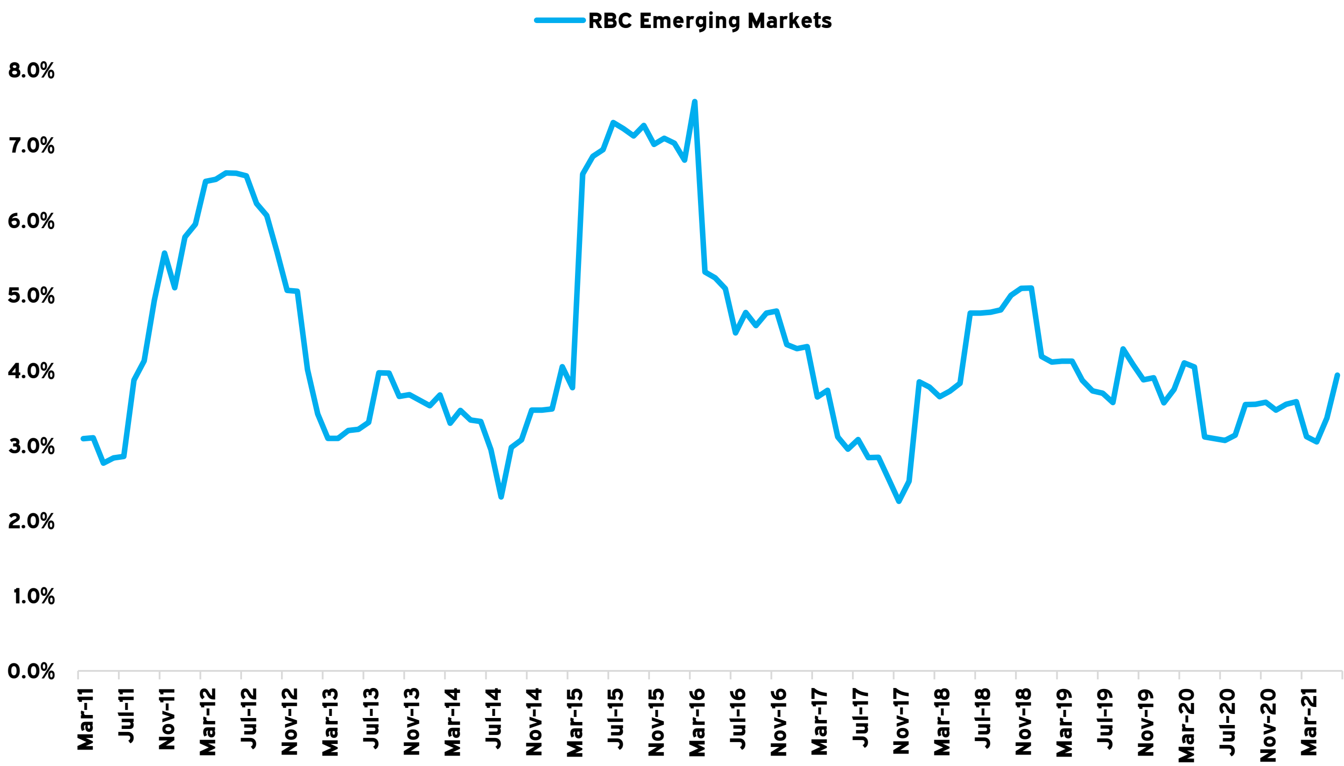
Public Equity Structure Review

RBC EM Equity: Rolling One-Year Tracking Error[1]
June 30, 2021



[1] Tracking error vs. MSCI EM Net.

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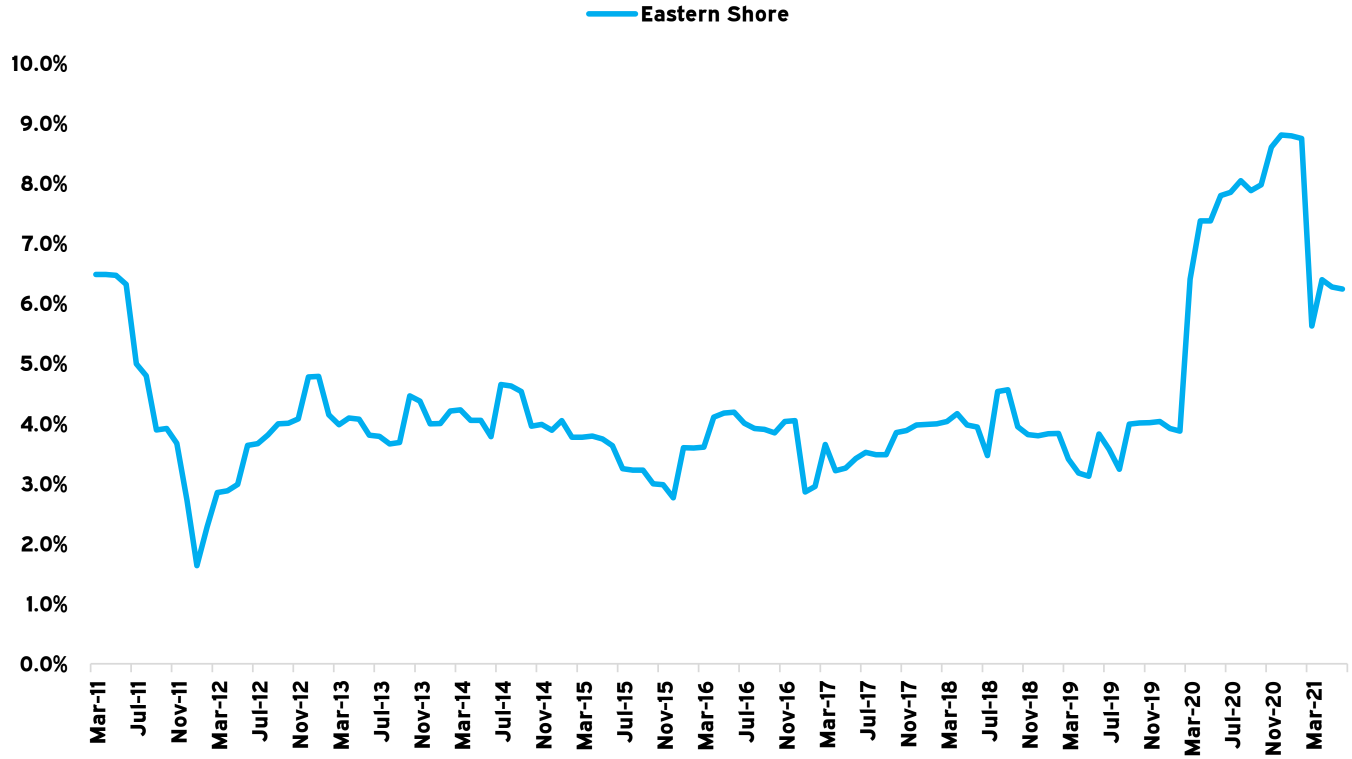
Public Equity Structure Review

Eastern Shore US Small Cap: Rolling One-Year Tracking Error[1]
June 30, 2021



[1] Tracking error vs. Russell 2000 Index.

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Dallas Police and Fire Pension System

Public Equity Structure Review

Summary

- Our mandate is to keep the total equity exposure in a quasi-neutral stance (regional, market cap, style tilts) relative to the opportunity set (as measured by the MSCI ACWI IMI Index).
- The proposed weighting structure accomplishes that (to the extent it is possible given the four active global equity managers all have similar regional tilts).
- The ultimate look-through details (regional and market cap) at full weights will likely be different than modeled, as the active managers make adjustments to their portfolios in the months/years to come.

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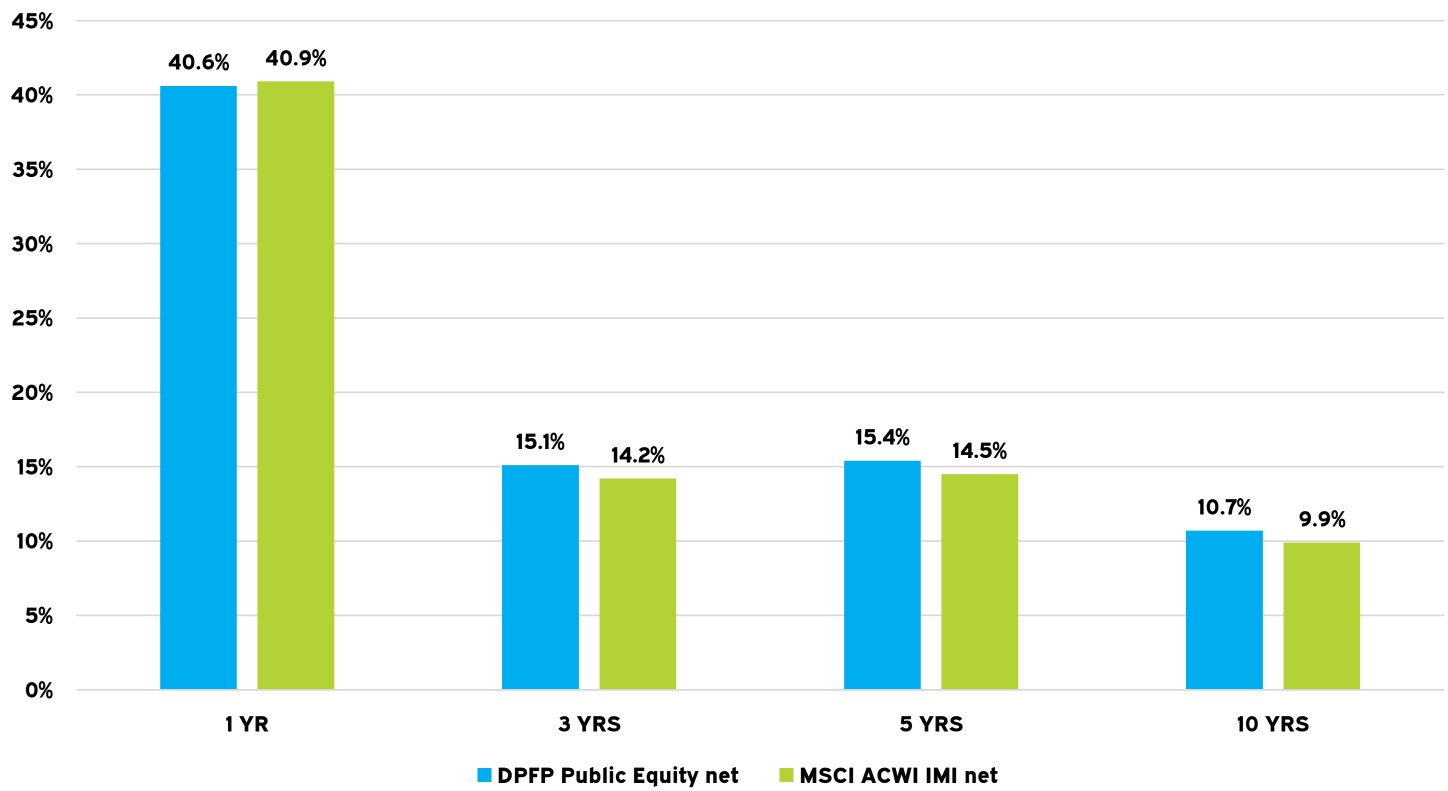
Public Equity Structure Review

Appendix - DPFP Public Equity Net Performance

As of 6/30/2021.



- DPFP's public equity performance has beaten the MSCI ACWI IMI net index over the trailing three, five and ten years.

DISCUSSION SHEET

ITEM #C10

Topic: **Private Asset Cash Flow Projection Update**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.072 of the Texas Government Code.

Discussion: Staff will provide the quarterly update on the private asset cash flow projection model first discussed at the February 2018 Board meeting. The cash flow model projects estimated contributions to, and distributions from, private assets through the end of 2023. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DPFP's exposure to these assets and the implications for the public asset redeployment, overall asset allocation, and expected portfolio risk and return.

DALLAS POLICE & FIRE PENSION SYSTEM

Quarterly Private Asset Cash Flow Projection Update

October 15, 2021

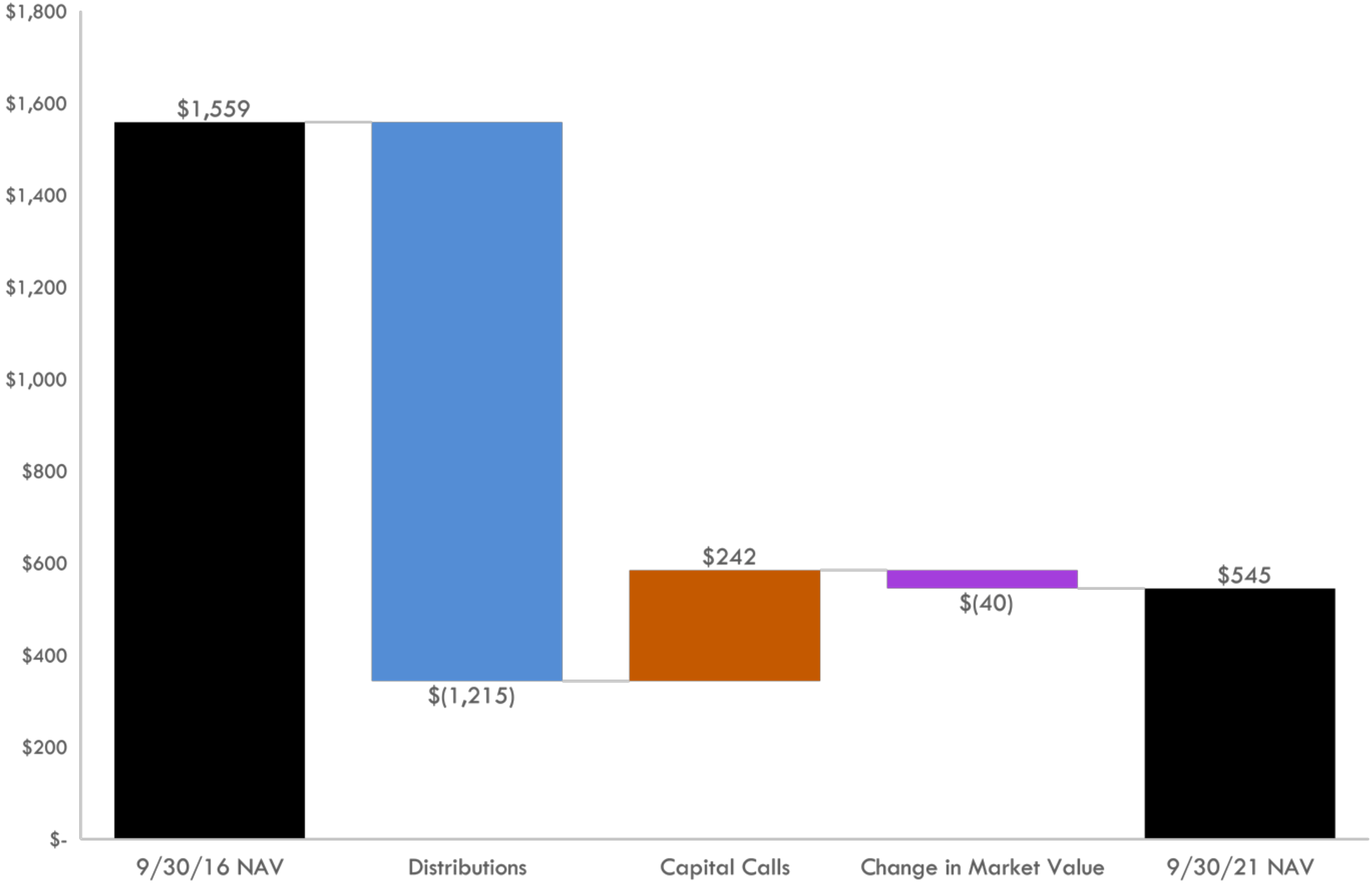
Private Asset Cash Flow Projections

Methodology Review

- Staff estimates capital calls and cash distributions from the Private Asset portfolio, built up by individual asset.
- DPFP has more control over direct investments in Real Estate and Natural Resources, therefore should have more accuracy in forecasting cash flows based on planned sales. Private Equity fund investments are controlled by GP's, therefore DPFP has little or no control over outcome – Staff incorporates GP insights but often uses an even distribution schedule over 2-3 years with these investments.
- **Cash flow estimates are inherently imprecise as they are often subject to events & forces outside of the manager's control.**

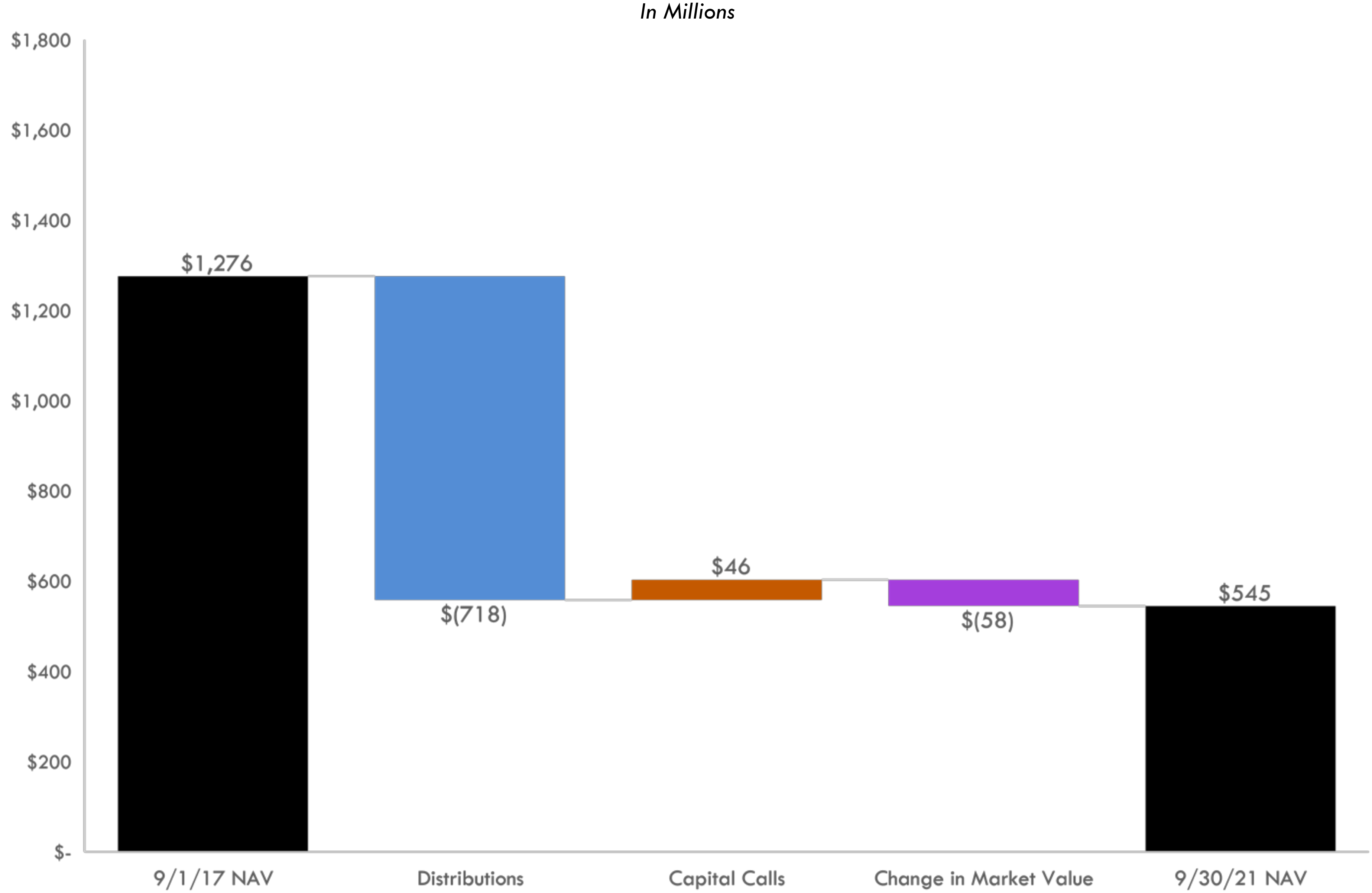
Private Asset Bridge Chart – Since 9/30/16

In Millions



Numbers may not foot due to rounding.

Private Asset Bridge Chart – Since 9/1/17 (New Board Formation)



Numbers may not foot due to rounding.

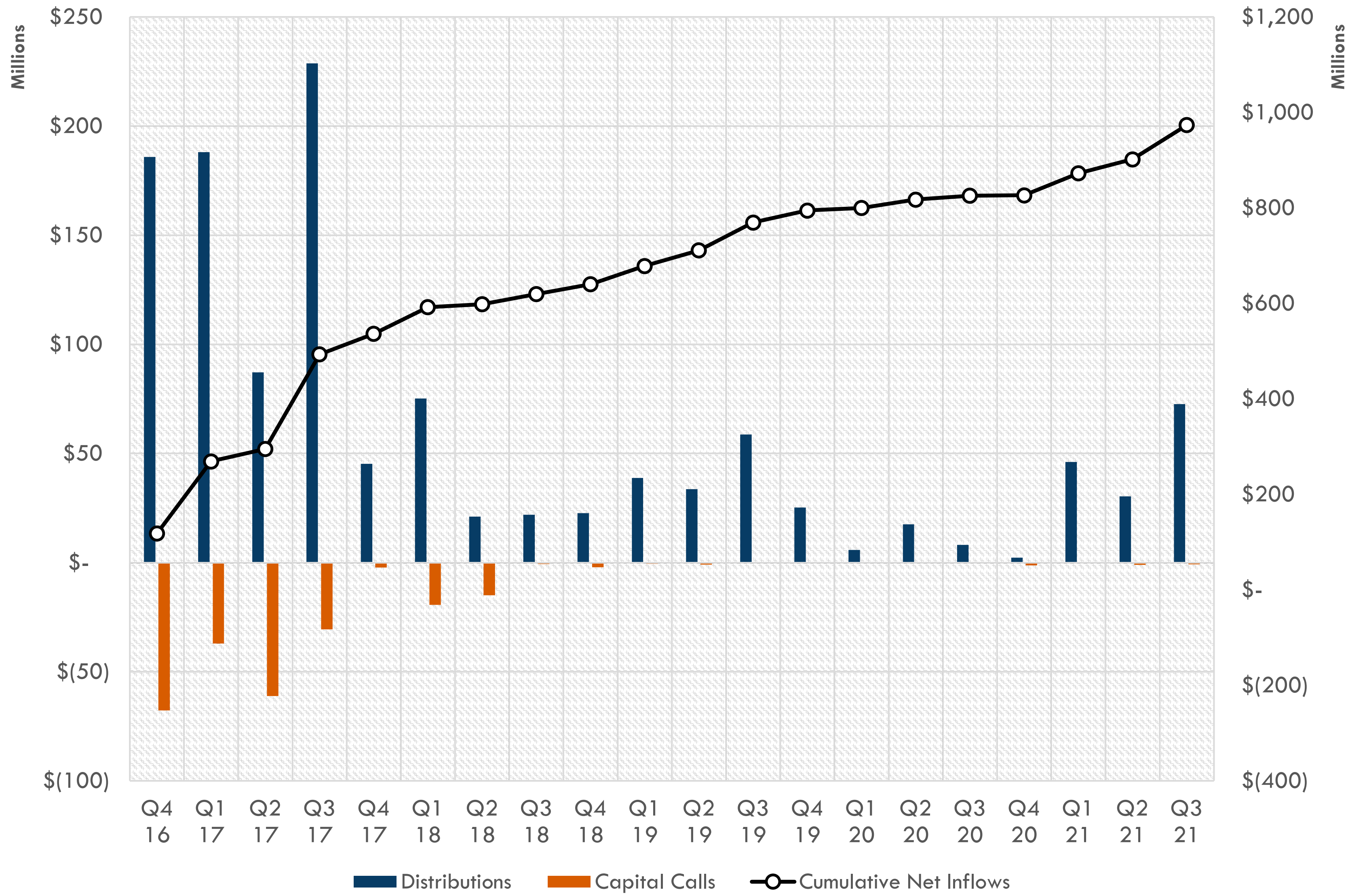
Private Asset Quarterly Cash Flows – Q3 2021

TOTAL CAPITAL CALLS & CONTRIBUTIONS		**$825,129**
Lone Star CRA Bridge Loan	Loan Draw	$655,000
JPM AIRRO II	Capital Call	$85,328
JPM AIRRO	Capital Call	$84,800

TOTAL DISTRIBUTIONS		**$72,638,131**
Distributions above $100K		
AEW	Christoper/CityScape Proceeds	$43,500,000
Bentall Kennedy	Vista 7 Sale Proceeds	$18,286,024
BTG	South Africa Sale Proceeds	$2,850,000
JPM Maritime	Fund Distribution	$2,563,025
Hancock	Ag Income	$2,500,000
Highland Crusader	Fund Distribution	$2,207,533
Forest Investment	Final Distribution	$370,833
L&B	Income	$314,826

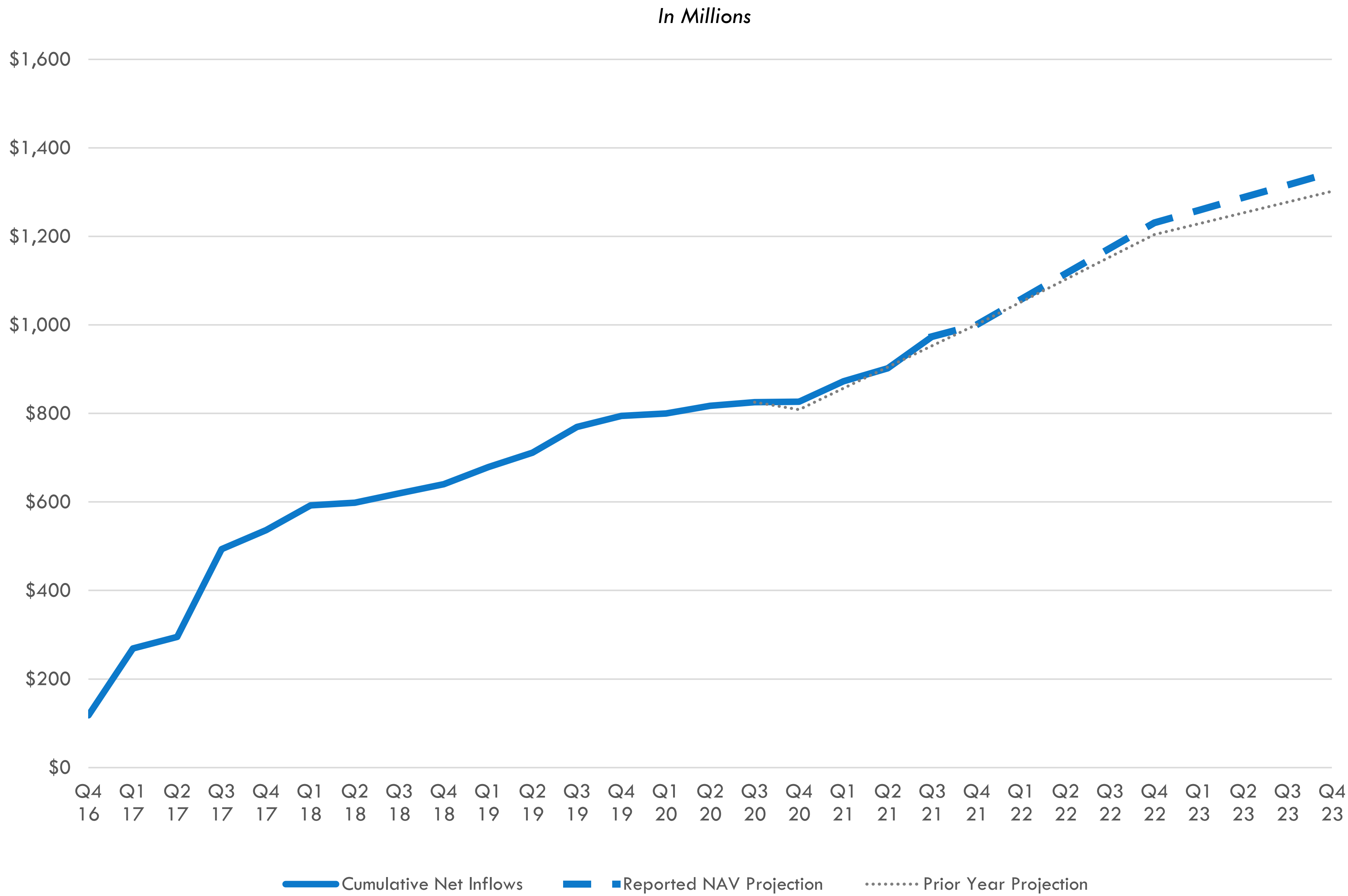
Numbers may not foot due to rounding.

Private Asset Quarterly Cash Flows – Since 9/30/16



Cumulative Actual and Projected Private Asset Net Inflows

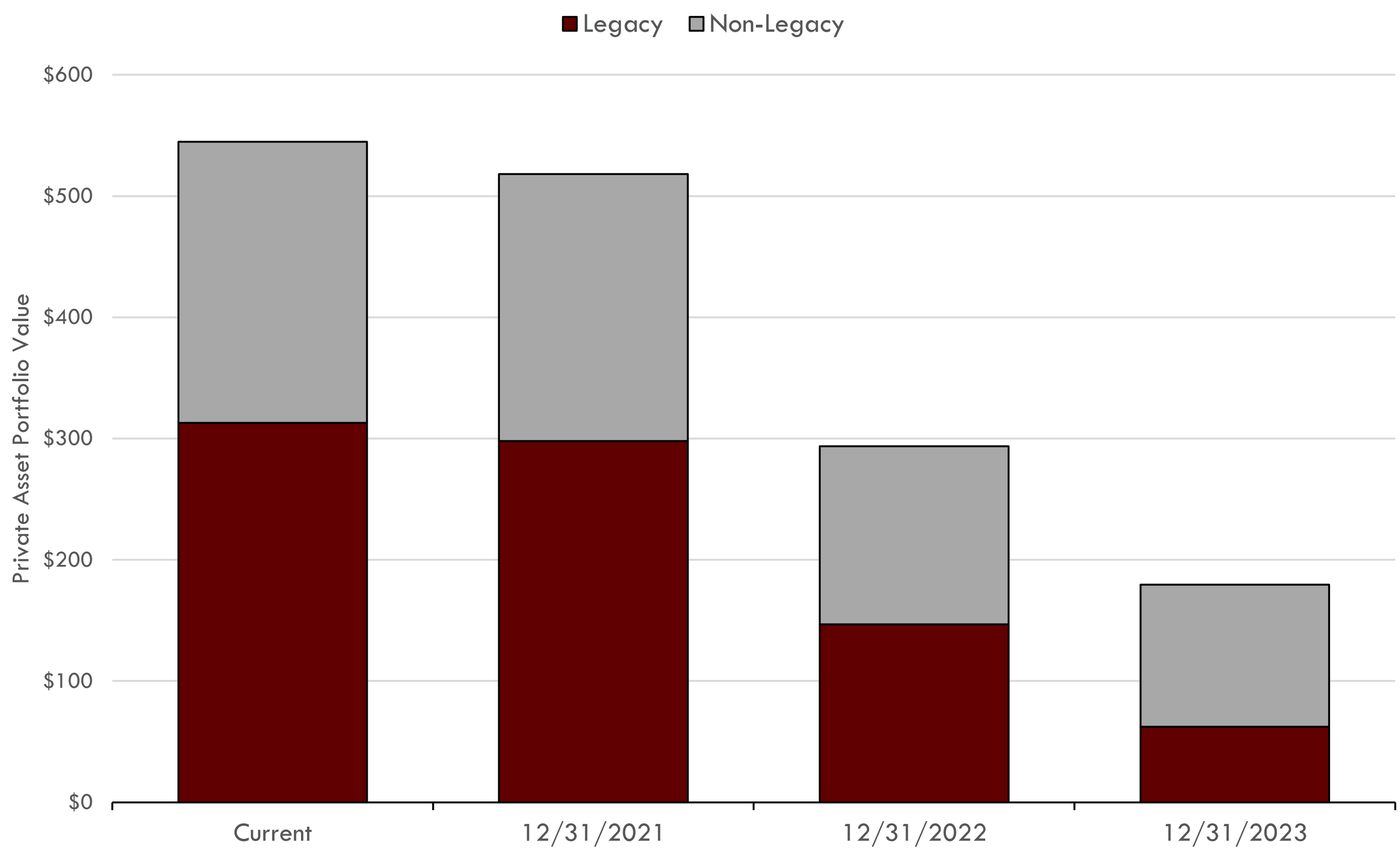
Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



Est. Current NAV - Private Asset Disposition Timeline & Composition

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.

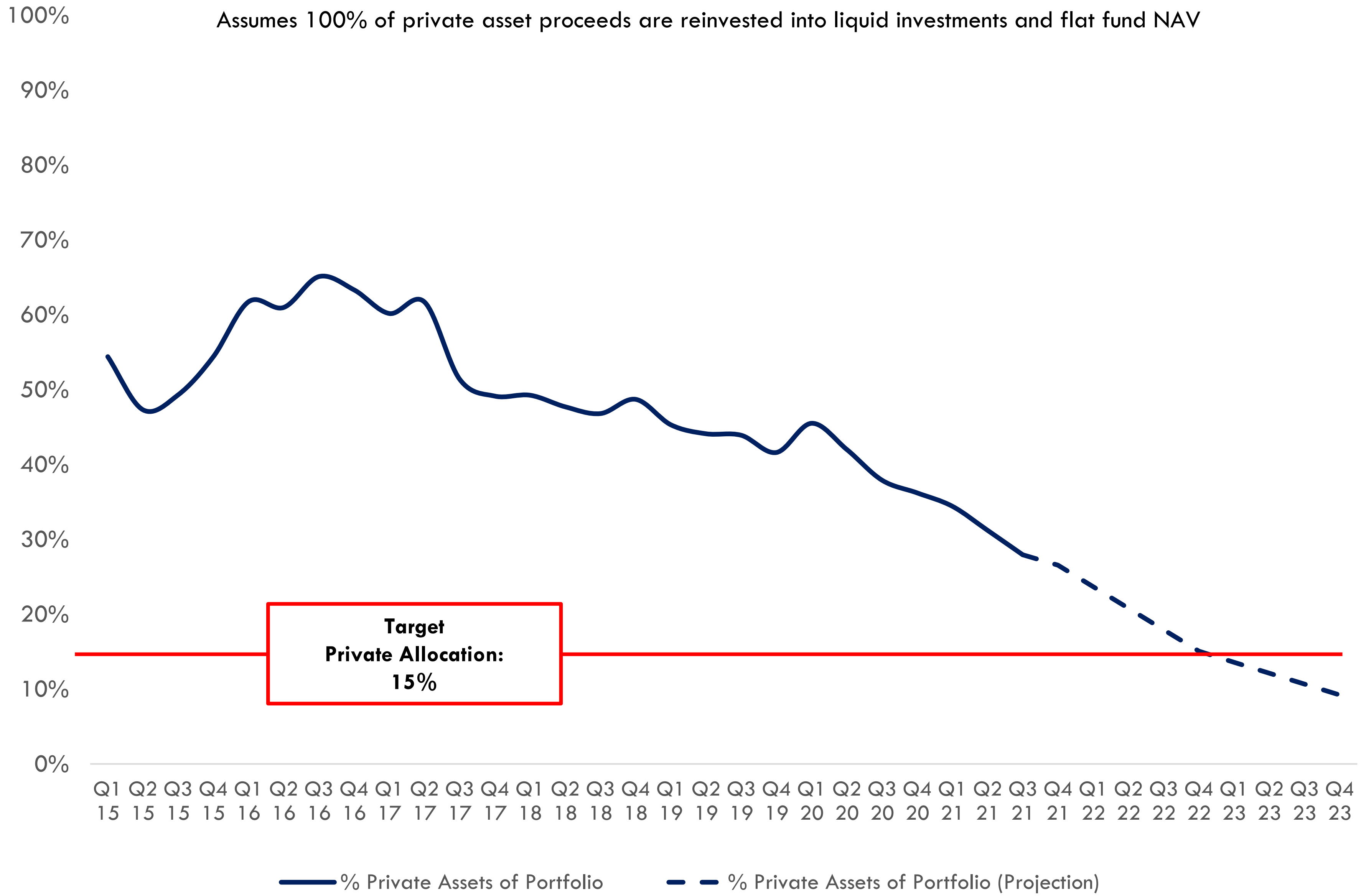
In Millions



	Current	12/31/2021	12/31/2022	12/31/2023
Legacy NAV (M)	$313	$298	$147	$62
% of Private Portfolio	57%	58%	50%	35%
% of DPFP Portfolio	16%	15%	8%	3%

Private Asset Allocation Over Time

Private asset cash flow projections are based on either in-process/planned sales, if available, or a gradual disposition through 2023.



DISCUSSION SHEET

ITEM #C11

Topic: **Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation including the case of DPFP v. Sandy Alexander or any other legal matter in which the duty of the attorneys to DPFP and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

Discussion: Counsel will brief the Board on these issues.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C12

Topic: **Budget Adjustment-Legal**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Discussion: Staff will brief the Board on changes to anticipated expenditures for legal services, as compared to budgeted amounts.

Staff Recommendation: **Approve** the proposed increase in the budget related to legal services.

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

Discussion: Comments from the public will be received by the Board.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (October 2021)

b. Open Records

c. CIO Recruitment

Discussion: The Executive Director will brief the Board regarding the above information.

THE NCPERS

MONITOR

The Latest in Legislative News

October 2021

In This Issue

Auto-IRAs and New Fintech Options Are Changing The Face of Private Sector Retirement Savings

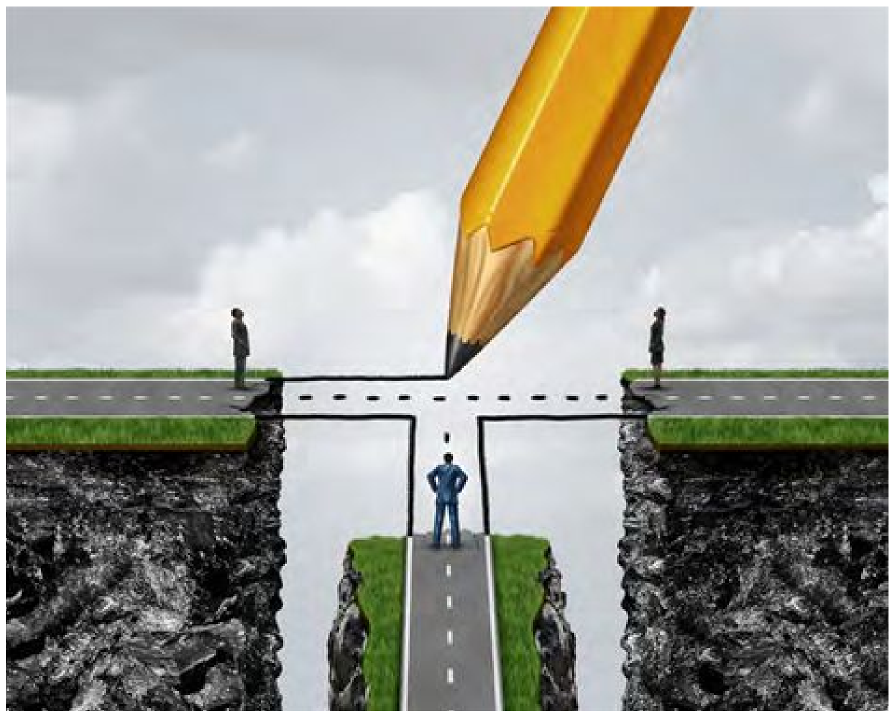


Photo illustration © 2021, istock.com

Transformative changes are afoot in the creation of retirement savings options for private-sector workers.

Two trends are converging: First, state-sponsored auto-IRA programs and pooled employer plans are emerging as cost-effective options that place little to no burden on employers. At the same time, the rise of fintech is accelerating innovation and competition for business, making more options feasible for small businesses.

"Tens of millions of people aren't participating in retirement plans," says Jeff Schneble, CEO of San Francisco-based Human Interest, a retirement plan platform that is also a registered investment adviser (RIA) said in an interview with *PlanSponsor*. He said the disruption of old models is just getting underway.

CONTINUED ON PAGE 5

Latest Developments

By Tony Roda

Photo Illustration © 2021, iStock.com

There are three potentially harmful federal tax changes that the public pension community is monitoring closely. I discussed these issues – Unrelated Business Income Tax, Rothification, and the Financial Transactions Tax – in some detail in last month's NCPERS Monitor. I'm pleased to report that, thus far, of the three issues only Rothification is receiving any serious consideration by this Congress.

Rothification means requiring that all future contributions to defined contribution (DC) plans be made with after-tax, not pre-tax, dollars. This requirement would accelerate taxes into earlier budget years and produce a revenue increase in the 10-year budget window. Be aware that the pending retirement-specific legislation, the SECURE Act 2.0 (H.R. 2954), contains a provision requiring all future, over-age-50, catch-up contributions be made under the Roth method. Congress's Joint Committee on Taxation estimates that the Roth mandate for catch-up contributions would increase federal revenues by 13.2 billion over 10 years. The provision, as currently written, would apply to tax years beginning after December 31, 2021.

The House is also working on the massive $3.5 trillion budget reconciliation bill, which will contain a mixture of expansions of some federal programs, new benefits, such as Medicare coverage of dental, vision, and hearing costs, tax cuts, and revenue increases to offset the new spending.

The revenue-producing provisions of the House budget reconciliation bill include new limitations on certain high-income taxpayers, which are defined as single filers or married taxpayers filing separately with taxable income over $400,000, heads of households with taxable income over $425,000, and married taxpayers filing jointly with taxable income over $450,000.

For these taxpayers the bill would prohibit further contributions to a Roth or traditional IRA for a taxable year if the total value of the individual's IRA and defined contribution retirement accounts, e.g., IRC Section 401(a) defined contribution plans (including 401(k) plans), 403(b) plans, and governmental 457(b) plans, generally exceeds $10 million as of the end of the prior tax year.

In such cases a special required minimum distribution (RMD) would be mandated. The RMD generally would be 50 percent of the amount by which the individual's prior year aggregate traditional IRA, Roth IRA, and defined contribution account balance exceeds $10 million. If the aggregate account balance exceeds $20 million, the RMD would be 100 percent of the amount needed to lower the balance to $20 million. In addition, Roth conversions would not be permitted for these high-income taxpayers.

Finally, the legislation would add a new annual reporting requirement for employer-sponsored defined contribution plans on aggregate account balances in excess of $2.5 million. The reporting would be both to the IRS and the plan participant whose balance is being reported. It is unclear why this data would be collected.

CONTINUED ON PAGE 6

NCPERS Executive Directors Corner

18 Months into Pandemic, Pension Execs Confront Constant Challenges

Photo illustration © 2021, istock.com

More than 18 months have passed since the Covid-19 shutdown began in March 2020, forcing organizations across the country to equip employees to work remotely and find new ways to serve customers.

As the incidence of illness began to decline in late spring and early summer, many pension systems made plans to return to the office around Labor Day. The surge of the Delta variant changed that, and remote work—or a hybrid of remote and in-office work—is still the order of the day.

> *One point of complete agreement among these public pension executives was that in the aftermath of the Covid-19 shutdown, remote work is here to stay in some form.*

We recently checked in with a number of pension systems that were spotlighted in our *In the Front Lines* blog series in the spring of 2020. We found that with our second pandemic autumn now upon us, public pension systems are continuing to adapt. For example:

- In Austin, the Teachers Retirement System of Texas is refitting all its conference rooms to allow for hybrid meetings.
- In St. Paul, the Public Employees Retirement Association of Minnesota is pondering its space needs given that many workers will continue working remotely.
- In Manhattan, the Teachers Retirement System of the City of New York is trying to keep employees off crowded public transportation as long as the pandemic lingers.
- In Olympia, the Washington Department of Retirement Systems is dealing with a spike in call volume as employees weigh whether to retire before mandatory vaccination takes effect for public sector workers.

One point of complete agreement among these public pension executives was that in the aftermath of the Covid-19 shutdown, remote work is here to stay in some form. So is the more liberal use of videoconferencing to deliver member services.

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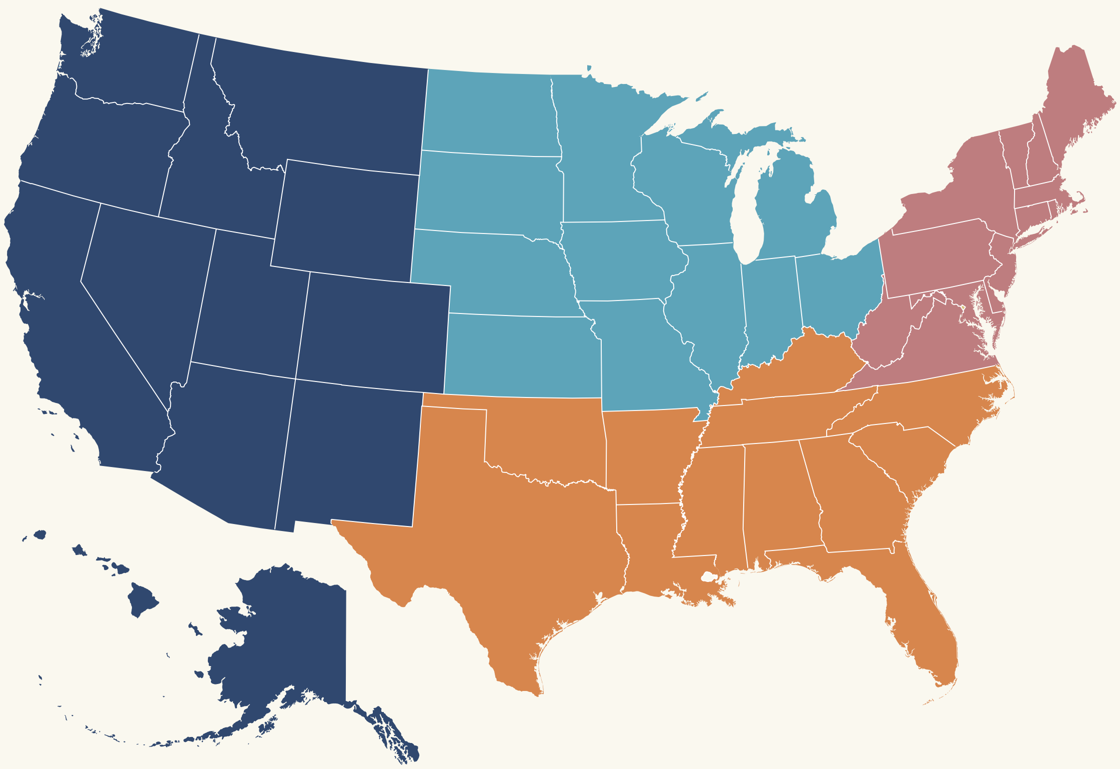
NCPERS Around the Regions

This month, we will highlight Pennsylvania, Missouri, Texas and California.



NORTHEAST: Pennsylvania

With an op-ed published in the *Philadelphia Inquirer* on August 30, NCPERS sought to bring balance to the newspaper's one-sided investigative coverage of Pennsylvania's Public School Employees' Retirement System.

Writing for NCPERS, Executive Director and Counsel Hank Kim urged Pennsylvanians to look beyond the Inquirer's headlines when reading about PSERS' investment strategy and performance. While the newspaper continues to insist on comparing the fund's performance to index funds, Kim pointed out that this approach is a flawed way of thinking about any pension fund.

He drew an analogy to two runners on a track, both running a one-mile time trial. "Runner A records a time of 7 minutes on a flat track. Runner B does their trial on a grass hill with a 15-pound knapsack on their back and records a time of 7 minutes, 20 seconds. Who is faster?" Kim explained that the answer is not so simple. If you took away the incline and the additional weight, Runner B—analogous to PSERS—might prove to be the winner.

PSERS, which manages a $70 billion investment fund that provides retirement security for more than 500,000 active and retired educators in Pennsylvania, has found itself in the spotlight lately for underperforming its targets, Kim noted. Yet on Aug. 4, PSERS announced one of its biggest investment returns in the last 50 years, a 25% return that generated $12 billion. It is the highest in the last 26 years.

When examining a situation like this time trial or something more esoteric, like pension fund performance, it's important to understand that many pension funds have been impacted by

CONTINUED ON PAGE 7

AUTO-IRAS AND NEW FINTECH CONTINUED FROM PAGE 1

Schneble told *PlanSponsor* that nearly all his customers use robo-advisory services that invest in passive index funds. Human Interest is an open-architecture platform where plan sponsors can select their own lineups if they prefer from 2,000-plus funds in every major asset class, including the popular category of environmental, social and governance (ESG) funds.

Ubiquity Retirement + Savings, which has about $2.8 billion in assets, is also coming on strong in the fintech space. Its average plan size is 13 employees, even though very few companies under 20 employees have plans. Switching to Ubiquity from a traditional provider can mean plan savings of about 30% to 40%, he told PlanSponsor.

Meanwhile, the interest in auto-IRAs appears to be steady. Michigan residents of voting age are strongly in favor of establishing a state-run retirement savings option for private sector workers who lack access to a workplace retirement plan, according to a survey by AARP.

AARP surveyed voters between the ages of 25 and 64 to gauge sentiment about financial and retirement security and to determine their interest to public-private retirement savings plans. AARP Michigan said that 1.69 million people, about half the state's private sector workforce, are employed by an entity that does not offer a retirement plan.

Two-thirds of the respondents supported a state-run retirement savings option, and half said they are behind in planning and saving for retirement.

Some 83% agreed that state policymakers should take action to make it easier for all workers to save for retirement in a tax-advantaged way out of their regular paycheck. About the same proportion said it was important to be able to save for retirement in the workplace. Both figures broke down fairly evenly across political affiliations.

Eight in 10 respondents who don't have access to a retirement savings plan at work say they would take advantage of one if it was available. ◆

LATEST DEVELOPMENTS CONTINUED FROM PAGE 2

However, it is reasonable to conclude that changes to the tax rules affecting aggregate retirement account balances in excess of $2.5 million may be considered by Congress in the future.

The budget reconciliation bill is being negotiated among the Democrats in Congress and the Biden Administration. Republicans have made it clear that they will not support the Democrats' legislative agenda and are not participating in drafting the bill. The budget reconciliation rules, if followed precisely, allow passage of the bill in the Senate by a simple majority vote, rather than the 60-vote margin needed to break a threatened filibuster. It is an important tool when one party controls both chambers of Congress and the White House.

Please be aware that NCPERS will monitor these important issues. As significant events occur, we will keep you apprised. ◆

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EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 3

Working from home "has been a real game changer for us," said Doug Anderson, executive director of PERA, and something on the order of half the staff will not be returning to the office full-time. Employees have responded very positively to the arrangements, and moreover, they are productive.

Members appear to have adapted well to distancing and to new technology. "We offered video conferencing before the pandemic, but people didn't usually take us up on it," said Brian Guthrie, executive director of Texas TRS. Although members are now eager to come into the office for meetings, he expects a continued need for remote delivery of key information. "Now, as far as I'm concerned, we have a new tool in our tool box."

The increased focus on videoconferencing has been very positive news for member education efforts, said Patricia Reilly, executive director of New York City TRS. Previously, programs were delivered to rooms of 30 to 40 members. Since the pandemic began, "we've done member education for thousands of people who now get on a Zoom session. We're able to service a lot more of our members through online education."

At the Washington Department of Retirement Services, the pandemic has been anything but a quiet time. The department is replacing core pension systems and has remodeled its space, said Tracy Guerin, the department's director. And phones have been ringing steadily in the call center as some workers who are close to retirement age consider whether to comply with a vaccination mandate or put in their retirement papers.

The executives are on different points along the road to returning to the office, but they're in agreement on one point, articulated by Guerin: "You can't say closed forever. You've got to reopen the building. We're just trying to do that the most responsible way for our customers and our team."

Please check the NCPERS Blog as we check in again with the pension system executives we interviewed in 2020. ◆

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

historically low funding levels, Kim wrote. In addition, like many pension funds, PSERS has a conservative, lower-risk portfolio that isn't intended to mirror the stock market's performance.

The great performance of many pension funds in 2021 is a reminder that "pension funds are long-term investment institutions," Kim wrote. "No single year, good or bad, should ever be a measure of performance. And even long-term measures of performance require context and history."

MIDWEST: Missouri

The Missouri State Employees' Retirement System returned a net 26.4% for fiscal year 2021, which ended June 30, according to a report on the pension fund's website.

The return exceeded the $9 billion fund's policy benchmark rate of 25.2%, which reflects what the returns would have been if the MOSERS portfolio had been invested passively according to its asset allocation. This is up from a net 5.2% return in the 2020 fiscal year.

MOSERS also exceeded its policy benchmark rate for the three, five, 10, and 20 years ended June 30. It returned annualized net returns of 11.5%, 9.1%, 7.3%, and 7.2% for those periods, versus policy benchmark returns of 9.4%, 6.9%, 6.6%, and 6.2%. The five-year returns were reported by *Pensions & Investments*; the others were posted on the MOSERS website.

As of June 30, MOSERS had a target asset allocation of 21% to global equities; 18% each to Treasury inflation-protected securities and long Treasuries; 11% global private equity; 7% each to core bonds and alternative beta; 4% each to private credit, hedge funds and public real assets; and 3% each to private real assets and commodities. Actual asset allocation at the end of the fiscal year was within two percentage points for all asset classes.

SOUTH: Texas

A new law that took effect in Texas on September 1 that revises provisions for developing the public retirement system's funding policy. HR 3898 was signed into law by Governor Greg Abbott, a Republican on June 18.

The new law expands requirements for mandatory plan funding policies, adjusts the conditions under which a system would have to establish or revise a funding soundness restoration plan, and intensifies periodic independent reviews of plan investment practices. The bill similarly revises provisions relating to unitary retirement systems for certain municipalities.

The Texas legislature made the changes to improve the financial viability of the numerous state and local plans in the state. In all, 25 out of 93 public retirement plans had amortization periods greater than 40 years, an increase of over 200% since 2000, and only one plan had an amortization period of zero.

Under the new law, plans must work jointly with their sponsoring entity to develop and adopt a written funding policy, and must offer a detailed plan for attaining a funded ratio of at least 100%.

The law also changed the rules for funding soundness restoration plans. Effective September 1, 2025, a plan requirement will be triggered if the plan's expected funded ration exceeds 40 years or exceeds 30 years and the funded ratio of the plan is less than 65%.

The law imposes new ethical requirements related to independent reviews of investment practices. The independent firm is required to summarize its expertise, state that its experience meets state requirements, disclose any existing relationships between the independent firm and the plan, confirm that neither the independent firm nor its affiliates are involved in managing investments of the plan, list the types of compensation it receives from sources other than the plan for services to the plan, and identify any potential conflicts of interest or appearances of conflicts that could impact independent analysis.

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AROUND THE REGIONS CONTINUED FROM PAGE 7

WEST: California

Two union-backed candidates, David Miller and Jose Luis Pacheco, were elected to the two Member-at-Large seats on the CalPERS Board of Administration, CalPERS announced October 1. Their four-year terms begin on January 16, 2022.

The results are unofficial, pending formal certification by the California Secretary of State in November.

Miller, an environmental scientist, was re-elected, receiving 73% of the vote in his race, versus 27% for challenger Tiffany Emon-Moran, a retired police officer. Pacheco, a community college IT administrator, defeated the incumbent, receiving 62% of the votes in his race, versus 38% for Margaret Brown, a retired school administrator.

The 13-member CalPERS Board sets policy for retirement and health benefits on behalf of California public employers, and their active and retired employees. The board also oversees asset allocation of the pension fund's investments.

Five California state employee unions, SEIU California, the California School Employees Association, the California Teachers Association and other unions supported the winning candidates.

"We worked hard to elect David Miller and Jose Luis Pacheco because we know we can trust their experienced, pro-worker leadership," Riko Mendez, chief elected officer of SEIU Local 521 and an SEIU California board member, said in a prepared statement.

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Calendar of Events 2022

May

Trustee Educational Seminar (TEDS)
May 21 – 22
Washington, DC

Program for Advanced Trustee Studies (PATS)
May 21 – 22
Washington, DC

NCPERS Accredited Fiduciary (NAF) Program
May 21 – 22
Washington, DC

Annual Conference & Exhibition (ACE)
May 22 – 25
Washington, DC

October

Public Safety Conference
October 25 – 28
Nashville, TN

The Voice for Public Pensions

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