

**THIS ISSUE: TMRS Bill, December Board Meeting, PLSD Rumors**

**Announcing HB360**

HB360, by Representative Edmund Kuempel, contains changes recommended by the TMRS Board of Trustees and its Legislative Stakeholder Group. The bill may be tracked [here](#) and at Texas Legislature Online (<http://www.capitol.state.tx.us/>).

***SUMMARY***

This legislation is the most important in the 60-year history of TMRS. The changes in HB360 will help ensure the future soundness of the System. The Board, with the advice of the Legislative Stakeholder Group, approved three changes that need to be made to the TMRS Act. These changes will do the following:

1. Guarantee an annual interest credit of at least 5% to member accounts and set the annuity purchase rate for retirees at a minimum of 5%
2. Allow the crediting of unrealized income
3. Allow city accounts to receive annual interest at a rate different from the member rate, including negative interest

The reasons HB360 needs to pass are:

- To allow continued diversification of the TMRS fund to improve investment returns
- To guarantee that member interest rates and annuity purchase rates will remain at least 5% in the future
- To provide a more robust income stream within acceptable risk parameters
- To enable TMRS, over time, to build a strong reserve fund for the future

***NOTE: There are no benefit changes in HB360; nor does it authorize any further investment authority.***

TMRS Staff is preparing a “Guide to TMRS for the 81<sup>st</sup> Legislature,” for legislators and other interested parties. We will post a PDF of this booklet on the website soon.

**December TMRS Board of Trustees Meeting**

The TMRS Board of Trustees met in Austin on December 5. Highlights of the meeting included:

- ***Named new Board officers*** – The TMRS Board’s chair for 2009 is Carolyn Linér, San Marcos. Ben Gorzell of San Antonio will serve as Vice-Chair for 2009.

- ***Acted on actuarial adjustments*** –Adopted changes as recommended by consulting actuaries GRS to the actuarial assumptions that will be used for the 12/31/08 Actuarial Valuation. These consist of three main changes:
  1. Increase the assumed discount rate for the Municipality Accumulation Fund from 7% to 7.5%.
  2. Explicit valuation of the Cost of Living Adjustments (COLAs) related to the Employee Savings Fund.
  3. The Salary Scale assumption will be applied in all future years.

The net effect of these three changes will vary among all TMRS cities. As a general guideline, most cities with 7%, 2 to 1 match, and annually repeating benefits will see an increase in rates. GRS is recommending to the Board that any increase in contribution rates resulting from the adoption of these assumption changes that exceeds .5% be phased in over the remaining 8 year phase-in previously granted to cities.

Watch for a letter about these changes and the outlook for the 2009 actuarial valuation soon.

- ***Discussed policies for ad hoc benefit amortization and closed plans*** – Heard presentations from GRS on potential changes to amortization policies for ad hoc benefits adopted by cities and amortization of liabilities for plans in cities that choose to close their TMRS plan to future employees.
- ***Heard investment update from RV Kuhns*** (see next item)
- ***Named new members of the Advisory Committee*** – Filled three Individual Class vacancies on the TMRS Advisory Committee on Retirement Matters by reappointing Keith Brainard, Georgetown, and appointing two new members to replace members Jim Starr and Isaac Valencia:
  - Allen Bogard, City Manager, City of Sugarland
  - Michelle Leftwich, Assistant City Manager / Planning Director, City of Mercedes

Confirmed the following Advisory Committee Group Class members –

- David Crow, representing Arlington Professional Firefighters
- Mike Perez, representing Texas City Managers Association (TCMA)
- Greg Vick, alternate representative for TCMA
- Bob Scott, representing Government Finance Officers of Texas (GFOAT)
- Chris Heaton, Texas Municipal Police Association (TMPA)
- Kevin Lawrence, alternate representative for TMPA
- Jim Parrish, Texas Municipal Human Resources Association (TMHRA)
- Richard Martinez, Service Employees International Union-San Antonio (SEIU)

### **Investment Update**

The Board received an update to the investment performance report from its investment consultant, RV Kuhns. This new [investment update](#) (as of 10/31/08) is available on the TMRS

website. As of October 31, the equity allocation was \$1.042 billion, 7.7% of the total portfolio. By the end of 2008, the TMRS fund will be approximately 12% invested in equity index funds and 88% in bonds.

We appreciate cities' continued help in continuing to communicate the message that TMRS is not in a financial crisis. We encourage you to continue to circulate the [TMRS Investments flyer](#) and to share the following information with employees or retirees who have questions:

***Key Points about TMRS Investments' Impact on Benefits***

- The TMRS benefit that active members have earned is secure.
- The annuities that retirees receive will not be reduced.
- Unlike a retirement savings program, such as a 457 or 401(k) plan, a TMRS account does not lose value when stock prices go down.
- TMRS is a long-term investor, and short-term downturns in the market are anticipated in our strategy.
- TMRS' trust fund to pay promised benefits is \$13.2 billion (market value at October 31, 2008).
- The market value of our portfolio has gone down, but the income stream that will pay a 5% interest credit to member accounts in December is secure.

**Have you heard these PLSD Rumors?**

TMRS Staff have encountered different rumors relating to partial lump sum distributions (PLSDs), including rumors that TMRS is doing away with the PLSD. One rumor even says that members wanting this lump sum must retire before the end of the year or lose the chance to choose a PLSD. This is absolutely not true.

A second rumor is that TMRS has imposed a new cap on PLSDs. This rumor was spread by an e-mail apparently sent to TMRS members by a financial services firm. The PLSD cap increased from 50% to 75% of member contributions and interest in 1999, and no change has been made to the provision since that date.

The PLSD is a benefit guaranteed by law to retiring employees who choose it as part of their retirement options, so changing this benefit would require changes to the TMRS law. No benefits changes are planned, and TMRS has not considered removing the PLSD payment option.

**LAST CALL for Additional Contributions**

Don't forget that additional contributions by your city made before December 31, 2008 will have a direct impact on your city's funded status. Any additional contributions you can squeeze into your budget will create an actuarial gain for the year and will have a positive effect on your city's contribution rate (both full and phase-in rates, if applicable) for 2010 and beyond.

Any city wishing to exercise this option should use the form titled Remittance of Additional TMRS Contributions, available [here](#) and on the TMRS website. Any city with questions is urged to contact the TMRS actuary Leslee Hardy at [lharty@tmrs.com](mailto:lharty@tmrs.com).

### **Office Holiday Closings**

The TMRS office will be closed over the holidays on Wednesday and Thursday December 24-25, 2008 for Christmas Eve and Christmas Day. We will also be closed Thursday, January 1, 2009 for New Year's Day.

This will be the last e-bulletin you receive this year. The TMRS Staff wishes you and yours a wonderful holiday season!

*NOTE - Previously issued e-bulletins and correspondence are posted in the "E-Bulletin Archive" section under the Publications page on the TMRS Website.*