

insight

The Newsletter for TMRS® Members

TMRS Changes —

What's on the Horizon?

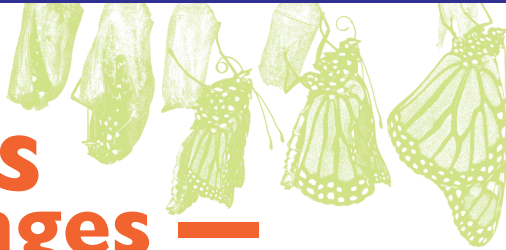
Most TMRS members are aware that the System is undergoing changes to ensure that member benefits continue to be soundly funded and to preserve benefit levels for future retirees.

Investments

TMRS is gradually diversifying its investment portfolio from its current fixed income strategy (bonds) to a portfolio that will contain both stocks and bonds, with a target of 12% in indexed stocks by the end of 2008.

TMRS is making investment changes now because the environment that has been so successful for TMRS has changed. For much of its 60-year history, TMRS has invested primarily in fixed income investments (government, high-quality corporate, and agency bonds). This investment strategy provided a predictable annual income stream with minimal risk. But lately, the interest income from bonds has dropped to the lowest level in many years. Therefore, as old bonds mature and new money flows into TMRS, the opportunity for high-interest bond investment has decreased.

TMRS is diversifying its investments, but we are doing it slowly and deliberately. We are starting with a low-cost, lower risk strategy by investing in stocks that track indexes, one each for domestic and international stocks, and are putting in 1/2% of the portfolio value into each index on a monthly basis. By the end of 2008, we should have approximately 12% of the portfolio invested in



From the Executive Director

Dear TMRS Members,

I hope you and your families are enjoying another beautiful spring in the great state of Texas. Spring always signals new growth and change. I'm enjoying my first spring in Texas, and am glad to be part of TMRS in its 60th year.

Sixty years have brought success to TMRS as a public pension fund, and we are working hard with members and cities to implement more changes to ensure that the System stays sound. A summary of where we are now with the changes in TMRS' investment policy and funding for cities is provided in this issue.

Please join me in welcoming our new appointees to the TMRS Board of Trustees. Ben Gorzell, Jr., of San Antonio has been appointed as a new trustee, and board member Carolyn Linér was reappointed by Governor Rick Perry in early April.

Sincerely,

Eric Henry

Governor Appoints Two to TMRS Board

On April 4, Governor Rick Perry appointed Ben Gorzell, Jr. (left) to the TMRS Board of Trustees for a six-year term. As Director of Finance for the City of San Antonio, he will serve as an "Executive Trustee" and replaces Rick Menchaca of Midland on the Board. TMRS thanks Mr. Menchaca for his 13 years of service to the System.

In addition to appointing Mr. Gorzell, the Governor reappointed Carolyn Linér (right), Director of Human Resources / Civil Service for the City of San Marcos, for another six-year term as an "Employee Trustee." TMRS congratulates both Ben and Carolyn for their appointments and thanks them for their service to TMRS. Their terms will expire February 1, 2013.



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TMRS Changes — How Will They Affect Members?

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stocks. This method of investing, putting a fixed amount into the market on a regular basis, is known as “dollar-cost averaging.” It is a lower risk method of getting into a market because it eliminates the risk of putting in too much at the wrong time. Trying to predict the right time, i.e., “timing the market,” is not a prudent approach as it has been proven by experts that it is not possible to do that consistently.

Actuarial Changes

There has been increased coverage of TMRS in the press due to the impact of recent actuarial changes on city rates. Some of the stories have been exaggerated, and their use of the term “shortfall” is inaccurate in the context of long-term funding of retirement benefits. The changes taking place in TMRS are NOT caused by inadequate contributions. Despite a rumor that cities have not been putting enough money into TMRS, every TMRS city has contributed the actuarially required amount for its benefit plan.

Some cities may need to contribute more money in the future if they want to maintain the same level of benefits they have offered in the past. The difference between the current and the new actuarial cost method is that all benefits, including annually repeating Updated Service Credits and Annuity Increases, will be advance-funded over each employee’s working career, instead of being funded one year at a time as benefits accrue.

System Soundness

TMRS is well-funded and sound. The changes in investment and actuarial policies will not put your retirement at risk. Any benefit you have earned to date will not be affected. If your city ultimately decides to change its plan options, the change(s) will not affect the deposits you have made, the service credit that you have already earned, or the city match for periods of time before the change.

For More Information

The best source of up-to-date information on TMRS changes is the TMRS Website at www.tmrs.com. We encourage you to call or send an e-mail (phonecenter@tmrs.com) if you have further questions. ♦

Late-Career Retirement Planning Thinking About Retiring?

If you have at least 5 years of service in a TMRS city and are age 60 (some cities require 10 years) OR if you have 20 years of service at any age (some cities require 25 years), you may be eligible to retire. If you are not sure of your eligibility, contact TMRS or your City Correspondent.

When you are approaching eligibility to retire, it is time to make plans:

- Get answers to your remaining retirement questions.** Attend a TMRS Regional Pre-Retirement Conference if one is offered in your area. Ask your correspondent or check the Website calendar for dates and locations. Or speak with a Member Services Analyst at TMRS’ toll-free number and get your questions answered.
- Determine your eligibility.** If you are not quite there yet, you may be able to receive additional service credit to qualify for retirement (contact TMRS for assistance if you think you qualify for additional service credit):
 - Proportionate Retirement
 - Military Service Credit
 - USERRA
 - Previously refunded TMRS service
 - Restricted Prior Service Credit
- Start looking at retirement dates.** The only requirement is that your retirement date must be the last day of a calendar month and cannot precede your termination date from all TMRS cities. There is no best time of the year to retire.
- Request estimates.** Retirement estimates give you estimated monthly annuity payments for each payment option and also Partial Lump Sum Distribution scenarios. When you review the estimates, check your beneficiary information carefully.
- Confirm beneficiary info.** If your beneficiary designation is not correct, update it by completing a Vested Change of Beneficiary form (TMRS-7V). At retirement you will be required to confirm your beneficiary for retirement benefits.

Note: TMRS sends a letter to all pending retirees once their paperwork has been received and is in order. The letter confirms all their retirement selections and requests that they review their information because the options cannot be changed after the first retirement payment is made. ♦

Milestones from the System's First 60 Years

1947	TMRS Act creates the Texas Municipal Retirement System.
1948	First cities begin participation with a 1:1 city match and 5% deposit rate.
1949	First retiree begins drawing pension.
1966	Cities allowed to choose 1.5:1 and 2:1 matching.
1967	Maximum employee deposit rate increased to 7%.
1975	Updated service credit, retirement Annuity Increases, service buyback added.
1977	Proportionate Retirement Program created; Supplemental Death Benefits added.
1987	25-year, any age eligibility, surviving spouse benefit, and Occupational Disability benefits added.
1995	20-year, any-age eligibility provision added.
2001	5-year vesting enacted, effective 2002.
2007	At year end, TMRS had 121,033 members and 31,746 annuitants

Annual Statements

All TMRS members should have received their Annual Statements for the 2007 plan year. Because this statement reflects the data TMRS has on file, it is crucial for this information to be correct. Please contact TMRS as soon as possible if you see any areas that might need correction:

- Address – If there are discrepancies between your real address and that printed on your statement, let us know.
- Name– If your name is incorrect, file a TMRS-CHNG form.
- Beneficiary information – Should reflect your wishes for payment in the event of your death.
- Service – If you have service with any of the proportionate retirement systems that is not showing up, let us know.
- **Didn't get your statement?** Call us so we can research why and send you a copy.

Have you had a change in your address or ZIP code due to a 911 service area change?

To update your address, you must file a TMRS-CHNG form. Any **CHANGE** to your personal data requires your signature.

Sign, Sealed, Delivered

Why Your Signature Matters!

A signature is a legal representation of your identity. Your name, when handwritten on documents, serves as proof of your identity and your intentions. The role of a signature in many consumer contracts is not only to identify you, but also to provide evidence that you have thought about something and consent to the action you are signing.

In many situations, TMRS requires your *John Hancock* on certain documents to ensure you made the request. You don't want your retirement account information or money going to the wrong place or person, and neither do we! That is why, as evidence of your wishes — such as to change your beneficiary, address, or name — your signature on the proper form is of utmost importance. ♦

Board of Trustees

Roel "Roy" Rodriguez, P.E., Chair
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McAllen

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Director of Finance
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Carolyn Linér, Vice Chair
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PRESORTED STANDARD
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Calendar of Events

- | | |
|-----------------|--|
| May 7 | Regional Pre-Retirement Conference • Amarillo |
| May 13 | Regional Pre-Retirement Conference • Beaumont |
| May 26 | Memorial Day (Holiday) |
| June 25-26 | TMRS Board of Trustees Meeting • Arlington |
| July 4 | Independence Day (Holiday) |
| August 15 | TMRS Board and Advisory Committee Meeting • Austin |
| September 1 | Labor Day (Holiday) |
| September 25-26 | TMRS Board of Trustees Meeting • Austin |
| November 11 | Veteran's Day (Holiday) |

How to Contact TMRS

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If you have questions, suggestions, or ideas for stories, send a fax or an e-mail to the editor at 512.225.3781 or communications@TMRS.com.