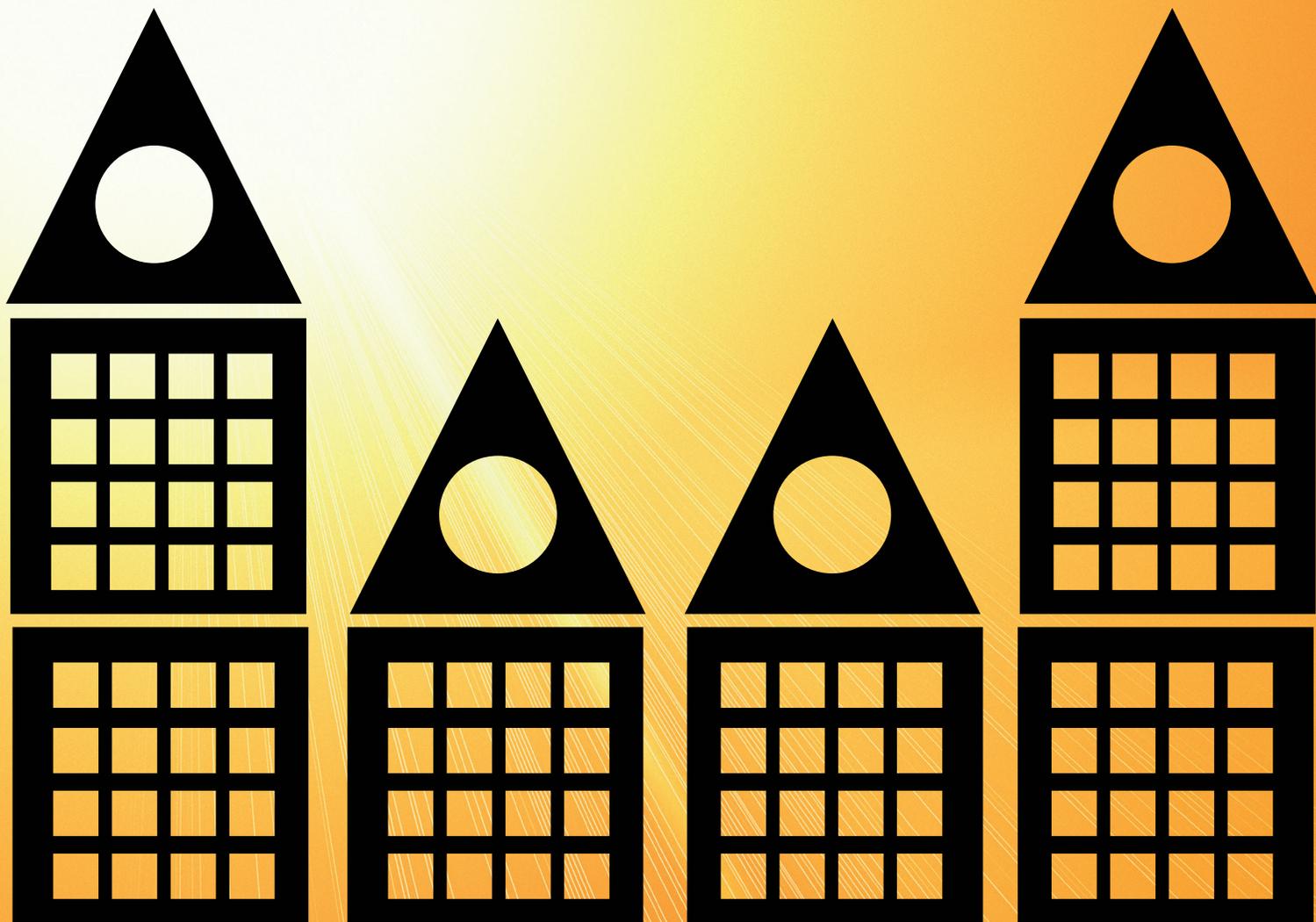


RetirementWise

Texas Municipal Retirement System • Providing Retirement Security for Texas Municipal Employees



TMRS – Strong by Design

- Investments and Legislative Updates
- Tax Reminders for 2016
- 2017 Statements Coming Next Month!

In This Issue

SPECIAL INSERT:
TMRS® 2017 Direct Deposit Calendar (after page 4)

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2017

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City Manager, McAllen



From the Executive Director

Dear TMRS Retiree,

We wish you and your loved ones a happy and prosperous 2017!

Our main story in this Winter 2017 issue focuses on TMRS as a structurally strong retirement plan. We usually don't brag about our accomplishments but, given the alarming news about some public pension systems, we want to emphasize that our plan is secure and well-managed. The scrutiny of public pension plans is occurring at all levels of government – local, state, and federal. The story on page 3 explains how TMRS is different from other retirement programs.

Also in this issue of *RetirementWise*, we present legislative and investment summaries (pages 4 and 6, respectively), a description of new MyTMRS® features (page 5), tax information, and reminders about your account statement. In the middle of the issue is a pull-out card showing your direct deposit dates for 2017.

As always, if you have any questions about TMRS or your retirement, call us any time during regular business hours, check our website at www.tmr.com, or check your personal account information on MyTMRS. If you haven't registered for MyTMRS, we encourage you to register right away – new online features are added regularly.

Sincerely,

David Gavia
Executive Director



From left to right: Bill Philibert, David Landis, Roy Rodriguez, Jim Jeffers, David Gavia, Jim Parrish, and Julie Oakley.

TMRS – Strong by Design

In recent years, TMRS has been recognized as a well-designed public pension system. Your retirement plan is a cash balance defined benefit plan rather than a traditional formula-based plan. This means that the benefit you received as a retiree was based on the account balance of your required deposits plus interest, city contributions, and other credits (if any) at the time you retired, annuitized to provide a lifetime benefit. **Conservative actuarial assumptions, prudent investing, employer flexibility, and statutory funding requirements have helped TMRS earn a reputation as a strong public retirement program.**

Over 870 Texas municipalities participate in TMRS, but some of the largest cities in Texas do not. Houston, Dallas, Ft. Worth, Austin, El Paso, and Galveston all maintain locally administered plans. In San Antonio, public safety officers have a separate plan, while non-uniformed city employees join TMRS. As some of these local systems make headlines and address the concerns of government officials, it is important to note that TMRS is a different type of plan and that it has not experienced the funding shortfalls and long-term concerns that some other systems are facing. The causes of these problems vary depending on the plan, but troubled systems generally share a few common problems:

- **Systems that do not receive sufficient contributions will experience shortfalls.** It seems self-evident that employers need to pay their contribution rates in full, but some employers have “underfunded” their pensions. In contrast, TMRS benefits are funded by employee deposits, investment returns, and city contributions, which are calculated annually. State law requires TMRS cities to pay their contribution rate.
- **Some systems promised benefits that are difficult to sustain or adjust when funding shortages occur.** While TMRS does not encourage its member cities to seek benefit reductions, the System is designed so that cities are able to modify benefits prospectively without statutory constraint. If a city does adjust its plan for active members, monthly benefits for retirees will not be affected, though a city always retains the ability to adjust or eliminate future COLAs.
- **Some systems have actuarial assumptions that are difficult to meet in actual experience.** In 2015, TMRS reduced its long-term investment return assumption to 6.75%, one of the most conservative rates among U.S. public systems. TMRS also adopted new tables that project anticipated lifetimes of retirees, which helps account for the longer expected life spans of future TMRS retirees. (Those adjustments do not affect the amount you are receiving as a retiree.)

Important TMRS Facts

- **An individual member’s or retiree’s benefit is not affected by current investment performance,** and each member’s or retiree’s accrued account balance cannot be reduced, no matter what happens in the markets.
- **TMRS is a cash balance plan.** Cash balance plans are increasingly gaining favor as one alternative to formula-based defined benefit plans.
- **TMRS offers flexibility.** Cities can control the cost of their benefit program by selecting their own plan features from available benefit design options.
- **Funding discipline is mandatory.** State law requires mandatory employee contributions, and requires TMRS cities to pay their actuarially determined contribution each year.
- **Funding policy is designed to fund benefits over employees’ active working careers,** with any unfunded liability amortized over a closed period with a maximum of 25 or 30 years. ▲

Planning for the 85th Legislative Session

The 85th Session of the Texas Legislature began on January 10, 2017. As the TMRS Board of Trustees plans for each legislative session, it convenes the Advisory Committee on Benefit Design during the interim period between sessions. The Advisory Committee is appointed by the TMRS Board to provide input to the Board on benefit design issues and other issues determined by the Board.

At its December 2016 meeting, the TMRS Board voted not to pursue any legislation in the 2017 session to amend the law that governs TMRS. Also at that meeting, the Board adopted a resolution stating its position on potential issues in the upcoming session. The Board resolved to support the current structure of TMRS; to encourage the Legislature to support the System and not support proposals that negatively affect TMRS; and to encourage the U.S. Congress and federal and state regulatory entities not to support proposals that would negatively affect the System's operations or tax-qualified status. The resolution is posted on the TMRS website at www.tMrs.com/agendas_minutes.php.

The Board also appointed Jim Parrish as Chair and Bill Philibert as Vice Chair of the Legislative Committee, which will be active during the upcoming session. TMRS will continue to monitor bills and update the Legislative page on the website during the session. Stay up-to-date on news at www.tMrs.com/legislative.php. If you have any questions, contact Dan Wattles, Director of Governmental Relations, at dWattles@tMrs.com. ▲

Your 2017 Direct Deposit Calendar!

Keep this card handy to view the dates for your annuity payment deposits.

To Your Health –

A Dose of Sunshine

There's an old saying that sore knees indicate a change in the weather. Most folks think that is due to arthritis. That may be true, but another surprising culprit is vitamin D deficiency. Because the sun is out less — and people are outside less — we simply don't get as much of a natural dose of sunshine in the winter.

Being low on D can affect your knees and other joints because a vitamin D shortage increases your inflammation levels, which in turn increases pain sensitivity associated with osteoarthritis. Having too little vitamin D also increases "bone turnover," which lowers bone quality, studies maintain.

Here are some benefits of vitamin D:

- Assists in absorption of calcium (good for bones and teeth)
- Provides resistance to certain diseases (reduces risk of developing heart disease, multiple sclerosis, even the flu)
- Fights depression and anxiety
- Boosts weight loss

Foods that contain vitamin D include salmon, sardines, egg yolks, shrimp, fortified dairy products, and fortified juices. To meet your need for D, supplements may help. Although the exact amount to supplement is a matter of debate, the importance of vitamin D is not. Talk to your doctor for guidance on how to ensure you get the right amount for your body. ▲

MyTMRS® — A Useful Tool for Retirees

TMRS continues to expand our online self-service capabilities. MyTMRS updates in the past two years include the ability to choose your communications preferences, update your withholding preferences, and change your contact information (address, phone, email) online. These capabilities were added to MyTMRS' earlier options, including viewing/printing statements and viewing account information.

Any time there is a change to MyTMRS features, we will send an email notification to all users, so be sure to register for MyTMRS by clicking the MyTMRS button on the main page of www.tMrs.com and following the registration steps.

New Security Feature – Multi-Factor Authentication

To protect your online capabilities and personal information, we're adding a layer of privacy protection. If you have logged in to MyTMRS recently, we asked you to verify your contact information on file with TMRS and, in some cases, requested that you add another means of contact. If you have not logged in recently, we encourage you to do so right away! After signing in, you'll see a window prompting you to verify your contact information, and you can change anything that is incorrect. We need a correct phone or email address so you can receive the second authentication factor (a security code) when that feature is rolled out later this year. Any time you change your contact information, you'll get a verification email from TMRS.

E-newsletters for Retirees and Annuitants

E-newsletters are sent to everyone who has a MyTMRS account. A recent e-newsletter explained multi-factor authentication and reminded users about the Communication Preferences feature. Starting with this issue of *RetirementWise*, MyTMRS users will receive an email that the publication is available online with a link to the newsletter, **instead of receiving a printed copy**. Electronic communication saves money and paper.

MyTMRS users who want to continue receiving a printed newsletter in the mail will need to specify that option in the Communication Preferences in MyTMRS (choose "E-mail notification and Mail"). If you are not a registered MyTMRS user, we will continue to send *RetirementWise* by mail.

Importance of a Persistent, Personal Email Address

A long-standing (or persistent) email address is an important element in MyTMRS. We strongly encourage you to use a non-work email address that you plan to keep long-term. In any situation when you must change your personal email address, be sure to update it on MyTMRS.

If you have any issues or questions about MyTMRS, please send an email to MyTMRS-Help@tmrs.com or call our toll-free number: 800-924-8677. ▲

TMRS Is on Facebook and YouTube

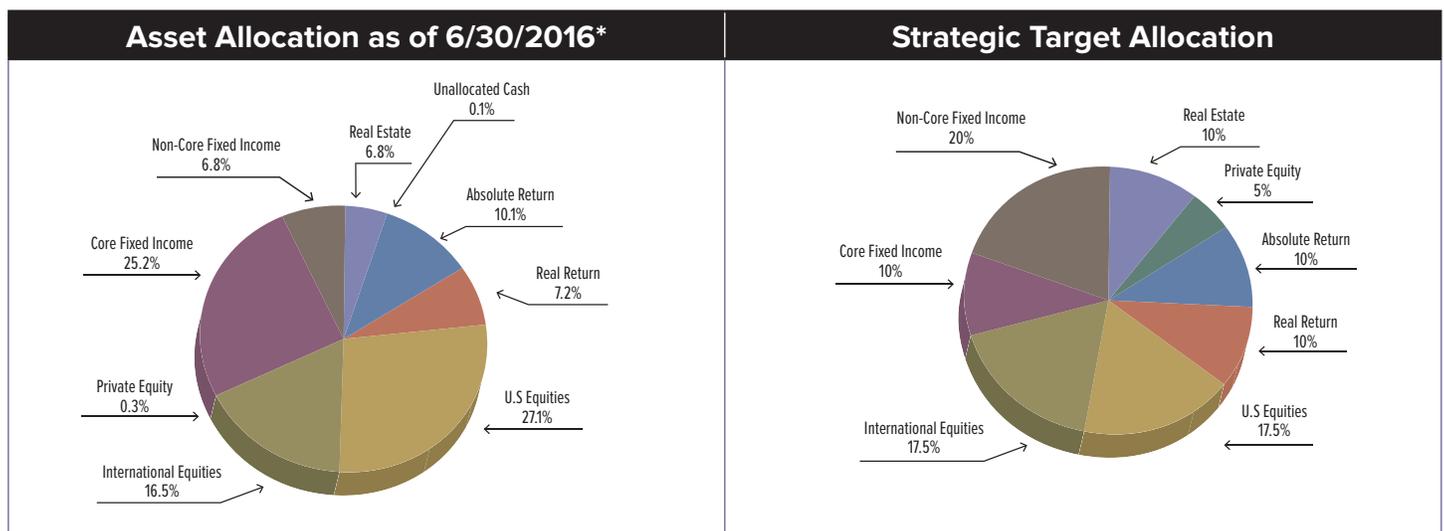
Stay updated on news from your retirement system through social media.



Investment Overview

Funding for the future of retirement benefits is a long-term endeavor, which means TMRS' investments focus on the long term. The System's overall investment strategy is designed to provide members, retirees, and their beneficiaries the benefits they have been promised by their employers. The Investment Department at TMRS works to make prudent and safe investments while attempting to realize the best returns. Assets are invested for a total return, given appropriate consideration for portfolio volatility (risk) and liquidity. Total return includes dividends, interest, and realized and unrealized capital appreciation. TMRS began asset diversification in 2008 and has continued to make strides toward Board-approved targets, while also adding new asset classes approved by the Board.

Remember that regardless of market returns, active TMRS members are guaranteed a 5% interest credit on their accounts every year. And as a retiree, your annuity is guaranteed for life. Investment return summaries and updates to TMRS' Investment Policy are posted online after TMRS Board meetings. To view Investment Department information, go to the Investments tab, found under "About TMRS" on the TMRS website. ▲



* The sum of individual asset class allocations may not add up to 100% due to rounding.

HELPS for Healthcare Premiums

A federal law, Healthcare Enhancement for Local Public Safety (HELPS), allows retired or permanently disabled public safety officers (PSOs) to designate funds to be deducted from their TMRS benefit payment to pay for health or long-term care insurance premiums. These deductions effectively reduce the retiree's taxable income. The health insurance or long-term care insurance can include coverage for the retiree, spouse, and dependents. Under HELPS, TMRS sends insurance premium payments directly to an insurance provider as instructed by the retiree.

To enroll, amend, or cancel insurance deductions, retirees must submit the TMRS-HLPS form, available on the TMRS website. The first time you apply for HELPS, you will need to have the city from which you retired certify that you are eligible to participate in the HELPS program on the bottom of the form. If you need to make future amendments to the amount of the deduction, or if you wish to cancel, you should submit a new TMRS-HLPS form, but these change forms do NOT require recertification by the city. All forms must be received by TMRS the month before the change is to be effective. ▲

Tax Information

Your TMRS monthly benefit is subject to federal income tax. Information about your annuity is reported to the IRS on the 1099-R form, which you will need to file your income taxes. TMRS will mail 1099-R forms for 2016 before January 31, 2017. Also, you may view and print your 1099-R form through MyTMRS.

If you wish to change the amount withheld from your annuity, you may change your withholding (which will change the net amount of your annuity payment) using MyTMRS. If you prefer, you may fill out a new W-4P form (Withholding Certificate for Pension or Annuity Payments). This IRS form may be downloaded from our website's Forms page, or from the IRS website, www.irs.gov. Mail the completed form to TMRS at P.O. Box 149153, Austin TX 78714-9153 or fax it to 512.476.5576. You may change your withholding at any time of the year and may elect out of withholding if you wish. MyTMRS makes it that much easier.

The W-4P information must be submitted to TMRS, not the IRS. If you do not provide TMRS with specific withholding instructions, the IRS requires us to withhold as if you were married and claiming three exemptions. This may or may not cover your tax liability, so be sure you file a W-4P with us.

If you are an eligible retired or disabled public safety officer and you have filed the "Application for Insurance Premium Deductions" (TMRS-HLPS) form to have TMRS deduct and pay accident, health, or long-term care insurance premiums from your TMRS annuity, you will receive a letter from TMRS in January 2017 stating your 2016 insurance premium payments. In accordance with IRS instructions, the exclusion from income is not reflected in box 2a of the retiree's 2016 Form 1099-R. More information about this exclusion and how to report it can be found in the instructions to the 2016 Form 1040, 1040A, or IRS Publication 575: Pension and Annuity Income, which can be viewed or downloaded from the IRS website. (For more information about HELPS, see story on page 6.) ▲

Box 5 on Your 1099-R

Every year by January 31, TMRS sends you a 1099-R form. Please note, if you have an amount listed in Box 5 (Employee contributions / Designated Roth contributions or insurance premiums) on your 1099-R tax statement, that amount represents money that has already been taxed. In other words, it represents the difference between Box 1 (your gross distribution) and Box 2a (your taxable distribution).

Retirement Account Statements

In mid-February 2017, TMRS will mail a Retirement Account Statement to all annuitants. If you move or need to update your address before then and you are a MyTMRS user, all you need to do is update your contact information on MyTMRS. Or, you can complete a TMRS-CHNG (Address or Name Change) form and fax or mail it to TMRS. Check your data on file with TMRS by using MyTMRS or calling 800-924-8677. At the same time as it mails, your Retirement Account Statement will also be available to view or print on MyTMRS. ▲

Calendar

January	30 31	Annuity checks mailed Direct deposit of annuity payments
February	20 23-24 27 28	Holiday (Presidents' Day) TMRS Board of Trustees Meeting – Austin Annuity checks mailed Direct deposit of annuity payments
March	30-31 30 31	TMRS Board of Trustees Meeting – Austin Annuity checks mailed Direct deposit of annuity payments
April	14 27 28	Holiday (Good Friday) Annuity checks mailed Direct deposit of annuity payments
May	17-18 18-19 29 30 31	TMRS Board of Trustees Planning Meeting – Austin Joint Meeting, TMRS Board of Trustees and the TMRS Advisory Committee – Austin Holiday (Memorial Day) Annuity checks mailed Direct deposit of annuity payments
June	21-22 29 30	TMRS Board of Trustees Meeting – Austin Annuity checks mailed Direct deposit of annuity payments
July	4	Holiday (Independence Day)

How to Contact TMRS

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Email • help@tmrs.com

Fax • 512.476.5576

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