

# insight

The Newsletter for TMRS® Members

## TMRS Board Selects Executive Director

The TMRS Board of Trustees has chosen TMRS General Counsel David Gavia from a field of exceptional applicants to be the fifth Executive Director of the retirement system. Mr. Gavia brings experience with TMRS and expertise in pension law, accounting, and administration to the office.

“After a comprehensive national search, the Board of Trustees is convinced that David Gavia is the individual best suited to lead TMRS into this new decade as we continue our mission of providing a secure retirement to tens of thousands of dedicated municipal employees while maintaining strict fiscal responsibility to the 839 city governments who have entrusted us with this important mission,” said Ben Gorzell, Chair of the TMRS Board of Trustees. The Board announced its choice on March 12, 2010.

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## From the Executive Director



Dear TMRS Members,

I am grateful the Board of Trustees has selected me to be the Executive Director of TMRS. During the time that I served as the Acting Executive Director, I learned a great deal about the challenges facing our cities and our System overall. Before that, I was deeply involved with the laws, policies, and financial outlook of the system in my position of TMRS General Counsel.

Under the Board’s guidance, the System has undergone significant changes over the past few years. The passage of HB 360 in the 81st Legislative Session allows us to move the System forward in a way that will keep us strong into the future. The bill also enables us to continue the diversification of our investment portfolio.

I look forward to working with you and getting to know more of you in the months and years to come. My pledge to you is that TMRS will continue to provide timely and accurate information to our members and cities, and that we will strive to provide secure and competitive retirement benefits. If you have any questions about your account, your city’s plan, or TMRS in general, please contact us.

Sincerely,

David Gavia  
Executive Director

## TMRS Wins Award “Plan Sponsor of the Year”

On March 1, *PLANSPONSOR* magazine announced the 2010 winners of its annual “Plan Sponsor of the Year” awards, presented to retirement plans in the nonprofit, corporate, and public sectors. TMRS won the award in the Public Sector/Defined Benefit category for 2009. “TMRS appreciates the recognition this award represents. We will continue to do the best job we can to provide secure retirement benefits to our members and retirees while remaining mindful of the costs of these benefits to our cities,” said Ben Gorzell, Chair of the TMRS Board of Trustees.

*PLANSPONSOR* magazine is the nation’s leading resource on workplace retirement plans. The magazine annually recognizes plans that demonstrate leadership in providing a secure retirement for workers. Strong investment performance, rigorous corporate governance, and an enduring commitment to participant education are the hallmarks of the “Plan Sponsor of the Year” awards. Descriptions of all the 2010 winners were featured in the March issue of *PLANSPONSOR* magazine. ■

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A native of San Antonio, Mr. Gavia has been the Acting Executive Director of TMRS since the departure of former Executive Director Eric Henry in August 2009.

Mr. Gavia joined TMRS as General Counsel in 2001. Prior to his employment at TMRS, he worked as Assistant General Counsel in the Benefits / Tax Area for the Employees Retirement System of Texas (ERS). He received his Bachelor of Science degree in business administration from Trinity University in San Antonio and his Juris Doctor degree from the University of Texas at Austin. In addition to being an attorney, he is also a Certified Public Accountant.

Mr. Gavia is a member of the National Association of Public Pension Plan Attorneys, the Texas Association of Public Pension Attorneys, the State Bar of Texas, and the American Institute of Certified Public Accountants. He has represented TMRS before various regulatory agencies, served as a key member of the TMRS team that recommends statutory changes to the TMRS Act, and most recently helped move HB 360 through the Texas Legislature during the 81st Session. HB 360 is the bill that guaranteed a minimum 5% interest to members' accounts and a 5% discount rate used in setting the annuity purchase rates for retirees, while providing for variable interest credits to city accounts.

As Executive Director at TMRS, Mr. Gavia will implement the Board's policies and manage the future direction of TMRS, which now has more than 139,000 members in 839 cities. The System pays benefits to more than 34,000 retired Texans and administers a trust fund of over \$15.9 billion (as of year-end 2009). ■

## IS YOUR BENEFICIARY INFORMATION CURRENT?

Your beneficiary is the person(s) you choose to receive payments from your retirement account if you die. You name a beneficiary when you first become a TMRS member, but it is also important to review your beneficiary information after you are vested. TMRS will send you a letter when you are vested to confirm your vested status and advise you about the importance of updating your vested beneficiary designation.

To change your TMRS beneficiary, please complete the correct form:

- Nonvested member: **Not Vested – Change of Beneficiary form**
- Vested member: **Vested – Change of Beneficiary form**

If you are vested and married and want to name someone other than your spouse or in addition to your spouse as primary beneficiary, your spouse will need to sign off on the form and have it notarized. If you have questions about your designation or which form to use, please call TMRS at 800.924.8677.

After your form is complete, please sign it, date it, and fax it to 512.476.5576 or mail it to P.O. Box 149153, Austin, TX 78714-9153. ■

## Are You Eligible for a Refund?

To be eligible to refund your personal deposits and interest, you must have terminated employment with all TMRS-covered cities. A refund cannot be processed until your final member deposit to TMRS is received and credited to your account (from your city's monthly payroll). You are not required to refund; you may leave your funds in your account for up to 60 months. However, if you are vested, even if you leave city employment, you may leave your deposits with TMRS (earning interest) until you choose to refund or reach retirement age (60) and retire.

### What if I am no longer in a "TMRS Eligible" position?

If your city decides to reclassify employee positions because those positions no longer require 1,000 hours of work per year, those employees would no longer be eligible to contribute to their TMRS accounts. In other words, those positions would no longer be considered "TMRS eligible." If your position becomes ineligible for participation with TMRS, you are no longer eligible to contribute into TMRS, but you **cannot** apply for a refund or retirement until you have **terminated** employment with the city.

The reason for this is TMRS is a "qualified" pension plan under federal (IRS) guidelines. TMRS must meet the requirements of the Internal Revenue Code, and a refund to a non-terminated employee may be considered an "in-service distribution" under IRS rules. In-service distributions occur when a distribution is made before an employee has a separation from employment.

Therefore, if a member, whether vested or nonvested, wishes to refund his/her TMRS account, there must be a "bona fide" separation, and the employing city must certify that the employee has terminated employment. If an employee's hours have been reduced or if his/her position has been classified as a non-eligible TMRS position (i.e., less than 1,000 hours), the employee cannot refund his/her TMRS account until he/she terminates employment. ■

## RETIREMENT PLANNING Pre-Retirement Seminars

TMRS is sponsoring several regional seminars this spring and summer. For dates and locations, see the Calendar on page 4. The seminars are FREE and are designed to help you with your retirement planning. Attendees will learn all about retiring with TMRS, and there will also be presentations about Social Security and estate/financial planning. You may bring your spouse, and TMRS provides lunch.

If you are approaching retirement and would like to attend a seminar, talk to your TMRS Correspondent about signing up to attend one of the planned events, or send an email to [communications@TMRS.com](mailto:communications@TMRS.com). ■

# 2010 INVESTMENTS UPDATE

The passage of HB 360 allowed TMRS investments to be managed toward a total return objective, as we explained in the Fall/Winter issue of *INSIGHT*. TMRS will continue to diversify its investments by increasing equity allocations and moving into real estate and real return later this year. We will continue to increase those allocations toward the policy targets and begin investing in absolute return and private equity in the next few years.

In a total return environment, we keep our eye on short-term performance but emphasize long-term returns. We are dedicated to managing risk while improving the potential for future returns. TMRS investments are managed to ensure that members, retirees, and beneficiaries are provided with the benefits they have been promised by their cities at a reasonable and predictable cost to the employers.

## 2009 Performance

In past years, the Board of Trustees determined an annual interest credit rate for members and cities at its September meeting. Under HB 360, passed in the last session of the Texas Legislature, members received an annual interest credit of 5% on December 31, 2009. The 5% member interest is guaranteed annually. In February 2010, the TMRS Board approved a 7.5% interest credit to city accounts, the actuarially assumed rate. Additional investment earnings were allocated to the TMRS interest reserve. The TMRS Board has set a guideline for the reserve fund of approximately 20% of total assets. The reserve will be used to help stabilize city contribution rates in future years when investment returns may fall below the 7% investment return assumption.

TMRS' total rate of return was 10.25% for 2009. Summary performance updates are regularly posted on [www.TMRS.com](http://www.TMRS.com) on the Investments page.

## Real Estate Investments

The TMRS strategic target allocation to real estate is 10% of the total investment portfolio and will be implemented gradually and prudently as the market allows. After several educational sessions on real estate investing, the TMRS Board will select a real estate investment consultant to assist with this asset class. The Board is expected to make that decision at their May 7, 2010, meeting. The next step will be to develop an investment policy for real estate that is clear about the objectives for real estate and that will ensure that these investments follow a prudent strategy. TMRS hopes to make its first investments in real estate by the end of the year.

## Real Return Investments

The TMRS strategic target allocation to Real Return is 5% of the total investment portfolio and will be implemented gradually and prudently as the market allows. Real Return strategies are designed to protect against inflation; therefore, performance objectives may include some return in excess of inflation. There is a broad range of strategies, including securities such as inflation-linked bonds (U.S. and global), commodities, and natural resource stocks, to name a few. In February, the TMRS Board heard an educational presentation on inflation-linked bonds, including U.S. Treasury Inflation Protected Securities (TIPS) and global inflation-linked bonds, which are U.S. and non-U.S. government-issued securities whose performance is linked to inflation. TMRS is continuing to evaluate these securities for the initial investments in this asset class, and after developing an investment policy that addresses the objectives and restrictions for these securities, expects to begin investing in this area during the second half of this year. ■

### Board of Trustees

#### **Ben Gorzell, Chair**

Chief Financial Officer, San Antonio

#### **April Nixon, Vice Chair**

Chief Financial Officer, Arlington

#### **Pat Hernandez**

Municipal Court Judge, Plainview

#### **Carolyn Linér**

Director of Human Resources/Civil Service, San Marcos

#### **Roel "Roy" Rodriguez, PE**

Assistant City Manager/MPU General Manager, McAllen

#### **H. Frank Simpson**

City Manager, Missouri City

## 2010 BOARD CHANGES

Every year the TMRS Board of Trustees elects a new chair and vice chair. The Chair for 2010 is Ben Gorzell of San Antonio, and the Vice Chair is April Nixon of Arlington.

The Board of Trustees is responsible for fiduciary oversight of the System. The Board adopts investment and other policies, appoints the Executive Director, and selects experts to perform important services for TMRS. ■



**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
PO Box 149153 • Austin, Texas 78714-9153

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## Calendar

<b>May 7</b>	Joint Meeting of the TMRS Board and Advisory Committee - Austin
<b>May 10-11</b>	Regional Pre-Retirement Seminar - Addison
<b>May 13</b>	Regional Pre-Retirement Seminar - Denton
<b>May 31</b>	Holiday (Memorial Day)
<b>June 18</b>	TMRS Board of Trustees Meeting - Austin
<b>July 5</b>	Holiday (Independence Day is Sunday; office closed Monday)
<b>July 15</b>	Regional Pre-Retirement Seminar - Midland
<b>July 20</b>	Regional Pre-Retirement Seminar - Amarillo
<b>July 29</b>	Regional Pre-Retirement Seminar - San Marcos
<b>August 27</b>	Joint Meeting of the TMRS Board and Advisory Committee - Austin
<b>September 6</b>	Holiday (Labor Day)
<b>September 24</b>	TMRS Board of Trustees Meeting - Austin
<b>October 27</b>	Special TMRS Board of Trustees Meeting - Corpus Christi

## How to Contact TMRS

**Location**  
1200 North Interstate 35, Austin, TX 78701

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

**Toll-free**  
800.924.8677

**Local (in Austin)**  
512.476.7577

**Fax**  
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**Website**  
[www.TMRS.com](http://www.TMRS.com)

**E-mail**  
[phonecenter@TMRS.com](mailto:phonecenter@TMRS.com)

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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](mailto:communications@TMRS.com).