

**THIS ISSUE: October Board Meeting, Investment Update, TML Report, Reminders**

**October TMRS Board of Trustees Meeting**

The TMRS Board of Trustees met in San Antonio on October 29. Highlights of the meeting included:

- The Board heard a presentation from the system's consulting actuary, GRS, on potential changes to actuarial assumptions in the 12/31/08 actuarial valuation. The actuary's recommendations will be acted on at the December Board meeting; any changes in assumptions that may result from that meeting will be provided to you in the next e-bulletin.
- GRS also led a short discussion of the importance of using asset smoothing and a reserve fund after the TMRS legislation is passed in 2009. These mechanisms will help reduce volatility of city contribution rates by reducing the effect of rising and falling investment income from year to year.
- Finally, GRS discussed a new analysis of cities' municipality accumulation funds (MAFs). GRS is planning to run a series of tests, using different assumed levels of retirement, to ensure that MAF accounts remain sound.
- Northern Trust, the company that manages TMRS' equity index funds, made a presentation on recent securities lending issues that have arisen in the current uncertain economic climate. The Board voted to make the remaining equity investments for 2008 into index funds that do not have a securities lending feature. TMRS is on track to meet the Board's directive of shifting 12% of the System's funds into equity investments by year-end. The Board received the third quarter investment performance report from its investment manager, RV Kuhns, available [here](#) on the TMRS website.
- In a strategic planning session, the trustees discussed amending the Board's orientation and education policy to include orientation with the system's actuary and investment consultant, and to add a preamble to the statement of their roles and responsibilities. Action on these policies is expected at the December Board meeting.
- Additional strategic objectives were discussed, but none were added at this time.

**Investment Update**

The economy has been sending consumers into a state of shock, and understandably, TMRS continues to receive questions from members and retirees. We have been posting information on the Website and have sent newsletters to cities and members to explain that TMRS is not in any kind of financial crisis. We appreciate your help in continuing to communicate this message to your employees.

TMRS has been only minimally affected by the down stock market of recent weeks. As of October 21, 2008, the equity allocation of the TMRS Fund was \$1.076 billion, or 7.6% of the total portfolio.

TMRS staff circulated a handout on investments at the TML meeting in late October. This [TMRS Investments flyer](#) is available online. We encourage you to circulate it to your employees. The following “talking points” are also good to share with employees:

### ***Important Facts about TMRS***

- ★ 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 \$14 billion; 92% of the fund is invested in bonds at this time.
- ★ 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.

We will continue to update the information on [www.tmr.com](http://www.tmr.com), both on the Home page and on the Investments page.

### **Report from the TML Annual Conference**

The Texas Municipal League held its Annual Conference October 29-31 in San Antonio. TMRS staffed an information booth, and Executive Director Eric Henry gave two presentations on the current investment environment and legislative changes on the horizon.

At the conference, TML adopted a resolution to support the TMRS legislative package. Prior to the TML Annual Conference, the TML General Government Committee had deliberated various issues that included TMRS. The General Government Committee forwarded its report recommending that TML support TMRS legislation during the 81st Texas Legislature, and the Resolutions Committee adopted a resolution to support legislation that would “enact legislation initiated by the Texas Municipal Retirement System (TMRS) to make the TMRS system more financially stable.”

The TML Resolutions Committee is appointed by the TML president and consists of more than 50 city officials who attended the Annual Conference; these Committee members are preferably officials who are familiar with the objectives and history of the League. Each TML Policy Committee forwards a report containing initiatives, which each respective committee brings to the attention of the Resolutions Committee for discussion; in addition, the reports contain possible support or opposition of the contents in each respective committee’s report.

### **City Reminders**

#### ***PLSDs Going Away? – JUST A RUMOR***

Please let your employees know that there is no truth to the rumor that TMRS is doing away with the option to choose a partial lump sum distribution (PLSD) at retirement. We are not sure where this rumor started, but it is absolutely false. The PLSD is a benefit that is 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. Such changes are not part of the TMRS legislative proposal and TMRS has not even discussed removing the PLSD payment option.

The only legislative changes we are requesting this next session focus on how to credit future interest earnings to member and city accounts. To sum up, NO BENEFITS-RELATED CHANGES are included in TMRS' legislative package.

Keep those cards and letters coming! If you hear of any rumors like this one, let us know so we can correct the misinformation. We appreciate your help.

***IMPORTANT: First Anniversary of HELPS***

City Correspondents, an important milestone is almost here – the first year that retired public safety officers have been able to pay insurance premiums from their annuity checks has almost passed.

Any dollar amount changes for insurance premium deductions will require the retiree/payee's signature on a new TMRS-HLPS form (available from the website). We are expecting a significant number of requests for changes. If a retiree's insurance premiums are changing, it is important that the retiree **re-file the TMRS-HLPS form with the premium change at least one month before the effective date.** For example, if the retiree wants the changed insurance deduction to be effective for the January 31, 2009 annuity payment, the form must be in our office by December 31, 2008. If a retiree has previously applied for the deduction, we will not need the city certification at the bottom of the form.

After the New Year, we will be sending each retiree who has paid their insurance premiums through HELPS a letter telling them exactly how much TMRS deducted and sent to their insurance carrier in 2008 and how to claim the deduction on their tax return.

***Second Reminder: Additional Contributions Will Have Direct Impact***

Don't forget that additional contributions made before 12/31/08 will create an actuarial gain for the year and will have a positive effect on the 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 on the TMRS website. Any city with questions is urged to contact the TMRS actuary Leslee Hardy at [lhardy@tmrs.com](mailto:lhardy@tmrs.com).

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