

THIS ISSUE: Investment Update, HELPS Tax Information, Drivers Licenses for Proof of Birth, Legislative Update, March Conference Agenda

Investment Update as of December 31, 2008

Investment performance for the Texas Municipal Retirement System (TMRS) at year end was down from last year, but the fund's position in bonds helped mitigate the return. The income rate of return for the \$14.6 billion fund was 5.89%. A summary through 12/31/08 is available [here](#).

TMRS has completed the first stage of an asset diversification plan approved by the system's Board of Trustees in 2007, moving away from the fund's traditional 100% fixed income portfolio. By December 31, 2008, approximately 12% of the fund was invested in passive equity index funds: 6% in the Russell 3000 and 6% in the MSCI-EAFE. The remaining 88% of the fund is invested in fixed-income securities. Total Return for the year was -1.30%.

Recent economic events have not had a significant effect on retirement benefits for TMRS members or retirees. The monthly benefit received by retirees is secure and will not be reduced even if economic conditions continue to be troubled. Benefits that have been earned by active employees are also secure.

Each city ultimately bears the burden of funding its TMRS plan. In the event of a long-term economic downturn, decreased investment returns may increase the need for cities to make additional contributions and/or modify their city's plan benefits. TMRS will continue to work with cities to ensure that all TMRS benefits remain secure and continue to be properly funded.

HELPS Tax Information for Retirees

On January 22 and 23, TMRS mailed letters to all retirees who have applied to have insurance premiums deducted from their annuity under the HELPS provision of the Pension Protection Act of 2006. This letter shows the amount that TMRS deducted from the retirees' annuity payments and paid to their insurance provider in 2008.

The Pension Protection Act of 2006 allows an eligible retired or disabled public safety officer to exclude from their income, payments made from an eligible retirement plan that are used to pay premiums for accident, health, or long-term care insurance up to \$3,000.

In accordance with Internal Revenue Service (IRS) instructions, the exclusion from income is not reflected in box 2a of the retirees 2008 Form 1099-R. More information about this exclusion and how to report it may be found in the instructions to the 2008 Form 1040, 1040A, or IRS Publication 575 *Pension and Annuity Income*, which can be viewed or downloaded from the IRS website www.irs.gov. Please direct any questions from retirees regarding how to use this information to these IRS publications or to their tax advisor.

We have also posted information about this tax exclusion on our website under the “Retirees – How Do I Claim My HELPS Payments Tax Deduction?” page.

Drivers Licenses Acceptable Proof of Birth

Effective immediately, TMRS is accepting copies of a member’s valid Texas driver’s license as proof of birth date for retirement purposes. Date of birth must be verified before payment of any monthly annuity can be made.

We will continue to accept other forms of proof of birth, as reflected on the Acceptable Proofs of Birth form under the Forms for Retiring members section on our website at www.TMRS.com. Date of birth may be established by providing an **unaltered photocopy** of the Texas driver’s license or any one of the documents listed on the form.

TMRS Seminar on Funding, Investments, and Legislation

Our two-day seminar, “Building a Foundation for the Future,” covers investments, legislation, and funding issues for cities and is geared toward city finance officers and managers. The seminar will take place March 1-3 at the Hyatt Regency in Austin (208 Barton Springs Road, phone 888.421.1442 or visit <https://resweb.passkey.com/go/tmrs>). A registration form is available [here](#), and printed invitations, agendas, and registration forms will be sent to cities in the next week or so.

ABBREVIATED AGENDA

Sunday, March 1

6:00 – 7:30 Reception

Monday, March 2

7:30 – 9:00 Breakfast
9:00 – 9:15 Welcome
9:15 – 9:45 Public Pensions in Texas
10:00 – 11:00 Understanding Your TMRS Plan’s Costs
11:00 – 11:45 Actuarial Funding and TMRS
12:00 – 1:00 Lunch (Speaker TBA)
1:15 – 2:15 TMRS Investments Today and Tomorrow
2:30 – 3:30 Public Pensions, the National Picture
3:45 – 4:30 TMRS Legislation and Federal Issues
6:00 – 7:30 Dinner

Tuesday, March 3

7:30 – 9:00 Breakfast
9 – 10:00 Panel: Perspectives on TMRS
10:15 – 11:15 TMRS: Building a Foundation for the Future

Legislative Update

— by *Eddie Solis*, Government Relations Director, TMRS, esolis@tmrs.com

The legislative session has begun, and TMRS continues to work diligently to move forward the provisions proposed this session by the TMRS Legislative Stakeholder Group (a.k.a. the TMRS Advisory Committee) and adopted by the TMRS Board. The provisions are in House Bill 360, by Kuempel. On the Senate side, we continue to work with Senator Williams on filing a Senate version. Both legislators have carried TMRS legislation in the past.

We continue to communicate with members and staff regarding the provisions in HB360. We also continue to discuss the need for HB360 as identified by the Legislative Stakeholder Group and the Board of Trustees. In our discussions with legislators, staff, and interested groups, we are emphasizing what will happen if HB360 does not pass. We reiterate the support and consensus of the Stakeholder Group member organizations. When the discussion arises of potential legislation, requested by cities or interest groups, we continue to emphasize that the provisions in HB360 are the provisions that drew a consensus from the Stakeholder Group and were adopted by the TMRS Board.

As resource, TMRS is brought to the table to answer the questions asked and offer the perspective identified during the Stakeholder Group process. TMRS will continue to communicate that any proposal outside of HB360 is not part of the vital consensus arrived at by the Stakeholder Group and goes beyond the provisions adopted by the TMRS Board. When asked, we share our insights regarding potential opposition or support of proposals outside the scope of HB360.

In the House, draft rules have been introduced that will change the committee structure. Instead of the Pensions and Investments Committee we have had in past sessions, the new rule creates a committee called Financial Services and Pensions. Besides retirement systems, the committee will have oversight for financial institutions, lending laws, and privacy and identity theft.

Agencies subject to the committee's oversight include: the Finance Commission of Texas, the Credit Union Commission, the Office of Consumer Credit Commissioner, the Office of Banking Commissioner, the Texas Department of Banking, the Department of Savings and Mortgage Lending, the Texas Treasury Safekeeping Trust Company, the Texas Public Finance Authority, the Bond Review Board, the Office of Fire Fighters' Pension Commissioner, the Board of Trustees of the Teacher Retirement System of Texas, the Board of Trustees of the Employees Retirement System of Texas, the Board of Trustees of the Texas County and District Retirement System, the Board of Trustees of the Texas Municipal Retirement System, the State Pension Review Board, and the State Securities Board.

The new rule will be heard by the House soon.

Stay tuned to the website and continued coverage in e-bulletins as the legislative session progresses.

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