NOTE TO RECIPIENTS - We will be sending an e-bulletin regularly to all city contacts for whom we have e-mail addresses. Please forward a copy of this e-mail to your city manager and/or finance officer if they are not currently TMRS contacts. (Previously issued e-bulletins and correspondence are posted in the “Breaking News for Cities” section on the TMRS Website.)

THIS ISSUE: Rate Projection Scenarios Are on Their Way

In previous e-bulletins and at the Annual Training Seminar in mid-October, we stated that we would be sending each city a packet soon showing the effect on contribution rates of the proposed new actuarial method, amortization policy, and actuarial assumptions. We are mailing the packets today and you should be receiving your copy soon. Copies have been mailed to City Managers, Finance Officers, and City Correspondents for each city.

Included in the mailing are the following items:

- A letter from TMRS Executive Director Eric Henry explaining the changes expected to occur at TMRS in the next two years and interpreting the projections shown in the attached exhibits, which are graphic representations of changes being considered by the TMRS Board of Trustees in December.
- Exhibit 1 – Charts depicting your city’s contribution rate, funded ratio, and unfunded actuarial liability with changes in actuarial cost method, amortization schedule, and actuarial assumptions, projecting future investment income at an annual rate of 7.0%.
- Exhibit 2 – Charts depicting your city’s contribution rate, funded ratio, and unfunded actuarial liability with changes in actuarial cost method, amortization schedule, and actuarial assumptions, projecting future investment income at an annual rate of 5.5%.
- Exhibit 3 – A description of the changes in assumptions and methods reflected in Exhibits 1 and 2.

Important Notes:

Following action by the TMRS Board of Trustees at their meeting on Friday, the future investment income assumption is likely to be 7%. Therefore, Exhibit 1 in the letter will better reflect potential future contribution rates. Exhibit 2 is included for purposes of comparison. (See below for more news on TMRS investments.)

Remember that the projections shown in the November letter will not affect your contributions in 2008, and that any changes that increase city rates will be phased in over a period of several years.
These letters show potential future rates based on some of the recommendations under active consideration and based on 12/31/06 demographic data. We encourage cities to provide their input into this ongoing process, to ask questions, and to stay in touch with TMRS during this process.

**HELPS Provision Benefit for Retired Officers**

We will soon be sending letters to all retirees who were Public Safety Officers at the time they separated from service. The purpose of this letter is to alert them to the fact that starting in January 2008, we will be administering a program made possible by the Healthcare Enhancement for Local Public Safety (HELPS) provision of federal law. This provision allows retired or permanently disabled public safety employees to elect an amount to be deducted from their TMRS benefit payment to pay for health care or long-term care insurance payments. A complete story about the new provisions for Public Safety Officers appears in the forthcoming issue of *Main Street* (see “Correspondent’s Checklist,” page 6).

TMRS is creating forms to administer the benefits created by federal law for Public Safety Officers (PSO). All necessary forms for the two main PSO provisions (HELPS for health care payments, and application to waive the 10% IRS penalty on lump sum distributions for Public Safety Officers who are 50 or older) will soon be posted on the TMRS Website. NOTE: Retirees will be coming to you to certify their status as public safety officers. Their ability to use this federal benefit will depend on your certification.

**Investments**

The TMRS Board of Trustees met in Austin November 16 in a Joint Meeting with the Investment Committee. Following consultation with R.V. Kuhns and Associates, the Board took a number of actions, including:

- Approved amendments to the TMRS investment policy to begin diversification of TMRS’ assets into equities (stocks). The target investment allocation for 2008 is to move approximately 12% of the portfolio into equity index funds by year end. The Board has discussed a five-year goal of 60% equities and 40% fixed income investments.
- Approved the hiring of Hillswick Asset Management, LLC, to provide oversight and guidance to TMRS staff in the management and administration of the internally managed fixed income portfolio.
- Directed TMRS staff and R.V. Kuhns and Associates to begin interviews for index fund managers.

**Texas Municipal League Conference**

Several members of the TMRS staff were actively involved in the TML conference last week and had the pleasure of meeting many of you at the event. TMRS Deputy Executive
Director Eric Davis gave a presentation on TMRS changes, and members of the TMRS staff visited with city officials at the TMRS booth on the exposition floor.

**Main Street Newsletter**

Shortly after you receive this e-bulletin and the mailing described above, you will be receiving your copy of *Main Street*, the newsletter for city officials and staff. This issue contains more information on changes, information on the HELPS provision, various year-end reminders, and an insert about the health of government pension plans that can be distributed by you as needed.

**Important Note for Correspondents**

As TMRS approaches the end of the year, it is critical that you include the monthly salary on the New Member forms when enrolling new employees into the system. This information is required for the annual TMRS valuation.

**What’s Next?**

E-Bulletins will be sent whenever we have information to report.

Members are being informed of TMRS’ actuarial and investment changes via the *Insight* newsletter and Web updates.

The TMRS Board will meet in Austin, in early December. Watch the TMRS Website for the date, time, and agenda.

**TMRS is committed to continuing to provide a reasonable retirement benefit at a reasonable cost to cities.**

**FEEDBACK**

If you have questions or comments, please reply directly to this e-mail. If you received this e-mail through a forward from your City Correspondent and you wish to receive the “TMRS E-Bulletin for Cities” regularly, send an e-mail to bulletin@tmrs.com.