

# insight

The Newsletter for TMRS® Members

## Investing for the Future

With the recent mortgage meltdown, credit crunch, and Wall Street woes, TMRS members are justifiably concerned about the safety of their retirements and TMRS' investments. The good news is that the direct impact on TMRS' investment returns should be minimal.

Here are some important facts about your TMRS retirement benefit:

- The TMRS benefit you have earned as an active member is secure. The current issues on Wall Street have no direct effect on your TMRS benefit.
- Unlike a retirement savings program, such as a 457 or 401(k) plan, your TMRS account does not lose value when stock prices go down.
- TMRS is 92% invested in bonds at this time. The market value of our portfolio has gone down, but the income stream that will pay 5% interest to your account in December is secure.
- TMRS is a long-term investor, and short-term downturns in the market are anticipated in our strategy.

Although TMRS is well-positioned in the current circumstances, significant disruption of the investment markets may produce

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### From the Executive Director

Dear TMRS Members,

Recent economic events have understandably caused a great deal of concern among TMRS members and the rest of the country. We at TMRS want you to know that our fund is safe. The article above, "Investing for the Future," explains in detail how TMRS has not been severely affected by the failure of companies or by falling stocks. Of course, the value of some of our securities has declined, but the changes we are making this year are designed to help mitigate market downturns by diversifying our portfolio.

The key thing to remember about TMRS is that we are a long-term investor. There will be bad years in the markets, but a properly designed, diversified portfolio will weather the storms. Economic downturns like the one the nation is currently experiencing remind us why public retirement systems were created in the first place in the 1940's. Well-managed retirement programs, with pooled investments, flexible plan design, and trust-fund oversight, are the best means of ensuring retirement security for career employees, to give you the security you need when you retire from your municipal career.

Sincerely,

Eric Henry

## Important Legislation Ahead in 2009

The TMRS Board of Trustees accepted recommendations from the Legislative Stakeholder Group (see Board Actions, page 2) at its September meeting. The proposed changes to the TMRS Act are the most important since 1948 and will allow TMRS to:

1. Guarantee members an annual interest rate and annuity purchase rate at a minimum of 5%
2. Credit realized and unrealized gains and losses to cities
3. Credit employers variable annual interest rates, including negative rates

Passage of these provisions will:

- Permit continued diversification of the fund
- Protect member benefits
- Help mitigate higher city contribution rates
- Allow TMRS to build a reserve for lower-performing years

If the legislation does not pass, investment diversification will stop, member interest credits will fall below 5% in a few years, and city contribution rates will rise.

To keep you updated on this important legislation, we will post breaking news on our website. ♦

### New TMRS Website Is Up and Running!

TMRS rolled out its new website on September 22. The main goals of the redesign of [www.TMRS.com](http://www.TMRS.com) were ease of use and presentation of information into user-specific categories. Under the "Members" button, you will find mini-tutorials and links. If you have suggestions for the new site, e-mail [webmaster@TMRS.com](mailto:webmaster@TMRS.com).

# TMRS Board Actions

During its August and September meetings, the TMRS Board of Trustees made important decisions affecting members:

## ☑ Established the 2008 Interest Rate

On September 26, the TMRS Board set the interest rate for member and city accounts at 5% for 2008. Interest will be credited to your account on December 31, 2008, based on your account balance as of January 1, 2008. This interest credit will appear when you access MyTMRS in early January, and also on the Annual Statement you receive in spring 2009.

The rate of 5% reflects TMRS' investment performance in the past year. It is important also to note that the 5% rate is not a guaranteed rate and, if interest rates continue to fall, the rate may even go lower in future years. To help prevent this, TMRS is working on changing the TMRS Act to guarantee a minimum 5% annual interest rate to member accounts (see Legislation story, page 1).

## ☑ Expanded the Advisory Committee

For years the Board has relied on the Advisory Committee for Retirement Matters to provide valuable advice on benefit changes and improvements to the System. The Advisory Committee has provided a channel of communication for member, retiree, and city concerns, and now the channel is widening with the addition of representatives from the Legislative Stakeholder Group.

The newly constituted Advisory Committee will be made up of "Individual Class" members and "Group Class" members. The Individual Class represents the broad diversity of member cities (the original Advisory Committee), and its members are selected by the Board. The Group Class is composed of a representative from the organizations that made up the Legislative Stakeholder Group (see below). These organizations will pick their own nominees and alternates to serve on the Advisory Committee, with Board approval.

## ☑ Worked with the Legislative Stakeholder Group

The Legislative Stakeholder Group (LSG) helped TMRS prepare for the 2009 Texas Legislature — the most important session in TMRS history. The LSG provided feedback on measures TMRS identified as necessary and also addressed additional concerns about the process leading up to the 81st Session of the Texas Legislature.

TMRS Board Chair Roy Rodriguez appointed Board member Frank Simpson to chair the LSG, with April Nixon serving as vice-chair. The LSG consisted of the original TMRS Advisory Committee and individuals representing groups that are "stakeholders" in TMRS and who are active in the legislative process. The groups represented were the Combined Law Enforcement Associations of Texas, Texas Municipal Police Association, Texas State Association of Fire Fighters, Service Employees

International Union – San Antonio, Arlington Professional Firefighters Association, City of San Antonio, Texas Municipal League, Texas City Management Association, Government Finance Officers Association of Texas, and the Texas Municipal Human Resources Association.

Besides the three core provisions of the 2009 Legislative package, the LSG also recommended and the Board approved two items that do not need legislative action: 1) establishing an adequate reserve that will assist in mitigating the volatility of a diversified portfolio and 2) maintaining the LSG group as an advisory body.

If you have questions about the TMRS 2008 Legislative package, contact Eddie Solis, Government Relations Director; e-mail [esolis@TMRS.com](mailto:esolis@TMRS.com). ♦

## FAQs from Members

- Q. Can I borrow money from my TMRS account for hardship reasons?**
- A.** Your pension is protected by law, and the funds are held in trust for retirement purposes only. This means you can't borrow money from your account or use your account as security for a loan under any circumstances.
- Q. When is the latest date I can change my retirement option or beneficiary selection?**
- A.** A change in your retirement choices must be made before the date the first check becomes payable. After your retirement effective date, if you need to change your choice of payment plans or your beneficiary, you must file written notice with the TMRS Board. This written notice must be made before the date on which TMRS makes your first payment, or the date the payment is due, whichever is latest.
- Q. When I change my name or address, can I just call or e-mail TMRS with the new information?**
- A.** Personal information changes have to be submitted in writing with a signature and date on them. We can't take address changes verbally over the phone.
- Q. With all the recent market turmoil, is my TMRS benefit safe?**
- A:** The benefit you have earned is safe. Cities always have the option of reducing future benefits, but what you have earned so far in your career is secure.
- Q: Is my TMRS account insured like a bank account?**
- A:** Your TMRS account is part of a \$14 billion trust fund, subject to state and federal law. TMRS accounts are backed by the cities that provide them and by the state law that governs the System. Your individual account is not "insured" by the federal government the same way your bank account is, but it is protected by law from being diverted to other purposes.

## Investing for the Future

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some adverse effects on our portfolio. Our advisors, investment staff, and the Board of Trustees continue to exercise due diligence in monitoring the events in the market.

### Recent Changes in Investment Strategy

In 2007, the TMRS Board approved a 12% diversification into equities (stocks) by the end of 2008, and this diversification is being accomplished by indexed investments. A diversified portfolio reduces risks and helps the fund weather downturns in specific investment classes. And because we are using the Russell 3000 Index for domestic equities and the MSCI-EAFE for international equities, TMRS is essentially “buying the market” rather than trying to bet on whether specific stocks will gain value.

According to our plan to average into the equity market, as of October 21, 2008, TMRS had invested a total of \$1.076 billion in equities; these investments move us on our way to the 12% allocation approved by the Board by year-end 2008.

### Why Change Our Strategy?

In the past, the investment strategy was focused on the income return of the portfolio, but the transition to equities focuses on a “total return” investment strategy, which will be used to provide interest credits to member and city accounts. The gradual shift in strategy that we began making in 2007 was designed to help TMRS earn more — to better fund the growing numbers of future retirements and to help stabilize city contribution rates.

We needed to move away from an all-bond portfolio because the outlook for bond income is not as positive as in the past 30 years due to declining yields and interest rate risk. By moving to a total return strategy, TMRS stands to improve returns and optimize risk. In addition, this change will support our continuation of the 5% annual interest credit to member accounts and will help offset cities’ funding costs. If we stayed with the status quo (long bonds) we would run the risk of not keeping pace with liabilities.

Overall, being in the bond market has served TMRS well and means that the impact to our pension fund during the current stock crisis is less than other pension funds and retirement savings accounts are experiencing. However, stocks will inevitably rise again, and when they do, TMRS is positioning itself to realize some gains. Furthermore, by diversifying our portfolio, we protect ourselves from being hit hard if any particular investment category has problems in the future.

Additional information and TMRS' investment policy are available on our website. ♦

## Taking Care of (Your) Business!

We need up-to-date information on our members, so we rely on you to provide us with the correct information when your personal data changes. It is extremely important that you notify us and fill out the proper forms when you have life changes, such as:

- Address change (TMRS-CHNG)
- Name change (TMRS-CHNG)
- Beneficiary change (TMRS-0007 if not vested, TMRS-007V if vested). **NOTE: For security reasons, no beneficiary info is exchanged over the phone.**
- Updating/confirming your beneficiary at vesting (submission of a TMRS-007V is **REQUIRED** at vesting)
- Any change in marital status affecting beneficiary designations

## TMRS TERMS

### “Certification”

Certification is the process of guaranteeing that information is correct according to city records. In each city, TMRS has at least one official contact, referred to as a “City Correspondent,” and may have other “authorized contacts.” These people are certified to provide information in an official capacity to TMRS. Some of TMRS’ forms require city certification, which means this official or one of the other authorized contacts must sign off on the information given on the form. As a member, when you fill out these forms, you will need to get city certification before submitting them:

**TMRS-35R** (Application for Restricted Prior Service)

**TMRS-34A** (Application for Military Service Credit - Time Only)

**TMRS-34** (Application for Military Service Credit Purchase)

**TMRS-92** (USERRA Military Service Credit Application)

**TMRS-5** (Refund Application)

**TMRS-15** (Application for Service Retirement)

**TMRS-PSE** (Public Safety Employee Certification)

**TMRS-15/O** (Application for Occupational Disability Retirement)

**TMRS-40/OA** (City Statement for Occupational Disability)

## Board of Trustees

**Roel “Roy” Rodriguez, P.E., Chair**  
General Manager, Public Utility • McAllen

**Carolyn Linér, Vice Chair**  
Director of Human Resources/  
Civil Service • San Marcos

**Ben Gorzell, Jr.**  
Director of Finance • San Antonio

**Pat Hernandez**  
Municipal Court Judge • Plainview

**April Nixon**  
Management Resources Director • Arlington

**H. Frank Simpson**  
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TEXAS MUNICIPAL RETIREMENT SYSTEM  
PO Box 149153 • Austin, Texas 78714-9153

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## Calendar

### 2008

October 29 • TMRS Board of Trustees Meeting, San Antonio  
November 11 • Holiday (Veterans Day)  
November 27-28 • Holiday (Thanksgiving)  
December 5-6 • TMRS Board of Trustees Meeting, Austin  
December 24-25 • Holiday (Christmas Eve & Christmas Day)

### 2009

January 1 • Holiday (New Year's Day)  
January 19 • Holiday (Martin Luther King, Jr. Day)  
February 16 • Holiday (Presidents Day)  
February 19 • Special Meeting - TMRS Board of Trustees, Austin  
March 1-3 • Seminar on Funding and Legislation, Austin  
March 26 • TMRS Board of Trustees Meeting, Austin

## 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

### Fax

512.476.5576

### Local (in Austin)

512.476.7577

### Website

[www.TMRS.com](http://www.TMRS.com)

### E-mail

[phonecenter@TMRS.com](mailto:phonecenter@TMRS.com)