

# insight

The Newsletter for TMRS® Members

This issue of *INSIGHT* is respectfully dedicated to Texas Representative **Edmund Kuempel of Seguin**, a long-time friend of TMRS who passed away in an Austin hospital on November 4. TMRS extends our sympathy to his family and friends. He will be truly missed.

Representative Kuempel was an active legislator for 26 years. He was the recipient of numerous awards — the Texas Municipal Retirement System John Traeger Award, Man of the Year Award from the Texas County Agricultural Agents Association, Career Achievement Award from the Texas Chamber of Commerce, and many others. He was a strong supporter of TMRS, Texas cities, and municipal employees.

## Fund Restructuring Is on the Horizon

The TMRS Board, working with its consulting actuary, Gabriel, Roeder, Smith & Company (GRS), and its Advisory Committee on Retirement Matters, has voted to seek legislation in the 2011 Legislative Session to allow the existing configuration of TMRS funds to be restructured. Restructuring TMRS funds will result in more efficient funding and will lower the required contribution rates for many TMRS cities. It will NOT affect your retirement benefit or how retirements are calculated.

*continued on page 2*

## From the Executive Director



Dear TMRS Members,

I hope you are having a wonderful fall and are looking forward to an enjoyable holiday season with your families and friends.

In this last issue of 2010, our feature story discusses a possible restructuring of the

three main accounts within the TMRS Pension Trust Fund, a proposal that we will be taking to the Legislature in 2011. This is exciting news because, if passed, it will decrease the volatility of city rates but will not affect your account or your retirement benefit. Also in this issue, we introduce our newest Board member, give you an overview of TMRS investments, and a report on MyTMRS®.

As a municipal employee covered by TMRS, you are guaranteed a safe and secure retirement pension. If you have any questions about your account, your retirement, or TMRS in general, please contact us.

Sincerely,

David Gavia  
Executive Director

## New Board Member Appointed



Governor Rick Perry has appointed Julie Oakley to the Texas Municipal Retirement System Board of Trustees for a term to expire February 1, 2013. Ms. Oakley will complete the term of retiring Board Member Carolyn Linér of San Marcos.

Ms. Oakley is a Certified Public Accountant, Certified Investment Officer, and Finance Director for the City of Lakeway. She is a member of the Texas Society of Certified Public Accountants and the Government Finance Officers Association of Texas. A native of Midland, Ms. Oakley received her degree in Accounting from the University of Texas of the Permian Basin. She has been employed in public accounting firms, at an educational agency, as Chief Financial Officer and County Auditor for Midland County, as a Financial Analyst for the Texas Association of Counties, and as a Senior Financial Analyst for Travis County.

We welcome Ms. Oakley and thank her in advance for the commitment of time and energy this appointment brings. The System will benefit from her insights and expertise. We also thank Carolyn Linér for her years of dedicated service to the System. ■



continued from page 1

## FUND STRUCTURE

Under TMRS' current structure, assets are held in three distinct accounts, called "funds" (see the "TMRS Cash Flow" illustration at right). The Municipality Accumulation Fund (MAF) holds city contributions and interest. The Employees Saving Fund (ESF) holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF, into the Current Service Annuity Reserve Fund (CSARF). The basic retirement benefit is paid monthly to the retiree from the CSARF.

In the fund restructuring proposal recommended by the Board, the MAF, CSARF, and ESF would be combined and accounted for as a single trust fund called the Benefit Accumulation Fund (as shown in the "More Typical Cash Flow" illustration, right). Future member and city contributions would be held in the Benefit Accumulation Fund, and benefits would be paid from there. This is a structure similar to nearly every other defined benefit retirement fund in the world.

## EFFECTS OF RESTRUCTURING

The principal advantage of restructuring will be to stabilize city contribution rates. Because restructuring will remove inefficiencies in the current structure, the annual contribution rates that many cities pay for their TMRS plans will be lower. Reducing the contribution requirements for cities may have the effect of making it more affordable for cities to retain their current benefits.

Restructuring will have no impact on the benefits of active members, retirees, or beneficiaries. It only affects the internal accounting of TMRS funds. Active employees' accrued benefits will be protected after restructuring just as they are today. The TMRS fund will still be a trust fund reserved for the benefit of members and retirees. The money that members contribute to their retirement account is governed by state law — it cannot be used for any purpose other than to fund the member's retirement (or to be refunded if the member leaves service without retiring). Retiree benefits will also still be protected by state law. Restructuring will not affect TMRS' current investment planning or the ongoing diversification of the TMRS investment portfolio.

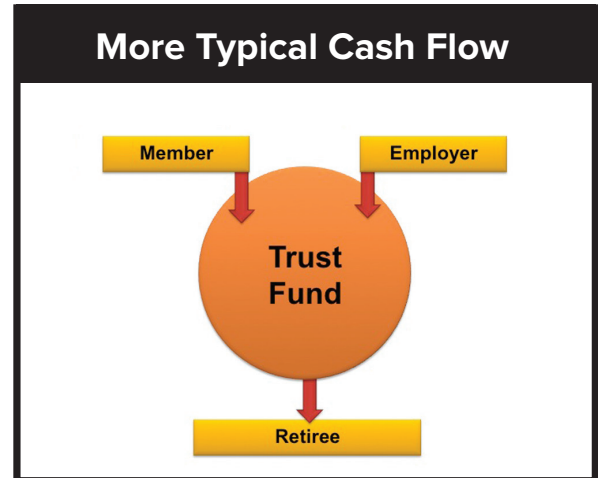
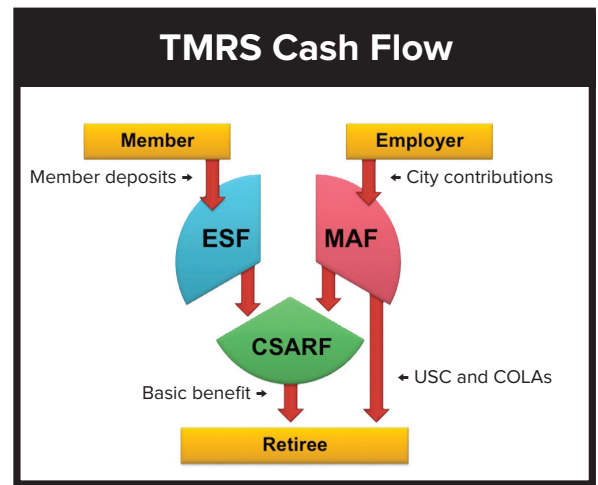
A change in state law is necessary to allow TMRS to restructure the current funds. Restructuring the funds will provide many cities with relief from the rising contribution rates of the past few years and may make it easier for cities to retain current benefit levels. ■

## Keep Your Personal Information

# Up to Date

MyTMRS is a great tool to check if your personal data is correct. It is important to always keep your personal information and your mailing address current with TMRS. If we do not have a valid address for you, you will not receive your annual statement, future newsletters, or other items that we mail to members. So please keep us current!

To change your address in our records, you need to complete a TMRS-CHNG (Address or Name Change) form, sign it, and fax it to 512.476.5576 or mail it to P.O. Box 149153, Austin, TX 78714-9153. ■



# MyTMRS Rollout a Success

MyTMRS has become a popular program for TMRS members. It is accessed by clicking the MyTMRS button on the right side of the main web pages of [www.tmrs.com](http://www.tmrs.com). A recent questionnaire administered to 1,000 random users of MyTMRS showed a high level of satisfaction with the online access tool. The majority of respondents stated they had used the estimate calculator and found it "very useful." As for setting up a username and password, 89% were "satisfied" or "very satisfied" with the process.

If you haven't yet registered your account on the new MyTMRS, we encourage you to register and check it out (the whole process is done online). Just minutes after registering, you will be ready to view your personal information and use the online retirement estimate calculator. You can run as many estimates as you wish, for any month after you become eligible to retire. The program will store and redisplay the last 10 estimates you have run during the past 60 days.

If you get an error message, call TMRS at 800-924-8677 during business hours, and a staff member will help you. All of the information that MyTMRS gathers is pulled from our member database, so if you receive an error message, it could mean that something is missing or incorrect in our records. A simple phone call will allow us to set those records straight and enable you to run your estimates. ■

# Investment Overview

Beginning in late 2007, TMRS has been gradually and carefully diversifying its investments.

## Asset Classes – Accomplishments to Date

In equities investing, we increased investment in both domestic and international equities toward the target allocation (40%). In the non-U.S. allocation, we initiated a move to an expanded benchmark to gain exposure to small cap and emerging markets. In the fixed income portion of the portfolio, we moved to a total return objective by shifting to a core strategy and increased diversification with the addition of a core-plus strategy.

More recent areas of diversification have included the real estate and real return asset classes. In real estate, we retained a real estate consultant (ORG Portfolio Management LLC) and began drafting a real estate investment policy and implementation strategy. In real return, we made the decision to implement the allocation using global inflation-linked bonds and retained an investment management firm, Colchester Global Investors.

## Asset Classes – Next Steps, Through 2011

In the current volatile markets, TMRS is progressing slowly and prudently with our investment decisions. As we move into 2011, we will continue with diversification and will begin the process of adding another asset class: absolute return (final target of 5%). In this asset class, TMRS staff will be participating in research and education efforts, and we will identify appropriate strategies and implementation methods.

For U.S. and international equities (final target of 40% combined), TMRS is considering further diversification of the equity allocation and will research additional strategies. In fixed income (final target 35%) we will review the current fixed income structure and consider further diversification. In real estate (final target 10%), we will be adopting policies and an implementation strategy and will begin the manager selection process. Initial commitments in real estate are expected to occur in 2011.

For on-going performance updates, see the Investments page on the TMRS website. ■

## Interest Rate Update

Since the passage of HB 360 in 2009, members are guaranteed a 5% interest rate every year. TMRS member accounts will receive a 5% interest credit as of December 31, 2010. ■

## Trustee to Trustee Rollover: Roth IRAs

It is now possible to roll over TMRS funds (either re-funds or Partial Lump Sum Distributions at retirement) into a Roth IRA, but special rules apply. Roth IRAs are different from Traditional IRAs and other Employer Plans, in that they are set up with “after tax” deposits. If you decide to have your lump sum payment directly transferred from TMRS to a Roth IRA, you will want to consult with a knowledgeable financial or tax advisor.

When a lump sum payment is transferred to a Roth IRA, no federal income tax is withheld. However, the amount rolled over into the Roth IRA is reported to the IRS as taxable income on a 1099R form, and that it is exempt from the additional 10% penalty tax for early withdrawal. If you instruct TMRS to withhold any portion of the payment for federal income tax purposes, you will receive two 1099R forms. One 1099R will report the amount transferred to the Roth IRA. The second 1099R will report the amount withheld as taxable income paid to you, and if an exception does not apply, the amount will be subject to an additional 10% penalty tax for early withdrawal.

TMRS has recently revised the “Special Tax Notice Regarding Plan Payments” as directed by the IRS, to explain the new information about Roth IRA rollovers. This tax memo is included in both the refund and the retirement packets and is available as a separate document on our website. If you have any questions about how TMRS handles these rollovers, call 800-924-8677. ■

### 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

#### Julie Oakley

Director of Finance  
Lakeway

#### Roel “Roy” Rodriguez, PE

Assistant City Manager / MPU General Manager  
McAllen

#### Frank Simpson

City Manager  
Missouri City



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

PRESORTED STANDARD  
**US POSTAGE PAID**  
AUSTIN, TEXAS  
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## Calendar

### 2010

- November 25-26 Holiday (Thanksgiving)
- December 3 TMRS Board of Trustees Meeting – Austin
- December 24 Holiday (Christmas)
- December 31 Holiday (New Year's)

### 2011

- January 17 Holiday (Martin Luther King, Jr., Day)
- February 21 Holiday (Presidents' Day)
- February 24-25 Special Board of Trustees Meeting – Austin
- March 24-25 TMRS Board of Trustees Meeting – Austin
- April 22 Holiday (Good Friday)
- May 19-20 Joint meeting / Board and Advisory Committee – Austin
- May 30 Holiday (Memorial Day)
- June 16-17 TMRS Board of Trustees Meeting – Austin
- July 4 Holiday (Independence Day)
- July 21-22 Joint meeting / Board and Advisory Committee – 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

### Local (in Austin)

512.476.7577

### Fax

512.476.5576

### 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).