

insight

The Newsletter for TMRS® Members

From the Executive Director



Dear TMRS Members,
Best wishes to you and your loved ones as we enter the holiday season. We here at TMRS wish you a pleasant fall and wonderful winter.

In our last issue, we explained how the enactment of SB 350 in the 82nd Legislative session enabled our System to improve its funded ratio and reduce contribution rates for most TMRS cities. This is good news for you, the members of TMRS, because it helps your employing city manage its contributions to TMRS. TMRS as a retirement system is strong, with a great future ahead of us.

In this issue, we provide a summary of TMRS investments, introduce you to our new Board and Advisory Committee members, update you on new features of MyTMRS, and describe the Legislative interim. If you plan to retire in the next few years, check out the pre-retirement planning item, where you'll learn about our web video on retirement options.

We do our best to provide you the information you need about how the System works and about your TMRS retirement benefits. If you have any questions about your account or retirement, please contact us. We are proud of our call center, where a knowledgeable staff member will be happy to assist you during business hours.

Sincerely,

David Gavia
Executive Director

TMRS Investments On Track

TMRS' planned diversification of its investments is continuing on schedule. Here's a summary of some of the activities that have recently been completed.

Portfolio Background

Before 2008, TMRS was invested primarily in bonds. Since broad diversification and a long-term perspective can lead to higher returns without incurring undue risk, TMRS' Board of Trustees implemented a methodical and incremental approach, initiating diversification in early 2008. The passage of HB 360 in 2009 changed the way interest is allocated to member and city accounts, which permitted TMRS to move to a "total return" strategy and allowed diversification to proceed.

Asset Classes

The steady progression of TMRS' asset allocation toward its final target since June 2009 is illustrated in the three charts on page 2. The middle chart shows our asset allocation as of June 2011 compared with the final target allocation. In December 2010, a real estate investment policy and implementation plan was finalized for investing in the real estate asset class. Throughout 2011, we have continued diversification of the portfolio through increased investments in domestic and international equities (almost at target). In addition, we made our first allocations to real estate, totaling approximately 3% (final target 10%). The real return target of 5% was achieved through investments in global inflation-linked bonds.

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Investment Strategies through 2012

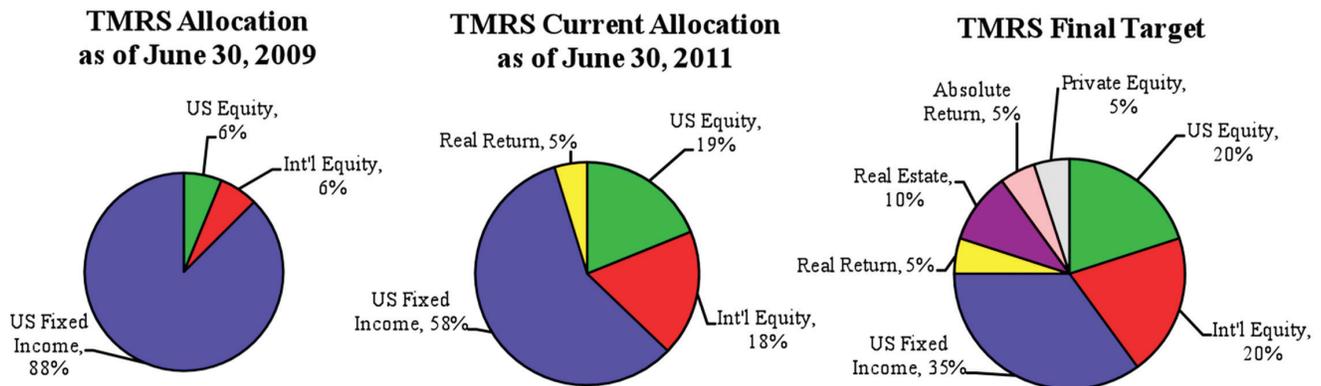
As markets continue to be volatile, TMRS will progress prudently with our investment decisions. It is expected that the equity allocation will be at its target of 40% by the end of 2011. Throughout 2012, we will continue the diversification process. Investment staff members are analyzing additional strategies to diversify further and enhance the equity and fixed income portfolios. We will continue to add to real estate, which is expected to be implemented over approximately a three-year period.

Additional Asset Classes

The next asset classes under consideration are absolute return and private equity. TMRS has begun a three-phase education process for the Board of Trustees, evaluating absolute return strategies and implementation, and this education will continue into 2012. The current strategic target allocation for absolute return and private equity is 5% each.

Asset/Liability Study

TMRS' investment consultant, R.V. Kuhns (RVK), provided the Board an Asset/Liability Study in September 2011. This study allowed us to analyze our investment strategy alongside our contribution policy and benefit policy. By comparing TMRS' current and target allocations with more conservative and more aggressive strategies, RVK concluded that TMRS can improve its most likely outcomes, as well as its best and worst case outcomes, by continuing its measured diversification of the portfolio. RVK's study also reinforced that TMRS has a solid contribution policy and funding assumptions, and that TMRS is in a strong position relative to many financially stressed public pension plans. ■



Board and Advisory Committee Members

One new Board member was appointed in calendar year 2011. This past February, Governor Perry chose Jim Parrish, Human Resources Director for Plano, to replace outgoing Board member Pat Hernandez of Plainview. The Board selected April Nixon of Arlington as Chair for 2011, and H. Frank Simpson of College Station as Vice Chair.

New members of the Advisory Committee in 2011 are Michael Dane, Finance Director from San Angelo; Councilmember Victor Hernandez from Lubbock; Charles Windwehen, TMRS retiree from Victoria; Kevin Lawrence, representing the Texas Municipal Police Association; Nikki Ramos, representing the City of San Antonio; and Don Byrne, representing the Texas Municipal Human Resources Association.

TMRS publishes a list of current Board members in every issue of *INSIGHT*. In addition, you can keep track of Board and Advisory Committee members by going to the "About TMRS" page on www.tmr.com. ■

TMRS Board of Trustees

April Nixon, Chair

Chief Financial Officer, Arlington

H. Frank Simpson, Vice Chair

Assistant City Manager, College Station

Ben Gorzell

Chief Financial Officer, San Antonio

Julie Oakley

Director of Finance, Lakeway

Jim Parrish

Human Resources Director, Plano

Roel "Roy" Rodriguez, PE

Assistant City Manager/MPU General Manager, McAllen

Legislative Notes

The biggest accomplishment for TMRS this past legislative session was the passage of SB 350, by Senator Tommy Williams (House sponsor Vicki Truitt), which allowed restructuring of TMRS' internal accounts. We have included several detailed stories about SB 350 in past issues of *INSIGHT*.

What Happens Between Legislative Sessions?

After each regular legislative session, the Texas Legislature enters what is termed the "Interim Period." During this year-and-a-half-long interim, the Lieutenant Governor and Speaker of the House of Representatives identify critical study topics and assign them to the chairs of their respective committees. These topics are typically a preview of the issues that will be taken up during the next regular session of the Legislature. Updates during the interim may be found on the TMRS website under the Legislative page.

The House interim charges have been issued and can be found at <http://www.house.state.tx.us/members/speaker/#interim-charges>. Senate interim charges had not been issued at the time of publication. As in previous interims, the TMRS Advisory Committee will meet as needed to discuss the issues and potential legislation in order to provide recommendations to the Board. ■

MyTMRS — An Eye on Your Account

MyTMRS is used by more and more members every day — nearly 30,000 active members have logged in during the past year, and almost 5,000 examine their accounts each month. In addition to viewing such personal data as your service credits, deposits, balance, service history, and beneficiary, you can also run as many estimates as you wish for any month after your retirement eligibility date.

Coming Soon! In early 2012 you will be able to view your annual statements through MyTMRS. Retired members will be able to view their 1099-R forms.

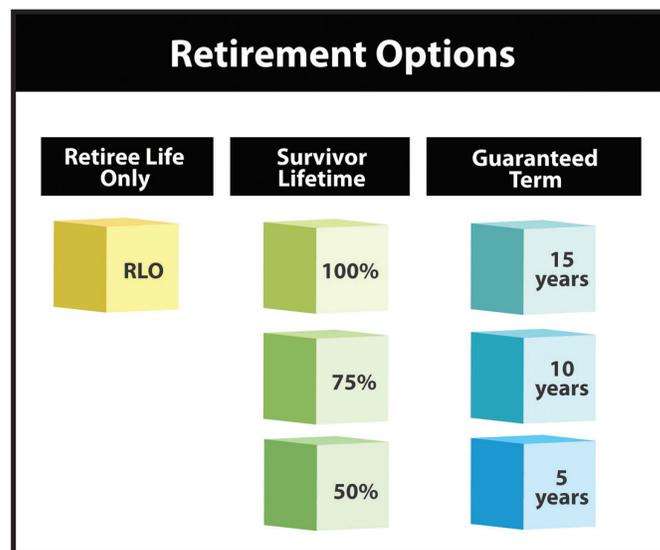
If you get need technical assistance while using MyTMRS, please contact our office at 800-924-8677 (M-F 8:00 a.m. to 5:00 p.m.).

How to Update your Personal Data

If you notice any errors in your personal information, contact us right away (toll free 800.924.8677). It is most important that we have a valid address on file for you — an address correction requires a TMRS-CHNG (Address or Name Change) form. Other information, such as misspelled names, may be corrected over the phone with proper account identifiers (to protect your privacy). ■

Pre-Retirement Planning Video!

Planning your retirement is an exciting time. To understand all the options available to you, don't forget to check out TMRS' Retirement Options video, available on the TMRS website. From the TMRS home page, click on "Training," then on the Videos link. ■



Vesting is Valuable

It is in your "vested" interest to keep your beneficiary information up-to-date, particularly after you become a vested employee. You become vested with TMRS if you have 5 or more years of service (some cities require 10 years to vest). After you reach this important milestone, TMRS will send you a form to update your beneficiary designation (by filing the Vested – Change of Beneficiary form, TMRS-007V).

Quick Quiz

Why is it important to update your beneficiary information after you are vested? (choose the best answer)

- A. If you die before retirement, your designated beneficiary will be able to receive a monthly benefit.
- B. If you die and your beneficiary chooses a monthly option, he/she will also receive the city's matching funds.
- C. If you don't designate a beneficiary after vesting, your retirement benefit will automatically go to your spouse.
- D. If you are vested and leave your job with the city, you may leave your account with TMRS until you are eligible to retire.
- E. All of the above.

(For answer, see last page). ■



TEXAS MUNICIPAL RETIREMENT SYSTEM
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PRESORTED STANDARD
US POSTAGE PAID
AUSTIN, TEXAS
PERMIT NO 2644

Calendar

2011

- November 24-25 Holiday (Thanksgiving)
- December 1-2 TMRS Board of Trustees Meeting • Austin
- December 23 & 26 Holiday (Christmas)

2012

- January 2 Holiday (New Year's)
- January 16 Holiday (Martin Luther King Jr. Day)
- February 16-17 Special Board of Trustees Meeting • Austin
- February 20 Holiday (President's Day)
- March 29-30 TMRS Board of Trustees Meeting • Austin
- April 6 Holiday (Good Friday)
- May 3-4 Joint Meeting/Board and Advisory Committee • Austin
- May 28 Holiday (Memorial Day)
- June 21-22 TMRS Board of Trustees Meeting • Austin
- July 4 Holiday (Independence day)

Correct answer for "Quick Quiz," page 3, = "E: All of the above."

How to Contact TMRS

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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.