2006 Interest Rate Set

On September 29, the TMRS Board of Trustees approved an interest rate for 2006 of 5.75% for member and city accounts. The interest will be applied to your member account on December 31, 2006 and is based on the January 1, 2006 account balance. Interest will be shown in MyTMRS® on the TMRS® Website starting the first week of January 2007 and will be included in the Annual Statements you receive in the spring.

Interest growth is a significant part of your final retirement benefit. A base of 5% interest is credited each year to your account. If investments earn interest at a rate greater than 5% in any given calendar year, those additional earnings are used to grant higher interest amounts to contributing members’ accounts and to make extra payments to retirees.

The rate of 5.75% reflects the 2006 investment performance of the TMRS trust fund. Investments continue to perform in a low-interest and low-inflation environment, but sound strategies allow the Board to credit interest above prevailing rates.✦

Parting Thoughts from Gary Anderson

October 18, 2006

Dear Friends,

This will be the final time I will be writing to you, the members of TMRS, because I am retiring from TMRS at the end of October. My public service career has spanned almost 30 years, the last 26 at TMRS, and it has been both an honor and a privilege to work for you, the members of this outstanding retirement system.

TMRS was created by the Texas Legislature in 1947 for one purpose — to provide retirement security for employees of cities that choose to join TMRS. Over the years, more than 800 cities have elected to participate in TMRS, and cities continue to join TMRS each year. TMRS has been well served both by dedicated members of the Board of Trustees over the years, and a professional staff that manages the system on a daily basis. As a result, TMRS today is an actuarially sound, well-managed retirement system that is well positioned to meet any challenges into the future.

As I transition to retirement, like many of you, I look forward to what lies “down the road” in terms of opportunities to be of service. Thank you again for the honor of working for you as Executive Director of your retirement system, and thank you for your friendship and support over the years.

Sincerely,

Gary W. Anderson
TMRS Executive Director Retires

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at a retirement reception at the TMRS building in Austin on October 27.

Mr. Anderson began his career in the city of Baytown as an Administrative Assistant in 1975 and joined TMRS in the daily administrative operations of the system in 1979. He was appointed Executive Director in 1992 after the retirement of Jimmie L. Mormon. In his 27 years at TMRS, the system grew from 53,666 members in 371 cities with assets of $373 million to 120,000 members in 822 cities (with more than 27,000 retirees) and assets over $14 billion.

A gregarious and knowledgeable leader, Mr. Anderson was a strong voice for TMRS and advocate of public retirement systems in general. Mr. Anderson oversaw the establishment of TMRS’ expanded headquarters in 2004-2005, the evolution of the TMRS menu of benefits to increase the plan choices for Texas cities, and the creation of state-of-the-art automated administrative systems. Perhaps his greatest legacy is the TMRS tradition of high-level customer service and communication.

TMRS Board Chairman Frank Simpson said, “Gary Anderson has been a friend and a partner to the municipal workers of Texas, and we all owe him our thanks for his years of outstanding service.”

The staff and Board of TMRS wish Mr. Anderson a long and happy retirement and thank him for a job well done!

Is Your Personal Information Correct?

Annual Statements will be mailed to all members in the spring of 2007. For this and other reasons, we need to have your correct personal information in our records. If you have moved, please let us know your correct address. To change your address or name, use an Address or Name Change form, available on our Website. If you are unsure what information is reflected for your account, call us at 800.924.8677 or use the MyTMRS feature on the Website to check your personal information.

How Do I

...Get Information on My City’s TMRS Plan?

You can ask your City Correspondent for this information, or call TMRS. You can also access this information from the TMRS Website:

To view the options your city has chosen:
2. Click on City Plan Provisions.
3. Choose your city’s name from the pull-down menu, and click “Go.”
4. Details of your city’s plan appear onscreen.

You can also use the Web page to compare your city’s TMRS plan to similarly sized cities or to other cities in your Texas region.
Retirement Planning

Return-to-Work Provision Included in 2007 Legislative Package

In the past two legislative sessions, an amendment to TMRS law that would allow a retiree to return to work at his or her former city has been proposed but has not passed. In 2007, this proposal is once again part of the legislative package. In addition, several other provisions designed to give cites more funding flexibility for their TMRS program are included in the package that will be presented to the Texas Legislature when it convenes in January.

Under current law, a TMRS retiree may return to work for any employer other than the city from which he or she retired, including another TMRS city, without the retirement benefit being suspended. The proposed amendment will allow members to return to the same city from which they retired – after a period of separation of at least one calendar month – without a suspension of benefit. The proposal means a returning employee’s benefit will be handled the same wherever he or she returns to work. The amendment will give cities more opportunity to manage their workforces if they choose to rehire retirees.

Other provisions the Board of Trustees included in the legislative package are:

- Add two new matching ratio options that cities may choose (in addition to the current options):
  - 1.25 to 1
  - 1.75 to 1
- Allow cities to make additional contributions to TMRS above the calculated contribution rate, on a voluntary basis.
- Modify the statutory Maximum Contribution rate for cities so that additional contributions can be made.
- Permit the TMRS Board to set amortization periods for funding TMRS pension liabilities, but by no means shall the period be longer than 25 years. This keeps current limits and provides added funding flexibility.

This year a Task Force was created specifically to aid the TMRS Board and Advisory Committee in recommending funding options. The Task Force and Advisory Committee represented TMRS’ diverse membership, including cities with widely varying circumstances.

As the legislative session approaches, we will provide further details on these items on the TMRS Website and in our publications.
TMRS TERMS

Replacement Ratio

In planning for your retirement, you may wish to calculate your “replacement ratio.” This ratio is the percentage of your salary that you can expect to receive in retirement benefits. Over the past 20 years, income replacement ratios have become a standard to measure the adequacy of retirement benefits. That is, if your post-retirement income equalled a set standard (a percentage of your final salary), you could be expected to maintain your standard of living after retirement. Expressed as a formula:

\[
\text{Replacement Ratio} = \frac{\text{Initial retirement income (from all sources)}}{\text{Gross salary at retirement}}
\]

In the past, income needs after retirement were generally lower than before retirement, so less than 100% of final gross income was considered adequate to maintain a pre-retirement standard of living. Commonly accepted replacement ratios ranged from 75% to 82% of final gross pay. However, some experts are now saying that ideal replacement ratios may need to be closer to 100% of your final salary, or even higher in some instances, to factor in increased health insurance and medical costs.