

Main Street

The publication for city officials and staff

Texas Municipal
Retirement System

Volume 6 • Fall/Winter

Governor Appoints Two to TMRS Board

Judge Patricia Hernandez (left) has been reappointed to the TMRS Board of Trustees for another six-year term. Pat has served TMRS well as a Board Member, and we look forward to her continued guidance. She is the Municipal Court Judge for the City of Plainview. A former Patrol Sergeant and Juvenile Detective, Pat has been employed with the City of Plainview since 1984.



Roel "Roy" Rodriguez, PE (right), the General Manager of the City of McAllen Public Utility, is a new appointee to our Board. The former City Manager of Harlingen, he holds a bachelor of science degree from Texas A&I University – Kingsville, and is a candidate to receive his master's degree in public administration at the University of Texas – Pan American in December 2005. He will serve as Connie Green's successor. TMRS thanks Connie for his service and congratulates him on his promotion to City Manager of Killeen earlier this year. ♦

From the Executive Director



Dear City Correspondents and Officials:

At its September meeting, the TMRS Board of Trustees set the interest rate for TMRS accounts at 6% for 2005 (see story on page 5). This rate is competitive with interest earnings on most investments. In addition, an extra payment equal to 40% of one month's benefit payment was approved for retirees. We are pleased to be able to enhance employees' accounts this year, and to help ensure the future security of our members and retirees.

At TMRS, we always have your retirement and financial security in mind. This issue of *Main Street* explains extra steps we take that keep member accounts secure. It also includes articles on how to guard against identity theft and how to help members prepare for an enjoyable retirement.

We were happy to see so many of you at the TMRS Annual Training Seminar in Austin in early October! The program was both enjoyable and informative. We are grateful for the role you play as a partner with TMRS. Keeping TMRS members' information confidential and their retirements secure are two of our most important goals. If you have questions or comments, please do not hesitate to let us know!

Sincerely,

A handwritten signature in black ink that reads "Gary W. Anderson".

Gary W. Anderson



CORRESPONDENT'S CHECKLIST

Helping Members Plan for Retirement

When TMRS members are close to retirement, there are several resources available to help you better assist them. Here are some reminders:

Pre-Retirement Checklist

- ___ Give the member information about pre-retirement resources, such as TMRS' retirement checklist on www.TMRS.com (and encourage the member to take an early look at the Service Retirement packet).
- ___ Ask if the member is eligible for Proportionate Retirement with another system (see story on page 3).
- ___ Point out other retirement advice resources, such as *Insight's* regular feature on retirement planning.
- ___ Verify that the member's TMRS beneficiary designation and personal information are up-to-date.
- ___ Tell the employee that the Partial Lump Sum Distribution (PLSD) is an option at retirement (see box at right) and direct them to TMRS if they have questions.
- ___ Check to see if there will be a TMRS Regional Retirement Conference in your area before the member retires. If so, encourage the member to attend this free seminar and help him/her sign up.
- ___ If a member needs further assistance, direct him/her to TMRS for general retirement questions, estimates, and an explanation of retirement annuity options.
- ___ Encourage the member to set up a checking or savings account for direct deposit of retirement payments
- ___ Remind the member that you are still his/her link to TMRS **after retirement** and that TMRS will stay in contact with them through such communications as *RetirementWise* magazine.

No Early Withdrawals

Members may have questions about new federal legislation that permits penalty-free withdrawals from 401(k) accounts under certain conditions. This legislation does not apply to TMRS member accounts. Members may never borrow funds from their TMRS account or pledge the account as collateral for a loan. They may not withdraw funds until they retire or leave city service.

The Partial Lump Sum Distribution

If employees are approaching retirement, they may have questions about the TMRS Partial Lump Sum Distribution (PLSD). The PLSD is a TMRS feature that allows the member to receive a portion of his or her benefit as a single payment at the time of retirement.

These are the basic facts your employee should know:

- The lump sum may not be more than 75% of the member's total deposits and interest.
- The amount of a PLSD is calculated by taking the amount of the annuity under the Retiree Life Only option and multiplying it by 12, 24, or 36.
- The lump-sum payment is taken out of the member's account, which will reduce the amount of the monthly annuity. However, the PLSD amount is subtracted from member deposits and interest only — the city's matching funds are not reduced.
- If the member takes a PLSD, which lowers the monthly benefit, future extra payments or adjustments will also be lower.
- Income taxes will be due in the year the PLSD is received by the member, unless the payment is transferred to an IRA or other tax-deferred plan.

If you have employees who would like to know more about this option, have them contact us. We will be happy to prepare retirement estimates so they can see how a PLSD would affect their benefit. ♦

End-of-Year Reminders

- The December 2005 monthly payroll report must be submitted to TMRS no later than January 15, 2006. This deadline is very important not only because the city will be assessed a late penalty, but also because late reports will affect estimates contained in the member annual statements and delay the processing of December 2005 retirements.
- Forms for address changes, beneficiary designation changes, and service credit applications such as Restricted Prior Service Credit, Military Service Credits, and Buyback Applications need to be received in our office by December 31, 2005, to be processed in time to appear on 2005 member annual statements.
- The 2006 city contribution rate is effective with the January 2006 monthly payroll report that is due on February 15, 2006.
- 1099R forms will be mailed by January 31, 2006.

Proportionate Retirement: All Systems Go!

A question to ask new employees when enrolling them as members of TMRS is whether they have previous service in other statewide retirement systems. If they have worked as a teacher, for a county, or for the State of Texas, they may have retirement credit that can be combined with their TMRS service.

“Proportionate Retirement” is a statewide program that allows people with service in two or more participating systems to combine service credit to meet service retirement eligibility. If a member qualifies, his or her service stays in the system where it was earned, but TMRS calculates retirement eligibility based on the time he or she has in all systems. Members draw separate pensions from each system in which they have credit.

Participating Systems

- Texas Municipal Retirement System
- Texas County & District Retirement System
- Employees Retirement System of Texas
- Teacher Retirement System of Texas
- City of Austin Employees Retirement System
- Judicial Retirement System of Texas (Plan I or Plan II)

Each system has its own rules for Proportionate Retirement, so if you believe any of your employees are eligible, encourage them to consult each system in which they have credit before making retirement plans.

Proportionate Buyback

If employees were once members of one of the other participating retirement systems but received a refund from that system, they may be eligible for a Proportionate Buyback. This program allows them, as TMRS members, to “buy back” credit they have refunded with other participating systems. The purchase is not through TMRS but through the other system, so they should contact the system where they have refunded credit to determine the cost and procedure for the buyback.

Requests for TMRS Credit

If you get a request from a former employee who is now a member of one of the other participating systems and who wants to “buy back” his or her old TMRS time, there are specific actions to take. The former employee should contact TMRS to obtain a Proportionate Buyback Application (also available on the Website).



Military Service Notes

With the U.S. engaged in overseas conflicts, some TMRS cities are getting questions from members about how military service affects their TMRS benefit.

Members who are called to active duty, and then return to work for the city, are covered by federal law, the Uniformed Services Employment and Reemployment Rights Act (USERRA). If an employee leaves the city for military service, either voluntarily or because a unit is called up, and then returns to the city within 90 days of discharge from active duty, he or she can establish credit in TMRS for the time spent serving in the military. The same right applies if the employee returns to city service within one year after release from hospitalization for injuries sustained while on active duty. An employee who wishes to establish credit under USERRA should contact TMRS.

TMRS has received questions from correspondents about whether employees who enter active military service are eligible for the Supplemental Death Benefit (SDB) if they die in the line of duty. If a city has adopted the SDB, this benefit only applies to contributing members of the system and terminates on the last day of the month following the month in which the member stops making contributions. Some cities are paying their employees a reduced salary or military leave “differential pay.” Remember, since the SDB is based on an employee's salary over the last twelve months, the SDB for an employee on reduced pay will be lower. ♦

After the employee submits the application, TMRS will verify the membership and the employee will receive time credit for the buyback. Credit established in TMRS using proportionate buyback has no monetary value. ♦

NOTE: There will be an important change next year affecting employees who may wish to purchase Employees Retirement System time. The 79th Texas Legislature raised the penalty interest cost of buying previously refunded ERS service credit from 5% to 10%, effective September 1, 2006, so advise your eligible employees to purchase their service before that date to avoid the higher rate.

Safeguarding Personal Information

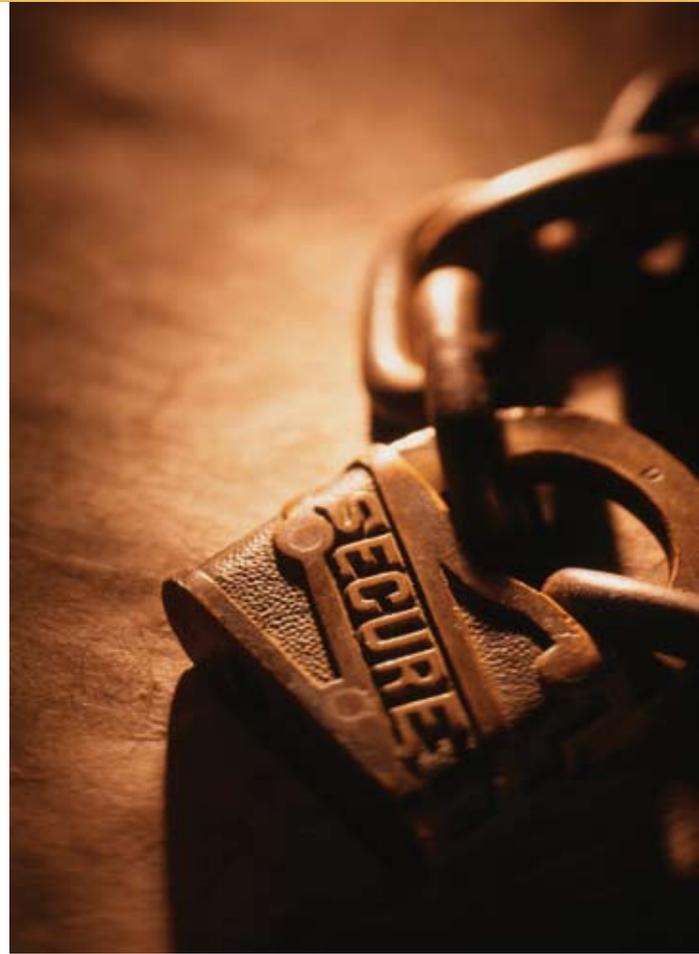
TMRS has policies and procedures that are designed to protect the privacy of our members. Here are important practices we follow:

- TMRS never solicits personal information by e-mail. We encourage members to use the MyTMRS® portion of the Website or call our 800 number for the latest information about their account or retirement plan.
- We carefully follow the rules for disclosure of information, including what we can share with cities and what we can only share with members. See the chart on page 5 for a quick reference to what we tell members and what we tell cities, and how members and cities can request this information.
- Because Social Security number protection is an important safeguard against identity theft, we have recently started using

Instead of a Social Security number, we are using a TMRS ID Number to identify accounts.

a TMRS ID Number instead of all or part of the employee's Social Security number. Please inform your employees of this change.

- As a standard records management practice, TMRS shreds all documents containing member information and SSNs. We encourage member cities to do the same.
- Never use a member's SSN in e-mail correspondence, and remind them to avoid using e-mails for private matters. E-mail can be easily intercepted by cyber-thieves because it must pass through many points of exchange.
- The portions of www.TMRS.com that require members to enter personal information are secure, which means that no one besides TMRS can see the entered data. To access MyTMRS, the area that shows individual account information, members must have a password, which is mailed instead of e-mailed to protect members' privacy. Encourage members who are not currently registered for this service to go to www.TMRS.com and click on MyTMRS to register, obtain a password, and establish a username.
- Payroll data submitted electronically through the Website or FTP is secure! We encourage all cities to take advantage of this easy and accurate method to submit payroll information. If you haven't set up this feature yet, call us for help. ♦



Did You Know?

New Service

From The Social Security Administration

The Social Security Administration now offers an online Social Security Numbers Verification System (SSNVS). This allows employers to use the Internet to match their employee names and SSNs with Social Security records before preparing and submitting W-2s. This prevents unmatched records, which can delay processing and result in additional costs for the city.

The options for using SSNVS are to key in up to 10 names and SSNs at a time on the Social Security Administration's Website, or upload a file with up to 250,000 names and SSNs to research the numbers.

For information, registration, and instructions, go to www.socialsecurity.gov/employer/ssnv.htm.

Board Approves Interest Rate for 2005

At the TMRS Board of Trustees' meeting on October 1, the Board approved an interest rate of 6% for member and city accounts, which is calculated on member account balances as of January 1, 2005, and credited to accounts on December 31, 2005. In addition, the Board approved an extra payment for retirees equal to 40 percent of a regular monthly benefit.

The Board sets interest rates every year based on investment earnings of the TMRS fund. The TMRS policy of investing in high-quality, long-term bonds has allowed the Board to credit interest at above market rates, even though we have been in a low-interest-rate environment for several years. Interest credited in 2005 will appear on the Annual Statements, which will be mailed to members in the Spring of 2006.

Although the interest rate is lower than in previous years, TMRS benefits are sound and, over a member's career, compounding interest and the city match produce a monthly benefit that is comparable to most public retirement systems. Very few, if any systems make an extra payment to retirees. ♦

Compensation

“Compensation” includes virtually any payments to an employee from the city for the performance of services. Generally, any payment made to an employee is compensation unless it is a direct expense reimbursement.

Compensation is more than just an employee's regular salary. The employee's total compensation is his or her gross wages paid by the city PLUS any other money he or she receives. Compensation includes an employee's regular paycheck (base pay) and the following:

- Overtime pay
- Car allowances
- Uniform allowances
- Sick leave (including payments for unused leave)
- Vacation leave (including payments for unused leave)
- Longevity pay
- Certification pay
- Severance pay
- Employer pickup of contributions to the system
- Deferred compensation
- Cost of benefits under qualified cafeteria plans
- Cost of tax-sheltered annuities acquired for an employee by the municipality
- Deductions for taxes and other obligations of the employee

When Can TMRS Release Confidential Information?

	To Member:				To Correspondent:			
Account balance								
Credited service								
Annuity amount								
Request for statement								
Request for statement to different address								
Beneficiary info								
Change beneficiary								
Address or name change								
Retirement 1099R info*								
Retirement direct deposit (new or change)								

HOW TO REQUEST

- By phone** – include 2 account identifiers**
- In writing** – by letter or fax; include signature and 2 account identifiers
- Web** – use www.mytms.com with password
- Form** – needs specific form with signature; forms available from www.TMRS.com

** Account identifiers are personal details known to the member only.

*Correspondent may request on behalf of retiree, sent only to the address on file.

Calendar of Events

November

- 11 Veterans' Day — office closed
- 24-25 Thanksgiving — office closed
- 29 Annuity checks sent
- 30 Direct deposit of annuity payments

December

- 2-3 TMRS Board of Trustees meeting
- 23-26 Winter holidays — office closed
- 29 Annuity checks sent, including Extra Payment
- 30 Direct deposit of annuity payments
- 31 Interest credited on accounts

January

- 2 New Year's Day holiday — office closed
- 15 December payroll deadline — turn in earlier if possible!
- 16 Martin Luther King, Jr. holiday — office closed
- 30 Annuity checks sent
- 31 Direct deposit of annuity payments
- 31 1099R forms mailed to retirees

February

- 20 Presidents' Day — office closed
- 27 Annuity checks sent
- 28 Direct deposit of annuity payments

March

- 24-25 TMRS Board of Trustees meeting
- 30 Annuity checks sent
- 31 Direct deposit of annuity payments

Texas Municipal Retirement System Board of Trustees

Kathryn Usrey, Chair

Director of Human Resources — *Carrollton*

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This newsletter is an informal presentation of the TMRS Act
and related law. If any specific questions of fact or law should arise,
the statutes will govern. For information about your own individual
situation, please contact TMRS at 800.924.8677 or by e-mail:
phonecenter@TMRS.com.*

What Information Do You Need?

MAIN STREET is sent directly to TMRS city contacts and correspondents twice a year. Let us know what kind of information you would like to see in this newsletter. 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.

