June 10, 2007

Dear City Correspondents and Officials:

The past few months here at TMRS have been busy! In April, the Board of Trustees hired the fourth Executive Director in the agency’s history. Starting June 11, TMRS welcomes to this leadership role Mr. Eric Henry, formerly of the Pennsylvania State Employees Retirement System (see story, this page). In addition, Governor Perry appointed April Nixon of Arlington to the TMRS Board, and the Senate confirmed the appointments of two other Board members (see story, page 2).

It has been my pleasure to serve as Interim Executive Director, and I look forward to working with all of you in the future as Deputy Executive Director.

The 80th legislative session is behind us, and I’m happy to report that the TMRS bill passed, in modified form. The end result is a gain for us: TMRS member cities will have more flexibility in how they pay for their portion of their employees’ TMRS retirement benefits. One of the closely watched features, the option for retirees to return to work for their last employing city without their benefit being suspended, didn’t make it through in the final legislation.

This issue of Main Street also contains stories on the new City Rate Letters, the Annual Training Seminar, and mid-career retirement planning. One theme you will notice in this issue, and in all the TMRS information you will be receiving over the next few months, is an emphasis on how benefit costs are determined.

Our purpose here at TMRS is to provide your city with a sound retirement for your employees. If you have any questions about your city’s plan, or if we may be of assistance, remember that we are just a phone call away.

Sincerely,

Eric W. Davis
On April 20, 2007, Governor Rick Perry appointed a new member of the Texas Municipal Retirement System Board of Trustees, Ms. April Nixon of Arlington, to replace departing Board member Kathryn Usrey. Ms. Nixon’s term began immediately and will end February 1, 2009.

Ms. Nixon is the Management Resources Director for the City of Arlington. She is a member of the Government Finance Officers Association, the Arlington Information Technology Executive Committee, and the Arlington Property Finance Association. She received a bachelor’s degree from the University of Texas and a master’s degree from Texas Wesleyan University.

**Senate Confirms Interim Appointments**

In addition to the new Board appointment, Governor Perry’s interim-term appointments – Ms. Pat Hernandez and Mr. Roel “Roy” Rodriguez, PE – were confirmed by the Senate. Ms. Hernandez is the Municipal Court Judge for the City of Plainview and serves as the Board’s Chair for 2007. Mr. Rodriguez is General Manager of the McAllen Public Utility and serves as the Board’s Vice Chair. Both of their terms run until February 1, 2011.

TMRS wishes to thank the 2006 Chair and Vice Chair – Frank Simpson and Pat Hernandez – for their outstanding work last year. TMRS Board members are appointed by the Governor and serve six-year terms. Officers hold one-year terms and are elected each December.

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**Rate Letters: Changes Coming in 2008**

Your city received its annual rate letter in early May. This letter shows your city’s contribution rate for the year beginning January 2008. You may have also noticed a paragraph stating that more information about the cost of your city’s plan will be forthcoming late this summer or in early fall.

Many TMRS cities have adopted annually repeating Cost-of-Living Adjustments and Updated Service Credits. Historically, TMRS has reported the cost of these benefits one year at a time. The additional information you will receive will show the projected costs of these benefits for future years, so that your city can get an idea of what rates may look like a few years down the road. The letters will also contain more information about the new funding options made possible by House Bill 1244, the TMRS Bill.

Please note that the additional information will not change your 2007 or 2008 contribution rate. The rate letter you will receive in 2008 (for your 2009 contributions) will incorporate the additional years of cost information and give you a baseline contribution rate that reflects the benefits the city has adopted as of the valuation date. This baseline rate meets all funding requirements under the TMRS Act and according to GASB accounting standards. In addition to this minimum required contribution information, we will show how additional contributions can improve a city’s funded status over time, which will enable your city to meet its own funding goals and objectives.

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**Executive Director • from page 1**

As Executive Director at TMRS, Mr. Henry will implement the Board’s policies and manage the future direction of the system. Mr. Henry begins his position at TMRS on June 11, 2007.

The TMRS Board of Trustees and the staff welcome Mr. Henry and also thank Mr. Eric W. Davis, Deputy Executive Director, for serving as Interim Executive Director of TMRS during the search for a new Executive Director following the retirement of Mr. Gary W. Anderson in October 2006.
Events

Annual Training Seminar to “Focus on Funding”

MRS invites city officials to come to the Annual Training Seminar to learn about new funding options and enjoy networking opportunities, October 15 and 16 at the new Hilton Austin. The seminar hotel is located just across the street from the Austin Convention Center at 500 East 4th Street. A kick-off reception is planned for Sunday evening before the seminar.

This year’s theme will be “Focus on Funding,” and the TMRS staff and invited experts will share their knowledge of city funding options, retirement planning, actuarial analysis, and accounting methods. We will once again offer our City Information Suite, where officials and correspondents may have one-on-one Q&A sessions with TMRS staff. City Finance officers or anyone who deals with TMRS funding are encouraged to attend.

Make plans now to attend this informative event, just blocks from Sixth Street and the downtown Austin scene. The cost is $125 for city participants, and participants will need to make their own hotel arrangements. A block of rooms is reserved at the Hilton (800.236.1592); mention the TMRS Annual Seminar when making your reservation.

Watch our Website, www.tmrs.com, for more detailed information on the seminar programming. A downloadable registration form is available on the Website.

Información Sobre TMRS

The TMRS FACTS booklet, a concise summary of TMRS retirement system information for members, is now available en español. This Q&A format publication may be downloaded and printed from the Publications area of www.tmrs.com, or you may request copies from our office by e-mailing phonecenter@tmrs.com or calling our toll-free number, 800.924.8677.
TMRS Bill Passes – More Flexibility for Cities

In early February, Representative Edmund Kuempel (R-Seguin) filed the TMRS Bill, House Bill 1244, and Senator Tommy Williams (R-The Woodlands) filed the companion bill, Senate Bill 681. A committee substitute bill, CSHB 1244, was approved by both Houses, passing the House on April 19 and the Senate on May 15. As passed by the Legislature, the Bill makes the following changes in the law governing TMRS:

- Permits the TMRS Board to adopt rules that allow cities to make additional contributions to TMRS above the calculated contribution rate, on a voluntary basis, to give cities more flexibility in paying for their TMRS benefits; the statutory maximum contribution limit will not apply to these additional contributions.
- Permits the TMRS Board to adopt rules that set amortization periods for funding TMRS pension liabilities, but the period will not be longer than 25 years. This keeps current limits and provides added funding flexibility.
- Amends the TMRS Act to permit and grant the TMRS Board rulemaking authority regarding distributions to qualified health insurance providers for retired public safety officers under the federal Pension Protection Act.
- Amends the TMRS Act to clarify the calculation of average salary for purposes of Updated Service Credit. Also grants the Board of Trustees rulemaking authority to ensure that Updated Service Credit is calculated in accordance with the statute.

As substituted, the bill no longer includes the additional matching ratios and the return-to-work language included in the original version of the bill. However, if your city has ever privatized part of its workforce, see the sidebar on HB 3392.

**BUZZWORDS**

**Contribution Rate**
The annual percentage of your city’s payroll that funds its TMRS plan. TMRS sends your contribution rate each year in a Rate Letter that sets the percentage of payroll you will pay in the upcoming year.

**Maximum Contribution Limit, or “Stat Max.”**
The maximum amount, as set by the TMRS Act, that a city can be required to pay for a given plan level (deposit rate and matching ratio). For example, a city with a 6%, 1 to 1 ratio has a Stat Max of 8.50%. This limit does not include the cost of Supplemental Death Benefits, if adopted. It only applies to the retirement portion of your contribution rate. TMRS cities are allowed to enact ordinances that override the Stat Max level, and many cities have chosen that option.

**Amortization Period**
The time period over which pension liabilities will be “paid off.” This is a common measure of pension plan soundness. TMRS currently has a 25-year amortization period.

**HB 3392**

**Retirements Due to Privatization**

Over the years, some Texas cities have chosen to privatize parts of their workforce and, in some cases, privatizations have not gone as planned. House Bill 3392, by Representative Ryan Guillen (D-Rio Grande City), and sponsored by Senator Judith Zaffirini (D-Laredo) in the Senate, will allow employees who have retired because their city department was privatized to return to work (if the city reacquires the privatized department) without their TMRS benefits being suspended. If your city has ever privatized a department or service and then reversed the action, and you have employees who retired because of the privatization, please contact TMRS to see if the bill’s circumstances affect them.

Employees who may be affected by this bill must meet certain qualifications:

- They must have been employed in the department at the time it was privatized;
- They must have retired as a result of the privatization;
- They must return to the city and be employed by the same department that was privatized; and
- They must continue to be employed in that department – if they change jobs to a different department in the city, their annuity will be suspended.

The bill has immediate effect and applies to all persons who meet the circumstances of the bill. Annuities that were not paid during a period of suspension will not be paid when the person’s monthly annuity resumes.
We Protect
Member
Information

Please Remind Your Employees: All member data is confidential. We do not share member lists or other personal information with outside companies. If a TMRS member or member city receives a letter or e-mail from a person or business indicating they have information about any TMRS account, please contact us immediately.

In the past few months, companies offering financial planning services have implied they are connected to TMRS or have stated they received information about members from TMRS, but they are not part of TMRS in any way.

It is important to inform members that access to their accounts is restricted, and specific procedures apply to obtaining or changing personal information. This is for the member’s protection. For example, if an employee wants to change his/her name, address, beneficiary, or direct deposit information, a form with his/her signature is required. Some requests for information may be made by phone, but they require account identifiers – personal details known only to the member.

Meet TMRS –

Lorraine Moreno, Membership Development Specialist

Last year, the Communications staff at TMRS was fortunate to add Lorraine Moreno to our Membership Development team. An avid sportswoman and bilingual communicator, Lorraine is an outgoing and knowledgeable addition to Membership Development, also known as the Travel Team. Membership Development is a section of the Communications department and is made up of four educators whose purpose is to answer questions for members and cities, primarily through seminars and city visits.

Lorraine began working at TMRS in February 2001 and has served in Retirement, Member Services, and Call Center positions. Originally from Presidio, Texas, Lorraine likes her job, particularly the chance to travel around the state and meet TMRS members face-to-face. Visiting one-on-one with members and city representatives is one of the highlights of the work, according to Lorraine. “What I like best is taking care of our members,” she says.

An EMT and former medical assistant at Seton Hospital in Austin, Lorraine attended St. Edward’s University and Austin Community College. Before coming to TMRS, she was employed in an Austin law firm. This well-rounded background gives Lorraine her trademark friendly approach to her job.

You may see Lorraine or other Travel Team members when they come to your city, particularly if you request a visit or want to be involved in a Regional Pre-Retirement seminar. The TMRS Annual Training Seminar in October is also a great way to meet the TMRS staff.
Correspondent’s Checklist
Mid-Career Retirement Planning

As a correspondent, you may find yourself in the position of being asked for advice from employees. In mid-career, workers’ thoughts about their retirement planning turn more serious. You can encourage these employees to:

- Understand how the TMRS plan works and what the system offers (a good way to do this is to attend a TMRS Regional Pre-Retirement Conference* or a TMRS presentation for city employees).

- Apply for credit for all their eligible service, including other public service and military service, if your city offers Restricted Prior Service Credit or Military Service Credit.

- Continue to review their Annual Statements carefully, and call or email TMRS with questions or updates.

- Request estimates as needed, so they can review possible scenarios with their TMRS options.

- Identify any financial, tax, legal and estate issues that may affect their benefits.

- Have a rough idea when they want to retire, and figure out how much money they’ll need to live on after retirement.

- Contribute to an additional plan (such as a 457 plan) during their working years.

- Have an estate plan in place.

- Draft a will and review all beneficiaries on all accounts.

* Regional Pre-Retirement Conferences are one-day events designed to help employees who are thinking about retirement better understand their TMRS benefits and begin making plans. The programs combine TMRS speakers with experts in Social Security benefits and financial planning. We plan at least four of these regional Pre-Retirement Conferences per year – in 2007 they have been held in Pearland, Abilene, and Lufkin, and a fourth is planned in Fort Stockton on July 10. For more information, e-mail communications@tmrs.com.