

Fall/Winter 2011

# RetirementWise

Texas Municipal Retirement System • Providing Retirement Security for Texas Municipal Employees

Serving up Security —



Diversification Continues

End-of-Year Tax Information • Coming Soon to MyTMRS® — 1099-R Forms!

# Texas Municipal Retirement System

## 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, CPA**  
Director of Finance  
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**Jim Parrish**  
Human Resources Director  
*Plano*



**Roel "Roy" Rodriguez, PE**  
Assistant City Manager /  
MPU General Manager  
*McAllen*

The TMRS Act provides that the administration of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate. If you wish to contact the Board, forward comments to [ExecOffice@TMRS.com](mailto:ExecOffice@TMRS.com).

# Calendar

## 2011

### November

29 Annuity checks mailed  
30 Direct deposit of annuity payments

### December

1 Advisory Committee Meeting • Austin  
1-2 TMRS Board of Trustees Meeting • Austin  
23 & 26 Holidays (Christmas)  
29 Annuity checks mailed  
30 Direct deposit of annuity payments

## 2012

### January

2 Holiday (New Year's)  
16 Holiday (Martin Luther King Jr. Day)  
30 Annuity checks mailed  
31 Direct deposit of annuity payments

### February

16-17 Special Board of Trustees Meeting • Austin  
20 Holiday (Presidents Day)  
28 Annuity checks mailed  
29 Direct deposit of annuity payments

### March

29-30 TMRS Board of Trustees Meeting • Austin  
29 Annuity checks mailed  
30 Direct deposit of annuity payments

### April

6 Holiday (Good Friday)  
27 Annuity checks mailed  
30 Direct deposit of annuity payments

### May

3-4 Joint Meeting /  
Board and Advisory Committee • Austin  
28 Holiday (Memorial Day)  
30 Annuity checks mailed  
31 Direct deposit of annuity payments

### June

21-22 TMRS Board of Trustees Meeting • Austin  
28 Annuity checks mailed  
29 Direct deposit of annuity payments

### July

4 Holiday (Independence Day)  
30 Annuity checks mailed  
31 Direct deposit of annuity payments

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This magazine is an informal presentation of information about TMRS and related issues. 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.

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*RetirementWise* is dedicated to the needs of our retirees. If you have questions, suggestions, or ideas for stories, please write the Communications Department at TMRS, or send a fax to the editor at 512.225.3781 or an e-mail to [communications@TMRS.com](mailto:communications@TMRS.com).

# From the Executive Director



Dear TMRS Retiree,

As we enter the holiday season, we want to wish you the very best.

In the last issue of *RetirementWise*, 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. TMRS continues to be soundly funded.

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.

It is our job to provide you with information you need about how the System works and about your TMRS retirement benefits. If you have any questions, please don't hesitate to 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

**“RVK’s study... 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.” See page 6 for story.**

# Board and Advisory Committee Members

One new member of the TMRS Board of Trustees 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. See our current Board members on page 2.

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; Mayor Gary Watts from Shenandoah; 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 *RetirementWise*. In addition, you can keep track of Board and Advisory Committee members by going to the “About TMRS” page on [www.tmr.com](http://www.tmr.com). ■

## Direct Deposit Calendar

We are sending the 2012 Direct Deposit Calendar as a perforated card inside this issue.

If you would like to print out more copies of this card, it is also available on our website. From any page, including the [www.tmr.com](http://www.tmr.com) home page, click on the black “Retirees” box on the left side. In the list of blue links, you’ll see a link to the 2012 Direct Deposit Calendar.

## Legislative Notes

The biggest accomplishment for TMRS this past legislative session was the passage of SB 350, by Senator Tommy Williams (House sponsor Representative Vicki Truitt), which allowed restructuring of TMRS’ internal accounts to achieve greater efficiency, including improved funded ratios and lower city contribution rates. We have provided detailed information about SB 350 in past issues of *RetirementWise*. This legislation has no effect on retirees; it was enacted to improve the overall financial health of the system and to make it easier for cities to handle their contributions to TMRS. The lifetime benefit you earned during your working years is guaranteed by State law.

### The Legislative “Interim”

After each 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 give the House and the Senate the opportunity to identify solutions to the many challenges facing the Legislature and are typically a preview of the issues that will be taken up during the next regular session. The House interim charges have been issued and can be found at <http://www.house.stste.tx.us/members/speaker/#interim-charges>. A limited number of Senate interim charges have been issued, but none of them pertain to retirement or pension issues. Updates during the interim may be found on the TMRS website on the Legislative page.

As in previous interims, the TMRS Advisory Committee will meet periodically to discuss issues of concern to our members and cities and to develop recommendations for the Board to consider. ■

## To Your Health

# Vaccines Pump up Your Immune System

Many things can compromise the human body's immune system. These can include stress, lack of exercise, poor diet, and invading germs and viruses. Vaccines were developed to give our bodies an additional jolt of immunity against diseases. For 2011, these vaccinations are recommended for people age 65 and over:

- Influenza (flu) – recommended annually
- Shingles – recommended once, any time after age 60
- Chicken pox – recommended twice over a person's lifetime
- Diphtheria/tetanus/pertussis – booster shot recommended every 10 years
- Pneumonia – recommended for people with lung diseases (including asthma), chronic cardiovascular diseases, diabetes, and liver diseases; also recommended for smokers

Source: U.S. Department of Health and Human Services • Centers for Disease Control and Prevention. ■

## Healthcare Alert

# MEDICARE OPEN ENROLLMENT ENDS EARLIER THIS YEAR!

The open enrollment period (also called “open season”) ended on December 31 in previous years. This year it **ends on December 7**, so **act soon** if you haven't already reviewed your choices. Go to the open enrollment page at <http://www.medicare.gov/open-enrollment/index.html> for full information.

By making comparisons, you could save money, get better coverage, or both. Due to recent changes in health care laws, there are new benefits like lower prescription drug costs, wellness checkups, and preventative healthcare services. ■



# MyTMRS – Keeping an Eye On Your Annuity

MyTMRS is a great tool for viewing your current data in TMRS records. To use this tool, you must first register for MyTMRS and then you can log in to view your account details. You can see:

- Your address on file
- Method of Payment (Check or Direct Deposit)
- Year-to-Date Payment Information (Gross, Taxable, Withholding, and HELPS insurance payments)
- Monthly Payment Information (Gross, Taxable, Non-Taxable, Withholding, Net, and HELPS)
- Withholding Election (Filing Status, Exemptions)
- Beneficiary Information

### AND – Coming Soon

- **1099-R statements will be viewable in MyTMRS!**

## If Your Personal Information is Incorrect

If you change your address, or if you notice that any of your personal information is incorrect, it is important to let TMRS know as soon as possible. If we do not have a valid address for you, you will miss future newsletters or other items that we mail to retirees.

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. ■

# TMRS® Investments – Secure & Sound

TMRS' planned diversification of its investments is continuing on schedule. This article provides 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.

## Asset Classes

The steady progression of TMRS' asset allocation toward its final target since June 2009 is illustrated in the three pie charts at right. In December 2010, a real estate investment policy and implementation plan was finalized for investing in the real estate asset class. Throughout 2011, diversification continued 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.

## Investment Strategies through 2012

TMRS will continue to diversify prudently. By the end of 2011, we expect the equity allocation to reach its target of 40%. In 2012, we will analyze additional strategies to further diversify 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.

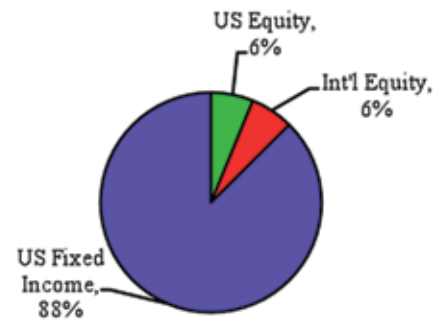
## Additional Asset Classes

The next asset classes under consideration are absolute return and private equity. TMRS has begun a three-phase education process for the Board, 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.

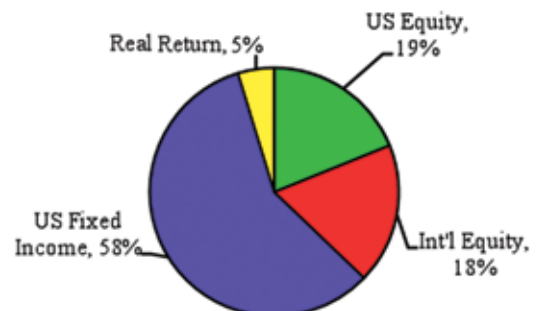
## Asset/Liability Study

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 toward the "final target." 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. ■

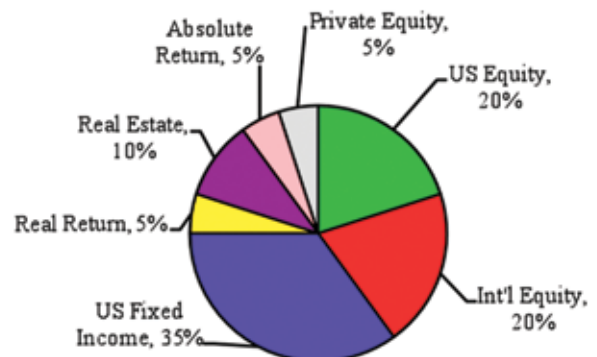
**TMRS Allocation  
as of June 30, 2009**



**TMRS Current Allocation  
as of June 30, 2011**



**TMRS Final Target**



# 2011 Tax Reminders

Your TMRS monthly benefit is subject to federal income tax. Information about your annuity is reported to the IRS on the 1099-R form, which you will need to file your income taxes. TMRS will mail 1099-R forms for 2011 before January 31, 2012. As mentioned in the story on page 5, 1099-R forms will soon be available through MyTMRS.

After you receive your 1099-R form, please review it to be sure you have made the withholding election that works best for your tax planning. If you do not have enough withheld from your annuity, you may owe additional taxes and be subject to penalties.

## How to Change Withholding

If at any time you wish to change your withholding election (and thereby change the net amount of your payment), you should fill out a new W-4P form (Withholding Certificate for Pension or Annuity Payments). This is an IRS form that may be downloaded from our website at the Forms page, or you can get it from the IRS website by typing [www.irs.gov/pub/irs-pdf/fw4p.pdf](http://www.irs.gov/pub/irs-pdf/fw4p.pdf). The completed form should be mailed to TMRS at P.O. Box 149153, Austin TX 78714-9153 or faxed to 1.512.476.5576.

**IMPORTANT:** If you do not provide TMRS with specific withholding instructions, the IRS requires us to withhold as if you were married and claiming three exemptions. This may or may not cover your tax liability, so be sure you file a W-4P with us. You may change your withholding at any time of the year and may elect out of withholding if you so choose.

Form **W-4P**

Department of the Treasury  
Internal Revenue Service

**Withholding Certificate for Pension or Annuity Payments**

**Purpose.** Form W-4P is for U.S. citizens, resident aliens, or their estates who are recipients of pensions, annuities (including commercial annuities), and certain other deferred compensation. Use Form W-4P to tell payers the correct amount of federal income tax to withhold from your payment(s). You also may use Form W-4P to choose (a) not to have any federal income tax withheld from the payment (except for eligible rollover distributions, or payments to U.S. citizens delivered outside the

pages 3 and 4 you do not file **What do I need Allowances W further adjust y adjustments to credits. or mul**

## HELPS Reminder

If you are an eligible retired or disabled public safety officer, you may file the "Application for Insurance Premium Deductions" (TMRS-HLPS) form to have TMRS deduct and pay accident, health, or long-term care insurance premiums from your TMRS annuity. Eligible officers may exclude up to \$3,000 from their taxable income for premium payments made from TMRS to pay these insurance providers.

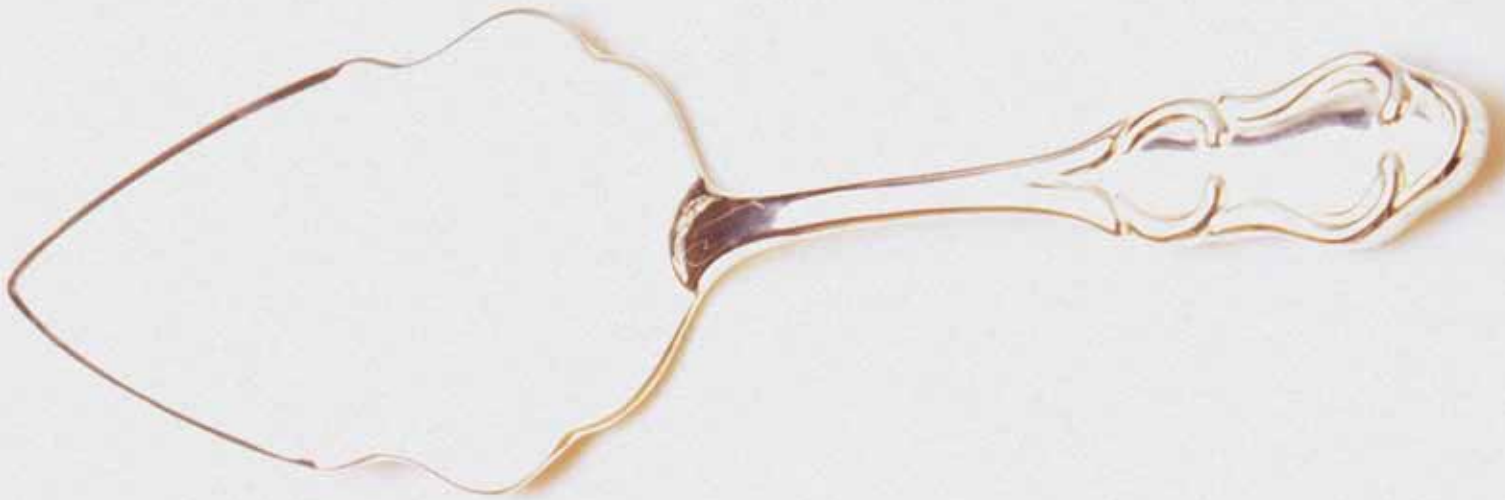
If you were enrolled in this program during 2011, you will receive a letter in January 2012 that confirms your 2011 insurance premium payments. In accordance with IRS instructions, the exclusion from income is not reflected in box 2a of the retiree's 2011 Form 1099-R. More information about this exclusion and how to report it may be found in the instructions to the 2011 Form 1040, 1040A, or IRS Publication 575 Pension and Annuity Income, which can be viewed or downloaded from the IRS website, [www.irs.gov](http://www.irs.gov). ■

## COLA Note

Each TMRS city decides whether to offer cost-of-living adjustments (COLAs) to retirees and, with the economic downturn, some cities have chosen not to continue to offer repeating annual COLAs, but rather to make the decision on an ad hoc (year-to-year) basis. TMRS notifies retirees when a city elects to terminate an existing COLA provision. TMRS sends a letter of notification in January to any retiree receiving a monthly payment increase in excess of \$10 due to a COLA. ■

**RetirementWise**  
Texas Municipal Retirement System  
P.O. Box 149153 • Austin, Texas 78714-9153

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**How to Contact TMRS**

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