Winter 2009

RetirementWise

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

What's Happening with COLAs? • Board Names Interim Leadership • Tax Information

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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*.

Calendar

2009

December

4	TMRS Board of Trustees Meeting - Austin
24-25	Holiday (Christmas)
30	Annuity checks mailed
31	Direct deposit of annuity payments

2010

January

1	Holiday (New Year's Day)
18	Holiday (Martin Luther King, Jr. Day)
28	Annuity checks mailed
29	Direct deposit of annuity payments

February

15	Holiday (President's Day)
19	TMRS Board of Trustees Special Meeting - Austin
25	Annuity checks mailed
26	Direct deposit of annuity payments

March

12	TMRS Board of Trustees Meeting - Austin
30	Annuity checks mailed
31	Direct deposit of annuity payments

April

2	Holiday (Good Friday)
29	Annuity checks mailed
30	Direct deposit of annuity payments

May

7	Joint Meeting of the TMRS Board and Advisory Committee - Austin
27	Annuity checks mailed
28	Direct deposit of annuity payments
31	Holiday (Memorial Day)

June

18	TMRS Board of Trustees Meeting – Austin
29	Annuity checks mailed
30	Direct deposit of annuity payments

In This Issue

Features

Departments

ISSN 1559-9833

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*.

From the Acting Executive Director

In this issue we include a story about the resignation of our former Executive Director, Eric Henry, in August 2009, and the TMRS Board of Trustees' appointment of an interim executive team to lead TMRS during this transition (see page 5). I am honored to have been named Acting Executive Director by the TMRS Board, and I promise to do everything I can to ensure that TMRS continues to be a sound source of retirement benefits for employees of Texas cities.

There are stories in this issue of *RetirementWise* that relate to both physical health and economic health. The economy seems to be stabilizing, but we know that many cities struggled with tough choices in this year's budget process. An article in this issue (page 4) talks about TMRS' ongoing plans to diversify our investments to reduce the risks associated with being invested in only one class of assets.

In general TMRS has weathered the economic downturn well, and we are working to keep the System strong into the future, while continuing to provide the high-quality customer service our members and retirees deserve. Please call on us whenever we can help you with your retirement program. Have a safe and happy holiday season!

Sincerely,

David Gavia

David Gavia
Acting Executive Director
and General Counsel

Diversification for Security and Growth

At the end of 2008, TMRS investments were valued at $14.5 billion. The fund was invested 88% in fixed income securities with a 12% allocation to equities. The initial move into equities, half in U.S. stocks and half in foreign stocks, was invested passively in index funds, a lower-cost approach. That allocation to equities was a first step toward diversification of the portfolio, pending legislation that was subsequently adopted in 2009. The passage of HB 360 allowed TMRS investments to be managed toward a total return objective, and to be more fully diversified.

HB 360 amended the TMRS Act as follows:

1. Guarantee an annual interest credit of at least 5% to member accounts and set the discount rate used in the annuity purchase rate for retirees at a minimum of 5%.
2. Allow the crediting of unrealized income or losses to city accounts.
3. Allow city accounts to receive an annual interest credit at a rate different from the member rate, including negative interest.

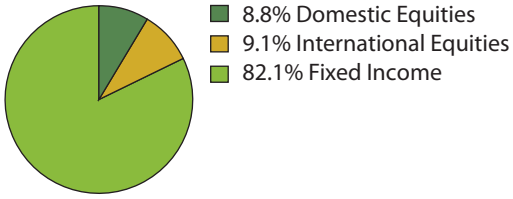
The passage of HB 360 allows for further diversification of the fund to provide potentially higher returns in the future.

How TMRS Is Diversifying

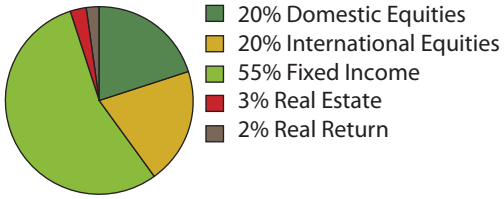
In June 2009, the Board adopted an Investment Policy that reflects the change from an income return to a total return objective and approved a strategic asset allocation policy that fully diversifies the investment portfolio. TMRS plans to implement the allocation over a 5-year period (see the charts at right).

TMRS will make a gradual, deliberate, and prudent transition to the target allocation, focusing on managing risk while improving the potential for future returns. TMRS is a true long-term investor. Over time, the diversified portfolio is projected to earn a 7% annual return.

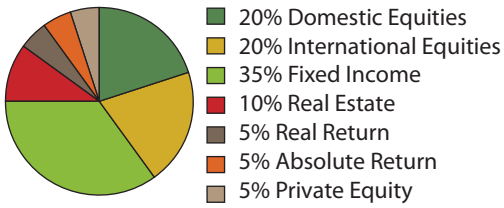
Currently, TMRS investments are allocated between fixed income and equity investments:



At the end of 2010, the asset mix target will be:



The asset allocation target for 2013 is:



Executive Director Departs,

Interim Team in Place

Executive Director and Chief Investment Officer Eric Henry announced his departure from TMRS this past August. He resigned his position to pursue another opportunity, as the Chief Investment Officer of the United Auto Workers VEBA (voluntary employee benefit association, a health care trust). After his announcement, the TMRS Board of Trustees appointed TMRS' General Counsel David Gavia as Acting Executive Director. The Board also appointed Nancy Goerdel, TMRS' Director of Public Investments and Asset Allocation, as Acting Chief Investment Officer. These senior staff members will fill the roles vacated by Eric Henry while the Board performs a national search to replace him.

Mr. Henry's two years at TMRS were extremely productive ones. The investment, actuarial, and communication initiatives that began during his tenure will continue as planned. In response to his departure, TMRS Board Chair Carolyn Linér said, "The Board tremendously appreciates all Eric has done for us, and we will be seeking someone to continue the outstanding work he has begun."

With the changes made in the past two years and the passage of HB 360, TMRS is well positioned for the future. ■

About Our Interim Officers

David Gavia joined TMRS as General Counsel in 2001 and remained in that position until August 2009, when he was named Acting Executive Director. Prior to his employment at TMRS, he worked as Assistant General Counsel in the benefits/tax area for the Employees Retirement System of Texas. David received his bachelor of science degree in business administration from Trinity University in San Antonio and his law degree from the University of Texas at Austin. David is a member of the National Association of Public Pension Plan Attorneys. He is also a Certified Public Accountant and worked for a national accounting firm before entering law school.

Nancy Goerdel is the Acting Chief Investment Officer and the Director of Public Investments and Asset Allocation for TMRS. Ms. Goerdel joined TMRS in 1998 as Investment Officer to assist with the management of the organization's all–fixed income allocation. She has been instrumental in moving TMRS to a total return objective and continues to be involved in TMRS' diversification efforts. Nancy has been involved in public fund investing for over 30 years, 20 at a senior level. Before joining TMRS, Nancy was Chief Investment Officer of the Iowa Public Employees Retirement System and Deputy Director for Investments at the Employees Retirement System of Texas. She received her bachelor of science degree from Stephen F. Austin University.

Direct Deposit Is the Way to Go!

Quite simply, direct deposit is the safest and quickest way to receive your annuity payments. With direct deposit, your payments are credited to your account on the last business day of every month – no more waiting for several days to get your check. Plus, direct deposit is more secure. Making the deposit electronically prevents your check or your identity from being stolen.

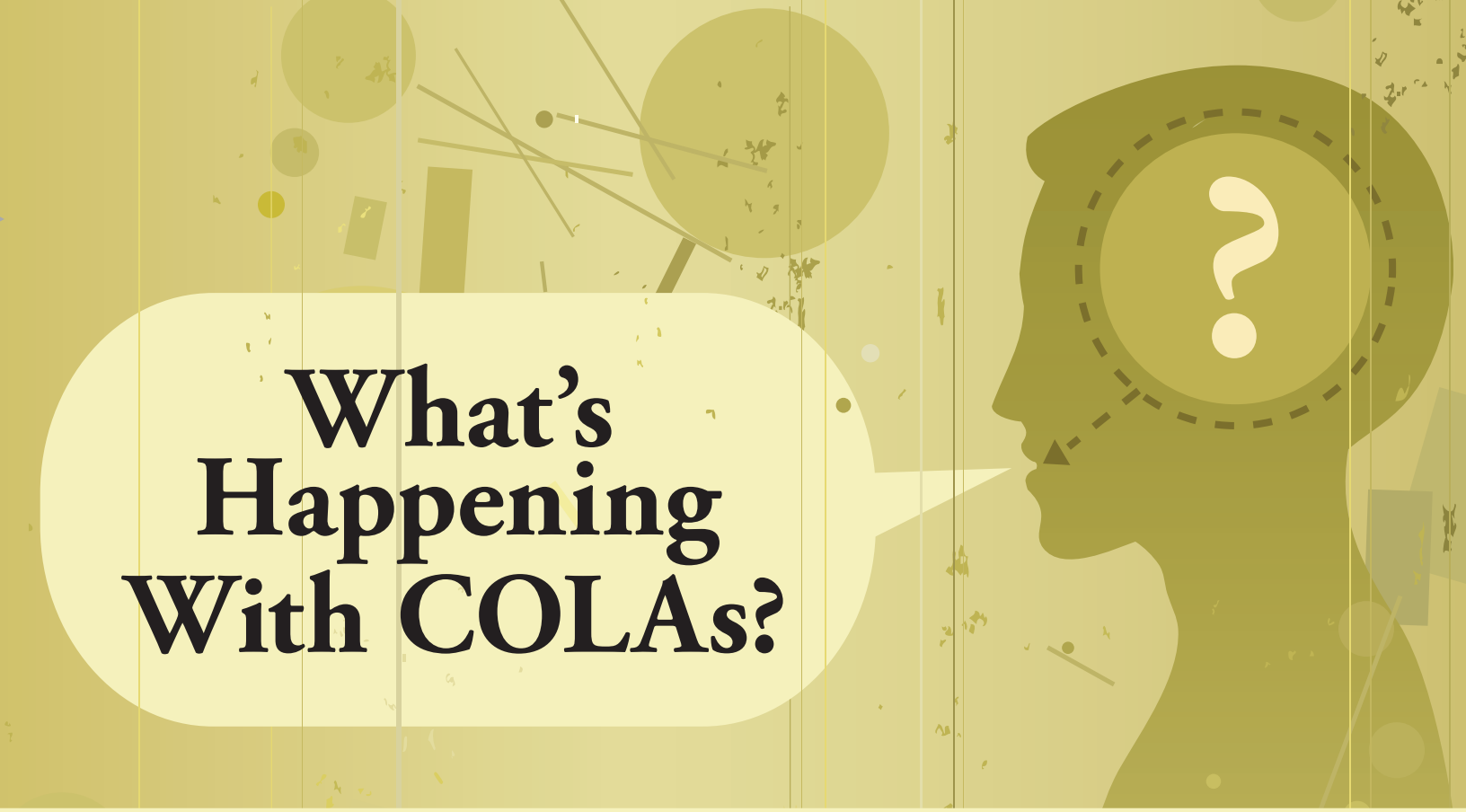
If you are not already doing so, we strongly encourage you to switch to direct deposit for your monthly annuity payment. TMRS retirees have found that direct deposit is easy and very safe. If you need a form to sign up for direct deposit you may download one from our website or call our toll-free number – 800-924-8677 – and a friendly analyst will be happy to assist you.

No Extra Payments

For the last several years, we have informed retirees that you would not receive extra payments. The same situation holds true for 2009 as well. No extra payment (distributive benefit) will be sent. It is unlikely that extra payments will be made in the near future, but if this benefit is reinstated, we will notify retirees by letter.

IMPORTANT: Your retirement benefit is secure, and your monthly benefit is not threatened by either the current economic situation or the change in our investment strategy. Even if the investment markets stay down for a long time, your monthly benefit will not be affected.

What's Happening With COLAs?



In the last issue of* RetirementWise*, we included a story discussing Annuity Increases (also known as COLAs) that described what they are and how they are calculated. In this issue we discuss why the COLAs that retirees get this year, if any, will be very low.

The COLA is designed to help hedge against inflation (higher prices of goods and services). We have not been in an inflationary environment for the past few years. Instead of rising, consumer prices began falling in July 2008. Since the inflation rate has been so low, the vast majority of retirees who normally receive a COLA will either not receive one or the increase will be very small.

TMRS is not alone in this situation regarding COLAs. Other pension plans that offer COLAs are also experiencing low or nonexistent increases. Even the Social Security Administration announced that no cost-of-living increase is expected for next year. "This situation is a change of pace from recent times, when [Social Security] recipients have become accustomed to the annual pay hikes designed to combat the increase in prices of products and services," says noted economist Dr. M. Ray Perryman. "With the recession putting a damper on inflation," the numbers simply aren't there," he said. "However, on the positive side, overall costs have not risen either."

This Year's COLAs

For those retirees whose cities have regularly granted COLAs in the past the change in the CPI (Consumer Price Index) from December 2007 through December 2008 was 0.1% Therefore, if you take that rate and multiply it by your COLA percentage (either 70%, 50%, or 30%), you will see that the percentage increase for your annuity will be either .07%, .05%, or .03%.

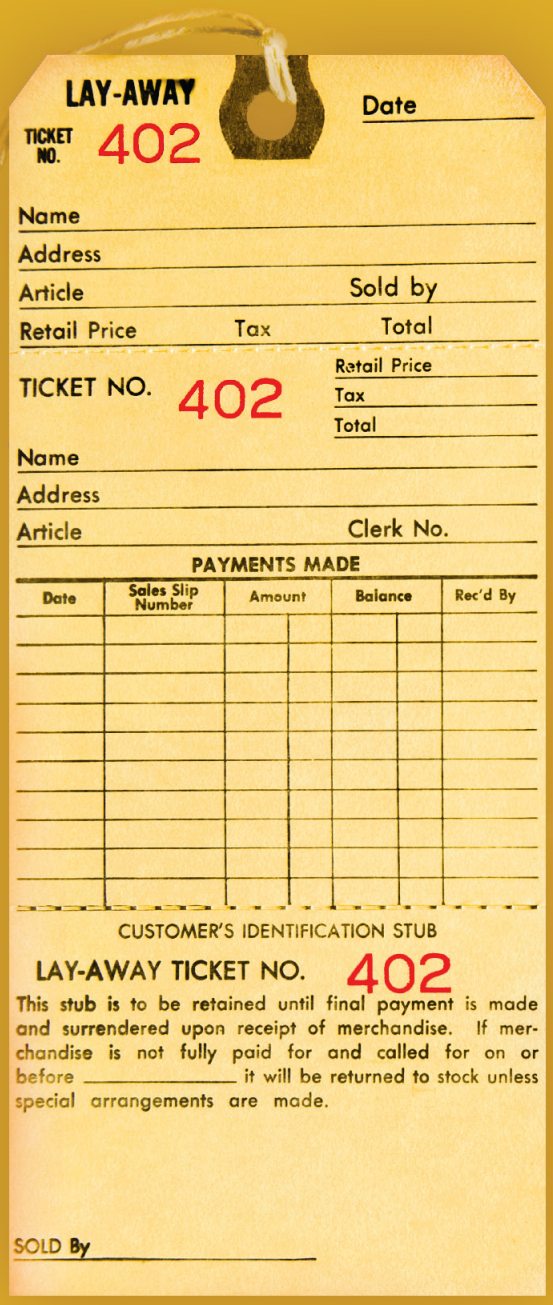
PLEASE NOTE: *If we ever have a negative CPI rate in any December-to-December year, your annuity will* **NOT** *be decreased. The COLA calculation applies only to increases.*

Remember, you must have been retired a full year to receive any COLA, even a very small one. If you have been retired a partial year, the COLA will not apply.

If you have questions about how COLAs work, or other topics, send an e-mail to *communications@TMRS.com* or call our toll-free number: 800.924.8677. ▲

Did You Know?

Big Stores Reinstate "Layaway" Purchasing


LAY-AWAY
TICKET NO. 402
Date
Name
Address
Article
Sold by
Retail Price
Tax
Total
TICKET NO. 402
Retail Price
Tax
Total
Name
Address
Article
Clerk No.
PAYMENTS MADE

Date	Sales Slip Number	Amount	Balance	Rec'd By

CUSTOMER'S IDENTIFICATION STUB
LAY-AWAY TICKET NO. 402
This stub is to be retained until final payment is made and surrendered upon receipt of merchandise. If merchandise is not fully paid for and called for on or before _____ it will be returned to stock unless special arrangements are made.
SOLD By _____

It may seem like a throwback to the good old days, but it's a practical solution for tight holiday budgets: Layaway is back. Kmart started the trend, and other stores have followed suit: Wal-Mart, Sears, and Burlington Coat Factory, to name a few. These days, instead of giving your item to a clerk for safekeeping for 30 days, you may get up to 60 days with some retailers. And often, instead of being handled by an individual store, retailers are turning to online layaway services such as *eLayaway.com* to handle the administrative details of layaway.

Pros

- Getting started early on shopping decisions
- Making payments over time
- Keeping gifts out of sight until they're paid for
- Avoiding high interest payments of credit cards
- Credit problems are usually not an issue
- Safe and practical (you take things home when you have the money)

Cons

- Have to commit to items early
- The item's price could be reduced, but you are locked into the price at the time of layaway
- Stores typically charge a fee for the service (such as $5)
- Usually a deposit is required
- If you don't pay for the item or change your mind, you lose the item and might pay a cancellation penalty.

The National Retail Federation claims that 40 percent of consumers actually start their holiday shopping before Halloween. With that in mind, layaway "is definitely something that's much more prevalent this year, especially with credit being so tight," says Scott Krugman, a spokesman for the group. ■

End-of-Year Tax Information

Changes in IRS Withholding Tables

New income tax withholding tables went into effect April 1, 2009, as a result of the American Recovery and Reinvestment Act of 2009. TMRS mailed a letter earlier this year to each TMRS retiree affected by this change. Under the new law, TMRS is required to use new withholding tables that may result in less withholding and slightly higher net monthly annuity payments for certain retirees for the rest of 2009 and 2010.

The new withholding tables do not affect your total tax liability for 2009 or 2010. However, they may have caused you to be "under-withheld" and therefore owe taxes, or you may receive a smaller refund when you file your 2009 tax return in 2010 or your 2010 tax return in 2011. You may change your withholding instructions at any time during the year by completing form W-4P. This IRS form is available on our website and from *www.irs.gov*.

Please keep in mind that TMRS staff members are not tax professionals and cannot give tax advice. We encourage you to consult the IRS or a tax advisor for complete information regarding this withholding change, based on your individual circumstances.

HELPS Payments

The Pension Protection Act of 2006 allows an eligible retired or disabled public safety officer to exclude up to $3,000 from their income from payments made from an eligible retirement plan that are used to pay premiums for accident, health, or long-term care insurance.

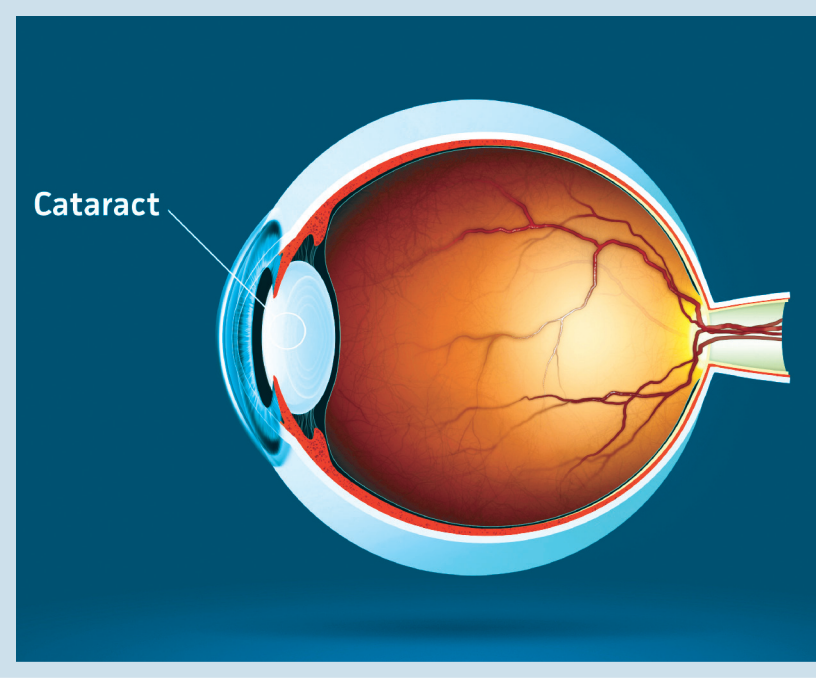
In accordance with Internal Revenue Service (IRS) instructions, the exclusion from income is not reflected in box 2a of the retiree's 2009 Form 1099-R. More information about this exclusion and how to report it may be found in the instructions to the 2009 Form 1040, 1040A, or IRS Publication 575 Pension and Annuity Income, which can be viewed or downloaded from the IRS website, *www.irs.gov*.

We have also posted information about the HELPS tax exclusion on our website under the "Retirees – How Do I Claim My HELPS Payments Tax Deduction?" page. If you have enrolled in the HELPS program through TMRS, we will send you a letter in January 2010 that confirms your 2009 insurance premium payments.

Note: Your complete retirement account information is available on MyTMRS, which can be accessed through our website 24 hours a day at *www.TMRS.com* (see story on page 11). If you have any questions or need further assistance, please call our office at 800-924-8677. ▲

To Your Health

Cataract Facts



A cataract is a clouding of the lens in the eye that impairs your vision, and this condition occurs often in older people. By age 80, more than half of all Americans either have a cataract or have had cataract surgery. People can develop an "age-related" cataract in their 40s and 50s, but during middle age, most cataracts are small and do not affect vision. It is after age 60 that most cataracts hamper your eyesight.

Symptoms

- Cloudy, blurry vision
- Poor night vision
- Lights may glare or appear too bright
- Halos may appear around lights
- Colors appear faded
- Double vision or multiple images in one eye
- Frequent prescription changes in your glasses or contact lenses

Treatment

Early cataracts may be improved with new eyeglasses, brighter lighting, anti-glare sunglasses, or magnifying lenses. If these measures do not help, surgery is the only effective treatment. Surgery involves removing the cloudy lens and replacing it with an artificial lens. It becomes an option only when vision loss interferes with your everyday activities, such as reading, driving, or watching TV. Discuss all the possibilities with your eye doctor, and once you understand the benefits and risks of surgery, you can make an informed decision about whether cataract surgery is your best choice.

Risks of Surgery

Cataract surgery poses the same risks of any surgery, including the risk of bleeding and infection. Your doctor may ask you to temporarily stop taking medications that increase the risk of bleeding during surgery. Also, cataract surgery slightly increases your risk of retinal detachment. Talk to your eye care professional about these risks to be confident that cataract surgery is right for you.

Effectiveness

Cataract removal is one of the most frequently performed surgeries in the United States. It also is one of the safest and most effective types of surgery. In about 90 percent of cases, people who have cataract surgery have better vision afterward. ▲

Source: National Eye Institute (NEI), a part of the National Institutes of Health (NIH). The NEI offers a detailed online resource guide about cataracts at *http://www.nei.nih.gov/health/cataract/cataract_facts.asp*. The NEI is the federal government's lead agency for vision research that leads to sight-saving treatments and plays a key role in reducing visual impairment and blindness.

Upgrades to MyTMRS

TMRS implemented a new online registration process and password management function this summer. If you have not logged in to MyTMRS since then, you'll need to reregister. The new registration process is completely online, and within minutes you will be ready to use the online retirement estimate calculator.

Information for Retirees

Under "MyTMRS · Payee," you can view the following information:

- City (most recent employer)
- Address
- How you receive your monthly payments
- Year-to-date payment information (includes taxable payments and withholding — to date)
- Insurance payments made — to date (if you are eligible for the HELPS program)
- Monthly gross payment
- Monthly withholding
- Monthly insurance payment (if you are eligible for the HELPS program)
- Monthly net payment
- Beneficiary(ies) information (name, relationship, gender, and date of birth)

If you see any errors in your information, call TMRS at 800-924-8677 and a real person will help you!

If you have questions or suggestions for MyTMRS or the TMRS website, e-mail *webmaster@TMRS.com*. ■

Follow these steps:

1. **Go** to *www.TMRS.com*
2. **Click** on MyTMRS
3. **Register** for MyTMRS if you haven't already done so (you'll receive an e-mail verification within minutes)
4. **Log in** to MyTMRS using your chosen user name and password
5. **View** your account information
6. **Print** your information if you wish, using your browser's print command

RetirementWise
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How to Contact TMRS

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