

Direct Deposit Decal Inside!

Fall/Winter 2007

# RetirementWise

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



*Life  
Begins  
at 60!*

**TMRS Celebrates  
60th Anniversary  
in 2008**

**TMRS — Changing  
With the Times**

**Post-Retirement  
Changes**

# Calendar

## December

24-25 Holiday (Christmas) – office closed  
28 Annuity checks mailed  
31 Direct deposit of annuity payments

## January

1 Holiday (New Year's Day) – office closed  
30 Annuity checks mailed  
31 Direct deposit of annuity payments  
(see sticker, this issue)

## February

28 Annuity checks mailed  
29 Direct deposit of annuity payments

## March

28-29 TMRS Board of Trustees meeting, Austin  
28 Annuity checks mailed  
31 Direct deposit of annuity payments

## April

25 TMRS Board and Advisory Committee meeting, Austin  
29 Annuity checks mailed  
30 Direct deposit of annuity payments

## May

29 Annuity checks mailed  
30 Direct deposit of annuity payments

## How to Contact TMRS®

Location • 1200 North Interstate 35 • Austin, TX 78701  
Mailing Address • P.O. Box 149153 • Austin, TX 78714-9153  
Toll-free • 800.924.8677  
Local (in Austin) • 512.476.7577  
Website • [www.TMRS.com](http://www.TMRS.com)  
E-mail • [phonecenter@TMRS.com](mailto:phonecenter@TMRS.com)

## Texas Municipal Retirement System Board of Trustees



**Pat Hernandez, Chair**  
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**Frank Simpson**  
City Manager  
*Missouri City*

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).

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# From the Executive Director



Dear TMRS Retiree,

TMRS turns 60 next year! I've been here a little over six months, but in that short time I have come to appreciate how important TMRS is to our cities, members, and retirees. It's been a busy six months, and the articles in this issue will tell you about some of the changes we are undergoing.

First and foremost, I want to assure all of you that the retirement benefit you receive every month is not going to be reduced by any of the changes taking place at TMRS. As we diversify our investments and adjust our actuarial methodology, there may be changes to the plan, but they will not affect the retirement benefit you are currently receiving.

We believe that the changes we are making will result in a stronger TMRS for future retirees.

I know some of you were disappointed that there was no Extra Payment this year, and I can't promise that there will be one in the foreseeable future. What I will promise you is that I will do my best to ensure that TMRS remains sound and the benefits earned by current members will be as secure as those that retirees are currently receiving.

The theme of this issue is, appropriately, "Life Begins at 60," and that will be TMRS' motto for 2008, as we celebrate our 60th anniversary and make plans for the future.

We will continue to keep you informed of the events in this important era in TMRS' history, and I hope you will stay in touch.

Sincerely,

Eric Henry  
Executive Director and  
Chief Investment Officer

# TMRS — Changing with

Whether you have been retired a long time or just a day, you are no doubt aware that TMRS is going through a period of change, and we are responding to the needs of members and cities. Interest earnings, growing numbers of retirees, and changes in funding and accounting methods are driving these changes.

As TMRS considers changes, two key points to remember are:

1. Each city chooses the retirement benefits it provides to its employees.
2. The benefits you are receiving under TMRS are secure.

Three areas are likely to be affected over the next two years:

1. Investment policy and strategy — changing to diversify investments and improve investment returns (the TMRS Board approved this change at its November meeting).
2. Actuarial funding method — changing how TMRS and its member cities fund the cost of benefits. The change involves moving to the Projected Unit Credit actuarial method to better account for future liabilities.
3. Adopting a closed amortization period instead of the current open, or “rolling,” method to improve cities’ funded ratios over time.

## Investment Adjustments

Throughout most of its history, TMRS has invested solely in fixed-income instruments with the intent of preserving principal and generating a 5% or greater interest credit for member accounts. Our fixed-income investment strategy has served us well, but in the current low-interest environment, we need to improve our return on assets.

Future steps will be gradual and carefully considered, designed to increase the System’s investment earnings while maintaining an appropriate level of risk. In September, the Board approved the selection

of R.V. Kuhns & Associates as the first investment consultant to TMRS. Then, in November, the Board made the historic decision to change its investment policy to begin diversification of TMRS’ assets into equities (stocks). The Board approved shifting 12% of the total \$14 billion investment fund into stocks by the end of 2008. Note that this will be a very gradual change to minimize the risk of short-term drops in the stock market. The Board has discussed a five-year transition to an asset mix of 60% equities and 40% fixed income.

## How will TMRS stock investments work?

TMRS will make a gradual transition from its current investment policy. The new strategy will be focused on minimizing risk and investment cost while improving the potential for additional income and future gains. The Board approved an initial allocation of 12% of the portfolio to equities (stocks) by the end of 2008, with half of that dedicated to a portfolio of U.S. companies, and the other half to foreign companies. Each of these equity portfolios will be invested passively to track the performance of a specific index. This is a lower cost approach, and TMRS will be using the Russell 3000 Index for domestic equities, which represents about 98% of the stocks in the U.S., and the MSCI-EAFE for international equities, which is a broad representation of the foreign-developed markets.

## Actuarial Adjustments

As some of you know, many TMRS cities have chosen to adopt some benefit enhancements that automatically repeat each year. Cities were first



permitted to do this in 1992, and the large majority of TMRS members and retirees are now covered by city plans that have these annually repeating features. Government accounting standards consider any benefits that will continue in the future to be “committed benefits” and require the cost of these benefits to be fully accounted for. Sound actuarial practice requires these benefits to be advance-funded — that is, the projected cost must be included in the annual cost of the pension plan.

**Remember, no matter how TMRS invests money or changes its actuarial valuation methods, your annuity will not be affected.**

When these repeating benefits were first offered, TMRS assumed that cities would turn them off and on over time — in other words, that these were not “committed benefits.” Practice has shown, however, that almost no city has ever stopped annually repeating benefits once it started including them in its plan. After 15 years of experience, TMRS’ advisors have told us that these need to be regarded as “committed benefits” and be advance-funded.

In the long run, the actuarial changes will cause the System to be better funded, and cities will gain more control over their pension costs. However, in the short run, some cities will see higher contribution requirements, and some cities may need to make adjustments in their benefits in order to handle these higher contributions.

Stay tuned to the TMRS Website for information about changes in the coming year. We will continue to keep retirees informed through *RetirementWise* and other publications. ▲

## Has Your Life Changed, Post-Retirement?

These days, retiring does not mean riding off into the sunset. Often, people begin drawing their TMRS pensions, then take their lives into an entirely different direction. Sometimes the new direction is planned; other times it is completely unexpected.

If your life has taken a new turn, and you would like to share your story, please let us know. The sky is the limit, but some examples of post-retirement changes are:

- Began a new career or business or returned to work
- Started another family (stepchildren, adoptions, etc.)
- Increased knowledge by going back to school
- Earned a degree or professional certification
- Started working in a volunteer position
- Learned a new skill

Send any information you wish to share in an e-mail to the *RetirementWise* editor at [mbonner@tmrs.com](mailto:mbonner@tmrs.com), or send a letter to:

Communications Department  
Texas Municipal Retirement System  
P.O. Box 149153  
Austin, TX 78714-9153 ▲

# Benefits of Direct Deposit

1. It's easy and safe. The money moves electronically from TMRS into your designated account.
2. Direct-deposited money is transferred into your account and accessible immediately. Mailed checks are sometimes delayed due to postal delivery.
3. There's no danger of losing a check in the mail or having it stolen from your mailbox.

## How Do I Sign Up?

1. Call TMRS at 1.800.924.8677 and we'll send you a Direct Deposit form (or download and print this form from the TMRS Website).
2. Fill out the form and send or fax it back to TMRS.
3. We will set up your payments so that they are made to your financial institution.
4. Direct deposits are credited to your account on the last business day of every month (see the enclosed decal for Direct Deposit dates for 2008). ▲



**Direct Deposit Decal**

## What Happened to Extra Payments?

For the first time since 1960, retirees are not getting an Extra Payment. The decision to make an Extra Payment (also called a Distributive Benefit) is made by the Board annually, based on the TMRS trust fund's earnings. While we know that many retirees have come to expect the extra payment paid at the end of the year, please remember that these payments have never been guaranteed and are based on the annual income of the TMRS fund. The amount of the Extra Payments has been tied to the interest rate credited to member accounts. When members received interest in excess of the statutory rate of 5%, the Board also approved the Extra Payment to retirees. The concept is that both active members and retirees share in the fund's earnings when they rise above the statutory 5% rate.

In the low-interest environment of the past several years, TMRS interest credits have declined. This year, the Board approved a 5% credit to member accounts. Remember that your retirement annuity includes a factor for annual interest projected out over your retirement. Effectively, you have already been granted 5% annual interest for future years, including 2007. In accordance with TMRS policy, to balance additional earnings between active and retired members, when member accounts do not receive additional interest, no extra payment will be made.

At this time, the outlook for Extra Payments in future years is not good. As TMRS undergoes the changes discussed on pages 4 and 5, the likelihood is that interest credits to member accounts will remain at or near 5%. ▲



# Important Information for Retired Public Safety Officers

**B**eginning in January 2008, TMRS will participate in a program made possible by the Healthcare Enhancement for Local Public Safety (HELPS) provision of federal tax law. This provision allows retired or permanently disabled public safety employees to elect an amount to be deducted from their TMRS benefit payment on a pre-tax basis to pay for health care or long-term care insurance premiums. The amount a retired officer excludes from taxable income on his or her tax return may not exceed \$3,000 in one year.

If you are a retired officer and wish to make this election, the amount you specify will be directly transferred by TMRS to your insurer. To qualify for this program, you need to have separated from service as a “public safety officer.” In other words, your job with the city at the time you retired must have been in an eligible position. The law’s definition of a public safety officer includes the following people:

- An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including but not limited to police, corrections, probation, parole, and judicial officers.
- Professional firefighters
- Officially recognized or designated:
  - Public employee members of a rescue squad or ambulance crew
  - Chaplains of fire departments and police departments

TMRS will be mailing forms in early December to retirees who have been identified as public safety officers. Your city will need to certify your status as a public safety officer at the time of separation. Your ability to use this benefit will depend on your retiring city’s certification.

If you are taking part in a health insurance plan administered by your city, TMRS will coordinate payments through the city. If you are in a separate insurance plan, TMRS will coordinate payments with that plan.

Forms for handling the new HELPS provision will be posted on the TMRS Website soon. As with any tax matter, you may wish to consult with a tax advisor or the Internal Revenue Service to determine your eligibility for these provisions. Call TMRS at 800.924.8677 if you have any questions about this program. ▲

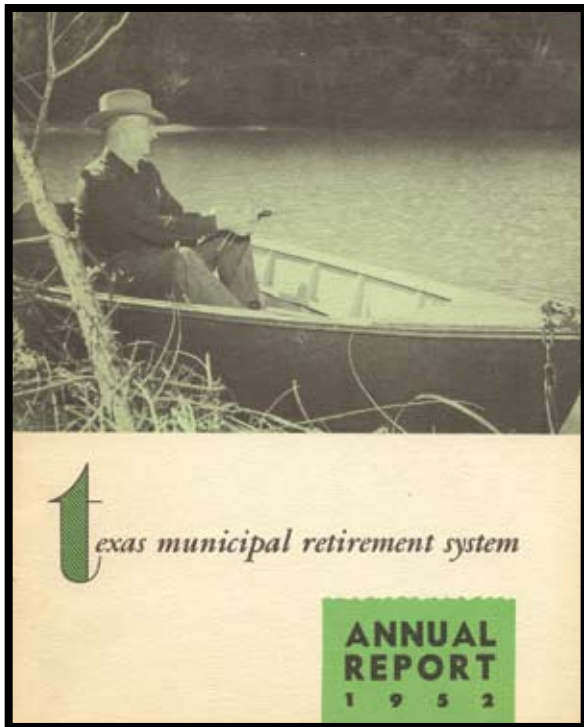
## TMRS Celebrates 60th Anniversary

# Life Begins at 60

## Changes and Milestones

1947	Enactment of the TMRS Act creates the Texas Municipal Retirement System.
1948	System begins operations in June, starting with 9 cities. Deposit rate established at 5%. Dean Gorham is chosen as first Executive Director.
1949	TMRS' first retiree begins drawing pension.
1955	Maximum earnings limit for contributions to TMRS raised to \$6,000.
1960	Distributive benefits paid to retirees for the first time.
1966	Multiple matching of future employee deposits by cities made available.
1978	TMRS' first headquarters building dedication.
1980	Dean Gorham retires; Jimmie L. Mormon begins as Executive Director.
1987	Maximum entry age for participation removed. 25-year, any age retirement added. Surviving spouse benefit, occupational disability retirement, and 6% deposit rate added.
1991	Restricted Prior Service Credit provision added.
1992	Jimmie Mormon retires; Gary Anderson begins as Executive Director.
1995	20-year, any age retirement added.
1997	Partial Lump Sum Distribution and "Pop-Up" provisions added.
2005	TMRS expands headquarters with building addition.
2006	Gary Anderson retires; Eric Davis serves as Interim Executive Director.
2007	Eric Henry begins as Executive Director.
2008	TMRS celebrates 60 years, begins diversification of assets.





Cover of 1952 TMRS Annual Report.



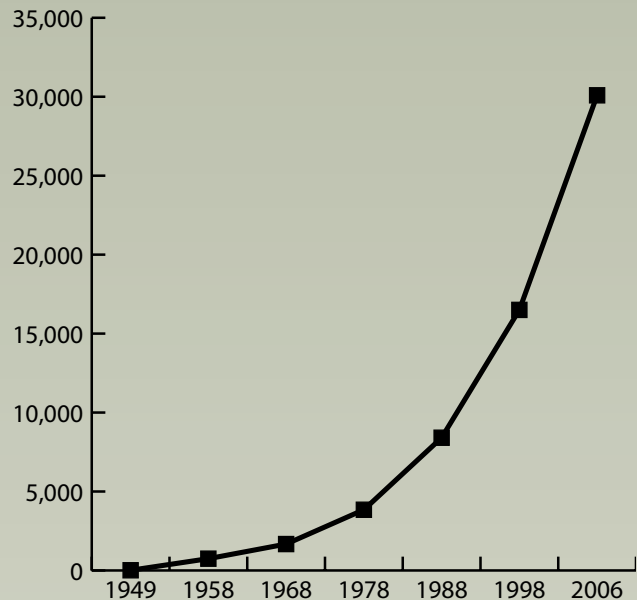
TMRS headquarters building was built in 1978.



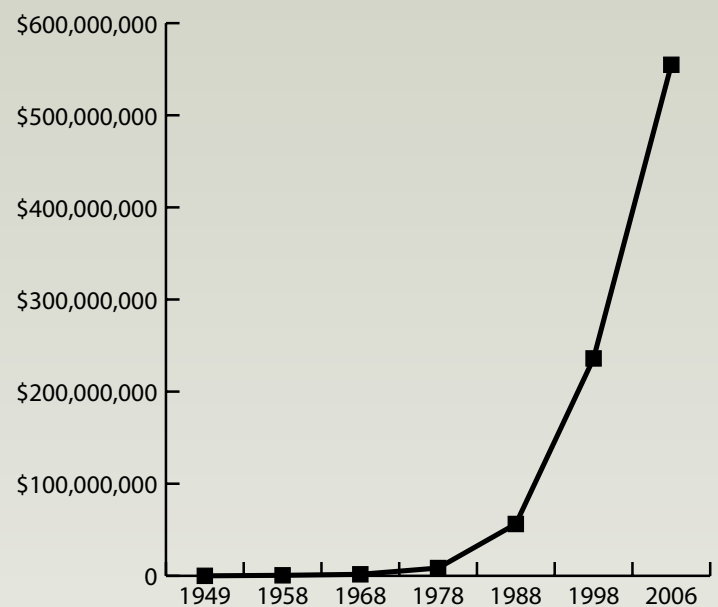
TMRS Employees at 2007 Annual Training Seminar.

## How Have Retirements Grown?

### Growth in Retired Members



### Growth in Annuities Paid Annually by TMRS



# Know Your Numbers

Experts advise: To stay healthy, keep track of your blood pressure and cholesterol readings. The optimal numbers for most people are:

Blood Pressure	Below	<b>120/80</b>
HDL – “Good” cholesterol	Above	<b>40</b>
LDL – “Bad” cholesterol	Below	<b>100</b>
Total cholesterol	Below	<b>200</b>
Triglyceride/blood sugar level	Below	<b>150</b>

High blood pressure (hypertension) is called “the silent killer” because there are often no symptoms. Your numbers are your only warning. What does **120/80** (normal blood pressure) mean? The number left of the slash, **120**, equals the pressure of blood in the vessels when the heart beats, or “systolic pressure.” The number to the right, **80**, indicates the pressure between beats when the heart relaxes, or “diastolic pressure.”

**8** things you can do to prevent and control high blood pressure (**140/90** or higher):

1. Maintain a healthy weight.
2. Eat a diet moderate in total fat.
3. Reduce salt and sodium intake.
4. If you drink alcoholic beverages, do so in moderation.
5. Become more physically active.
6. Quit smoking.
7. Talk with your health care professional about your numbers.
8. Take medication as prescribed.

*Source: National Heart, Lung, and Blood Institute of the National Institutes of Health. More information is available at [www.nhlbi.nih.gov](http://www.nhlbi.nih.gov). Consult your doctor if you have questions about any health readings; the above are general guidelines and safety information and not a substitute for diagnosis or treatment by a health care professional. ▲*

# End-of-Year Tax Notes

## 1099-R Forms

TMRS will be mailing your 1099-R forms for 2007 soon (by the end of January 2008). It is important that your mailing address is up-to-date so that we will be sure to get your 1099-R to you. You will need the 1099-R for filing your 2007 income taxes.

## Withholding

TMRS monthly benefits are subject to federal income tax. To make a withholding election or change your withholding election, use IRS Form W-4P, “Withholding Certificate for Pension or Annuity Payments” (available from the IRS or the TMRS Website). You may change your withholding election at any time during the year. If TMRS does not have a Form W-4P on file for you, we are required by the IRS to withhold an amount as if you were married and claiming three exemptions. This may or may not cover your liability, so be sure that we have a correct W-4P for you.

## HELPS Provision For Retired Public Safety Officers

Beginning in January 2008, retirees who left service as public safety officers may qualify to have a portion of their retirement payment used to pay their health care or long-term care providers. For more information on the tax benefits of this new provision, see “Important Information for Retired Public Safety Officers,” page 7. ▲

## GOLF COURSE RECAP

Last issue we ran a story about golfing in municipalities around Texas, and included a list of courses, one in each TMRS city. We regret that we were not able to include all courses in TMRS cities, but didn’t have the space to list them all. In response to the story, several municipalities notified us about their courses that were not included. Here are two additional senior-oriented courses:

Pecan Hollow (City of Plano municipal course) • [www.pecanhollowgc.com](http://www.pecanhollowgc.com) • 972.941.7600 • Has an excellent seniors group  
City of Star Harbor Municipal Course • (9-hole course, designed for seniors) • 903.489.0091

# Handling a Death – What Do I Do Now?

## Avoid Being a Victim of Fraud

In times of grief, scam artists often swoop in. Sometimes they start calling the surviving family. Sometimes they're even bold enough to show up at your door, claiming they are owed money for something sold to the decedent. The schemes are as numerous as the criminals who think them up.

Here are some things you can do to protect yourself and your family from these bogus claims.

- Choose one person to screen claims.
- Take charge of the conversation by asking detailed questions. Ask for the person's name, mailing address, and follow-up phone number.
- Require written proof of the claim before considering payment.
- Confirm that the person truly represents the company or organization.
- Take time to think before making any payments.
- If you get a call about insurance, contact the company or the state insurance commission before making any decision.
- **Beware of identity theft!** Do not give personal information about anyone, including yourself, to a stranger. ▲

It's not a pleasant topic, but death is a part of our lives. When either a beneficiary or a retiree dies, there are several actions the surviving family needs to take:

1. Contact TMRS as soon as possible. Call our toll-free number: 800.924.8677.
2. When calling TMRS, please provide as much information as you can. Important information includes:
  - Date of death
  - Marital status
  - Contact information for close family members
3. The contact person should send a photocopy or faxed copy of the death certificate to TMRS.
4. If the contact person is not the beneficiary, the information given from TMRS will be limited: We can only give detailed information to the designated beneficiary.
5. A retiree whose beneficiary dies will need to file a new beneficiary form.

TMRS will send a death benefits letter to the beneficiary(ies), informing them of any benefits payable and which forms to submit, if any. A copy of the letter will also be provided to your last employing city.

If a retiree who retired September 1997 or later had selected a Lifetime Survivor option for their retirement annuity and their beneficiary dies, their monthly payments automatically increase to the Retiree Life Only option. This is known as the "Pop-Up" Provision (payable after TMRS receives the death certificate for the beneficiary). ▲



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# *Then and Now*



Yesterday's mainframe computer system.



Today's network access from a desktop.

**T/MRS**<sup>TM</sup>  
TEXAS MUNICIPAL RETIREMENT SYSTEM