

Winter 2013-14

RetirementWise

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



Texas Weather — A Seasonal Showcase

End-of-Year Reminders
Legislative and Investment Updates

Happy New Year!

Direct Deposit Calendar Inside

2014 Board of Trustees



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



Julie Oakley, CPA, Vice Chair
Director of Finance
Lakeway



David Landis
City Manager
Perryton



April Nixon*
Chief Financial Officer
Arlington



Jim Parrish
Assistant City Manager –
Administrative Services
Plano



Bill Philibert
Human Resources Director
Deer Park

*Retired effective October 2013; her successor has not been named.

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.

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RetirementWise is dedicated to 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.

Calendar

2013

December

- 24-25 Holiday (Christmas Eve and Christmas Day)
- 30 Annuity checks mailed
- 31 Direct deposit of annuity payments

2014

January

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

February

- 17 Holiday (President's Day)
- 20-21 TMRS Board of Trustees Meeting – Austin
- 27 Annuity checks mailed
- 28 Direct deposit of annuity payments

March

- 20-21 TMRS Board of Trustees Meeting – Austin
- 28 Annuity checks mailed
- 31 Direct deposit of annuity payments

April

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

May

- 15-16 Joint TMRS Board of Trustees and Advisory Committee Meeting – Austin
- 26 Holiday (Memorial Day)
- 29 Annuity checks mailed
- 30 Direct deposit of annuity payments

June

- 19-20 TMRS Board of Trustees Meeting – Austin
- 27 Annuity checks mailed
- 30 Direct deposit of annuity payments

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Special Insert:

**2014 Direct Deposit Calendar
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From the Executive Director

Dear TMRS Retiree,

Happy New Year! TMRS is constantly working to ensure that your retirement System stays well funded, into the future. Over the past few years, we have made changes to our funding methodology and investments. The latest change adopted by our Board of Trustees affects the life expectancy tables that determine the amount of **future retirees'** monthly benefits. **Because it affects annuity calculations of members who have not yet retired with TMRS, this change does not affect your retirement in any way.** See the short piece on page 6 for information.

Also included in this issue are a summary of the 2013 legislative sessions, Board of Trustees changes, notes about interest crediting and return-to-work rules, and end-of-year reminders about taxes and your upcoming Retirement Account Statement. On a personal note, I want to say how much we will miss our departing Chief Investment Officer, Nancy Goerdel, who joins the ranks of TMRS retirees in February. I have had the privilege of working with Nancy for over 20 years. She has been an important part of the System's success with our investment diversification (see story about Nancy and her successor, T.J. Carlson, page 10). Also in this issue is a photo feature about an everyday topic of constant interest — Texas weather. We do everything big here, including our weather!

Whether it's warm or wintry, if you have any questions about your TMRS retirement, please contact us. Our analysts can help you personally during regular business hours, and our website at www.tmr.com offers lots of information, including a way to see your personal account information through MyTMRS (see story, page 7).

Sincerely,

David Gavia
Executive Director

Photo credits: Cover, spread, and back photos: IStockphoto.com
Front cover: Winter on a northeast Texas farm; back cover: Snow scene in the Piney Woods, East Texas.

TMRS Board Update

This has been a busy year for the TMRS Board of Trustees. In March 2013, Governor Rick Perry appointed Bill Philibert of Deer Park, and in September, he made two additional appointments to the Board. Julie Oakley, Director of Finance for the City of Lakeway, was reappointed for a six-year term that ends in February 2019. The other new Board member, David Landis, City Manager of Perryton, was appointed to fill the unexpired term of H. Frank Simpson, ending in February 2015.

Mr. Landis is a member of the International City Management Association, board secretary of the Panhandle Water Planning Group, and a member and past president of the Texas and Panhandle City Management Associations. TMRS welcomes Mr. Landis to the Board.

Another recent change was that April Nixon announced her retirement in October. Ms. Nixon served on the TMRS Board from April 2007 through November 2013. Her tenure began just as TMRS undertook the most significant changes in the System's history, including asset diversification. As Board Chair in 2011, she helped oversee passage of SB 350, which restructured the System's internal accounting funds, a move that reduced many cities' contribution rates while improving their funded ratios. Her willingness to listen to employees and employers served the Board, the TMRS staff, members, cities, and retirees very well. TMRS thanks her for her service and wishes her well in her retirement. ■

Current Advisory Committee Members

Individual Class Members

Allen Bogard, Sugar Land, City Manager

Michael Dane, San Angelo, Assistant City Manager / Chief Financial Officer

Dean Frigo, TMRS Retiree

Victor Hernandez, Lubbock, City Councilmember

Randle Meadows, TMRS Retiree

Neil Resnik, Addison, City Councilmember

Charles Windwehen, TMRS Retiree

Group Class Representatives

Joe Angelo, City of San Antonio

David Crow, Arlington Professional Fire Fighters

Jerry Gonzalez, Service Employees International Union, San Antonio

Scott Kerr, Texas State Association of Fire Fighters

Kevin Lawrence, Texas Municipal Police Association

Mike Perez, Texas City Management Association

Bob Scott, Government Finance Officers Association of Texas

Gregg Shipley, Combined Law Enforcement Associations of Texas

Monty Wynn, Texas Municipal League

Vacancy, Texas Municipal Human Resources Association

For information about the Advisory Committee and to read the committee charter, see the Advisory Committee page on the TMRS website. ■

To Your Health

Sleep Patterns



As people grow older, their sleep patterns tend to change. Some have a harder time falling asleep, and wake more often during the night. Older people average three or four awakenings each night, sometimes related to health or pain, and their total sleep time is reduced, averaging 6.5 to 7 hours per night.

While it may be annoying to experience difficulty sleeping, the good news is that it is seldom dangerous. There are ways of dealing with irregular sleep problems such as insomnia, narcolepsy, and sleep apnea.

It is very important to talk with a health care provider before taking sleep medications. Sleep medications (such as benzodiazepines) should be used only as recommended, and only for a short time. Some can lead to dependence or addiction.

Natural Measures

You can take healthy measures to help you attain deeper sleep. You may need to experiment to discover what works best for you. Try these suggestions:

- ★ Eating a light bedtime snack. Many people find that warm milk increases sleepiness because it contains a natural, sedative-like amino acid.
- ★ Avoiding stimulants such as caffeine (found in coffee, tea, cola drinks, and chocolate) for at least 3 or 4 hours before bed.
- ★ Avoiding napping during the day.
- ★ Exercising moderately in the afternoon.
- ★ Establishing a pattern — going to bed at the same time every night and getting up at the same time each morning.

Sometimes acceptance of wakefulness, and making the most of it, helps ease anxiety caused by irregular sleep patterns. If you can't fall asleep after 20 minutes, get out of bed and do a quiet activity, such as reading or listening to music. Then, when you feel sleepy, get back in bed and try again.

Note that having an alcoholic drink tends to relax people, and having a drink at bedtime may make you sleepy. However, it is best to avoid alcohol, because it can make you wake up later in the night.

*Source: U.S. National Library of Medicine, National Institutes of Health (NIH).
For related topics, see www.nlm.nih.gov/medlineplus.*



Direct Deposit Calendar IN THIS ISSUE!

You can remove the perforated card in this issue to keep a copy handy of the direct deposit dates for your annuity payments. We also post a PDF version of this card on our website (see the link under TMRS Calendars on the Home page).

Legislative Summary

During the 83rd Regular Legislative Session, which lasted from January 8 through May 27, 2013, members of the legislature filed several bills that proposed changes to TMRS, but none of these bills passed. Other bills were filed that addressed such topics as confidentiality and transparency for all pension systems in Texas, and some of these bills were enacted. However, the confidentiality of member and retiree personal information was not affected.

After the 83rd Regular Session, Governor Perry called three special sessions during the summer. No legislation passed during these sessions affected TMRS or other pension systems.

In preparation for the next scheduled Regular Session of the 84th Legislature, which will convene on the second Tuesday in January, 2015, the Lieutenant Governor and Speaker of the House will announce interim study charges for the standing committees in their respective chambers. If you have ideas or suggestions to enhance TMRS' plan design, contact Dan Wattles, Director of Governmental Relations, at dwattles@tmrs.com. ■

I Heard TMRS Changed the Calculation for Retirement Benefits

Will this Affect Me?

Maintaining sustainable benefits for all members and retirees is the top priority of TMRS. As part of that effort, in October 2013, after months of study by the TMRS consulting actuary, Gabriel, Roeder, Smith & Company (GRS), the Board voted to adopt new mortality tables for calculating monthly benefit amounts for **future retirees**.

Why the Change?

TMRS annuities **provide a retirement benefit for life**. The life expectancy of Americans is longer than it was in 1981, the last time TMRS updated its mortality tables for calculating annuities. Because life expectancy is longer, the pool of money that pays for each retiree's benefit (contributions, interest, and Updated Service Credit, if any) needs to stretch farther.

It is important to understand that – as a retiree with TMRS – **your benefit will NOT be affected**. Your retirement has already been calculated based on your individual choices and the life expectancy tables in effect at the time you retired. The calculation change affects current members who have not yet retired.

Retiree Reminders

MyTMRS

You may access your complete retirement account information on MyTMRS on our website at www.tmr.com. To use MyTMRS you must first register. Your current and previous 1099-R forms, as well as PDFs of your Retirement Account Statements, may be viewed or printed from MyTMRS.

Inside MyTMRS, under “MyTMRS • Payee” —

- Last employing city
- Address
- Monthly payment method
- Year-to-Date payment information (taxable payments and withholding)
- Monthly payment information (gross and taxable amounts)
- Beneficiaries

Under the “Documents” tab —

- Retirement Account Statements
- Tax Documents (1099-Rs)

Return-to-Work Rules

If you are considering a return to employment, there are certain rules that will make an impact on your annuity. TMRS included a detailed story on this topic in our Summer 2013 issue, which is available on the TMRS website at www.tmr.com/down/pubs/RW_Summer13.pdf.

The important thing to remember about returning to work, post-retirement, is that the separation must be “bona fide”; that is, there cannot be any pre-arranged agreement between you and your employer that you will return to work. If your separation is bona fide, then you may return to work for any employer besides the TMRS city from which you retired, and your annuity will not be affected. If you start work in another TMRS city in a full-time position, then a new TMRS account will be established for you.

If you return to work in a full-time position at the same TMRS city from which you retired, your annuity will be suspended while you are re-employed, and you will forfeit the amount of the suspended payments. If, however, you return to the same city after eight years, your annuity will be suspended during your reemployment, but your suspended payments will then be paid back to you, in a lump-sum, when you re-retire.

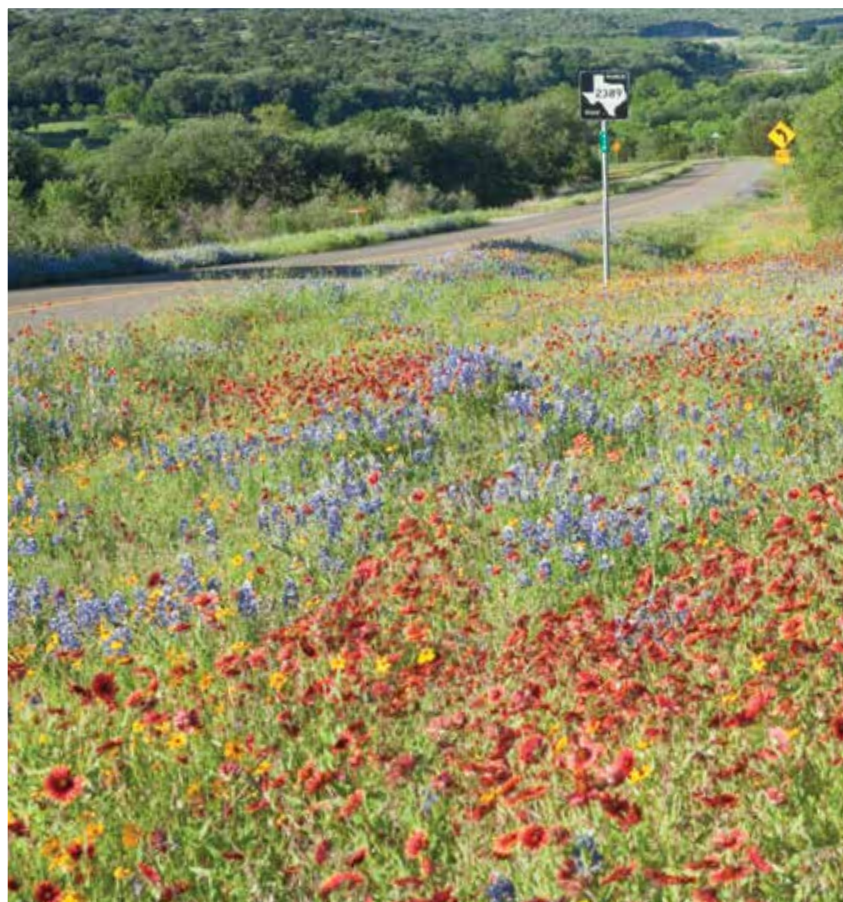
Texas Weather...

You know the old saw: “If you don’t like the weather in Texas, stick around 15 minutes – it’ll change!” In our large and varied state, it’s possible to experience a world of different ecosystems and landscapes, each with its own trademark weather patterns. Seasonal variety includes “blue northers,” winter blizzards, summer drought, ice storms, spring sunshine, and hard-hitting hurricanes. Thunderstorms are extremely violent, due to the crush of warm coastal fronts against cold northern ones. The scenes on these pages and on both covers show the variety of Texas weather. One thing is sure — it may be cold now, but warmer months are just around the corner. ■

Thunderstorm on the Plains.



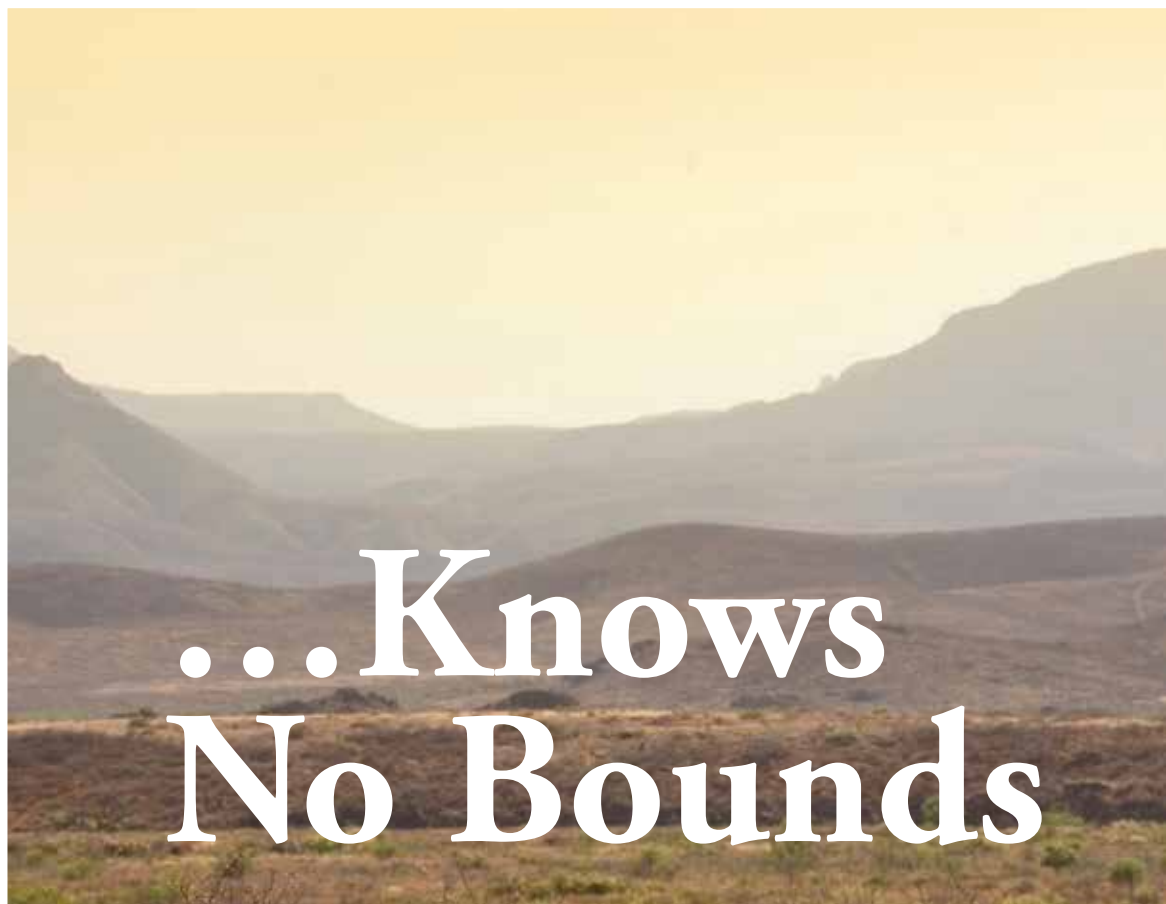
Approaching tropical storm in the Gulf.



Spring blossoms in the Hill Country.



Clear skies in the canyon lands of the Panhandle.

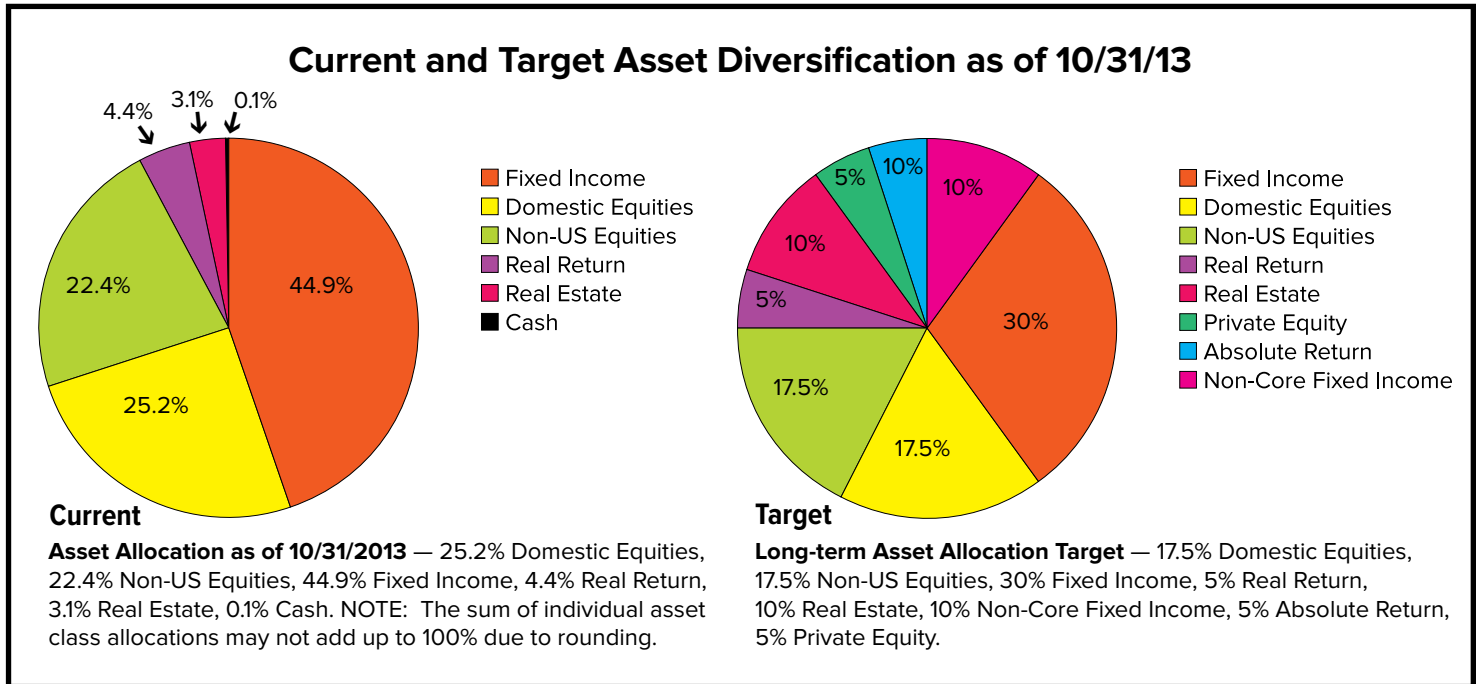


Summer heat in Trans-Pecos West Texas



Investment Overview

In 2013, TMRS continued its portfolio diversification (see charts below) with further allocations to Real Estate, and additional diversification within the Fixed Income and Equity allocations. A slow and methodical pace into new asset classes and strategies via ongoing research and due diligence efforts, coupled with dollar cost averaging into new investments over multiple time periods, continues to be TMRS' goal.



Annual Investment Returns:

The System's total fund gross returns for the past six years were: -1.3% in 2008, 10.2% in 2009, 9.0% in 2010, 2.4% in 2011, 10.1% in 2012, and 6.13% year-to-date as of 9/31/2013. For detailed summaries of diversification progress and performance within individual funds, consult the monthly and quarterly summaries posted on the TMRS website under About TMRS → Investments. ▲



Nancy Goerdel Retires in January

In February 2014, TMRS' Chief Investment Officer, Nancy Goerdel, will begin her retirement and is looking forward to spending time with her family. Ms. Goerdel held key investment positions since joining TMRS in 1998. She became the CIO in 2010. Since 1998, the System's assets grew from \$7.6 to \$22 billion and TMRS' investment strategy diversified from primarily long bond investing into a diversified strategy beginning in 2008.

Before retiring, Ms. Goerdel said, "It's hard to believe I've been with TMRS 15 years! I've seen a lot of changes during that time, both at the fund and investment program levels. It's been an exciting opportunity, and I'll retire knowing that the program is in very good hands with a great team of professionals. I've enjoyed my time at TMRS and will definitely miss everyone!"



TMRS Welcomes New CIO, T.J. Carlson

T.J. Carlson, former Chief Investment Officer of the Kentucky Retirement System, joined the TMRS staff in late 2013 as the next CIO of the System after Nancy Goerdel's retirement. Mr. Carlson was formerly an Investment Principal at Ennis Knupp & Associates, and has filled the roles of CIO for the Marshfield Clinic in Wisconsin, CIO of the West Virginia Investment Management Board, and Senior Investment Officer for the Iowa Public Retirement System.



Retirement Account Statements Are Just Around the Corner!

In early February 2014, TMRS will send out your annual Retirement Account Statement. Like last year, all annuitants (or beneficiaries) should receive an account statement showing a snapshot of the retirement benefit they are receiving as of the month of January. These statements reflect the calendar year of 2014.

The letter-size statement has explanatory information on the front and your specific account information on the back. The statement shows your total gross monthly payment, amount of your 2014 COLA increase (if any), federal tax withholding, and the total net monthly payment in effect for calendar year 2014. Your 1099-R form will continue to be mailed separately.

If you have any questions about your account statement or need assistance, please call our office at 800.924.8677 ■

2013 Tax Information

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 2013 before January 31, 2014. Also, you may view and print your 1099-R form through MyTMRS.

If You Need to Change Your Withholding Election

If, after reviewing your current tax withholding election, you wish to change the amount withheld from your annuity, you may change your withholding (which will change the net amount of your annuity payment) by filling out a new W-4P form (Withholding Certificate for Pension or Annuity Payments). This IRS form may be downloaded from our website's Forms page, or you can get it from the IRS website, www.irs.gov. Mail the completed form to TMRS at P.O. Box 149153, Austin TX 78714-9153 or fax it to 512.476.5576. You may change your withholding at any time of the year and may elect out of withholding if you wish.

The W-4P form needs to be sent to TMRS, not the IRS. 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.

HELPS Information for Public Safety Officers

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 the HELPS payment program during 2013, you will receive a letter from TMRS in January 2014 stating your 2013 insurance premium payments. In accordance with IRS instructions, the exclusion from income is not reflected in box 2a of the retiree's 2013 Form 1099-R. More information about this exclusion and how to report it may be found in the instructions to the 2013 Form 1040, 1040A, or IRS Publication 575 Pension and Annuity Income, which can be viewed or downloaded from the IRS website. ■

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