

Winter 2010

# RetirementWise

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

## The Road to Retirement Security

*End-of-Year Tax Information*

*Investment Diversification Continues*

*Legislative Proposal: Fund Restructuring*

# Board of Trustees



**Ben Gorzell, Chair**  
Chief Financial Officer  
*San Antonio*



**April Nixon, Vice Chair**  
Chief Financial Officer  
*Arlington*



**Pat Hernandez**  
Municipal Court Judge  
*Plainview*



**Julie Oakley**  
Director of Finance  
*Lakeway*



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



**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).

# Calendar

## 2010

### December

- 24 & 27 Holidays (Christmas)
- 30 Annuity checks mailed
- 31 Direct deposit of annuity payments
- 31 Holiday (New Year's)

## 2011

### January

- 17 Holiday (Martin Luther King, Jr., Day)
- 28 Annuity checks mailed
- 31 Direct deposit of annuity payments

### February

- 21 Holiday (Presidents' Day)
- 24-25 Special Board of Trustees Meeting – Austin
- 25 Annuity checks mailed
- 28 Direct deposit of annuity payments

### March

- 24-25 TMRS Board of Trustees Meeting – Austin
- 30 Annuity checks mailed
- 31 Direct deposit of annuity payments

### April

- 22 Holiday (Good Friday)
- 28 Annuity checks mailed
- 29 Direct deposit of annuity payments

### May

- 19-20 Joint meeting / Board and Advisory Committee – Austin
- 27 Annuity checks mailed
- 30 Holiday (Memorial Day)
- 31 Direct deposit of annuity payments

### June

- 16-17 TMRS Board of Trustees Meeting – Austin
- 29 Annuity checks mailed
- 30 Direct deposit of annuity payments

### July

- 4 Holiday (Independence Day)
- 21-22 Joint meeting / Board and Advisory Committee – Austin
- 28 Annuity checks mailed
- 29 Direct deposit of annuity payments

# In This Issue

## Features

Your Retirement with TMRS is Secure	4
2011 Legislative Proposal — Fund Restructuring	5
MyTMRS for Retirees	6
End-of-Year Tax Information	7
Investment Diversification Continues in 2010	8
Where Am I?	10

## Departments

TMRS Board of Trustees	2
Calendar	2
From the Executive Director	3
Meet TMRS' New Board Member	4
Peace of Mind with Direct Deposit	6
To Your Health — Is the Bedbug Threat Real?	9

Copyright 2010,  
Texas Municipal Retirement System  
ISSN 1559-9833

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.

TMRS, MyTMRS, and the TMRS logo are registered trademarks of the Texas Municipal Retirement System.

*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,

I hope you are having a wonderful fall and are looking forward to an enjoyable holiday season with your families and friends.

In this last issue of 2010, our feature story discusses the security of your retirement with TMRS. We also explain the reasons behind the TMRS legislative proposal to restructure the three internal accounts within the TMRS Pension Trust Fund. This is exciting news because, if passed, restructuring will decrease city rates for most cities and will reduce rate volatility but will not affect retirement benefits.

Also in this issue, we introduce our newest Board member, give you an overview of TMRS investments, a fun quiz on Texas roadways, a summary of year-end tax information, and a report on MyTMRS®.

As a TMRS retiree, your retirement pension is guaranteed to be safe and secure. If you have any questions about your account, your retirement, or TMRS in general, please contact us.

Sincerely,

A handwritten signature in cursive script that reads "David Gavia".

David Gavia  
Executive Director

# Meet TMRS' New Board Member



Governor Rick Perry has appointed Julie Oakley to the Texas Municipal Retirement System Board of Trustees for a term to expire February 1, 2013. Ms. Oakley will complete the term of retiring Board Member Carolyn Linér of San Marcos.

Ms. Oakley is a Certified Public Accountant, Certified Investment Officer, and Finance Director for the City of Lakeway. She is a member of the Texas Society of Certified Public Accountants and the Government Finance Officers Association of Texas. A native of Midland, Ms. Oakley received her degree in Accounting from the University of Texas of the Permian Basin. She has been employed in public accounting firms, at an educational agency, as Chief Financial Officer and County Auditor for Midland County, as a Financial Analyst for the Texas Association of Counties, and as a Senior Financial Analyst for Travis County.

We welcome Ms. Oakley and thank her in advance for the commitment of time and energy this appointment brings. The System will benefit from her insights and expertise. We also thank Carolyn Linér for her years of dedicated service to TMRS. ■

## Your Retirement with TMRS Is Secure

**A** great deal of attention is being paid to the pensions of those in the government sector. The economy is driving much of this scrutiny, which some have dubbed “pension envy.” As fewer private sector employers provide retirement benefits, more attention has been paid to retired public employees and their benefits. Historically, public employees have worked for lower salaries with more emphasis on retirement programs, to which they contribute throughout their careers.

A key element that is not widely known is that the TMRS pension is paid for by a combination of the employee’s contributions during his or her municipal career, the matching amount agreed to by the city, and interest income credited to the employee’s account. The largest source of funding for the retirement benefit is investment earnings, not tax dollars.

Because TMRS operates under the Texas statute that created it in 1947, your retirement benefit is protected by law. Your monthly annuity is not threatened by the current economy, the change in TMRS’ investment strategy, the proposed TMRS Fund Restructuring (see story on page 5) or any other changes in the internal operations of TMRS.

### Security First in Investing

TMRS has always managed its investments in a prudent manner. TMRS has been making a gradual, deliberate, and prudent transition to a conservatively invested, diversified portfolio, 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. Keep in mind that the TMRS portfolio’s rate of return does not affect your monthly annuity. ■

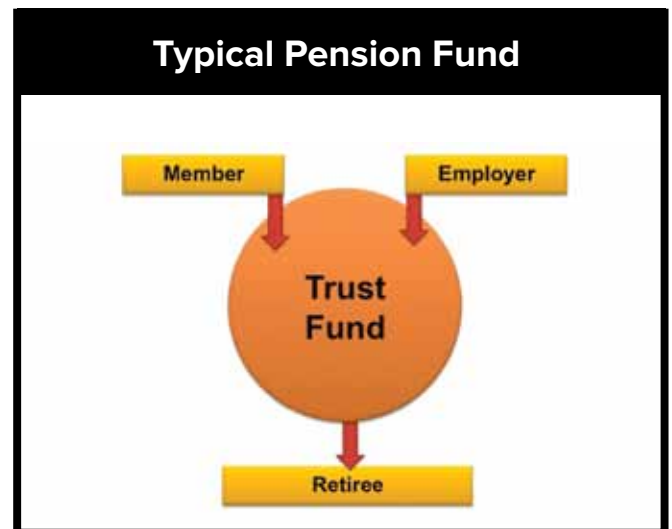
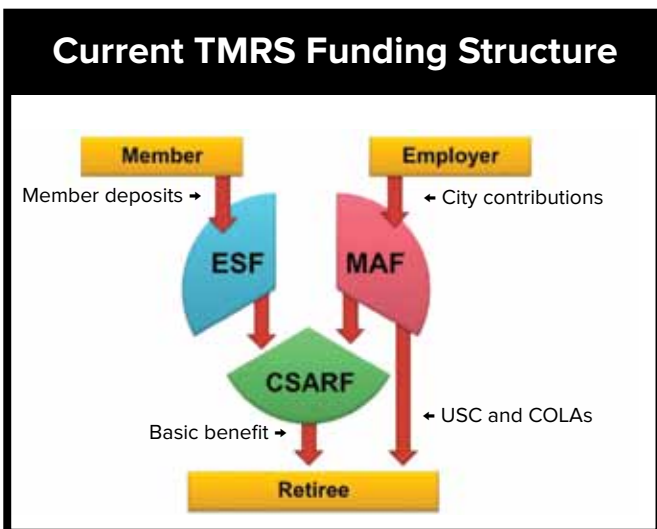
### COLAs

Each 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 automatic annual COLAs, but to make the decision on an ad hoc, or year-to-year, basis. TMRS notifies retirees when a city elects to terminate an existing COLA provision.

In a period of low inflation, as we are in now, COLA amounts tend to be very small when they are provided. TMRS sends a letter of notification in January to any retiree receiving a monthly payment increase in excess of \$10 due to a COLA. ■

# 2011 LEGISLATIVE PROPOSAL – FUND RESTRUCTURING

The TMRS Board, working with its consulting actuary, Gabriel, Roeder, Smith & Company (GRS), and its Advisory Committee on Retirement Matters, has voted to seek legislation in the 2011 Legislative Session to allow the existing configuration of TMRS' retirement trust fund to be restructured. Restructuring this trust fund will result in more efficient funding and will lower the required contribution rates for many TMRS cities. **It will NOT affect your retirement benefit or how retirement benefits are calculated. This is the only legislative proposal currently approved by the TMRS Board of Trustees.**



## What Will Be the Result of Restructuring?

A change in state law is necessary to allow TMRS to restructure the current retirement trust fund. Restructuring will provide many cities with relief from the rising contribution rates of the past few years. The principal advantage of restructuring will be to stabilize city contribution rates. Because restructuring, if passed, will remove inefficiencies in the current structure, the annual contribution rates that many cities pay for their TMRS plans will be lower. Reducing the contribution requirements for cities may have the effect of making it more affordable for cities to retain their current benefits, including COLAs.

The TMRS fund will still be a trust fund reserved for the benefit of members and retirees. The money that members contribute to their retirement account is protected by state law — it cannot be used for any purpose other than to fund the member's retirement.

In addition, restructuring would have no effect on TMRS' current investment planning or the ongoing diversification of the TMRS investment portfolio (see story, page 8). ■

## Peace of Mind with Direct Deposit

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 TMRS analyst will be happy to assist you. ■

## MyTMRS for Retirees

If you need to review your current data in the TMRS records, you may do so by registering for MyTMRS and logging in to view your account details. Currently retirees can see:

- 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

We are working on making 1099R statements available in the future on MyTMRS and will advise retirees when this occurs. Stay tuned!

### To get started using MyTMRS, follow these steps:

1. Go to [www.TMRS.com](http://www.TMRS.com)
2. Click on MyTMRS (button at top right)
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

### If Your Personal Information is Incorrect

If you plan to 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. ■

### Answer Key for “Where Am I,” found on pages 10 and 11:

- (1) Rio Grande tunnel on Park Highway from Panther Junction to Rio Grande Village, Big Bend National Park. (2) US 90 bridge over the Amistad Reservoir near Del Rio. (3) State Highway 118 leading into the Chisos Mountains in Big Bend National Park. (4) High Bridge on US 181 with the Texas State Aquarium, Corpus Christi in foreground. (5) Texas 217 threads through Palo Duro Canyon, east of Canyon. (6) Park Road 22 on Padre Island. (7) Ranch Road 2389 with wildflowers near Mason in Texas Hill Country. (8) Highway 90 High Bridge (Texas' highest) spanning Pecos River in West Texas.



# End-of-Year Tax Information

Here are a few reminders about the tax issues associated with your annuity.

## 1099-Rs and W-4Ps

TMRS will mail 1099-R forms for 2010 before January 31, 2011. Please be sure we have your correct address on file so that you don't miss this important form, which you'll need to file your income taxes.

Your TMRS monthly benefit is subject to federal income tax. After you receive your 1099-R form, please review it to be sure you have 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.

To make a withholding election or to change your current election, mail or fax TMRS a **completed** Internal Revenue Service (IRS) Form W-4P. This form is available from the IRS at [www.irs.gov](http://www.irs.gov) or from TMRS at [www.TMRS.com](http://www.TMRS.com).

**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. You may elect out of withholding too.

## Tax Season Reminder Regarding HELPS

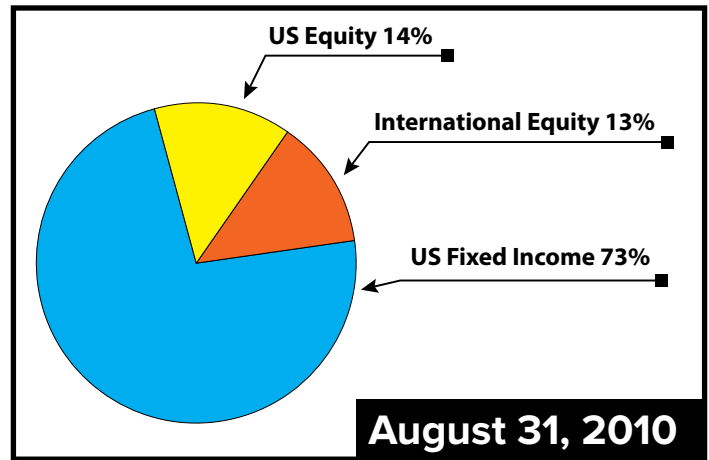
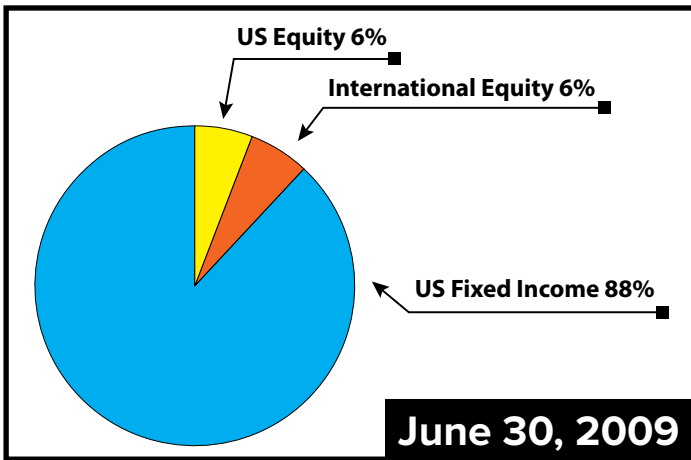
Eligible retired or disabled public safety officers may elect to have TMRS deduct and pay accident, health, or long-term care insurance premiums from their TMRS annuity. These officers may exclude up to \$3,000 from their taxable income for premium payments made from TMRS to pay these insurance providers. You will receive a letter in January 2011 that confirms your 2010 insurance premium payments.

In accordance with IRS instructions, the exclusion from income is not reflected in box 2a of the retiree's 2010 Form 1099-R. More information about this exclusion and how to report it may be found in the instructions to the 2010 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).

**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](http://www.TMRS.com) (see story on page 6.) ■

# Investment Diversification Continues in 2010

Beginning in late 2007, TMRS has been gradually and carefully diversifying its investments. The reason for diversifying was to protect against the risk of having “all of our eggs in one basket.” Our investment of a part of the fund in equities and other asset classes supports a “total return” strategy, which is expected to provide higher earnings while controlling the volatility of those earnings.



## Asset Classes

We have increased investment in both domestic and international equities toward the target allocation (40%). In the non-U.S. allocation, we initiated a move to an expanded benchmark to gain exposure to small cap and emerging markets. In the fixed income portion of the portfolio, we moved to a total return objective by shifting to a core strategy and increased diversification with the addition of a core-plus strategy.

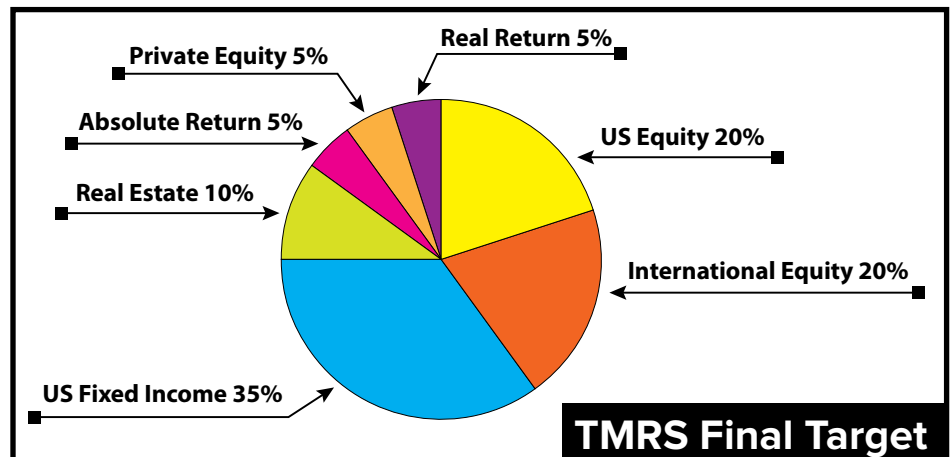
More recent areas of diversification have included the real estate and real return asset classes. In real estate, we retained a real estate consultant (ORG Portfolio Management LLC) and drafted a real estate investment policy and implementation strategy. In real return, we made the decision to implement the allocation using global inflation-linked bonds and retained an investment management firm, Colchester Global Investors.

## Next Steps, Through 2011

In the current volatile markets, TMRS is progressing slowly and judiciously with our investment decisions. As we move into 2011, we will continue with diversification and will begin the process of adding another asset class: absolute return (final target of 5%). Absolute return fund strategies are wide-ranging; examples include long-short, event-driven, and arbitrage. In this asset class, TMRS staff will be participating in research and education efforts, and we will identify appropriate strategies and implementation methods.

For U.S. and international equities (final target of 40% combined), TMRS is considering further diversification of the equity allocation and will research additional strategies. In fixed income (final target 35%) we will review the current fixed income structure and consider further diversification. In real estate (final target 10%), we adopted policies and an implementation strategy and will begin the manager selection process. Initial commitments in real estate are expected to occur in 2011. Beyond 2011, we will begin considering the private equity asset class (final target 5%). As with the absolute return asset class, considerable research and education will be conducted in order to identify appropriate strategies and implementation methods, but in general, the private equity class involves investing in private companies.

For on-going performance updates, see the Investments page on the TMRS website. ■



## Is the Bed Bug Threat Real?



The media has been itchy in the past year about the resurgence of bed bugs in hotels and even retail stores in metropolitan areas. Experts suspect the recent reported sightings of bed bugs in U.S. hotels is connected to increased levels of international and domestic travel, lack of knowledge necessary to prevent infestations, and ineffective pest control practices.

The threat in Texas appears to be minimal. Hotel guests may want to be more wary in New York, which was named the nation's most bed bug infested city in a report released last September by Terminix, a pest control company. Philadelphia, Detroit, Cincinnati, and Chicago rounded out the top five. Overall, however, the increase in reports of bed bugs has had a minimal impact on the vast majority of hotels, according to the American Hotel & Lodging Association.

The presence of bed bugs can be detected by looking closely at the mattress of the bed, particularly around the seams. Bed bugs leave clusters of dark brown or black spots of dried excrement on infested surfaces.

The Environmental Protection Agency (EPA) is working to ensure that pest management professionals and the public have access to the latest information on effective bed bug control tools. The joint statement of the Centers for Disease Control (CDC) and the EPA on bed bug control in the U.S. is available from [www.cdc.gov](http://www.cdc.gov).

### **BED BUG FACTS**

- Bed bugs are not known to transmit disease
- They are visible to the naked eye, and leave telltale signs of their presence
- They can live several months without a blood meal
- They hide during the day in places such as seams of mattresses, box springs, bed frames, and headboards
- They tend to live within eight feet of where people sleep
- Their bite marks are similar to those of a mosquito or a flea -- a slightly swollen and red area that may itch
- Inspecting the hotel mattress is the best way to detect the presence of bed bugs

# Where Am I?

1



2



3



4



# Can you identify these scenic Texas roadways?

5



6



7



8



Answers on page 6

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

PRESORTED STANDARD  
U.S. POSTAGE  
PAID  
AUSTIN, TEXAS  
PERMIT NO 2644



**How to Contact TMRS**

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)

Fax • 512.476.5576