

INSIGHT

TEXAS MUNICIPAL RETIREMENT SYSTEM

Providing retirement security for Texas municipal employees

December 2003

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8% Interest for 2003



At its September 20 meeting, the TMRS Board of Trustees approved an interest rate of 8% for member and city accounts to be credited on December 31, 2003. Interest will be credited to members based on their account balances as of January 1, 2003.

The TMRS policy of investing in high quality, long-term bonds has allowed the Board to credit interest at above current market rates, even though we have been in a low interest rate environment for several years.

Interest credited in 2003 will appear on your Annual Statement, which will be mailed in Spring 2004. If you want to see your account sooner, you can use MyTMRS® (www.TMRS.com/MyTMRS/Logon) on the TMRS Website.

If you want more information about TMRS's investments, the publication *Investing Your Money* may be obtained by calling TMRS at (800) 924-8677 or from the Publications page of the TMRS Website (www.TMRS.com).

Fueling the Texas Economy

In 2002, TMRS paid over \$402 million in benefits to retired members and survivors. Most of that money stays right here in Texas and is an important part of the economy of many Texas municipalities. TMRS currently pays benefits to just over 23,000 people, and, according to our records, over 22,000 of those people have chosen to stay in Texas during their retired years, or at least receive their retirement payments in Texas. Those payments flow back into the local economy and benefit all Texans.

Of course, we have retirees who have moved out of state, too. TMRS sends payments to retirees in 48 of the 50 states, the Virgin Islands, and eight foreign countries.





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New Regs Allow Rollovers to 457 Plans

Recent changes to federal tax law have increased your choices for sheltering some TMRS retirement payments from federal income tax and penalties. When you retire, a transfer of all or part of your Partial Lump Sum Distribution (PLSD) into a tax-sheltered account is called a rollover, and is a popular way to reduce the amount of taxes you might pay if you receive the payments directly.

If you receive a PLSD, depending on your age, you may be subject to an additional 10% tax penalty on the amount. This penalty can be avoided by rolling over all or part of the payment into a tax-sheltered account. In the past, the IRS has allowed rollovers into IRAs, 403(b) plans, and 401(k) plans. Now, governmental 457 deferred compensation plans - popular with public employers - have also been added to the list.

When you receive a PLSD, you may request TMRS to roll over the money into an eligible account, and you will not have to pay the additional 10% tax penalty unless you then withdraw the money from the rollover account before you turn 59½.

Another change to federal tax law affects the age at which the additional

10% tax penalty is imposed for TMRS PLSD benefits. You will not incur the additional 10% penalty on your PLSD if you terminate employment with a TMRS city (from which you retire) **in the year you turn age 55 or later**. Although you may receive your PLSD directly with no additional 10% tax penalty, you will be subject to regular income tax on the PLSD in the year you receive it.

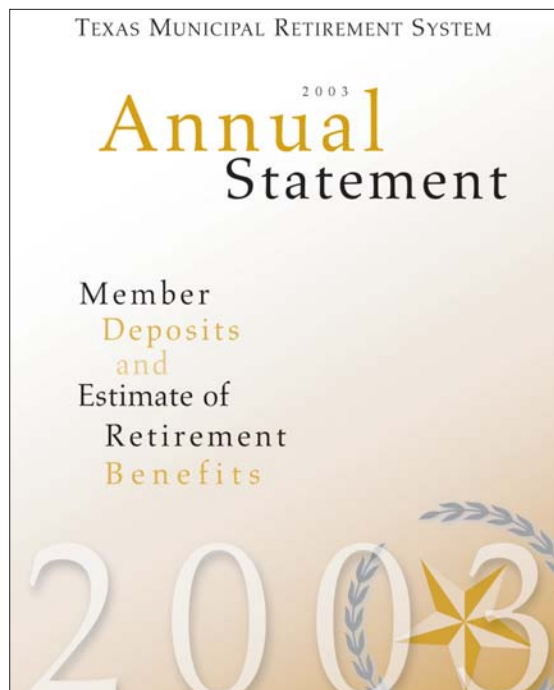
"Another change to federal tax law affects the age at which the additional 10% tax penalty is imposed for TMRS PLSD benefits."

If you terminate employment **before** the year you turn age 55, then retire and receive a PLSD directly (not rolled over) before age 59½, you may incur the additional 10% tax.

Changes in federal law that affect PLSDs also apply to member deposits and interest that are withdrawn (refunded) from TMRS if you leave city employment and choose to receive a refund.

Because TMRS cannot give tax advice, please consult your tax advisor to be sure you understand the tax rules.

This Spring: Your Annual Statements!

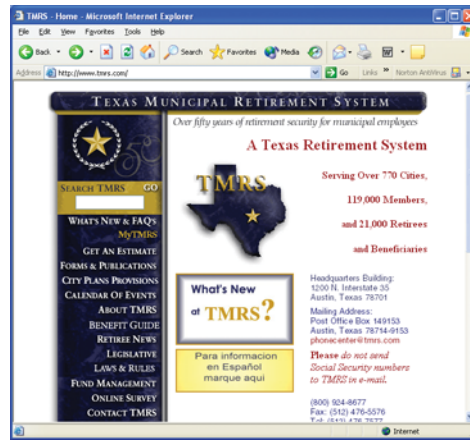


Have you remembered to keep TMRS up-to-date with your current address? Your annual statement, which includes your account balance and retirement estimates, will be mailed to your home in Spring 2004! But you won't receive it if we don't have your correct mailing address. Please remember to keep TMRS informed of any address changes you might have.

Call the TMRS Phone Center at (800) 924-8677 or write to us with your changes by January 31, 2004, to ensure prompt delivery of your annual statement!

Your TMRS account at your fingertips

Your TMRS account information is just a click away with MyTMRS®! Want a yearly snapshot of your member deposits and interest for the past four years? How about service credit totals, listed in current, prior, military, restricted, and buyback categories? Just click on MyTMRS® in the left bar menu on the www.TMRS.com home page, then click 'Register.' Fill in an online form, and you're on your way.



We need to have your current address on file for TMRS to mail you a password. Remember, if your mailing address changes, please call or write to let us know!

Remember: Don't Send Your Social Security Number to TMRS by E-Mail. Thank you.

Estimates Given Here!

Remember - you can request an estimate of what your monthly retirement payments will be just by logging onto the TMRS Website at www.TMRS.com. From the homepage, click on 'Get An Estimate.' Complete the online form, and your estimate will be mailed to you in 3-5 business days. If you do not have access to the Internet, please call (800) 924-8677 and one of our Phone Center representatives will assist you.

Are you mailing anything to TMRS?

We want to be sure we receive everything you send to TMRS. To expedite your mail and package deliveries, here are some tips for using the right address.

If you are using the U.S. Postal Service, including regular mailed letters and U. S. Postal Express Mail, please use our **mailing address** at P. O. Box 149153, Austin, TX 78714-9153.

However, if you are shipping a letter or package using a delivery service such as UPS (United Parcel Service) or Federal Express (Fed Ex), please use our **physical address** at 1200 North IH 35, Austin, TX 78701.

If you have any questions before mailing or shipping to TMRS, please feel free to contact us at (800) 924-8677 or by e-mail at phonecenter@TMRS.com. Thank you!

Have Any Other Retirement Service Credit?

If you do, please let us know! Besides TMRS, the other proportionate retirement systems are:

- Employees Retirement System of Texas (ERS);
- Teacher Retirement System of Texas (TRS);
- Texas County and District Retirement System (TCDRS);
- Judicial Retirement System of Texas (JRS, Plans I and II); and
- City of Austin Employees Retirement System.

You can combine service credit to meet retirement eligibility in TMRS and the other systems, but we need to know about that service. Call or e-mail us at (800) 924-8677 or phonecenter@TMRS.com.

LOCATION

1200 North Interstate 35
Austin, TX 78701

MAILING ADDRESS

P.O. Box 149153
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TOLL-FREE

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LOCAL (IN AUSTIN)

(512) 476-7577

WEBSITE

www.TMRS.com

E-MAIL

phonecenter@tmrs.com

*Has your address changed?
Call us at (800) 924-8677!*

CREDITS

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Thank you to this issue's contributors: Debbie Davila, Dixie Fedler, Karin Hicks, Maryann Jaini, Debra Lyon, Felicia McClain, Lorraine Moreno, Pamela Morgan, Jan Peck, Lori Ramirez, and Vikki Vasquez.

This newsletter is an informal presentation of the TMRS Act and related law. Please note that this is only a summary, and that 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 or by e-mail: phonecenter@TMRS.com. Thank you.

TMRS MISSION

To provide a secure retirement benefit for plan participants through a professionally managed organization which delivers quality services and is responsive to the needs of members, annuitants, and cities.

8.0% Interest Granted for 2003!

PRESORTED STANDARD
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