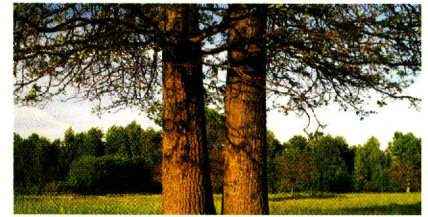


CONNECTION

DISCUSSING RETIREE BENEFITS AND OTHER NEWS

Winter 2010 • Volume 15 • Number 5

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P4 Scams aimed at Seniors



A PUBLICATION OF
ERS
EMPLOYEES' RETIREMENT
SYSTEM OF TEXAS

DID YOU GET YOUR 1099-R FORM?

ERS has mailed 1099-R forms to members who received a payment from ERS in 2010. The forms are mailed to the home address that you have on file with ERS. If you didn't receive it or if you believe the reported information is incorrect, call ERS. You can also print or view your 1099-R information online. Go to "View My Benefits-User Login" from the ERS website.

Some examples of payments you would receive a 1099 for include:

- a monthly annuity,
- a withdrawal of your retirement account, or
- a lump sum death benefit.

NEW TAX TABLES CHANGE TAX AMOUNT WITHHELD FROM ANNUITY CHECKS

In December, the U.S. Congress changed federal tax withholding amounts. The new retiree tax withholding amounts started January 1. Most retirees saw an increase in the amount of tax that was withheld. This lowered the amount of your annuity check in 2011. Your annuity check amount does not change, if you selected a flat monthly withholding amount or zero tax withholding for your annuity. The table below shows some of the most common examples of how these changes affected tax withholding amounts. The difference in your check depends on how much your annuity is and how many tax deductions you claimed. You can check the amount of your annuity check and change your withholding online. Go to "View My Benefits" at www.ers.state.tx.us.

	Monthly Annuity	2010 Monthly Withholding	2011 Monthly Withholding	Net Pay Difference	Filing Status
Example A	\$1,583.71	NA	\$30.87	\$ (30.87)	Married / 2
Example B	\$2,579.00	\$170.18	\$217.27	\$ (47.09)	Married / 0
Example C	\$4,250.58	\$364.21	\$390.92	\$(26.71)	Single / 4
Example D	\$1,799.38	\$176.05	\$208.24	\$(32.19)	Single / 0
Example E	\$1,335.06	\$60.78	\$92.34	\$(31.56)	Single / 1

You have one chance to elect next ERS board member

From March 4 to April 8, 2011, you can vote for one of five candidates vying for a spot on the six-member

ERS Board of Trustees. The Board oversees the ERS Retirement

Trust Fund and administration of the State's retirement, insurance, Texa\$aver and TexFlex programs.

Look for your election ballot and newsletter in the mail in early

March. This year, the candidate with the most votes in the general election will be declared the

winner. There will not be a run-off election.

EXECUTIVE DIRECTOR'S MESSAGE

Texas—and its workers—has always been a good investment. Texans knew this in 1947 when they went to the polls and created a pension system for state employees. Is it still? ERS thinks so.

Investing in Texas

ERS puts trust fund dollars to work in Texas. The fund includes Texas companies in stock, bond and real estate portfolios. Many companies get needed capital through our private equity investments. About 30% of all of our investments are in Texas companies that employ 200 or more Texas workers, or have established their headquarters in Texas.

What's our return on these investments? Positive.

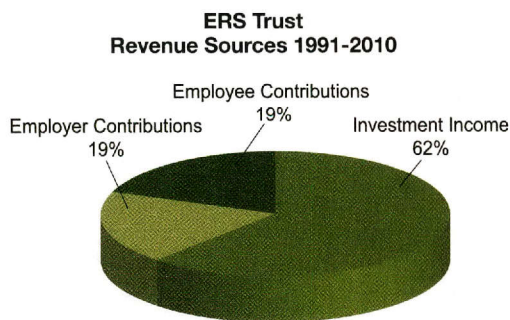
For every dollar the State invests in the state pension fund, the fund earns \$8 over the long term. This means the pension fund can pay more out in benefits each year than the State and employees contribute. Investment earnings pay for 62% of the annual benefits paid each year. Employee contributions, combined with investment earnings, account for 81% of the annual benefits paid.

You spend your pension dollars throughout the state, supporting the small businesses where you live. Employees and retirees spend health care dollars in Texas, with 97 cents of every dollar contributed to the self-funded HealthSelectSM of Texas plan going directly to health care providers—doctors, hospitals, pharmacies, and labs.

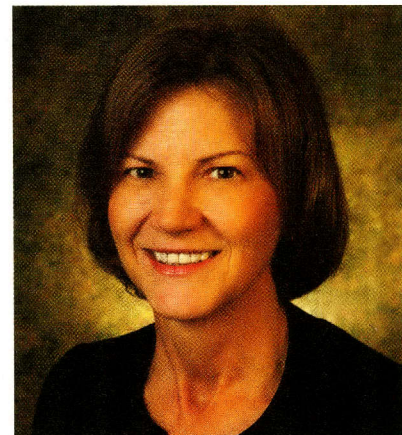
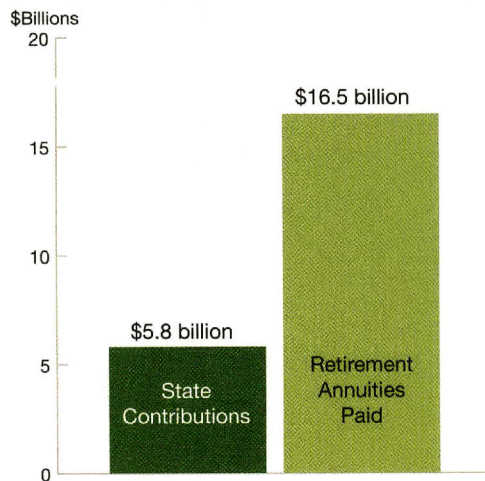
What's the long-term outlook?

Long-term sustainability of the pension plan is crucial to our retirees, and to current and future taxpayers. It's important to constantly evaluate the benefits and adjust as necessary, like the Legislature did last session in House Bill 2559. The State of Texas has built a model benefits program that meets the basic needs of its workforce at a cost its citizens can afford. The ERS pension plan is **not** like the ones you may have read about in the paper.

The plan does not allow spiking, and our employees and the employer—the State of Texas—must contribute to the plan every year. As we move forward, ERS is committed to working with the Texas Legislature to make sure that any decisions about the pension plan are based on facts, and are fair to all of you.



Employer contributions pay only part of the cost



Ann S. Fuelberg

Dependent audit starting soon

ERS is partnering with an independent company, Aon Hewitt, to conduct a dependent eligibility audit. If you cover a dependent in the Texas Employees Group Benefits Program (GBP), the audit will ask you to provide copies of documents to prove the dependent is eligible. The audit begins in March and ends in August.

If you cover a dependent, you will receive a letter from the vendor reminding you to provide the appropriate documents. You may also receive an email from donotreply@plan-smart.com reminding you about the audit.

Don't forget to send copies of your documents when it's your turn to be audited. If you don't complete the audit, your dependents will be dropped from coverage.

YOU CAN ROLLOVER MONEY FROM OTHER ACCOUNTS TO YOUR TEXAS\$AVER ACCOUNT

Don't forget that you can transfer or "roll over" money from a prior employer's 401(k), 401(a), 403(b), or prior eligible governmental 457 Plans into either the Texa\$aver 401(k) or 457 Plan. You can also roll money from an eligible IRA. When you consolidate all of your accounts, you only have to pay fees on one of them. This means you may pay less in fees and have fewer accounts to manage.

Any money you roll into the 401(k) Plan becomes subject to a 10% early withdrawal penalty if you take it from the account before you are 59½. Any money you roll into the 457 that was subject to the 10% early withdrawal penalty is still subject to a 10% early withdrawal penalty if you take it from the account before you are 59½. Rollovers from other eligible governmental 457 Plans are not subject to an early withdrawal penalty if you roll them directly into the Texa\$aver 457 Plan.

The forms you need to roll over an account are available at www.texasaver.com, or call (800) 634-5091 on weekdays from 8 a.m. to 7 p.m. CT.

HEALTHY LIVING TIP:

Can losing weight help arthritis in your knee?

The word arthritis means joint inflammation. There are more than 100 kinds of arthritis but the most common one is osteoarthritis, or "wear and tear" that eventually leads to pain and joint stiffness. The weight bearing joints—the knees and hips—are most commonly affected.

Musculoskeletal and connective tissue claims continue to be a big expense for the health insurance plan, costing more than \$18 million in fiscal year 2010. A big part of that was due to total knee replacements. By the time you are 65 years old, your chances of having arthritis are about 50%.

People with arthritis are also more likely to be overweight and have physical limitations. Research suggests that maintaining a healthy weight reduces the risk of developing arthritis and may slow its progress. Each extra pound of weight you carry puts four pounds of extra pressure on your knees. A loss of just 10 pounds can not only reduce the pressure on your knees, but also decrease the occurrence of new knee osteoarthritis.

We want our retirees and their families to be healthy, so we invest in all kinds of resources to improve your health and lower your costs. Did you know that HealthSelect and the HMOs offer free tools to help you lose weight and stay active? You can even get a nurse assigned to you at no cost, who will help you manage your chronic conditions. Visit www.ers.state.tx.us, then click on "Insurance," then "Wellness" for more information.

ERS IS A TOBACCO-FREE CAMPUS

As the administrator of the health plan for the State of Texas, ERS talks a lot about the need for insurance members to make healthy choices. A part of our commitment as an agency should be to do our best to encourage and model healthy behavior for our co-workers, our families, and our members. In January, ERS took an important step to do this: Effective January 10, 2011, ERS is now a tobacco-free campus.

Notice About Early Retiree Reinsurance Program

ERS is required to notify all participants in the Texas Employees Group Benefit Program (GBP) of the plan's participation in the Early Retiree Reinsurance Program (ERRP). The ERRP is a Federal program established under the Affordable Care Act. Under the ERRP, the Federal government reimburses a plan sponsor of an employment-based health plan for some of the costs of health care benefits paid on behalf of early retirees and certain family members of early retirees participating in the employment-based plan. By law, the program expires on January 1, 2014. Participants are responsible for providing a copy of this notice to family members who are participants in the GBP.

Under the ERRP, ERS may choose to use any reimbursements it receives from this program to reduce or offset increases in plan participants' premium contributions, co-payments, deductibles, co-insurance, or other out-of-pocket costs. If ERS chooses to use the ERRP reimbursements in this way, participants may see changes that may be advantageous to them, in health plan coverage terms and conditions, for so long as the reimbursements under this program are available and ERS chooses to use the reimbursements for this purpose. A plan sponsor, such as ERS, may also use the ERRP reimbursements to reduce or offset increases in its own costs for maintaining your health benefits coverage, which may increase the likelihood that it will continue to offer health benefits coverage to its retirees, employees and their families.

ERS CONNECTION

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WATCH OUT FOR SCAMS AIMED AT SENIORS

Retired Texans are among the most common targets of investment scams. The best way to avoid getting swindled is to stay educated. The Texas State Securities Board regulates the securities industry and can help you avoid costly mistakes. Visit www.ssb.state.tx.us to find out how to keep your retirement funds safe. The site has links to trustworthy investment advice and lists common scams and scam artists.

OPTIONAL LIFE PREMIUMS INCREASE AS YOU AGE

The fall 2010 *Connection* included a short article that said Optional Term Life Insurance premiums did not change this year. Election I and II premiums will increase every five years, based on your age. Your rates will increase when you turn 60, and at five-year intervals thereafter, as your coverage goes down. You should review your need for coverage every year. If you have the basic \$10,000 coverage, your rates will not change.

DISCOUNT PURCHASE PROGRAM INCLUDES TAX PREP SERVICES

In 2011, the Employee and Retiree Discount Purchase Program at www.discountprogramERS.com/ added discounts to tax preparation services that you can use this tax season. Be sure to check the site for discounts on other goods and services too.

HOW LEGISLATION AFFECTS YOU

The 82nd session of the Texas Legislature has started. ERS has a team that monitors all the filed bills and responds to legislative inquiries. We have developed a list that summarizes bills with provisions related to your benefit programs. Look for "How Legislation Affects You" at www.ers.state.tx.us. You can also visit Texas Legislature Online to read the full text of bills, check their status, and see when they will be discussed in committee.

The biggest issue affecting benefits so far this session is the state's budget situation. Both the House and Senate's proposed budgets for ERS are below our baseline request for the insurance and retirement programs. You can watch ERS Executive Director Ann Fuelberg discuss how the state budget could impact your health and retirement benefits in short video interviews on the website.