

TMRS & CITIES

A WINNING TEAM

TMRS TRAINING: Retirement

TMRS Retirement

- TMRS Retirement Basics
- Retirement Payments
- Application Process
- Additional Retirement Issues



When Can Employees Retire?

Depends on which option your city has chosen:

- Age 60 with 5 years of service, or age 60 with 10 years of service
- 20 years of service at any age, or 25 years of service at any age



Retirement Date...

- There is no best time of year to retire.
 - Prorated interest on accounts and USC
- Retirement date must be the last calendar day of the month.
- Retirement payments begin the last day of the month following retirement date.



Leaving Employment

- Last day of employment does not have to be the same as TMRS retirement date, but you must leave city employment before retirement date.
- If retiree is returning to work for a different TMRS city...
 - First day of employment in new city must be AFTER TMRS retirement date.
 - New TMRS account will be set up for new city.
 - Upon termination with new city, employee can retire or refund from that city.

If Returning to Work for Same City...

- If a retiree returns to work for the same city after retirement, the IRS requires a bona fide separation
- Return to work cannot be pre-arranged
- Please contact TMRS for further instructions



Retirement Estimates and Packet

■ Request estimate (mailed)

Phone Center:
800-924-8677

Website:
www.tmrs.com

■ Review all information and report any changes or corrections to TMRS immediately!

■ Estimates are now available online!

www.mytmrs.com

Hypothetical Estimate XXX-XX-3333 TMRS ID: 377050	Print Date: 09-18-2009 Prepared by: Colin Page 1		
SERVICE RETIREMENT ESTIMATE for Hypothetical Estimate			
***** Retirement Date: 12-31-2029 *****			
Hypothetical Estimate Address on File Richardson, TX 77777	Social Security #: XXX-XX-3333 City: Richardson (01070)		
Assumptions Made in Calculating Estimate			
Retirement Date: 12-31-2029	2009 Interest rate: 5%		
TMRS Service: 20 Years, 2 Months	Future Interest rate: 5%		
Personal / Beneficiary Information			
Your Birth Date: 12-19-1963	Your Age at Retirement: 66		
Beneficiary Beneficiary	Relationship Spouse	Birth Date 06-10-1960	Age at Retirement 69
Miscellaneous Information			
Estimated member deposits and interest at retirement:			
Taxable:	112,587.47		
Non-Taxable:	0.00		
Total:	\$112,587.47		
Do You Have Questions About Your Retirement? <u>Please Contact the TMRS Phone Center</u> 1-800-924-8677			
Texas Municipal Retirement System P. O. Box 149153 Austin, Tx 78714-9153 www.TMRS.com phonecenter@tmrs.com			

How Is the Monthly Payment Calculated?

1. Combine retirement credits
 - Member's account balance (deposits and interest)
 - City's matching
 - Updated Service Credit
 - 5% future interest



2. Divide retirement credits by remaining life expectancy

USC – A Brief Overview

USC is a feature of the TMRS plan that a city may adopt to potentially increase or protect the value of retirement benefits for employees.

- USC assumes the member's current average salary and the city's current TMRS plan were in effect throughout the member's entire career with the city.
 - If your city offers "Transfer USC," this calculation includes service with all TMRS cities.
- USC assumes the member's account receives 3% interest.
- While USC may increase the value of a member's retirement benefits, USC does NOT increase the amount of money in a member's account or the amount received if the member takes a refund. USC is added to the member's reserves at retirement.

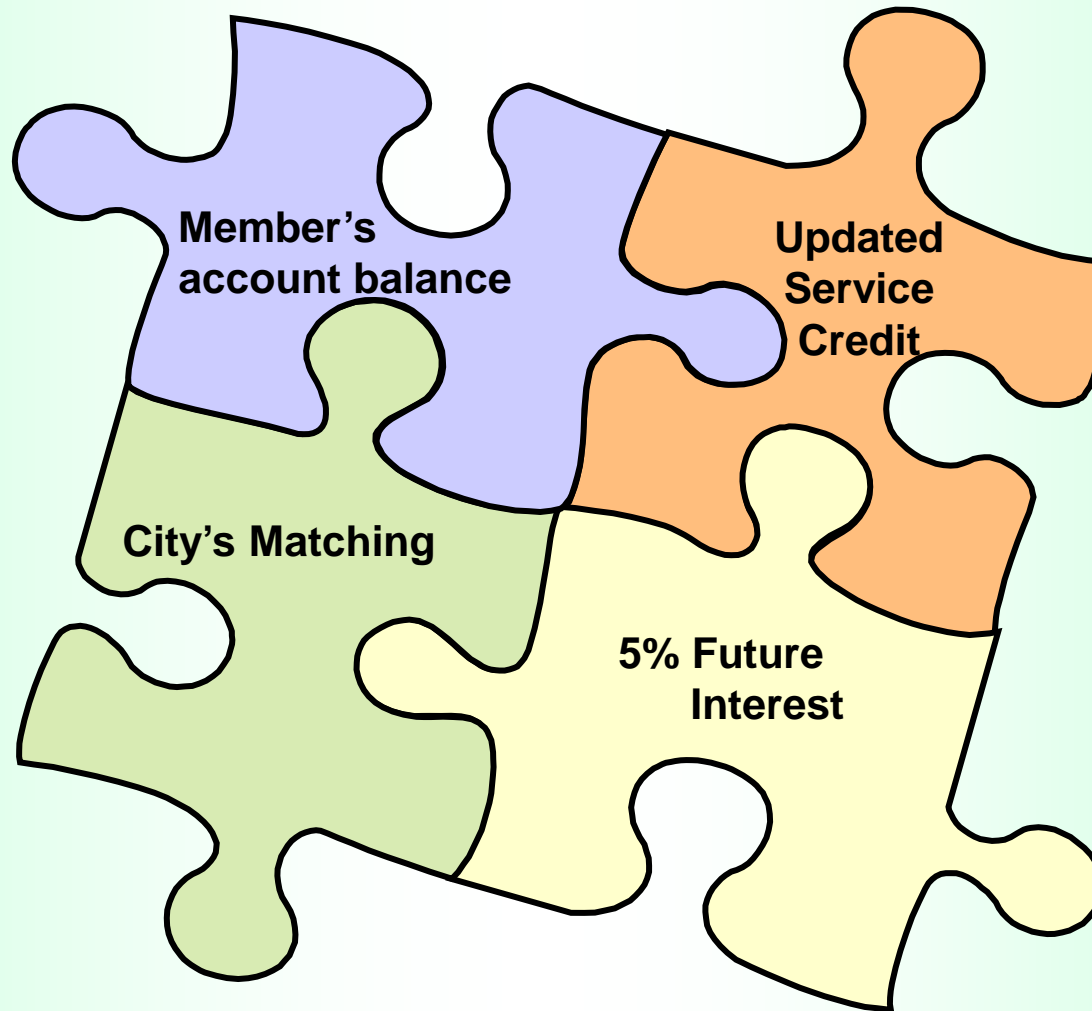
Calculating USC

- USC is calculated in January of every year, assuming the city has adopted USC.
- An average salary is computed specifically for the USC calculation as the monthly average compensation for the 36 months immediately preceding the study date.
 - The highest and lowest deposits in the 36-month period are disregarded, and the average is computed based on the remaining 34 deposits.
 - The study date is always the December 31 that is 13 months prior to the effective date.

Does Everyone Get a USC?

- No. Some members may not receive USC because their actual account totals (deposits, interest, matching funds) are larger than the USC calculation.
 - USC assumes 3% annual interest
 - Employee money grows at actual interest (10% for many years...now 5%)
 - Typically, if member has had no significant salary increases or has not experienced any plan changes, there would be little or no USC.
 - New employees going to work for a 7% / 2:1 city are not likely to get significant USC without receiving large salary increases.

Please Remember: USC is Only One Part of the Retirement Calculation



Monthly Payment Plans

7 Payment Plans

Hypothetical Estimate
 XXX-XX-3333
 TMRS ID: 377050

Print Date: 09-18-2009
 Prepared by: Colin
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**SERVICE RETIREMENT ESTIMATE
 for Hypothetical Estimate**

Retirement Date: 12-31-2029 *****

Your Estimated Monthly Amounts (assuming no partial lump sum payment)

	Your Monthly Payment	Term
Retiree Life Only	2,720.89	For life

A retirement benefit payable monthly as long as you live. At your death, all payments cease.
 Beneficiary information:
 - you can name up to 3 beneficiaries
 - you can change your beneficiary designation at any time

Lifetime Survivor Options	Your Monthly Payment	Term	Beneficiary's Monthly Payment (After Member's Death)	Term	If your beneficiary dies before you (see Pop-Up below)
Retiree Life - 100% to Survivor	2,054.33	For life	2,054.33	For life	2,720.89
Retiree Life - 75% to Survivor	2,193.32	For life	1,644.99	For life	2,720.89
Retiree Life - 50% to Survivor	2,350.52	For life	1,175.26	For life	2,720.89

A retirement benefit payable monthly as long as you live. At your death, your beneficiary will receive 100%, 75%, or 50% as long as he/she lives.
 Beneficiary information:
 - you can only name one beneficiary
 - you cannot change your beneficiary designation after your 1st payment has been issued

Pop-Up Provision – If your beneficiary dies before you, your monthly payment will be increased to the amount that would be payable under the "Retiree Life Only" option.

Note: TMRS cannot calculate monthly annuity amounts for lifetime survivor options if you have not designated a beneficiary, if you have more than one beneficiary, or if you have designated your estate or trust as beneficiary.

Guaranteed Term Options	Your Monthly Payment	Term	Beneficiary's Monthly Payment (After Member's Death)	Term
Retiree Life - 5 Years Guaranteed	2,683.51	For life	2,683.51	Thru 12-31-2034
Retiree Life - 10 Years Guaranteed	2,523.84	For life	2,523.84	Thru 12-31-2039
Retiree Life - 15 Years Guaranteed	2,318.69	For life	2,318.69	Thru 12-31-2044

The guaranteed term of payments begins with the first payment received by you. You will receive benefits for your entire life, but if you die before the guaranteed term is reached, payments will only be made to the beneficiary for the remaining period of the guaranteed term.
 Beneficiary information:
 - you can change your designation at any time
 - you can name up to 3 beneficiaries

General Information

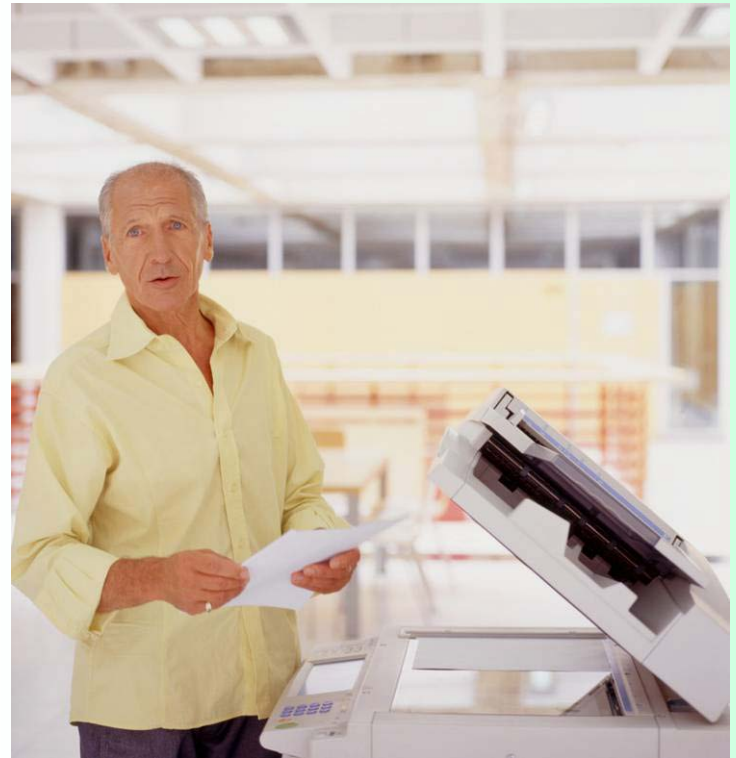
Under all the above options, TMRS guarantees you and/or your beneficiary will receive a minimum of total payments equal to the amount of your member deposits and interest at retirement (estimated at \$ 112,567.47). If monthly payments under any of the above retirement options end as a result of your death before this amount is recovered, your beneficiary or estate will receive a lump-sum payment of the remaining balance.

- All plans pay an annuity for retiree's lifetime
- All plans ensure return of member's accumulated deposits and interest

Retiree Life Only Option

Monthly payments for life

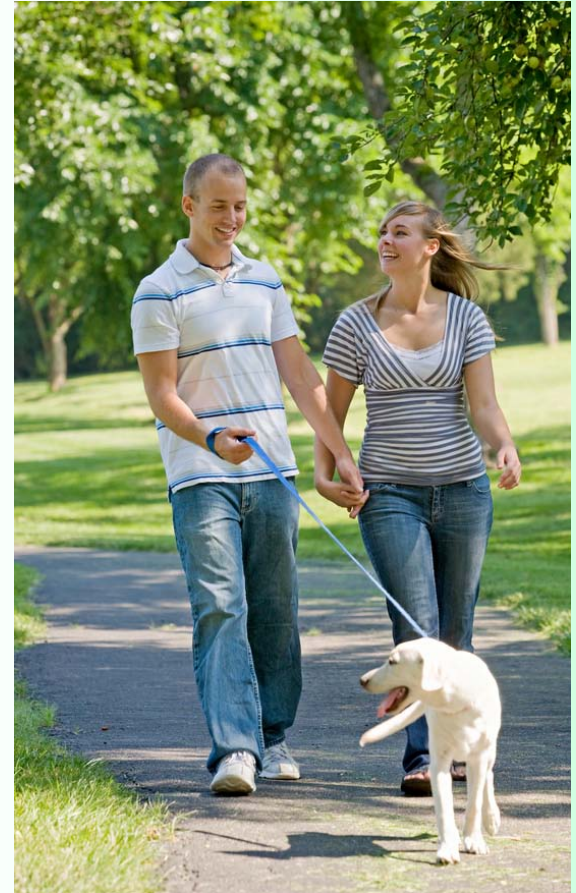
- Calculated on member's life only
- No survivor benefits
- The highest-paying monthly option



Survivor Lifetime Options

Monthly payments for member and beneficiary's lifetimes

- Retiree Life – 100% Survivor Benefits
- Retiree Life – 75% Survivor Benefits
- Retiree Life – 50% Survivor Benefits



Note: Only 1 beneficiary may be named under these options

What is Spousal Consent?



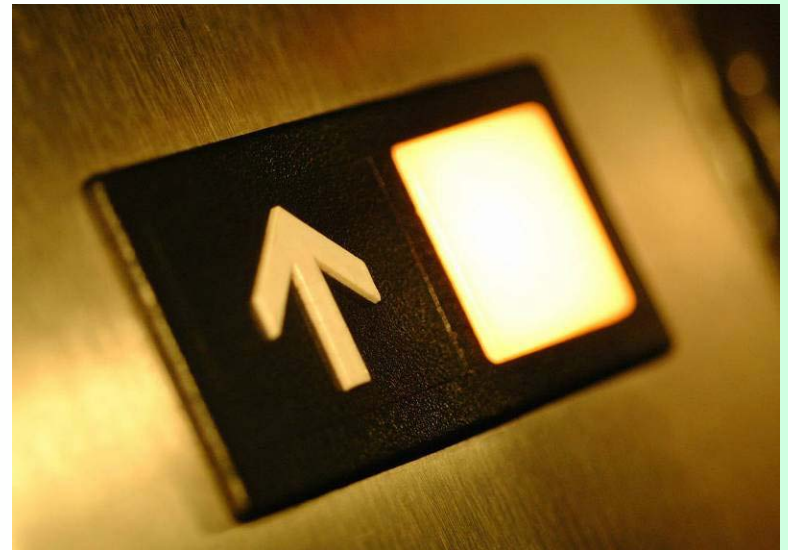
- Deposits made and interest earned during marriage are community property.
- Spousal consent is required when married employee:
 - ❑ Designates someone other than spouse as beneficiary; or
 - ❑ Selects a payment plan that does not provide lifetime benefit for spouse (Retiree Life Only Option, or one of the Retiree Life – Guaranteed Term Options)

“Pop-Up” Provision

If a retiree...

- Has selected joint survivor option --AND--
- Beneficiary dies before retiree

Then – monthly payments increase to Retiree Life Only option



Guaranteed Term Options

Guarantee payments for member's life, but only for fixed number of years for beneficiary after retirement



- Retiree Life – 5 year guarantee
- Retiree Life – 10 year guarantee
- Retiree Life – 15 year guarantee

Note: Up to 3 beneficiaries may be named with these options

Can Retirees Change Their Payment Plan After Retirement?



- No changes are allowed after receipt of first monthly payment.
 - Exception: if retiree remarries after retirement

Partial Lump-Sum Distribution

Hypothetical Estimate
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Print Date: 09-18-2009
 Prepared by: Colin
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SERVICE RETIREMENT ESTIMATE for Hypothetical Estimate

***** Retirement Date: 12-31-2029 *****

Partial Lump Sum Distributions Available

In addition to your monthly benefit you may choose to receive a one-time, partial lump sum distribution calculated using your estimated "Retiree Life Only" amount (\$2,720.89).

12 X "Retiree Life Only" 32,650.68
 24 X "Retiree Life Only" 65,301.36
 36 X "Retiree Life Only" 84,440.60*

* The maximum amount of the partial lump sum distribution is limited to 75% of your accumulated deposits and interest per account on your effective date of retirement. If you have credited service with more than one TMRS city, each city is treated as a separate account when determining this limit.

If you choose to receive a partial lump sum payment, your estimated monthly payment will be reduced as shown below. Reduced amounts for your beneficiary are not shown here.

Option	No Partial Lump Sum Payment	\$32,650.68 Partial Lump Sum Payment	\$65,301.36 Partial Lump Sum Payment	\$84,440.60 Partial Lump Sum Payment
Retiree Life Only	2,720.89	2,457.87	2,194.85	2,040.67
Retiree Life - 100% to Survivor	2,054.33	1,855.74	1,657.16	1,540.75
Retiree Life - 75% to Survivor	2,193.32	1,981.30	1,769.28	1,644.99
Retiree Life - 50% to Survivor	2,350.52	2,123.30	1,896.08	1,762.89
Retiree Life - 5 Years Guaranteed	2,683.51	2,424.10	2,164.69	2,012.63
Retiree Life - 10 Years Guaranteed	2,523.84	2,279.87	2,035.90	1,892.88
Retiree Life - 15 Years Guaranteed	2,318.69	2,094.55	1,870.40	1,739.02

Important Tax Information Regarding your Partial Lump Sum Distribution:

A partial lump sum distribution is eligible for "rollover" according to the Internal Revenue Service (IRS). You have two payment options:

- Paid in a "direct rollover" to a traditional IRA or eligible employer plan -- You may rollover all or part of the taxable portion of your payment:**
 - The non-taxable portion of your payment, if any, is eligible for rollover under certain circumstances. Please contact TMRS for further information;
 - Your payment will not be taxed in the year of the payment, and no income tax will be withheld;
 - Your payment will be mailed directly to your IRA or eligible employer plan; and
 - You will not be required to pay tax until you withdraw it from the IRA or eligible employer plan.
 - **Note:** Roth IRA, SIMPLE IRA, Education IRA or a nongovernmental 457 plans are **not** eligible to receive a rollover.
- Paid directly to you --**
 - TMRS will withhold 20% of the taxable portion for IRS purposes;
 - Your payment will be taxed in the year of the payment;
 - Special tax rules that could reduce the tax you owe on your payment probably do not apply to this payment;
 - If you receive the payment before age 59 1/2, you may also be required to pay an additional 10% income tax (when you file your tax return); and
 - You can decide to rollover all or part of the payment to an IRA or eligible employer plan if you do so within 60 days of the receipt of the payment.

- Members may choose the partial lump-sum distribution (PLSD) when they retire

How is the PLSD Calculated?

Retiree Life Only x 12, 24, or 36



Example:

$$\begin{array}{r} \$1,000 \\ \times 36 \\ \hline \$36,000 \end{array}$$

Note: PLSD cannot exceed 75% of member's account

Do PLSD Payments Reduce Monthly Payments?

75% cap
→



Member \$



City \$

- Yes – but city's matching is not reduced

PLSD and Taxes



- PLSD payments are income
- 20% withheld unless rolled over
- 10% penalty if under 59½
 - Exception for age 55!
- Taxable \$ can be rolled over (all or part)

Federal tax law permits public safety employees who receive a PLSD at retirement at age 50 or later to waive the 10% IRS penalty.

Applying for Service Retirement



- Employee must apply for retirement within 90 days of retirement date.

Retirement Packet Includes...

- Application for Service Retirement
- Selection of Retirement Plan
- Selection of Partial Lump Sum Distribution, if desired
- Electronic Direct Deposit Authorization
- Proof of birth for employee
- Proof of birth for beneficiary, if applicable
- Name certification (only required if names on proof of birth and TMRS records do not match)
- Withholding election form

Acceptable Proofs of Birth...

TMRS will accept a copy of:

- Birth certificate / delayed birth certificate
- Census transcript
- Baptismal or Family Bible record
- Passport
- Marriage license
- School record
- Texas drivers license



NOTE: Texas drivers licenses and State ID cards are acceptable proofs of birth

Additional Retirement Issues



Applying for Occupational Disability Retirement

- Employee may apply at any time.
- Retirement date must be last day of calendar month after all deposits received at TMRS.



How is Eligibility for Occupational Disability Retirement Determined?

- No minimum length of service or age required to be eligible.
- The cause of disability does not have to be job-related.
- The TMRS Medical Board must find that:
 - The member is mentally or physically incapacitated from performing the duties of his or her occupation;
--and--
 - The incapacity is considered to be permanent

What Forms Need to Be Completed?

- Application for Occupational Disability Retirement
- Selection of Retirement Plan
- City Statement
- Member's Statement
- Physician's Statement
- Selection of Partial Lump Sum Distribution
 - Member must be eligible for service retirement to receive a PLSD
- Electronic direct deposit authorization
- Proof of birth for employee.
- Proof of birth for beneficiary, if applicable.
- Name Certification (if names on proof of birth and TMRS records do not match)
- Withholding election form (W4-P)

FORMS ARE
AVAILABLE FROM
www.TMRS.com

Completing the City Statement for Occupational Disability



- City Statement for Occupational Disability form is used by city to describe employee's job
- City Statement must be completed by authorized city official
- Copies of completed form and employee's official job description must be attached to both Member's Statement and Physician's Statement

Cost of Living Increases (COLAs)

- Optional provision approved by the city
- Based on Consumer Price Index and original annuity
 - NOTE: COLAs for 2010 are likely to be minimal for retirees



HELPS Provision

- Federal law (Pension Protection Act of 2006) allows retirees who are Public Safety Officers to deduct from their annuity to pay for health care or long-term care
- Retiree must separate from service as a Public Safety Officer, and city will need to certify this status
- Amount excluded from taxable income may not exceed \$3,000 in one year
- TMRS will send deducted amount directly to insurer or city as appropriate
- Forms are available for retirees to start participation (download from Website)

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QUESTIONS?