

# TMRS Direct

News for Retirees | October 2019

## Read the Latest Issue of RetirementWise



The latest issue of **RetirementWise**, the TMRS magazine for retirees, is now available on the website. Read it here. Features include:

- Legislative Update (see TMRS Bill summary below)
- Executive Director to Retire
- 2019 Tax Information
- 2020 Direct Deposit Calendar
- 2018 Summary Annual Financial Report
- Texas' Fruitful Harvest Gallery

## Summary of TMRS Bill (SB 1337)

Senate Bill 1337 (SB 1337), by Senator Huffman (House sponsor Representative Flynn) was passed by the Texas Legislature in 2019 and signed by the Governor. The bill's provisions are effective January 1, 2020.

As a public retirement system, applicable provisions of the Texas Government Code require TMRS to distribute to active members and retirees a summary of any significant changes made to the TMRS Act that affect contributions, benefits, or eligibility. SB 1337 significant provisions include:

### Updated Service Credit (USC)

Beginning January 1, 2022, a member must be a contributing employee of a municipality on the Updated Service Credit (USC) "study date" to be eligible to receive a USC from that city. Under the TMRS Act, the "study date" is January 1 of the year immediately preceding the January 1 on which the USC will take effect. For example, January 1, 2018 was the "study date" for any January 1, 2019 USC credit.

### Buy Backs

Under the TMRS Act, USC is typically calculated only once a year in January. SB 1337 clarifies administrative procedures providing that (i) if a member who has an option to buy back previously refunded service, exercises the buy back and retires within the same calendar year, and (ii) if a city from which the member is retiring as part of that retirement has a USC ordinance in effect for January 1 of that same calendar year, then TMRS may recalculate the member's USC prior to his/her retirement for purposes of determining

the annuity. For example, assume Member A has a buy back option and is working at City 1; if (i) Member A exercises the buy back in May 2019 and retires from City 1 in June 2019, and (ii) City 1 has a USC ordinance with an effective date of January 1, 2019, then TMRS may recalculate Member A's USC prior to retirement.

TMRS notes that, while a buy back may be exercised at any time after a member becomes eligible for it, historically members with buy backs often wait until the time they retire to exercise the buyback. Members with buy back options should consider what effect, if any, the above change to USC eligibility might have on potential USC calculations related to their buy back and whether the member wants to exercise their buy back option before the change to USC eligibility becomes effective January 1, 2022.

### Occupational Disability

Under the TMRS Act, occupational disability is a benefit that allows a member who is disabled, to the degree that he or she cannot perform the duties of his or her occupation, to retire if his/her application is approved by the TMRS Medical Board. The benefit is not

subsidized and is based on the member's account, city match, and interest at the time of determining the disability retirement.

SB 1337 removes an administrative provision that allowed TMRS to apply an income test to occupational disability retirees, which could result in a reduction of the annuity.

The income test will no longer be applicable after January 1, 2020.

SB 1337 adds a provision that allows TMRS to require (by written request from TMRS) a disability retiree who is younger than age 60 to submit to a medical examination or otherwise provide evidence of continued disability. If a retiree does not comply with the request, TMRS may suspend their disability benefit. If a benefit is suspended and the retiree subsequently complies within four years of the request, the suspended payments may be paid and the benefit resumed. If, as result of a medical examination, the retiree is found to no longer meet the requirements for occupational disability, the benefit can be suspended until the retiree turns age 60.

### Excluded Prior Service Credit (EPSC)

When a city joins TMRS, Prior Service Credit (PSC) is granted for all months of employee service to the city before the city joins TMRS at a percentage (from 10% to 100% of calculated value) determined by the city. Because the Texas Constitution forbids a person from receiving benefits from more than one public retirement system for the same service, in some circumstances the PSC provision could present an obstacle for a city that wants to join TMRS but already provides retirement benefits to their employees. Examples include

cities that wish to join TMRS that have had an existing retirement plan in effect; cities that have one or more departments covered by other retirement systems and that now wish to enroll employees of those departments in TMRS; and cities that joined TMRS but then suspended their TMRS membership for employees hired after a certain date, adopted another retirement arrangement for such employees, and now wish to rejoin TMRS for those employees.

SB 1337 requires a city that meets specific criteria to grant PSC at 0% of calculated value (EPSC). Any city that joins TMRS that does not meet the criteria must still grant PSC at a percentage from 10% to 100%. EPSC may only be used to satisfy length of service requirements for vesting and retirement eligibility and cannot be used to determine eligibility for or the computation of a USC calculation.