



# ***City Monthly Contributions Reporting Reference Guide***

What you need to know to file your city's Monthly Contribution Report (Payroll)

# Important Points

The most important points to remember from this guide are:

- Definition of “Employee”
- The definition of “Compensation”
- Submitting the Monthly Contribution Report
- Legislative Laws & Rules

# Reporting

- A member of your city's staff, usually in the payroll or finance department, submits the city's Monthly Contribution Report to TMRS every month
- Monthly Contribution Report processing consists of:
  - Reporting individual employee gross earnings and retirement contributions (Employee Contributions Report – TMRS-0002)
  - Summarizing employee contributions and city contributions (Summary of Monthly Payroll Report – TMRS-0003)
  - Submitting payment to TMRS

*The TMRS-0002 is only necessary if you are filing payroll manually; if filing electronically, your city submits the listing as a data file.*

# Statutory Requirements

The TMRS statute requires cities to deduct member contributions from the gross compensation of each TMRS-eligible employee.

Your city must:

- Determine eligibility for TMRS membership
- Make deductions from each Member's compensation
- Transmit a copy of the payroll report and pay the deductions on a monthly basis by the 15th day of the month following the period for which the deductions were made

# TMRS Definition of Employee

The TMRS Act defines “employee” as:

“...a person, including a person serving a period of probationary employment, who receives compensation from and is certified by a municipality as being **regularly engaged** in the performance of duties of: ...an appointive office or position that **normally** requires services from the person for not less than 1,000 hours a year, or [certain elective offices]” emphasis added

**This is often referred to as “The TMRS 1,000 Hour Rule”**

# Determining Member Eligibility

- The TMRS Act states that a person who is not a Member becomes a Member of TMRS if “...after August 31,1987, the person becomes an **employee** of a participating department”
- Accordingly, people who meet the TMRS definition of “**employee**” become Members of TMRS on the date they are employed
- See Section 852.101 of the TMRS Act (p. 5 of PDF) for other general membership requirements

# Are Part-time Employees Eligible?

- There are no statutory definitions for “full-time” or “part-time” employees
- Eligibility for membership is based on the number of hours a person is expected to work over the course of one year
- Cities should evaluate all paid positions to determine if the positions meet the “TMRS 1,000 hour rule”
- If employee doesn’t meet this eligibility requirement but later moves into an eligible position, he/she becomes a Member of TMRS on the eligibility date
- The determination should be made based on the position and not the person

# Applying the “TMRS 1,000 Hour Rule”

- If the position meets the 1,000 hour rule, any person hired to fill that position **MUST** be enrolled in TMRS
- Employees hired to fill these positions do not have the option to decline participation
- Cities should monitor or re-evaluate these positions periodically to determine if the TMRS 1,000 hour rule is being met
- It is the city’s responsibility to keep current, accurate records of TMRS eligible employees



## Eligibility Example

- Q.** The city budgets 1,600 hours for two part-time employees. Are they TMRS eligible?
- A.** If the work is normally and regularly spread equally between the two positions, they would **not** be eligible because their total hours would be 800 each, however; if the work normally is spread unevenly, and one of the positions regularly requires services of not less than 1,000 hours annually, then that employee needs to be enrolled in TMRS and the other would not be enrolled.

# Determining TMRS Deductions

- Every city in TMRS elects the rate of member contributions for the employees at 5, 6, or 7%
- The employee contribution rate for your city is the same for every employee
- Once your city has determined that an employee is eligible for TMRS membership, your city is **required** to deduct the employee contribution from the employee's gross **compensation** for each payroll period

# TMRS Definition of “Compensation”

- The TMRS Act defines “compensation” as:
  - ...the **sum** of payments made to an employee for performance of personal services ... (emphasis added)
- The types of payments considered to be “compensation” include:
  - “... base pay, overtime, vacation, and sick leave (including payments for unused vacation and sick leave), longevity pay, certification pay, severance pay, employer pickup of employee contributions to TMRS, “cafeteria plan” benefits, and almost any other form of payment made to an employee, other than direct expense reimbursement”

*Based on prior TMRS legal opinions*

# Applying the Employee Deposit Rate to Gross Compensation

- The employee deposit rate is applied to **all** payments from your city for the performance of services (except direct expense reimbursements)
- The amount deducted from the employee's compensation is calculated based on the **gross** compensation paid by your city to the employee, including, but not limited to:
  - Amounts deducted from an employee's paycheck that reduce taxable wages, such as amounts paid to other plans (e.g., deferred compensation plans (IRC Section 457))

# TMRS Deduction Example

If an employee is paid the following:

\$1,600.00	Gross wages at \$20/hr for 80 hours
\$112.00	TMRS deduction
\$80.00	FICA/taxes
\$50.00	457 plan voluntary deduction
\$20.00	Life insurance deduction
<u>\$200.00</u>	Health insurance deduction
\$1,138.00	Net payment issued to employee

*Using a 7% employee deposit rate, the TMRS deduction is based on the gross compensation of \$1,600, before all other deductions are made ( $\$1,600 \times .07 = \$112$ ).*

# Compensation Question

**Q:** Are clothing allowances, car allowances, unused vacation and sick leave considered compensation for TMRS purposes?

**A:** Yes. All payments to the employee are considered compensation **except** “direct expense reimbursements”

**RULE OF THUMB: If it’s taxable, it is “compensation”**

# How the City's Contribution Rate (City Rate) is Determined

- The TMRS actuary performs an annual “valuation” of your city’s plan to determine the “City’s Contribution Rate” — the amount your city must pay for the retirement benefits it has selected
- Each year, the annual valuation adjusts the city’s rate, up or down, based on any plan changes made by your city as well as “actuarial experience,” including retirements and withdrawals

*City Contribution rates are sent in the [Annual Rate Letters](#), which are posted on the TMRS website.*

# Applying Your City Rate to Gross Compensation

- After processing the payroll information for each employee who is a Member, your city must calculate the city's contribution based on the total gross compensation for all employees and the annual city contribution rate (City Rate) provided by TMRS
- Example: Assuming total gross compensation of  
\$100,000 is reported on the Monthly Contribution Report:  
\$12,000 City's Contribution, assuming city rate of 12%  
\$7,000 Total Employee Contributions, assuming 7%  
\$19,000 Total due to TMRS



# Submitting the Monthly Contribution Report

- Submit the entire Monthly Contribution Report (necessary forms and payment) to TMRS **no later than the 15th day of the month** after the month for which the deductions are made
- For example, January payroll is reported in February, August is reported in September, etc.

# Extra Payments and Corrections

- If your city wishes to pay a lump sum contribution, you will need to submit a Remittance of Lump Sum City Contributions form (TMRS-3ADD) separately from your monthly contribution report
- If your city wishes to correct a previously reported contribution error, you will need to submit a separate supplemental contribution report (check the box on the TMRS-0003 form)
- **Contact the Member Service Center (800-924-8677) for details on how to process extra payments and corrections**