Meet Retirement Rita

Lessons

- Proportionate Retirement
- Restricted Prior Service Credit
- Employment with multiple TMRS cities
- Retiring with TMRS
- Taxes
- Cost of Living Adjustments
- Returning to work

TMRS City Correspondent Certification Course
Retirement Rita

◆ Has been with the city 10 years
◆ 5 years with TRS, forfeited
◆ Moved to another TMRS city for a big raise and promotion
◆ New city offers 20 years at any age retirement versus 25 at old city
Proportionate Retirement Service Credit

- Allows members to combine time between Texas statewide retirement systems for retirement eligibility
- Participating systems:
  - Texas Municipal Retirement System
  - Texas County & District Retirement System
  - Employees Retirement System of Texas
  - Teacher Retirement System of Texas
  - City of Austin Employees Retirement System
  - Judicial Retirement System of Texas (Plan 1 or 2)
Years of service from each system can be combined to meet retirement eligibility.

To qualify for Proportionate Retirement, employee must keep funds in each system (exception: TCDRS).

Retirement Eligible

TMRS City Correspondent Certification Course
Proportionate Retirement — Special Notes

- Call TMRS for earliest date of retirement
- Only service credit is combined
- Payments or accounts never combined
  - Annuity received from each system
- Cannot combine service for:
  - Disability retirement;
  - Death benefit; or
  - To purchase military service credit
- Deposits must remain in each system
# Proportionate Buyback

### Current Employees

- Allowed to restore previously refunded service from another proportionate retirement system
- Apply through previous system, not TMRS
- May be purchased with rollover from a qualified plan
- May result in qualifying for additional benefits from other system (e.g., health, life insurance)

### Former Employees

- Allowed to restore previously refunded TMRS service
- Former employee must:
  - Have refunded TMRS service;
  - Not be a current member of TMRS; and
  - Be a current member of another Texas statewide public retirement system

Call TMRS for assistance!
What is Restricted Prior Service Credit?

- Time credit for previous full-time, paid, public work *anywhere* in the U.S. (including military service)

- Forfeited time from another TMRS city or participating Texas retirement system

- NO monetary value

- An optional provision that may be adopted by the city

PLEASE REMIND EMPLOYEES – They may view all their applicable service credit at any time online using MyTMRS®.
How Does Member Apply for Restricted Prior Service Credit?

- Member must submit an Application for Restricted Prior Service Credit form.

[Application form image]

TMRS City Correspondent Certification Course
Employment with Multiple Cities

- Must meet highest requirement for vesting or retirement

UNLESS

- Service with a single city fulfills that city’s requirement

Once eligible, always eligible
Example:

- 10 years with a 20-year city, then transfer to a 25-year city
- Must work 15 more years to meet the higher requirement

BUT

- 20 years with a 20-year city, then transfer to a 25-year city
- Already eligible to retire

Rule applies to vesting status as well (5 – 10 year rule)
When Can Employees Retire?

Depends on which option your city has chosen:

- Age 60 and vested (with 5 or 10 years)
- 20 or 25 years of service at any age
Estimates and Retirement Packet

- Employee should request estimates before retiring to evaluate options.
- Request estimate:
  - MyTMRS® (online access; member needs to register to use this service)
  - City Portal (at member’s request)
  - 800.924.8677 (sent by mail)
- Employee should review all information and report any changes or corrections to TMRS immediately

TMRS City Correspondent Certification Course
Applying for Service Retirement

Mail or fax application to TMRS no more than 90 days before retirement date.

Application for Service Retirement

MEMBER INFORMATION
Please type or use only black ink and do not highlight. Any corrections must be initialed.

<table>
<thead>
<tr>
<th>Member’s Name (first, middle, last)</th>
<th>Social Security Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mailing Address</td>
<td>Daytime Phone Number</td>
</tr>
<tr>
<td>City</td>
<td>State</td>
</tr>
<tr>
<td></td>
<td>Zip</td>
</tr>
</tbody>
</table>

I certify that I was ☐ / was not ☐ a Public Safety Employee when I separated from service from the employing city listed below.

(Public Safety Employee is defined in the instructions provided with this form.)

I hereby make formal application for service retirement benefits in accordance with the provisions of

TMRS City Correspondent Certification Course
Retirement Date – Things to Know

- There is no “best time” of year for employees to retire
  - Prorated interest on accounts and previous USC
  - But they should consider waiting until their birthday month to retire
- TMRS retirement date is the last calendar day of the month
- Retirement date with the city does not have to be the last calendar day of the month
- Retirement payments begin the last business day of the month following retirement date
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

DEFINITIONS:
retirement credits = $
\text{time credits} = \text{service}$
Monthly Payment Plans

7 Payment Plans

- All plans pay an annuity for retiree’s lifetime
- All plans ensure return of member’s accumulated deposits and interest
- All plans are equal in value

Retirement Options

<table>
<thead>
<tr>
<th></th>
<th>Retiree Life Only</th>
<th>Survivor Lifetime</th>
<th>Guaranteed Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>RLO</td>
<td>100%</td>
<td>75%</td>
<td>15 years</td>
</tr>
<tr>
<td>50%</td>
<td>10 years</td>
<td>5 years</td>
<td></td>
</tr>
</tbody>
</table>

See – and share – TMRS’ online video on retirement options
Retiree Life Only Option

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

Note: **Up to 3** beneficiaries may be named with this 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 a lifetime benefit for spouse (Retiree Life Only Option, or one of the Retiree Life – Guaranteed Term Term Options)
- Since the U.S. Supreme Court decision on same-sex marriage, spousal consent applies to same-sex and opposite-sex spouses alike
“Pop-Up” Provision

If a retiree...

- Has selected a survivor lifetime option
- AND
- Beneficiary dies before retiree

Then – monthly payments increase to Retiree Life Only option

TMRS City Correspondent Certification Course
Guaranteed Term Options

Guarantee payments for member’s life, but only for fixed number of years for beneficiary from date of 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

If retiree divorces after retirement, he/she may be eligible to reselect a retirement option. Contact TMRS regarding this option reselection.
What About Taxes on the Monthly Payments?

- The retiree’s monthly payment is reported to the IRS as income!
- Retirees should provide TMRS with withholding instructions (initially with the IRS W4-P form)
  - Retirees may change withholding instructions online through MyTMRS
- Retirees pay taxes only on what they receive for the year
- The only deduction from the retiree’s check is for income tax (federal withholding)
Is the Entire Payment Taxable?

- Majority of payment is taxable
- Pre-1984 deposits are not taxable

For details about tax implications, see:
SPECIAL TAX NOTICE REGARDING PLAN PAYMENTS

TMRS City Correspondent Certification Course
Partial Lump-Sum Distribution

- Members may choose partial lump-sum distribution (PLSD) when they retire.
- A PLSD may be chosen with any of the retirement options.
How is the PLSD Calculated?

Retiree Life Only $ \times \ 12, 24, \ or \ 36$

Example:

$1,000 \times 36 = $36,000

Note: PLSD cannot exceed 75% of member’s account
Do PLSD Payments Reduce Monthly Payments?

Yes – but city’s matching is not reduced!

75% cap

Member $  
City $
PLSDs and Taxes

- PLSD payments are income
- 20% withheld unless rolled over
- 10% penalty if employee is under 59½
  - Exception for retiree age 55 or older *
- Taxable distributions can be rolled over (all or part)
  - Exception — if rollover is to a Roth IRA (possibly subject to taxes)

* Federal tax law permits public safety employees who receive a PLSD at retirement at age 50 or later to waive the 10% IRS penalty. The city will need to certify the employee’s status as a public safety employee with Form TMRS-PSE.
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 (TMRS-PSE form).

- Amount excluded from taxable income may not exceed $3,000 in one year.

- TMRS sends deducted amount directly to insurer or city as appropriate.

- Forms may be downloaded from the TMRS website.
Retirement Rita – 2 Years into Retirement

- One city she retired from provides cost of living adjustments (COLAs)
- Has multiple job offers to return to work
Annuity Increases (COLAs)

- Optional provision approved by the city to protect retirement benefits from effects of inflation
- Increase is based on a percentage change of the Consumer Price Index (chosen by the city)
- This provision affects the city’s annual contribution rate (percentage of payroll to fund retirements)

See the Cost of Living Adjustments for Retirees flyer.
If 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, the member can retire or refund from that city

If an employee returns to work, there must have been a “bona fide” separation (no pre-arranged agreement to return to work)

See the “Returning to Work after Retirement” video on the TMRS website.
At any employer besides the TMRS city from which employee retired:
- Annuity is not affected
- New account will be established with the new TMRS city

In a full-time position at the same TMRS city from which employee retired:
- Annuity will be suspended while employee is re-employed
- If employee returns to the same city after 8 years, his/her annuity will be suspended, then paid in a lump-sum when he/she re-retires

CALL TMRS IF YOU HAVE QUESTIONS!
Questions