Meet Disaster Don

Lessons
- Refunds
- Buyback
- Divorce
- Death
- Occupational Disability
Disaster Don

- 47 years old
- Married to Diane, has son named Doug, 15
- Quits and requests a refund from city six months after employed
- Returns to city three months after receiving refund
- Currently employed for 3 years
- City adopts Buyback provision
When Can a Member Refund?

- To be eligible for a refund, the member must terminate employment with all TMRS Cities.
- Member is NOT REQUIRED to refund; may leave funds in account for up to 60 months.
- A member may not refund his/her TMRS account unless there is a “bona fide” separation, and the employing city must certify that the employee has terminated employment.
About Refunds

- Before refunding, TMRS must receive and post all retirement deposits to member’s account.
- Entire account balance must be refunded — no partial refunds.
- TMRS must receive completed refund application. Member can get application from city, website, and TMRS.
- If there are any claims (i.e., levies, qualified domestic relations orders, lawsuits, or legal issues) to a member’s account, the issue must be resolved before refund can be paid.
Filling Out the Refund Application

- Member fills out “Member Information and Member Certification” sections of the Refund Application
- **NOTE:** Applicant should review the “Special Tax Notice” before completing the application
- Authorized city official must certify date of termination on the form
Taxes on Refunds

- The IRS requires TMRS to withhold 20% of taxable money.
- Refund is reported on IRS form 1099-R.
- If employee is not 59½, he/she may owe additional 10% penalty tax when return is filed.
  - Employee may not owe additional tax if he/she separates from service during or after the year employee turns 55*.

* Federal tax law permits public safety employees who refund 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 on form TMRS-PSE.
What Happens When an Employee Refunds?

- Only member deposits and interest are paid!
- City matching funds are forfeited
- All service credit is forfeited
- TMRS membership is terminated
- If employee has multiple TMRS accounts, all accounts are refunded

**NOTE:** If the employee goes to work for another TMRS city or returns to work for the same city, he or she cannot receive a refund if the city’s deposit is received at TMRS before the refund check is mailed.
When Is Payment Made?

- Assuming all paperwork is in order, refunds are generally paid 6 to 8 weeks from the member’s last day of employment.
- Checks are issued weekly and mailed to the address on the refund application.
  - 1099Rs are also mailed to this address.
- If employee requested a rollover, it’s mailed to the financial institution specified by employee.
Direct Rollover of Refund

- Employee can roll over taxable dollars to an IRA or qualified employer plan to delay taxes until later withdrawal.
  - Exception: Rollover to a Roth IRA is a taxable event (possibly subject to penalty)
- A rollover form (TMRS-ROLL) is included with the refund application. This form is only required if the refund is being rolled over.
How a TMRS Buyback Works

- Buyback must be adopted by the city
- Member must have previously refunded service credit with a TMRS city
- Member must redeposit the amount previously withdrawn plus a 5% per year withdrawal fee (pro-rated monthly)
- Buyback must be made with a single payment
- Buyback may be purchased by a rollover from a qualified plan.

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To Be Eligible for Buyback

- Member must have at least 24 consecutive months of service with current city that adopts the buyback.
- Member must be an employee of city at the time the city adopts buyback.
- Member must complete application and submit to TMRS.
- Buyback may be purchased by a rollover from a qualified plan.

**NOTE:** Buyback may affect Updated Service Credit (USC)
Disaster Don – 5 Years Later

- Still employed with the city
- Diane files for divorce
Why Does Divorce Affect a Member’s Account?

A member’s deposits made and interest earned during marriage are community property

- A member’s divorce decree must state if the retirement benefit is retained by the member or split between husband and wife.

- If the decree does not specify, the retirement benefit continues to be jointly owned by both husband and wife. This can cause problems with payment of benefits in the future.
What Is a Qualified Domestic Relations Order (QDRO)?

- The purpose of a QDRO is to permit TMRS to make direct payment to a nonmember of the System.
- A court certified copy of the QDRO is required before payments can be made.
A TMRS publication titled “Divorce and Retirement” can be downloaded from the TMRS website: www.tmrs.com

TMRS recommends that all parties to a divorce suit receive a copy of this publication.
Who Can Be an Alternate Payee?

- A spouse, former spouse, child, or other dependent of a member or retiree recognized by a qualified domestic relations order
- The alternate payee receives a portion of the retirement benefit, as specified by the QDRO
When Does the Alternate Payee Receive Payment?

- Member decides when benefit is paid
  - The member must terminate employment and apply for a refund or retirement before anything is payable
- Upon member’s death, the member’s benefit will be divided between the member’s beneficiary and the alternate payee
What Are the Rules for Alternate Payees?

- All payments cease at an alternate payee’s death
- An alternate payee cannot designate a beneficiary
- Remarriage of an alternate payee does not remove their award under a QDRO
Dividing the Benefit After Retirement

- There are different QDRO formats available to divide the existing retirement benefit (the QDRO defines percentages)
- The former spouse may or may not remain beneficiary
- The former spouse may receive a lifetime annuity or may only receive payments as long as the member or his/her beneficiary is receiving payments
- Contact TMRS Support Services for assistance
Occasionally TMRS will receive requests that require special handling:

- IRS levies
- Child support
- Spousal support
- Subpoenas
- Forgery

Call TMRS for assistance

800.924.8677
Ask for “Support Services” or email divorce@tmrs.com
Disaster Don – 5 Years Later

- Don passes away in an automobile accident
- At his death, he had 13 years of TMRS service
- City offers Supplemental Death Benefit
An Employee or Retiree has Died… Where Do I Begin?

◆ Call TMRS with:
  ◆ Name of deceased
  ◆ Social Security number
  ◆ The date of death
  ◆ Contact person(s) – name, relationship, address, and phone number
  ◆ Marital status

◆ After TMRS receives your notification, we:
  ◆ Review beneficiary information and benefits
  ◆ Contact the beneficiary by letter
  ◆ Advise beneficiary of any benefits payable and include all necessary death benefit applications
What if the Contact Person is **NOT** the Beneficiary?

- Detailed information can only be given to the designated beneficiary.
- If there is no designated beneficiary, a detailed letter will go to the decedent’s estate.
### What Are the Beneficiary’s Survivor Benefit Options?

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<thead>
<tr>
<th>Non-Spouse Beneficiary</th>
<th>Spouse Beneficiary</th>
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<tbody>
<tr>
<td>Refund (no city match)</td>
<td>Refund (no city match)</td>
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<tr>
<td>Lifetime or 15-year payout (with city match)</td>
<td>Lifetime or 15-year payout (with city match)</td>
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<td>Immediate payments</td>
<td>Immediate payments</td>
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<td></td>
<td>Payments delayed until member would have reached age 60</td>
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<td><strong>Spouse must make this election within 180 days</strong></td>
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What About Multiple Beneficiaries of a Vested Member?

For both spouse and non-spouse beneficiaries:

- Refund (no city match)
- 15-year payout (with city match)
  - Immediate payments

Beneficiaries must agree on payment option
If Member Dies Before Vesting...

- Designated beneficiary receives a lump sum refund of member’s account balance
- Beneficiary is not eligible for retirement benefits
- City match is forfeited
- If no valid beneficiary designation is on file, proceeds are paid to the member’s estate

If a non-vested member dies, his/her beneficiary will be determined by his/her latest designation from MyTMRS, the New Member Form (TMRS-0016), or the Beneficiary Designation Before Retirement (TMRS-BENE).
What Is a Supplemental Death Benefit?

- Optional provision adopted by city*
- The Supplemental Death Benefit (SDB) program provides a one-time payment
  - Active employees: payment equal to yearly salary
  - Retired employees: payment equal to $7,500
- Member does not have to be vested to receive SDB
- Different beneficiary may be designated to receive SDB payment, but most members have the same beneficiary

* If an employee retires from multiple cities, his/her beneficiary will receive one SDB payment. The last employing city determines eligibility.
Supplemental Death Benefit – Extended Coverage

- Members who are off payroll due to illness are automatically eligible for up to 6 months from month of last deposit.
- If member requires coverage past the 6-month period, a written request for extended coverage is required. This extends the SDB coverage indefinitely.
What if Disaster Don had not Died?

- He survived the automobile accident, but was disabled and cannot do his job.
- He applied for and was granted occupational disability.
Applying for Occupational Disability Retirement

- Employee may apply at any time
- Retirement date must be last day of calendar month
- Occupational disability is not an optional provision; applies System-wide
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/her occupation; and
  - The incapacity is considered to be permanent
What Forms Need to Be Completed?

Occupational Disability Forms checklist:

- 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 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) (download from TMRS website)

FORMS ARE AVAILABLE FROM www.TMRS.com
Completing the City Statement for Occupational Disability Form

- 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.
Completing the Member’s Statement for Occupational Disability Form

- Member’s Statement for Occupational Disability allows employee to describe disability
- Entire form should be completed by employee
- Employee should review City Statement and job description before completing form
Completing the Physician’s Statement for Occupational Disability Form

- The Physician’s Statement for Occupational Disability is used by employee’s physician to provide diagnosis of employee’s disability
- Entire form must be completed by physician
- Multiple physicians may submit information on employee’s disability
- Photocopies of employee’s medical records may be attached to form
- Physician should review the City Statement and job description before completing form
The TMRS Medical Board is composed of three physicians who review occupational disability applications.

Per recent law, SB 1337, TMRS may request disability confirmation up to age 60.
Questions

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