

**TEXAS MUNICIPAL RETIREMENT SYSTEM**



# 2018

## **Comprehensive Annual Financial Report**

**For the Year Ended December 31, 2018**

Prepared by:

The Finance Department of the Texas Municipal Retirement System



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# Introductory





Government Finance Officers Association

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Texas Municipal Retirement System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morill*

Executive Director/CEO



Public Pension Coordinating Council

## ***Public Pension Standards Award For Funding and Administration 2018***

Presented to

**Texas Municipal Retirement System**

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

*Alan H. Winkle*

Alan H. Winkle  
Program Administrator



June 7, 2019

To: The Participants and Employers of the Texas Municipal Retirement System  
and the Readers of the *Comprehensive Annual Financial Report*

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) of the Texas Municipal Retirement System (TMRS®, or the System) for the year ended December 31, 2018. We hope you will find this report informative.

The CAFR is prepared by TMRS staff under the direction of the Board of Trustees. Management of TMRS assumes full responsibility for both the accuracy of the data and the completeness and fairness of its presentation, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement. This report complies with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB).

The TMRS Act requires that independent auditors perform an annual audit on the financial statements contained in this report. The Board selected CliftonLarsonAllen LLP (CLA) to perform the audit for the 2018 fiscal year. For information regarding the scope of the audit, please see the Independent Auditors' Report in the Financial Section. Management's Discussion and Analysis (MD&A) is found in the Financial Section immediately after the Independent Auditors' Report and provides an analysis of condensed financial information for the current and prior fiscal year. MD&A should be read in conjunction with this transmittal letter.

## **About TMRS**

TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1947 to provide retirement, disability, and death benefits to employees of participating cities. As a hybrid defined benefit plan, TMRS members contribute at a designated rate toward their own retirement benefit. At retirement, the member's account balance (including credited interest) plus employer matching contributions is used to calculate the member's retirement benefit. As of December 31, 2018, TMRS had 887 member cities, 111,851 active employee accounts, and 66,051 retirement accounts. TMRS paid \$1.34 billion in benefits in 2018, up from \$1.26 billion in 2017.

## Activity in 2018

In March 2019, the TMRS Board approved an approximate -3.08% interest (debit) to city accounts as of December 31, 2018, based on account balances as of January 1, 2018. The System's asset smoothing policy and partial recognition of investment losses resulted in an actuarial return of 6.06%. The actuarially assumed annual return for the TMRS fund is 6.75%. Member accounts were credited with 5% based on account balances as of January 1, 2018.

TMRS is a long-term investor, and losses in some years are expected. Portfolio diversification helps mitigate losses over time, and actuarial smoothing of assets reduces the contribution rate volatility that would otherwise be associated with gains and losses based on a single year's investment performance. For more information, see the Investment section.

Building on previous years' initiatives to provide straight-through processing for members (MyTMRS®) and cities (the City Portal), TMRS continued to encourage our customers to adopt the applications. MyTMRS accounts (members and retirees) increased to 112,000 in 2018 (13% increase), and the number of cities using the City Portal increased to 776 (6% increase). In 2018, online enrollment of members exceeded paper enrollments. City administrators enrolled more than 4,688 members electronically by the end of 2018. Online estimates requested via MyTMRS grew to over 245,000, and those requested by cities through the City Portal on behalf of members totaled approximately 7,400. By comparison, estimates run by Member Services representatives for all purposes, not exclusively at members' request, totaled 13,761.

A strong demand for member and retirement services continues. Five new cities joined the System in 2018. Staff answered over 85,000 phone calls and 8,000 emails requesting assistance. Staff processed 3,669 new retirements in 2018, representing a 3% increase over the previous year. Development of online direct deposit capability and retirement processing is in progress.

During the interim legislative period in 2018, in preparation for the 2019 Legislative Session, the TMRS Board of Trustees, with input from the Advisory Committee on Benefit Design, considered changes to the TMRS Act. In its December 2018 meeting, the Board unanimously decided to propose nine administrative and operational statutory changes for the 86th Session of the Texas Legislature. Following the Board's request, Senator Joan Huffman filed SB 1337 and Representative Dan Flynn filed HB 2821, both containing amendments recommended by the Board. SB 1337 passed on May 21, 2019. The statutory changes do not significantly affect benefits but will improve the administration and operations of TMRS.

In the area of employer services, staff provided a high level of support to TMRS cities that wanted to examine contribution rates or consider changing their plan options. In support of cities and members, the Travel Team made 306 trips to cities and visited with approximately 37,474 members and city officials. The Travel Team also answered more than 7,724 emails and provided individual counseling for more than 1,569 TMRS members. For group training sessions, the Communications department prepared and presented 15 Regional Pre-Retirement Seminars, 4 two-day City Correspondent Certification Courses plus several one-day courses, 1 Retiree Luncheon, 6 Executive Workshops, and a successful three-day Annual Seminar in Lakeway.

In addition to preparing publications for members, retirees, and cities, TMRS also expanded its outreach through increased presence on social media (Facebook, Instagram, and LinkedIn), training videos (hosted on the TMRS website and YouTube), e-newsletters, and topic flyers (including Spanish-language flyers). In addition, the Board approved the TMRS Risk Assessment and Audit Plan for 2019 to 2020 provided by the Internal Audit department, as well as a revision of the System's strategic plan. Staff also developed a Business Continuity Plan, expanded the GASB materials provided on the website to include both GASB 68 and GASB 75 resources, and developed a proposal for a comprehensive review of TMRS' pension administration system to be performed in 2019.



## Investments

TMRS administered \$28.0 billion in assets as of December 31, 2018. The Investment department at TMRS follows these Total Portfolio Performance Objectives:

- Achieve a Total Rate of Return, over rolling five-year periods, consistent with the assumed long-term rate of return on TMRS assets adopted by the Board (currently 6.75%)
- Exceed an appropriate benchmark reflective of asset class participation over rolling five-year periods (i.e., Policy Index)

Diversification has been, and continues to be, implemented through a deliberate multi-year process. The current asset allocation strategy is expected to meet the long-term total return objective of 6.75%, consistent with the actuarial interest rate assumption for the plan.

As described in the Investment Section of this CAFR, the overall one-year gross rate of return for 2018 on the investment portfolio was -2.11%. The Investment Section of this CAFR contains a detailed summary of investment operations during 2018, including performance of different asset classes and diversification progress.

## Funding and Actuarial Overview

As required by statute, TMRS obtains an annual actuarial valuation for each participating municipality. The actuarial results for the System as a whole are presented in the Actuarial Section of this CAFR. After the completion of the annual actuarial valuation, TMRS provides a Rate Letter to each participating municipality, reconciling the city's rate from the prior valuation to the current valuation and explaining the components of the reconciling items. TMRS makes these Rate Letters available on our website.

The TMRS Board of Trustees has been working with the actuarial firm of GRS Retirement Consulting (GRS) since June 2008, and GRS completed its eleventh actuarial valuation for the System for the fiscal year ended December 31, 2018. As certified by GRS, the calculations for funding are prepared in accordance with Actuarial Standards of Practice, GASB principles, and state law.

Each city has its own retirement program within the options offered by the plan. Each city's plan objective is to accumulate sufficient assets to pay benefits when they become due and to finance its long-term benefits through a contribution rate that is annually determined by the consulting actuary. During 2018, TMRS' internal actuarial staff spent much of the year communicating with cities on methods cities can use to reduce the volatility of their contribution rates.

A member city's retirement contribution rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated to the year immediately following the valuation date; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits if adopted by a city — such as Updated Service Credit (USC) and Cost of Living Adjustments (COLAs) — as well as future increases in salary.

Conservative features of TMRS' plan include the 6.75% investment return assumption, and that each city's unfunded liability is amortized over a closed period of 25 or 30 years. As of December 31, 2018, TMRS as a whole was 87.1% funded, a slight decrease from 87.4% at December 31, 2017. Historical information relating to progress in meeting the actuarial funding objective is presented in the Summary of Actuarial Liabilities and Funding Progress, included in the Actuarial Section of this CAFR. TMRS' Actuarial Funding Policy, is posted on the TMRS website.

# Letter of Transmittal

Continued

## Professional Services

The Board of Trustees appoints consultants to perform services that are essential to the effective and efficient operation of TMRS. The Supplemental Schedules of the Financial Section contain information on professional services.

## Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TMRS for its *Comprehensive Annual Financial Report for the Years Ended December 31, 2017 and 2016*. This was the 31st consecutive year that TMRS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. TMRS believes that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

TMRS also received the 2018 Public Pension Standards Award for Funding and Administration from the Public Pension Coordinating Council (PPCC) in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

This CAFR is made available to all participating TMRS cities; their combined cooperation contributes significantly to the success of TMRS.

We would like to express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report and to the continued success of the System.

Respectfully submitted,



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Jim Parrish  
Chair, Board of Trustees



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David Gavia  
Executive Director



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Rhonda H. Covarrubias  
Director of Finance

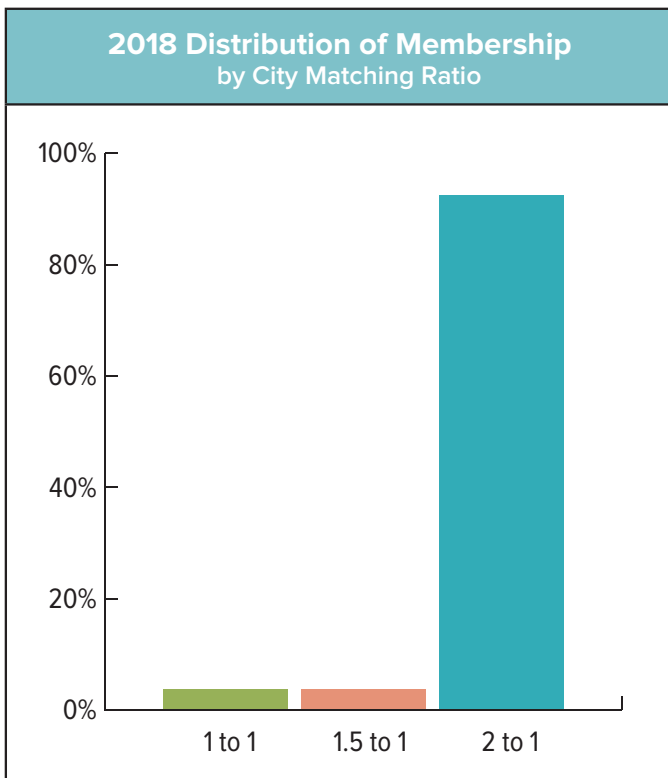
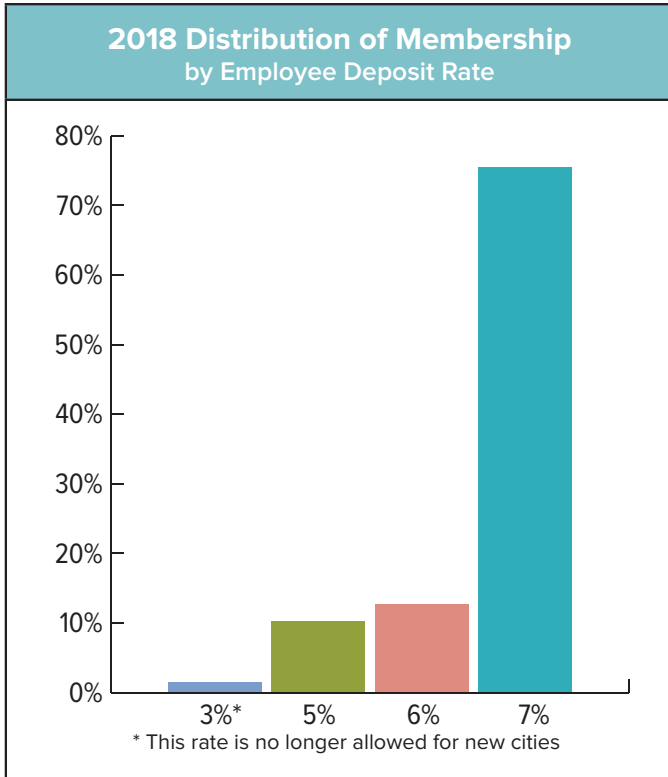
# TMRS Highlights

	2016	2017	2018
Employer Contributions	\$768.3 mil	\$838.4 mil	\$881.5 mil
Employee Contributions	\$389.9 mil	\$410.5 mil	\$427.8 mil
Retirement Benefits	\$1.2 bil	\$1.3 bil	\$1.3 bil
Terminated Member Refunds	\$54.2 mil	\$59.4 mil	\$64.3 mil
Administrative Expenses	\$18.1 mil	\$18.1 mil	\$16.6 mil
Investment Expenses*	\$61.2 mil	\$86.7 mil	\$48.0 mil
Member Municipalities	872	883	887
New Member Municipalities	6	11	5
Retired Member Accounts	59,611	62,776	66,051
Active Plan Member Accounts	108,891	110,208	111,851
Inactive Plan Member Accounts	53,721	57,369	62,465
New Retirements	3,456	3,550	3,669
New Employee Members	15,094	15,771	17,117
Refunded Members	6,971	7,337	7,963
Investments, at Fair Value	\$25.8 bil	\$28.9 bil	\$28.0 bil
Annual Total Return, Gross	7.42%	14.27%	-2.11%
Interest Rate on Employee Deposits	5.0%	5.0%	5.0%
Interest Rate on Municipality Deposits	6.73%	13.05%	-3.08%
Cities that:			
Adopted Updated Service Credit (USC)	596	596	598
Reduced percentage or rescinded USC	1	4	2
Adopted Annuity Increases to Retirees (AI)	475	472	471
Reduced or Rescinded AI	-	2	3
Increased Employee Contribution Rate	11	10	33
Increased City Matching Ratio	6	13	7
Reduced City Matching Ratio	-	1	-
Adopted 5-Year Vesting	2	1	3
Adopted 20-Year, Any Age Retirement	10	8	11

\*Investment expenses do not include management and incentive fees that are paid directly out of the operations of the private investment funds.

# TMRS Highlights

Continued



# TMRS Board of Trustees



**Jim Parrish, 2018 Chair**  
Deputy City Manager – Administrative Services  
*Plano*  
Term expires: February 1, 2023



**James "Jim" Paul Jeffers**  
City Manager  
*Nacogdoches*  
Term expires: February 1, 2021



**Bill Philibert, 2018 Vice Chair**  
Director of Human Resources  
and Risk Management  
*Deer Park*  
Term expires: February 1, 2019



**David Landis**  
City Manager  
*Perryton*  
Term expires: February 1, 2021



**Jesús A. Garza**  
City Manager  
*Victoria*  
Term expires: February 1, 2023



**Julie Oakley, CPA**  
Assistant City Manager  
*Lakeway*  
Term expires: February 1, 2019

The TMRS Act provides that the administration of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate. Three Trustees are "Executive Trustees" (Landis, Philibert, and Garza) who are the chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality. Three Trustees are "Employee Trustees" (Jeffers, Oakley, and Parrish) who are employees of a participating municipality. Per the Texas Constitution, Trustees continue to perform the duties of their office until a successor has been duly qualified.

## TMRS Professional Advisors

### Actuary

GRS Retirement Consulting

### Economic Advisor

A. Gary Shilling & Co.

### Investment Consultants

Albourne America LLC  
Courtland Partners Ltd.  
RVK, Inc.  
StepStone Group LP

### Custodian

State Street Bank and Trust Company

### Fiduciary Counsel

Robert D. Klausner

### Depository Bank

JPMorgan Chase Bank

### Independent Auditor

CliftonLarsonAllen LLP

### Medical Board

Ace H. Alsup III, M.D.  
William J. Deaton, M.D.  
William P. Taylor, M.D.

#### Note:

A Schedule of External Investment Fees, by asset class, is provided on page 69 in the Investment Section of this report.

# TMRS Advisory Committee

The **TMRS Advisory Committee on Benefit Design** (“Advisory Committee”) is appointed by the TMRS Board of Trustees and serves at the pleasure of the Board. The Advisory Committee provides valuable assistance to the Board in considering benefit changes and improvements to the System, and acts as a voice for member, retiree, and city issues.

The Advisory Committee is a 10-member body composed of three “Individual Representatives” representing TMRS members, retirees, and elected officials; and seven members representing associations and groups with an interest in the TMRS program, called “Group Representatives.” Group Representatives are chosen by their respective associations and approved by the Board. The following members were on the Committee as of December 31, 2018.

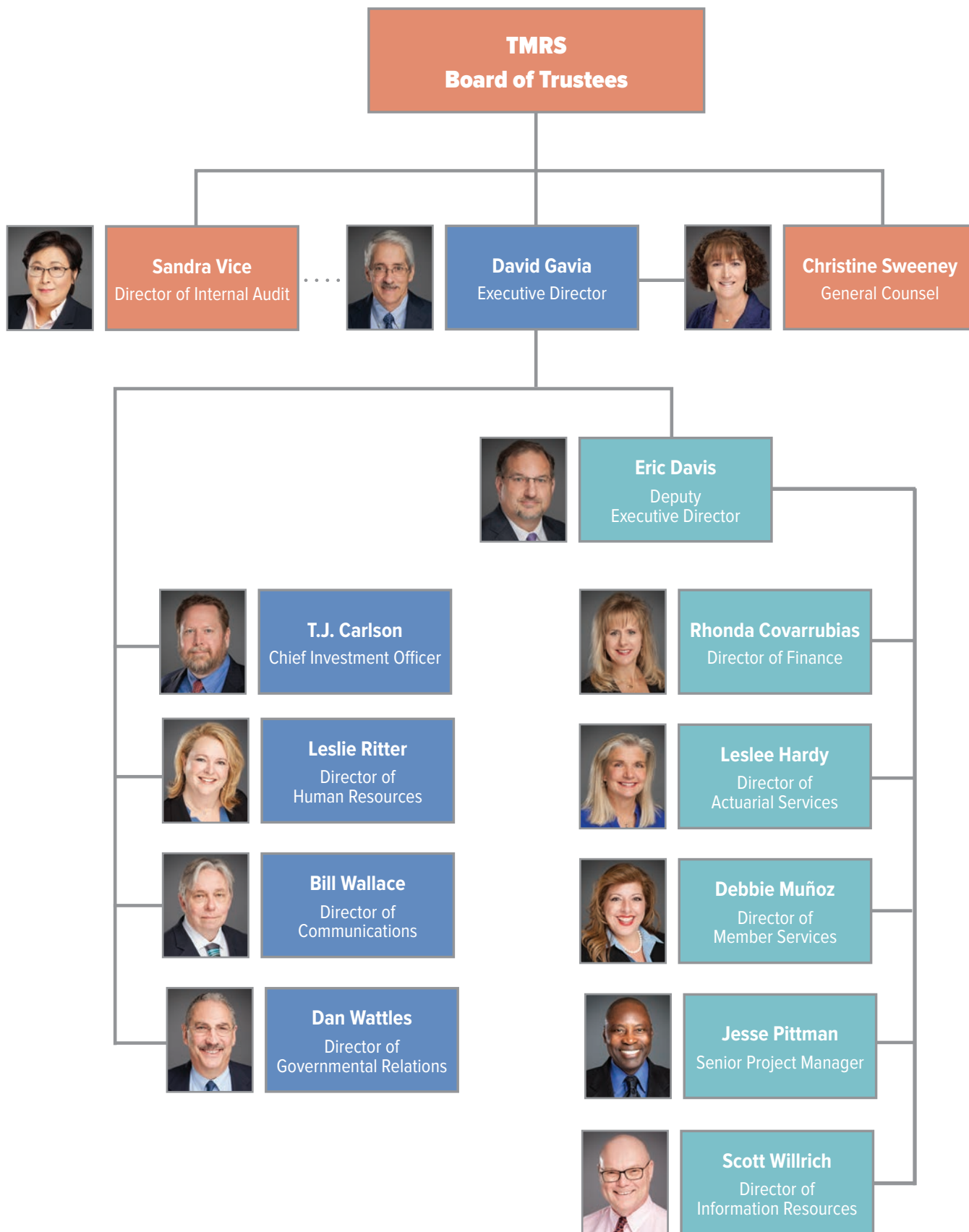
## Individual Representatives

- George Kauffman, TMRS Retiree
- Bryan Langley, Assistant City Manager/Chief Financial Officer, Denton
- Julie Masters, Mayor, Dickinson

## Group Representatives

- Bonita Hall, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- David Riggs, Texas State Association of Fire Fighters
- J.J. Rocha, Texas Municipal League
- Scott Leeton, Combined Law Enforcement Associations of Texas
- Casey Srader, Government Finance Officers Association of Texas

# TMRS Administrative Organization



# Summary of Plan Provisions

## Purpose

The Texas Municipal Retirement System (TMRS, or the System) is an entity created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code, as a retirement system for municipal employees in the State of Texas. TMRS is a public trust fund governed by a Board of Trustees with a professional staff responsible for administering the System in accordance with the TMRS Act. The System bears a fiduciary obligation to its members and their beneficiaries.

## Administration

The TMRS Act entrusts the administration of TMRS to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate. Three trustees are Executive Trustees, who must be a chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality. Three trustees are Employee Trustees, who must be employees of a participating municipality.

The TMRS Act requires regular Board meetings in March, June, September, and December of each year. The Board of Trustees employs actuarial, legal, medical, and other experts for the efficient administration of the System. The Board also forms committees to serve in an advisory role as needed.

The Board appoints an Executive Director to manage TMRS under its supervision and direction.

## Membership

Cities choose to participate in TMRS. When a city joins TMRS, all of its eligible employees become members of the System. An employee in a position that normally requires at least 1,000 hours of work in a year, as determined by the city, is an eligible employee and is required to be a member of TMRS.

A person who leaves employment with all TMRS cities may withdraw all member deposits and interest from TMRS and cancel service credit with the System. A member may not refund his/her TMRS account unless there is a “bona fide” separation, and the employing city must certify that the member has terminated employment.

## Service Credit

TMRS members earn a month of service credit for each month they are employed in an eligible position by a participating TMRS city and make the required contribution to the System. Members may also receive Prior Service Credit for periods of city employment before the employing city joined TMRS. Because TMRS is a statewide retirement system, service credit may be a combination of service with several member cities. Service credit may also include Military Service Credit, credit for previously refunded TMRS service that has been purchased, and other types of service credit allowed under the TMRS Act.

If adopted by ordinance, a participating municipality can also grant Restricted Prior Service Credit to an employee for service performed as a full-time paid employee of:

- Any public authority or agency created by the United States
- Any state or territory of the U.S.
- Any political subdivision of any state in the U.S.
- Any public agency or authority created by a state or territory of the U.S.
- A Texas institution of higher education, if employment was as a commissioned law enforcement officer serving as a college campus security employee



Restricted Prior Service Credit also can be granted for credit previously forfeited under one of the following systems:

- Texas Municipal Retirement System
- Teacher Retirement System of Texas
- Employees Retirement System of Texas
- Texas County and District Retirement System
- Judicial Retirement System of Texas (Plan 1 or 2)
- City of Austin Employees Retirement System

This restricted credit may only be used to satisfy length-of-service requirements for retirement eligibility, and has no monetary value under TMRS.

## Member Contributions

TMRS member cities designate, by ordinance, the rate of member contributions for their employees. This rate is 5%, 6%, or 7% of an employee's gross compensation. Three cities have a 3% rate, no longer available to cities under the TMRS Act. Compensation for retirement contribution purposes includes overtime pay, car allowances, uniform allowances, sick leave, vacation pay, and other payments if they are taxable to the employee.

All member contributions since 1984 are tax-deferred under the Internal Revenue Code, pursuant to Sections 401(a) and 414(h)(2). The member contribution rate may be increased by ordinance. However, the member contribution rate may only be reduced if the members in the city, by a 2/3 vote, consent to a reduction, and the city, by ordinance, provides for the reduction.

Interest is credited to member accounts annually on December 31 at a 5% rate, based on the balance in the account on January 1 of that year. In the year of retirement, interest will be prorated for the months of service in that year.

## Vesting and Retirement Eligibility

TMRS members vest after either 5 or 10 years of service, based on their city's plan. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment.

A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality, including:

- Age 60 with 5 years of service
- Age 60 with 10 years of service
- Any age with 20 years of service
- Any age with 25 years of service

Before a city adopts the 20-year, any-age provision, the System must prepare an actuarial study to determine the provision's effect on the city's contribution rate, and the city must conduct a public hearing on the adoption.

Effective January 1, 2002, TMRS law was changed to give cities the option to choose 5-year vesting. Cities that did not opt out of that vesting provision before December 31, 2001, automatically changed from 10-year to 5-year vesting. Cities that chose to retain 10-year vesting may change to 5-year vesting at any time.

# Summary of Plan Provisions

Continued

## City Contributions

Upon an employee's retirement, the employing city matches the accumulated employee contributions plus interest earned. Each city chooses a matching ratio: 1 to 1 (100%); 1.5 to 1 (150%); or 2 to 1 (200%). This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year.

## Updated Service Credit

Member cities, at their option, may elect to adopt Updated Service Credit, either annually or on an annually repeating basis, effective January 1 of a calendar year. Updated Service Credit improves retirement benefits by using a member's average monthly salary over a recent three-year period to recalculate the member's retirement credit as if the member had always earned that salary and made deposits to the System, matched by the city, on the basis of that average monthly salary. Updated Service Credit also takes into account any changes in the city's TMRS plan provisions that have been adopted, such as an increase in the member contribution rate or the city's matching ratio. If there is a difference between the recalculated amount and the actual account balances, a percentage (50%, 75%, or 100%) of this difference is granted to the employee, funded by the participating municipality, as the Updated Service Credit. A member must have at least 36 months of service credit as of the study date in the adopting city before becoming eligible to receive this credit. Interest on Updated Service Credit is prorated in the year of retirement.

## Retirement Payment Options

After applying for retirement, a TMRS member may choose one of seven optional monthly benefit payments. The member makes this choice before receipt of the first benefit payment, and the choice is irrevocable after the date the first payment becomes due. All options pay a monthly annuity for the life of the retiree. The options include:

- A benefit for the retiree's lifetime only ("Retiree Life Only" option)
- Three guaranteed-term benefits that pay a benefit for the lifetime of the member and to a beneficiary for the balance of 5, 10, or 15 years if the member dies before the term is reached ("Guaranteed Term" options)
- Three options that pay a lifetime benefit to the member and, upon the member's death, a survivor lifetime benefit equal to 50%, 75%, or 100% of the member's benefit ("Survivor Lifetime" options)

As a minimum benefit, TMRS guarantees that an amount equal to at least the member's contributions and interest will be returned, either through payment of a monthly benefit or through a lump-sum refund.

Each of the three survivor lifetime retirement options includes a "pop-up" feature. The "pop-up" feature provides that if the designated beneficiary dies before the retiree, the retiree's benefit will "pop up" to the Retiree Life Only amount. Retirees who marry or remarry after retirement and who meet specific conditions also have a one-time option to change from a Retiree Life Only benefit to one that provides a survivor benefit.

Members who are eligible for service retirement may choose to receive a Partial Lump Sum Distribution, a portion of the member's deposits and interest in cash, at the time of retirement. The Partial Lump Sum Distribution is equal to 12, 24, or 36 times the amount of the Retiree Life Only monthly benefit, but cannot exceed 75% of the member's deposits and interest. The remaining member deposits are combined with the city's funds to pay a lifetime benefit under the selected retirement option.

The Partial Lump Sum Distribution may be chosen with any of the retirement options and is paid in a lump sum with the first retirement payment. This amount may be subject to federal income tax and an additional 10% IRS tax penalty if not rolled over into a qualified plan.

Section 415(b) of the Internal Revenue Code limits the amount of an annual benefit that may be paid by a pension plan's trust to a retiree. This provision is known as the Section 415 limit, which is set by Congress and can be periodically adjusted by the IRS. Any portion of a retiree's annual benefit that exceeds the Section 415 limit cannot be paid from the TMRS trust fund. However, Internal Revenue Code Section 415(m) allows pension plans to create a separate fund, known as a qualified governmental excess benefit arrangement, to pay the benefits above the Section 415 limit. Accordingly, the TMRS Act established such an arrangement, which is referred to as the "Full Benefit Arrangement." Additional details are made available to affected retirees if they will reach the Section 415 limit in any given year.

## Annuity Increases (COLAs)

A member city may elect to increase the annuities of its retirees (grant a cost-of-living adjustment, or COLA), either annually or on an annually repeating basis, effective January 1 of a calendar year. For cities that adopted annuity increases since January 1, 2000, the adjustment is either 30%, 50%, or 70% of the increase (if any) in the Consumer Price Index – All Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December 13 months before the effective date of the increase, applied to the original monthly annuity.

## Survivor Benefits

If a member dies before vesting, the member's designated beneficiary is eligible to receive a lump-sum refund of the member's deposits and interest. For a vested member, a beneficiary who is the member's spouse may select a monthly benefit payable immediately; withdraw the member's deposits and interest in a lump sum; or leave the member's deposits with TMRS, where they will earn interest until the date the member would have reached age 60, and then the beneficiary may receive a lifetime benefit. A beneficiary who is not the member's spouse may select a monthly benefit payable immediately or withdraw the member's deposits and interest in a lump sum.

## Disability Retirement

All active TMRS cities have adopted an Occupational Disability Retirement benefit. If a member is judged by the TMRS Medical Board to be disabled to the extent that the member cannot perform his or her occupation, and the disability is likely to be permanent, the member may retire with a lifetime benefit based on the total reserves as of the effective date of retirement. The Occupational Disability annuity will be reduced if the combined total of the Occupational Disability annuity and any wages earned exceeds the member's average monthly compensation for the highest 12 consecutive months during the three calendar years immediately before the year of retirement (indexed to the CPI-U). As the minimum disability benefit, the member's deposits and interest are guaranteed to be returned, either through payment of the monthly benefit, or upon termination of the annuity through a lump-sum refund.

# Summary of Plan Provisions

Continued

## Supplemental Death Benefits

Member cities may elect, by ordinance, to provide Supplemental Death Benefits for active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. This benefit is paid in addition to any other TMRS benefits the beneficiary might be entitled to receive. If an individual has multiple retirements, his/her beneficiary will receive only one Supplemental Death Benefit; the last employing city with this provision pays the benefit.

## Buyback of Service Credit

When a member terminates employment and chooses to take a refund of his or her deposits and interest, the member forfeits all service credit. If the member is reemployed by a TMRS member city, and if the employing city adopts the buyback provision by ordinance, the member may repay the amount of the refund plus a 5% per year withdrawal charge, in a lump sum, to reinstate the previously forfeited credit. A member must have 24 consecutive months of service with the reemploying city, and must be an employee of that city on the date the buyback ordinance is adopted to be eligible to buy back service credit.

## Military Service Credit

Members who leave employment with a TMRS city, serve in the military, and then return to city employment may establish credit for the time they spend in the military, up to 60 months. Members who meet the requirements of the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) may make member contributions to TMRS as though they had been employed by the city for the period of their military service.

In cities that have adopted Military Service Credit, members who are not eligible for USERRA credit, or who choose not to make contributions, may establish service credit for up to 60 months of military time. A member must have five years of TMRS service credit to establish non-USERRA Military Service Credit.

Members with five years of TMRS service credit who were employed on December 31, 2003, by a city that had previously adopted Military Service Credit, may choose to purchase this credit at a cost of \$15 per month of credit sought (purchase amount would increase the member's account balance), or may use the no-cost time-only provision. ■

This discussion is an informal presentation of the TMRS Act. If any specific questions of fact or law should arise, the statutes will govern.