



# TMRS

**Texas Municipal Retirement System**



## Member Benefits Guide

*August 2019 Edition*

# Career Retirement Guide

This *Benefits Guide* provides a comprehensive overview of your TMRS® retirement program. You may find particular sections of the book especially helpful to you at different points in your career as a municipal employee.

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## Dear Member,

We are pleased to provide you with a copy of the *TMRS Member Benefits Guide*. This booklet describes the retirement program administered by the Texas Municipal Retirement System, which is provided by more than 880 Texas cities to their employees.

Each city chooses the plan of benefits it offers to its members, and this booklet is an overview of the entire program.

TMRS has served Texas cities since 1948 and is a valuable part of the benefit package your city offers. Our trained, professional staff members are always ready to be of service to you at any time. Please feel free to visit, phone, or email us when we may be of assistance.

Sincerely,

A handwritten signature in black ink that reads "David Gavia".

David Gavia

Executive Director, TMRS

## How to Contact TMRS

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**Toll-free** 800.924.8677

**Fax** 512.476.5576

**Local** 512.476.7577 in Austin

**Need Help?** [www.tmr.com/contact.php](http://www.tmr.com/contact.php)

**Website** [www.tmr.com](http://www.tmr.com)

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# About TMRS

The Texas Municipal Retirement System (TMRS) provides retirement benefits to employees of approximately 880 Texas cities. In TMRS, each city chooses from a menu of retirement plan provisions to provide affordable, sound benefits to meet the needs of employees and their families.

This *Member Benefits Guide* will help you understand your retirement program and make the best use of your benefits. Because each member city chooses from TMRS' menu of plan options, TMRS benefits vary from city to city. For specific questions about your city's benefits, contact your city's personnel department or TMRS. The TMRS website also provides current information on individual city plan provisions.

TMRS members with questions about benefits may call the TMRS Phone Center toll-free at 800.924.8677 or fill out the web form at [www.tmr.com/contact.php](http://www.tmr.com/contact.php).

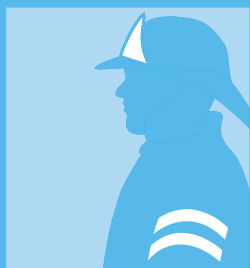
TMRS is governed by the TMRS Act, Texas Government Code, Title 8, Subtitle G, and is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code. The TMRS Act provides that the administration of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate.

TMRS also publishes this *Benefits Guide* in Spanish, and we have bilingual employees to assist you.

*En TMRS tenemos la guía de beneficios disponible en Español y representantes bilingües para asistirle.*

The TMRS website, [www.tmr.com](http://www.tmr.com), contains up-to-date information to supplement what is found in this guide. From the website, you can download forms, check city plan provisions, and see your own TMRS account status.

The TMRS website also offers benefit information in Spanish. *La página de internet también ofrece información sobre beneficios en Español.*



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**Mission Statement** • Providing secure, reliable, retirement benefits

**Vision Statement** • To be the model for empowering retirement

**Core Values** • Accountability, Excellence, Integrity, Respect, Teamwork

### Membership

If you are employed by a city that participates in TMRS, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position.

### Credit for Your Service

In general, you earn a month of service credit toward retirement for each month you are employed in an eligible position (see page 7) by a TMRS city and the required deposit is made. You may establish other types of service credit, including credit for previous government employment or active-duty military service. (See Chapter 4.)

In the spring of each year, TMRS sends you an Annual Statement of your service credit and your account balance. You may also view your account information on TMRS' secure website using MyTMRS®.

### Vesting

In most TMRS cities, you are vested when you have 5 years of service credit. Some cities require 10 years of service credit to vest.

“Vesting” means you have worked enough years and established enough service credit to meet the minimum length-of-service requirement for retirement. Once vested, if you leave city employment, you may leave your deposits with TMRS and retire with a TMRS retirement benefit when you reach age 60 (or meet other retirement requirements that may be necessary).

### Your Beneficiary

Your beneficiary is the person (or persons) you choose to receive payments from your retirement account if you die. Although you name a beneficiary when you first become a TMRS member, reviewing your beneficiary designation becomes especially important when you have vested after 5 or 10 years of service credit (depending on your city's plan). TMRS will contact you when you vest to have you designate a beneficiary for your vested benefit.

### Important

Please keep TMRS informed of any changes you wish to make to your beneficiary, especially if your marital status changes. Forms for changing your beneficiary are available by calling TMRS, or may be printed off the TMRS website.

**TMRS forms require your signature.**

**Certain beneficiary changes may be made on MyTMRS.**

## Deposits and Accounts

Your **member deposits** are deducted by your city from your pay. Depending on your city's plan, your deposits will be 5%, 6%, or 7% of your gross compensation. Your member deposits in your account are credited with **interest** each year.

Your city matches your member deposits and interest at retirement at a rate chosen by the city: 1 to 1, 1.5 to 1, or 2 to 1. The **city match** is combined with your member deposits and the interest credited to your account to calculate your retirement benefits when you retire.

Member deposits are deducted from your pay before taxes, so you are not taxed on your member deposits or interest credits until you receive them from TMRS as a benefit payment. See Chapter 11 for more information on tax issues.

By law, you cannot borrow from your member account; nor can you use it as collateral for a loan.

## Retiring

In most TMRS cities, you can retire when you have at least 5 years of service credit (10 years in a few cities) and are at least age 60.

You may also retire at any age if you have 20 or 25 years of service credit, depending on the plan chosen by your city.

At retirement, you will choose a **monthly payment option** to receive your benefit. All options pay you a monthly benefit for the rest of your life. Besides the **Retiree Life Only** benefit, six payment options are available that can provide payments to your beneficiary if you die. Choosing your retirement option is one of the most important decisions you will make as a TMRS member. Detailed information on the options begins on page 27. A video explaining your retirement options is available on the TMRS website.

Your monthly benefit at retirement is based on your member deposits and interest, the city's matching funds, other credits, your life expectancy (and your beneficiary's, if you choose certain options), future account interest assumptions as set by law, and the monthly payment plan you choose.

### Important

By law, you cannot borrow from your member account; nor can you use it as collateral for a loan.

Your Annual Statement contains **estimates** of your retirement benefits. You may also get an estimate through MyTMRS (see page 52) or by calling TMRS.

## Death Benefits

**Upon your death, your beneficiary or estate is guaranteed to receive at least a refund of your remaining member deposits and interest.** If you are vested at the time of your death, your beneficiary may also be eligible for a monthly payment. If you die after retirement, the payment your beneficiary receives will be based on the retirement option you chose. See Chapter 8 for full information on beneficiaries and death benefits.

Many TMRS cities have chosen to offer a **Supplemental Death Benefit** for members and retirees. Survivors of active employees of these cities receive an additional benefit approximately equal to the employee's annual salary. If an employee of a city with Supplemental Death Benefits dies after retirement, the Supplemental Death program pays a lump sum of \$7,500 to a beneficiary.

## Disability Benefits

TMRS provides an **Occupational Disability** benefit (see Chapter 7). If you become disabled in a manner likely to be permanent and that prevents you from performing your job with the city, you may be eligible to retire immediately. Your benefit will be based on your member deposits and interest, the city's matching funds, and any other credits you have earned.

## Leaving City Employment Before Retirement

If you are no longer employed by any TMRS city, you may apply for a refund of your member deposits and interest. **You are not required to withdraw (refund) your deposits. If you withdraw (refund) your member deposits and interest, your TMRS membership will end. You will not receive any city matching funds.**

If you think you may be working for another TMRS city in the future, you may want to leave your money in your account. As long as you are a TMRS member, your account earns interest. If you are not vested, your membership ends after 5 years of inactivity, and your account will no longer be credited with interest.

### Refunding Video

If you're considering a refund, watch the Refunding Your Benefit video to learn about your options. See Members | Video Training Library | Refunding Your Account.



If you are employed by a city that participates in TMRS, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position. Regardless of your age, you become a member of TMRS on the date you are employed in an eligible position by a participating city.

**Employees who are not eligible for TMRS membership include:**

- ◆ Those in positions that normally require less than 1,000 hours of work in a year
- ◆ Those who are hired by cities on a seasonal or temporary basis
- ◆ Volunteer firefighters

When you are employed in a position that requires TMRS participation, part of your **compensation** will be deducted from each paycheck and credited to your member account. Funds contributed by your city to fund their promise to match a member's account balance at retirement are credited to the city's account. Upon meeting certain requirements, you can retire and receive a guaranteed monthly payment for life based on your deposits and interest, the city's matching funds, and other credits.

Your participation begins on your date of employment, even though the city might consider you a probationary employee for other benefits.

**Q: Is participation in TMRS mandatory?**

**A:** As long as you are employed at a TMRS city in a position that normally requires at least 1,000 hours per year (determined by your city), you are required to be a member of TMRS as a condition of your job. The only way to end your TMRS membership (besides retirement or death) is to stop working for all TMRS cities and withdraw (refund) your member deposits and interest. If you take a refund, you will not receive the city's matching funds.

**Q: For TMRS purposes, what is compensation?**

**A:** Compensation consists of your gross wages paid by the city. Compensation includes overtime pay, car allowances, uniform allowances, sick leave, vacation pay, and other taxable payments you receive from your employer. For information on workers' compensation payments, see pages 16 – 17.

**Q: Who decides which TMRS options my city will adopt?**

**A:** Your City Council decides which provisions are included in your city's plan of TMRS benefits. The TMRS Act requires cities that are beginning participation in TMRS to include certain provisions in the plan. For cities that are already TMRS members, optional provisions, such as Updated Service Credit and Cost of Living Adjustments (COLAs), can be added or changed by actions of the City Council.

## Vested Membership

When you are “vested,” you have reached an important milestone in your TMRS membership. Once you have enough service credit to be vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your member deposits with TMRS, you keep your right to a retirement benefit. Your TMRS deposits will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS. Most TMRS cities require 5 years of service credit to become a vested member. Some cities require 10 years.

**Q: I've worked for two TMRS cities with different vesting requirements. How can I tell when I'm vested?**

**A:** If you have at least 5 years of service credit, all with 5-year cities, you are vested. Even if you leave a 5-year city after vesting, you are still vested in TMRS. If you are not vested with 5 years of service and must combine service credit from cities with 5 and 10-year vesting requirements, you must have 10 years of combined service credit to become vested.

## Vesting

Once you become vested in TMRS, you remain vested, even if you go to work in another TMRS city with a higher vesting requirement.

## Your Beneficiary

One of your most important decisions as a TMRS member is the designation of your beneficiary. Your beneficiary is the person who may receive a TMRS benefit (or the refund of your member deposits and interest) if you die.

When you first become a TMRS member, you will choose a beneficiary. Until you become vested (after 5 or 10 years of service credit, depending on your city’s plan), if you die, your beneficiary will receive a refund of your member deposits and interest. Once you become vested, your beneficiary has certain options with regard to your retirement account if you die (see pages 38 – 40).

## Terminating TMRS Membership

Once established, your membership in TMRS continues until one of the following occurs:

- ◆ You terminate employment with all TMRS cities, and you withdraw (refund) your member deposits from TMRS
- ◆ You retire under TMRS or die before retirement
- ◆ You terminate employment with all TMRS cities and do not earn service credit with any participating city for more than 60 months (5 years), and
  - You do not have enough service credit to be vested (5 years in most cities); or
  - You are not employed in a position covered by a retirement system that participates in the Proportionate Retirement Program (see pages 10 and 24).

**Q: What happens if I stop working for a TMRS city and start service with another participating TMRS city?**

**A:** As long as you leave your member deposits in TMRS, you keep your membership in TMRS. This applies even if you are considered a probationary employee (for other non-TMRS benefits) of your new city.

## 60-month Interest Period

Your post-employment 60-month period begins with the month after you make your final deposit. TMRS only credits interest for the full year (one time per year in December). If your 60th month is not December, you will not receive interest for a partial year.

**Q: What happens if I begin a new job that is covered by another Texas statewide retirement system?**

**A:** As long as you leave your member deposits with TMRS, you can participate in the following systems and retain your TMRS membership:

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

This applies even if you are not a vested TMRS member. Please inform TMRS if you become a member of one of these other retirement systems.

You can also combine service credit with these other systems for determining service retirement eligibility. If you do elect to use the Proportionate Retirement Program, it is recommended that you notify each retirement system that you have service in other systems and wish to combine your service credit (see pages 22 – 23). Also see page 25 for information on Proportionate Buyback.

**Q: What happens if I leave employment with all TMRS cities and I do not have enough service credit to be vested (5 or 10 years of service, depending on your city's plan)?**

**A:** If you are not working for any TMRS city, you may leave your member deposits with the System for up to 60 months and keep your TMRS membership. After the 60-month period, your membership terminates. If you leave your member deposits with TMRS, your deposits will stop being credited with interest after the 60-month period. Therefore, at that time, you should apply for a refund of your member deposits and interest. You can roll over your refund into an IRA or qualified retirement plan for income tax purposes (see pages 50 – 51).

For more information on refunds, see Chapter 9.

**Q: I'm vested, and plan to leave the city workforce before I'm eligible to retire. If I take a refund, do I get the city's matching funds?**

**A:** No. If you take a refund, you do not receive the city's matching funds. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly benefit.

**Q: If I leave city employment, do I have to receive a refund of my account?**

**A:** No. If you are vested, you may leave your account with TMRS until age 70½. If you are not vested, your account continues to be credited with interest only for a 60-month period after you leave employment. After the 60-month period ends, your membership is terminated and you will need to refund your account.

For more information on leaving funds in your account if you are not vested, see pages 42 – 45.

### Elected Officials

At one time, elected officials were not eligible to participate as members of TMRS. Now, compensated elected officials whose office normally requires performance of services of at least 1,000 hours per year in a participating department of a city are eligible if:

- ◆ The city began its participation in TMRS after December 31, 1981; or
- ◆ The city began its participation prior to January 1, 1982, but has adopted an ordinance providing for participation by elected officials.

In either event, the elected official becomes a member on the later of the effective date of the ordinance or the date the person took office. The official may be entitled to Prior Service Credit for employment with the city before the city joined TMRS.

### Your Member Deposits

Each month, your city withholds a percentage of your gross monthly compensation and deposits the money in a TMRS account in your name. These are your member deposits. Each TMRS city chooses the rate of member deposits — either 5%, 6%, or 7% of your gross compensation.

Your member deposits to TMRS are tax-deferred, which means they are not subject to federal income tax until they are paid back to you in the form of a refund or a monthly retirement benefit. See Chapter 11 for more tax information.

At retirement, your member deposits and interest are combined with the city's matching funds and other credits granted. TMRS then calculates a monthly retirement benefit based on these amounts, a discount rate of 5%, an estimate of your remaining life expectancy at retirement, and other factors.

### Interest on Member Deposits

Interest on your TMRS member account is credited once each year on December 31. Interest is calculated on the balance in your account as of January 1 of that calendar year. For example, interest on your account for the year 2019 will be credited on December 31, 2019, and is calculated on your balance at the beginning of the year, January 1, 2019. Due to a law passed in 2010, all member accounts are guaranteed a minimum 5% interest credit annually.

### Prorated Interest Only When You Retire

You receive prorated interest on your account only during the year in which you retire. For example, if you decide to retire in July 2020, your account will receive prorated interest for part of that year. For a July 2020 retirement, you would receive 7/12's of the preceding (2019) year's interest rate based on the balance in your account on January 1, 2020. Prorated interest allows you to choose the time of the year you would like to retire without losing interest on your account.

### Important

Interest is not credited for parts of a year, except in the year a member retires or when a member dies and a refund of member deposits is paid to the beneficiary or estate.

**Q: Can I borrow money from my TMRS member account?**

**A:** No. By law, your member deposits and interest are un-assignable. This means you cannot borrow from your account, nor can you use your account as collateral for a loan.

**Q: If I leave TMRS-covered employment and withdraw my money, and later become a member again, can I buy back my former service credit?**

**A:** If your city has adopted an ordinance that allows buy-back and you are an employee of the city when the ordinance is adopted, then you may. See page 17.

**Your Annual Statement**

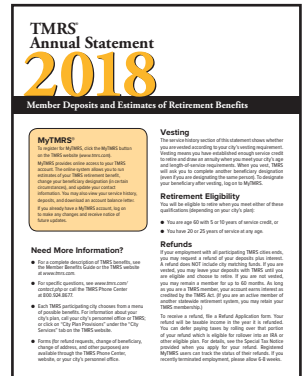
Each year, TMRS mails you an Annual Statement of your account with the System. Your Annual Statement shows the funds in your member account and the total service credit you have with TMRS. The statement also shows your estimated retirement income.

Please remember the retirement estimates shown on the Annual Statement are simply estimates based on certain assumptions. You should contact TMRS for further information before you decide to retire.

**Review your Annual Statement carefully.** If you see any errors, contact TMRS.

**It is very important that you keep TMRS informed if your address changes.** A correct address is necessary for TMRS to send you your Annual Statement and other important information.

You can change your address and contact information as well as view and print your Annual Statement using MyTMRS® on the TMRS website ([www.tmr.com](http://www.tmr.com)).



## Your TMRS ID Number

TMRS does not use Social Security numbers to reference your account in writing. For your privacy and security, we give TMRS members their own 6-digit identification numbers. Member personal information is confidential, and we do not share member lists or other personal information with anyone unless authorized under the TMRS Act.

## MyTMRS®






















This feature of the TMRS website allows you to view your personal information online. You can see your account's current status, refund status, Annual Statement, and monthly retirement payments through this secure area of [www.tMrs.com](http://www.tMrs.com). You can change your address and run retirement estimates based on different dates. You may designate or change your beneficiary online if spousal consent is not required. Retirees can view and print their 1099-R forms and update tax withholding. To use this feature, you will need to set up a password by logging on to the website, clicking on the MyTMRS option, and following the instructions. Use a "persistent" personal (non-work) email address to help TMRS stay in touch with you.





## City Matching Funds

For every month you make a deposit to TMRS, **your city agrees to match your deposits and interest** at retirement at a rate chosen by the city: 1 to 1, 1.5 to 1, or 2 to 1 (or 100%, 150%, or 200%). The city's contributions to fund its match of your deposits and interest are held in the city's TMRS account. When you retire, the city's contributions become part of your benefit. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly payment





How Do I Review or Change My Account?				
Account balance				
Address or name <b>change</b>				
View Beneficiary				
<b>Change</b> beneficiary				
<b>Change</b> tax withholding				
Credited service				
Request for statement				
Retirement Estimate				

-  **By phone** – requires 5 account identifiers\*
  -  **In writing** – by letter or fax; include signature and date
  -  **Online** – use MyTMRS with password
  -  **Form** – to make a **change** requires specific form with signature and date; forms are available from [www.tmrs.com](http://www.tmrs.com)
- \* Account identifiers are personal details known to the member only.



Service credit is the time you accumulate toward earning a retirement benefit. Your TMRS benefit may be based on several types of service credit. Once each year, in March, you will receive an Annual Statement showing your TMRS service credit. You may also view your service credit by using MyTMRS.

### Current Service Credit

Current Service Credit is the credit you earn for each month of active employment in an eligible position with a TMRS city. You receive one month of Current Service Credit for every month in which you make your required member deposit to TMRS. For most TMRS members, the majority of your service credit will be Current Service Credit.

### Workers' Compensation

**Q: Does my city make my member deposits to TMRS while I am receiving Workers' Compensation payments?**

**A:** Your TMRS deposits are based on the compensation you receive from the city. Since Workers' Compensation payments are considered compensation, TMRS deposits should be withheld; however, TMRS cities have various policies regarding payments to persons on workers' compensation.

Some cities supplement the workers' compensation payment to bring the person up to "full salary." Other cities do not supplement the workers' compensation payment, and there is no compensation paid directly by the city from which your member deposits can be made.

Member deposits to TMRS should be withheld from the total compensation the city pays to you. In this case, compensation may only be the payment from the workers' compensation provider, or that payment plus a supplement paid by the city.

If a supplement is paid, the city should withhold your member deposit based on the total compensation paid (supplement plus workers' compensation) from the supplemental pay.

## Important

Federal tax law allows you to use money from some deferred compensation plans and IRAs to purchase service credit. If you are eligible to buy back service credit previously refunded or to purchase Military Service Credit (see page 21), you may use money from your deferred compensation plan or IRA without paying taxes or paying a penalty for early withdrawal. If you are interested in using this method to purchase service credit, contact TMRS for more information about your options.

# Earning Service Credit

If no supplement is paid by the city, you may make the appropriate member deposit out-of-pocket from your workers' compensation payment to the city to be transmitted to TMRS with the normal monthly payroll report.

You will not receive service credit in TMRS for any months in which no deposits are submitted to TMRS while you are out on workers' compensation.

### Buyback of Service Credit

If you have been a TMRS member and end your membership by leaving employment and withdrawing your member deposits, and later return to work for a TMRS city, you may be able to buy back the TMRS service you refunded. The city you go to work for must adopt a buyback ordinance as part of its TMRS plan. Your former employment can be with your current city or another participating TMRS city.

To buy back service credit you previously refunded:

- ◆ You must be an employee of the city and a member of TMRS on the date of the buyback ordinance's adoption;
- ◆ You must have at least 24 consecutive months of service credit as an employee of the city adopting the ordinance; and
- ◆ You must re-deposit, in one lump sum, all of the amount previously refunded plus a reinstatement fee equal to 5% of the amount you withdrew for each year since your refund.

Your member account with TMRS is credited with the lump sum payment, while the 5% reinstatement fee is credited to the city's account with the System.

## Updated Service Credit (USC)

Updated Service Credit (USC) is a special feature of the TMRS retirement plan that may increase the value of your retirement benefits. A city may adopt USC as part of its TMRS plan.

USC is designed to help career members' benefits maintain their value. In calculating USC, TMRS looks at the changes in your salary over your career and at any changes the city has made to its TMRS plan, such as your deposit rate or the city's matching ratio. In some cases, USC can increase your monthly retirement payment.

Generally, USC protects your benefit by including increases in your salary and any changes your city might have made to its TMRS plan and assuming those increases and changes have been in effect throughout your career.

Although USC may increase the value of your retirement benefit, USC does not affect the amount of money in your member account, or the amount you will receive if you take a refund of your member deposits and interest. USC will only be part of your benefit if you retire and receive a monthly retirement payment, and your city has chosen this option as part of its plan.

### How USC Works

Updated Service Credit interest is prorated in the year you retire, so you receive the value of your USC no matter which month you choose to retire.

Cities adopt or modify USC by ordinance. Prior to adoption, TMRS must prepare an actuarial study to determine the cost of the USC adoption. After receiving the TMRS study, the city determines the percentage (50%, 75%, or 100%) of Updated Service Credit it will provide and whether it will adopt USC on a one-time or annually repeating basis.

You must have made 36 monthly member deposits to be eligible for USC, and these deposits must have been made for service with the city that is adopting USC, prior to the USC study date. The study date is 13 months before the date the city adopts the provision.

Some cities include a transfer feature in the USC calculation. With this feature, if you have deposits in other TMRS cities, your USC will include all service and account balances from each city.

**Q: If my city adopts USC, will I receive increased credit?**

**A:** Many members receive some increased credit. However, if you have had no significant salary increases over your career or if the city's matching ratio or member deposit rate have not changed, you may not receive USC.

**Q: How can I tell if my city has adopted USC?**

**A:** The easiest way to tell is to use the TMRS website (My City Plan) to check your city's specific plan. The USC percentage (50%, 75%, or 100%) and the effective year will be shown. If no percentage is shown, your city has not adopted USC. An **R** beside the year indicates that your city has chosen to repeat the USC calculation every year. A **T** by the percentage indicates your city will include a transfer of USC credits from other cities.

### **Prior Service Credit**

When a city joins TMRS, the employees of that city receive credit for service performed with the city before the city joined. Each city determines the percentage value and pays the cost of the service credit granted.

Prior Service Credit treats your account as if you had been a member of TMRS and were making monthly deposits throughout those earlier periods of time.

TMRS issues a letter to each eligible member detailing their amount of Prior Service Credit and the monetary value of the credit at the time it is granted. Interest on Prior Service Credit is prorated in the year of retirement, so you receive the value of your Prior Service Credit no matter which month you choose to retire.

### **Loss of Prior Service Credit**

If your membership in TMRS terminates, any Prior Service Credit you have received becomes void. You keep Prior Service Credit only if you remain a member of TMRS until you retire.

## **Survivor Benefits to Fallen Military Members**

The Heroes Earnings Assistance and Relief Tax Act (the "HEART Act") requires all qualified plans to treat a participant who dies while performing qualified military service as if he or she resumed employment on the day before death. In addition, upon reemployment, qualified military service would count for vesting purposes. Consequently, if a TMRS member dies while performing qualified military service and has enough service credit (including the qualified military service) to be vested at the time of death, then the member's beneficiary may retire the member's account and receive a monthly retirement benefit. See Chapter 2 for additional details related to a vested membership and Chapter 8 for details on death benefits for vested members.

## Military Service Credit

TMRS recognizes two types of Military Service Credit. One type, governed by the federal Uniformed Services Employment and Reemployment Rights Act — USERRA — is available to all TMRS members. The other type must be adopted by your city.

To qualify for either type of Military Service Credit, the following conditions must be met:

- ◆ Your active-duty service cannot have been terminated on dishonorable terms.
- ◆ You have not received credit for the same military service in any other retirement system or program established under the laws of the State of Texas.

□ **Military Service While a TMRS Member – USERRA Credit (Applies to All TMRS Cities).** If you enter active-duty military or war-related service — either voluntarily or because you are called to active duty — while you are a covered TMRS employee, and you do not withdraw your member deposits, you may be eligible to establish service credit in TMRS for your length of military service, not to exceed 60 months.

In order to qualify for USERRA Credit, you must be re-employed by the city within 90 days of:

- ◆ Your release or discharge from active duty, or
- ◆ Your recovery from an illness or injury incurred in or aggravated during your performance of uniformed service (if your recovery period does not exceed two years).

You receive credit for the months of active-duty service performed. Under certain circumstances, you can make the member deposits you would have made to TMRS as an employee of the city (up to 60 months) had you not performed military service. You have up to three times the length of your military service to make these contributions, but no more than 60 months. Your USERRA rights are established by federal law. For the rules and regulations regarding USERRA, contact either your city's personnel department or TMRS.

## Military Records

If you have lost your military papers, you can get duplicates by contacting:

National Personnel  
Records Center  
Military Service  
Personnel Records  
1 Archives Drive  
St. Louis, MO 63138-1002

Phone: 314-801-0800

Email:  
[stlarr.archives@nara.gov](mailto:stlarr.archives@nara.gov)

National Archives website:  
[www.archives.gov/veterans](http://www.archives.gov/veterans)

❑ **Credit for Other Periods of Military Service (Provision Must be Adopted by Your City).** This provision is optional for cities. Once adopted, the provision recognizes military service either:

- ◆ Performed before you were employed by the city, or
- ◆ Performed during a time when you voluntarily left city service for the military and withdrew your member deposits or did not exercise your rights under USERRA.

You may establish up to 60 months of military service credit (time only) if your city has adopted this provision. This type of Military Service Credit may only be received if you are not receiving (and are not eligible to receive) federal military retirement payments based on 20 or more years of active duty or the equivalent.

**Q: Does my time in the Armed Forces Reserves or National or State Guard count?**

**A:** Generally, no. However, if you were issued a DD-214 or equivalent that shows active-duty time, then that time may be eligible for Military Service Credit.

**Q: Can I get credit for time served in the military by using Restricted Prior Service Credit?**

**A:** Yes. If your city has adopted Restricted Prior Service Credit (see below), you can receive time-only credit (no money will be added to your account) for any service performed on active duty. Restricted Prior Service Credit can be established for any military service — even for military retirees with 20 or more years of active duty or the equivalent.

Federal tax law allows you to roll over from some deferred compensation plans and IRAs to purchase certain Military Service Credit, if you meet the requirements. You may not have to pay income taxes or penalties for early withdrawal at the time of the rollover. If you are interested in purchasing Military Service Credit and you participate in a deferred compensation plan or have an IRA, contact TMRS for more information about your options.

## Military Service Purchase

If you were employed on December 31, 2003, by a city that had previously adopted Military Service Credit, and you earn at least 5 years of TMRS credit, you have the option to purchase Military Service Credit (a maximum of 60 months) by paying TMRS \$15 for each month you wish to establish, and submitting an application form along with a copy of your discharge papers. The money you deposit will become part of your TMRS account, where it will earn interest and be matched by your city.

The Military Service Credit you purchase also counts toward your eligibility for service retirement, but is not included in any calculation of Updated Service Credit. If you choose to purchase Military Service Credit, you may be able to use funds from a deferred compensation plan, IRA, or other eligible plan to make the purchase.

## Important

Only your service time is counted under Restricted Prior Service Credit; you do NOT receive any monetary credit.

## Restricted Prior Service Credit

If your city adopts this provision, you can receive Restricted Prior Service Credit for the following types of previous full-time employment:

- ◆ With any public authority or agency created by the United States
- ◆ With any state or territory of the U.S.
- ◆ With any political subdivision of any state in the U.S.
- ◆ With any public agency or authority created by a state or territory of the U.S.
- ◆ As a commissioned law enforcement officer employed as a college campus security employee at a Texas institution of higher education

OR

If you were an employee of the State of Texas or any branch, agency, or subdivision of the State and refunded service credit under:

- ◆ The Employees Retirement System of Texas
- ◆ The Teacher Retirement System of Texas
- ◆ The Judicial Retirement System of Texas (Plan 1 or 2)
- ◆ The City of Austin Employees Retirement System
- ◆ TMRS

To receive Restricted Prior Service Credit for service in one of the other statewide systems, you cannot have received service credit for that service in that system or in TMRS. You must have refunded your service credit in the other statewide system by withdrawing your deposits. If you have service credit in another statewide system that has not been refunded, you may be eligible for the Proportionate Retirement Program (see page 24).

Also, see “Proportionate Buyback,” page 25, for an option regarding refunded TMRS service with these systems.

### Note

If you have refunded service under the Texas County and District Retirement System (TCDRS), your service can be applied to your TMRS account under the Proportionate Retirement Program (see page 24).

### Elected Officials

If you were an elected official and you were not eligible to participate in TMRS, you cannot receive Restricted Prior Service Credit for your service as an elected official.



## Service Credit

In certain situations, service credit earned in one system may not be recognized by another system in connection with the Proportionate Retirement Program. If you have service credit with more than one of the statewide retirement systems listed, please contact each system to make an accurate determination of whether the service credit will be allowed.

**Q: What qualifies as a public authority or agency?**

**A:** Generally, a public authority or agency is one operated by a U.S. city, county, state, or the federal government. This includes regional councils of governments, public school districts, and airport authorities. Publicly operated hospitals, water and utility districts, and colleges and universities also qualify. Service as a contracting agent with a government does not count.

Adding Restricted Prior Service Credit toward your length-of-service requirements helps you reach vesting requirements and retirement eligibility sooner. For example, if you work for a city with a 5-year vesting requirement, have three years of service credit in TMRS, and you are granted two years of Restricted Prior Service Credit for your time as a public school teacher in another state, you are now vested with 5 years of service credit.

### Probationary Prior Service Credit

If you were employed by a TMRS city on a probationary basis before September 1, 1989, and did not make TMRS deposits during your probationary period, you may be entitled to a maximum of six months of Prior Service Credit if your employing city adopts an ordinance granting this credit.

### Concurrent Service Credit

Concurrent Service Credit occurs when you make a member deposit with more than one city or retirement system in the same calendar month. Deposits you make count toward your retirement benefit; however, you only receive one month of service credit toward vesting and retirement eligibility. Concurrent Service Credit can occur when an employee leaves one TMRS city during a part of the month and begins a new job with another TMRS city later in that month.

### Family and Medical Leave Act (FMLA)

In cities subject to the Family and Medical Leave Act, employees can take an unpaid leave of absence under FMLA.

**If you are on unpaid leave under FMLA, you do not receive service credit under TMRS because you are not**

**receiving a salary from your city and are not making the required member deposits.** You are not, however, considered absent from service during that period of time.

Although you are not making deposits for your retirement, you still retain your TMRS membership. If your city has adopted Supplemental Death Benefits (see pages 40 – 41), you should apply for extended coverage in order to maintain this death benefit. Once you return to work and again make member deposits to TMRS, you will start receiving service credit again.

## **Proportionate Retirement Program**

The Proportionate Retirement Program is a program created by State law that allows people with service in two or more designated retirement systems to combine service credit to meet retirement eligibility. Each participating system has its own procedures for administering benefits under the Proportionate Retirement Program. The participating systems are:

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

If you have service credit in two or more of these retirement systems, you may, under certain circumstances, combine that service credit to meet service retirement eligibility in TMRS and the other systems. Please notify TMRS if you become a member of one of these other retirement systems. Proportionate Service Credit can also help you meet the length-of-service requirement for leaving your member deposits with TMRS.

You should consult each system in which you have credit about Proportionate Retirement before making retirement plans. If you qualify for benefits under Proportionate Retirement, you will receive benefit payments from each system, based on your service credit with that system.

## Proportionate Buyback

If you are a current member of a participating Proportionate Retirement Program system other than TMRS and you have previously refunded service credit in TMRS, you may choose to reestablish that service credit under the participating system rules. TMRS will verify your former membership in TMRS to the participating system to enable you to establish previously cancelled or refunded service credit with that system. You must notify TMRS of your intention to establish the credit with the proportionate system using the Proportionate Buyback Application form, available on the website. Service credit in TMRS that is established using proportionate buyback has no monetary value and counts only as time. Proportionate Buyback does not reestablish your previously refunded TMRS account.

When you have the necessary service credit and you meet the age requirements, if any, you may retire and receive a monthly payment for the rest of your life.

In most TMRS cities, you can retire if:

- ◆ You are at least 60 years of age and have at least 5 years of service credit with TMRS (some cities require 10 years of service at age 60); or
- ◆ You have at least 20 or 25 years of service credit with TMRS, regardless of your age, depending upon which option your city has selected.

### Retirement Eligibility

Once you are eligible to retire in a TMRS city, you remain eligible to retire in that city, even if you go to work in another TMRS city with a higher eligibility requirement. You must meet the higher eligibility requirement only when you combine service from multiple TMRS cities.

**Q:** I've worked for two TMRS cities — one with “20 years at any age retirement” and one with “25 years at any age retirement.” How can I tell when I'm eligible to retire?

**A:** If you have at least 20 years of service credit, all with a “20-year” city, you are eligible to retire. Even if you leave the 20-year city and go to work for a 25-year city, you are still eligible to retire with TMRS.

If you do not have at least 20 years of service credit with a 20-year city and must combine service credit from a 20-year and a 25-year city, you must have 25 years of combined service credit to be eligible to retire.

If you have service in more than one TMRS city and wish to know more about retirement eligibility, call TMRS.

**Q:** Since TMRS credits annual interest to my member account at the end of the year, should I wait until the end of a year to retire?

**A:** TMRS prorates interest in the year of your retirement only. This means if you retire in July, you will receive interest on your member account from January through July of that year. The prorated interest you receive is based on the guaranteed 5% rate or any additional interest credit determined by the TMRS Board of Trustees for the prior year. (However, see box at left about possible annuity differences between calendar years.)

### Compare Estimates at End of Calendar Year

If you are considering a December retirement date, check estimates for both December and January of the next year. If your city has adopted any ordinance changes that go into effect on January 1, such as Updated Service Credit, retirement estimates could vary between the two months.

## How Your Service Retirement Benefit Is Calculated

The amount of your monthly retirement benefit is based on:

- ◆ Your total member deposits plus interest
- ◆ City matching funds and other credits granted
- ◆ Your remaining life expectancy at retirement
- ◆ Your beneficiary's life expectancy (if you select a payment option that pays a lifetime benefit to a survivor)
- ◆ The future interest rate assumption as set by law
- ◆ The TMRS monthly payment plan you choose
- ◆ Whether you choose to take a Partial Lump Sum Distribution

City matching funds are the funds your city contributes toward your benefit. Each city sets a rate at 1 to 1, 1.5 to 1, or 2 to 1 (100%, 150%, or 200%) and matches your monthly deposits and interest at that rate for your retirement.

## Retirement Benefit Payment Options

When you retire, you will be asked to choose a monthly payment plan. Your choice of the “best” payment plan for you and your beneficiary should be based on your own situation at the time of retirement.

Your choice of a retirement option is a very important decision. Once you have retired and begun to receive monthly payments, you cannot change your retirement option (except as described on pages 29 – 30, “Marriage After Retirement”).

If you are married at the time you apply for retirement and you designate a person other than your spouse as beneficiary, or you choose your spouse but select a retirement plan other than one that pays a lifetime survivor benefit, your spouse must consent to the selection in writing.

The TMRS monthly payment plans are:

1. **RETIREE LIFE ONLY OPTION:** A benefit paid only for the life of the retired member with no provision for a survivor benefit.

### Important

The only way you can receive the city's matching funds to your member deposits and interest is to retire and choose a monthly payment plan. The city's matching funds cannot be paid to you in a lump sum payment; they can only be paid out through a monthly benefit. (See page 30, “Accounts with \$10,000 or Less.”)

OR, one of three **SURVIVOR LIFETIME OPTIONS** that pay a lifetime benefit to the retired member and, if the retiree dies before the beneficiary, a lifetime benefit to the survivor:

- 2. Retiree Life — 100% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 100% of the retiree's benefit payable on the retiree's death.
- 3. Retiree Life — 75% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 75% of the retiree's benefit payable on the retiree's death.
- 4. Retiree Life — 50% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 50% of the retiree's benefit payable on the retiree's death.

OR, one of three **GUARANTEED TERM OPTIONS** that pays a lifetime benefit to the retired member and guarantees a fixed number of payments to the beneficiary from the retirement date if the retiree dies before the guaranteed term of payments ends.

- 5. Retiree Life — 5 Years Guaranteed:** A benefit payable for the life of the retired member. If the retiree dies within 5 years from the retirement date, payments will be made to the beneficiary for the remaining period.
- 6. Retiree Life — 10 Years Guaranteed:** A benefit payable for the life of the retired member. If the retiree dies within 10 years from the retirement date, payments will be made to the beneficiary for the remaining period.
- 7. Retiree Life — 15 Years Guaranteed:** A benefit payable for the life of the retired member. If the retiree dies within 15 years from the retirement date, payments will be made to the beneficiary for the remaining period.

**The guaranteed term of payments begins with the first payment received by the retiring member.** A member will receive benefits for his or her entire life, but if the member dies before the guaranteed term is reached, **payments**

## “Pop-Up” Feature

All three options that provide a lifetime survivor benefit include a “pop-up” feature. If the designated beneficiary dies before the retiree, the retiree's benefit will “pop-up” to an amount based on the Retiree Life Only benefit.

## Retirement Options Video

A brief video explaining the seven retirement plan options is available on the TMRS website, [www.tmr.com](http://www.tmr.com). See Members | Video Training Library | Retirement Annuity Options.

**will only be made to the member's beneficiary for the remaining period of the guaranteed term.**

For example, a member choosing the 5-year guaranteed term retires and begins receiving monthly payments. After two years, the retired member dies. Payments will continue to the beneficiary for the remainder of the 5-year term — three years in this case — then cease.

**Q: How much money will I receive as a retiree?**

**A:** At any time, you can run a retirement estimate online under MyTMRS (in most cases). If you want us to mail or fax your estimate, call the TMRS Phone Center toll-free at 800.924.8677. Estimates cannot be emailed for security reasons.

**Q: Is my first retirement monthly payment direct deposited?**

**A:** Yes. Your first monthly payment is direct deposited to your designated financial institution — you must set up direct deposit to receive payments from TMRS.

**Q: When are direct deposits made?**

**A:** Direct deposits of retirement benefits are made on the last business day of each month.

You can see and print a yearly calendar of direct deposit payment dates on [www.tmr.com](http://www.tmr.com), or you may request the calendar by calling 800.924.8677.

## Marriage After Retirement

If you marry after retirement, you may be eligible to change your payment plan to provide a survivor benefit for your new spouse. To be eligible for this change, you must have chosen the Retiree Life Only option or a Guaranteed Term Option at retirement and married after retirement. If you retired under a Survivor Lifetime Option and marry after retirement, under certain limited circumstances you may be able to change the beneficiary to your new spouse, but you would need to contact TMRS for assistance. In any case, you must file the necessary paperwork to make the change with TMRS **before** the first anniversary of the date of your marriage. **This change can be made only one time and cannot be made online.**

Note that changing your option does not increase the total benefit you and your survivor will receive. Depending on your circumstances, the option you choose, and the age

of your beneficiary, **the monthly benefit you receive may be reduced to pay the cost of the additional survivor benefit.** If you marry after retirement and wish to consider making this change, contact TMRS.

## **IRS Limits on Benefits**

Section 401(a)(9) of the Internal Revenue Code limits the choice of retirement options for new retirees who designate a younger “non-spouse” beneficiary. In other words, TMRS may not be able to allow the member to select the 100% or 75% “survivor” options if the non-spouse beneficiary is significantly younger than the member. If affected, the retiring member will be notified that he or she must either choose an eligible retirement option or change the designated beneficiary.

Section 415 of the Internal Revenue Code of 1986 limits the annual amount of pension payments that may be paid by a pension plan’s trust to its retirees. This provision is known as the Section 415 limit, which is set by Congress and can be periodically adjusted by the IRS. Consequently, any portion of a retiree’s annual benefit that exceeds the annual limit cannot be paid from the TMRS trust fund. However, the IRS allows pension plans to create a separate fund to pay the “excess” benefits. Accordingly, the TMRS Act established such a fund to ensure that an annuitant receives the full amount of his or her annuity, even when it exceeds the annual 415 limit. If a retiree exceeds the annual limit in any given year, TMRS will notify the retiree.

## **Accounts with \$10,000 or Less**

If your member deposits, interest, the city’s matching funds, and other credits in your account total \$10,000 or less on your effective date of retirement, you will receive that amount in a lump sum at the time you retire. Rather than receive a very small payment each month, you will receive all your funds at one time.

## **Partial Lump Sum Distribution (PLSD)**

You may choose to receive a partial lump sum payment from your member account when you retire. The lump sum payment is equal to the monthly payment of your Retiree Life Only option multiplied by your choice of 12, 24, or 36 and cannot exceed 75% of your member deposits and interest. This lump sum payment is then deducted from the total amount used to calculate your monthly retirement payment, and a new, reduced monthly payment is determined.



The Partial Lump Sum Distribution is subject to income tax and possibly an additional 10% tax penalty at the time of payment (exceptions to this penalty for certain employees may apply; see page 48 – 49). You may be able to roll over this distribution into an IRA or other qualified retirement plan, such as a 401(k) plan, 457(b) plan, or a 403(b) plan, to continue to defer any income tax payments. For information on taxes, see Chapter 11.

**Q: Are the city’s matching funds included BEFORE my Partial Lump Sum Distribution is determined?**

**A:** Yes. Your city match, member deposits, interest, and other credits are all used to calculate a monthly retirement benefit from which your PLSD is determined.

**HELPS Provision for Retired Public Safety Officers**

TMRS participates in a program made possible by the Healthcare Enhancement for Local Public Safety (HELPS) provision of federal law. This provision allows retired or permanently disabled public safety officers to elect an amount to be deducted from their TMRS retirement benefit payment to pay for health care or long-term care insurance premiums. The amount an eligible retiree excludes from taxable income may not exceed \$3,000 in one year. If a retired (or retiring) officer wishes to make this election, the amount is directly transferred by TMRS to an insurer.

**□ Definition of Public Safety Officer.** By law, the term “public safety officer” includes the following individuals serving a public agency in an official capacity:

- ◆ An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including but not limited to police, corrections, probation, parole, and judicial officers
- ◆ Professional firefighters
- ◆ Officially recognized or designated:
  - Public employee members of a rescue squad or ambulance crew
  - Chaplains of fire departments and police departments

Call 800.924.8677 for more information or to see if you qualify. You may wish to consult with your tax advisor or the IRS to determine if you can use this provision for public safety officers.

## **Annuity Increases (COLAs)**

After you retire, your city may choose to grant retirees an increase (when the cost of living increases) to protect their benefit from the effects of inflation.

If your city chooses this option, your retirement benefit payments may be increased by the percentage (30%, 50%, or 70%) of the Consumer Price Index (CPI) increase chosen by your city. The cost of living adjustment, or COLA, is measured from the December before your retirement through the December that is 13 months prior to the effective date of the Annuity Increase. The calculated increase will be applied to your original monthly retirement payment.

You will be notified in your Retiree Account Statement (sent in early February) if you will receive a COLA for the coming year. You must be retired for 13 months to be eligible for the calculation.

## **Retiree Account Statements**

In early February of each year, TMRS sends retirees a statement reflecting their account status. This statement shows the annuity amount, withholding, and amount of COLA (if any) for the coming year.

It is important that you keep TMRS informed if your address changes. A correct address is necessary for TMRS to send your statement and other important information. You may also download your statement from MyTMRS.

## **Continuing to Work After You are Eligible to Retire**

If you are eligible for retirement under TMRS but continue to work for a member city, you continue to make member deposits. Your member account continues to be credited with interest, and you continue to earn service credit. You don't have to retire when first eligible but may make this decision at any time after you attain eligibility.

## **Employment After Retirement**

Make your retirement decision carefully. **If you return to work at the same city you retired from, your benefits could be affected.** If you return to work for the city that

## **Returning to Work**

If you go to work for a TMRS city that was not your employer when you retired, you will again make monthly TMRS member deposits from your salary. The retirement benefit you earned from your previous employment will not be affected.

## Video

Watch the Returning to Work video to learn more; see Members | Video Training Library | Returning to Work After Retirement

was your last employer prior to retirement, in a position that requires TMRS membership, **your monthly retirement benefit will be suspended.** You must rejoin TMRS and make member deposits.

“Suspended” means that you will not receive your monthly benefit payments as long as you are a member making deposits to TMRS. Any suspended payments will be forfeited and will not be paid at a later date, nor will your monthly benefit be recalculated to include these forfeited payments (with one exception; see below). When you later terminate this new period of employment, TMRS will resume payment of your original monthly retirement benefit, and you will receive an additional retirement benefit based on your post-retirement employment.

Your benefit **will not be suspended** if you go to work for:

- ◆ An employer that is not a TMRS city
- ◆ The TMRS city that was your last employer before you retired, and you are employed in a position that does not require TMRS membership
- ◆ A TMRS city other than the one that employed you at the time of your retirement, provided your new employment begins **after your effective date of retirement**

**Exception:** If a retiree returns to work for the same city from which he or she retired at least 8 years after his or her effective retirement date, he or she may be eligible for a lump sum payment of any benefit payments that were suspended during the period of reemployment.

### Separation from Service Must Be “Bona Fide”

Employees participate in TMRS until they retire, die, or separate from service. Upon separation, employees may apply for a distribution (refund or retirement), and the city is required to certify the termination, which must be bona fide for both state and federal tax law purposes. The TMRS Act and the Internal Revenue Code do not permit a distribution if an employee resigns and is rehired by the same city in a prearranged manner. Such an arrangement would not be considered a bona fide separation.

To apply for TMRS retirement, request a Service Retirement Application packet from TMRS or download the packet from the TMRS website. The packet contains all the forms you need, as well as information about retirement. See also the “How to Retire” flyer on the TMRS website.

### Application and Retirement Date

Your Service Retirement Application must be received in the TMRS office by your effective date of retirement but no more than 90 days before the effective date. **Remember, retiring from TMRS and notifying your city that you intend to retire are separate processes. Check with your city’s personnel office for their requirements.**

Your TMRS effective retirement date must be the last day of a calendar month. Your first benefit payment will be made at the end of the month following your effective retirement date, if we have received all the necessary retirement papers. If we not have received them, then your benefit payments will be delayed until we have all the required documents.

### Social Security and Your TMRS Benefit

**If you receive Social Security benefits, they will not affect your TMRS benefit.** However, there are some Social Security provisions you may want to learn more about.

❑ **The Government Pension Offset.** If you receive a Social Security benefit based on your spouse’s employment, and you also receive a pension from a government employer **who was not part of the Social Security program**, your Social Security benefit may be offset by your government pension. The offset may reduce the amount of your spouse’s Social Security benefit by two-thirds of the amount of your government pension. (More information can be found on the Social Security Website: [www.ssa.gov](http://www.ssa.gov).)

❑ **The Windfall Elimination Provision.** If you receive a Social Security benefit, but the majority of your career was spent working for a government employer **who was not part of the Social Security program**, your Social Security benefit may be calculated using a formula that reduces

## Information

For detailed information on preparing for retirement, call TMRS or go to the TMRS website. A How to Retire link is available on the home page of [www.tMrs.com](http://www.tMrs.com). A flyer on retirement is available under Members | Resources | Benefits.

# Applying For Service Retirement

your Social Security benefit. (For more information about the provision, see [www.ssa.gov](http://www.ssa.gov).)

### TMRS Retirement Checklist

You will need the following items to complete your retirement application process.

#### Forms and Information Sheets

(all in the Service Retirement Application packet):

- ◆ Application for Service Retirement (TMRS-15) – no more than 90 days before retirement.
- ◆ Selection of Retirement Plan (TMRS-24) — may require notarization and proof of birth for your beneficiary.
- ◆ Selection of Partial Lump Sum Distribution (TMRS-PLSD) – use this form if you want part of your benefit in a lump sum. Add the Rollover of PLSD (TMRS-ROLL) form if you choose to rollover your lump sum.
- ◆ Special Tax Notice Regarding Plan Payments.
- ◆ Acceptable Proof of Birth (TMRS-27); list includes Texas drivers license, Texas ID card, or birth certificate.
- ◆ Name Certification (TMRS-30) – use this if your current name differs from the name on your proof of birth.
- ◆ Electronic Direct Deposit Authorization (TMRS-80E).

#### Other documents:

- ◆ Acceptable proof of birth for beneficiary.
- ◆ Tax Withholding Form (W4-P) – available online and may be submitted with the retirement application.
- ◆ HELPS application (TMRS\_HLPS), if applicable; see page 31.

# Occupational Disability

If you become disabled so that you are no longer able to perform your job, and the disability is likely to be permanent, you may be eligible for Occupational Disability benefits from TMRS. An Occupational Disability benefit is calculated like a Service Retirement benefit, based on your deposits and interest, your city's matching funds, and other credits, and is payable to you beginning on the last day of the month following your effective retirement date, assuming your disability is approved by the TMRS Medical Board.

If you are eligible for Service Retirement and you become disabled, you may wish to consider applying for Service Retirement rather than Occupational Disability. The monthly benefits are equal, and Service Retirement places no restrictions on your earnings.

### Applying for Occupational Disability

If you become disabled, you may apply for an Occupational Disability Benefit using an Occupational Disability Retirement Packet. You may obtain this packet either from your city, by calling TMRS, or by downloading it from [www.tMrs.com](http://www.tMrs.com). As part of the application process, you will be asked to have an examination by a physician.

After you file your application, including the physician's statement, a statement from your city, and a copy of your city job description, the TMRS Medical Board will make a determination. If the Medical Board finds you are disabled to the extent that you should be retired (and you meet the other requirements for Occupational Disability Retirement), your application will be approved.

If the Medical Board finds that you do not meet the requirements, additional medical examinations may be required, or your application may be denied.

### Occupational Disability Benefits / Other Earnings

If the Medical Board approves your Occupational Disability Retirement, you will receive a monthly benefit. While receiving Occupational Disability Retirement benefits, you may pursue other employment, but your monthly benefit may be affected **if your retirement benefit plus your em-**

### Disability

There is no minimum length of service or age required to be eligible for Occupational Disability Retirement Benefits, and the cause of the disability can either be duty-related or non-duty-related. **Disability retirees also receive the Retiree Account Statement** annually (see page 32).

## Tax Note

TMRS Occupational Disability benefits based on deposits you made after January 1, 1984, are subject to income tax in the same manner as service retirement benefits, based on federal tax law. Consult your tax advisor for more information. See Chapter 11 for more information on TMRS benefits and taxes.

### employment income exceed the salary you received when you were an active TMRS member.

*If you retire under Occupational Disability, TMRS may request that you provide information regarding any earned income you may have each year until you reach age 60.*

If your earnings plus your Occupational Disability benefit exceed the amount prescribed by law, your monthly disability benefit will be reduced for the following year by the amount of your excess earnings. Your benefit will not be reduced below what your individual member deposits and interest alone would provide, but if your income from other sources is high enough, the city-funded portion of your benefit may be eliminated (see formula below).

## Occupational Disability Benefit Options

If you become eligible for Occupational Disability Retirement, you may select either a Retiree Life Only benefit or any other payment option (pages 27 – 29). The amount of the benefit is based on the same factors (deposits, service credits, life expectancy, interest rate assumption, plan selected) as those used in determining the amount of a Service Retirement benefit. (Occupational disability benefit options do not include a Partial Lump Sum Distribution).

### Disability and Other Income

The formula for determining the effect of other income on your TMRS disability benefit is:

TMRS Disability Retirement Benefit  
(based on the Retiree Life Only Disability Benefit amount)  
+ Other Earnings

#### Cannot Exceed

Your average compensation from the city during the  
highest 12 consecutive months  
of the three years before the year you retired

Earnings are defined as earned income that is subject to FICA (Social Security retirement) taxation or that would be subject to FICA taxes (if the employer was not an exempt organization).

**“Choosing a beneficiary and making sure your choice is kept up-to-date are two of your most important responsibilities as a TMRS member.”**

Upon your death, your beneficiary or estate is guaranteed to receive at least a refund of your remaining member deposits and interest. The benefit payments and the recipient of your benefits will be determined by several factors, including your employment status, beneficiary designation (if applicable), benefit payment selection (if applicable), and any other TMRS statutory provisions in effect at the time of your death.

### Designating Your Beneficiary

Your beneficiary is the person you choose to receive your TMRS benefit in the event of your death. You may designate one person, your estate, a trust, or up to three different people on a “share-and share alike” basis (each person receiving an equal share) as your beneficiary. You may also designate alternate beneficiaries, in the event your primary beneficiary dies first.

**If you are married and vested** at the time you designate a beneficiary, state law requires your spouse to give his or her consent before you can name someone other than, or in addition to, your spouse as beneficiary.

TMRS will ask you to choose a beneficiary three different times while you are employed with the city — when you first become a TMRS member, when you become vested, and when you retire. Also, you may change your beneficiary as your personal circumstances change. **If TMRS does not have a properly designated beneficiary on file at the time of your death, benefit payments may be delayed and may not be paid in accordance with your wishes.**

### Benefit Payments

**If you are not vested or retired** at the time of death, your designated beneficiary will receive a lump sum refund of your member deposits and interest. Your designated beneficiary is not eligible to receive monthly retirement benefits and will not receive any city matching funds. If a valid beneficiary designation is not on file with TMRS, the refund will be paid to your estate.

**If you are vested but have not retired** at the time of death, your designated beneficiary may be eligible to receive a monthly retirement benefit based on both your member deposits and interest, and the city’s matching funds. When

### Video — Choosing Your Beneficiary

A brief web video explains the importance of designating a beneficiary. It is viewable on [www.tmr.com](http://www.tmr.com) under Members | Video Training Library | Designating Your Beneficiary.



you become vested (after 5 or 10 years of service, depending on your city's plan), TMRS will notify you of your vested status and ask you to designate a beneficiary at that time. If you do not properly designate a beneficiary after becoming vested, your previous beneficiary designation is no longer valid, and your benefits will be paid in this order:

- ◆ To your surviving spouse
- ◆ If you have no spouse, to any surviving children
- ◆ If you have no spouse and no children, to the last beneficiary you designated prior to becoming vested
- ◆ If you have never designated a beneficiary, to your estate

If you have properly designated a beneficiary after vesting, your designated beneficiary may choose to receive one of the following benefits at the time of your death:

- ◆ **A lump-sum refund** of your member deposits and interest. If this benefit option is selected, the city's matching funds are forfeited and there will be no further payments.
- ◆ **Monthly payments for life** based on both the city's matching funds and your member deposits and interest. This benefit option is only available if you have designated only one beneficiary.
- ◆ **Monthly payments for 15 years** based on both the city's matching funds and your member deposits and interest. If the beneficiary is your estate, the maximum monthly payout is 5 years.

A spouse beneficiary may choose to leave your member deposits and interest with TMRS, where they will continue to be credited with interest until the date you would have reached age 60. At that time, your spouse may choose to receive monthly payments for life or for 15 years, based on both the city's matching funds and your member deposits and accumulated interest.

To exercise this option, your surviving spouse must make that election within 180 days from your date of death; otherwise, the benefit is payable immediately. Your member deposits and interest may be refunded to your spouse

## Note

You may make basic beneficiary designations and changes using MyTMRS. Choices that require spousal consent still require a paper form and signature.

## Survivor Benefits to Fallen Military Members

The Heroes Earnings Assistance and Relief Tax Act (the “HEART Act”) requires all qualified plans to treat a participant who dies while performing qualified military service as if he or she resumed employment on the day before death. In addition, upon reemployment, qualified military service would count for vesting purposes. Consequently, if a TMRS member dies while performing qualified military service and has enough service credit (including the qualified military service) to be vested at the time of death, then the member’s beneficiary may retire the member’s account and receive a monthly retirement benefit. See Chapter 2 for additional details related to a vested membership.

beneficiary at any time after the election is made, but withdrawing the deposits and interest will prevent your spouse beneficiary from receiving future monthly benefits, and the city’s matching funds will be forfeited.

**If you are retired** at the time of your death, benefit payments will be issued in accordance with the benefit option you selected at retirement. See pages 27 – 29 for specific information on these benefit options.

## Supplemental Death Benefits

Your city may choose to include a Supplemental Death Benefit (SDB) in its retirement plan. If your city has chosen this provision and you die while employed by the city, TMRS will pay your designated beneficiary or estate a benefit approximately equal to your current annual salary, plus any retirement benefits due.

A different beneficiary may be designated to receive the SDB payment, but most members designate the same beneficiary as the one chosen for their retirement benefit. If you retire from multiple cities, your beneficiary will receive only one SDB payment. Your last employing city pays the benefit.

For Supplemental Death Benefit purposes, “annual salary” is calculated as the salary from which you made the required member deposits to TMRS during the 12 months before your death. If you were paid less than 12 months, TMRS will require annual salary information from your employer.

### **Q: Is the SDB payment taxable?**

**A:** In general, no. TMRS considers the SDB payment to the beneficiary to be similar to proceeds from a group-term life insurance program. If the SDB is made payable to an individual, it is not subject to federal income tax. However, TMRS encourages you to consult a tax advisor.

## Period of Coverage

You are covered for Supplemental Death Benefits if your city has adopted the Supplemental Death Benefits option for its members and you are a city employee required to make member deposits with TMRS.

You are covered on the first day of the first month in which these requirements are satisfied. Except as described be-

low under “Extended Coverage,” coverage stops on the last day of any month in which either of the above requirements is not satisfied.

### **Supplemental Death Benefit Extended Coverage**

If circumstances cause you to be absent from your city employment for an extended period of time, your coverage under the Supplemental Death Benefits program may be extended if these three conditions are met:

- ◆ As a result of illness or injury, you are unable to engage in any gainful employment or you are on extended leave under the provisions of the federal Family Medical Leave Act (FMLA).
- ◆ You made a required member deposit with TMRS as an employee of a city offering the coverage for Supplemental Death Benefits for the month preceding the first entire month of your absence from work.
- ◆ Your application is approved by the TMRS Board of Trustees.

Extended coverage continues until the last day of the month in which any of the following occur:

- ◆ You return to work
- ◆ The Board finds that you have become able to engage in gainful employment
- ◆ You cease to be a member of TMRS
- ◆ You retire
- ◆ The city terminates coverage

A request for **Extended Supplemental Death Benefits** must be made in writing by the city correspondent on city letterhead to the Board of Trustees; it must contain a statement from your doctor regarding your inability to work and the length of time you expect to be away from the job.

### **Retiree Supplemental Death Benefits**

If you retire with TMRS, a Supplemental Death Benefit in the amount of \$7,500 will be paid on your death as long as the TMRS city from which you retired offers such coverage.

If your employment terminates with all participating TMRS cities, you may choose to — but do not have to — apply for a refund of your total member deposits plus interest.

### Leaving City Employment

If you leave your city before you are vested (after 5 or 10 years of service, depending on your city's plan), and do not go to work for another TMRS city, you may leave your member deposits with the System for up to 60 months and keep your TMRS membership. You are not considered absent from service if you are on FMLA leave. After the 60-month period, your TMRS membership terminates. If you go to work for a public employer who participates in the Proportionate Retirement Program, the 60-month limit may not apply (see page 24).

If you are not vested and you leave your member deposits with TMRS, your deposits will stop being credited with interest after the 60-month period. Therefore, at that time, you should apply for a refund of your member deposits and interest. You may be able to roll over your refund into an IRA or other eligible retirement plan for income tax purposes. See pages 50 – 51 for more on rollovers.

**If you stop working for one TMRS city, but become employed by another TMRS city before withdrawing your member deposits, your membership in TMRS has not terminated. You cannot withdraw your member deposits and interest.**

If you leave employment with a TMRS city and go to work in a position covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 24), you may withdraw your member deposits, but you should be aware of the value of your TMRS service credit under the Proportionate Retirement Program.

**If you are vested, you may leave your member deposits with TMRS until you are eligible and choose to retire. Your deposits continue to be credited with interest.**

### Refunds (Withdrawing Your Deposits)

A refund cannot be processed until your final member deposit to TMRS is received and credited to your account.

## Important

A refund only includes your member deposits and interest. It does NOT include the city's matching funds, even if you are vested.

# Leaving City Employment / Refunds

The city's payroll report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's payroll report and your final deposit are received, your refund will be processed for payment.

**Q: What is vesting?**

**A:** In most TMRS cities, you are vested when you earn 5 years of service credit. Some cities require 10 years to vest. Once you are vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your member deposits with TMRS, you keep your right to a retirement benefit. Your TMRS deposits will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS. Remember, you can only receive the city's matching funds if you retire and receive a monthly retirement benefit. For more information, see Chapter 5.

**Q: If I choose to take a refund, do I receive the city's matching funds?**

**A:** No. When you receive a refund, you receive your member deposits and interest but not the city's matching funds. The only way you can receive the city's matching funds is to retire and receive a monthly benefit payment.

If you cease to be employed by one TMRS city, you can choose to receive your member deposits and interest — only if you do not become employed in another TMRS city prior to receiving your refund payment from TMRS. **If you do take a job with another TMRS city and are enrolled in TMRS prior to receiving your refund, you cannot receive a refund.** You must continue your TMRS membership and leave your member deposits and interest in your member account to earn retirement credit.

## Video

See the video Refunding Your Account to learn more at [www.tmr.com](http://www.tmr.com) under Members | Video Training Library | Refunding Your Account.

## Refund Timeline

The city certifies on your refund application that your last deposit will be June 6. The city has until July 15 to submit the June payroll report and deposits to our office. Once the report has been filed with TMRS, the information must then be posted to your account before any refunds can be issued.

- Q: Can I refund part of my member account and leave the rest in TMRS?**
- A:** No. If you choose to receive a refund of your member deposits and interest, you must refund all of your account. You must also stop employment and your membership with all TMRS cities to receive a refund. Remember that a refund does not include the city matching funds.
- Q: If I stop working for a TMRS city and I am not vested, why should I consider leaving my member deposits with TMRS?**
- A:** If you might return to work for a TMRS city or in a job covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 24) within 60 months, you should consider leaving your member deposits in TMRS.
- Your member deposits continue earning interest as credited by TMRS during the 60-month period, and the service credit you have earned still counts toward retirement. Also, if you take a refund, you lose the city's matching funds.
- Q: What is the city's monthly payroll report, and when does the city have to submit it to allow me to get my refund?**
- A:** Each city sends TMRS a monthly payroll report and deposits, which must be received by TMRS by the 15th of the month after the month being reported. The monthly report shows each member's individual deposit for the month. After the city has submitted the report (with your final deposit) to TMRS, the report information must be added to your account before any refunds can be issued.
- Q: How long does it take to get my refund?**
- A:** Refunds are typically paid by TMRS 6 to 8 weeks after you were last paid by the city, provided TMRS receives everything from your city on time.
- A refund cannot be processed until your final member deposit to TMRS is received and credited to your account. The city's report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's report

## Note

Member deposits made before January 1, 1984, were taxed at the time of deposit. Any amount refunded to you based on those deposits will not be taxed at the time of payment.

# Leaving City Employment / Refunds

are received, your refund is processed for payment. If you have registered for MyTMRS ([www.tMrs.com](http://www.tMrs.com)), you can track the status of your refund.

**Q: Why does TMRS take out 20% of my refund for taxes?**

**A:** TMRS is a tax-deferred retirement plan. This means you have not paid income taxes on your member deposits or the interest credited to your account. The IRS requires TMRS to withhold 20% of the taxable amount of your refund as taxes, unless you roll the funds over to an IRA (Individual Retirement Account) or other qualified retirement plan.

If you withdraw your member deposits and interest before you turn age 59½, you may owe an additional 10% income tax penalty for an early distribution. However, if you leave city employment in the year you turn 55 or later, and withdraw your member deposits and interest, you will not owe the additional 10% income tax. See the “Special Tax Notice Regarding Plan Payments” included in your TMRS refund packet.

If you roll over the payment to a Roth IRA, a special IRS rule applies, making the amount of the payment (reduced by any after-tax amounts) taxable to you. TMRS must withhold 20% of the taxable portion of the payment. The additional 10% income tax on early distributions may apply to the amount withheld but will not apply to the amount deposited in the Roth IRA. However, you may owe the additional 10% penalty if you withdraw the amount rolled over to the Roth IRA within 5 years of the rollover. Please consult your tax advisor.

*Exceptions:* Public safety employees qualify for an exception to the additional 10% income tax penalty if they separate from service at age 50 or later. Your city will need to certify your status as a public safety employee (a form is available from the TMRS website).

For more information on leaving your TMRS city, see pages 9 – 11.

# Divorce

### Estimates with QDROs

If you have a QDRO on file, you cannot run estimates in MyTMRS. You may need to call TMRS to request an estimate, which will be mailed to you (7–10 days to process).

If you divorce, your TMRS retirement benefit may be involved in the settlement or division of property. **In the event of a divorce, TMRS encourages you to contact us as soon as possible in the process.** The TMRS Support Services Team can be reached toll-free at 800.924.8677 or by email at [divorce@tmrs.com](mailto:divorce@tmrs.com). Your attorney may wish to visit the TMRS website under Members | Resources | Benefits for the “Divorce and Retirement” publication, which gives more detailed information on divorce and TMRS benefits.

### Divorce and Your TMRS Benefit

Texas is a community property state, which means property acquired during your marriage is owned by both you and your spouse. Any TMRS retirement benefit earned during marriage is community property.

Dividing your TMRS benefit requires a special court order known as a Qualified Domestic Relations Order (QDRO). A QDRO is usually a separate document from your divorce decree, but in some cases may be contained within the divorce decree. State law requires that the QDRO meet certain legal requirements. TMRS has developed a model QDRO to assist your legal advisor in drafting a QDRO that meets these requirements.

The QDRO will specify what portion of your benefit will be paid to your former spouse. Benefits are not payable immediately to the former spouse. When you begin to receive a TMRS benefit, the portion specified in the QDRO will be paid to your former spouse. Likewise, if you withdraw your member deposits and interest, the QDRO will govern what portion your former spouse receives.

If your TMRS benefit is not divided between you and your former spouse, TMRS requires specific language in the divorce decree to specify that the benefit is not to be divided.

### Certified Copy

If the retirement benefit is to be divided, TMRS must review and approve a certified copy of the QDRO before retirement benefits can be paid to a former spouse or before a refund can be processed. A certified copy is one



that is certified with the original stamp and seal, plus the signature of the clerk of the court in the county where the divorce was granted. A certified copy is **not** a document bearing only the seal of a notary public.

### **Divorce After Retirement with TMRS**

If you divorce after you retire from TMRS and your retirement benefit is to be divided, a QDRO is required. Call TMRS for assistance.

### **Removing Your Former Spouse as Beneficiary**

If you retired under a Joint Survivor Lifetime option, designated your spouse as beneficiary, and divorced after retirement, the divorce decree or QDRO may allow TMRS to remove your former spouse as beneficiary. If this occurs, TMRS may also be able to increase your future benefit payments to the monthly amount you would have received had you originally selected a Retiree Life Only benefit. Please call TMRS for assistance with this provision, this cannot be done on MyTMRS.

### **Remarriage After Divorce, Post-Retirement**

If you remarry after retirement, you may be eligible to change your option in certain circumstances to provide a benefit for your new spouse. If you are eligible, **this change must be made prior to the first anniversary of the date of marriage.** You must contact TMRS directly for assistance and you cannot make this change simply by changing your beneficiary online.

### **Divorce Team**

TMRS has a team of employees trained to handle the many issues that can arise when TMRS benefits are part of a divorce settlement. Please call Support Services whenever you need assistance with a division of benefits. Also, additional information on divorce and your TMRS benefit is available on the TMRS website (under Resources).

TMRS Support Services  
Team: 800.924.8677 or  
email [divorce@tmrs.com](mailto:divorce@tmrs.com)

**Divorce**

## Pre-1984 Deposits

If you made member deposits to TMRS before January 1, 1984, you have already paid taxes on those deposits. On statements and communications from TMRS, you may see amounts divided between taxable and non-taxable portions. The taxable portion represents your member deposits made since January 1, 1984, and any and all interest earned since you began contributing to TMRS.

If you became a TMRS member after January 1, 1984, all your deposits were made before taxes were withheld, and any return of those deposits, either as a refund or a benefit, will be subject to taxation.

TMRS is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code. You do not pay income tax on your monthly member deposits to TMRS, but you will pay tax when you receive a payment from the System, either as a refund or a monthly benefit.

When you receive a payment from TMRS, all or part of that payment will be subject to federal income taxes, based on the tax laws and the rules and regulations of the Internal Revenue Service. The information in this *Benefits Guide* is based on the Internal Revenue Code and the IRS regulations in effect at the time this *Guide* was published. IRS regulations and federal tax law can change. In any matter involving taxation of your TMRS benefit, TMRS encourages you to contact a tax advisor.

## Monthly Retirement Benefits

If you retire and receive a monthly benefit from TMRS, part or all of your monthly benefit will be taxable as income. For those members who have service before January 1, 1984, a portion of the benefit based on the deposits made before that date will not be taxable. This portion is called the “monthly exclusion amount.”

Each year, at the end of January, TMRS will mail you a form 1099-R, showing your total retirement payments for the preceding year, the taxable and nontaxable amounts (if any), and the amount of tax withheld by TMRS. This form can be viewed and printed through MyTMRS. Withholding may be changed by retirees using MyTMRS.

## Partial Lump Sum Distribution

When you retire, if you choose to receive part of your benefit as a Partial Lump Sum Distribution (PLSD), that lump sum will be taxable income for the year in which it is payable to you.

The PLSD will be considered taxable income for the year in which you receive it. You can defer paying income tax by rolling your PLSD into an IRA or other eligible plan.

If you receive your PLSD directly before reaching age 59½ and you do not roll over your PLSD, you may be

subject to **an additional 10% income tax penalty** for an early distribution.

You will not incur the additional 10% income tax on your PLSD if you terminate employment with the TMRS city from which you retire **in the year you turn age 55 or later** or if you are a public safety employee who terminates employment in the year you turn age 50 or later. Although you may receive your PLSD directly with no additional 10% income tax, you will still be subject to regular income tax on the PLSD for the year you receive it.

Federal income tax law requires TMRS to withhold 20% of a PLSD, unless it is rolled into an IRA, a Section 457 deferred compensation plan for governmental employees, or another qualified retirement plan (see list under “Roll-overs,” pages 50 – 51). If only a part of your PLSD is rolled into an eligible plan, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a PLSD, the form you will fill out includes a “Special Tax Notice Regarding Plan Payments,” which contains current information on federal regulations governing distributions and rollovers. The form, “Selection of Partial Lump Sum Distribution,” which includes the “Special Tax Notice,” is also available on the TMRS website under Forms.

## Refunds

If you leave employment with a TMRS city and apply for a refund of your member deposits and interest, your refund will be taxable income for the year in which it is payable to you. (If your refund includes any deposits you made before January 1, 1984, that portion will not be taxed because those deposits were made before TMRS deposits became tax-deferred.)

When you receive your refund check, you will also receive a statement showing the taxable portion of the refund. TMRS will mail you a 1099-R form, showing the amount of the refund and taxes withheld, in January of the year following your refund. Your form 1099-R can be viewed and printed through MyTMRS.

A refund will be considered taxable income for the year in which it is payable to you. You can defer paying income tax by rolling over your refund into an IRA or other qualified retirement plan.

In certain cases, if you do not roll over your refund, you may be subject to an additional 10% tax penalty. You will not incur the additional 10% penalty on your refund if you terminate employment with a TMRS city in the year you turn age 55 or later. However, if you terminate employment before the year you turn age 55, then decide to receive a refund directly (not rolled over) before age 59½, you may incur the additional 10% tax.

*Exception:* If you are a public safety employee (fire, police, or emergency medical personnel) who terminates in the year you turn 50 or later, you will not incur the additional 10% tax penalty. (Note: If you meet the definition of public safety employee for the age 50 exemption, a city official must certify your eligibility. A certification form for this purpose is available on our website.) Although you may receive your refund directly with no additional 10% tax penalty, you will be subject to regular income tax on the refund in the year it is payable to you.

**The term “Public safety employees” includes law enforcement, fire fighting, and emergency medical services personnel as defined in federal law. You must be in an eligible position at the time of your retirement to qualify for this provision.**

Federal income tax law requires TMRS to withhold 20% of a refund, unless it is rolled over to an IRA, a Section 457 deferred compensation plan for governmental employees, or another qualified retirement plan. If only a part of your refund is rolled over, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a refund, the form you will fill out includes a “Special Tax Notice Regarding Plan Payments,” which contains current information on federal regulations governing distributions and rollovers. The Refund Application, which includes the “Special Tax Notice,” is also available on the TMRS website.

## **Rollovers**

Your PLSD or refund is eligible to be rolled over to an IRA or other qualified retirement plan. If you roll over one of these payments from TMRS, you will defer payment of taxes until

the money is withdrawn, and you may avoid a tax penalty that you would owe if you received the payment directly.

Federal law on rollovers provides that plans eligible to receive a rollover from TMRS (of either a PLSD or a refund) are:

- ◆ Governmental 457 plan
- ◆ 403(b) plan
- ◆ 401(a) plan (including 401(k) plans)
- ◆ IRAs
- ◆ Roth IRA (after 20% is deducted for federal income tax)

Plans that are **not** eligible to receive rollovers include:

- ◆ Simple IRAs
- ◆ Non-governmental 457 plans
- ◆ Designated Roth account in an employer plan

It is important to understand that special rules apply to rollovers to Roth IRAs, including additional income taxes and withholding requirements that may not apply to other types of rollovers.

Once your refund or PLSD is rolled over into another plan, future distributions from that plan may be subject to other federal laws and regulations. **Consult a tax advisor to be sure of the tax consequences of your options.**

### Supplemental Death Benefit (SDB)

TMRS considers the Supplemental Death Benefit to be similar to group-term life insurance for federal income tax purposes.

**Q: Is the SDB payment taxable?**

**A:** In general, no. TMRS considers the SDB payment to the beneficiary to be proceeds from a group-term life insurance program. If the SDB is made payable to an individual, it is not subject to federal income taxes. However, TMRS encourages you to consult a tax advisor.

### Tax Advice

While TMRS will assist members and retirees with information on tax matters, **we cannot give advice or interpret IRS regulations as they might apply to individual circumstances.** Those questions should be directed to your tax advisor or the IRS.

TMRS is committed to helping you understand your benefits and make the best use of your city's TMRS retirement program. Some of the resources TMRS makes available to members include:

- ◆ **www.tmr.com.** The TMRS website offers up-to-date benefit information; news on TMRS legislation, investments, and Board of Trustee actions; downloadable forms; a searchable list of city plan provisions; and much more. The website is your best source for current TMRS information.
- ◆ **MyTMRS.** This is a special feature of the TMRS website that allows members to run retirement estimates and allows members and retirees to access account information and make changes. See the TMRS website and click on MyTMRS to register.
- ◆ **TMRS Phone Center.** The Phone Center is staffed by benefit counselors trained to answer your questions on specific benefit issues. Call the Phone Center at 800.924.8677 or, in Austin, at 512.476.7577, or fill out the Need Help? form on the TMRS website.
- ◆ **Travel Team.** TMRS has a group of benefit counselors who travel throughout the state, appearing at city events, benefit fairs, and regional conferences to speak on TMRS benefit issues. Your city can contact TMRS to schedule a visit.
- ◆ **Newsletters.** TMRS publishes both electronic and print newsletters for active members (*INSIGHT*) and retirees (*RetirementWise*) at regular intervals each year. The newsletters offer announcements and in-depth articles on issues of interest to TMRS members. Please keep your address and email address current with TMRS, so the newsletters will reach you.

- ◆ **TMRS FACTS.** This is a booklet for members that answers most member questions in a Q&A format. This guide is meant to be used in conjunction with your City Plan. It is available in English and Spanish.
- ◆ **Specialized brochures on benefit topics.** These can be downloaded from the website, obtained from your city, or requested directly from TMRS by calling the Phone Center.
- ◆ **Member Annual Statements.** These statements provide a written summary of your account, reflecting the information TMRS has on file for you. Annual Statements summarize your service history, your retirement account balance, your beneficiary information, and also give you retirement estimates. If you see errors in this statement, please contact us immediately.
- ◆ **Retiree Account Statements.** These are statements sent early each year that show the annuitant's account status, including the amount of annuity, federal tax withholding, other adjustments (if any), and the amount of the COLA, if the annuitant receives one that year.
- ◆ **TMRS Annual Seminar and Regional Conferences.** TMRS holds an annual conference each year for city employees who help administer TMRS benefits. TMRS also conducts a number of Regional Conferences for members approaching retirement. See the website or call TMRS for a schedule.
- ◆ **Email newsletters.** TMRS sends newsletters to cities, retirees, and members on various topics. Be sure to keep your email address up-to-date in MyTMRS and use a persistent (non-work) address.

## Information

To obtain a retirement estimate, use the MyTMRS feature on the TMRS website at [www.tmr.com](http://www.tmr.com). Or call the TMRS Phone Center toll-free at 800.924.8677.

## Note

Remember, all estimates are based on assumptions, and your actual benefit may be different.

## **Retirement Estimates**

Since retirement benefits vary from city to city, benefit estimates from TMRS must be prepared on an individual basis.

TMRS members get estimates of their retirement benefits each year on the Annual Statement. The estimates show the benefit that you would receive under the available options in December of your first eligible year and five years later.

As you near retirement, the best way to run estimates at your convenience is to use MyTMRS. Estimates may be based on one or more anticipated dates of retirement and provide benefit information, such as the value of your optional Partial Lump Sum Distribution (PLSD) and how taking a PLSD will affect the amount of your annuity. If you have a QDRO on file, you will need to call TMRS for your estimates.



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August 2019 Edition