TMRS
Retirement Toolkit
Annual Training Seminar • October 7-9, 2012 • Sugar Land Marriott Town Square

TMRS Membership

Presented by
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TMRS Membership

- TMRS Basics
- Beneficiaries
  - Vested Death Benefits
- Service Credits
TMRS Basics

- Employee Deposit Rate = 5%, 6%, 7%
- Employer Match = 1:1, 1.5:1, 2:1
- Vesting Requirements = 5 or 10 years of service
- Retirement Eligibility = Vested and age 60, or 20 or 25 years of service and no age requirement
Mandatory Enrollment

- Employees must join TMRS if they are employed in a permanent position that *normally requires 1,000 hours* of work in a year
- City determines eligibility based on the 1,000-hour rule
- Seasonal, contract, or temporary employees and volunteer firefighters are NOT eligible
How Much Goes into the Member’s Account?

- City Council adopts one of three levels: 5%, 6%, or 7%
- Payroll deduction is based on all gross compensation
- Annual interest is paid every December 31
- Tax-deferred (earnings prior to 1984 already taxed)
- *All employees in a city participate at the same level*
Gross Compensation

- Under section 851.001, the TMRS Act defines compensation as “the sum of payments made to an employee for performance of personal services...”
- If payment is taxable, then it is subject to TMRS as compensation
  - Includes all allowances (house, car, uniform, cell phone)
  - Sick time, Vacation time, Workers Comp., Overtime
- Reimbursements are not subject to TMRS
- Additional amount can not be added to TMRS if it is not part of the employee’s compensation
Does the City Put Money Into Member Accounts?

NO! Each city has its own TMRS account.

- City money is paid from day one into city account
- Member only receives city matching money when retiring (and receiving a monthly benefit from TMRS)
How Much Does the City Match?

- Three levels of match
  - 1 to 1 (100%)
  - 1.5 to 1 (150%)
  - 2 to 1 (200%)
- Applied toward total account balance at retirement
- City Council adopts level
Besides Retiring, How Else Can Member Receive Money?

QUIT and Request Refund
- Forfeit right to future retirement benefit
- Receive member’s money only — **NO CITY MONEY**
- *Termination must be “bona fide,” without a pre-arrangement with city*
  - Applies to both refunds and retirement

**IMPORTANT** - Members cannot borrow against their retirement account for any reason
Beneficiaries
**Beneficiaries**

Members can name a beneficiary who is:

- A minor (custodian is recommended)
- An estate
- A trust

Members can name up to 3 primary beneficiaries and up to 3 alternate beneficiaries
Designating Minors

- TMRS benefits cannot be paid to minors without a legal representative

* A custodian designation is recommended when a minor is the beneficiary
Designating an Estate

An estate may be designated if the member wants TMRS to pay in accordance with his or her will.

- Will must go to probate
- Payments are distributed to executor or administrator
Designating a Trust

- Trust must satisfy all IRS requirements
- If trust is not acceptable, benefits will be paid in accordance with the TMRS Act (alternate beneficiary, estate, etc.)
Members Should Review Beneficiary Designations When...

Work status changes:
- Enrollment
- Vesting
- Retirement
- Occupational Disability

Family status changes:
- Marriage
- Divorce
- Births, adoption, custody
- Deaths
What Happens When a Member Is Vested?

- Vested = 5 or 10 years of service
- At death, beneficiary is entitled to a monthly benefit based on member’s _and_ city’s money

If a vested member wishes to change his/her beneficiary, be sure to submit the Vested - Change of Beneficiary form
Make Sure the Appropriate Beneficiary Form is Correctly Filled Out

<table>
<thead>
<tr>
<th>Enrollment through vesting, use TMRS-0007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vesting through retirement, use TMRS-007V</td>
</tr>
</tbody>
</table>

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**Not Vested – Change of Beneficiary**

**Member Information**
- Name of Member (print, sign): [Insert Name]
- Social Security Number: [Insert SSN]
- Home Address: [Insert Address]
- City: [City]
- State: [State]
- Zip Code: [Zip Code]

**Beneficiary Designation Limit 3**
- Beneficiary Name: [Beneficiary Name]
- Social Security Number: [Beneficiary SSN]
- Relationship: [Relationship]

**Custodian Under the Texas Uniform Transfers to Minors Act**
- Custodian Name: [Custodian Name]
- Social Security Number: [Custodian SSN]
- Relationship: [Custodian Relationship]

**Member Signature Required**
- Member's Signature: [Signature]

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**Vested – Change of Beneficiary**

**Member Information**
- Name of Member (print, sign): [Insert Name]
- Social Security Number: [Insert SSN]
- Home Address: [Insert Address]
- City: [City]
- State: [State]
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**Beneficiary Designation Limit 3**
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- Relationship: [Custodian Relationship]

**Member Signature Required**
- Member's Signature: [Signature]
Vesting Is a Good Time to Review the Beneficiary Designation

- If a vested member dies without a designation, benefits will be paid as follows:
  - To the spouse; or
  - To the children if there is no spouse; or
  - To the last designated beneficiary if there is no spouse and no children; or
  - To the estate
Service Credits
Service Credits

Retirement eligibility is based on service credits:

- 1 deposit* = 1 service credit
- 240 service credits = 20 years
- 300 service credits = 25 years

* Only 1 deposit per month is credited toward retirement eligibility
Types of Service Credit

- Current Service (actual working time with city)
- Proportionate Retirement
- USERRA

- Optional Service Credits that City may adopt:
  - Military Service
  - Restricted Prior Service
  - TMRS Buyback
Proportionate Retirement Service Credit

- Allows members to combine time between Texas statewide retirement systems for retirement eligibility

- Participating systems:
  - Texas Municipal Retirement System
  - Texas County & District Retirement System
  - Employees Retirement System
  - Teacher Retirement System
  - City of Austin Employees Retirement System
  - Judicial Retirement System
Proportionate Buyback

Affects both current and former employees

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

**Former Employees**
- Allowed to restore service credit in TMRS
- Former employee must:
  - Have refunded TMRS service;
  - Not be a current member of TMRS; and
  - Be a current member of another Texas statewide public retirement system
Proportionate Retirement — Special Notes

- Call TMRS for earliest date of retirement
- Only service credit is combined
- Payments or accounts never combined
  - Payment received from each system
- Cannot combine service for:
  - Disability retirement;
  - Death benefit; or
  - To purchase military service credit
- Deposits must remain in each system
What Is USERRA?

- USERRA = Uniformed Services Employment and Reemployment Rights Act
- USERRA is a federal law
- Allows employees who have left employment to serve in the military to apply for credit as if they had never left

Credit for military service during a “break” in employment
How Does Member Qualify for USERRA?

- Must leave employment to serve in the military (either voluntary or involuntary service) after 12/12/94
- Must return to work for the same city within 90 days of discharge
- Must be discharged under conditions that are not dishonorable
- Must complete application and submit with a copy of DD214 discharge papers
How Does USERRA Help?

- Member receives time credit immediately for total months served
- Member can pay into TMRS the amount that would have been contributed
- Member has up to 5 years (depending on length of service) after reemployment to pay the total amount due
- Member may receive up to 5 years total under the USERRA credit
Optional Credits

- Military Credit
  - Credit for active military time prior to city employment
  - Time only credit or purchase (must qualify)
- Restricted Prior Service Credit
  - Credit for previous full-time public service
  - No Monetary Value
- TMRS Buyback
  - Purchase previously refunded TMRS credit
  - Must be employee with City when ordinance passed
When Can Military Service Credit (Time Only) Be Established?

- City must have adopted military service credit
- Employee must have five years of employment with TMRS.

Exclusion:
- Employee must not have received credit for the same service in another statewide system.
What Is Restricted Prior Service Credit?

- Time credit for previous full-time, paid, public work *anywhere* in the U.S. (including military service)
- Forfeited time from another TMRS city or participating Texas retirement system
- NO monetary value
- An optional provision that may be adopted by the city
<table>
<thead>
<tr>
<th>Military</th>
<th>Restricted Prior Service</th>
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</thead>
<tbody>
<tr>
<td>Eligible after 60 deposits</td>
<td>Eligible after 1&lt;sup&gt;st&lt;/sup&gt; deposit</td>
</tr>
<tr>
<td>Maximum credit is 60 months</td>
<td>No limit on time credit</td>
</tr>
<tr>
<td>May purchase at $15/month if eligible*</td>
<td>Not eligible for purchase</td>
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<tr>
<td>▪ Had to be employed on 12/31/03</td>
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* Not eligible to purchase military credit if receiving or expecting to receive military pension based on 20 years’ service
TMRS Buyback

- The option to buy back previously refunded TMRS service must be adopted by city
  - Member must be an employee of city at the time the city adopts buyback
  - Member must have at least 24 consecutive months of service
- Member must redeposit the amount previously withdrawn plus a 5% per year (prorated monthly) withdrawal fee
- Buyback must be made with a single payment
  - May be purchased using a rollover from a qualified plan
Questions?