How Does TMRS Membership Work?

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TMRS Membership

TMRS Basics

Beneficiaries
- Vested Death Benefits

Service Credits
TMRS Basics

**Employee Deposit Rate**
- 5%, 6%, or 7% of gross compensation
- Interest paid on Dec 31 of each year
- All employees contribute at same level

**Employer Match**
- 1:1, 1.5:1, 2:1
- City Match is not retroactive
- Match applied toward deposits & interests

**Vesting Requirements**
- 5 or 10 years of service
- Once vested, always vested

**Retirement Eligibility**
- Vested and age 60, or 20 or 25 years of service at any age
Who Is Enrolled in TMRS?

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.
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
When Does the City Match my Funds?

- Member only receives city matching money when retiring (and receiving a monthly benefit from TMRS)
- City money is paid from day one into city account
- Any refund issued — regardless of vesting status — will not include city match
If I Don’t Retire, How Do I Get my Money Back?

Quit and Request Refund

Forfeit right to future retirement benefit

Receive member’s money only

Termination must be “bona fide,” without a pre-arrangement with city

IRS 10% tax penalty may apply

Members cannot borrow against their retirement account for any reason
Members can name a beneficiary who is:

- **Estate**: Last Will & Testament must be probated
- **Charity**: Example: Church, American Red Cross
- **Trust**: Must be established prior to designating
- **Minor**: TMRS cannot pay directly to a minor. A custodian designation is highly recommended

Members may name up to 3 primary and 3 alternate beneficiaries.
Members Should Review Beneficiary Designations When...

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<th>Work status changes:</th>
<th>Family status changes:</th>
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<td>• Occupational Disability</td>
<td>• Deaths</td>
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What is Vesting?

Right to a future retirement benefit

Eligible at age 60 or older

At death, beneficiary is entitled to a monthly benefit based on member’s and city’s money

Vested members must change/update beneficiary designations using Vested form
Make Sure the Appropriate Beneficiary Form is Correctly Filled Out

Enrollment through vesting, use TMRS-0007

Vesting through retirement, use TMRS-007V
What Happens if the Beneficiary Designation is not Valid?

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

Retirement eligibility is based on service credits:

- 1 deposit = 1 credit
- 240 credits = 20 years
- 300 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

Texas Municipal Retirement System

Texas County & District Retirement System

City of Austin Employees Retirement System

Teacher Retirement System

Judicial Retirement System

Allows members to combine time between Texas statewide retirement systems for retirement eligibility
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:
MyTMRS will not calculate Proportionate Service

Only service credit is combined:
5 years TRS + 15 years TMRS = 20 years service

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:
- If account refunded from prior System, not eligible for Proportionate Retirement
- Exception: TCDRS
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
Why Apply for USERRA?

- 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
How do I get my military time added to my account?

- 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
- An optional provision that may be adopted by the city

- No Monetary Value
Military Credit vs Restricted

**Military**
- Eligible after 60 deposits
- Maximum credit is 60 months
- May purchase at $15/month if eligible*
  - Had to be employed on 12/31/03

**Restricted Prior Service**
- Eligible after 1st deposit
- No limit on time credit
- Not eligible for purchase

*Not eligible to purchase military credit if receiving or expecting to receive military pension based on 20 years’ service*
The option to buy back previously refunded TMRS service

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?