What Does it Mean to Retire with TMRS?

Colin Davidson, Regional Representative
Retirement

- TMRS Retirement Basics
  - Eligibility

- Retirement Payments
  - 7 Payment Options

- Additional Retirement Issues
  - Occupational, USERRA, HELPS
How Do I Qualify for Retirement?

Two ways to meet eligibility:

- Age 60 with 5 years of service,
- or age 60 with 10 years of service,
- 20 years of service at any age,
- or 25 years of service at any age

Determined by vesting and retirement options selected by city
Retirement Date vs Termination Date

Last day of employment does not have to be the same as TMRS retirement date, but you must leave city employment before retirement date.

*Termination Date: 11/15

Earliest Eligible Retirement Date: 11/30

First Annuity Check: 12/31

Earliest eligible date to return to TMRS city: 12/1

*Example
If Returning to Work for Same City…

If a retiree returns to work full-time to the city from which they retired, their annuity will be SUSPENDED.

Exception: HB 159 / SB 812 passed in 2011; allows return to same city after 8-year separation

If a retiree returns to work for the same city after retirement, the IRS requires a bona fide separation

Return to work cannot be pre-arranged
How Much Will I Receive from TMRS?
Retirement Estimates and Packet

Members may request estimates online through MyTMRS: www.mytmrs.com

Also may request estimates (mailed or faxed to member) by calling the Phone Center: 800-924-8677

Review all information and report any changes or corrections to TMRS immediately!

<table>
<thead>
<tr>
<th>Estimated Monthly Amounts</th>
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</thead>
<tbody>
<tr>
<td>Retirement Options</td>
</tr>
<tr>
<td>Retiree Life Only</td>
</tr>
<tr>
<td>100% Survivor</td>
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<tr>
<td>75% Survivor</td>
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<tr>
<td>50% Survivor</td>
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<tr>
<td>5-yr Guaranteed</td>
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<tr>
<td>10-yr Guaranteed</td>
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<tr>
<td>15-yr Guaranteed</td>
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</tbody>
</table>

This estimate assumes that the laws and rules governing TMRS and the calculation of benefits do not change, that the employer makes no future plan provision changes, that all required contributions are made to TMRS, that no error corrections are made to the account, that TMRS continues to credit 5% interest to all members’ accounts, and that no changes are made to the actuarial factors used to calculate annuities.
How Is the Monthly Payment Calculated?

- Employee Deposits & Interest
- City Matching Funds
- USC Interest (if any)
- 5% Future Interest
- Life Expectancy
- Annuitized to a LIFETIME monthly benefit
Remember: USC is Only One Part of the Retirement Calculation

- Member’s account balance
- City’s Matching
- Updated Service Credit
- 5% Future Interest
How Much Will I Receive from TMRS?
Monthly Payment Plans

### 7 Payment Plans

- All plans pay an annuity for retiree’s lifetime
- All plans ensure return of member’s accumulated deposits and interest

**Retirement Options**

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>100%</th>
<th>75%</th>
<th>50%</th>
<th>15 years</th>
<th>10 years</th>
<th>5 years</th>
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</thead>
<tbody>
<tr>
<td>Retiree Life Only</td>
<td>RLO</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Survivor Lifetime</td>
<td></td>
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<td></td>
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<tr>
<td>Guaranteed Term</td>
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</tbody>
</table>

A “Retirement Annuity Options” video is available on the TMRS website under Video Training Library
Retiree Life Only Option

Monthly payments for life

Calculated on member’s life only

The highest-paying monthly option

No survivor benefits
Lifetime Survivor Options

Monthly payments for member and beneficiary’s lifetimes

Retiree Life — 100% Survivor Benefits
Retiree Life — 75% Survivor Benefits
Retiree Life — 50% Survivor Benefits

Note: Only 1 beneficiary may be named under these options
I’m Married — Do I have to Name my Spouse as a Beneficiary?

- Deposits made and interest earned during marriage are community property
- Spousal consent is required when a married employee:
  - Designates someone other than spouse as beneficiary; or
  - Selects a payment plan that does not provide a lifetime benefit for the spouse (Retiree Life Only Option, or one of the Retiree Life — Guaranteed Term Options)
What Happens if my Survivor Dies Before Me?

If a retiree selected the joint survivor option:
- Survivor passes away before retiree
- Retiree’s payment “Pops-Up” to Retiree Life Only amount

Retiree does not have the option to add a new survivor beneficiary.
Guaranteed Term Options

Guarantee payments for member’s life, but only for fixed number of years for beneficiary after retirement.

- Retiree Life — 5 year guarantee
- Retiree Life — 10 year guarantee
- Retiree Life — 15 year guarantee

Note: Up to 3 beneficiaries may be named with these options.
Can I Change my Payment Plan after Retirement?

No changes are allowed after receipt of first monthly payment.

Exception: if retiree remarries or divorces after retirement.
Retiree Life Only
- Spousal consent required if married
- “Pop-up” not applicable
- Only guarantees 1 life

Survivor Options
- Spousal consent if spouse is not beneficiary
- “Pop-Up”
- Guarantees 2 lives

Guaranteed Terms
- Spousal consent required if married
- “Pop-up” not applicable
- Guarantees 1 life, and time period
Partial Lump-Sum Distribution

- Members may choose the partial lump-sum distribution (PLSD) when they retire
- Amounts are included on estimates:

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>No Partial Lump Sum Payment</th>
<th>$21,185.40 Partial Lump Sum Payment</th>
<th>$42,370.80 Partial Lump Sum Payment</th>
<th>$63,260.68 Partial Lump Sum Payment</th>
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</thead>
<tbody>
<tr>
<td>Retiree Life Only</td>
<td>1,765.45</td>
<td>1,618.95</td>
<td>1,472.44</td>
<td>1,327.98</td>
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<tr>
<td>100% Survivor</td>
<td>1,258.66</td>
<td>1,154.21</td>
<td>1,049.76</td>
<td>946.77</td>
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<tr>
<td>75% Survivor</td>
<td>1,357.72</td>
<td>1,245.05</td>
<td>1,132.38</td>
<td>1,021.29</td>
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<tr>
<td>50% Survivor</td>
<td>1,473.45</td>
<td>1,351.18</td>
<td>1,228.90</td>
<td>1,108.34</td>
</tr>
<tr>
<td>5-yr Guaranteed</td>
<td>1,756.18</td>
<td>1,610.45</td>
<td>1,464.71</td>
<td>1,321.01</td>
</tr>
<tr>
<td>10-yr Guaranteed</td>
<td>1,699.89</td>
<td>1,558.83</td>
<td>1,417.76</td>
<td>1,278.67</td>
</tr>
<tr>
<td>15-yr Guaranteed</td>
<td>1,617.71</td>
<td>1,483.46</td>
<td>1,349.22</td>
<td>1,216.85</td>
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How is the PLSD Calculated?

Retiree Life Only  x  12, 24, or 36

Example:

\[
\begin{align*}
$1,000 \\
x 36 \\
\hline
$36,000
\end{align*}
\]

Note: PLSD cannot exceed 75% of member’s account
PLSD Payments are Income

Paid directly to retiree
- 20% income tax withheld
- IRS tax 10% penalty may apply

Rolled to a qualified plan
- No taxes withheld
- IRS penalty does NOT apply

IRS 10% Tax Penalty
- Applies to funds from a refund or PLSD when younger than 59 1/2
- If employment is terminated in year turn 55 or older, penalty is waived

Federal tax law permits public safety employees who receive a PLSD at retirement at age 50 or later to waive the 10% IRS penalty.
Taxes with Roth IRA Rollovers

- Taxable portion of the PLSD can be rolled over (all or part)
- In 2010 the IRS issued new rules for rollovers, including the acceptance of Roth IRAs, which may be taxable
- A full explanation is included with the PLSD form in the “Special Tax Notice Regarding Plan Payments” page
When do I Apply for Retirement?

TMRS accepts application for service retirement from employee within 90 days of retirement date.

City must certify this form.

All forms are available online (auto-fill PDFs).
Additional Retirement Issues
What Happens if I Become Disabled?

OCCUPATIONAL DISABILITY

Retirement date must be last day of calendar month after all deposits received at TMRS

Benefit is calculated the same as a Service Retirement

Disability does not have to be work related

Benefit not exempt from taxes

PLSD not available

Exception: if member eligible for service retirement
How do I Qualify for Occupational Disability Retirement?

No minimum length of service or age required to be eligible

The TMRS Medical Board must find that:

The member is mentally or physically incapacitated from performing the duties of his or her occupation

and

The incapacity is considered to be permanent
HELPS Provision

Federal law allows retirees who are Public Safety Officers to deduct from their annuity to pay for health care or long-term care.

Retiree must separate from service as a Public Safety Officer.

Retiree may take up to a $3,000 tax deduction per year. Deductions from annuity are not pre-tax!

TMRS will send deducted amount directly to insurer or city as appropriate.
Questions?