

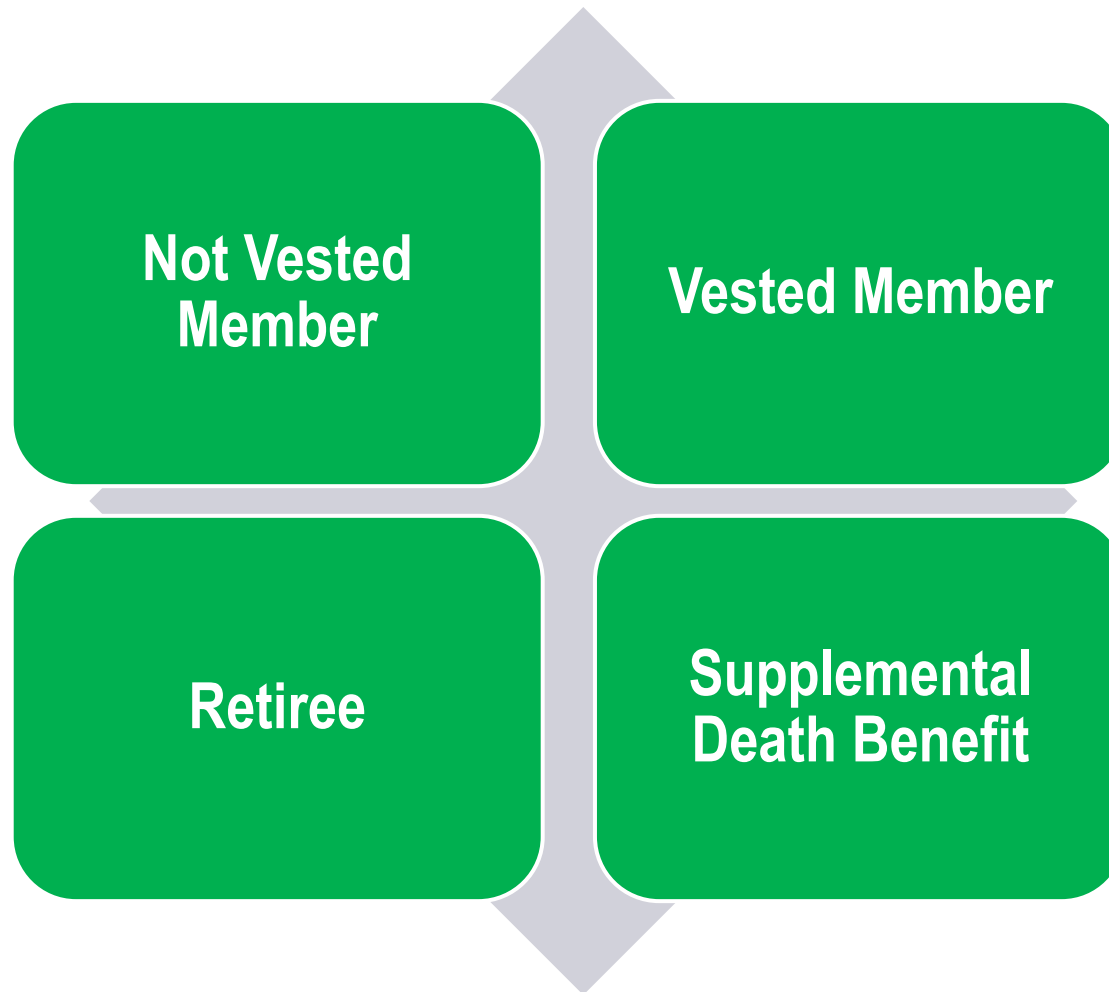
# What Issues Can Affect Members?

Shannon Lucero, Regional Representative



**Texas Municipal  
Retirement System**  
Annual Training Seminar  
November 19-20, 2013

# Death Benefits



# What Happens if Member / Retiree Dies?

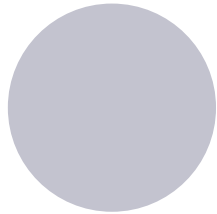
**Not Vested  
Member**

**Vested Member**

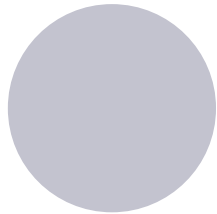
**Retiree**



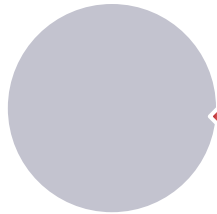
# If Member Dies Before Vesting...



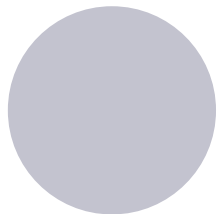
**Designated beneficiary receives a lump sum refund of member's account balance**



**City match is forfeited**



**Beneficiary will be determined by the New Member Form or the Not Vested – Change of Beneficiary form.**



**If no valid beneficiary designation is on file, proceeds are paid to member's estate**

# If Member Dies After Vesting...

## NON-SPOUSE BENEFICIARY

**Refund**

- No City Match

**Lifetime or 15-year payout  
(with city match)**

- Immediate payments

## SPOUSE BENEFICIARY

**Refund**

- No City Match

**Lifetime or 15-year payout  
(with city match)**

- Immediate payments or
- Payments delayed\* until member would have reached 60

**\*Spouse must make this election within 180 days**

# Multiple Beneficiaries

For both spouse and non-spouse beneficiaries:

Refund (no city match)

15-year payout (with city match)



- **Immediate payments-divided equally**

**Beneficiaries must agree on payment option**

# Benefit Options Review

## Spouse

- Leave funds until member would have turned 60
  - Elect immediate lifetime benefit
  - Elect immediate 15 year benefit
  - Elect Refund
- 

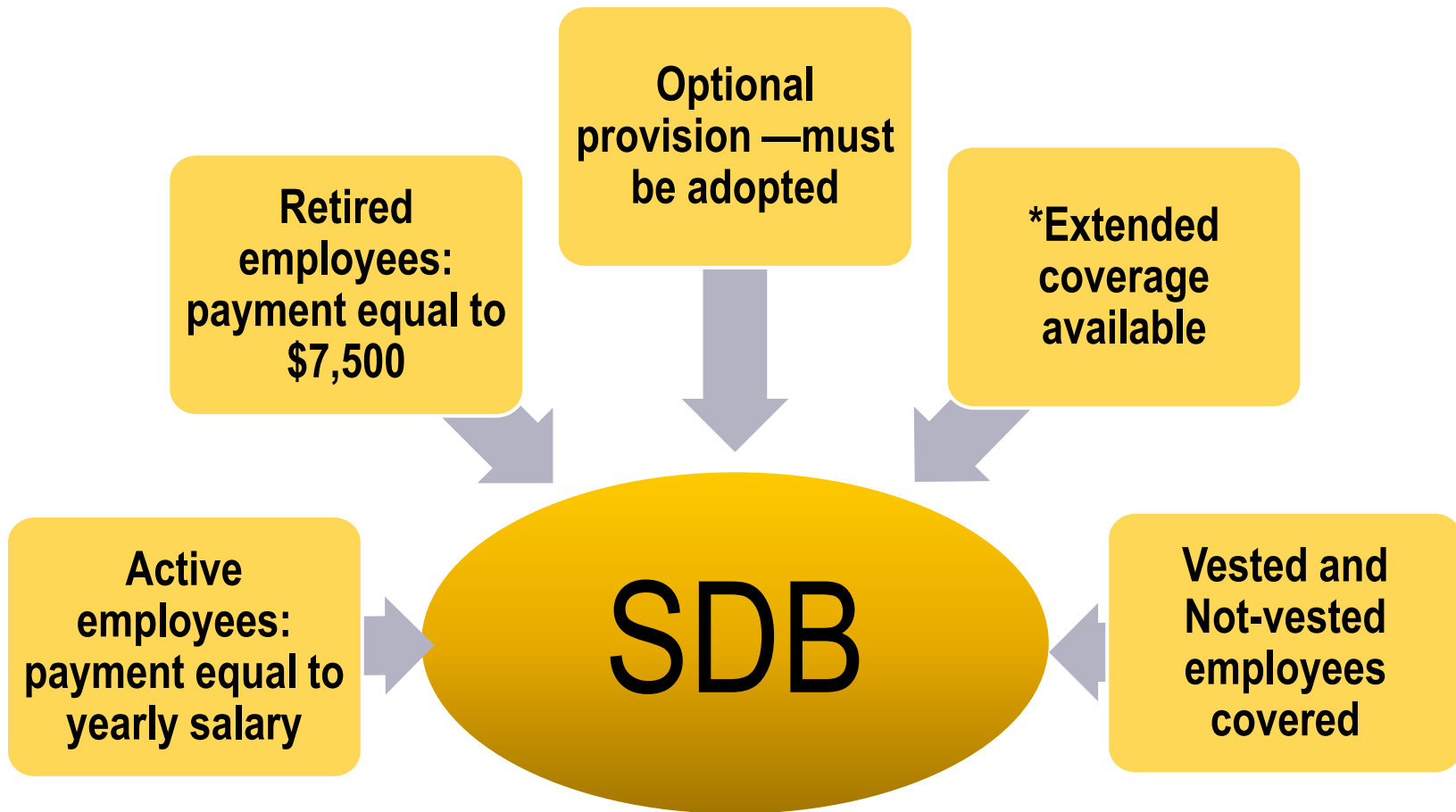
## Non-Spouse

- Elect immediate lifetime benefit
  - Elect immediate 15 year benefit
  - Elect Refund
- 

## Multiple Beneficiaries

- Elect immediate 15 year benefit
- Elect Refund
- Must agree on option

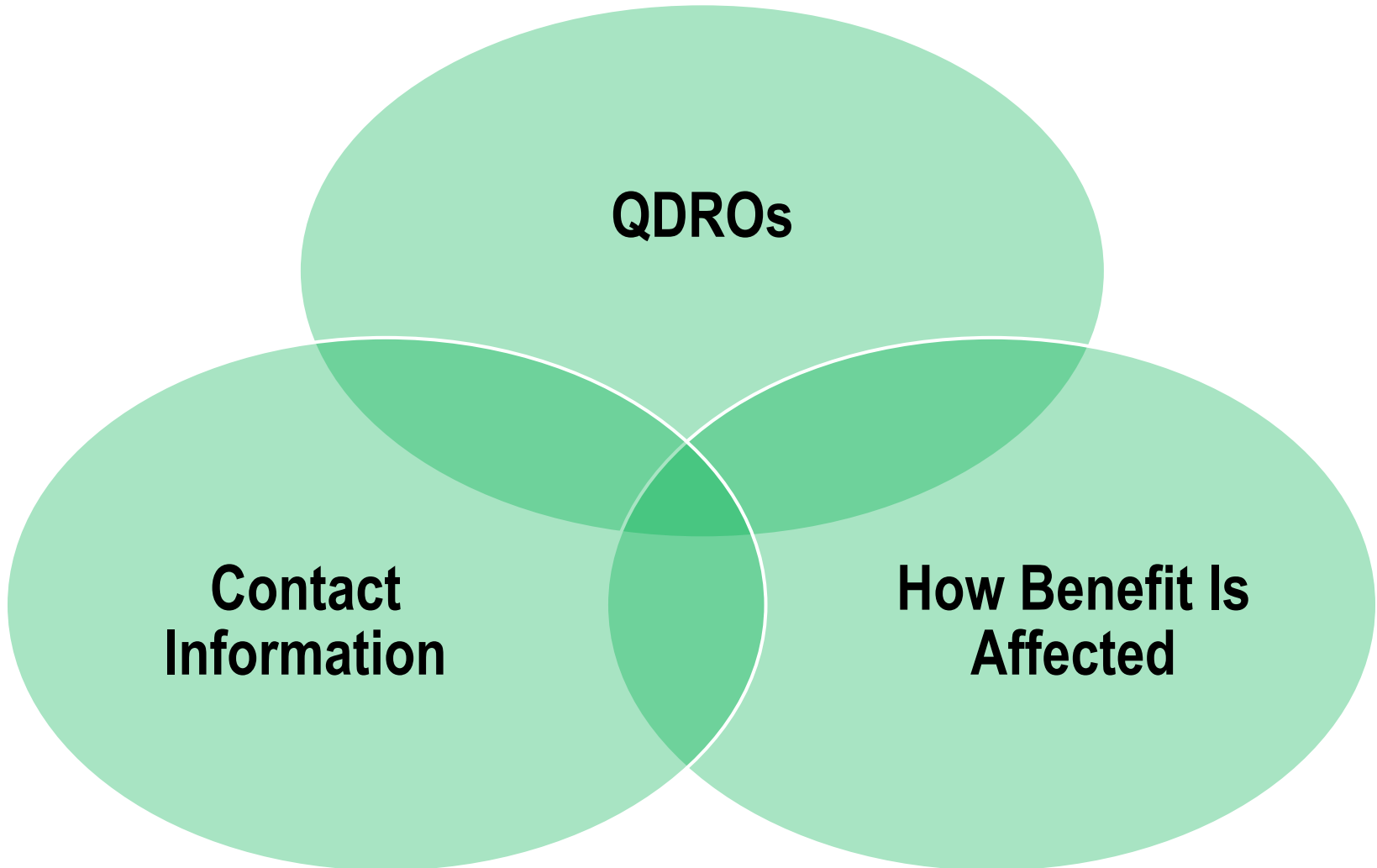
# Additional Death Benefit — Supplemental Death Benefit (SDB)



\* Extended SDB coverage requires written request past automatic 6 month coverage



# Divorce and TMRS Benefit



# ***I was divorced. What do I need to do?***

**Deposits and interest earned during marriage are community property**

## **If ex-spouse was awarded portion of TMRS benefit**

- Submit QDRO to TMRS
- Update Beneficiary designation

## **What happens:**

- Account is “flagged”
- Benefit is not divided until member refunds or retires account

## **If ex-spouse was not awarded portion of TMRS benefit**

- Ensure divorce decree contains appropriate language
- Update Beneficiary designation

# Qualified Domestic Relations Order

## QDRO

**Required  
before  
TMRS can  
make  
payment to  
non-member**

**Determines  
how benefit  
is divided**

**TMRS will  
determine if  
order is  
acceptable**

**Separate  
from  
Divorce  
Decree**

# More on QDROs...

**Active  
Employee**

**Benefit not divided  
until member  
retires/refunds/dies**

**Benefit paid in same  
manner to “alternate  
payee” as to  
member/beneficiary**

**Retired  
Member**

**Payments continue to  
retiree until acceptable  
QDRO received**

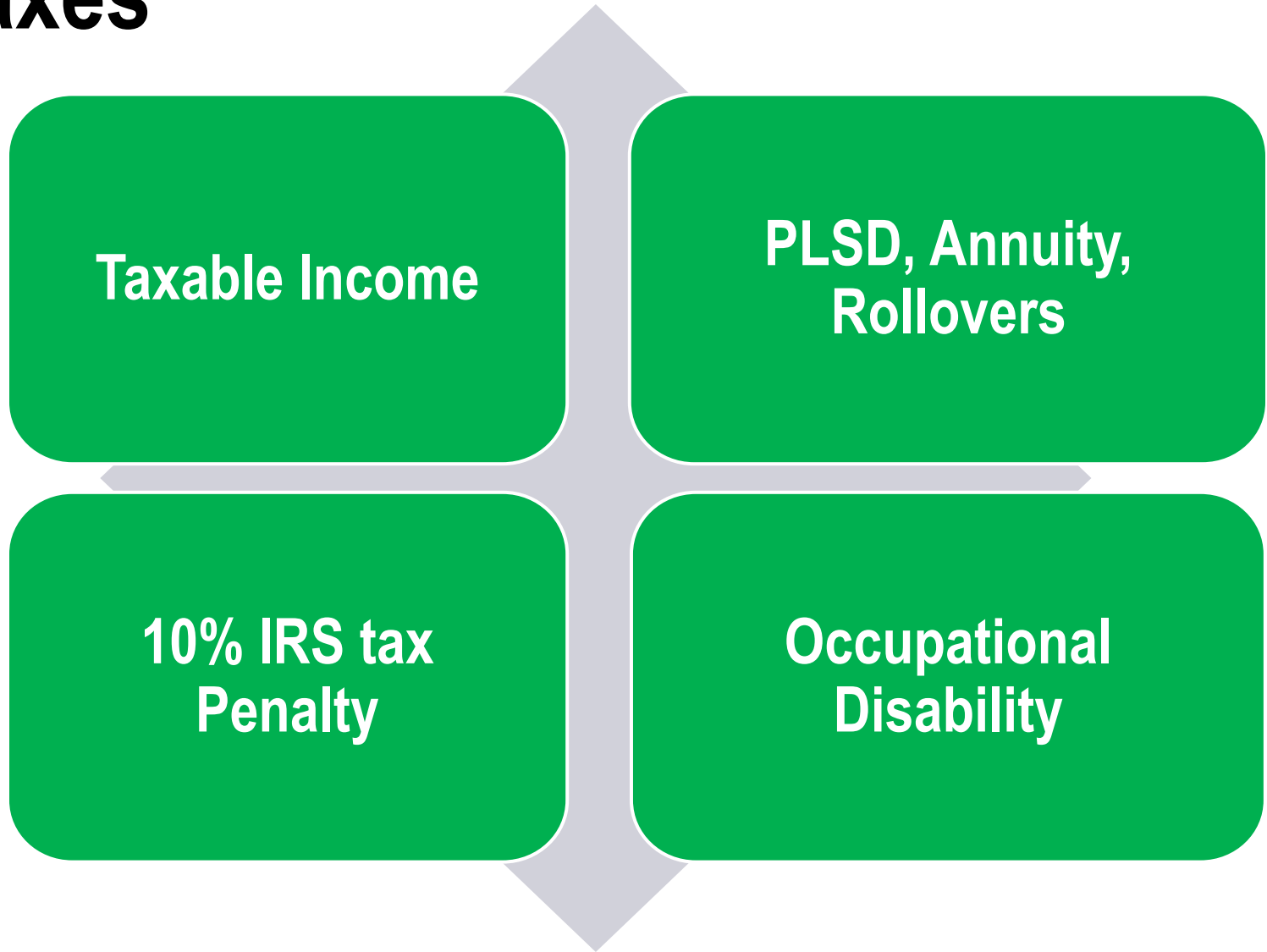
# Who Can I Call?

**Support Services:  
1.800.924.8677**

**Email questions to:  
[divorce@tmrs.com](mailto:divorce@tmrs.com)**



# Taxes



# Taxes

- **January 1, 1984**
- **Growth on account is tax deferred — not tax free!**
- **TMRS is a qualified, tax-deferred governmental retirement system**
- **Payments received are taxable income**
- **Deposits made are on a pre-tax basis**
- **Deposits are NOT tax deductible**

# Taxable Income

## Partial Lump Sum Distribution

- 20% withheld from any portion paid directly to member
- If rolled into qualified plan, taxes delayed

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## Monthly Annuity

- Taxes withheld according to W-4P
- Reported to retiree on form 1099R



# 10% IRS Tax Penalty – When Does it Apply?

**When refunds / PLSDs are withdrawn (and not rolled over) from TMRS before age 59½**

**If member terminates in year they turn 55 or older, penalty is waived (age 50 for First Responders)**

**Penalty applies to gross amount of refund or PLSD**

**If rolled over to qualified plan, there is no penalty on portion rolled over**

**Penalty, if applicable, is calculated at time of IRS tax filing.**

**TMRS does not withhold the 10% penalty!**

# Questions?

