

November 17-18, 2014

2014 Annual Training Seminar

# Exploring TMRS

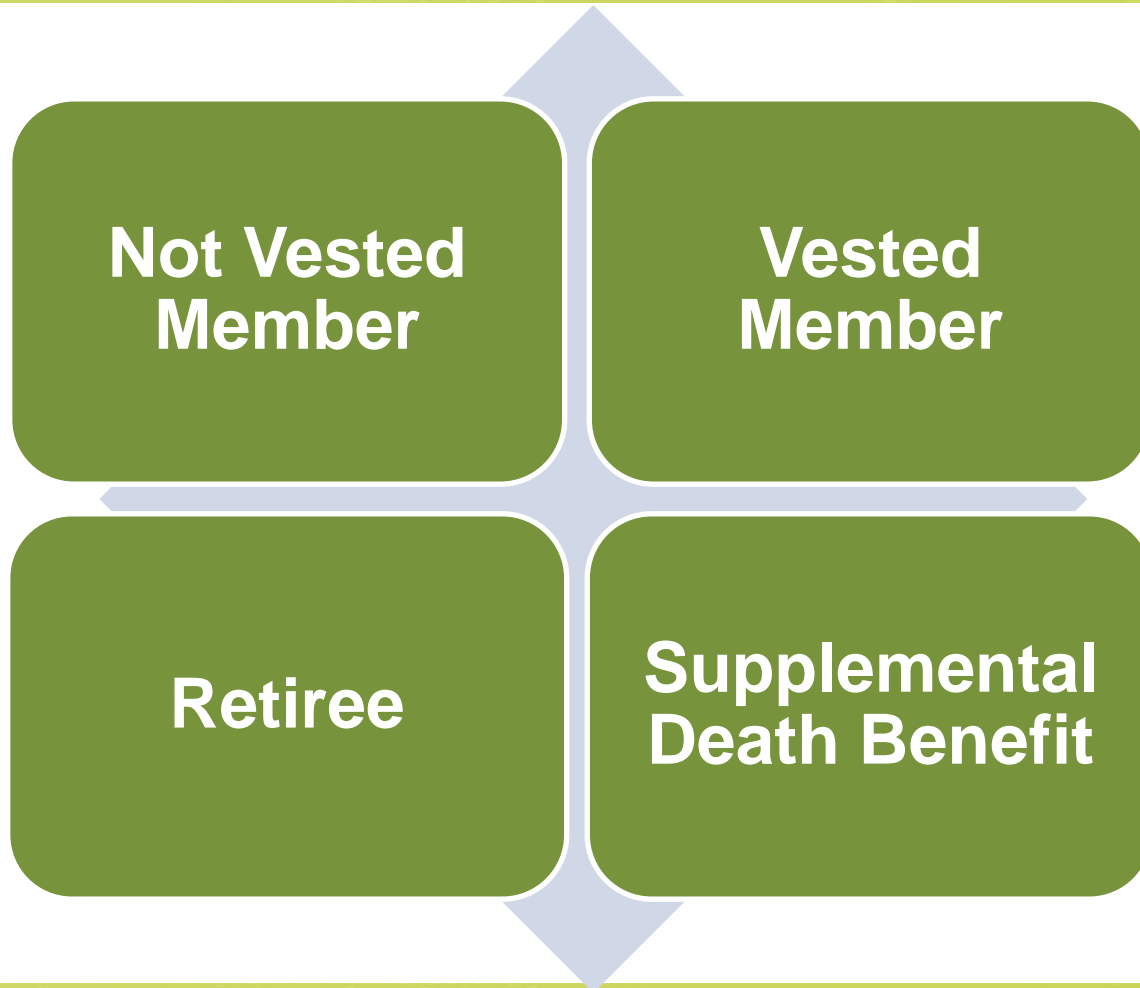


## What Issues Can Affect Members?

Shannon Lucero, Regional Representative



# Death Benefits





# What Happens if Member / Retiree Dies?

**Not Vested  
Member**

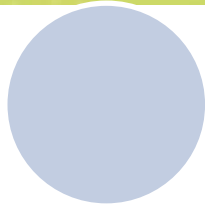
**Vested Member**

**Retiree**

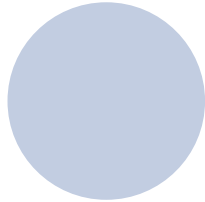




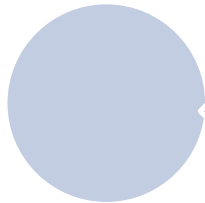
# If Member Dies Before Vesting...



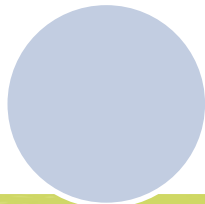
**Designated beneficiary receives a lump sum refund of member's account balance**



**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

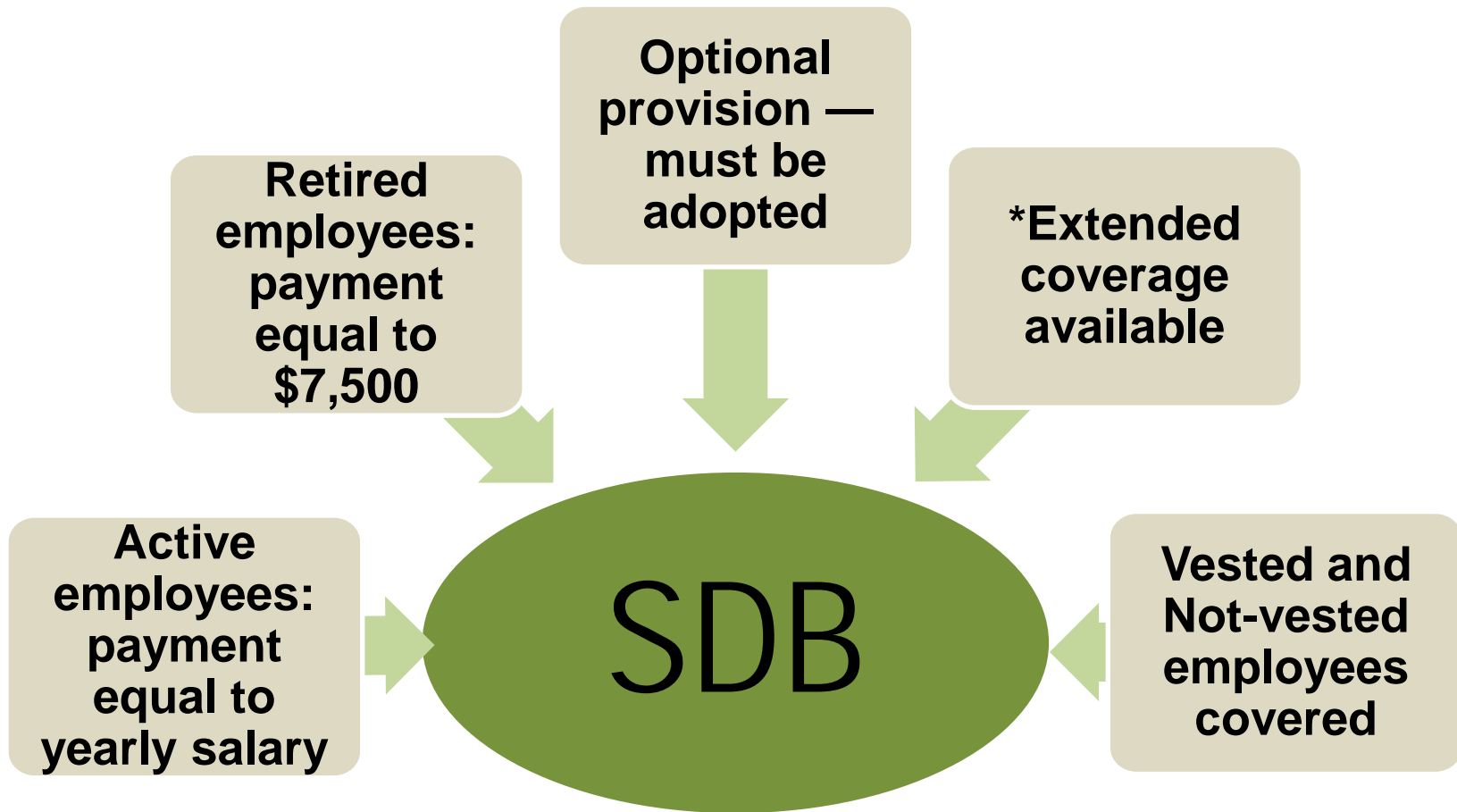
## Non-Spouse

- 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)

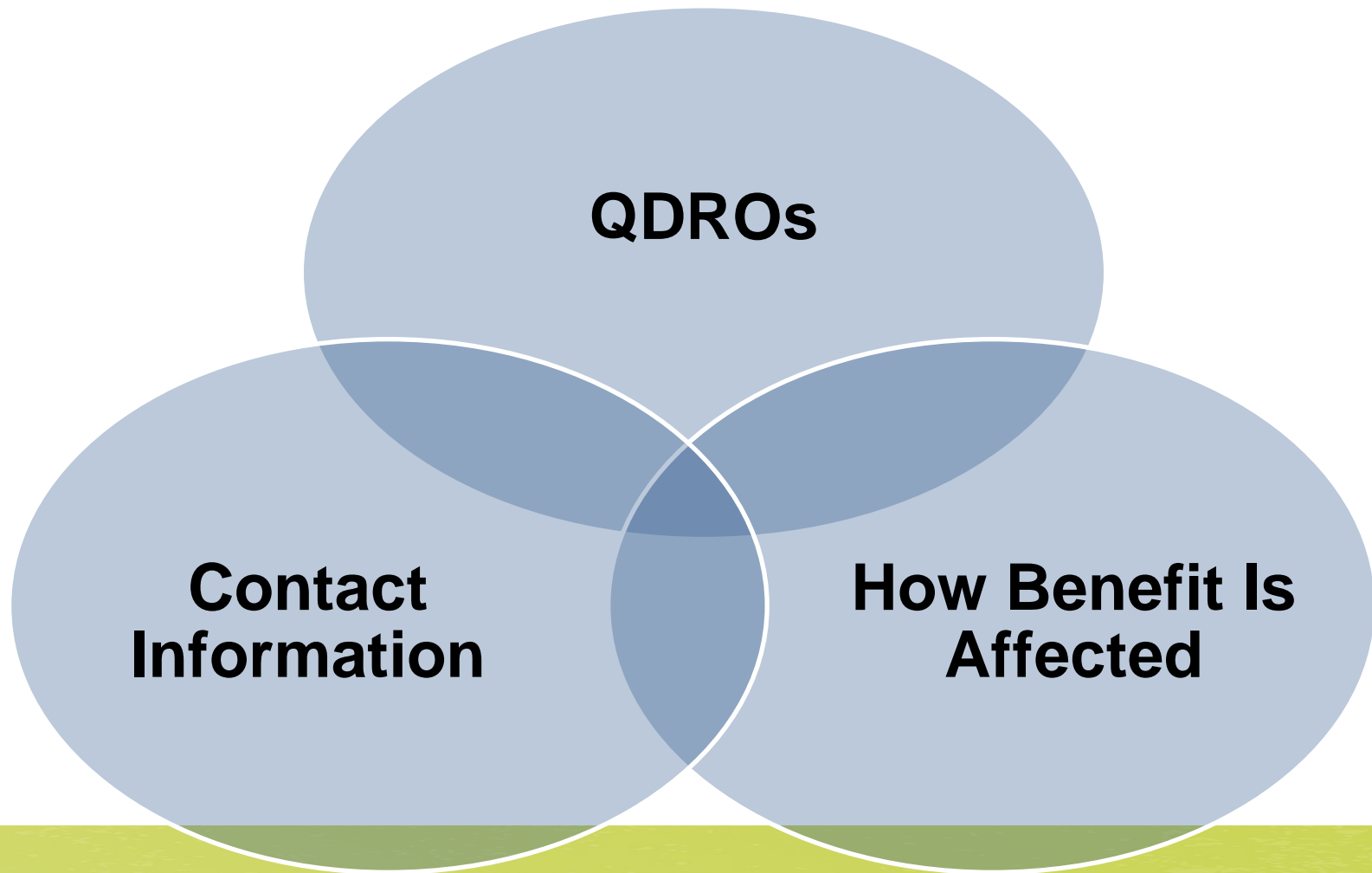


\* Extended SDB coverage requires written request past automatic 6 month coverage





# 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



**Taxable  
Income**

**PLSD, Annuity,  
Rollovers**

**10% IRS tax  
Penalty**

**Occupational  
Disability**

# 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!**

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QUESTIONS?

