The Direct Approach

Membership In TMRS

Sean Thompson,
Regional Manager
Membership in TMRS

• TMRS Basics
• Enrollment
• Compensation
• Proportionate Retirement Program of Texas
• Workers’ Compensation
• Updated Service Credit

*TMRSDirect* Short Feature: What Members Can Do in MyTMRS
### TMRS Basics – System Plan Type

What are the differences between TMRS and other types of retirement plans?

<table>
<thead>
<tr>
<th>Defined Benefit</th>
<th>Defined Contribution</th>
<th>TMRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit based on formula; not based solely on actual contributions</td>
<td>Benefit based on employee contributions</td>
<td>Benefit based on member’s contributions and city’s matching funds – cash balance. PLUS has defined benefit-like features – USC &amp; COLA</td>
</tr>
<tr>
<td>Lifetime annuity</td>
<td>Not a lifetime annuity</td>
<td>Lifetime annuity</td>
</tr>
<tr>
<td>Money pooled and professionally invested</td>
<td>Self-directed investments</td>
<td>Money pooled and professionally invested</td>
</tr>
</tbody>
</table>
TMRS Basics – City Plan Options

- Employee Deposit Rate = 5%, 6%, 7%
- Employer Match = 1:1, 1.5:1, 2:1
- Vesting Requirements = 5 years or 10 years
- Retirement Eligibility = Vested and age 60, or 20/25 years of service and no age requirement
Members are allowed to have up to 3 primary beneficiaries as well as up to 3 alternate beneficiaries.

Members can name a beneficiary who is:

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

**IMPORTANT** -- Each Member’s beneficiary designation is confidential; therefore, it is the Member’s responsibility to send a designation form to TMRS at enrollment and vesting.
Members should review beneficiary designations when...

<table>
<thead>
<tr>
<th>Work status changes:</th>
<th>Family status changes:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Enrollment</td>
<td>• Marriage</td>
</tr>
<tr>
<td>• Vesting</td>
<td>• Divorce</td>
</tr>
<tr>
<td>• Retirement</td>
<td>• Births, adoption, custody</td>
</tr>
<tr>
<td>• Occupational Disability</td>
<td>• Deaths</td>
</tr>
</tbody>
</table>
Enrollment in TMRS is mandatory:

- 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.
Q. The city budgets 1,600 hours for two part-time employees. Are they TMRS eligible?

A. If the work is normally and regularly spread equally between the two positions, they would not be eligible because their total hours would be 800 each. However, if the work normally is spread unevenly, and one of the positions regularly receives more than 1,000 hours annually, then that employee needs to be enrolled in TMRS and the other would not be enrolled.
Compensation

TMRS deductions and compensation:

• Every city in TMRS elects the rate of member contributions for the employees at 5, 6, or 7%
• The employee contribution rate for your city is the same for every employee
• Once your city has determined that an employee is eligible for TMRS membership, your city is required to deduct the employee contribution from the employee’s gross compensation for each payroll period
What is 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
  - Longevity pay, Certification pay, Severance pay, and bonuses
- Reimbursements are not subject to TMRS
- Additional amount can not be added to TMRS if it is not part of the employee’s compensation
If an employee is paid the following:

$1,600.00  Gross wages at $20/hr for 80 hours
$112.00   TMRS deduction *
$80.00    FICA/taxes
$50.00    457 plan voluntary deduction
$20.00    Life insurance deduction
$200.00   Health insurance deduction
$1,138.00 Net payment issued to employee

* Using a 7% employee deposit rate, the TMRS deduction is based on the gross wages of $1,600, before all other deductions are made ($1,600 x .07 = $112)
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 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
When should TMRS deductions be withheld?

Who is paying the employee?

- **City Only**: TMRS contribution should be withheld
  - TMRS contribution is mandatory; however, City has no control and cannot force mbr to contribute

- **Workers' Comp Only**: TMRS contribution should be withheld based on total

- **City AND Workers' Comp**: TMRS contribution should be withheld based on total

- **Employee not getting paid**: No TMRS contribution allowed -- no months of credit
What is Updated Service Credit (USC)?

• An *optional* provision that each city can adopt that *may* increase retirement benefits for its employees when:
  – Plan improvements occur
  – Significant salary increases occur
• Helps member account retain its value
Who is Eligible for USC?

• Only members with 48 months of service or more (as of USC study date)

• Service months used in calculation:
  – Current service credit
  – Prior service credit
  – USERRA
  – Buyback

• Service months NOT used:
  – Military
  – Restricted prior service
  – Service from another system (proportionate retirement)
How is USC Calculated?

- **Study date**
  - Calculated each January
  - Skips prior 12 months
- **Member’s average salary**
  - Based on 36 most recent deposits prior to study date (drops the highest and lowest)
- **Months of credit** (from start date to study date)
- **3% annual interest assumption**
- **City’s employee deposit rate** as of calculation date
- **City’s matching ratio** as of calculation date
What is USC Compared to?

- Member’s deposits and interest (as of study date)
- City’s matching funds (as of study date)

Total is compared to USC calculation

- If USC calculation is higher, a USC credit is awarded
- If USC calculation is lower, no USC credit is awarded
Why Wouldn’t Member Get USC?

Normally:

• If member has had no significant salary increase
• If city matching rate or deposit rate has not changed

... Then there would be no USC credit

• Remember, USC assumes 3% annual interest
What is Transfer USC?

• Members with service in more than one city are eligible
• 48 months of service needed in current city
• *Employing* city’s deposit rate and matching used in the calculation
• City must adopt regular USC also to adopt Transfer USC
• Calculation is based on member’s TMRS career
The Direct Approach

TMRSDirect Tutorial
What ACTIVE MEMBERS Can Do on MyTMRS

Debbie Muñoz, Director of Member Services
What Members can Do on MyTMRS

Member account information is viewable and printable:
• Account balance, service credit, transactions, beneficiary designations

In addition, Members can:
• Run retirement estimates
• Check on status of refunds
• Change contact information online – NEW!
Changing address and phone numbers online

MyTMRS User Information
- User name: Susan00001
- Email address: dneal@tmrs.com

Security
- Change password
- Change challenge questions

My Contact and Personal Information
- Name: Susan Q. Sanchez
- Social Security Number: ***.**-0016
- Date of birth: December 06, 1958
- Gender: Female
- Home address: 1187 W. Lim Ave, Portalville, TX 76543
- Work phone number
- Mobile phone number
- Home phone number: 512-555-1212

Change user name
Change email address

Edit
Add
How It’s Done

Only available to members

Address is checked with USPS database to ensure accuracy

After clicking, address is automatically uploaded – NO PAPER FORM needed!
QUESTIONS?