The Direct Approach

Retirement with TMRS

Colin Davidson, Regional Manager
Retirement

- TMRS Retirement Basics
  - Eligibility
- Retirement Payments
  - 7 Payment Options
- Additional Retirement Issues
How Does Member Qualify for Retirement?

Two ways to meet eligibility, age or years of service:

- 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 on or before retirement date.

EXAMPLE:

- Termination Date: 11/15
- Earliest Eligible Retirement Date: 11/30
- First Annuity Check: 12/31
- Earliest eligible date to return to work at TMRS city: 12/1
If a retiree returns to work full-time to the city from which they retired, their annuity will be SUSPENDED.

- Exception: If retiree returns to same city after an 8-year separation, annuity is still suspended, but held and paid at re-retirement.

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.
Retirement Estimates

• Members may run estimates online through MyTMRS
• Also may request estimates (mailed or faxed to member) by calling the Phone Center: **800-924-8677**
• City may run estimates in the City Portal, but should do so only at member’s request

### Estimated Monthly Payment Amounts

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>Partial Lump Sum Payment Options</th>
<th>None</th>
<th>12 months</th>
<th>24 months</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Options</td>
<td>What is a partial lump sum payment?</td>
<td>$0</td>
<td>$50,256.72</td>
<td>$100,513.44</td>
<td>$141,921.30</td>
</tr>
<tr>
<td>Retiree Life Only</td>
<td></td>
<td>4,188.06</td>
<td>3,899.28</td>
<td>3,610.51</td>
<td>3,372.57</td>
</tr>
<tr>
<td>100% Survivor</td>
<td></td>
<td>3,596.98</td>
<td>3,348.96</td>
<td>3,100.94</td>
<td>2,896.59</td>
</tr>
<tr>
<td>75% Survivor</td>
<td></td>
<td>3,731.15</td>
<td>3,473.67</td>
<td>3,216.60</td>
<td>3,004.63</td>
</tr>
<tr>
<td>50% Survivor</td>
<td></td>
<td>3,875.16</td>
<td>3,607.96</td>
<td>3,340.75</td>
<td>3,120.60</td>
</tr>
<tr>
<td>5-yr Guaranteed</td>
<td></td>
<td>4,183.11</td>
<td>3,894.67</td>
<td>3,606.23</td>
<td>3,368.58</td>
</tr>
<tr>
<td>10-yr Guaranteed</td>
<td></td>
<td>4,133.55</td>
<td>3,848.53</td>
<td>3,563.51</td>
<td>3,328.68</td>
</tr>
<tr>
<td>15-yr Guaranteed</td>
<td></td>
<td>4,054.37</td>
<td>3,774.81</td>
<td>3,495.25</td>
<td>3,264.91</td>
</tr>
</tbody>
</table>
How Is the Monthly Payment Calculated?

- Employee Deposits and Interest
- City Matching Funds
- USC Interest (if any)
- 5% Future Interest
- Life Expectancy
- Annuitized to a LIFETIME monthly benefit
Monthly Payment Plans

### Retirement Options

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

#### 7 Payment Plans

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

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
- No survivor benefits
- The highest-paying monthly option
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
What Happens if Survivor Dies Before Retiree?

- If a retiree selected one of the joint survivor options
- 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
Does Member have to Name Spouse as Beneficiary?

• If employee is married, 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)
Can Retiree Change Plan after Retirement?

- No changes are allowed after receipt of first monthly payment
- Exception: if retiree remarries or divorces after retirement
Annuity Option Details

Retiree Life Only
- Spousal consent required if married
- “Pop-up” not applicable
- Only guarantees **one life**

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

Guaranteed Terms
- Spousal consent required if married
- “Pop-up” not applicable
- Guarantees **one life**, and time period
Members may choose the partial lump-sum distribution (PLSD) when they retire

- Amounts are included on estimates:

**Partial Lump Sum Payment Options**

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>None</th>
<th>12 months</th>
<th>24 months</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree Life Only</td>
<td>$0</td>
<td>$50,256.72</td>
<td>$100,513.44</td>
<td>$141,921.30</td>
</tr>
<tr>
<td>100% Survivor</td>
<td>3,596.98</td>
<td>3,348.96</td>
<td>3,100.94</td>
<td>2,896.59</td>
</tr>
<tr>
<td>75% Survivor</td>
<td>3,731.15</td>
<td>3,473.87</td>
<td>3,216.60</td>
<td>3,004.63</td>
</tr>
<tr>
<td>50% Survivor</td>
<td>3,875.16</td>
<td>3,607.96</td>
<td>3,340.75</td>
<td>3,120.60</td>
</tr>
<tr>
<td>5-yr Guaranteed</td>
<td>4,183.11</td>
<td>3,894.67</td>
<td>3,606.23</td>
<td>3,368.58</td>
</tr>
<tr>
<td>10-yr Guaranteed</td>
<td>4,133.55</td>
<td>3,848.53</td>
<td>3,563.51</td>
<td>3,328.68</td>
</tr>
<tr>
<td>15-yr Guaranteed</td>
<td>4,054.37</td>
<td>3,774.81</td>
<td>3,495.25</td>
<td>3,264.91</td>
</tr>
</tbody>
</table>
How is the PLSD Calculated?

Retiree Life Only  x  12, 24, or 36

Example:

$1,000
x 36
$36,000

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 over 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 59½
  • 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 Does Member 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)
The Direct Approach

TMRSDirect Tutorial
What RETIREES Can Do on MyTMRS

Debbie Muñoz, Director of Member Services
Members may run estimates as often as they wish, using different dates and comparing options.

<table>
<thead>
<tr>
<th>Retirement Options</th>
<th>None ($0)</th>
<th>12 months</th>
<th>24 months</th>
<th>36 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree Life Only</td>
<td>4,188.06</td>
<td>3,899.28</td>
<td>3,610.51</td>
<td>3,372.57</td>
</tr>
<tr>
<td>100% Survivor</td>
<td>3,596.98</td>
<td>3,348.96</td>
<td>3,100.94</td>
<td>2,896.59</td>
</tr>
<tr>
<td>75% Survivor</td>
<td>3,731.15</td>
<td>3,473.87</td>
<td>3,216.60</td>
<td>3,004.63</td>
</tr>
<tr>
<td>50% Survivor</td>
<td>3,875.16</td>
<td>3,607.96</td>
<td>3,340.75</td>
<td>3,120.60</td>
</tr>
<tr>
<td>5-yr Guaranteed</td>
<td>4,183.11</td>
<td>3,894.67</td>
<td>3,606.23</td>
<td>3,368.58</td>
</tr>
<tr>
<td>10-yr Guaranteed</td>
<td>4,133.55</td>
<td>3,848.53</td>
<td>3,563.51</td>
<td>3,328.68</td>
</tr>
<tr>
<td>15-yr Guaranteed</td>
<td>4,054.37</td>
<td>3,774.81</td>
<td>3,495.25</td>
<td>3,264.91</td>
</tr>
</tbody>
</table>
After Retirement - What Can Retirees Do?

- View account and transactions
- View beneficiary designations
- Check on annuity payments, YTD totals
- Review and print 1099-R’s and Annual Statements
- NEW – change contact information online
Additional Information for Retirees

La Marque
Retired March 2013

Payment Summary
Membership Summary
Beneficiaries
Documents
Transactions

Your Monthly Annuity Payment Breakdown

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Payment</td>
<td>$3,512.32</td>
</tr>
<tr>
<td>Amount Withheld</td>
<td>$479.58</td>
</tr>
<tr>
<td>Net Payment</td>
<td>$3,032.74</td>
</tr>
</tbody>
</table>

Your Retirement Details

Your annuity will be paid throughout your life.
Retirement Option: Retiree Life Only
Retirement Date: March 2013

Important Details for your Beneficiary

Upon your death, there will be no further monthly payments.
Your city currently provides Supplemental Death Benefits to retirees.

Annuity verification letter, payment info, and tax documents
Information about option chosen, beneficiary notes, city’s choice of SDB

Additional Information for Retirees

Details about withholding
QUESTIONS?