

# Texas Municipal Retirement System



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# The Full Retirement Picture



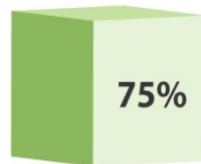
# TMRS Retirement Options

## Retirement Options

Retiree Life Only



Survivor Lifetime



Guaranteed Term



- Retirees choose from 7 possible payment plans
- Retirees may or may not choose a Partial Lump Sum Distribution (PLSD)
- The TMRS annuity by itself is often not enough for some retirees



# Overall Retirement “Three-Legged Stool”

- Conventional wisdom about savings needed
  - Some advisors recommend saving at least 8 times your final salary before retirement
  - Others recommend having 25 times your annual expenses (especially for those workers who do not have a public pension like TMRS)





# Replacement Ratio Definition and Example

## **Replacement Ratio =**

A person's gross income after retirement, divided by his or her gross income before retirement. *Example:* Employee earns \$60,000 per year before retirement. If he receives \$45,000 after retirement from all sources, his replacement ratio is 75% ( $\$45,000/\$60,000$ ).

Conventional wisdom on replacement ratios:

- Research shows that depending on income level, most retirees will need 70% - 80% replacement ratio.



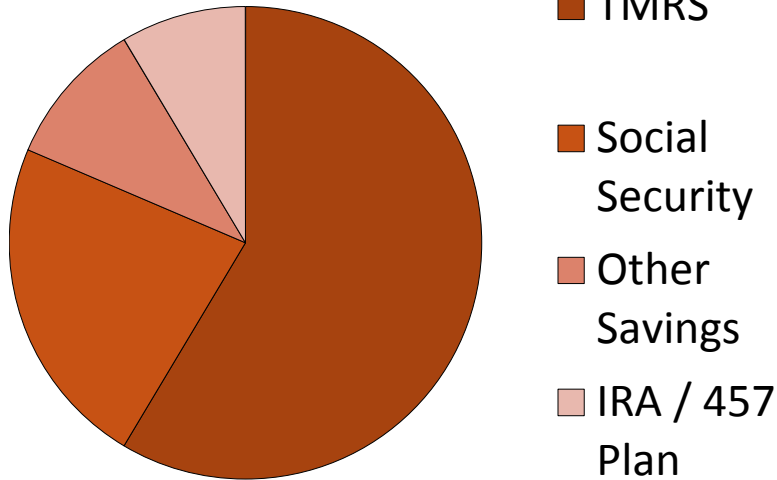
# TMRS Retirement

- **TMRS Average Benefit Amount**
  - For employees with 20 to <25 years of service, average monthly benefit is \$1,531.45
  - Full chart of benefit averages is included in CAFR
- **Replacement Ratios for TMRS (6% deposit rate)**

	Retirement Age				
Entry Age	45	50	55	60	65
25	30%	43%	62%	87%	122%
35			35%	52%	77%
45				27%	44%
55				8%	19%



## Sources of Retirement Income for Jane Retiree



# Income "Pie" for Retirees

## Other considerations

- Retirees don't have to pay for work-related expenses anymore (commuting, wardrobe, etc.)
- If cities have Social Security coverage, that is part of the total income
- Depending on wages, Social Security replaces between 28% - 56% of income



# Health Care Considerations

- A big reason retirees need more money in retirement is the cost of health care
  - Research by Fidelity shows that a couple who retire at 65 can expect to pay \$240,000 in future health care costs (does not include long-term care)
  - Health care can consume up to 11% of income for retirees between 65 - 74. For retirees over 85, the cost can be closer to 20%
- After age 65, retirees are eligible for Medicare

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for City  
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