Texas Municipal Retirement System

The Full Retirement Picture

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TMRS Retirement Options

• 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 =
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 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)

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Sources of Retirement Income for Jane Retiree

- TMRS
- Social Security
- Other Savings
- IRA / 457 Plan

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
Social Security for City Employees

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