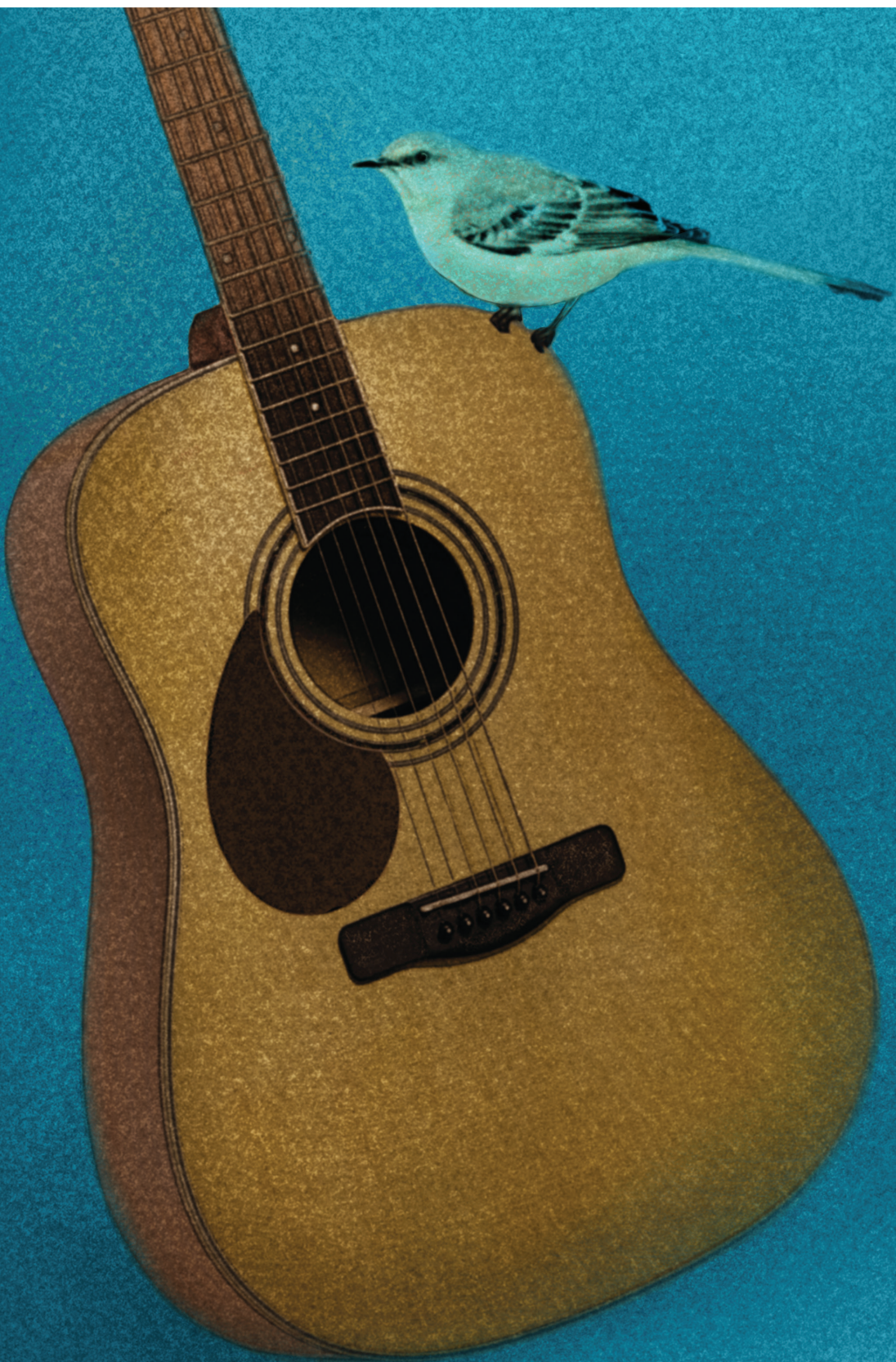


Introductory



State Bird ♦ State Musical Instrument



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Texas Municipal Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2018

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2019

Presented to

Texas Municipal Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator



June 10, 2020

To: The Participants and Employers of the Texas Municipal Retirement System and the Readers of the *Comprehensive Annual Financial Report*

We are pleased to present the *Comprehensive Annual Financial Report* (CAFR) of the Texas Municipal Retirement System (TMRS®, or the System) for the year ended December 31, 2019. We hope you will find this report informative.

The CAFR is prepared by TMRS staff under the direction of the Board of Trustees. Management of TMRS assumes full responsibility for both the accuracy of the data and the completeness and fairness of its presentation, based on a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatement. This report complies with generally accepted accounting principles as established by the Governmental Accounting Standards Board (GASB).

The TMRS Act requires that independent auditors perform an annual audit on the financial statements contained in this report. The Board selected CliftonLarsonAllen LLP (CLA) to perform the audit for the 2019 fiscal year. For information regarding the scope of the audit, please see the Independent Auditors' Report in the Financial Section. Management's Discussion and Analysis (MD&A) is found in the Financial Section immediately after the Independent Auditors' Report and provides an analysis of condensed financial information for the current and prior fiscal years. MD&A should be read in conjunction with this transmittal letter.

About TMRS

TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1947 to provide retirement, disability, and death benefits to employees of participating cities. As a hybrid defined benefit plan, TMRS members contribute at a designated rate toward their own retirement benefit. At retirement, the member's account balance (including credited interest) plus employer matching contributions is used to calculate the member's retirement benefit. As of December 31, 2019, TMRS had 888 member cities, 114,384 employee accounts, and 69,625 retirement accounts. TMRS paid \$1.4 billion in benefits in 2019, up from \$1.3 billion in 2018.

Activity in 2019

In March 2020, the TMRS Board approved an approximate 15.42% interest credit to city accounts as of December 31, 2019, based on account balances as of January 1, 2019; member accounts were credited with 5%. The System's asset smoothing policy and partial recognition of excess investment returns resulted in an actuarial return of 6.94%. The actuarially assumed rate of investment return for TMRS is 6.75%.

SB 1337, authored by Senator Joan Huffman and sponsored by Representative Dan Flynn, passed on May 21, 2019. The legislation included nine administrative and operational changes to the TMRS Act, as recommended by the TMRS Board of Trustees. The statutory changes do not significantly affect benefits, but will improve the administration and operations of TMRS. A full list can be found on the TMRS website, and the plan changes are incorporated in the Summary of Plan Provisions, included in the Introductory section of this CAFR.

TMRS continues to evolve its straight-through processing, self-service options for members (MyTMRS) and cities (the City Portal). Most retirement estimates are now created by members (266,989 estimates in MyTMRS in 2019 and 7,635 in the City Portal). In addition, more cities are using the Portal for enrollments (5,168, a 10% increase from prior year) and to submit payrolls, currently 587 cities (67% of cities, representing 97% of members). In 2019, TMRS laid the foundation for an additional security layer in MyTMRS that was implemented in May 2020 and will lead to direct deposit management and refunds later in the year. In the fall of 2019, as part of the 2020 budget process, the TMRS Board approved a timeline and initial funding for the Pension Administration System Modernization program (PASMod). PASMod is a multi-year comprehensive program that addresses the key findings of the Pension Administration System Assessment completed in 2019, which includes:

- Retaining and upgrading the current Pension Administration System
- Replacing the City Contribution System
- Implementing a Customer Relationship Management solution
- Evaluating the introduction of a mobile application

Customer service is always in high demand at TMRS. Member Services staff answered over 91,570 phone calls and 4,400 direct-from-web emails requesting assistance. Staff processed 3,866 new retirements in 2019, representing a 5% increase over the previous year. The Travel Team made 198 trips to cities and visited with approximately 31,900 members and city officials. The Travel Team provided individual counseling for 1,035 TMRS members. For group training sessions, the Communications department prepared and presented 13 Regional Pre-Retirement Seminars, 7 City Correspondent Certification Courses, 2 Executive Workshops, and a successful three-day Annual Seminar in San Antonio. A new type of member meeting, focused on mid-career members, proved popular with cities, with six conducted in 2019 and more requested for 2020.

In June 2019, Executive Director David Gavia announced his intention to retire in May 2020 or whenever the Board of Trustees had chosen his successor. Mr. Gavia has served as Executive Director since 2010, and was the System's General Counsel from 2001 until his appointment as Acting Executive Director in 2009. Among Mr. Gavia's accomplishments as TMRS' leader were the passage of major legislation that improved System funding, the implementation of generational mortality tables to address increased retiree life expectancy, and the continued diversification of the TMRS portfolio. On announcing Mr. Gavia's intention to retire, Board Chair Bill Philibert said: "His communication and outreach with policy makers and stakeholders, along with his unwavering ethics and integrity, have built TMRS into a highly regarded and respected system, both within the State and nationally. Because of David, TMRS is well-positioned to achieve its vision of being the model for empowering retirement." As of June 2020, the TMRS Board is continuing to conduct a nationwide search for the next Executive Director.

Investments

TMRS administered \$31.9 billion in assets as of December 31, 2019. The Investment Department at TMRS follows these Total Portfolio Performance Objectives:

- Achieve a Total Rate of Return, over rolling five-year periods, consistent with the assumed long-term rate of return on TMRS assets adopted by the Board (currently 6.75%)
- Exceed an appropriate benchmark reflective of asset class participation over rolling five-year periods (i.e., Policy Index)

Diversification has been, and continues to be, implemented through a deliberate multi-year process. The current asset allocation strategy is expected to meet the long-term total return objective of 6.75%, consistent with the actuarial interest rate assumption for the plan.

The overall one-year gross rate of return for 2019 on the investment portfolio was 14.96%. The Investment Section of this CAFR contains a detailed summary of investment operations during 2019, including performance of different asset classes and diversification progress.

Funding and Actuarial Overview

As required by statute, TMRS obtains an annual actuarial valuation for each participating municipality. The actuarial results for the System as a whole are presented in the Actuarial Section of this CAFR. After the completion of the annual actuarial valuation, TMRS provides a Rate Letter to each participating municipality, reconciling the city's rate from the prior valuation to the current valuation and explaining the components of the reconciling items. TMRS makes these Rate Letters available on our website.

The TMRS Board of Trustees has been working with the actuarial firm of GRS Retirement Consulting (GRS) since June 2008, and GRS completed its twelfth actuarial valuation for the System for the fiscal year ended December 31, 2019. As certified by GRS, the calculations for funding are prepared in accordance with Actuarial Standards of Practice, GASB principles, and state law.

Each city has its own retirement program within the options offered by the plan. Each city's plan objective is to accumulate sufficient assets to pay benefits when they become due and to finance its long-term benefits through a contribution rate that is annually determined by the consulting actuary.

Conservative features of TMRS' plan include the 6.75% investment return assumption, and that each city's unfunded liability is amortized over a closed period of 25 years. As of December 31, 2019, TMRS as a whole was 88.0% funded, an increase from 87.1% at December 31, 2018. Historical information relating to progress in meeting the actuarial funding objective is presented in the Summary of Actuarial Liabilities and Funding Progress, included in the Actuarial Section of this CAFR. TMRS' Actuarial Funding Policy is posted on the TMRS website.

Professional Services

The Board of Trustees appoints consultants to perform services that are essential to the effective and efficient operation of TMRS. The Supplemental Schedules of the Financial Section contain information on professional services.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to TMRS for its *Comprehensive Annual Financial Report for the Year Ended December 31, 2018*. This was the 32nd consecutive year that TMRS has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report*. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. TMRS believes that our current *Comprehensive Annual Financial Report* continues to meet the Certificate of Achievement Program's requirements, and is submitting it to the GFOA to determine its eligibility for another certificate.

TMRS also received the Public Pension Standards 2019 Award from the Public Pension Coordinating Council (PPCC) in recognition of meeting professional standards for plan design and administration as set forth in the Public Pension Standards.

This CAFR is made available to all participating TMRS cities; their combined cooperation contributes significantly to the success of TMRS.

We would like to express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report and to the continued success of the System.

Respectfully submitted,



Bill Philibert

Chair, Board of Trustees



David Gavia

Executive Director



Rhonda H. Covarrubias

Director of Finance

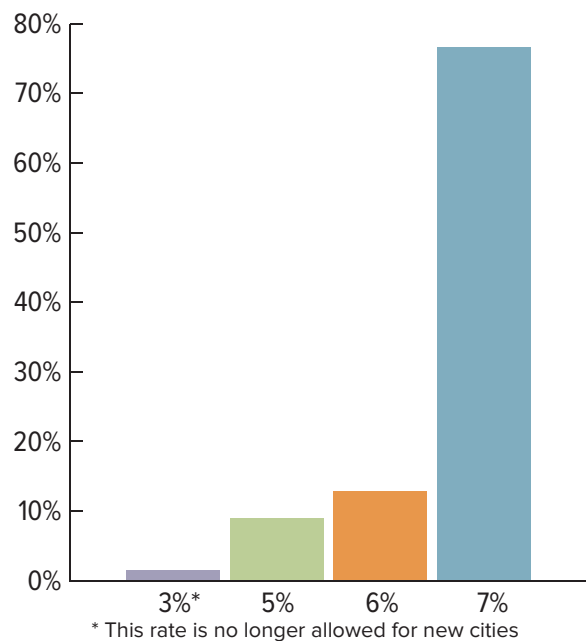
	2017	2018	2019
Employer Contributions	\$838.4 mil	\$881.5 mil	\$930.2 mil
Employee Contributions	\$410.5 mil	\$427.8 mil	\$453.6 mil
Retirement Benefits	\$1.3 bil	\$1.3 bil	\$1.4 bil
Terminated Member Refunds	\$59.4 mil	\$64.3 mil	\$62.7 mil
Administrative Expenses	\$18.1 mil	\$16.6 mil	\$24.2 mil
Investment Expenses*	\$86.7 mil	\$48.0 mil	\$42.5 mil
Member Municipalities	883	887	888
New Member Municipalities	11	5	1
Retired Member Accounts	62,776	66,051	69,625
Active Plan Member Accounts	110,208	111,851	114,384
Inactive Plan Member Accounts	57,369	62,465	65,560
New Retirements	3,550	3,669	3,866
New Employee Members	15,771	17,117	18,132
Refunded Members	7,337	7,963	7,495
Investments, at Fair Value	\$28.9 bil	\$28.0 bil	\$31.9 bil
Annual Total Return, Gross	14.27 %	-2.11 %	14.96 %
Interest Rate on Employee Deposits	5.0 %	5.0 %	5.0 %
Interest Rate on Municipality Deposits	13.05 %	-3.08 %	15.42 %
Cities that:			
Adopted Updated Service Credit (USC)	596	598	601
Reduced percentage or rescinded USC	4	2	—
Adopted Annuity Increases (AI) to Retirees (COLAs)	472	471	474
Reduced or Rescinded AI	2	3	2
Increased Employee Contribution Rate	10	33	17
Increased City Matching Ratio	13	7	23
Reduced City Matching Ratio	1	—	1
Adopted 5-Year Vesting	1	3	—
Adopted 20-Year, Any Age Retirement	8	11	5

* Investment expenses do not include management and incentive fees that are paid directly out of the operations of the private investment funds.

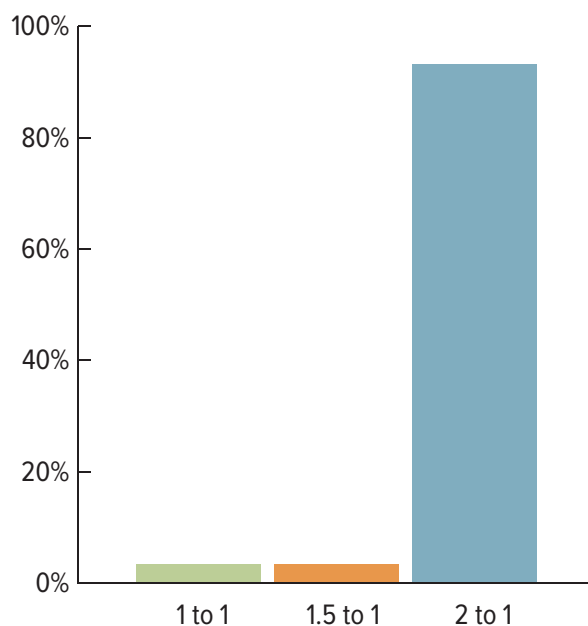
TMRS Highlights

Continued

**2019 Distribution of Membership
by Employee Deposit Rate**



**2019 Distribution of Membership
by City Matching Ratio**



TMRS Board of Trustees



Bill Philibert, 2019 Chair
Director of Human Resources
and Risk Management
Deer Park
Term expires: February 1, 2019



Jesús A. Garza
City Manager
Victoria
Term expires: February 1, 2023



James "Jim" Paul Jeffers
City Manager
Nacogdoches
Term expires: February 1, 2021



David Landis, 2019 Vice Chair
City Manager
Perryton
Term expires: February 1, 2021



Julie Oakley, CPA,
City Manager
Lakeway
Term expires: February 1, 2019



Jim Parrish
Deputy City Manager
Plano
Term expires: February 1, 2023

The TMRS Act provides that the administration of TMRS is entrusted to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate. Three Trustees are "Executive Trustees" (Landis, Philibert, and Garza) who are the chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality. Three Trustees are "Employee Trustees" (Jeffers, Oakley, and Parrish) who are employees of a participating municipality. Per the Texas Constitution, Trustees continue to perform the duties of their office until a successor has been duly qualified.

In January 2020, Governor Greg Abbott appointed Anali Alanis, Assistant City Manager of Pharr, Texas, to the Board of Trustees for a term ending February 1, 2021. She replaced Jim Jeffers, who retired from his position as City Manager of Nacogdoches. Governor Abbott also appointed Juan Diego "Johnny" Huizar, City Manager of Pleasanton, Texas, to the Board for a term ending February 1, 2023. Mr. Huizar replaced Jim Parrish, who retired as Deputy City Manager of Plano in 2019. TMRS extends deepest gratitude to Mr. Jeffers and Mr. Parrish for their service on the Board.

TMRS Professional Advisors

Actuary

GRS Retirement Consulting

Custodian

State Street Bank and Trust Company

Depository Bank

JPMorgan Chase Bank

Economic Advisor

A. Gary Shilling & Co.

Fiduciary Counsel

Robert D. Klausner

Independent Auditor

CliftonLarsonAllen LLP

Investment Consultants

Albourne America LLC

Courtland Partners Ltd.

RVK, Inc.

StepStone Group LP

Medical Board

Ace H. Alsup III, M.D.

William J. Deaton, M.D.

William P. Taylor, M.D.

Note:

A schedule of investment management fees, by asset class, is provided in the Investment Section of this report.

TMRS Advisory Committee

The **TMRS Advisory Committee on Benefit Design** ("Advisory Committee") is appointed by the TMRS Board of Trustees and serves at the pleasure of the Board. The Advisory Committee provides valuable assistance to the Board in considering benefit changes and improvements to the System, and acts as a voice for member, retiree, and city issues.

The Advisory Committee is a 10-member body composed of three "Individual Representatives" representing TMRS members, retirees, and elected officials; and seven members representing associations and groups with an interest in the TMRS program, called "Group Representatives." Group Representatives are chosen by their respective associations and approved by the Board. The following members were on the Committee as of December 31, 2019.

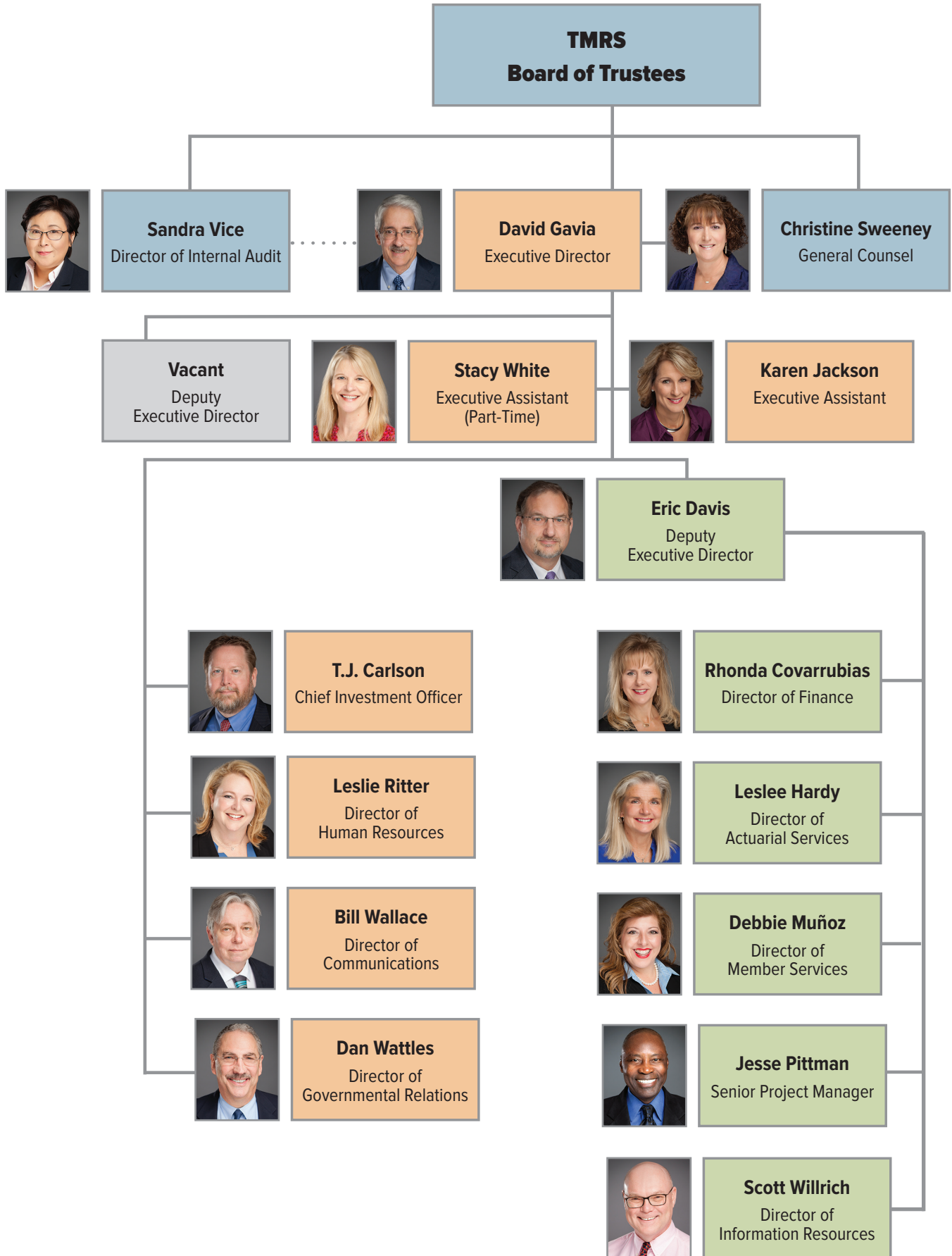
Individual Representatives

- Bryan Langley, Assistant City Manager/Chief Financial Officer, Denton
- Julie Masters, Mayor, Dickinson
- Vacant

Group Representatives

- Bonita Hall, Texas Municipal Human Resources Association
- Paulette Hartman, Texas City Management Association
- Mitch Landry, Texas Municipal Police Association
- David Riggs, Texas State Association of Fire Fighters
- J.J. Rocha, Texas Municipal League
- Scott Leeton, Combined Law Enforcement Associations of Texas
- Casey Srader, Government Finance Officers Association of Texas

TMRS Administrative Organization



Summary of Plan Provisions

Purpose

The Texas Municipal Retirement System (TMRS, or the System) is an entity created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code, as a retirement system for municipal employees in the State of Texas. TMRS is a public trust fund governed by a Board of Trustees with a professional staff responsible for administering the System in accordance with the TMRS Act. The System bears a fiduciary obligation to its members and their beneficiaries.

Administration

The TMRS Act entrusts the administration of TMRS to a six-member Board of Trustees, appointed by the Governor with the advice and consent of the Senate. Three trustees are Executive Trustees, who must be a chief executive officer, chief finance officer, or other officer, executive, or department head of a participating municipality. Three trustees are Employee Trustees, who must be employees of a participating municipality.

The TMRS Act requires four Board meetings to be conducted annually. The Board of Trustees employs actuarial, legal, medical, and other experts for the efficient administration of the System. The Board also forms committees to serve in an advisory role as needed.

The Board appoints an Executive Director to manage TMRS under its supervision and direction.

Membership

Cities choose to participate in TMRS. When a city joins TMRS, all of its eligible employees become members of the System. An employee in a position that normally requires at least 1,000 hours of work in a year, as determined by the city, is an eligible employee and is required to be a member of TMRS.

A person who leaves employment with all TMRS cities may withdraw all member deposits and interest from TMRS and cancel service credit with the System. A member may not refund his/her TMRS account unless there is a “bona fide” separation, and the employing city must certify that the member has terminated employment.

Service Credit

TMRS members earn a month of service credit for each month they are employed in an eligible position by a participating TMRS city and make the required contribution to the System. Members may also receive Prior Service Credit for periods of city employment before the employing city joined TMRS. Because TMRS is a statewide retirement system, service credit may be a combination of service with several member cities. Service credit may also include Military Service Credit, credit for previously refunded TMRS service that has been purchased, and other types of service credit allowed under the TMRS Act.

If adopted by ordinance, a participating municipality can also grant Restricted Prior Service Credit to an employee for service performed as a full-time paid employee of: 1) any public authority or agency created by the United States; 2) any state or territory of the U.S.; 3) any political subdivision of any state in the U.S.; 4) any public agency or authority created by a state or territory of the U.S.; or, 5) a Texas institution of higher education, if employment was as a commissioned law enforcement officer serving as a college campus security employee.

Restricted Prior Service Credit also can be granted for credit previously forfeited under one of the following systems: 1) Texas Municipal Retirement System; 2) Teacher Retirement System of Texas; 3) Employees Retirement System of Texas; 4) Texas County and District Retirement System; 5) Judicial Retirement System of Texas (Plan 1 or 2); or, 6) City of Austin Employees Retirement System. This restricted credit may only be used to satisfy length-of-service requirements for retirement eligibility, and has no monetary value under TMRS.

Member Contributions

TMRS member cities designate, by ordinance, the rate of member contributions for their employees. This rate is 5%, 6%, or 7% of an employee's gross compensation. Three cities have a 3% rate, no longer available to cities under the TMRS Act. Compensation for retirement contribution purposes includes overtime pay, car allowances, uniform allowances, sick leave, vacation pay, and other payments if they are taxable to the employee.

All member contributions since 1984 are tax-deferred under the Internal Revenue Code, pursuant to Sections 401(a) and 414(h)(2). The member contribution rate may be increased by ordinance. However, the member contribution rate may only be reduced if the members in the city, by a 2/3 vote, consent to a reduction, and the city, by ordinance, provides for the reduction.

Interest is credited to member accounts annually on December 31 at a 5% rate, based on the balance in the account on January 1 of that year. In the year of retirement, interest will be prorated for the months of service in that year.

Vesting and Retirement Eligibility

TMRS members vest after either 5 or 10 years of service, based on their city's plan. If a vested member leaves covered employment before reaching retirement eligibility, the member may leave his or her deposits with TMRS, earn interest on the deposits, and, upon reaching age 60, apply for and receive a monthly retirement payment.

A member becomes eligible for service retirement based on various combinations of age and service, depending on which provisions have been adopted by the employing municipality, including:

- Age 60 with 5 years of service
- Age 60 with 10 years of service
- Any age with 20 years of service
- Any age with 25 years of service

Before a city adopts the 20-year, any-age provision, the System must prepare an actuarial study to determine the provision's effect on the city's contribution rate, and the city must conduct a public hearing on the adoption.

City Contributions

Upon an employee's retirement, the employing city matches the accumulated employee contributions plus interest earned. Each city chooses a matching ratio: 1 to 1 (100%); 1.5 to 1 (150%); or 2 to 1 (200%). This match is funded with monthly contributions by the participating municipality at an annual, actuarially determined rate. A municipality may elect to increase or reduce its matching ratio effective January 1 of a calendar year.

Updated Service Credit

Member cities, at their option, may elect to adopt Updated Service Credit, either annually or on an annually repeating basis, effective January 1 of a calendar year. Updated Service Credit improves retirement benefits by using a member's average monthly salary over a recent three-year period to recalculate the member's retirement credit as if the member had always earned that salary and made deposits to the System, matched by the city, on the basis of that average monthly salary. Updated Service Credit also takes into account any changes in the city's TMRS plan provisions that have been adopted, such as an increase in the member contribution rate or the city's matching ratio. If there is a difference between the recalculated amount and the actual account balances, a percentage (50%, 75%, or 100%) of this difference is granted to the employee, funded by the participating municipality, as the Updated Service Credit. A member must have at least 36 months of service credit as of the study date in the adopting city before becoming eligible to receive this

Summary of Plan Provisions

Continued

credit. Beginning January 1, 2022, a member must also be a contributing employee of the municipality on the Updated Service Credit study date to be eligible to receive an Updated Service Credit. Interest on Updated Service Credit is prorated in the year of retirement.

Retirement Payment Options

After applying for retirement, a TMRS member may choose one of seven optional monthly benefit payments. The member makes this choice before receipt of the first benefit payment, and the choice is irrevocable after the date the first payment becomes due. All options pay a monthly annuity for the life of the retiree. The options include:

- A benefit for the retiree's lifetime only ("Retiree Life Only" option)
- Three guaranteed-term benefits that pay a benefit for the lifetime of the member and to a beneficiary for the balance of 5, 10, or 15 years if the member dies before the term is reached ("Guaranteed Term" options)
- Three options that pay a lifetime benefit to the member and, upon the member's death, a survivor lifetime benefit equal to 50%, 75%, or 100% of the member's benefit to a beneficiary designated at retirement ("Survivor Lifetime" options)

As a minimum benefit, TMRS guarantees that an amount equal to at least the member's contributions and interest will be returned, either through payment of a monthly benefit or through a lump-sum refund.

Each of the three survivor lifetime retirement options includes a "pop-up" feature. The "pop-up" feature provides that if the designated beneficiary dies before the retiree, the retiree's benefit will "pop up" to the Retiree Life Only amount. Retirees who marry or remarry after retirement and who meet specific conditions also have a one-time option to change from a Retiree Life Only benefit to one that provides a survivor benefit.

Members who are eligible for service retirement may choose to receive a Partial Lump Sum Distribution, a portion of the member's deposits and interest in cash, at the time of retirement. The Partial Lump Sum Distribution is equal to 12, 24, or 36 times the amount of the Retiree Life Only monthly benefit, but cannot exceed 75% of the member's deposits and interest. The remaining member deposits are combined with the city's funds to pay a lifetime benefit under the selected retirement option.

The Partial Lump Sum Distribution may be chosen with any of the retirement options and is paid in a lump sum with the first retirement payment. This amount may be subject to federal income tax and an additional 10% IRS tax penalty if not rolled over into a qualified plan.

Section 415(b) of the Internal Revenue Code limits the amount of an annual benefit that may be paid by a pension plan's trust to a retiree. This provision is known as the Section 415 limit, which is set by Congress and can be periodically adjusted by the IRS. Any portion of a retiree's annual benefit that exceeds the Section 415 limit cannot be paid from the TMRS trust fund. However, Internal Revenue Code Section 415(m) allows pension plans to create a separate fund, known as a qualified governmental excess benefit arrangement, to pay the benefits above the Section 415 limit. Accordingly, the TMRS Act established such an arrangement, which is referred to as the "Full Benefit Arrangement." Additional details are made available to affected retirees if they will reach the Section 415 limit in any given year.

Annuity Increases (COLAs)

A member city may elect to increase the annuities of its retirees (grant a cost-of-living adjustment, or COLA), either annually or on an annually repeating basis, effective January 1 of a calendar year. For cities that adopted annuity increases since January 1, 2000, the adjustment is either 30%, 50%, or 70% of the increase

(if any) in the Consumer Price Index – All Urban Consumers (CPI-U) between the December preceding the member's retirement date and the December 13 months before the effective date of the increase, applied to the original monthly annuity.

Survivor Benefits

If a member dies before vesting, the member's designated beneficiary is eligible to receive a lump-sum refund of the member's deposits and interest. For a vested member, a beneficiary who is the member's spouse may select a monthly benefit payable immediately; withdraw the member's deposits and interest in a lump sum; or leave the member's deposits with TMRS, where they will earn interest until the date the member would have reached age 60, and then the beneficiary may receive a lifetime benefit. A beneficiary who is not the member's spouse may select a monthly benefit payable immediately or withdraw the member's deposits and interest in a lump sum.

Disability Retirement

All active TMRS cities have an Occupational Disability Retirement benefit. If a member is judged by the TMRS Medical Board to be disabled to the extent that the member cannot perform his or her occupation, and the disability is likely to be permanent, the member may retire with a lifetime benefit based on the total reserves as of the effective date of retirement. As the minimum disability benefit, the member's deposits and interest are guaranteed to be returned, either through payment of the monthly benefit, or upon termination of the annuity through a lump-sum refund.

Effective January 1, 2020, SB 1337 removed the income test that was previously applicable to Occupational Disability Retirees. This bill also amended the TMRS Act to allow TMRS to require, after written request from TMRS, continued proof of disability or a medical examination. If the retiree does not comply with the request, the disability benefit can be suspended until medical evidence is provided. Also, if the disability retiree is found to no longer meet the requirements for occupational disability, the benefit will be suspended until the retiree turns age 60.

Supplemental Death Benefits

Member cities may elect, by ordinance, to provide Supplemental Death Benefits for active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. This benefit is paid in addition to any other TMRS benefits the beneficiary might be entitled to receive. If an individual has multiple retirements, his/her beneficiary will receive only one Supplemental Death Benefit; the last employing city with this provision pays the benefit.

Buyback of Service Credit

When a member terminates employment and chooses to take a refund of his or her deposits and interest, the member forfeits all service credit. If the member is reemployed by a TMRS member city, and if the employing city adopts the buyback provision by ordinance, the member may repay the amount of the refund plus a 5% per year withdrawal charge, in a lump sum, to reinstate the previously forfeited credit. A member must have 24 consecutive months of service with the reemploying city, and must be an employee of that city on the date the buyback ordinance is adopted to be eligible to buy back service credit.

Summary of Plan Provisions

Continued

Military Service Credit

Members who leave employment with a TMRS city, serve in the military, and then return to city employment may establish credit for the time they spend in the military, up to 60 months. Members who meet the requirements of the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) may make member contributions to TMRS as though they had been employed by the city for the period of their military service.

In cities that have adopted Military Service Credit, members who are not eligible for USERRA credit, or who choose not to make contributions, may establish service credit for up to 60 months of military time. A member must have five years of TMRS service credit to establish non-USERRA Military Service Credit.

Members with five years of TMRS service credit who were employed on December 31, 2003, by a city that had previously adopted Military Service Credit, may choose to purchase this credit at a cost of \$15 per month of credit sought (purchase amount would increase the member's account balance), or may use the no-cost time-only provision. ■

This discussion is an informal presentation of the TMRS Act. If any specific questions of fact or law should arise, the statutes will govern.