

TMRS Mid-Career Meeting

Texas Municipal Retirement System



Understanding the
Value of Your Benefit

Your City's TMRS Plan

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- Your city has chosen to provide you a monthly lifetime benefit when you retire from the city.
- Your city selects which TMRS plan features to offer, including
 - Your employee deposit rate
 - City match
 - Vesting requirements
 - Age and service requirements to retire
 - And other options

My City Plan

Type your city name into the search box to see a 'Snapshot' of your city's benefits. You can compare city plans at [City Plan Provisions](#)

[Term Definitions](#)

Clear previous results

TMRS Basics – How Your Account Grows

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- The city deducts a percentage (6%) of your pay each month and sends it to TMRS
- Your deposits earn annual interest at a rate of 5%, compounded each year
- Your total deposits and interest constitute your “TMRS account”
- When you retire, your city matches your account at a ratio determined by the city: 2:1
- At retirement, you choose a payment option for your *lifetime* benefit that can provide payments to your beneficiary, either for life or for a guaranteed term

TMRS Basics – Secure Funding

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- All funds deposited with TMRS and contributions made by the city are pooled for investment purposes and are professionally invested by TMRS
- The TMRS program is governed by state law
- Cities are required to fund the TMRS benefits they offer; unlike some systems, cities cannot “underfund” the benefit or choose not to make contributions





Vesting and Retirement Eligibility

Why Is vesting in TMRS important?

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■ Retirement Eligibility

- Vesting earns you the right to a future retirement benefit
 - Service used for retirement eligibility vesting:
 - Current Service, Restricted, Military, USERRA, Buyback, Proportionate

■ Death Benefits

- Once vested, if you die prior to retirement, your beneficiary/ies can receive an immediate benefit
- Service used for vested death benefits:
 - Current Service, Restricted, Military, USERRA, Buyback

If you are vested and refund your account, all future retirement benefits are forfeited

Glossary – Service Credits



Restricted Prior Service Credit

- Service credit for full-time public service prior to employment with city
- No monetary value
- No restriction on amount of time that can be added

Military Service Credit

- Service credit for Active Duty Military time only
- Must provide DD-214
- Option to purchase military time (up to 60 months, must be eligible)

USERRA

- Service credit for Active Duty time served while employed with city
- Option to deposit funds into TMRS that would have been deposited had employee not been called for service

BUYBACK

- Service credit issued for re-depositing previously refunded TMRS account (must be eligible)

Please refer to your city's plan to determine which provisions apply to you.

If I don't vest with a city, will I still receive the city's matching funds?

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Vesting is System-wide - EXAMPLES

1. You work 2 years with TMRS City A (5-year vesting) and then go directly to City B (5-year vesting) and work for 18 years.
 - City funds from City A WILL apply because you stayed in TMRS.*
2. You work 2 years with TMRS City A and then after a 6-year lapse, go to City B and work for 20 years.
 - City funds from City A will NOT apply. City A funds will be distributed after 60 months.

***60 month rule – If you are not vested when you leave a TMRS city, you must return to a TMRS city or become covered under a Proportionate system within 60 months to keep your TMRS account.**

What if I'm terminating but not retiring?

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Do I have to refund my account?

- Upon termination, you can *choose* to refund your account.
- Funds (contributions and interest) in TMRS are owned by **you**.
- If account is refunded, all city funds are forfeited.
- A refund application must be submitted. Funds can be paid directly to you or rolled over to a qualified retirement plan.

What if I don't refund my account?

- TMRS will continue to pay interest on accounts for up to 60 months after account becomes "noncontributing."
- If you return to work for a TMRS city or Proportionate Retirement System during the 60-month window, your account will remain interest-earning and you may reach retirement eligibility.
- After 60-month window, if you are not re-enrolled in TMRS or Proportionate Retirement System, you will be notified to refund your account.

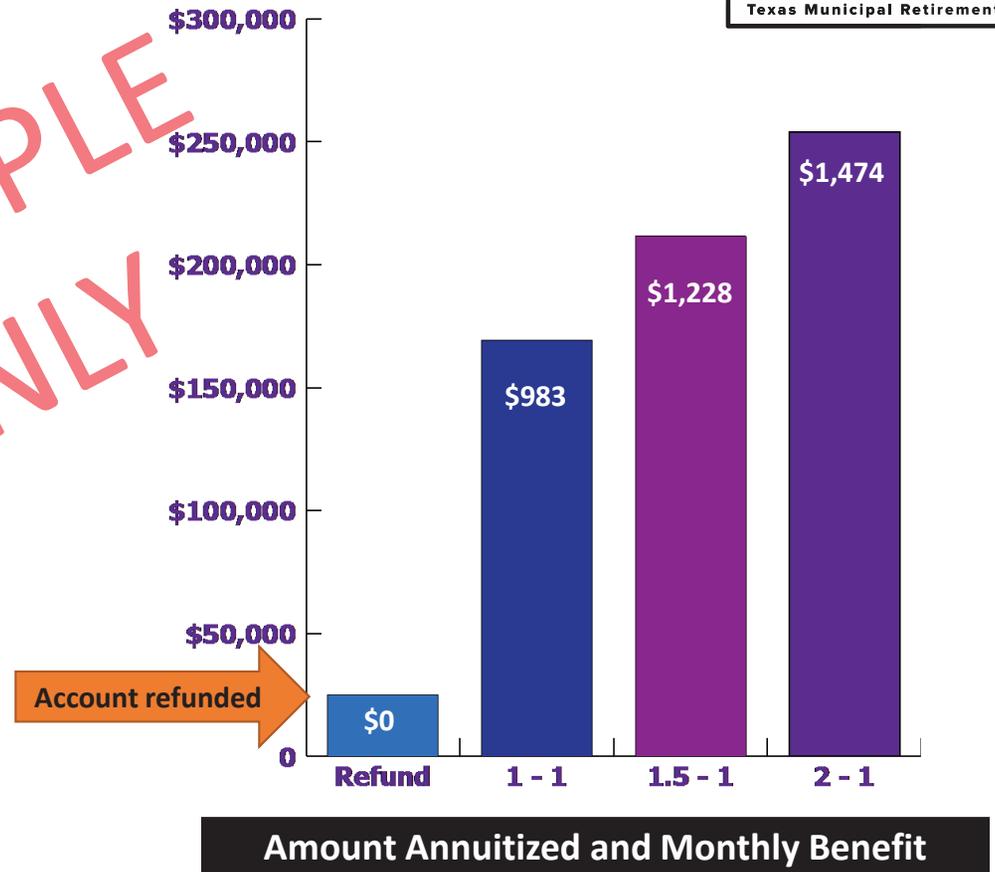
The Value of Being Vested

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Match	1 - 1	1.5 - 1	2 - 1
Year of Termination	2019		
Age at Termination	35		
Age at Retirement	60		
Employee Account Balance at Termination	25,000		
Employee Account Balance at Retirement	84,659	84,659	84,659
Match at Retirement	<u>84,659</u>	<u>126,989</u>	<u>169,318</u>
Total Balance to be Annuitized	169,318	211,648	253,977
Single Life Annuity Factor (Age 60, YOR 2044)	172.3049	172.3049	172.3049
Monthly Benefit	983	1,228	1,474

EXAMPLE ONLY





Beneficiaries

Keeping Beneficiaries Up-to-Date

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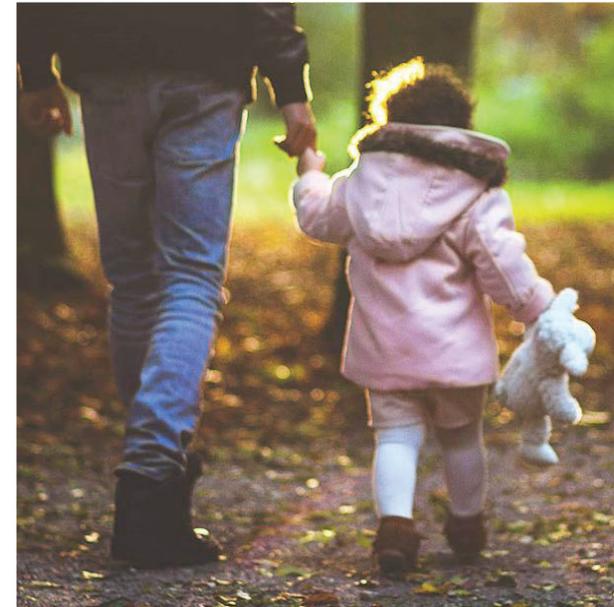
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You may designate up to 3 primary beneficiaries and 3 alternate beneficiaries.

Once vested, you must redesignate beneficiaries (even if the same beneficiary will be named) to ensure that benefits are paid to the beneficiary you want to receive them.

Spousal Consent

If you are vested and naming someone other than your spouse OR in addition to your spouse, spousal consent is required.



Death Benefits

If you pass away before retirement, death benefits are paid according to your vesting status.



Vested

- Beneficiary has option to refund or retire account
- When retired, all city funds are included in annuity

Not Vested

- Beneficiary will receive a lump-sum payment of your deposits and interest

Vested Death Benefits

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Beneficiary Options

Spouse, sole beneficiary	Non-spouse, sole beneficiary	Multiple Beneficiaries
Refund (no city match)	Refund (no city match)	Refund (no city match)
Lifetime or 15-year payout (with city match)	Lifetime or 15-year payout (with city match)	15-year Payout, divided equally
Immediate payments	Immediate payments	All beneficiaries must agree on same option
Payments delayed until you would have reached age 60		

Supplemental Death Benefit (SDB)

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An Optional Benefit

If your city has adopted the SDB provision, the following will happen:

- Upon your death, your beneficiary will receive:
 - Active employee —
1X your annual salary
 - Retiree — \$7,500



Please refer to your city's plan to determine if this benefit applies to you.



Divorce

What Happens if I Get a Divorce?

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Your **deposits made** and **interest earned** during marriage are community property

- Your divorce decree must state whether the retirement benefit is retained by you or split with your spouse.
- If the decree does not specify, the retirement benefit continues to be jointly owned by both spouses. This can cause problems with payment of benefits in the future.
- If your TMRS account is divided, a QDRO is required.
- Please contact Divorce@TMRS.com for questions.

Qualified Domestic Relations Order (QDRO)

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- The purpose of a QDRO is to permit TMRS to make direct payment to a nonmember of the System (alternate payee).
- Download the TMRS publication titled “Divorce and Retirement” from the TMRS website: www.tmr.com.
- The member must terminate employment and apply for either a refund or retirement before anything is payable.
- Upon member’s death, the member’s benefit will be divided between the member’s beneficiary and the alternate payee.



TMRS Retirement

How do I meet retirement eligibility?

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Years of Service	Vesting + Age	Proportionate	Occupational Disability
<p>20/25 Years of Service</p> <p>*Service is defined as:</p> <ul style="list-style-type: none"> ▪ Current Service (1 deposit = 1 month service) ▪ Restricted Prior Service ▪ Military Service ▪ USERRA ▪ Buy-Back 	<p>5/10 Years of Service AND at least age 60</p> <ul style="list-style-type: none"> ▪ 5/10 years service, can be combination of any [public] service credit and/or Proportionate Service 	<p>Service Credit with other Texas Statewide Retirement Systems: ERS, TRS, TCDRS, COAERS, JRS</p> <ul style="list-style-type: none"> ▪ Account must still be active (money not refunded) from System <p>*Exception: TCDRS All accounts, whether refunded or not, remain active</p>	<p>Member becomes disabled (physical or mental) from performing the job he/she was hired to do</p> <ul style="list-style-type: none"> ▪ Must be approved by TMRS Medical Board ▪ If approved, annuity is calculated the same as service retirement, and PLSD will not be applicable

Please refer to your city's plan to determine which provisions apply to you.

Your Retirement Benefit

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- 7 different retirement options
- Retirement annuity is based on total reserves (and age) at retirement
- All payment plans are guaranteed for your lifetime
- Partial Lump Sum Distributions (PLSDs)
- Optional Inflation-Protection Benefits:
 - Updated Service Credit (USC)
 - Cost of Living Adjustment (COLA)

Quick Links

[Forms](#)

[How Do I?](#)

[How to Retire](#)

[Calendars](#)

[City Plan Provisions](#)

[My City Plan](#)

[Other Helpful Links](#)

Updated Service Credit (USC)

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USC • If your city includes it in your plan

1. Hypothetical calculation that is made every January for employees with at least 48 deposits.
2. Calculation compares member's total reserves to hypothetical reserves. If hypothetical reserves are higher, member will receive an Updated Service Credit.
 - Monetary value, included in retirement annuity calculation.
 - Once credit is received, it is either replaced by a higher amount in the future or interest is earned on already granted amount.

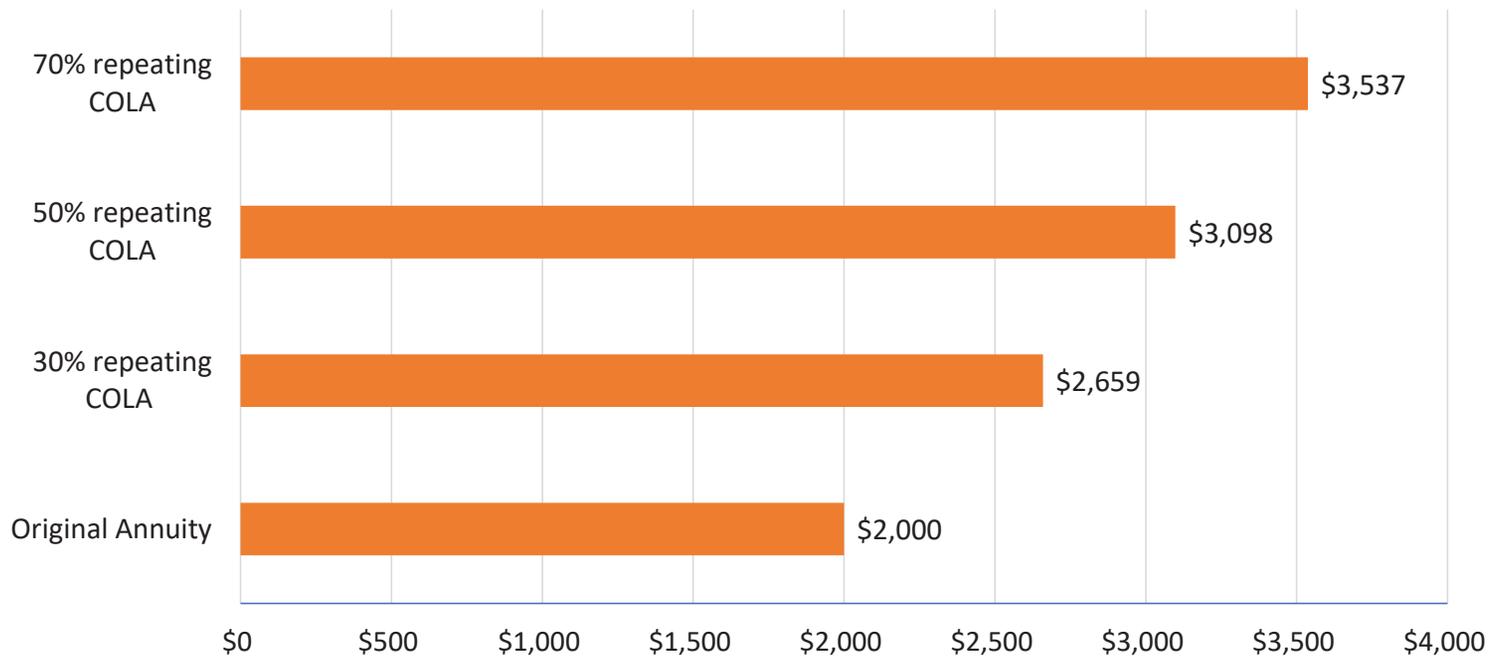
Please refer to your city's plan to determine if this benefit applies to you.

TMRS Cost of Living Adjustment

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EXAMPLE ONLY



Repeating COLAs – 57-year-old Retiree

What Is a Replacement Ratio?

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- Most financial planners estimate that a person will need an annual income of 70% to 80% of their active employee income in retirement
- The amount of your annual income that will be replaced by your retirement benefit is called a “replacement ratio”
- Under TMRS, the longer you work, the higher your replacement ratio from your TMRS benefit will be
- Increased contributions to a deferred compensation account or another savings arrangement may help bridge your future budget gap
- Does your city have a COLA provision?

Profile of TMRS Average Retiree

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- Average Age of retiree: 59 ½ years old
- Average Length of Service in TMRS: 18.6 years
- Average annual salary prior to retirement: \$63,233
- Average Annuity: \$23,643
- Average number of years annuity is paid: 18.5 years

*Statistics based on data from 2014-2018

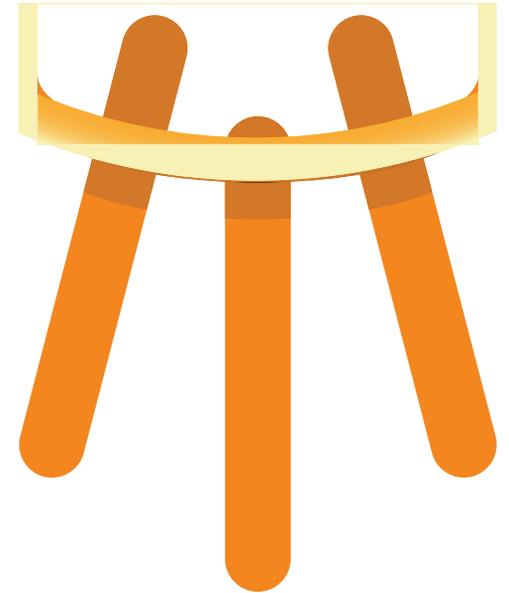
Planning Ahead for Retirement

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- TMRS pays you a pension for life, but a pension is typically only part of the income you are likely to need after you leave paid employment
- The traditional model is a “three-legged stool”
 - Your pension
 - Federal Social Security (if your city participates)
 - Your personal savings, including 401k and other deferred comp programs

If one the legs is “missing,” your other two income sources will bear a greater share of the needed income



Maximizing Other Available Benefits

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TMRS administers a retirement program, but your city works with other providers for your other benefits. These may include:

- Social Security coverage
- A deferred compensation plan
- Health insurance during and after employment
- Life insurance
- Long-term care insurance
- Disability income protection (short term/long term)

It is important to understand how TMRS works when combined with these other benefits.



How Do I Keep Track of My Account?

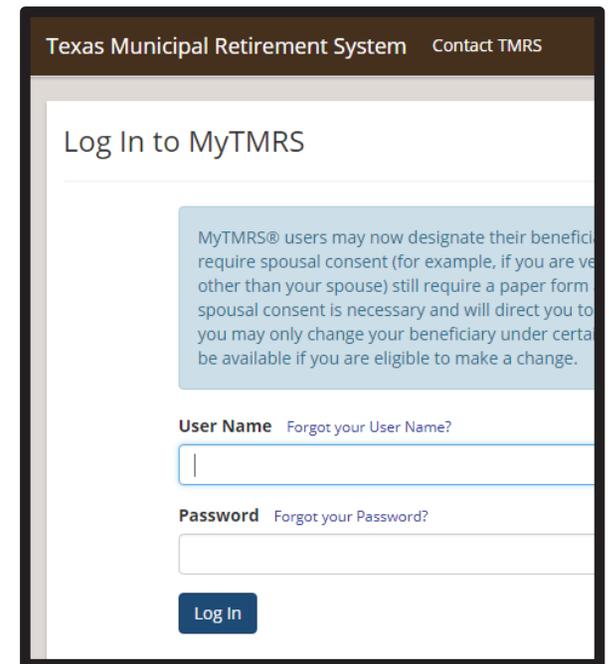
MyTMRS® = Instant Information!

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MyTMRS online allows you to:

- Run retirement estimates
- View your account balance and transaction history
- See your service credit, vesting, and retirement eligibility status
- Change your address and other contact information
- Download and print documents
- View and change beneficiary designations (in situations that do not require spousal consent)
- Manage your communication preferences



The screenshot shows the login page for the Texas Municipal Retirement System (TMRS). At the top, it says "Texas Municipal Retirement System" and "Contact TMRS". The main heading is "Log In to MyTMRS". Below this, there is a blue informational box stating: "MyTMRS® users may now designate their beneficiary without requiring spousal consent (for example, if you are not married or your spouse is not your primary beneficiary). However, if you are married and your spouse is not your primary beneficiary, spousal consent is necessary and will direct you to the spousal consent form. You may only change your beneficiary under certain circumstances. For more information, see the beneficiary designation process available if you are eligible to make a change." Below the box are two input fields: "User Name" with a link "Forgot your User Name?" and "Password" with a link "Forgot your Password?". A blue "Log In" button is at the bottom.

Take control of your account – MyTMRS gives you self-service AND security.

Member Annual Statement

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TMRS[®] Annual Statement 2018

Member Deposits and Estimates of Retirement Benefits

MyTMRS[®]

To register for MyTMRS, click the MyTMRS button on the TMRS website (www.tmr.com).

MyTMRS provides online access to your TMRS account. The online system allows you to run estimates of your TMRS retirement benefit, change your beneficiary designation (in certain circumstances), and update your contact information. You may also view your service history, deposits, and download an account balance letter. If you already have a MyTMRS account, log on to make any changes and receive notice of future updates.

Vesting
The service history section of this statement shows whether you are vested according to your city's vesting requirement. Vesting means you have established enough service credit to retire and draw an annuity when you meet your city's age and length-of-service requirements. When you vest, TMRS will ask you to complete another beneficiary designation (even if you are designating the same person). To designate your beneficiary after vesting, log on to MyTMRS.

Retirement Eligibility
You will be eligible to retire when you meet either of these qualifications (depending on your city's plan):

- You are age 60 with 5 or 10 years of service credit, or
- You have 20 or 25 years of service at any age.

Refunds
If your employment with all participating TMRS cities ends, you may request a refund of your deposits plus interest. A refund does NOT include city matching funds. If you are vested, you may leave your deposits with TMRS until you are eligible and choose to retire. If you are not vested, you may remain a member for up to 60 months. As long as you are a TMRS member, your account earns interest as credited by the TMRS Act. (If you are an active member of another statewide retirement system, you may retain your TMRS membership.)

To receive a refund, file a Refund Application form. Your refund will be taxable income in the year it is refunded. You can defer paying taxes by rolling over that portion of your refund which is eligible for rollover into an IRA or other eligible plan. For details, see the Special Tax Notice provided when you apply for your refund. Registered MyTMRS users can track the status of their refunds. If you recently terminated employment, please allow 6-8 weeks.

Need More Information?

- For a complete description of TMRS benefits, see the Member Benefits Guide on the TMRS website at www.tmr.com.
- For specific questions, see www.tmr.com/contact.php or call the TMRS Phone Center at 800.924.8677.
- Each TMRS participating city chooses from a menu of possible benefits. For information about your city's plan, call your city's personnel office or TMRS, or click on "City Plan Provisions" under the "City Services" tab on the TMRS website.
- Forms (for refund requests, change of beneficiary, change of address, and other purposes) are available through the TMRS Phone Center, website, or your city's personnel office.

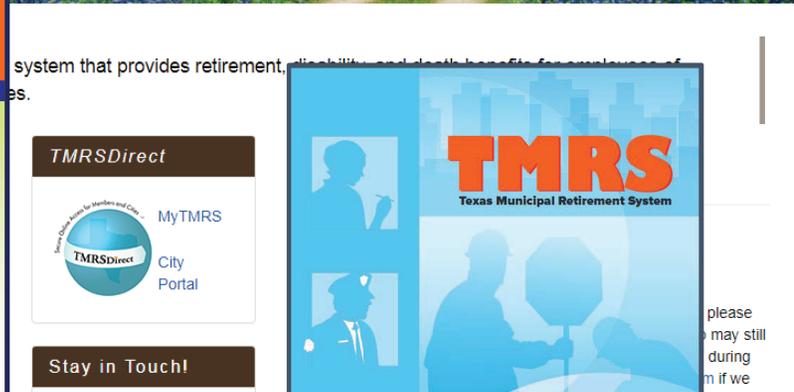
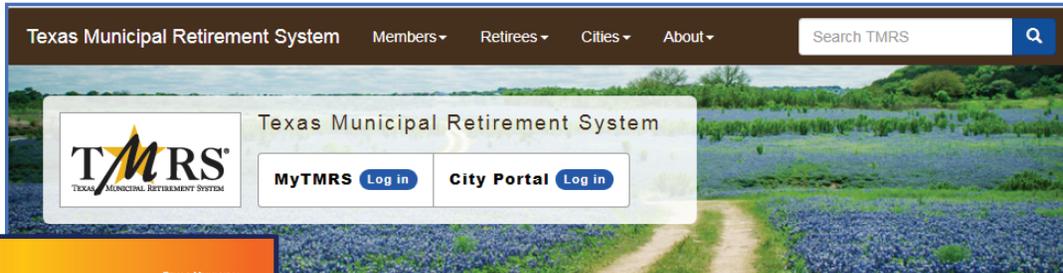
- Sent every year in March to active TMRS members (contributing and noncontributing)
- Summarizes your service credit, contributions, beneficiary information, and provides sample estimates

Be sure to keep your home address up-to-date on MyTMRS so you don't miss receiving this important summary document each year.

Other Information Sources

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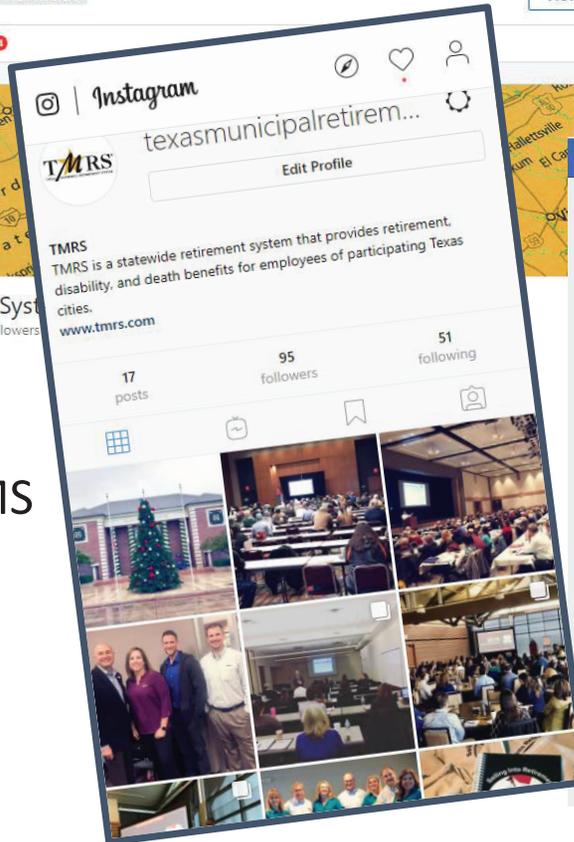
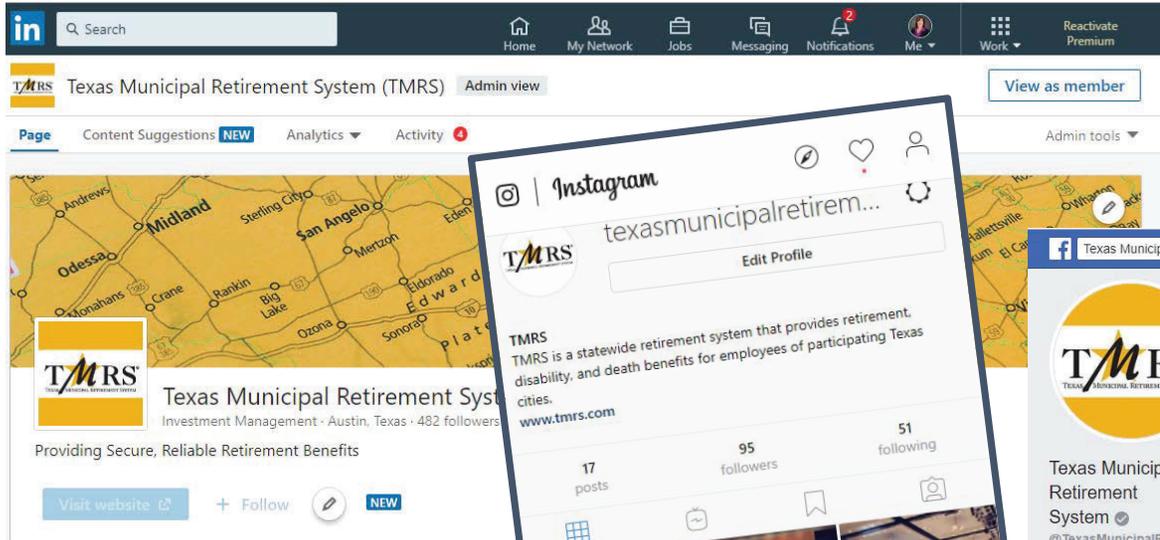


- TMRS Website: www.tmr.com
- Publications for members
- Your City Correspondent
- Our Phone Center – 800-924-8677
- TMRS Travel Team

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CURRENT PLATFORMS

- Facebook
- Instagram
- LinkedIn
- YouTube (video hosting)

Frequently Asked Questions

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- **Can I borrow funds from my TMRS account?** No. TMRS funds can only be accessed when you terminate employment and either retire or refund your account.
- **Can I increase how much I pay into TMRS?** No. Your city has determined the percentage of pay that all employees contribute. You cannot make additional contributions.
- **If I leave TMRS and am retirement eligible, do I have to retire the account?**
No. When you choose to retire the account is a personal decision. As long as the your funds are in TMRS and you are vested, the account will continue to earn interest.
- **If I leave my job and choose to leave my funds in TMRS, am I locked into that decision?**
No. At any time in the future, you may choose to refund the account.
- **If my city makes a plan change, is that change retroactive?**
No. Any change your city makes to the plan is from that point forward.

Disclaimers

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- *This presentation is an informal presentation of the TMRS Act and related law. If any specific questions of fact or law should arise, the statutes will govern.*
- *All examples used in this presentation are for informational purposes only and do not reflect actual member information.*



QUESTIONS?