



TMRS

Texas Municipal Retirement System



Member Benefits Guide

Career Retirement Guide

This *Benefits Guide* provides a comprehensive overview of your TMRS retirement program. You may find particular sections of the book especially helpful to you at different points in your career as a municipal employee.

| At the beginning of your career | Pages |
|--|------------------|
| Understanding your membership | 4 – 7 |
| Types of service credit | 18 – 27 |
| How the TMRS plan works | 5 – 6 |
| Choosing a beneficiary | 10 – 11 |
| Proportionate Retirement | 26 – 27 |
| In the middle years of your career | Pages |
| Vesting | 9 – 10, 18 |
| Choosing a beneficiary after vesting | 10 – 11, 42 – 43 |
| Updated Service Credit | 19 – 21 |
| USERRA, Military Service Credit | 21 – 23 |
| Retirement estimates/Annual Statement | 15, 57 |
| When you are approaching retirement | Pages |
| Beneficiaries | 42 – 43 |
| Retirement estimates | 57 – 58 |
| Service Retirement | 28 – 34 |
| Taxes | 52 – 55 |
| Applying for Service Retirement | 36 – 37 |
| Retiring | Pages |
| Retirement options | 29 – 31 |
| Beneficiary changes after retirement | 31 – 32 |
| Taxes | 52 – 55 |
| Returning to work | 34 |
| HELPS for retired public safety officers | 33 |
| Special circumstances | Pages |
| Termination and refunds | 46 – 49 |
| Disability | 38 – 40 |
| Death | 42 – 45 |
| Divorce | 50 – 51 |



Dear Member,

We are pleased to provide you with a copy of the *TMRS Member Benefits Guide*. This booklet describes the retirement program administered by the Texas Municipal Retirement System that is provided by over 800 Texas cities to their

employees. Each city chooses the plan of benefits it offers to its members, and this booklet is an overview of the entire program.

TMRS has served Texas cities for 60 years and is a valuable part of the benefit package your city offers. Our trained, professional staff is always ready to be of service to you at any time. Please feel free to visit, phone, or e-mail us when we may be of assistance.

Sincerely,

Eric Henry

Executive Director and
Chief Investment Officer, TMRS

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About TMRS

The Texas Municipal Retirement System (TMRS) provides retirement benefits to employees of more than 820 Texas cities. In TMRS, each city chooses from a menu of retirement plan provisions to provide affordable, sound benefits to meet the needs of employees and their families.

This *Member Benefits Guide* will help you understand your retirement program and make the best use of your benefits. Because each member city chooses from TMRS' menu of plan options, TMRS benefits vary from city to city. For specific questions about your city's benefits, contact your city's personnel department or TMRS. The TMRS Website also provides current information on individual city plan provisions.

TMRS members with questions about benefits may call the TMRS Phone Center toll-free at 800.924.8677 or send e-mail to phonecenter@TMRS.com.

TMRS is governed by the Texas Government Code, Title 8, Subtitle G, and is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code.

TMRS also publishes this *Benefits Guide* in Spanish, and we have bilingual employees to assist you.

En TMRS tenemos la guía de beneficios disponible en Español y representantes bilingües para asistencia.

The TMRS Website, www.TMRS.com, is another good source of information on TMRS benefits and contains up-to-date information to supplement what is found in this guide. On the Website, you can find information, download forms, check city plan provisions, and see your own TMRS account status.

The TMRS Website also offers benefit information in Spanish.

La página de internet también ofrece información sobre beneficios en Español.



Table of Contents

| | | |
|-------------------|--|----|
| Chapter 1 | Benefits in Brief | 4 |
| Chapter 2 | Membership | 8 |
| Chapter 3 | Your Member Account | 14 |
| Chapter 4 | Earning Service Credit | 18 |
| Chapter 5 | Service Retirement | 28 |
| Chapter 6 | Applying for Service Retirement | 36 |
| Chapter 7 | Occupational Disability Retirement | 38 |
| Chapter 8 | Death Benefits | 42 |
| Chapter 9 | Leaving City Employment and Refunds | 46 |
| Chapter 10 | Divorce | 50 |
| Chapter 11 | Taxes | 52 |
| Chapter 12 | TMRS Services and Retirement Estimates | 56 |
| Index | | 59 |

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Membership

If you are employed by a city that participates in TMRS, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position.

Credit for Your Service

In general, you earn a month of service credit toward retirement for each month you are employed in an eligible position (see pages 8-9) by a TMRS city.

You may establish other types of service credit, including credit for previous employment or active duty military service. (See Chapter 4.)

In the spring of each year, TMRS sends you an Annual Statement of your service credit and your account balance. You may also view your account information on TMRS' secure Website using MyTMRS®.

Vesting

In most TMRS cities, you are vested when you have 5 years of service credit. Some cities require 10 years of service credit to vest.

“Vesting” means you have worked enough years and established enough service credit to meet the minimum length-of-service requirement for retirement. Once vested, even if you leave city employment, you may leave your deposits with TMRS and retire with a TMRS retirement benefit when you reach age 60 (or meet other retirement requirements that may be necessary).

Your Beneficiary

Your beneficiary is the person (or persons) you choose to receive payments from your retirement account if you die. Although you name a beneficiary when you first become a TMRS member, reviewing your beneficiary designation becomes especially important when you have vested after 5 or 10 years of service credit (depending on your city's plan). TMRS will contact you when you vest to confirm your beneficiary selection.

Important

Please keep TMRS informed of any changes you wish to make to your beneficiary, especially if your marital status changes. Forms for changing your beneficiary are available by calling TMRS, or may be printed off the TMRS Website.

Social Security and Your TMRS Benefit

If you receive Social Security benefits, they will not affect your TMRS benefit. However, there are some Social Security provisions you may want to learn more about:

❑ **The Government Pension Offset.** If you receive a Social Security benefit based on your spouse's employment, and you also receive a pension from a government employer **who was not part of the Social Security program**, your Social Security benefit may be offset by your government pension. The offset may reduce the amount of your spouse's Social Security benefit by two-thirds of the amount of your government pension. The Social Security Administration provides more information on the offset at www.ssa.gov/pubs/10007.html.

❑ **The Windfall Elimination Provision.** If you receive a Social Security benefit, but the majority of your career was spent working for a government employer **who was not part of the Social Security program**, your Social Security benefit may be calculated using a formula that reduces your Social Security benefit. The Social Security Administration provides more information about the provision at www.ssa.gov/pubs/10045.html.

Deposits and Accounts

Your **member deposits** are deducted by your city from your pay. Depending on your city's plan, your deposits will be 5%, 6%, or 7% of your gross salary. Your member deposits are held in your member account, where they earn **interest** each year.

Your city matches your member deposits and interest at a rate chosen by the city: 1 to 1; 1.5 to 1; or 2 to 1. **City matching funds** are held in the city's TMRS retirement account until you retire.

Member deposits are deducted from your pay before taxes, so you are not taxed on your member deposits or the interest they earn until you receive them from TMRS as a benefit payment. See Chapter 11 for more information on tax issues.

You cannot borrow from your member account; nor can you use it as collateral for a loan.

Retiring

In most TMRS cities, you can retire when you have at least 5 years of service credit (10 years in a few cities) and are at least age 60.

You may also retire at any age if you have 20 or 25 years of service credit, depending on the plan chosen by your city.

At retirement, you will choose a **monthly payment option** to receive your benefit. All options pay you a monthly benefit for the rest of your life. Besides the **Retiree Life Only** benefit, six payment options are available that can provide payments to your beneficiary if you die. Choosing your retirement option is one of the most important decisions you will make as a TMRS member. Detailed information on the options begins on page 29.

Your monthly benefit at retirement is based on your member deposits and interest, the city's matching funds, other credits, your life expectancy (and your beneficiary's, if you choose certain options), future account interest assumptions as set by law, and the monthly payment plan you choose.

Your Annual Statement contains **estimates** of your retirement benefits. You may also get an estimate by calling TMRS at 800.924.8677 or requesting one through www.TMRS.com.

Death Benefits

Upon your death, your beneficiary or estate is guaranteed to receive at least a refund of your remaining member deposits and interest. If you are vested at the time of your death, your beneficiary may also be eligible for a monthly payment.

If you die after retirement, the monthly payment your beneficiary receives will be based on the retirement option you chose.

Many TMRS cities have chosen to offer a **Supplemental Death Benefit** for members and retirees. Survivors of active employees of these cities receive an additional benefit approximately equal to the employee's annual salary. If an employee of a city with Supplemental Death Benefits dies after retirement, the Supplemental Death program pays a lump sum of \$7,500 to a beneficiary.

Disability Benefits

TMRS provides an **Occupational Disability** benefit (see Chapter 7). If you become disabled in a manner likely to be permanent and that prevents you from performing your job, you may be eligible to retire immediately. Your benefit will be based on your member deposits and interest, the city's matching funds, and any other credits in your account.

Leaving City Employment Before Retirement

If you are no longer employed by any TMRS city, you may apply for a refund of your member deposits and interest. **You are not required to withdraw (refund) your deposits. If you withdraw (refund) your member deposits and interest, your TMRS membership will end. You will not receive any city matching funds.**

If you think you may be working for another TMRS city in the future, you may want to leave your money in your account. As long as you are a TMRS member, your account earns interest. If you are not vested, your membership ends after 5 years of inactivity.

If you are employed by a city that participates in TMRS, in a position that normally requires at least 1,000 hours of work in a year, you must join TMRS. Your city must certify every position that meets this work requirement and enroll each employee who fills such a position. Regardless of your age, you become a member of TMRS on the date you are employed by a participating city.

Employees who are not eligible for TMRS membership include:

- ◆ Those in positions that normally require less than 1,000 hours of work in a year
- ◆ Those who are hired by cities on a seasonal or temporary basis
- ◆ Volunteer firefighters

When you are employed in a position that requires TMRS participation, part of your **compensation** will be deducted from each paycheck and deposited into your member account. Matching funds contributed by your city are deposited in the city's account. Upon meeting certain requirements, you can retire and receive a guaranteed monthly payment for life based on your deposits and interest, the city's matching funds, and other credits.

Your participation begins on your date of employment, even though the city might consider you a probationary employee for other benefits.

Q: Is participation in TMRS mandatory?

A: As long as you are employed in a position that normally requires at least 1,000 hours per year (determined by your city) in a TMRS city, you are required to be a member of TMRS as a condition of your job. The only way to end your TMRS membership is to stop working for all TMRS cities and withdraw (refund) your member deposits and interest. If you take a refund, you will not receive the city's matching funds.

Q: For TMRS purposes, what is compensation?

A: Compensation consists of your gross wages paid by the city. Compensation includes overtime pay, car al-

lowances, uniform allowances, sick leave, vacation pay, and other payments you receive from your employer if they are taxable in the current year or future years. For information on workers' compensation payments, see page 40.

Q: What is “covered” employment?

A: “Covered” employment refers to your work for a city in a position qualified for retirement benefits. As a member of TMRS, you are a “covered” employee.

Q: Who decides which TMRS options my city will adopt?

A: Your City Council decides which provisions are included in your city’s plan of TMRS benefits. The TMRS Act requires cities that are beginning participation in TMRS to include certain provisions in the plan. For cities that are already TMRS members, optional provisions, such as Updated Service Credit and Restricted Prior Service Credit, can be added or changed by actions of the City Council.

Vested Membership

When you are “vested,” you have reached an important milestone in your TMRS membership. Once you have enough service credit to be vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your member deposits with TMRS, you keep your rights to a retirement benefit. Your TMRS deposits will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS. Most TMRS cities require 5 years of service credit to become a vested member. Some cities require 10 years.

When you vest, you also have the option of choosing a benefit payment plan for your beneficiary, if you die before retirement. In many cases, a member will not pre-select a plan, leaving the choice of payment options to the beneficiary. However, under some circumstances, such as when a beneficiary may have difficulty making a choice, pre-

selection may be desirable. You do not have to pre-select a plan. If you need more information about pre-selecting a retirement plan after vesting, contact TMRS.

If you die after you are vested, and you have not chosen a beneficiary after vesting, benefits will be paid in this order:

- ◆ To your surviving spouse
- ◆ If no spouse, to your surviving children
- ◆ If no children, to the last beneficiary named (before you became vested)
- ◆ If no beneficiary has been named previously, to your estate

Vesting

Once you become vested in TMRS, you remain vested, even if you go to work in another TMRS city with a higher vesting requirement.

Q: I've worked for two TMRS cities — one with 5-year vesting and one with 10-year vesting. How can I tell when I'm vested?

A: If you have at least 5 years of service credit, all with 5-year cities, you are vested. Even if you leave the 5-year city after vesting, you are still vested in TMRS.

If you are not vested with 5 years of service and must combine service credit from cities with 5 and 10-year vesting requirements, you must have 10 years of service credit to become vested.

If you have service in more than one TMRS city and wish to know more about vesting, call TMRS.

Your Beneficiary

One of your most important decisions as a TMRS member is the designation of your beneficiary. Your beneficiary is the person who will receive a TMRS benefit (or the refund of your member deposits and interest) if you die.

When you first become a TMRS member, you will choose a beneficiary. Until you become vested (after 5 or 10 years of service credit, depending on your city's plan), if you die, your beneficiary will receive a refund of your member deposits and interest. Once you become vested, your beneficiary has certain options with regard to your retirement account if you die (see pages 42 – 43).

When you become vested, TMRS will contact you and ask you to designate a beneficiary for your vested benefit. In

many cases, this will be the same person you designated when you originally became a member. However, your circumstances may have changed since enrolling, and since the value of your benefit changes when you become vested, it is important to review your beneficiary designation at that time.

If you are married and vested, state law requires your spouse to give his or her consent before you can name someone other than your spouse as a beneficiary. This spousal consent requirement applies to your entire TMRS benefit, even if you marry after you have earned service credit or become vested. If you are married and vested and have not filed a beneficiary designation with TMRS, your lawful spouse will be your beneficiary.

If you are unmarried, or your spouse has given consent to another beneficiary, you can name one person, your estate, a trust, or multiple people (limit three) on a “share-and-share-alike” basis (each person receives an equal share) as your beneficiary. You can even establish alternate (contingent) beneficiaries. If your primary beneficiary dies first, your alternate beneficiary can receive your benefits. To designate beneficiaries with unequal distributions, contact TMRS.

Terminating TMRS Membership

Once established, your membership in the System continues until one of the following occurs:

- ◆ You terminate employment with all TMRS cities, and you withdraw (refund) your member deposits from TMRS
- ◆ You retire under TMRS or die before retirement
- ◆ You terminate employment with all TMRS cities and do not earn service credit with any participating city for more than 60 months (5 years), and
 - You do not have enough service credit to be vested (5 years in most cities); or
 - You are not employed in a position covered by a retirement system that participates in the Proportionate Retirement Program (see pages 26 – 27).

Membership

Q: What happens if I stop working for a TMRS city and start service with another participating TMRS city?

A: As long as you leave your member deposits in TMRS, you keep your membership in TMRS. This applies even if you are considered a probationary employee (for other non-TMRS benefits) of your new city.

Q: What happens if I begin a new job that is covered by another Texas statewide retirement system?

A: As long as you leave your member deposits with TMRS, you can participate in the following systems and retain your TMRS membership:

- ◆ Teacher Retirement System of Texas
- ◆ Employees Retirement System of Texas
- ◆ Judicial Retirement System of Texas (Plan 1 or 2)
- ◆ Texas County and District Retirement System
- ◆ City of Austin Employees Retirement System

This applies even if you are not a vested TMRS member. Please inform TMRS if you become a member of one of these other retirement systems.

You can also combine service credit with these other systems for determining service retirement eligibility. If you do elect to use the Proportionate Retirement Program, it is recommended that you notify each retirement system in writing that you have service in other systems and wish to combine your service credit (see page 26). Also see page 27 for information on Proportionate Buyback.

Interest Period

The 60-month period begins with the month after you make your final deposit. TMRS only pays interest for the full year (one time per year in December). If your 60th month is not December, you will not receive interest for a partial year.

Q: What happens if I leave employment with all TMRS cities and I do not have enough service credit to be vested (5 or 10 years of service, depending on your city's plan)?

A: If you are not working for any TMRS city, you may leave your member deposits with the System for up to 60 months and keep your TMRS membership. After the 60-month period, your membership terminates. If you leave your member deposits with TMRS, your deposits will stop earning interest after the 60-month

period. Therefore, at that time, you should apply for a refund of your member deposits and interest. You can roll over your refund into an IRA or qualified retirement plan for income tax purposes (see pages 53 – 54).

For more information on refunds, see Chapter 9.

Q: I'm vested, and I leave the city workforce before I'm eligible to retire. If I take a refund, do I get the city's matching funds?

A: If you take a refund, you do not receive the city's matching funds. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly benefit.

Q: If I leave city employment, do I have to receive a refund of my account?

A: No. You may leave your deposits and interest with TMRS for up to 60 months after you leave city employment. Your account continues to earn interest.

For more information on leaving funds in your account, see page 46 if you are not vested. If you are vested, see page 9.

Elected Officials

At one time, elected officials were not eligible to participate as members of TMRS. Now, compensated elected officials whose office normally requires performance of services of at least 1,000 hours per year in a participating city are eligible if:

- ◆ The city began its participation in TMRS after December 31, 1981; or
- ◆ The city began its participation prior to January 1, 1982, but has adopted an ordinance providing for participation by elected officials.

In either event, the elected official becomes a member on the latter of the effective date of the ordinance or the date the person took office. The official may be entitled to Prior Service Credit for employment with the city before the city joined TMRS.

Your Member Deposits

Each month, your city withholds a percentage of your gross monthly salary and deposits the money in a TMRS account in your name. These are your member deposits. Each TMRS city chooses the rate of member deposits, either 5%, 6%, or 7% of your gross salary.

Your member deposits to TMRS are tax-deferred, which means they are not subject to federal income tax until they are paid back to you in the form of a refund or a monthly retirement benefit. See Chapter 11 for more tax information.

At retirement, your member deposits and the interest earned are combined with the city's matching funds and other credits granted. TMRS then calculates a monthly retirement benefit based on these amounts, the interest they will earn, an estimate of your remaining life expectancy at retirement, and other factors.

Interest on Member Deposits

Interest on your TMRS member account is credited once each year on December 31. Interest is calculated on the balance in your account as of January 1 of that calendar year. For example, interest on your account for the year 2008 will be credited on December 31, 2008, and is calculated on your balance at the beginning of the year, January 1, 2008. The rate of interest is based on the investment income of the System and is determined annually by the Board of Trustees.

A significant amount of your total retirement benefit comes from interest credited to your member account from TMRS investments. For most members reaching retirement, interest earnings will exceed the amount of the member's total deposits.

Prorated Interest Only When You Retire

You receive prorated interest on your account only during the year in which you retire. For example, if you decide to retire in July 2009, your account will receive prorated interest for part of that year. For a July 2009 retirement, you would receive 7/12's of the preceding (2008) year's inter-

Important

Interest is not credited for parts of a year, except in the year a member retires or when a member dies and a refund of member deposits is paid to the beneficiary or estate.

est rate based on the balance in your account on January 2009. Prorated interest allows you to choose the time of the year you would like to retire without losing interest on your account.

Q: Can I borrow money from my TMRS member account?

A: No. By law, your member deposits and interest are un-assignable. This means you cannot borrow from your account, nor can you use your account as collateral for a loan.

Q: If I leave TMRS-covered employment and withdraw my money, and later become a member again, can I buy back my former service credit?

A: If your city has adopted an ordinance that allows buyback and you are an employee of the city when the ordinance is adopted, then you may. See pages 18 – 19.

Your Annual Statement

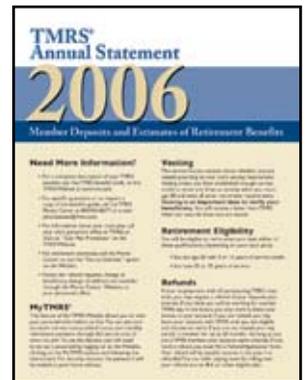
Each year, TMRS mails you an Annual Statement of your account with the System. Your Annual Statement shows the funds in your Member Account and the total service credit you have with TMRS. The statement also shows your estimated retirement income.

Please remember the retirement estimates shown on the Annual Statement are simply estimates based on certain assumptions. You should contact TMRS for further information before you decide to retire.

You have up to four years to correct any errors regarding your account as shown on your Annual Statement.

It is very important that you keep TMRS informed if your address changes. A correct address is necessary for TMRS to send your Annual Statement and other important information.

You can also see your current account information on the TMRS Website, using MyTMRS® (www.TMRS.com).



Your TMRS ID Number

TMRS does not use Social Security numbers to reference your account. For your privacy and security, we give TMRS members their own 6-digit identification numbers. All member data is confidential, and we do not share member lists or other personal information with anyone.

MyTMRS

This feature of the TMRS Website allows you to view your personal information on-line. You can see your account's current status, refund status, and monthly retirement payments through this secure area of *www.TMRS.com*. To use this feature, you will need to set up a password by logging on to the Website, clicking on the MyTMRS option, and following the instructions.

City Matching Funds

For every month you make a deposit to TMRS, **your city agrees to match your deposits and interest** at a rate chosen by the city: 1 to 1; 1.5 to 1; or 2 to 1 (or 100%, 150%, or 200%). The city's match of your deposits and interest is held in the city's TMRS account until you retire, when the city match becomes part of your benefit. The only way to receive the city's matching funds is to retire from TMRS and receive a monthly payment.



How Do I Review or Change My Account?

| | | | | |
|--|---|---|---|---|
| Account balance |  |  |  | |
| Address or name change | | | |  |
| Beneficiary info | |  |  | |
| Change beneficiary | | | |  |
| Credited service |  |  |  | |
| Request for statement |  |  | | |
| Request for statement to different address | |  | | |

 **By phone** – requires 2 account identifiers*

 **In writing** – by letter or fax; include signature and 2 account identifiers

 **Web** – use www.MYTMRS.com with password

 **Form** – needs specific form with signature; forms available from www.TMRS.com

* Account identifiers are personal details known to the member only.

Service credit is the time you accumulate toward earning a retirement benefit. Your TMRS benefit may be based on several types of service credit. Once each year, in the spring, you will receive an Annual Statement showing your TMRS service credit. You may also view your service credit history for the most recent four years by using the MyTMRS® feature on the Website.

Current Service Credit

Current Service Credit is the credit you earn for each month of active employment with a TMRS city. You receive one month of Current Service Credit for every month in which you make your required member deposit to TMRS. For most TMRS members, the majority of your service credit will be Current Service Credit.

Q: What Is Vesting?

A: In most TMRS cities, you are vested when you earn 5 years of service credit. Some cities require 10 years to vest.

Once you are vested and you reach the necessary age requirements, you may retire and receive a monthly retirement benefit for the rest of your life. If you leave your city job after you are vested and leave your member deposits with TMRS, you keep your right to a retirement benefit. Your TMRS deposits will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS.

Remember, you can only receive the city's matching funds if you retire and receive a monthly retirement benefit. For more information, see Chapter 5.

Buyback of Service Credit

If you have been a TMRS member and end your membership by leaving employment and withdrawing your member deposits, and later return to work for a TMRS city, you may be able to buy back the TMRS service you refunded. The city you go to work for must adopt a buyback ordinance

Important

Federal tax law allows you to use money from some deferred compensation plans and IRAs to purchase service credit. If you are eligible to buy back service credit previously refunded or to purchase Military Service Credit (see page 22), you may use money from your deferred compensation plan or IRA without paying taxes or paying a penalty for early withdrawal. If you are interested in using this method to purchase service credit, contact TMRS for more information about your options.

Earning Service Credit

as part of its TMRS plan. Your former employment can be with your current city or another participating TMRS city.

To buy back service credit you previously refunded:

- ◆ You must be an employee of the city and a member of TMRS on the date of the buyback ordinance's adoption;
- ◆ You must have at least 24 consecutive months of service credit as an employee of the city adopting the ordinance; and
- ◆ You must re-deposit, in one lump sum, all of the amount previously refunded plus a reinstatement fee equal to 5% of the amount you withdrew for each year since your refund.

Your member account with TMRS is credited with the lump sum payment, while the 5% reinstatement fee is credited to the city's account with the System.

Updated Service Credit (USC)

Updated Service Credit (USC) is a special feature of the TMRS retirement plan that may increase the value of your retirement benefits. A city adopts USC as part of its TMRS plan.

USC is designed to help career members' benefits maintain their value. In calculating USC, TMRS looks at the changes in your salary over your career and at any changes the city has made to its TMRS plan, such as your deposit rate or the city's matching ratio. In many cases, USC can increase your monthly retirement payment.

Generally, USC protects your benefit by including increases in your salary and any changes your city might have made to its TMRS plan and assuming those increases and changes have been in effect throughout your career.

- ◆ In most cases, your salary should increase over your career, due to inflation and to promotions and raises. Your monthly deposits to TMRS during your early career may be substantially lower than they are in later years.

Earning Service Credit

- ◆ Also, cities can increase member deposits or make other changes to their TMRS plans. For example, if your city increases your member deposit rate from 5% to 7%, you are now paying a larger portion (7%) of your wages toward your retirement, though your deposits from past years were at 5%.
- ◆ Other city plan changes, such as an increase in the city's matching ratio, will also be calculated.

Although USC may increase the value of your retirement benefit, USC does not affect the amount of money in your member account, or the amount you will receive if you take a refund of your member deposits and interest. USC will only be part of your benefit if you retire and receive a monthly retirement payment.

Updated Service Credit interest is prorated in the year you retire, so you receive the value of your USC no matter which month you choose to retire.

Cities adopt or modify USC by ordinance. Prior to adoption, TMRS must prepare an actuarial study to determine the cost of the USC adoption. After receiving the TMRS study, the city determines the percentage (50%, 75%, or 100%) of Updated Service Credit it will provide and whether it will adopt USC on a one-time or annually repeating basis.

You must have made 36 monthly member deposits to be eligible for USC, and these deposits must have been made for service with the city that is adopting USC, prior to the USC study date. The study date is 13 months before the date the city adopts the provision.

Q: If my city adopts USC, will I receive increased credit?

A: Most members receive some increased credit. *However, if you have had no significant salary increase over your career or if the city's matching ratio or member deposit rate has not changed, you may not receive USC.*

Q: How can I tell if my city has adopted USC?

A: The easiest way to tell is to use the TMRS Website (City Plan Provisions) to check your city's specific plan. The USC percentage (50%, 75%, or 100%) and the

effective year will be shown. If no percentage is shown, your city has not adopted USC. An *R* beside the year indicates that your city has chosen to repeat the USC calculation every year.

Some cities include a transfer feature in the USC calculation. With this feature, if you have deposits in other TMRS cities, your USC will include all service and account balances from each city. For more information, contact TMRS.

Prior Service Credit

When a city joins TMRS, the employees of that city receive credit for service performed before the city joined. Each city determines the percentage value and pays the cost of the service credit granted.

Prior Service Credit treats your account as if you had been a member of TMRS and were making monthly deposits throughout those earlier periods of time.

TMRS issues a letter to each eligible member detailing the amount of Prior Service Credit and the monetary value of the credit at the time it is granted. Interest on Prior Service Credit is prorated in the year of retirement, so you receive the value of your Prior Service Credit no matter which month you choose to retire.

Loss of Prior Service Credit

If your membership in TMRS stops for any reason, any Prior Service Credit you have received becomes void. You keep Prior Service Credit only if you remain a member of TMRS until you retire.

Military Service Credit

TMRS recognizes two types of Military Service Credit. One type, governed by the federal Uniformed Services Employment and Reemployment Rights Act — USERRA — is available to all TMRS members. The other type must be adopted by your city.

To qualify for either type of Military Service Credit, the following conditions must be met:

- ◆ Your active duty service cannot have been terminated on dishonorable terms

Earning Service Credit

- ◆ You have not received credit for the same military service in any other retirement system or program established under the laws of the State of Texas

□ **Military Service While a TMRS Member – USERRA Credit (Applies to All TMRS Cities).** If you enter active-duty military or war-related service — either voluntarily or because you are called to active duty — while you are a covered TMRS employee and do not withdraw your member deposits, you may be eligible to establish service credit in TMRS for a maximum of 60 months of military service.

In order to qualify for USERRA Credit, you must be re-employed by the city within 90 days of:

- ◆ Your release or discharge from active duty, or
- ◆ Your recovery from an illness or injury incurred in or aggravated during your performance of uniformed service (if your recovery period does not exceed two years).

You receive credit for the months of active-duty service performed (maximum of 60). Under certain circumstances, you can make the member deposits you would have made to TMRS as an employee of the city had you not performed military service. Your rights are governed by the federal Uniformed Services Employment and Reemployment Rights Act — USERRA. For the rules and regulations regarding USERRA, contact either your city's personnel department or TMRS.

□ **Credit for Other Periods of Military Service (Provision Must be Adopted by Your City).** This provision is optional for cities. Once adopted, the provision recognizes military service either:

- ◆ Performed before you were employed by the city, or
- ◆ Performed during a time when you voluntarily left city service for the military and withdrew your member deposits or did not exercise your rights under USERRA.

This type of Military Service Credit may only be received if you are not receiving (and are not eligible to receive)

federal military retirement payments based on 20 or more years of active duty or the equivalent.

- 1. If you voluntarily left employment with the city to enter into active-duty military service and terminated your TMRS membership by withdrawing your deposits,** and were re-employed by the city not later than 90 days from your release/discharge from active duty or your release from hospitalization (up to one year after discharge), you may be eligible to establish a maximum of 60 months of Military Service Credit.
- 2. If you performed active-duty military service before your employment with the city,** you may be eligible to establish Military Service Credit for a maximum of 60 months. You must have been employed by a TMRS city or cities for at least 5 years, have at least 5 years of service credit in TMRS, and be a current employee of the city.
- 3. If you are eligible to establish this credit under (1) or (2),** you may apply to TMRS for Military Service Credit. There is no charge to establish this credit, and you will receive time-only service credit (a maximum of 60 months), which counts toward your retirement eligibility but has no monetary value. A copy of your discharge papers (DD-214 or equivalent) indicating your total active duty military service must be submitted to TMRS along with your application form.

Q: Does my time in the Armed Forces Reserves or National or State Guard count?

A: Yes, if your service was performed on active duty status, as certified on form DD-214.

Q: Can I get credit for time served in the military by using Restricted Prior Service Credit?

A: Yes. If your city has adopted Restricted Prior Service Credit (see page 24), you can receive time credit only (no money will be added to your account) for any service performed on active duty. Restricted Prior Service Credit can be established for any military service — even for military retirees with 20 or more years of active duty or the equivalent.

Military Information

If you have lost your military papers, you can get duplicates by writing:

National Personnel Records Center
Military Service Personnel Records
9700 Page Blvd.
St. Louis, MO 63132

ATTN: (Army Reference Branch, Navy Reference Branch, etc.)

or by going to the Website
www.archives.gov.

Earning Service Credit

Military Purchase

If you were employed on December 31, 2003, by a city that had previously adopted Military Service Credit, and you earn at least 5 years of TMRS credit, you have the option to purchase Military Service Credit (a maximum of 60 months) by paying TMRS \$15 for each month you wish to establish, and submitting an application form along with a copy of your discharge papers. The money you deposit will become part of your TMRS account, where it will earn interest.

The Military Service Credit you purchase also counts toward your eligibility for service retirement, but is not included in any calculation of Updated Service Credit. If you choose to purchase Military Service Credit, you may be able to use funds from a deferred compensation plan, IRA, or other eligible plan to make the purchase.

Important

Only your service time is counted under Restricted Prior Service Credit; you do NOT receive any monetary credit.

Federal tax law allows you to roll over from some deferred compensation plans and IRAs to purchase certain military service credit, if you meet the requirements. You will not have to pay income taxes or penalties for early withdrawal at the time of withdrawal. If you are interested in purchasing military service credit and you participate in a deferred compensation plan or have an IRA, contact TMRS for more information about your options.

Restricted Prior Service Credit

If your city adopts this provision, you can receive Restricted Prior Service Credit for the following types of previous full-time employment:

- ◆ With any public authority or agency created by the United States
- ◆ With any state or territory of the U.S.
- ◆ With any political subdivision of any state in the U.S.
- ◆ With any public agency or authority created by a state or territory of the U.S.
- ◆ As a commissioned law enforcement officer employed as a college campus security employee at a Texas institution of higher education

OR

If you were an employee of the State of Texas or any branch, agency, or subdivision of the state and refunded service credit under:

- ◆ The Employees Retirement System of Texas
- ◆ The Teacher Retirement System of Texas
- ◆ The Judicial Retirement System of Texas (Plan 1 or 2)
- ◆ The Texas County and District Retirement System
- ◆ The City of Austin Employees Retirement System
- ◆ TMRS

To receive Restricted Prior Service Credit for service in one of the other statewide systems, you cannot have received service credit for that service in that system or in

Elected Officials

If you were an elected official and you were not eligible to participate in TMRS, you cannot receive Restricted Prior Service Credit for your service as an elected official.

Earning Service Credit

TMRS. You must have refunded your service credit in the other statewide system by withdrawing your deposits. If you have service credit in another statewide system that has not been refunded, you may be eligible for the Proportionate Retirement Program (see page 26).

Also, see “Proportionate Buyback,” page 27, for another option regarding any refunded service with these systems.

Q: What qualifies as a public authority or agency?

A: Generally, a public authority or agency is one operated by a city, county, state, or federal government. This includes regional councils of governments, public school districts, and airport authorities. Publicly operated hospitals, water and utility districts, and colleges and universities also qualify. Service as a contracting agent with a government does not count.

Adding Restricted Prior Service Credit toward your length-of-service requirements helps you reach vesting requirements and retirement eligibility sooner. For example, if you work for a city with a 5-year vesting requirement, have three years of service credit in TMRS, and you are granted two years of Restricted Prior Service Credit for your time as a public school teacher in another state, you are now vested with 5 years of service credit.

Probationary Prior Service Credit

If you were employed by a TMRS city on a probationary basis before September 1, 1989, and did not make TMRS deposits during your probationary period, you may be entitled to a maximum of six months of Prior Service Credit if your employing city adopts an ordinance granting this credit.

Concurrent Service Credit

Concurrent Service Credit occurs when you make a member deposit with more than one city or retirement system in the same calendar month. Deposits you make count toward your retirement benefit; however, you only receive one month of service credit toward vesting and retirement eligibility. Concurrent Service Credit can occur when an employee leaves one TMRS city during a part of the month and begins a new job with another TMRS city later in that month.

Important

If you have refunded your deposits from one of these retirement systems, service credit in that system may not be counted under Proportionate Retirement but you may be eligible for Proportionate Buyback (see page 27) or Restricted Prior Service Credit (see page 24).

Family and Medical Leave Act (FMLA)

In cities subject to the Family and Medical Leave Act, employees can take an unpaid leave of absence under FMLA.

If you are on leave under FMLA, you do not receive service credit under TMRS because you are not receiving a salary from your city and are not making the required member deposits. You are not, however, considered absent from service during that period of time.

Although you are not making deposits for your retirement, you still retain your TMRS membership. If your city has adopted Supplemental Death Benefits (see pages 43 – 45), you should apply for extended coverage in order to maintain this death benefit. Once you return to work and again make member deposits to TMRS, you will start receiving service credit again.

Proportionate Retirement Program (Combined Service Credit)

The Proportionate Retirement Program is a program that allows people with service in two or more designated retirement systems to combine service credit to meet retirement eligibility. Each participating system has its own procedures for administering benefits under the Proportionate Retirement Program. The participating systems are:

- ◆ TMRS
- ◆ Teacher Retirement System of Texas
- ◆ Employees Retirement System of Texas
- ◆ Judicial Retirement System of Texas (Plan 1 or 2)
- ◆ Texas County and District Retirement System
- ◆ City of Austin Employees Retirement System

If you have service credit in two or more of these retirement systems, you may, under certain circumstances, combine that service credit to meet service retirement eligibility in TMRS and the other systems. Please notify TMRS if you become a member of one of these other retirement systems. Proportionate Service Credit can also

help you meet the length-of-service requirement for leaving your member deposits with TMRS.

You should consult each system in which you have credit about Proportionate Retirement before making retirement plans. If you qualify for benefits under Proportionate Retirement, you will receive benefit payments from each system, based on your service credit with that system.

Proportionate Buyback

If you are a current member of TMRS and have previously refunded service credit from another Proportionate Retirement participating system, you may choose to reestablish that service credit under the participating system's rules. TMRS will verify your current membership in TMRS to the participating system to enable you to establish previously canceled service credit.

Likewise, if you are a current member of a participating Proportionate Retirement Program system other than TMRS, and you have previously refunded service credit in TMRS, you may establish credit for your TMRS time by notifying TMRS of your eligibility and intention to establish the credit. Service credit in TMRS that is established using Proportionate Buyback has no monetary value and counts only as time.

Service Credit

In certain situations, service credit earned in one system may not be recognized by another system. If you have service credit with more than one of the statewide retirement systems listed, please contact each system to make an accurate determination of what will be allowed.

Retirement Eligibility

Once you are eligible to retire in a TMRS city, you remain eligible to retire in that city, even if you go to work in another TMRS city with a higher eligibility requirement. You must meet the higher eligibility requirement only when you combine service from multiple TMRS cities.

When you have the necessary service credit and you meet the age requirements, you may retire and receive a monthly payment for the rest of your life.

In most TMRS cities, you can retire if:

- ◆ You are at least 60 years of age and have at least 5 years of service credit with TMRS (some cities require 10 years of service at age 60); or
- ◆ You have at least 20 or 25 years of service credit with TMRS, regardless of your age, depending upon which option your city has selected.

Q: I've worked for two TMRS cities — one with “20 years at any age retirement” and one with “25 years at any age retirement.” How can I tell when I'm eligible to retire?

A: If you have at least 20 years of service credit, all with a “20-year” city, you are eligible to retire. Even if you leave the 20-year city and go to work for a 25-year city, you are still eligible to retire with TMRS.

If you do not have at least 20 years of service credit with a 20-year city and must combine service credit from a 20-year and a 25-year city, you must have 25 years of service credit to be eligible to retire.

If you have service in more than one TMRS city and wish to know more about retirement eligibility, call TMRS.

Q: Since TMRS grants interest to my member account once per year, at the end of the year, should I wait until then to retire?

A: TMRS prorates interest in the year of your retirement only. This means if you retire in July, you will receive interest on your member account from January through July of that year. The prorated interest you receive is based on the interest rate determined by the TMRS Board of Trustees for the prior year.

How Your Service Retirement Benefit Is Calculated

The amount of your monthly retirement benefit is based on:

- ◆ Your total member deposits plus interest
- ◆ City matching funds and other credits granted
- ◆ Your remaining life expectancy at retirement
- ◆ Your beneficiary's life expectancy (if you select a payment option that pays a lifetime benefit to a survivor)
- ◆ The future interest rate assumption as set by law
- ◆ The TMRS monthly payment plan you choose
- ◆ Whether you choose to take a Partial Lump Sum Distribution

City matching funds are the funds your city contributes toward your benefit. Each city sets a rate at 1 to 1; 1.5 to 1; or 2 to 1 (100%, 150%, or 200%) and matches your monthly deposits and interest at that rate for your retirement.

Retirement Benefit Payment Options

When you retire, you will be asked to choose a monthly payment plan. Your choice of the “best” payment plan for you and your beneficiary should be based on your own situation at the time of retirement.

Your choice of a retirement option is a very important decision. Once you have retired and begun to receive monthly payments, you cannot change your retirement option (except as described on pages 31 – 32.)

If you are married at the time you apply for retirement and you designate a person other than your spouse as beneficiary, or you choose your spouse but select a retirement plan other than one that pays a lifetime survivor benefit, your spouse must consent to the selection in writing.

Important

The only way you can receive the city's matching funds to your member deposits and interest is to retire and choose a monthly payment plan. The city's matching funds cannot be paid to you in a lump sum payment; they can only be paid out through a monthly benefit. (See page 32, “Accounts with \$10,000 or Less.”)

The TMRS monthly payment plans are:

1. **RETIREE LIFE ONLY OPTION:** A benefit paid only for the life of the retired member with no provision for a survivor benefit.

OR, one of three **SURVIVOR LIFETIME OPTIONS** that pay a lifetime benefit to the retired member and, if the retiree dies before the beneficiary, a lifetime benefit to the survivor:

2. **Retiree Life — 100% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 100% of the retiree's benefit payable on the retiree's death.
3. **Retiree Life — 75% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 75% of the retiree's benefit payable on the retiree's death.
4. **Retiree Life — 50% Survivor Benefit:** A benefit payable for the life of the retired member, and a lifetime benefit payable to a designated survivor equal to 50% of the retiree's benefit payable on the retiree's death.

OR, one of three **GUARANTEED TERM OPTIONS** that pays a lifetime benefit to the retired member and guarantees a fixed number of payments from the retirement date if the retiree dies before the guaranteed term of payments.

5. **Retiree Life — 5 Years Guaranteed:** A benefit payable for the life of the retired member, with at least 60 payments guaranteed if the retiree dies before the designated survivor;
6. **Retiree Life — 10 Years Guaranteed:** A benefit payable for the life of the retired member, with at least 120 payments guaranteed if the retiree dies before the designated survivor; or
7. **Retiree Life — 15 Years Guaranteed:** A benefit payable for the life of the retired member, with at least 180 payments guaranteed if the retiree dies before the designated survivor.

The guaranteed term of payments begins with the first payment received by the retiring member. A member will

“Pop-Up” Feature

All three options that provide a lifetime survivor benefit include a “pop-up” feature. If the designated beneficiary dies before the retiree, the retiree's benefit will “pop-up” to an amount based on the Retiree Life Only benefit.

receive benefits for his or her entire life, but if the member dies before the guaranteed term is reached, **payments will only be made to the member's beneficiary for the remaining period of the guaranteed term.**

For example, a member choosing the 5-year guaranteed term retires and begins receiving monthly payments. After two years, the retired member dies. Payments will continue to the beneficiary for the remainder of the 5-year term — three years in this case — then cease.

Q: How much money will I receive as a retiree?

A: At any time, you can ask for a retirement estimate on-line at www.TMRS.com or call the TMRS Phone Center, 800.924.8677. TMRS will mail you an estimate immediately. Estimates cannot be e-mailed for security reasons.

Q: Is my first retirement monthly payment direct deposited?

A: Yes. Your first monthly payment is direct deposited to your designated financial institution because you must set up direct deposit to receive payments from TMRS.

Q: When are direct deposits made?

A: Direct deposits of retirement benefits are made on the last business day of each month.

You can see a yearly schedule of direct deposit payment dates on the TMRS Website at www.TMRS.com or by calling 800.924.8677.

Marriage After Retirement

If you marry after retirement, you may be eligible to change your payment plan to provide a survivor benefit for your new spouse. To be eligible for this change, you must have chosen the Retiree Life Only option or a Guaranteed Term Option at retirement and married after retirement. Or, if you retired under a Survivor Lifetime Option, but your original beneficiary died and you remarried after retirement, you may also make this change. You have a period of one year following the date of your marriage to notify TMRS that you want to change your retirement option to provide a survivor benefit. **This change can be made only one time.**

Note that changing your option does not increase the total benefit you and your survivor will receive. Depending on your circumstances, the option you choose, and the age of your beneficiary, **the monthly benefit you receive may be reduced to pay the cost of the additional survivor benefit.** If you marry after retirement and wish to consider making this change, contact TMRS.

Accounts with \$10,000 or Less

If your member deposits, interest, the city's matching funds, and other credits in your account total \$10,000 or less on your effective date of retirement, you will receive that amount in a lump sum at the time you retire. Rather than receive a very small payment each month, you will receive all your funds at one time.

Partial Lump Sum Distribution

You may choose to receive a partial lump sum payment from your member account when you retire. The lump sum payment is equal to the monthly payment of your Retiree Life Only option multiplied by your choice of 12, 24, or 36 and cannot exceed 75% of your member deposits and interest. This lump sum payment is then deducted from the total amount used to calculate your monthly retirement payment, and a new, reduced monthly payment is determined.

The Partial Lump Sum Distribution is subject to income tax and possibly an additional 10% tax penalty at the time of payment (exceptions to this penalty for certain employees may apply; see page 54). You can roll over the partial lump sum payment into an IRA or other qualified plan, such as a 457, 403(b), or others, to continue to defer any income tax payments. For information on taxes, see Chapter 11.

Q: Are the city's matching funds included BEFORE my Partial Lump Sum Distribution is determined?

A: Yes. Your city's matching funds, member deposits, interest, and other credits are all used to calculate a monthly retirement benefit from which your Partial Lump Sum Distribution is determined.

HELPS Provision for Retired Public Safety Officers

In January 2008, TMRS began participating in a program made possible by the Healthcare Enhancement for Local Public Safety (HELPS) provision of federal law. This provision allows retired or permanently disabled public safety officers to elect an amount to be deducted from their TMRS benefit payment to pay for health care or long-term care insurance premiums. The amount you exclude from taxable income may not exceed \$3,000 in one year. If a retired (or retiring) officer wishes to make this election, the amount is directly transferred by TMRS to an insurer.

□ **Definition of Public Safety Officer.** By law, the term “public safety officer” includes the following individuals serving a public agency in an official capacity:

- ◆ An individual involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including, but not limited to police, corrections, probation, parole, and judicial officers
- ◆ Professional firefighters
- ◆ Officially recognized or designated:
 - Public employee members of a rescue squad or ambulance crew
 - Chaplains of fire departments, and police departments

Call 800.924.8677 for more information or to see if you qualify. You may wish to consult with your tax advisor or the IRS to determine if you can use this provision for public safety officers.

Annuity Increases

After you retire, your city may choose to grant you an increase (when the cost of living increases) to protect your benefit from the effects of inflation.

If your city chooses this option, your retirement benefit payments may be increased by a maximum percentage of 70% of the Consumer Price Index (CPI) increase. The cost of living adjustment, or COLA, is measured from the December before your retirement through the December that is 13 months prior to the effective date of the CPI increase. The calculated increase will be applied to your original monthly retirement payment.

Continuing to Work After You are Eligible to Retire

If you are eligible for retirement under TMRS but continue to work for a member city, you continue to make member deposits. Your member account continues to earn interest, and you continue to earn service credit. You don't have to retire when first eligible but may make this decision at any time after you attain eligibility.

Employment After Retirement

Make your retirement decision carefully. **If you return to work at the same city you retired from, your benefits could be affected.** If you return to work for the city that was your last employer prior to retirement, in a position that requires TMRS membership, **your monthly retirement benefit will be suspended.** You must rejoin TMRS and make member deposits.

"Suspended" means that you will lose your monthly benefit payments as long as you are a member making deposits to TMRS. Any lost payments will not be paid at a later date, nor will your monthly benefit be recalculated to include these lost payments. When you later terminate this new period of employment, TMRS will resume payment of your original monthly retirement benefit.

Your benefit **will not be affected** if you go to work for:

- ◆ An employer that is not a TMRS city
- ◆ The city that was your employer before you retired and you are employed in a position that does not require TMRS membership
- ◆ A TMRS city other than the one that employed you before your retirement, provided your new employment begins **after your effective date of retirement**

Separation from Service Must Be "Bona Fide"

Employees participate in TMRS until they retire, die, or separate from service. Upon separation, employees may apply for a distribution (refund or retirement), and the city is required to certify the termination, which must be bona fide for both state and federal tax law purposes. The TMRS Act and the Internal Revenue Code do not permit a distribution if an employee resigns and is rehired by the same city in a prearranged manner. Such an arrangement would not be considered a bona fide separation.

Returning to Work

If you go to work for a TMRS city that was not your employer when you retired, you will again make monthly TMRS member deposits from your salary. The retirement benefit you earned from your previous employment will not be affected.



Notes

To apply for TMRS retirement, request a Service Retirement Application packet from TMRS or download the packet from the TMRS Website. The packet contains all the forms you need as well as information about retirement.

Application and Retirement Date

Your Service Retirement Application must be received in the TMRS office by your effective date of retirement but no more than 90 days before the effective date. **Remember, retiring from TMRS and notifying your city that you intend to retire are separate processes. Check with your city's personnel office for their requirements.**

Your TMRS effective retirement date must be the last day of a calendar month. Your first benefit payment will be made at the end of the month following your effective retirement date.

Social Security and Your TMRS Benefit

If you receive Social Security benefits, they will not affect your TMRS benefit. However, there are some Social Security provisions you may want to learn more about.

❑ **The Government Pension Offset.** If you receive a Social Security benefit based on your spouse's employment, and you also receive a pension from a government employer **who was not part of the Social Security program**, your Social Security benefit may be offset by your government pension. The offset may reduce the amount of your spouse's Social Security benefit by two-thirds of the amount of your government pension. The Social Security Administration provides more information on the offset at <http://www.ssa.gov/pubs/10007.html>.

❑ **The Windfall Elimination Provision.** If you receive a Social Security benefit, but the majority of your career was spent working for a government employer **who was not part of the Social Security program**, your Social Security benefit may be calculated using a formula that reduces your Social Security benefit. The Social Security Administration provides more information about the provision at <http://www.ssa.gov/pubs/10045.html>.

Information

For detailed information on preparing for retirement, call TMRS for a copy of the Checklist for Service Retirement, or go to the TMRS Website.

Retirement Checklist

You will need the following items to complete your retirement application process.

Forms

(all in the Service Retirement Application packet):

- ◆ Application for Service Retirement (TMRS-15) – no more than 90 days before retirement
- ◆ Selection of Retirement Plan (TMRS-0024)
- ◆ Name Certification (TMRS-30) – use this if current name differs from the name on your birth certificate; TMRS can accept a copy of your driver's license or marriage certificate
- ◆ Selection of Partial Lump Sum Distribution (TMRS-PLSD) – use this form if you want part of your benefit in a lump sum)
- ◆ Electronic Direct Deposit Authorization (TMRS-80E)

Other documents:

- ◆ Birth Certificate (legal proof of birth, not the hospital kind with the baby's footprints on it)
- ◆ Birth Certificate for beneficiary (copy, and only if a Survivor Lifetime option is selected)
- ◆ After TMRS receives your retirement application, we will send you a Tax Withholding Form (W4-P), which you will need to complete and return to us.

If you become disabled so that you are no longer able to perform your job, and the disability is likely to be permanent, you may be eligible for Occupational Disability benefits from TMRS. An Occupational Disability benefit is calculated like a Service Retirement benefit, based on your deposits and interest, your city's matching funds, and other credits, and is payable to you beginning on the last day of the month following your effective retirement date, assuming your disability is approved by the TMRS Medical Board.

If you are eligible for Service Retirement and you become disabled, you may wish to consider applying for Service Retirement rather than Occupational Disability. The benefits are equal, and Service Retirement places no restrictions on your earnings.

Applying for Occupational Disability

If you become disabled, you may apply for an Occupational Disability Benefit using an Occupational Disability Retirement Packet. You may obtain this packet either from your city, by calling TMRS, or by downloading it from the TMRS Website (www.TMRS.com). As part of the application process, you will be asked to have an examination by a physician.

After you file your application, including the physician's statement, a statement from your city, and a copy of your city job description, the TMRS Medical Board will make a determination. If the Medical Board finds you are disabled to the extent that you should be retired (and you meet the other requirements for Occupational Disability Retirement), your application will be approved.

If the Medical Board finds that you do not meet the requirements, additional examinations or hearings may be held, or your application may be denied.

Occupational Disability Benefits and Other Earnings

If the Medical Board approves your Occupational Disability Retirement, you will receive a monthly benefit. While receiving Occupational Disability Retirement benefits, you

Disability

There is no minimum length of service or age required to be eligible for Occupational Disability Retirement Benefits, and the cause of the disability can either be duty-related or non-duty-related.

TMRS Occupational Disability benefits based on deposits you made after January 1, 1984, are subject to income tax in the same manner as service retirement benefits, based on federal law. See Chapter 11 for more information on TMRS benefits and taxes.

may pursue other employment, but your monthly benefit may be affected **if your retirement benefit plus your employment income exceed the salary you received when you were an active TMRS member.**

If you retire under Occupational Disability, TMRS may request that you provide information regarding any earned income you may have each year until you reach age 60.

If your earnings plus your Occupational Disability exceed the amount prescribed by law, your monthly disability benefit will be reduced for the following year by the amount of your excess earnings. Your benefit will not be reduced below what your individual member deposits and interest would provide, but if your income from other sources is high enough, the city-funded portion of your benefit may be eliminated. (See formula below).

Occupational Disability Benefit Options

If you become eligible for Occupational Disability Retirement, you may select either a Retiree Life Only benefit or any other payment option (pages 29 – 31). The amount of the benefit is based on the same factors (deposits, service credits, life expectancy, interest rate assumption, plan selected) as those used in determining the amount of a Service Retirement benefit.

Disability and Other Income

The formula for determining the effect of other income on your TMRS disability benefit is:

TMRS Disability Retirement Benefit
(based on the Retiree Life Only Disability Benefit amount)
+ Other Earnings

Cannot Exceed

Your average compensation from the city during the
highest 12 consecutive months
of the three years before the year you retired

Earnings are defined as earned income that is subject to FICA (Social Security retirement) taxation or that would be subject to FICA taxes (if the employer were not an exempt organization).

Workers' Compensation

Q: Can I make member deposits to TMRS while I am receiving Workers' Compensation payments?

A: Your TMRS deposits are based on the compensation you receive from the city. TMRS cities have various policies regarding payments to persons on workers' compensation.

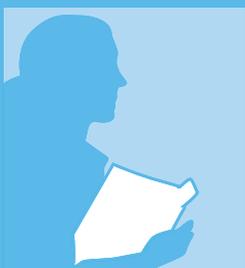
Some cities supplement the workers' compensation payment to bring the person up to "full salary." Other cities do not supplement the workers' compensation payment, and there is no compensation paid directly by the city from which your member deposits can be made.

Member deposits to TMRS should be withheld from the total compensation the city pays to you. In this case, compensation may only be the payment from the workers' compensation provider, or that payment plus a supplement paid by the city.

If a supplement is paid, the city should withhold your member deposit based on the total compensation paid (supplement plus workers' compensation) from the supplemental pay.

If no supplement is paid by the city, you may make the appropriate member deposit out-of-pocket from your workers' compensation payment to the city to be transmitted to TMRS with the normal monthly report.

You will not receive service credit in TMRS if no deposits are submitted to TMRS while you are out on workers' compensation.



Notes

Your Beneficiary

Your beneficiary is the person you choose to receive your TMRS benefit in the event of your death. You will be asked to choose a beneficiary when you become a TMRS member. When you vest (after 5 or 10 years of service, depending on your city's plan), TMRS will ask you to reexamine your beneficiary choice.

After you become vested, your choice of beneficiary becomes especially important. If you die after you are vested, and you have not chosen a beneficiary after vesting, here is the order in which TMRS will pay benefits:

- ◆ To your surviving spouse
- ◆ If you have no spouse, to any surviving children
- ◆ If you have no children, to the last beneficiary you named before you became vested
- ◆ If you have never named a beneficiary, to your estate

“Choosing a beneficiary and making sure your choice is kept up-to-date are two of your most important responsibilities as a TMRS member.”

Your Beneficiary's Options

If you are a vested TMRS member but die before you retire, your designated beneficiary has choices about how to receive your benefit.

A beneficiary who is your spouse can choose to:

- ◆ Select a monthly benefit to begin immediately, payable either for 15 years or for life. The monthly benefit includes the city's matching funds and any other credits that would be used to calculate your normal retirement.
- ◆ Withdraw (refund) your member deposits and interest in a lump sum (this option **does not** include the city's matching funds).

- ◆ Leave your member deposits and interest with TMRS, where they would continue to earn interest until the date you would have reached age 60. Your survivor's benefit will then be calculated, and your spouse will receive a benefit either for life or for 15 years.

Your spouse will have 180 days from your date of death to choose to leave your member deposits with TMRS; otherwise, the benefit is payable immediately. Member deposits and interest may be refunded to your spouse any time after the initial choice, but withdrawing the deposits and interest will prevent your beneficiary from receiving a lifetime monthly benefit.

A beneficiary who is not your spouse may choose to:

- ◆ Select a monthly benefit, payable immediately. Your surviving beneficiary's monthly benefit would include the city's matching funds and any other credits that would be used to calculate your normal retirement.
- ◆ Withdraw (refund) your member deposits and interest in a lump sum (this option would not include the city's matching funds).

If you are not vested at the time of your death, your beneficiary will receive a refund of your member deposits and interest.

Supplemental Death Benefits

Your city may choose to include Supplemental Death Benefits in its retirement plan. If your city has chosen this provision and you die while employed by the city, TMRS will pay your designated beneficiary or estate a benefit approximately equal to your current annual salary, plus any retirement benefits due.

For Supplemental Death Benefits purposes, "annual salary" is calculated as the salary from which you made the required member deposits to TMRS during the 12 months before your death. If you were paid less than 12 months, TMRS will require annual salary information from your employer.

Period of Coverage

You are covered for Supplemental Death Benefits if your city has adopted the Supplemental Death Benefits option for all its TMRS members and you are a city employee required to make member deposits with TMRS.

You are covered on the first day of the first month in which these requirements are satisfied. Except as described below under “Extended Coverage,” coverage stops on the last day of any month in which any of these requirements is not satisfied.

Extended Coverage

If circumstances cause you to be absent from your city employment for an extended period of time, your coverage under the Supplemental Death Benefits program may be extended if these conditions are met:

- ◆ As a result of illness or injury, you are unable to engage in any gainful employment or you are on extended leave under the provisions of the federal Family Medical Leave Act (FMLA).
- ◆ You made a required member deposit with TMRS as an employee of a city offering the coverage for Supplemental Death Benefits for the month preceding the first entire month of your absence from work.
- ◆ Your application is approved by the TMRS Board of Trustees.

Extended coverage continues until the end of the month in which any of the following occurs:

- ◆ You return to work
- ◆ The Board finds that you have become able to engage in gainful employment
- ◆ You cease to be a member of TMRS
- ◆ You retire
- ◆ The city terminates coverage

An application for **Extended Supplemental Death Benefits** must be made in writing to the Board of Trustees and must contain a statement from your doctor regarding your

inability to work and the length of time you are expected to be away from the job.

Retiree Supplemental Death Benefits

If you retire with TMRS, a Supplemental Death Benefit in the amount of \$7,500 will be paid on your death as long as the TMRS city from which you retired offers such coverage.

If your employment terminates with all participating TMRS cities, you may choose to — but do not have to — apply for a refund of your total member deposits plus interest.

Leaving City Employment

If you leave your city before you are vested (after 5 or 10 years of service, depending on your city's plan), and do not go to work for another TMRS city, you may leave your member deposits with the System for up to 60 months and keep your TMRS membership. You are not considered absent from service if you are on FMLA leave. After the 60-month period, your membership terminates. If you go to work for a public employer who participates in the Proportionate Retirement Program, the 60-month limit does not apply (see page 26).

If you are not vested and you leave your member deposits with TMRS, your deposits will stop earning interest after the 60-month period. Therefore, at that time, you should apply for a refund of your member deposits and interest. You can roll over your refund into an IRA or other eligible retirement plan for income tax purposes. See pages 53 – 54 for more on rollovers.

If you stop working for one TMRS city, but become employed by another TMRS city before withdrawing your member deposits, your membership in TMRS has not terminated. **You cannot withdraw your member deposits and interest.**

If you leave employment with a TMRS city and go to work in a position covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 26), you may withdraw your member deposits, but you should be aware of the value of your TMRS service credit under the Proportionate Retirement Program.

If you are vested, you may leave your member deposits with TMRS until you are eligible and choose to retire. Your deposits continue to earn interest.

Refunds (Withdrawing Your Deposits)

A refund cannot be processed until your final member deposit to TMRS is received and credited to your account.

Important

A refund only includes your member deposits and interest. It does NOT include the city's matching funds, even if you are vested.

The city's report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's report are received, your refund will be processed for payment.

Q: What is vesting?

A: In most TMRS cities, you are vested when you earn 5 years of service credit. Some cities require 10 years to vest.

If you leave your city job after you are vested and leave your member deposits with TMRS, you keep your rights to a retirement benefit. Your TMRS deposits will continue to earn interest, and when you meet the necessary age and service credit requirements, you can retire from TMRS and receive a monthly benefit for the rest of your life.

Remember, you can only receive the city's matching funds if you retire and receive a monthly retirement benefit.

Q: If I choose to take a refund, do I receive the city's matching funds?

A: No. When you receive a refund, you receive your member deposits and interest but not the city's matching funds. The only way you can receive the city's matching funds is to retire and receive a monthly benefit payment.

If you cease to be employed by one TMRS city, you can choose to receive your member deposits and interest — only if you do not become employed in another TMRS city prior to receiving your refund payment from TMRS. If you do take a job with another TMRS city and are enrolled in TMRS prior to receiving your refund, you cannot receive a refund. You must continue your TMRS membership and leave your member deposits and interest in your member account to earn retirement credit.

Q: Can I refund part of my member account and leave the rest in TMRS?

A: No. If you choose to receive a refund of your member deposits and interest, you must refund all of your account. You must also stop employment and your membership with all TMRS cities to receive a refund. Remember that a refund does not include the city's matching funds.

Q: If I stop working for a TMRS city and I am not vested, why should I consider leaving my member deposits with TMRS?

A: If you might return to work for a TMRS city or in a job covered by one of the retirement systems that participates in the Proportionate Retirement Program (see page 26) within 60 months, you should consider leaving your member deposits in TMRS.

Your member deposits continue earning interest as paid by TMRS during the 60-month period, and the service credit you have earned still counts toward retirement. Also, if you take a refund, you lose the city's matching funds.

Q: What is the city's report, and when does the city have to submit it to allow me to get my refund?

A: Each city sends TMRS a monthly payroll report, which must be received by TMRS by the 15th of the month after the month being reported. The monthly report shows each member's individual deposit for the month. After the city has submitted the report (with your final deposit) to TMRS, the report information must be added to the member's account before any refunds can be issued.

Q: How long does it take to get my refund?

A: Refunds are paid by TMRS 30 to 40 days after you were last paid by the city, provided TMRS receives everything from your city on time.

A refund cannot be processed until your final member deposit to TMRS is received and credited to your account. The city's report transmitting your final deposit must be received by TMRS before your refund can be paid. Once your application and the city's report are received, your refund is processed for payment.

Example

The city certifies on your refund application that your last deposit will be June 6. The city has until July 15 to submit the June payroll report to our office. Once the report has been filed with TMRS, the information must then be posted to your account before any refunds can be issued.

Note

Member deposits made before January 1, 1984, were taxed at the time of deposit. Any amount refunded to you based on those deposits will not be taxed at the time of payment.

If you have a user ID and password for MyTMRS (www.TMRS.com), you can track the status of your refund.

Q: Why does TMRS take out 20% of my refund for taxes?

A: TMRS is a tax-deferred retirement plan. This means you have not paid income taxes on your member deposits. The IRS requires TMRS to withhold taxes on refunds, unless you roll the funds over to another tax-deferred plan or IRA (Individual Retirement Account).

If you withdraw your member deposits and interest before you turn age 59½, you may owe an additional 10% tax penalty to the IRS. However, if you leave city employment in the year you turn 55 or later, and withdraw your member deposits and interest, you will not owe the additional 10% tax penalty. See “Special Tax Notice Regarding Plan Payments” attached to your TMRS refund application form.

Note this exception: Public safety employees may waive the additional 10% tax penalty at age 50 or later. Your city will need to certify your status as a public safety employee (a form is available from the TMRS Website).

For more information on leaving your TMRS city, see pages 11 – 13.

Divorce

Divorce Team

TMRS has a team of employees trained to handle the many issues that can arise when TMRS benefits are part of a divorce settlement. Please call the team whenever you need assistance with a division of benefits. Also, additional information on divorce and your TMRS benefit is available on the TMRS Website (under Publications).

TMRS Support Services
Team: 800.924.8677 or e-mail divorce@TMRS.com.

If you divorce, your TMRS retirement benefit may be involved in the settlement or division of property. **In the event of a divorce, TMRS encourages you to contact us as soon as possible in the process.** The TMRS Support Services Team can be reached toll-free at 800.924.8677 or by e-mail at divorce@TMRS.com. Your attorney may wish to visit the TMRS Website (under Publications) for more detailed information on divorce and TMRS benefits.

Divorce and Your TMRS Benefit

Texas is a community property state, which means property acquired during your marriage is owned by both you and your spouse. Any TMRS retirement benefit earned during marriage is community property.

Dividing your TMRS benefit requires a special document known as a Qualified Domestic Relations Order (QDRO). A QDRO is usually a separate document from your divorce decree, but in some cases may be contained within the divorce decree.

The QDRO will specify what portion of your benefit will be paid to your former spouse. Benefits are not payable immediately to the former spouse. When you begin to receive a TMRS benefit, the portion specified in the QDRO will be paid to your former spouse. Likewise, if you withdraw your member deposits and interest, the QDRO will govern what portion your former spouse receives.

Your TMRS benefit does not have to be divided between you and your former spouse. In this case, TMRS requires specific language in the divorce decree to specify that the benefit is not to be divided.

Certified Copy

If the retirement benefit is to be divided, TMRS requires a certified copy of the QDRO or divorce decree before any benefit can be paid or deposits withdrawn. A certified copy is one that is certified with the original stamp and seal, plus the signature of the clerk of the court in the county where the divorce was granted. A certified copy is **not** a document bearing only the seal of a notary public.

Divorce After Retirement with TMRS

If you divorce after you retire from TMRS and your retirement benefit is to be divided, a QDRO is required. Call TMRS for assistance.

Removing Your Former Spouse as Beneficiary

If you retired under a Joint Survivor Lifetime option and divorced after retirement, the divorce decree or QDRO may allow TMRS to remove your former spouse as beneficiary. If this occurs, TMRS may also be able to increase your future benefit payments to the monthly amount you would have received had you originally selected a Retiree Life Only benefit. Please contact TMRS for assistance with this provision.

Pre-1984 Deposits

If you made member deposits to TMRS before January 1, 1984, you have already paid taxes on those deposits. On statements and communications from TMRS, you may see amounts divided between taxable and non-taxable portions. The taxable portion represents your member deposits made since January 1, 1984, and any and all interest earned since you began contributing to TMRS.

If you became a TMRS member after January 1, 1984, all your deposits were made before taxes were withheld and any return of those deposits, either as a refund or a benefit, will be subject to taxation.

TMRS is a qualified, tax-deferred retirement plan under Section 401 of the Internal Revenue Code. You do not pay income tax on your monthly member deposits to TMRS, but you will pay tax when you receive a payment from the System, either as a refund or a monthly benefit.

When you receive a payment from TMRS, all or part of that payment will be subject to federal income taxes, based on the tax laws and the rules and regulations of the Internal Revenue Service. The information in this *Benefits Guide* is based on the Internal Revenue Code and the IRS regulations in effect at the time this *Guide* was published. IRS regulations and federal tax law can change. In any matter involving taxation of your TMRS benefit, TMRS encourages you to contact a tax advisor.

Monthly Retirement Benefits

If you retire and receive a monthly benefit from TMRS, part or all of your monthly benefit will be taxable as income. In rare situations for those members who have service before January 1, 1984, a portion of the benefit based on the deposits made before that date will not be taxable. This portion is called the “monthly exclusion amount.”

Each year, at the end of January, TMRS will send you a form 1099-R, showing your total retirement payments for the preceding year, the taxable and nontaxable amounts (if any), and the amount of tax withheld by TMRS.

Partial Lump Sum Distribution

When you retire, if you choose to receive part of your benefit as a Partial Lump Sum Distribution (PLSD), that lump sum will be taxable income for the year in which it is payable to you.

The PLSD will be considered taxable income for the year in which you receive it. You can defer paying income tax by rolling your PLSD into an IRA or other eligible plan.

In certain cases, if you do not roll over your PLSD and receive it directly, you may be subject to an **additional 10% tax penalty**.

You will not incur the additional 10% penalty on your PLSD if you terminate employment with the TMRS city from

which you retire **in the year you turn age 55 or later** or if you are a public safety employee who terminates employment in the year you turn age 50 or later. Although you may receive your PLSD directly with no additional 10% tax penalty, you will still be subject to regular income tax on the PLSD for the year you receive it.

Federal income tax law requires TMRS to withhold 20% of a PLSD, unless it is rolled into an IRA, a Section 457 deferred compensation plan for governmental employees, or another eligible plan (see list under “Rollovers,” below). If only a part of your PLSD is rolled into an eligible plan, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a PLSD, the form you will fill out includes a “Special Tax Notice Regarding Plan Payments,” which contains current information on federal regulations governing distributions and rollovers. The form, “Selection of Partial Lump Sum Distribution,” including the “Special Tax Notice,” is also available on the TMRS Website under Forms.

Rollovers

Your PLSD or refund is eligible to be rolled over to an IRA or other eligible plan. If you roll over one of these payments from TMRS, you will defer payment of taxes until the money is withdrawn and you may avoid a tax penalty that you would owe if you received the payment directly. Federal law on rollovers provides that plans eligible to receive a rollover from TMRS (of either a PLSD or a refund) are:

- ◆ Governmental 457 plan
- ◆ 403(b) plan
- ◆ 401(a) plan (including 401(k) plans)
- ◆ IRAs
- ◆ Roth IRA (after 20% is deducted for federal income tax)

Plans that are not eligible to receive rollovers include:

- ◆ Simple IRAs
- ◆ Non-governmental 457 plans

Roth Rollovers

A rollover to a Roth IRA will have 20% withheld before funds are transferred to the financial institution.

Once your refund or PLSD is rolled over into another plan, future distributions from that plan may be subject to other federal laws and regulations. Consult a tax advisor to be sure of the tax consequences of your options.

Refunds

If you leave employment with a TMRS city and apply for a refund of your member deposits and interest, your refund will be taxable income for the year in which it is payable to you. (A refund of any deposits you made before January 1, 1984, will not be taxed because those deposits were made before TMRS deposits became tax-deferred.)

When you receive your refund check, you will also receive a statement showing the taxable portion of the refund. TMRS will mail you a 1099-R form, showing the amount of the refund and taxes withheld, in January of the year following your refund.

A refund will be considered taxable income for the year in which it is payable to you. You can defer paying income tax by rolling over your refund into an IRA or other eligible plan.

In certain cases, if you do not roll over your refund, you may be subject to an additional 10% tax penalty.

You will not incur the additional 10% penalty on your refund if you terminate employment with a TMRS city in the year you turn age 55 or later.

However, if you terminate employment before the year you turn age 55, then decide to receive a refund directly (not rolled over) before age 59½, you may incur the additional 10% tax.

Exception: If you are a public safety employee (fire, police, or emergency medical personnel) who terminates in the year you turn 50 or later, you will not incur the additional 10% tax penalty. (Note: If you meet the definition of public safety employee for the age 50 exemption, a city official must certify your eligibility. A certification form for this purpose is available on our Website.) Although you may receive your refund directly with no additional 10% tax penalty, you will be subject to regular income tax on the refund in the year it is payable to you.

“Public safety employees” includes law enforcement, fire fighting, and emergency medical services person-

nel as defined in federal law. You must be in an eligible position at the time of your retirement to qualify for this benefit.

Federal income tax law requires TMRS to withhold 20% of a refund, unless it is rolled over to an IRA, a Section 457 deferred compensation plan for governmental employees, or another eligible plan. If only a part of your refund is rolled over into an eligible plan, TMRS will withhold taxes on the part that is not rolled over.

When you apply for a refund, the form you will fill out includes a “Special Tax Notice Regarding Plan Payments,” which contains current information on federal regulations governing distributions and rollovers. The Refund Application, including the “Special Tax Notice,” is also available on the TMRS Website.

Tax Advice

While TMRS will assist members and retirees with information on tax matters, we cannot give advice or interpret IRS regulations as they might apply to individual circumstances. Those questions should be directed to your tax advisor or the IRS.

TMRS is committed to helping you understand your benefits and make the best use of your city's TMRS retirement program. The resources TMRS makes available to members include:

- ◆ **www.TMRS.com.** The TMRS Website offers up-to-date benefit information, news on TMRS legislation and Board of Trustee actions, downloadable forms, a searchable list of city plan provisions, late-breaking news, and much more. If you have access to the Internet at home or at work, the Website is your best source for current TMRS information.
- ◆ **MyTMRS.** This is a special feature of the TMRS Website that allows members and retirees to review their own account information. See the TMRS Website and click on MyTMRS to get a password.
- ◆ **TMRS Phone Center.** The Phone Center is staffed by benefit counselors trained to answer your questions on specific benefit issues. Call the Phone Center at 800.924.8677 or, in Austin, at 512.476.7577, or e-mail phonecenter@TMRS.com.
- ◆ **TMRS Travel Team.** TMRS has a group of counselors who travel throughout the state, appearing at city events, benefit fairs, and regional conferences to speak on TMRS benefit issues. Your city can contact TMRS to schedule a visit.
- ◆ **TMRS Newsletters.** TMRS publishes newsletters for active members (*INSIGHT*) and retirees (*RetirementWise*) at regular intervals each year. The newsletters offer announcements and in-depth articles on issues of interest to TMRS members. Please be sure to keep your address current with TMRS, so the newsletters will reach you. Member cities receive a separate newsletter called *Main Street*.

- ◆ **TMRS FACTS.** This is a booklet for members that answers most member questions in a Q&A format. This guide is meant to be used in conjunction with your City Plan. It is available in English and Spanish.
- ◆ **Specialized brochures on benefit topics.** These can be downloaded from the Website, obtained from your city, or requested directly from TMRS by calling the Phone Center.
- ◆ **Annual Statement.** This is the most important written summary of your account, reflecting the information TMRS has on file for you. The statements summarize your service history, your retirement account balance, your beneficiary information, and also give you retirement estimates. If you see errors in this statement, please contact us immediately.
- ◆ **TMRS Annual Conference and Regional Conferences.** TMRS holds an annual conference each year for city employees who help administer TMRS benefits. TMRS also conducts a number of Regional Pre-Retirement Conferences for members approaching retirement. See the Website or call TMRS for a schedule.

Get an Estimate

Since retirement benefits vary from city to city, benefit estimates from TMRS must be prepared on an individual basis.

TMRS members get estimates of their retirement benefits each year on the Annual Statement. The estimates show the benefit that would be received under the available options at the first eligible year and five years later. As you near retirement, you may need more detailed estimates, showing different options and timeframes. TMRS can prepare estimates based on one or more anticipated dates

Information

To obtain a retirement estimate, use the TMRS Website at www.TMRS.com. See the Get an Estimate page. Or call the TMRS Phone Center toll-free at 800.924.8677.

Note

Remember, all estimates are based on assumptions, and your actual benefit may be different.

TMRS Services and Retirement Estimates

of retirement and can provide additional benefit information, such as the value of your optional Partial Lump Sum Distribution.

Index

| | |
|--|-----------------|
| Accounts Under \$10,000 | 32 |
| Annual Statement..... | 15, 57 |
| Annuity Increases (CPI-based)..... | 33 |
| Applying for Retirement..... | 36-37 |
| Beneficiaries | 4, 10-11 |
| After Divorce | 50-51 |
| Options | 42-43 |
| Benefits | |
| Accounts Under \$10,000 | 32 |
| Annuity Increases (CPI-based)..... | 33 |
| Calculating | 29 |
| Death..... | 6, 42-45 |
| Direct Deposits | 31 |
| Disability..... | 7, 38-40 |
| Division of Benefits..... | 50-51 |
| Divorce..... | 50-51 |
| Estimates | 57 |
| Guaranteed Term Options | 30 |
| Occupational Disability..... | 38-40 |
| Options for Payment | 29-30 |
| Partial Lump Sum Distribution .. | 32, 52-53 |
| Service Retirement | 28-35 |
| Social Security Benefits..... | 5, 36 |
| Supplemental Death | 43-44 |
| Survivor Lifetime Options..... | 30 |
| Workers' Compensation and TMRS | 40 |
| Birth Certificate | 37 |
| Buyback of Service Credit | 18-19 |
| Proportionate Buyback..... | 27 |
| Changing from One City | |
| to Another..... | 12, 28, 46-48 |
| City Matching Funds | 16, 29 |
| On PLSD | 32 |
| City not in TMRS | 21 |
| City Plan Options | 9 |
| City's Report..... | 48 |
| Combined Service Credit (See | |
| Proportionate Retirement Program) | |
| Compensation..... | 8-9 |
| Concurrent Service Credit | 25 |
| Continuing to Work..... | 34 |
| Covered Employment..... | 9 |
| Current Service Credit | 18 |
| Death Benefits | 6, 42-45 |
| Beneficiary's Options | 42-43 |
| Direct Deposits | 31 |
| Disability Benefits | 7, 38-40 |
| Occupational Disability..... | 38-40 |
| Other Income | 39 |
| Workers' Compensation and TMRS | 40 |
| Divorce | 50-51 |
| After Retirement | 51 |
| Qualified Domestic Relations Orders | |
| (QDROs)..... | 50 |
| Removing a Former Spouse | |
| as Beneficiary | 51 |
| Elected Officials | 13, 25 |
| Eligible to Retire | 28 |
| Employment After Retirement..... | 34 |
| Ending Membership..... | 11-13 |
| Errors in Service Credit..... | 15 |
| Estimates of Retirement Benefits | 57 |
| Exclusion Amount..... | 52 |
| Extended Coverage for Supplemental | |
| Death Benefits..... | 44 |
| Family and Medical Leave Act (FMLA) | 26 |
| Federal Service | 24-25 |
| Guaranteed Term Options..... | 30 |
| HELPS Provision (federal law) | 33 |
| Income Tax | 52-55 |
| Ineligible Employees | 8 |
| Interest on Member Deposits..... | 14-15 |
| Leaving City Employment..... | 11-12, 46-51 |
| Mandatory Participation..... | 8 |
| Marriage (See <i>Beneficiaries</i>) | |
| After Retirement | 31-32 |
| Death Benefits | 42-43 |
| Divorce..... | 50-51 |
| Match, City..... | 16, 29, 32 |
| Member Accounts | 14-15 |
| Review or Change Account..... | 17 |
| Member Deposits | 5, 14 |
| Interest | 14-15 |
| Leaving City Employment | 11-12, 46-51 |
| Refunds..... | 49, 54-55 |
| Taxes | 52 |
| Membership | 4, 8, 12-15 |
| Termination of Membership..... | 11-12, 46-49 |
| Military Service Credit | 21-24 |
| Monthly Exclusion Amount..... | 52 |

Index

| | |
|---|------------------|
| MyTMRS | 16, 56 |
| National Guard Service..... | 23 |
| Occupational Disability Benefits..... | 38-40 |
| Options, Benefit..... | 29-30 |
| Other Retirement Systems (See Proportionate Retirement Program) | |
| Partial Lump Sum Distribution | 32, 52-53 |
| Participation | 8-9 |
| Period of Coverage for Supplemental Death Benefits | 43-44 |
| Prior Service Credit | 21 |
| Loss of Prior Service Credit | 21 |
| Probationary Prior Service Credit..... | 25 |
| Proportionate Buyback | 27 |
| Proportionate Retirement Program..... | 11, 26-28 |
| Prorated Interest..... | 14 |
| Public Safety Employees..... | 55 |
| Public Safety Officers | 33 |
| Public Service..... | 24-25 |
| Qualified Domestic Relations Orders (QDROs) | 50 |
| Refunds | 19, 46-49, 54-55 |
| Removing a Former Spouse as Beneficiary | 51 |
| Restricted Prior Service Credit..... | 24-25 |
| Retiree Life Only Option | 30 |
| Rollovers | 53-54 |
| Retirement | 6, 28-35 |
| Annuity Increases (CPI-based)..... | 33 |
| Applying for Retirement | 36-37 |
| Benefit Estimates | 57 |
| Benefit Calculation..... | 29 |
| Benefit Options..... | 29-30 |
| Checklist..... | 37 |
| Direct Deposit of Benefits..... | 31 |
| Divorce After Retirement..... | 51 |
| Eligibility..... | 28 |
| Employment After Retirement..... | 34 |
| Guaranteed Term Options | 30 |
| HELPS Provision..... | 33 |
| Marriage After Retirement | 31-32 |
| Partial Lump Sum Distribution... .. | 32, 52-53 |
| Retiree Life Only Option | 30 |
| Supplemental Death Benefits..... | 45 |
| Survivor Lifetime Options..... | 30 |
| Separation from Service..... | 34 |
| Service Credit | 4, 18-27 |
| Buyback of Service Credit..... | 18-19, 27 |
| Combining from Multiple Cities | 28 |
| Concurrent Service Credit..... | 25 |
| Correcting Errors..... | 15 |
| Current..... | 18 |
| Family and Medical Leave Act (FMLA). .. | 26 |
| Military Service Credit..... | 22-24 |
| Prior Service Credit..... | 21 |
| Proportionate Buyback | 27 |
| Proportionate Retirement Program | 12, 26-28 |
| Probationary Prior Service Credit | 25 |
| Restricted Prior Service Credit | 24-25 |
| Updated Service Credit..... | 19-21 |
| Social Security Benefits | 5, 36 |
| Supplemental Death Benefits | 43-44 |
| Extended Coverage | 44 |
| For Retirees | 45 |
| Taxes | 52-55 |
| Monthly Retirement Benefits..... | 52 |
| Partial Lump Sum Distribution..... | 52-53 |
| Penalty for Early Withdrawal | 53 |
| Pre and Post-Tax Deposits..... | 52 |
| Public Safety Employee Exemption..... | 55 |
| Refunds..... | 49, 54-55 |
| Rollovers..... | 53-54 |
| Termination of Membership..... | 11-12, 46-51 |
| TMRS ID Number..... | 16 |
| TMRS Services | 2, 56 |
| TMRS Website | 2, 56 |
| Updated Service Credit | 19-21 |
| Updating Account Information..... | 17 |
| Uniformed Services Employment and Reemployment Rights Act (USERRA)..... | 22-23 |
| Vesting | 4, 9-13, 42, 47 |
| Withdrawing Member Deposits | 19, 46-49, 54-55 |
| Workers' Compensation | 40 |





A Retirement Program for Texas Municipal Employees

