TCDRS Retirement Seminar
North Texas Emergency Communication Center

2018 Plan Year

How your plan works

- ★ 7% is deposited into your account and earns 7% compound interest annually.
- ★ Benefit your employer provides is based on your final account balance and employer matching. Current employer matching is **200%.**
- ★ You receive a lifetime monthly benefit when you become eligible and choose to retire.

Naming a beneficiary

- ★ You can designate/update beneficiaries by signing in to **www.tcdrs.org**.
- ★ If no beneficiary on file, we will pay benefit to spouse (if married) or estate.
- ★ A Will has no effect on how we pay out your TCDRS benefit.

Survivor Benefit

- ★ With four or more years of TCDRS service, your beneficiary is eligible for the Survivor Benefit should you pass away before retirement.
- ★ Your beneficiary has two payment options:
  - – Lifetime monthly benefit (employer matching included)
  - – Withdrawal of account balance (no employer matching, tax penalty)
- ★ You can remove the withdrawal option for your beneficiary.

Leaving employment

- ★ **Option 1: Keep Money With TCDRS**
  Account continues to earn 7% interest each year.
- ★ **Option 2: Rollover**
  Avoid paying tax penalties. Lose employer matching and lifetime benefit.
- ★ **Option 3: Withdraw**
  Significant tax consequences and possible penalty. Lose employer matching and lifetime benefit.

Vesting: 5 years of service

- ★ Once vested, you have a right to a lifetime monthly benefit that will include employer matching when you reach retirement eligibility.
- ★ Even if you leave your job, you can choose to get a lifetime monthly benefit when you become eligible to retire as long as you haven't taken your money out of your account.

Retirement eligibility

Age		Service
Age 60	and	5 Years
Age	plus	Years of service*= 80
Any Age	and	20 Years

* Must be vested

Other ways to earn service time

- ★ Multiple TCDRS accounts
- ★ Proportionate Retirement Program
  - – ERS (State of Texas)
  - – JRS (Courts)
  - – TRS (Schools)
  - – TMRS (Select Cities)
  - – COA (City of Austin)
- ★ Military or USERRA

Partial Lump-Sum Payment at Retirement

Some employers that participate in TCDRS give their retiring employees the option of taking a single payment of up to 100% of their TCDRS account balance when they retire. The retiree still gets monthly benefit payments for life, but the payments will be smaller based on the amount of the lump-sum payment.

While it may be tempting to receive a check to kick off your retirement, you need to take a look at your total financial picture and long-term plans first. Taking a lump-sum payment permanently reduces the amount of your monthly lifetime benefit payments. Over time, the reduction to your monthly benefit payment may be greater than the amount of money you take as a single payment. Additionally, any future cost-of-living adjustments your employer may grant to its retirees would be smaller because your increase would be based only on your reduced monthly payments. In other words, you may lose more money in the long run than you gain in the short term when you choose a partial lump-sum payment at retirement.

There are also taxes to consider. TCDRS automatically withholds 20% of the lump-sum amount for federal taxes if you do not roll your lump-sum payment over into a qualified, tax-deferred retirement account, such as an IRA. There may be a 10% IRS excise tax, as well. The lump-sum payment, if you don't roll it over into a qualified account, could also place you in a higher tax bracket for that reporting year because it counts as gross income. As a result, you may owe the federal government more than you anticipated.

While rolling the payment over into a qualified, tax-deferred retirement account will help you defer taxes, your money may not earn the rate of interest you want in the investment market. Variable investments always carry a risk of losing money, rather than earning it. In retirement, you usually don't have the long investment horizon needed to recover from a market downturn.

Remember, your TCDRS benefit is a lifetime benefit that can help sustain not only you, but also your beneficiary, in retirement. Depending on your personal financial picture, a higher monthly payment may be more valuable to you or to your beneficiary than a single payment up front.

If you are eligible and are considering a lump-sum payment:

- Review all your assets, savings and retirement income sources, including Social Security.
- Examine other means of financing your immediate purchase plans or financial goals.

There is no simple right or wrong answer to whether you should take a lump-sum payment or not. The right move for you will depend on your individual financial picture. Like many of the decisions you will make about your retirement, the most important thing is that you take the time to consider all the pros and cons of your decision before you retire.

To find out if you have this option, sign in to your account at www.tcdrs.org, or call Member Services at 800-823-7782.