



Understanding Your TCDRS Retirement Plan

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TCDRS Overview



Established in 1967 by Texas Legislature

Governed by Federal & State Laws

9-member Board of Trustees

Central Administration in Austin

**Local Administration – County/District Staff
provide processing and educational support**

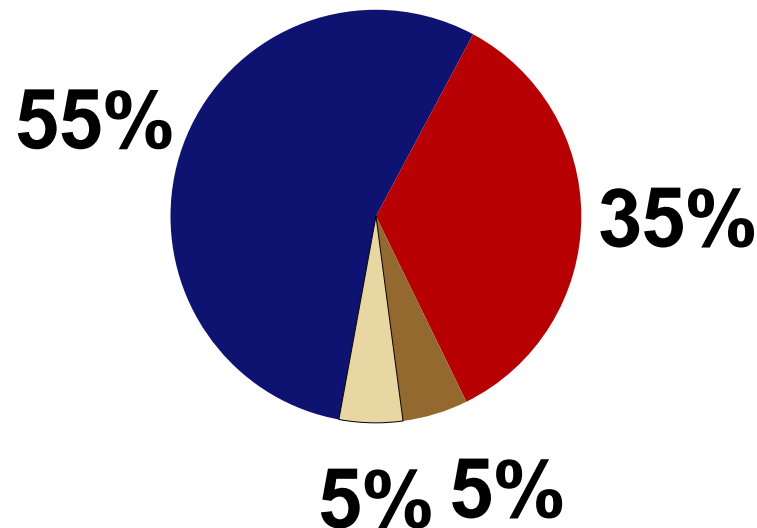
Investment Income

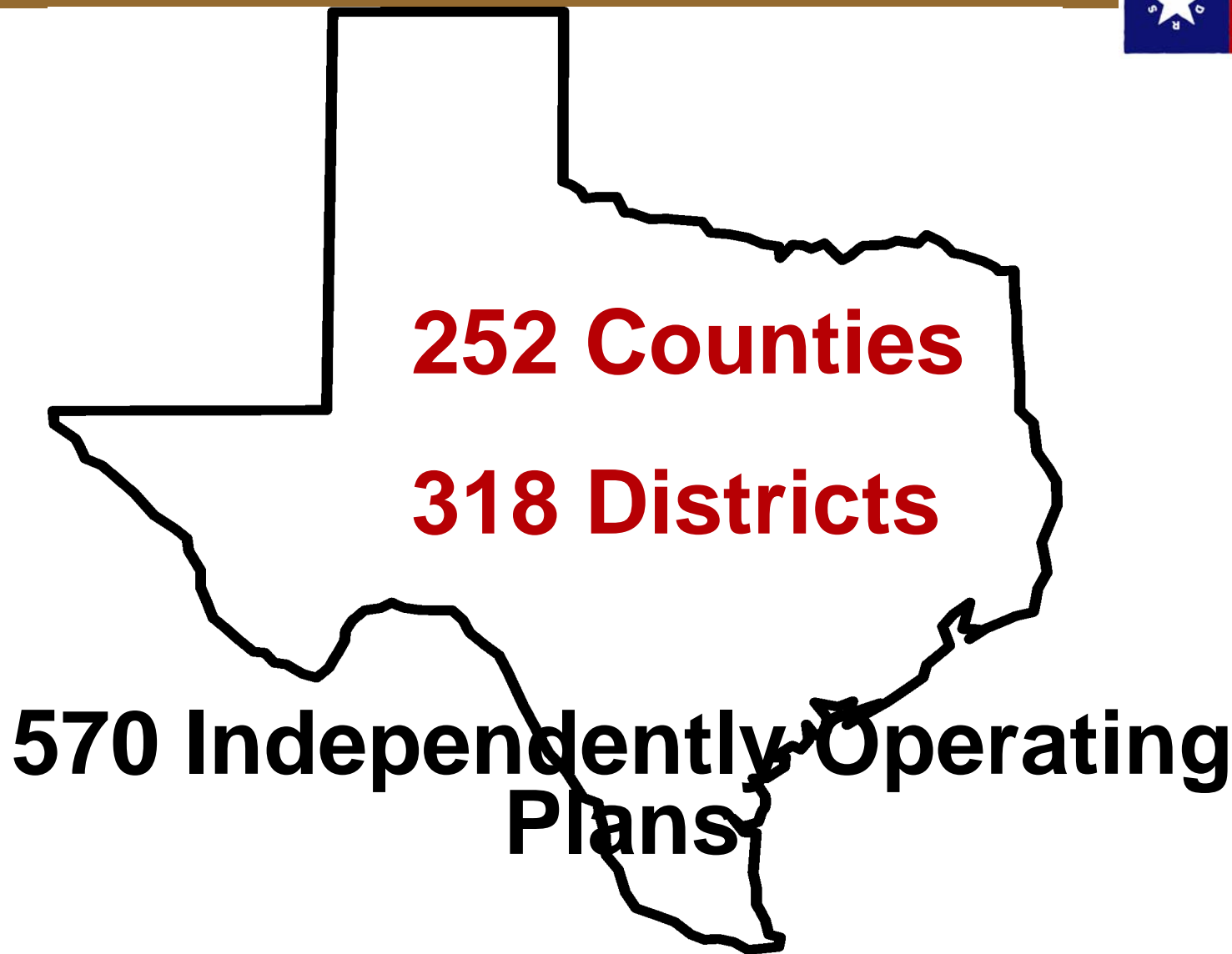


\$15 billion in total Assets

Diversified investment portfolio, approximately:

- Stocks
- Bonds
- REITS
- Other





Your governing body chooses
your benefits

**Benefit Changes
and
Annual Plan
Experience**

**Employer's
Monthly
Contribution**

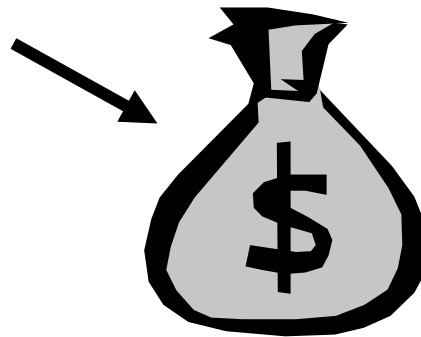
Funding is a Joint Effort



Your contributions are kept separate

You
4-7%
contribution
+ 7%
Interest

Employer
ADCR%
Contributions
+Interest



Lifetime monthly benefit

- 1. Pension**
- 2. Disability Pension**
- 3. Death Benefit**



Earning a Retirement Benefit

Your Employee Deposit Rate



- ★ Your commissioners' court can select for employees to deposit 4%, 5%, 6%, or 7% of their paychecks each month
- ★ Raising the employee deposit rate allows employees to save more for their retirement, and it can result in an employer contribution rate increase
- ★ Lowering the employee deposit rate means employees save less for their retirement, and it can result in an employer contribution rate decrease

Your 7% Annually Compounded Interest



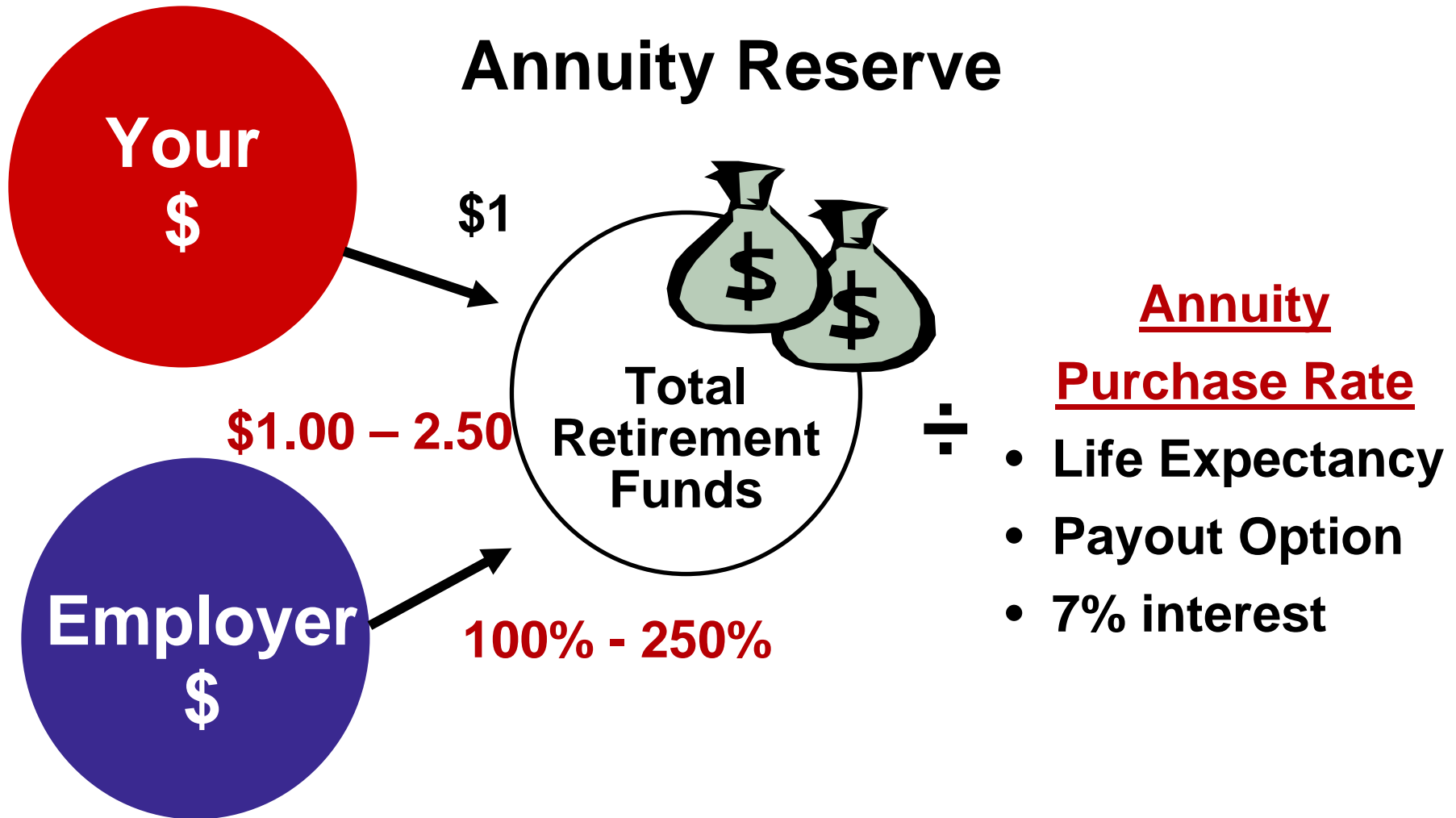
Year	Beginning Balance	Deposits from Pay	7% Interest	Ending Balance
Year 1	\$0	\$2,000	\$0	\$2,000
Year 2	\$2,000	\$2,000	\$140	\$4,140
Year 5	\$8,879	\$2,000	\$621	\$11,501
Year 10	\$23,955	\$3,000	\$1,676	\$28,632
Year 15	\$50,851	\$3,000	\$3,559	\$57,411
Year 20	\$88,574	\$3,000	\$6,200	\$97,774
Year 25	\$141,482	\$3,000	\$9,904	\$154,386
25 year total		\$66,000	\$88,386	\$154,386

Your County's Matching Rate



- ★ The court chooses to keep or change the rate at which employees' savings are matched at retirement
- ★ The matching rate selected is the percentage applied to employee savings at the time of retirement. The county is saving in advance to provide this matching rate.
- ★ The court may change a matching rate up or down between 100% and 250%, in 5% intervals
 - Increases may apply to all *past and future deposits* or to *future deposits only*
 - Decreases apply only to future deposits

Calculating Your Pension





Getting to Retirement

Become Eligible to Retire



AGE

SERVICE

Age Requirement	Standard Service Eligibility	Lowered Service Eligibility
Age 60	10 years of service	8 years of service
Age + years of service	= 80	= 75
Any age	30 years of service	20 years of services

Apply Military Service Credit



★ Establish up to 5 Yrs/Service once vested (*must be adopted by your commissioners' court*)

★ Adds Yrs/Service, not \$

DD214

★ 1 month active duty = 1 month service credit

★ Can not use if you have used military service credit in another Texas public retirement system

Combine Other Service Time



Combine service earned in these public retirement systems:

TCDRS

TRS (schools)

ERS (State of Texas)

TMRS (select cities)

JRS (courts)

COA (City of Austin)

- ★ Only the years of service are combined, not dollars
- ★ Members with multiple TCDRS accounts can retire from, contribute to, or refund from accounts

If You Pass Away Before Retirement



Less 4 years service	Beneficiary(s) receive a REFUND of your account (<u>no</u> match)
More 4 years service	Beneficiary(s) can choose: <ul style="list-style-type: none">★ REFUND (<u>no</u> match)★ 5, 10, or 15 year payout (matched)★ Lifetime payout (matched)

Can Pre-select 15 year or Lifetime with 4+ years of service

Can Change Beneficiaries Anytime

Court May Add Term Life Coverage



The optional group term life program (OGTL) is a separate fund providing term life coverage for:

1. Current Employees:

- ★ No cost to employee (County Paid)
- ★ Pays sum of **current annual salary** to beneficiaries

2. Current Employees + Retirees:

- ★ No cost to retiree (County Paid)
- ★ Pays **\$5,000** to beneficiary



Living in Retirement

Can You Afford to Retire?



1. Your TCDRS pension
2. Social Security benefits
3. Personal retirement savings and investments



Consider your ***Total Income Replacement Ratio***

An Income Replacement Ratio measures a retiree's ability to maintain their current standard of living at retirement. It is simply the amount of income at retirement as a % of final salary.

Court May Give Retirees a "COLA"



Cost of Living Adjustments (COLAs) are annuity increases for retirees

There are 2 types of COLAs you may adopt annually:

- ★ **Flat-rate** – a flat percentage of increase applied to each retiree's monthly annuity (*3% maximum allowable for 2008*)
- ★ **CPI-based** – a percentage from 30% - 100% designed to help each retiree "catch up" from the effects of inflation



We Can Help

Read the Summit



Summit is your quarterly newsletter for decision-makers. It discusses topics relevant to county officials who make decisions about the retirement plan.

If you have never seen a copy of *Summit*, please call TCDERS

TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM

SUMMIT

A QUARTERLY PUBLICATION FOR PLAN CORRESPONDENTS AND DECISION-MAKERS FALL 2004

Retirees and inflation—sink or swim?



As an employer, you want to put together a retirement benefit package that helps your career employees save for a secure retirement. But the story doesn't end once your employees retire.

While your TCDERS plan provides your retirees with a fixed pension for life, that doesn't mean they are set for life. As time passes, prices rise — in a word, inflation. What was a good annuity in 1984 may barely cover basic living expenses in 2004. Because of inflation, many retirees struggle just to keep their heads above water.

In this issue, we'll show you just how much inflation can erode your retirees' pensions. You'll also learn what you, as an employer, can do to help. From basic plan design and benefits coordination to simply passing a cost-of-living adjustment, you'll discover how your TCDERS plan gives you several ways you can support your retirees without dramatically increasing your contribution rate.

Turn to page 5 to start exploring your options.

Plan change deadline drawing near

The deadline for employers to make changes to their 2005 TCDERS plan is Dec. 15 at 5 p.m., two weeks earlier than in years past. If you are making changes for 2005, we must have your order or resolution no later than 5 p.m. on Dec. 15. No exceptions. Orders and resolutions we receive after that time will not take effect until the 2006 plan year. Even if your county or district is not making changes, you should return the "Notice of no change" form by the Dec. 15 deadline. However, we will continue to accept lump-sum contributions through the end of the year. ★

They are on their way!



The completely redesigned *Guide to Member Benefits* is being sent to employees for distribution to employees. The new guides are small, but packed with general information about membership in TCDERS.

A new feature of the guide is a Personal Plan Summary in the back of each book that details specific plan arrangements and benefits. No more confusion over deposit rates and retirement requirements.

In addition to the new guide, TCDERS is sending employees a series of brochures that will give employees an explanation of specific topics and benefits such as military service, multiple accounts and retaining service time. You can view or order additional guides, summaries and brochures from the TCDERS Web site (www.tcders.org). ★

Inside:

- 2 Talk back
- 3 From the director
- 4 Report from the investment officer
- 5 Inside cost-of-living adjustments
- 8 A look back at Perspectives 2004

Talk to Your Communications Representative



Our staff of Communications Representatives are available to:

- ★ Answer questions about your retirement plan
- ★ Help you understand the impact of changing benefits or making additional employer contributions
- ★ Present information to your court
- ★ Present basic retirement information to employees

Call the Communications Group at 800-823-7782 x201 to talk to your Rep.