

Texas County & District Retirement System (TCDRS) and Retirement Benefits

Frequently Asked Questions and General Information

(January 2009)

Introduction: The following are answers to frequently asked questions and a summary of general information regarding your benefits and Harris County's participation in the TCDRS retirement plan as prepared by the Harris County Office of Human Resources & Risk Management based on benefits effective January 1, 2009. For further details regarding your TCDRS retirement plan, refer to your TCDRS Guide to Member Benefits or contact the TCDRS at (800) 823-7782 or the Office of Human Resources & Risk Management at (713) 755-5117. Information is also provided on the Internet at www.tcdrs.org and <http://www.co.harris.tx.us/hrrm>

1. What is the TCDRS?

The Texas County & District Retirement System (TCDRS) is a non-profit public trust providing pension and death benefits for eligible employees of participating subdivisions (counties and districts). The System is governed by a nine-member Board of Trustees and is managed by an administrative staff in Austin. The TCDRS Act (Subtitle, F, Title 8, Texas Government Code) is the basis for administration of the System.

2. Do I have to participate in TCDRS?

TCDRS membership is a condition of employment for Harris County employees as determined by Harris County and described in the Harris County Personnel Regulations.

3. Why is my contribution 7%?

The TCDRS allows counties to establish employee contribution rates of 4% to 7% of the employee's gross monthly compensation. Harris County has elected the maximum contribution rate of 7% allowed by the TCDRS, which also maximizes the employee's monthly pension payment at retirement. The employee contribution rate is subject to periodic review by Commissioners Court.

4. As an employee of Harris County, are my contributions to the TCDRS taxed?

Since the TCDRS is a qualified pension plan under Section 401(a) of the Internal Revenue Code, your current contributions are not subject to federal income taxes until paid out by the System. Contributions are subject to Social Security withholdings.

5. What does Harris County contribute to our retirement plan?

Harris County uses the Annually Determined Contribution Rate (ADCR) Plan to finance the retirement plan, and the cost is based on a number of factors, including the benefit options adopted by Commissioners Court and the results of an annual actuarial evaluation of liabilities to finance these options. In 2009, the Harris County contribution rate for our retirement plan is 9.74% of employee compensation.

6. What is "vesting"?

Vesting refers to your right to receive monthly retirement benefits from TCDRS once you satisfy the age requirement for retirement. After 8 years of credited service, you are vested and can receive lifetime monthly retirement benefits after other eligibility requirements have been satisfied. Once vested, you may terminate employment with Harris County and still continue your membership with TCDRS and retain your right to future retirement benefits as long as you do not withdraw your personal contributions.

7. Are there other forms of credited service, and can I get credit for Military Service?

Proportionate Service Credit

If you have service credit in the Texas Municipal Retirement System, Employees Retirement System of Texas, Judicial Retirement System of Texas, Teacher Retirement System of Texas, or City of Austin Employees Retirement System, you may combine such service with your TCDRS credited service to qualify for service retirement (does not qualify for disability retirement and death benefits). This is called the Proportionate Retirement Program. Members of any retirement system participating in the Proportionate Retirement Program may re-establish credit forfeited in any other system participating in the program, however, it does not affect current provisions governing buybacks of forfeited service within TCDRS or within any other system.

Military Service Credit

You may also establish up to 60 months of service credit for military service performed prior to employment if you:

- Have earned at least 8 years of TCDRS-credited service;
- Have been discharged from the military under honorable conditions; and
- Do not have credit in another Texas public retirement system for the same military duty.

Military service is awarded at the rate of one month of current credited service for each month of active-duty military service. The TCDRS will verify your periods of duty and basis of discharge. You can also receive current service credit for military service performed during a break in employment upon meeting all eligibility requirements. Both military and Proportionate Retirement Program service allow credit for service only, however, military service interrupting employment may allow you to make employee contributions. Contact the Office of Human Resources & Risk Management to apply for this credited service.

Reinstating Service from a Closed TCDRS Account

If you were previously employed and were a member of the TCDRS, and upon termination of your employment, you made a withdrawal of your TCDRS account balance, your prior service time will automatically be reinstated upon becoming a member of the TCDRS. In addition, you may choose to make a one-time deposit at any time prior to your retirement up to the entire amount you withdrew plus the multiple matching rate in effect. Harris County does not need to authorize this reinstatement, and there are no deposited funds from Harris County.

8. When am I eligible to receive monthly retirement benefits?

You are eligible to apply for a lifetime monthly pension if you satisfy any one of the following eligibility standards:

- Combined age and credited service (each rounded to whole months) of 75 or more (Rule of 75). If you do not have any credited service prior to 01/01/00, you must be vested with at least 8 years to qualify under the Rule of 75. If you have earned TCDRS credited service prior to 01/01/00, you must have earned 4 years of credited service to qualify under the Rule of 75;
- 8 years of credited service at age 60;
- 30 years of credited service at any age;
- Disability retirement

9. When do I have to retire?

Harris County has no mandatory retirement age and you may continue working after you are eligible to retire. As you continue to contribute to the TCDRS, your retirement funds continue to grow.

10. If I retire and reemploy with Harris County or another TCDRS participating subdivision, what happens to my monthly pension payment?

Reemployment with Harris County

Harris County does not guarantee you the right to return to employment after you retire. If you are hired to any position with the County after retirement, you begin with the same level of benefits as a new employee.

You continue to receive your monthly pension as long as you had a break in employment of one full calendar month. If you are reemployed in a TCDRS eligible position, you also begin depositing to the TCDRS, and when you retire again, you become eligible for a second pension based on your reemployment. You retain your right to participate in the group medical plan based on your Harris County/TCDRS nonforfeited service and subject to the rules established by the County for all retirees when you again retire from the County.

Different Employer

After retiring from Harris County, you may return to a TCDRS-covered employer, and it will have no effect on your pension payments. You continue to draw your TCDRS pension payment each month and contribute to your new TCDRS employer and earn credit towards another pension.

11. What are my different payment options for my monthly retirement benefit?

You have seven payment plans to select from, with all the plans paying you (the retiree) a monthly benefit for your lifetime. The seven plans offer a variety of choices to address your varying needs and concerns. You may not change the payment plan you elect at retirement once payments have started; therefore, long-term planning is important.

12. How are my monthly benefits calculated at retirement?

As an employee of Harris County, your personal contributions are deposited monthly with the TCDRS with interest being credited each December 31st of the following year. Upon retirement, all deposits and interest earned after January 1, 2007 are credited an additional 225%, which is the “multiple matching credit” granted by Harris County. All deposits and interest earned prior to 2007 are matched at 220%. This rate has steadily increased since the County joined the TCDRS in 1968, when the initial match was 100%. The amount of your lifetime monthly retirement benefit is then actuarially determined based on this total personal account balance, interest earned on this balance during retirement, and your life expectancy. Depending on the payment plan you select at retirement, the monthly benefit may also be determined by the underlying guaranteed payment period (10 or 15 years) for your beneficiary or the life expectancy of your beneficiary.

13. Is there a limit to the amount of my potential monthly pension benefit?

Section 415 of the Internal Revenue Code may limit the total dollar amount on annual pension benefits you receive. This limitation is not exclusive to the TCDRS and applies to all qualified pension plans. It is important to note that very few individuals are affected by these limits, and the IRS periodically indexes these limits. In addition, any portion of your benefit that is attributed to credited service prior to January 1, 1986 is not subject to this limit. Contact the Office of Human Resources & Risk Management if notified by the TCDRS of this potential limitation.

14. Can my monthly benefits be increased during retirement?

TCDRS allows subdivisions to authorize increased pension payments to retirees and beneficiaries through two types of Cost-Of-Living Adjustment (COLA) options. Because of the associated cost, the County has not selected either of these options, however, the County does continue to provide retiree health care benefits.

15. Can I take a lump-sum distribution from my TCDRS account at retirement?

There is no provision under the TCDRS to take a full lump-sum distribution equaling the sum of your total personal account balance and “multiple matching credit” at retirement. There is an optional plan provision that would allow “partial” lump-sum distributions in any amount up to the entire balance of your personal account, excluding the “multiple matching credit”, resulting in a lower monthly retirement benefit amount based on the size of your lump-sum distribution. At this time, the County has not adopted this option.

16. What happens upon my death as a TCDRS member?

If you have four years of credited service (at any age), you qualify for the Survivor Annuity Death Benefit (SADB). Under the SADB, you can elect to designate in advance for your beneficiary(ies) to automatically receive a pension benefit under a specific payment plan in the event of your death, or you can leave it to your beneficiary to elect the payment plan upon your death. Contact the Office of Human Resources & Risk Management to make this election.

If you have less than four years of credited service, your beneficiary or estate will receive a full refund of your personal contributions and interest, as no pension benefit will be payable and no further interest credited to your account.

If you are already receiving a TCDRS pension, your monthly retirement benefits terminate unless you chose a payment plan that pays a designated beneficiary upon your death. Your beneficiary or estate will receive, at minimum, a full refund of any remaining personal contributions and interest.

In addition, as an active Harris County employee and a TCDRS member, your beneficiary would receive a Supplemental Death Benefit in a lump-sum payment equal to your annual salary at current wages. If you are already a retiree receiving a monthly benefit through TCDRS, this benefit is reduced to \$5,000.

17. What happens if my employment with Harris County is terminated before I retire?

If your employment with Harris County is terminated, you have the right to receive a refund of your personal contributions and earned interest. If you receive a refund, it results in a forfeiture of all deposits made by Harris County on your behalf.

You may leave your deposits with the TCDRS until you are eligible to retire or reach age 70 ½, at which time the IRS requires that your deposits be distributed. During this period, your account will continue to receive the same annual interest credit granted to contributing members, which is currently 7%.

18. Are health benefits provided when I retire from Harris County?

Certain group health and related benefits may be provided to you as a Harris County retiree. The provisions relating to group health and related benefits for retirees are contained in the Harris County Personnel Regulations. Retirement through the TCDRS does not necessarily make you eligible to receive County paid health care benefits when you retire. Commissioners Court annually determines any required contributions for retiree health care coverage.

19. What are the contributions for health care benefits at retirement?

Current Employees and Retirees

Current retirees will be “grandfathered” under the contribution rule they retired under. Employees eligible to retire by **February 28, 2011** will be “grandfathered” under the *current contribution rule** they are entitled to as of that date. All other employees will have to attain a combination of age plus a minimum of 10 years non-forfeited Harris County/TCDRS service equal to 80 *or* be at least age 65 (or Medicare eligible) with a minimum of 10 years of non-forfeited Harris County/TCDRS service to receive 100% of the County contribution for “retiree only” coverage and 50% for dependent coverage. Non-grandfathered retirees under age 65 will be required to pay a contribution for retiree healthcare as determined by Commissioners Court each plan year.

Contributions for Harris County employees who can retire by **February 28, 2011 and who were covered as active employees under the group health and related benefits plan(s) in effect at the time of retirement are currently determined as follows:*

- *Employee’s age plus Harris County TCDRS Creditable Service (“County Service”) equals 75 to obtain the County’s 100% premium contribution for “retiree only” coverage and 50% for dependent coverage. A minimum of 10 years County Service would apply;*
- *Employee’s age plus County Service equals 75 with less than 10 years of County Service and/or whose age plus County Service equals 70 but less than 75 are required to pay 20% of “retiree only” cost and 60% of the dependent cost. A minimum of 8 years of County Service would apply;*
- *Employees who retire with at least four years but less than eight years of County Service pay 50% of the “retiree only” cost and 75% of the dependent cost; and*
- *Employees with less than four years of County Service would be required to pay 100% of the coverage elected.*

Newly Hired Employees

Employees hired after **February 28, 2007** will have to attain a combination of age plus a minimum of 20 years non-forfeited Harris County/TCDRS service equal to 80 or be at least age 65 (or Medicare eligible), with at least 15 years of non-forfeited Harris County/TCDRS service to receive any contribution for retiree healthcare.

All retirees are required to have continuous employment as a Regular employee or have been covered under the Harris County medical plan (as an Active employee) for four consecutive years prior to retirement to be eligible for any County premium contributions. In addition, Harris County does not recognize Creditable Service towards health care benefits as any service from other retirement systems, other TCDRS subdivisions, or reinstated service from a closed TCDRS account. To obtain any contribution for dependent coverage, dependents must have been covered at least 12 months prior to the employee's retirement.

20. Can I add dependents to my health care plan after I retire?

Dependents can only be added after retirement when there is a "qualifying change", at 100% of the total premium cost for all dependents.

21. After I retire, what happens to my dependent(s) health coverage if I die?

The County does not pay the cost of coverage for surviving dependents. Your dependents are eligible for COBRA coverage at full premium cost plus administration fees for up to 36 months.

22. Do I have to sign up for Medicare when I retire if I am covered by Harris County's health plan?

When you retire and are age 65 or older or when you retire and subsequently turn age 65 (or otherwise qualify for Medicare benefits), you must enroll in Medicare Part B, as this will become the primary carrier for your medical benefits and Harris County's medical plan will be the secondary provider. In addition, if your dependent spouse is age 65 or otherwise qualifies for Medicare, he/she must also enroll in Medicare Part B. Failure to enroll in Medicare B will result in medical bills not being fully paid by the Harris County plan. Medicare will also charge you penalties for late enrollment in Medicare Part B if you do not enroll at the time of retirement (or otherwise qualify for Medicare).

Enrollment in a Medicare Prescription Drug Plan is voluntary, but in most cases, it is unnecessary to enroll because the Harris County medical plan provides more comprehensive prescription drug coverage, and there is no coordination of benefits between Harris County's medical plan and the Medicare Prescription Drug Plan

23. Who do I contact with my questions regarding my retirement and health benefits?

If you have any general questions about your retirement or any other County benefits, please contact Human Resources & Risk Management at 713-755-5117 or by e-mail at hrrm_email@hctx.net. In addition, you may contact TCDRS Customer Service directly with specific retirement questions at 1-800-823-7782.