

# Update

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## TEACHER RETIREMENT SYSTEM OF TEXAS

### ***Members reported to TRS must be employed by the TRS-covered employer***

Please check your Regular Payroll Report of active members to ensure that you are reporting only those members employed by your reporting entity. TRS has recently become aware that some TRS reporting entities are including employees of other entities in these monthly reports, such as

- appraisal districts;
- county probation/juvenile departments; and
- co-ops that include employers not covered by TRS

If your reporting entity has been reporting employees of other entities, please contact TRS for further instructions.

Reporting non-employees jeopardizes the qualified status of the TRS pension fund and must be corrected. Reporting a non-employee also subjects that individual to sometime severe and unexpected financial harm when TRS discovers and corrects the error and the anticipated retirement benefits are not forthcoming and the health benefit coverage is not provided. Reporting a non-employee may also subject the reporting entity to unanticipated costs.

This message does not apply to reporting retirees who are employed by a third party entity such as Educational Independent Contractors, L.L.C. (EIC). State law requires that retirees working for a third party entity must be reported to TRS as employees of TRS-covered employer on the Employment of Retired Members report. For information on reporting retirees working for EIC or another third party entity, please see the emails from TRS dated February 6 and August 7, 2012. This message regards reporting active employees.

If you have questions about this instruction, please contact the TRAQS coach assigned to your reporting entity or contact Margie Horton, Manager of Benefit Accounting. Please do not contact TRS through the call center for information regarding this message.

### ***2013 TRS Board election nomination forms must be filed by Jan. 22***

TRS members who are active public school district employees have until Jan. 22, 2013 to file a petition to have their names listed on the official ballot as candidates for nomination to a position on the TRS Board of Trustees.

In Spring 2013, an election will be held to nominate the candidates who are eligible for appointment to fill one of the two public education positions on the board of trustees. The position will be for a six-year term beginning as early as September 1, 2013. Members who are currently employed in a TRS-eligible position by a public school district may have their names listed as candidates on the ballot by filing an official petition.

Petitions must be signed by 250 public school district employees who are TRS members and whose most recent credited service is or was performed for a public school district. Members signing the petition, must include their printed or typed names, the first five digits of their current residential zip code, and the last four digits of their social security number. All valid nominating petitions filed with TRS by Jan. 22, 2013, will be accepted.

By March 15, 2013, TRS will mail ballots and an edition of *TRS News* containing candidate information to all TRS participants who are eligible to vote in the elections. All TRS members whose most recent credited service is or was performed for a public school district are eligible to vote in this election. TRS must receive completed ballots on or before May 6, 2013. TRS will certify the names of the three candidates who received the highest number of votes to the governor. The governor will then appoint one of those candidates to serve on the board.

To obtain a petition form, you may:

- Print the petition form from the TRS website;
- Write TRS at 1000 Red River; Austin, TX 78701-2698;
- Call 1-800-223-8778, ext. 6366; or
- Fax a request to 1-512-542-6585.

Nominating instructions are included on the form.

## ***Update on TRS Enterprise Application Modernization (TEAM) Program*** **Watch for the New TEAM Web page in 2013!**

As we reported in the June edition of *Update*, TRS will be replacing the TRS Reporting and Query System (TRAQS) as part of the multi-year TEAM Program. In addition to replacing TRAQS by late 2015 to early 2016, TRS is hard at work on several other projects including the cornerstone project—the acquisition of a new Pension Administration Line of Business (LOB) System that will update non-investment related business processes and core technologies used by TRS to deliver benefits.

Communication is continuing about the overall TEAM Program; however, in order to communicate specifically about a TRAQS replacement, the Reporting Entity Outreach (REO) team was formed.

As a next step, in early 2013 the REO team will be unveiling a new Web page of the TRS website that is designed to keep all Reporting Entities (REs) and Software Providers up-to-date on the latest TEAM news.

The Web page will be accessible as a menu item from anywhere within the Employers section. It will include a summary of the TEAM Program, announcements such as TEAM-related e-mails sent to REs and Software Providers, and an “About TEAM” section which will feature *Update* newsletters, a TRAQS replacement project timeline, FAQs, and TRS contact information.

In other news, the REO team is currently working on developing new file formats and other reporting enhancements based on years of experience with TRAQS and on feedback we have received from REs who responded to a survey last summer. TRS appreciates all those who took part in the survey as well as those who indicated their interest in participating in future focus groups. These focus groups will be called upon to further define what works well with the current TRAQS system and provide suggestions for the new system.

Please watch for the new Web page on the TRS website in early 2013. REs and Software Providers will have the ability to provide feedback on how TRS can use the Web page to effectively communicate with you!

Best wishes from all of us at TRS for a wonderful holiday season and a Happy New Year!

## ***Correcting reports regarding retirees held in 2011-2012 through Educational Independent Contractors, L.L.C.***

TRS previously notified all reporting entities by email and by the *Update* that an employment arrangement between a retiree and a TRS-covered employer in which the retiree contracts with the TRS-covered employer as an independent contractor/shareholder of Educational Independent Contractors, L.L.C. (EIC) to perform duties or provide services to the TRS-covered employer must be reported to TRS on the Employment of Retired Members Report. This directive includes notifying TRS of retirees who worked under this type of arrangement in the 2011-2012 and prior school years. The arrangement described is considered employment with a third party entity and as such is considered employment by the TRS-covered employer for purposes of employment after retirement. Hiring retirees using this arrangement puts them at risk of forfeiting annuities for each month the retiree works in excess of one-half time and may also result in surcharges owed if the retiree retired September 1, 2005 or after.

Another consequence of this employment arrangement is that the period of employment as a so-called independent contractor/shareholder does not count towards the required 12 full, consecutive calendar month break in service required before full-time employment for retirees who retired January 1, 2011 and after. If a retiree who worked with EIC during the 2011-2012 school year is now working for a TRS-covered employer, the retiree is

limited to working no more than one-half time because the 12-month period under the EIC employment arrangement does not count towards the required break in service before full-time employment. Even if the retiree is currently a direct employee of the TRS-covered employer, your employer must correct your records for the prior years if the EIC employment arrangement was not reported to TRS. Failing to report retirees as directed places your employer in violation of reporting requirements.

If you would like to receive a determination from TRS regarding your specific employment arrangement with a retiree who contracts in his/her capacity as an independent contractor/shareholder of EIC, please contact your TRAQs coach and provide copies of the contracts for review along with information regarding the duties performed and/or services provided by each retiree in question. Otherwise, report all retirees working under this type of arrangement who retired after May 23, 2003 on the Employment of Retired Members Report.

### ***TRS Pension Fund continues to gain value***

Over the past year, the TRS Pension Fund has continued to increase in value as a result of the fund's diversified investment strategy. Highlights of this growth are listed below:

- The TRS Pension Fund was valued at \$112 billion as of September 30, 2012.
- Growth was up 15.3% over one year and 10.4% for three years.
- Long-term returns have been above 8%: 8.3% for 10 years and 8.7% for 25 years.
- Three-year risk-adjusted returns ranked in top 1% of pension funds over \$1 billion (per Trust Universe Comparison Service).
- Trust investment returns since the financial crisis have been approximately \$50 billion.
- TRS' chief investment officer and deputy chief investment officer were named to aiCIO's list of top 100 global investors.

For more updates on TRS investment performance, please visit the Investment section of the TRS website.