



TEACHER RETIREMENT SYSTEM OF TEXAS

# TRS Benefits Handbook



December 2011

This handbook has been written in nontechnical terms wherever possible. However, if questions of interpretation arise as a result of the attempt to make retirement and other benefit provisions easy to understand, TRS laws and rules must remain the final authority.

The *TRS Benefits Handbook* is revised every two years. This edition is based upon TRS plan terms in effect as of September 2011. The TRS plan terms are subject to changes due to modifications to the law, as enacted by the Texas Legislature, and to the rules and policies, as approved by the TRS Board of Trustees.

Links to the state laws and TRS rules can be found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)), and a copy of the *TRS Laws and Rules* publication is available during normal business hours at:

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698

Brian K. Guthrie, Executive Director

### **Members' Right to Know\***

1. With few exceptions, individuals are entitled to request to be informed about the information that TRS collects about them.
2. Individuals are entitled to receive and review that information upon request.
3. Individuals are entitled, as provided in the law, to have TRS correct information about them in TRS records that is incorrect.

\* In accordance with Ch. 559, Tex. Gov't Code

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# FOREWORD

Welcome to the Teacher Retirement System of Texas (TRS). You are a member of a retirement system that is among the largest in the United States and that was specifically created to serve your needs. Today, more than one million public education employees and annuitants participate in TRS. In 2012, TRS will celebrate its 75th anniversary of service to the public education employees of Texas.

TRS has two core responsibilities — to deliver retirement and related benefits that have been authorized by the Texas Legislature, and to manage the trust fund that finances member benefits.

The *TRS Benefits Handbook* is designed to help you understand your retirement plan benefits. It is organized chronologically to reflect the sequence of events that you may experience while participating in the retirement plan. For example, the *TRS Benefits Handbook* begins with an explanation of how to become a member and a description of member eligibility requirements. It continues with an explanation of how to apply for and receive retirement benefits. For the first time, this edition of the *TRS Benefits Handbook* presents retirement eligibility information by “TIERS.” Because the retirement plan has grown more complex as the laws have changed, TRS is using the “TIER” structure to help you locate the information that applies to you. To navigate through the various service retirement eligibility requirements, start with the TIER Placement Map on page 28, and then you can go directly to the information for your tier.

If you are interested in how the retirement plan has changed as a result of 2011 legislation or recent TRS rule changes, you can locate this information next to a star-shaped icon as shown at left here.

To keep you informed of current developments, TRS also publishes a newsletter, the *TRS News*, at least twice a year. Also, several brochures provide in-depth information about various topics (see page 63). You can also find a wealth of information about TRS benefits on our website ([www.trs.state.tx.us](http://www.trs.state.tx.us)). When you are at the website, take a minute to register for *MyTRS*, which provides you access to your personal TRS account information and offers you the opportunity to receive TRS publications electronically.

We hope you find this handbook and other TRS materials informative and helpful. Should you have questions, the TRS staff welcomes the opportunity to assist you.

# INTRODUCTION

The Teacher Retirement System of Texas (TRS) administers a pension trust fund that has been serving the needs of Texas public education employees for 75 years. In November 1936, voters approved an amendment to the Texas Constitution creating a statewide teacher retirement system, and in 1937,

TRS was officially formed. The system is governed by a nine-member board of trustees appointed by the governor with the approval of the Texas Senate.

The TRS retirement plan provides service and disability retirement benefits and death benefits. The plan is administered as a qualified governmental retirement plan under the provisions of the U.S. Internal Revenue Code, Section 401(a). Thus, monthly member contributions are made on a pre-tax basis, meaning that at the time you receive your salary, you do not pay federal income tax on the portion of your salary used to make the contributions. Federal income tax on the contributions and interest is deferred until you receive a distribution from TRS, such as a refund or a retirement annuity. Amounts accumulated in your member account or your retirement benefits become taxable income in the years in which they are paid to you. As a governmental plan, TRS is not an “ERISA” plan under the federal Employees Retirement Income Security Act of 1974.

The TRS retirement plan is a defined benefit plan. This designation means that the amount of the benefit you are paid is determined under a formula established by law. Once you begin service retirement under the rules of the plan, you are eligible to receive a monthly benefit for life. Your monthly benefit is “defined” by the formula; it is not limited by the amount of your member contributions to your retirement account.

TRS also administers three other benefit programs established by state law. These programs are separate from the TRS retirement plan and have different eligibility requirements. Funding for these programs is separate from funding for the retirement plan and maintained in separate trust funds. These programs are:

- TRS-Care, the health benefit program for eligible retirees and their eligible dependents,
- TRS-ActiveCare, the health benefit program for eligible active public school employees and their eligible dependents, and
- TRS Group Long-Term Care Insurance, available to eligible TRS members, retirees, and certain members of their families.

This handbook focuses primarily on your retirement plan benefits but also includes a brief summary of eligibility for these three health benefit programs. For more detailed information on the health benefit programs administered by TRS, please refer to the TRS website or to specific publications that are available for these programs.

## **Establishing Your Membership in TRS**

TRS membership begins on your first day of eligible employment with a TRS-covered employer. Your employer provides TRS with your full name, current mailing address, social security number, date of birth, date of hire, and the type of position held. Retirement plan membership offers you not only service retirement benefits when you qualify based on age and years

of service, it also offers you disability retirement benefits and death benefits from the beginning of your career in Texas public education.

TRS will send you a “Welcome to Membership” letter and a *Designation of Beneficiary* form (TRS 15). You need to designate a beneficiary on this form and mail it directly to TRS as soon as possible. Your employer is not authorized to receive this form on behalf of TRS. When you send TRS your beneficiary designation, you ensure that benefits payable at your death will be paid to the person or persons you choose. The death benefits are significant and available to your beneficiary from the first day of your TRS membership at no additional cost to you. For example, for members employed in TRS-covered positions, death benefits may be an amount that is equal to twice your annual salary, with the amount payable capped at \$80,000. Please see the “Beneficiary Designation by Members” section of this handbook for information to help you complete this form. See the section titled “Active Member Death Benefits” for information on the valuable benefits your designated beneficiary may be eligible to receive.

As a TRS member, you contribute 6.4 percent of your eligible compensation as your share of the funding for your benefits. Your employer is required to deduct the contributions from your salary on a pre-tax basis and forward them directly to TRS for each month of eligible employment. Membership in TRS is required by law for eligible employees; participation in the retirement plan cannot be waived.

## Covered Employment

Employment that makes you eligible for membership in TRS is:

- regular employment in a public, state-supported educational institution in Texas that is expected to last for a period of 4½ months or more,
- for one-half or more of the full-time workload, and
- with compensation paid at a rate comparable to the rate of compensation for other persons employed in similar positions.

An employee of a public, state-supported educational institution in Texas meets these requirements if the member’s customary employment is for 20 hours or more each week and for 4½ months or more in one school year.

**Full-time workload.** Full-time service is employment that is usually 40 clock hours per week. If the TRS-covered employer has established a lesser requirement for full-time employment for certain positions, full-time service includes employment in those positions. In no event may full-time employment require less than 30 hours per week.

**One-half or more of the full-time workload.** If there is no equivalent full-time position for that position, a minimum of 15 hours of service is required per week to qualify the position for TRS membership. This requirement now applies to all positions, including bus drivers.

All regular employees of the public education system in Texas (employed for 4½ months or more, for one-half time or more, and paid at a rate comparable to other persons employed by that employer in similar positions during one school year) must participate in TRS, unless an exception to TRS membership applies.

The following types of Texas public education employees are not required or permitted to participate as active members in the retirement plan:

- a TRS retiree,
- higher education faculty members and other eligible employees who elect to participate in the Optional Retirement Program (ORP),
- an employee of an institution of higher education who is required to enroll concurrently as a student in the employing institution as a condition of employment,
- a substitute, as defined by TRS rules (to be considered a substitute, the individual must be serving temporarily in a position currently held by another employee and paid at a rate-of-pay that does not exceed the rate for substitute work established by the employer), or
- a person employed on a temporary (less than 4½ months), part-time (less than one-half time), seasonal, or irregular basis.

## Creditable Compensation


Creditable compensation is an important component in the calculation of your retirement benefit, as well as some types of active member death benefits.

Creditable compensation, for TRS benefit purposes, is defined as salary and wages paid or payable to a member for services rendered during a school year (a 12-month period). The salary and wages must be payments of money for service, must be paid proportionately as the service is rendered, and must be paid in normal periodic payments. The same compensation that is subject to credit for TRS benefit calculations is also subject to member contributions.


State and federal laws limit the amount and type of compensation creditable with TRS. Some compensation that you may receive from your employer is non-creditable for TRS purposes. Non-creditable compensation cannot be used for the purpose of determining TRS benefits.

**Unused compensatory leave.** Payments for unused compensatory leave, including compensatory leave for FLSA overtime worked, are non-creditable compensation. Payment required by law for overtime worked is creditable only if it meets all criteria for salary and wages, including payment of money at fixed intervals, generally at the end of each pay period. When FLSA overtime is not paid at the end of each pay period in which the overtime was accrued but instead is accumulated as compensatory leave and paid later, such as in an annual payment for the compensatory leave, the payment is non-creditable.







**Conversion and Salary Increases in Years Used for Final Average Salary Computation.** Otherwise eligible compensation converted from non-creditable compensation in the last three or five years (depending on the number of years used in the member's final average salary computation at retirement) before retirement is excluded by TRS and not counted in benefit calculations. Additionally, salary increases in the last three or five years before retirement generally are counted only to the extent that they are no more than 10 percent of the previous year's allowed salary or \$10,000, whichever is greater. For more information, see TRS rules on these topics or contact TRS.



**Performance Pay.** Performance pay must meet all statutory and rule requirements in order to be eligible compensation for TRS purposes. When eligible, it will be credited in the year in which it is paid. Performance pay earned during the school year in which the member retires or any previous school year and paid after the member has begun receiving TRS retirement benefits is not creditable and will not be used in any benefit calculation.



**Differential Pay.** Differential pay is pay by an employer to a member who leaves TRS-covered employment to serve in the military and the pay is for all or some of the difference between the member's normal salary and the military pay. Differential pay that is at least 50 percent of the compensation for full-time service in the TRS-eligible position may be reported to TRS at the discretion of the employer.



**Compensation above \$245,000.** Some highly paid members may have their annual creditable compensation limited in accordance with Section 401(a) (17) of the Internal Revenue Code. These limits affect individuals who joined TRS for the first time on or after September 1, 1996. For these individuals, the current limit is \$245,000 for the plan year September 1, 2011 through August 31, 2012. The annual limit is subject to indexing each plan year, based on federal regulations. Amounts excluded from creditable compensation under this law are not subject to member contributions and will not be used in calculating benefits.

**Other non-creditable compensation.** The following list shows some of the other types of compensation that are non-creditable:

- expense payments,
- allowances (such as automobile, housing, and cell phone allowances),
- bonuses and incentive pay unless state law provides otherwise,
- “at risk” pay (i.e., compensation an employee may lose or may not be eligible to receive if certain benchmarks are not achieved),
- fringe benefits,
- payments for unused vacation, sick, or compensatory leave,
- pay over \$5,000 for teaching certain driver education courses,
- compensation not made pursuant to a valid employment agreement (for example, retroactive pay increases),



- employer contributions toward active employee health coverage,
- amounts paid in lieu of and in settlement of a claim for wages unless the employer has obtained a written determination from TRS that the amounts are creditable before reporting the amounts to TRS,
- payments made as an incentive to terminate employment,
- payments made as an incentive to accept or to continue employment such as signing or retention bonuses, and
- payments for work as an independent contractor or consultant.

**General.** TRS may require additional information or verification to determine whether compensation reported to TRS is creditable. TRS will not accept verification or contributions for any compensation after a member has retired and the member's first monthly annuity payment has been issued, or after the effective date of a member's participation in the Deferred Retirement Option Plan (DROP).

## Member Contribution Account

Your member contribution account consists of contributions paid on your creditable compensation, amounts voluntarily contributed for purchased service credit (excluding fees), and applicable interest. These are called your "accumulated contributions." Deposits to a DROP account are not included.


**Payroll deduction.** The amount a member contributes is established by law; currently, the required member contribution rate is 6.4 percent of creditable compensation. Your employer deducts the TRS contribution from your salary on a pre-tax basis and forwards it directly to TRS. Member contributions are tax-deferred. **Note:** If you are employed by a public school or other educational district, regional service center, or an open enrollment charter school, you also contribute 0.65 percent of salary to TRS-Care, the retirees' group health benefits program. This amount is not a member contribution to the retirement plan, is not deposited into your member contribution account, is not reflected on your Statement of Account, and is non-refundable.

**Interest earned.** Interest on your contributions is computed at the rate of five percent a year. TRS credits interest on August 31 of each year.

**Statement of Account.** In the fall of each year, members are provided with a Statement of Account that shows the total deposits and total amount in the member's account for the fiscal year ending August 31. In addition, if you are eligible for normal age or early age retirement, the statement will provide you with a retirement estimate. The estimate is subject to correction of salary and service credit at the time of retirement. The age and gender of your primary beneficiary are also shown on your Statement of Account. If there is any discrepancy in the information on the Statement of Account and your *Designation of Beneficiary* form, the designation on the valid form will control the distribution of benefits. If there is no beneficiary information

reflected on your Statement of Account, please submit a new *Designation of Beneficiary* form to TRS to ensure death benefits are paid to the beneficiary you select.

The Statement of Account will also reflect information about your current and highest years of compensation and service credit. It is very important for you to advise TRS in writing of any discrepancies contained in your statement or if you do not receive your statement. These statements are mailed directly to your address on file at TRS. To ensure receipt of your statement, please notify TRS of any address changes. (See page 12 for additional information on address changes.) You may elect to receive your Statement of Account electronically through *MyTRS*.



**Check Your Annual Statement!** Members now must promptly notify TRS in writing if eligible membership service is not shown as service credit on the member's annual statement. To receive TRS credit for the service not listed on your annual statement, you must notify TRS within five years of the end of the school year in which the service was rendered and provide verification of the service on a form prescribed by TRS. If you do not, the service will not be creditable. For any service rendered before September 1, 2011, that is not credited on your annual statement, you must notify TRS in writing and have the service verified by August 31, 2016, or the service will not be creditable. Even if you do not receive an annual statement because your address was not maintained in TRS records, your membership terminated due to absence from service, or any other reason, the five-year deadline applies.

## Categories of Membership

Your membership status determines the retirement plan benefits you may receive when eligibility requirements are met. There are three categories of membership: active contributing members, active non-contributing members, and inactive members. The retirement plan benefits, available when specific eligibility requirements are met, are summarized by membership categories below.

**Active contributing members** are those who are currently working for TRS-covered employers and are contributing to the TRS retirement plan. They are eligible for the following benefits:

- interest earned on member contributions,
- membership service credit,
- the opportunity to reinstate withdrawn service credit and to purchase service credit, subject to eligibility and contribution requirements,
- the transfer of eligible service credit to or from the Employees Retirement System of Texas (ERS) at retirement,
- consideration of eligible service credit under other Texas public retirement systems participating in the Proportionate Retirement Program in determining TRS retirement eligibility,

- refund of accumulated contributions upon terminating all employment with all TRS-covered employers and submitting an application for refund,
- death benefits payable on the member's behalf to a beneficiary,
- service retirement annuity with five or more years of service credit when employment with Texas public education has terminated and age requirements have been met, and
- disability retirement benefits for permanently disabled eligible members.

**Active non-contributing members** are those who fit into one of the two following categories: (1) have at least five years of service credit and are not currently employed in a TRS-covered position, or (2) have less than five years of service credit, are not currently employed in a TRS-covered position, and have been absent from TRS service for less than five years. They are eligible for the following benefits:

- interest earned on member contributions,
- the opportunity to reinstate withdrawn service credit and, in limited circumstances, to purchase special service credit, subject to eligibility and contribution requirements,
- the transfer of eligible service credit to or from the Employees Retirement System of Texas (ERS) at retirement,
- consideration of eligible service credit under other Texas public retirement systems participating in the Proportionate Retirement Program in determining TRS retirement eligibility,
- death benefits payable on the member's behalf to a beneficiary equal to the member's accumulated contributions, or, if the member meets certain eligibility requirements, active contributing member death benefits (See "Active Member Death Benefits"),
- refund of accumulated contributions upon terminating all employment with all TRS-covered employers and submitting an application for refund,
- service retirement annuity with five or more years of service credit when employment with Texas public education has terminated and age requirements have been met, and
- disability retirement benefits for permanently disabled eligible members.

**Inactive members** are those who have less than five years of service credit and who terminated employment in a TRS-covered position more than five years ago. State law provides that unless a person has at least five years of service credit with TRS, failure to qualify for service credit for five consecutive years will terminate that person's membership in TRS. Membership will terminate on the first September 1 that occurs after the five non-participating years. When TRS membership is terminated in this manner, former members are eligible to have their accumulated contributions returned to them or paid to their heirs before the seventh anniversary of their last day of service. If the

person or the person's heirs do not claim the accumulated contributions and cannot be found at the address of record with TRS, the person's contributions may be forfeited to TRS.

Inactive members may avoid termination of membership if they meet one of the following requirements and provide documentation to TRS verifying the circumstances relating to their absence from TRS-covered service:

- performing military service that is creditable in TRS,
- on leave of absence from employment in a public school, or
- earning service credit in another Texas public retirement system that participates in the Proportionate Retirement Program.

**Note:** A member who retires terminates TRS membership through retirement. Therefore, members who retire are referred to in this handbook as “retirees” rather than as “members.” Retirees are not included in any of the membership categories described above. For retiree benefits, please refer to information beginning on page 37.

## Optional Retirement Program

Public education employees in Texas who are employed in membership-eligible positions are required to participate in TRS and are automatically enrolled in TRS on their first day of eligible employment. However, some higher education employees as well as the Texas Commissioner of Education may choose to participate in the Optional Retirement Program (ORP) instead of TRS. Eligibility to participate in the ORP is determined by the employing institution.

If you are newly employed in or promoted to a position that is eligible for ORP, then your eligibility to elect ORP participation begins on the first day of your employment in the ORP-eligible position. Election to participate in ORP must be made within 90 days of first becoming eligible to do so. The 90-day election period may not begin before eligibility for TRS membership begins. This election is a one-time, irrevocable decision between two distinct plans, so please make this decision carefully.

If you have questions about ORP, please contact your employer or the Texas Higher Education Coordinating Board (THECB), or review the THECB brochure *An Overview of TRS and ORP* available at [www.thecb.state.tx.us](http://www.thecb.state.tx.us).

## How Long Can You Wait to Receive Your Benefits? (Required Minimum Distribution)

As a qualified retirement plan under federal tax law, TRS must comply with minimum distribution requirements of Internal Revenue Code Section 401(a)(9). Federal regulations require that TRS members must begin to receive benefits by a “required beginning date.” If you do not begin to take distribution of your benefit from TRS by your required beginning date, you

may owe a federal excise tax of 50 percent of the amount that you should have received as a required minimum distribution in a tax year.

For a member, the required beginning date is April 1 of the year following the calendar year in which you attain age 70½ or terminate employment by a TRS-covered entity, whichever is later. For a beneficiary, the required beginning date is generally no later than one year after the death of the member. Certain exceptions apply for a beneficiary if all payments will be completed within five years after the member's death, or if the deceased member's spouse is the sole beneficiary.

If you have terminated employment but have not withdrawn your account or retired, please contact TRS at least three months before your required beginning date to allow sufficient time to process your application. If you are a beneficiary who is eligible to receive a payment from TRS, please contact TRS as soon as possible after the member's date of death. A member or beneficiary must complete all required forms before receiving a payment from TRS.

## Ending Your TRS Membership

A member ends membership in the retirement system by:

- retiring (see page 47 for more information),
- death (see page 23 for more information),
- terminating employment and receiving a refund of accumulated contributions, or
- not qualifying for TRS membership service credit for five consecutive years (see pages 8-9 under "Categories of Membership-Inactive Members").

## Refund of Your TRS Contributions

You may end your membership in TRS and withdraw the accumulated contributions in your member account if you:

- permanently terminate all employment with all TRS-covered employers, and
- have not applied for or received a promise of employment with the same or another TRS-covered employer.

## Notice of Final Deposit and Request for Refund

In order to end TRS membership and withdraw your account, you must submit a *Notice of Final Deposit and Request for Refund* form (TRS 6) to TRS. You may print a copy of this form from the TRS website. If you have at least five years of service credit, TRS requires that you acknowledge that you are foregoing future retirement benefits by taking a refund. TRS will send you a waiver form if you are required to complete one. Your account will be refunded after TRS receives your final deposit from your employer and all

required, completed forms. For your protection, TRS requires sufficient time to verify your employment status and identify you as the withdrawing party.

You must submit the *Notice of Final Deposit and Request for Refund* form (TRS 6) to TRS and you must sign a notarized statement on the form that your employment with all Texas public educational institutions has permanently terminated and that you are not currently seeking employment with a TRS-covered employer. If your name is different from that shown on TRS records, you must send TRS a copy of the court order or marriage license documenting your name change.

If you were employed with a TRS-covered employer within the last six months (preceding your request for refund), your last TRS-covered employer must also certify on the form TRS 6 the last date of your employment and indicate the month that your final deposit was or will be submitted to TRS. Your former employer will submit a monthly payroll report that contains your final salary and deposits to TRS. These reports are due by the sixth day of the month following the calendar month for which the report is prepared. (For example, the September report is due on October 6; the October report is due on November 6.) When the report and your final contributions are received, TRS will calculate the amount of interest owed on your contributions, close your account, and issue your refund. A refund cannot be issued until TRS has received the final deposit from your employer.

**Ineligible refund.** If you have returned to work or have a promise to return to work when you have an application for a refund pending, you are ineligible to receive a refund. TRS will not distribute your refund if it discovers that you are ineligible to receive it.

## Waiving Rights to Future TRS Retirement Benefits

If you withdraw your account by receiving a refund, you have ended your membership in TRS. By ending your membership, you lose your service credit and forfeit any retirement benefits that you have accrued. It is important that you fully understand the TRS benefits that you are forfeiting. For this reason, if you have five or more years of TRS service credit, you must sign a form acknowledging that you are waiving all rights to future TRS retirement benefits. Additionally, individuals who terminate membership but later return to TRS membership are subject to new normal-age retirement eligibility criteria, including minimum age 60 for unreduced service retirement benefits, and new early-age retirement reductions. Ending your TRS membership will also affect your eligibility for retirement under the Proportionate Retirement Program, if you have service under another Texas public retirement system, and your eligibility for transfer of service credit to or from the Employees Retirement System of Texas.

**Note:** Withdrawal of your account also results in loss of eligibility you may have had for TRS-Care health benefits upon retirement.



## Income Tax Withholding

Refunded amounts are subject to mandatory federal income tax withholding unless you elect a rollover to another eligible retirement plan such as a 401(k) plan or an Individual Retirement Account (IRA). A 10 percent early withdrawal penalty assessed by the IRS may also apply for members who terminate Texas public education employment before age 55; for TRS members who are qualified public safety employees, this penalty may apply if termination occurs before age 50. For more details, please contact the IRS, refer to the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas* that is part of the TRS 6 form, or refer to the TRS brochure titled *Requesting a Refund*, which is available online ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or by mail from TRS.

## Your Responsibilities as a Member or Annuitant

### Keep Informed

The features of the TRS retirement plan are established by state law and are subject to change. It is important for members and retirees to keep up with changes that may affect benefits under this plan. Significant changes will be included in future revisions to this handbook, in the *TRS News*, and on the TRS website.

### Keep Address Current

For security reasons, TRS requires notification in writing of an address change. Your address of record is the address to which TRS sends confidential information regarding your account and to which TRS may send payments owed to you. The written notice must contain both your social security number and your signature. If you are currently employed in Texas public education, you should submit your change of address directly to your employer, who will submit the change to TRS electronically.

If you are not currently employed in Texas public education, submit a *Change of Address Notification* form (TRS 358). This form may be printed from the “Forms” page of the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)), or obtained by calling TRS at 1-800-223-8778 and then requesting the “Forms” menu.

### Notify TRS if Your Name Changes

For security reasons, TRS requires notification in writing when a TRS member or retiree has a name change. The written notice must contain both your social security number and your signature. You must also include a copy of a court order or marriage license that authorizes your name change. There is no TRS form for submitting a name change. **Note:** A divorce does not automatically change your name. The name change must be ordered in the decree of divorce.



If you are working for a TRS-covered employer when your name changes, you must officially change your name in your employer's records to ensure that your employer's and TRS' records match.

**Note:** If you are a TRS-ActiveCare participant, you must also notify the health plan administrator, Blue Cross and Blue Shield of Texas (BCBSTX), of address or name changes because BCBSTX maintains a separate address file from TRS.

## Keep Beneficiary Designation Current

To ensure that TRS pays member death benefits to the persons you want to receive them, it is important for you to have a current beneficiary designation on file with TRS. If you are a member, you may print a copy of *Designation of Beneficiary* form (TRS 15) from the TRS website. Complete and mail the form directly to TRS. Your employer is not authorized to receive this form on behalf of TRS.

If you are a retiree, contact TRS to obtain the correct change of beneficiary form for the benefit at issue. You should review your beneficiary designation when significant life events occur such as marriage, divorce, birth of a child, death of a spouse or designated beneficiary, or if the beneficiary becomes eligible for Medicaid or other “needs-based” assistance programs.

A divorce does not automatically revoke your former spouse as beneficiary. Please see the topic “Beneficiary Designation by Members” on page 21 of this handbook. Retirees should refer to the information on pages 52-56.

## Establishing TRS Service Credit

Service credit is an important component in determining eligibility for TRS benefits, and it affects the calculation of a service or disability retirement benefit. It also may be important in the availability or calculation of certain active member death benefits. See the section on “Standard Annuity” for more information on how service credit affects the calculation of your retirement benefit.

## Creditable Membership Service

Service credit is earned in one-year increments. Only one year of service may be credited in any one school year. A year of service credit cannot include more than 12 months. For years prior to the 2012-2013 school year, a school year starts on September 1 and ends August 31, or it starts on the date of your employment under a contract or oral or written work agreement that begins on or after July 1 and ends 12 months later. Starting with the 2012-2013 school year, all TRS members will have a September 1 through August 31 school year for TRS benefit purposes.

To earn a year of membership service credit, you must work in a TRS-eligible position or receive paid leave from a TRS-eligible position at least 90

days during the school year. In the last year of employment before retirement, you may earn a year of service credit by completing the fall semester, even if that semester is less than 90 days.

**Check Your Annual Statement!** Members now must promptly notify TRS in writing if eligible membership service is not shown as service credit on the member's annual statement. To receive TRS credit for the service, you must notify TRS within five years of the end of the school year in which the service was rendered and provide verification of the service on a form prescribed by TRS. If you do not, the service will not be creditable. For any service rendered before September 1, 2011, that is not credited on your annual statement, you must notify TRS in writing and verify the service by August 31, 2016, or the service will not be creditable.

Service for a minimum of 90 work days as a substitute may qualify for service credit if verified and purchased. Refer to the *TRS Service Credit* brochure for more information on how to establish substitute service credit.

**Verify Unreported Service or Compensation within Five Years.** A person with unreported service or compensation, including substitute service, now is required to verify the service to TRS no later than five years after the end of the school year in which the service was rendered or compensation was earned in order for it to be creditable. You are not required to purchase the service when it is verified. But, verifying the service or compensation promptly is required so that your employer's records are still available to document your work history and compensation.

## Five Years Membership Service Credit

Members who have at least five years of membership service credit are eligible to retire and receive a lifetime monthly annuity when they meet the applicable age requirement. If you have fewer than five years of service credit and have not qualified for a year of membership service credit in five consecutive years, your TRS membership will terminate as described earlier under "Inactive Members." Once your membership is terminated, you will no longer receive TRS membership information, such as newsletters or annual account statements. Additionally, accumulated contributions in your account do not earn interest after the date that your membership terminated. To receive a refund of your accumulated contributions, please refer to page 10 of this handbook or contact TRS.

## Types of Service Credit Eligible for Purchase

In addition to earning membership service credit for service for a TRS-covered employer, eligible TRS members may purchase the following types of service credit:

- withdrawn service
- unreported service and/or compensation, including substitute service

- out-of-state public school service
- active duty military service
- Uniformed Services Employment & Re-employment Rights Act (USERRA) service
- state sick and/or personal leave
- developmental leave
- work experience by a career or technology teacher
- membership waiting period

Purchase of service credit is subject to Internal Revenue Code restrictions on the annual voluntary contributions that may be made to a tax-qualified retirement plan, including TRS. For more information, please read “Restrictions on Service Credit Purchase” on page 20.

To use purchased service credit in calculating service retirement benefits, you must complete the purchase by your effective date of retirement or by the last day of the month in which you submit a retirement application, whichever is later. If the service credit must be purchased in order to establish eligibility to retire, the purchase must be completed by the effective date of retirement.

To use purchased service credit in the calculation of a disability retirement benefit, you must complete the purchase by the effective date of retirement, by the last day of the month in which your retirement application is filed, or within 30 days of TRS correspondence notifying you that your disability retirement has been approved, whichever is later.

Service credit that you may be eligible to purchase cannot be included in calculating active member death benefits unless the service credit is purchased before your death. Your beneficiary, however, may complete payment for service credit that you began to purchase on an installment basis by paying the balance due in a lump sum.

Members who may be eligible and wish to purchase service credit should plan the timing of the purchase carefully. Planning should start well in advance of the anticipated retirement date due to eligibility requirements, annual contribution restrictions, and deadlines that may apply. As a general rule, it is beneficial to buy service credit as soon as possible once eligibility is established.

Detailed information about each type of service credit (including eligibility, cost, and procedure to purchase the credit) is available in the *TRS Service Credit* brochure, which is available on the TRS website or by calling TRS to request a copy. If you have questions about whether purchased service credit will be counted towards eligibility for TRS-Care health benefits at the time of retirement, refer to the *TRS Service Credit* brochure.

In 2011 the Texas Legislature increased the cost to purchase credit for withdrawn service, unreported service and/or compensation including substitute service, out-of-state service, and developmental leave, effective September 1, 2011. Eligible members may be able to purchase these types

of service credit at the cost in effect prior to September 1, 2011, if they make payment in full or enter into an installment agreement no later than August 31, 2013. If you enter into an installment agreement, all payments must be completed timely, in accordance with the agreement. If TRS terminates the agreement for non-payment or you choose to terminate the agreement, you will be subject to the higher cost for any purchase after August 31, 2013.

The information below summarizes the cost changes for the four affected types of service credit. Refer to the *TRS Service Credit* brochure, available on the TRS website, for additional information about these types of service credit, as well as all other types of service credit you may be eligible to purchase.

## Withdrawn Service

Any member who has withdrawn accumulated contributions by taking a refund has cancelled the service credit associated with those contributions. General requirements for reinstatement of withdrawn service are discussed in the *TRS Service Credit* brochure. If you are eligible to reinstate your terminated service credit, you may do so by:

- depositing the eligible amounts withdrawn,
- paying a reinstatement fee of eight percent compounded annually of the eligible amounts withdrawn (computed from the date of the withdrawal to the date of purchase), and
- reinstating all eligible terminated service credit (no partial reinstatement is allowed).

However, if you meet all of the following requirements you may reinstate your cancelled service credit by paying a reinstatement fee of just six percent compounded annually:

- ① you meet the general eligibility requirements for reinstatement of withdrawn service credit,
- ② you terminated employment and submitted an application for refund before September 1, 2011,
- ③ you return to TRS-covered employment before September 1, 2013,
- ④ you request a bill for reinstatement before September 1, 2013,
- ⑤ you reinstate all eligible terminated service credit (no partial reinstatement is allowed), and
- ⑥ you make payment in full or submit a completed installment agreement before September 1, 2013.

**Note:** If you are not in TRS-covered employment but are a member of another Texas public retirement system that participates in the Proportionate Retirement Program, you may also be eligible to reinstate withdrawn service at the lower cost before September 1, 2013. Contact TRS for more information.

## Unreported Service and/or Unreported Compensation, including Substitute Service

General requirements for purchase of credit for unreported service and/or compensation, including substitute service, are described in the *TRS Service Credit* brochure.

As described below, in 2011 the Texas Legislature limited the time a member has to verify unreported service and/or compensation, including substitute service. Any unreported service, including substitute service, that was rendered, and/or unreported compensation that was paid, before September 1, 2011, must be verified, on a form prescribed by TRS, no later than August 31, 2016. TRS will determine if verified service and/or compensation is eligible for use in determining benefits and whether contributions are due to establish the credit.

Beginning with unreported service, including substitute service, rendered on or after September 1, 2011, and/or unreported compensation paid on or after September 1, 2011, verification must be received within five years after the end of the school year in which the unreported service, including substitute service, was rendered and/or the compensation was paid.

Unreported service, including substitute service, and/or unreported compensation that is not verified within the required time limit will not be eligible for purchase and cannot be used to determine eligibility for, nor the amount of, any TRS benefits.

Effective September 1, 2011, the cost to purchase credit for unreported service and/or compensation, including substitute service, is the actuarial present value at the time of purchase. Generally, actuarial present value means that you will make payment sufficient to fund the cost of the increased benefits you will receive as a result of purchasing the additional credit. This represents a significant increase in cost.

However, if you meet all of the following requirements, you may purchase this credit based on the compensation that you earned, multiplied by the member contribution rate (currently 6.4 percent) in effect at the time of the service, plus a fee computed at the rate of 5 percent per year of the unreported contributions, from the date the unreported service was rendered until the date of purchase. Active member contributions to TRS-Care may also be required. The requirements for purchase at this lower cost are:

- 1 you meet the general requirements for purchase of unreported service credit,
- 2 the unreported service, including substitute service, was completed before September 1, 2011, or the unreported compensation was paid before September 1, 2011,

- ③ you submit acceptable verification to TRS before September 1, 2013, and
- ④ you make payment in full or submit a completed installment agreement before September 1, 2013.

## Out-of-State Service Credit

General requirements for eligibility to purchase out-of-state service credit are discussed in the *TRS Service Credit* brochure.

Effective September 1, 2011, the cost to purchase credit for out-of-state service is the actuarial present value at the time of purchase. Generally, actuarial present value means that you will make payment sufficient to fund the cost of the increased benefits you will receive as a result of purchasing the additional credit. This represents a significant increase in cost.

However, if you meet all of the following requirements, instead of the actuarial present value, you may purchase this credit based on 12 percent of your full-time annualized compensation for your first year of TRS-covered service that occurred after the out-of-state service, plus a fee of 8 percent compounded annually from the date you were eligible to purchase the credit until the date of purchase. The requirements for purchase at this lower cost are:

- ① you meet the general eligibility requirements to purchase out-of-state service credit,
- ② you were a TRS member on December 31, 2005,
- ③ your out-of-state service was rendered before January 1, 2006,
- ④ you provide acceptable verification of your out-of-state service to TRS before September 1, 2013, and
- ⑤ you make payment in full or submit a completed installment agreement before September 1, 2013.

## Developmental Leave

General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. To be eligible to purchase this service credit, you must notify TRS, on a form prescribed by TRS, of your intent to take developmental leave on or before the date the leave begins. Without pre-certification, you forfeit your right to purchase this service credit.

Effective September 1, 2011, the cost to purchase credit for developmental leave is the actuarial present value at the time of purchase. Generally, actuarial present value means that you will make payment sufficient to fund the cost of the increased benefits you will receive as a result of purchasing the additional credit. This represents a significant increase in cost; however, the requirement that you purchase this service credit within the first year that you return to employment has been removed. Provided you meet the pre-certification requirement, you may purchase this leave at any time after you have returned to TRS-covered employment, you have completed at least one year of service



after the leave, and you are an active TRS member at the time of purchase.

However, if you meet all of the following requirements, instead of paying the actuarial present value, you may purchase this credit based on your full-time annualized compensation for the year prior to the year the leave occurred, multiplied by the combined member and state contribution rates in effect at the time. The requirements for purchase at this lower cost are:

- ❶ you meet the general eligibility requirements for purchase of this service credit, including pre-certification of your leave,
- ❷ your developmental leave was completed before September 1, 2011,
- ❸ you return to TRS-covered employment and notify TRS of your return to employment before September 1, 2013,
- ❹ you submit your request to be billed for this service credit before September 1, 2013, and
- ❺ you make payment in full or submit a completed installment agreement before September 1, 2013.

## Important Note Regarding Uniformed Services Employment & Re-employment Rights Act (USERRA) Service Credit

The federal law known as “USERRA” establishes certain rights if you leave TRS-covered employment for active military duty without withdrawing your TRS contributions and you are subsequently re-employed, or apply for re-employment, in a TRS-covered position. You may be entitled to establish USERRA service credit and compensation credit for the active duty.

General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. There is no cost increase for this service credit purchase as of September 1, 2011.

Even if you do not purchase TRS credit for your USERRA service, you may be eligible to use your USERRA military service to determine eligibility for, but not the amount of, TRS benefits. To use USERRA service for service retirement, disability retirement, active member death benefits, or TRS-Care health benefit eligibility, you or your beneficiary must inform TRS in writing when applying for a benefit that you have USERRA service and wish to use it to qualify for TRS benefits. Verification of your USERRA-eligible military service will also be required. A military-issued form DD 214 is generally acceptable as verification.

Please note, if you choose to purchase TRS service credit for your USERRA service, it will be used to determine your eligibility for TRS benefits as well as the amount of your TRS benefits. Any USERRA service that is the basis for purchased TRS credit is counted one time towards your eligibility. Contact TRS for more information.



## Methods of Payment

The three basic methods of making payment for service credit purchases are:

- a lump sum using after-tax dollars (such as from a savings account),
- installment payments using after-tax dollars available for most types of service credit, or
- a rollover from another eligible retirement plan.

Service credit costs must be paid in full by the time of retirement (or entry into DROP). Different types of service credit (for example, military and out-of-state) may be purchased at the same time. Once service credit has been established, contributions are not refundable unless a member terminates TRS membership and withdraws all accumulated contributions. Fees, including installment fees, are non-refundable.

## Restrictions on Service Credit Purchase

Federal tax law limits the amount of voluntary annual contributions a person may make to tax-deferred retirement plans, including TRS. Under the Internal Revenue Code, voluntary member payments to TRS in a plan year (September through August) for purchasing service credit generally may be limited to:

- \$49,000 for the 2011-2012 plan year (September 1, 2011 through August 31, 2012),
- \$50,000 for the 2012-2013 plan year (September 1, 2012 through August 31, 2013).

The limits are subject to annual adjustment by the U.S. Secretary of Treasury in future plan years. In some cases, if a member has a total of five or more years of certain types of service credit (for example, certain out-of-state, work experience, and unused sick/personal leave service credit), the limit may be calculated as *the lesser of* (a) 100 percent of your compensation from a TRS-covered employer in the year of the purchase or (b) the dollar limit defined above. You are encouraged to make your service credit purchase in plan years in which you are employed in Texas public education so that you can make sure your payments for service credit are within any applicable limit.

## TRS/ERS Service Transfer

Eligible members of TRS may transfer service credited under the Employees Retirement System of Texas (ERS) to TRS. Likewise, eligible members of ERS may transfer their TRS service credit to ERS. The transfer of service that has been maintained or reinstated takes place under the rules of the system to which the credit is transferred. Such transfer may only take place when the member retires or at the time that a pre-retirement death benefit becomes payable. Members who have already retired under either

system are not eligible to transfer service credit, although a TRS member who has previously retired under ERS may be able to use ERS service credit to establish TRS retirement eligibility under the Proportionate Retirement Program. See page 46 for additional information on proportionate retirement.

TRS members who have at least three years of service credit in TRS may reinstate withdrawn ERS service credit through ERS. ERS members who have at least 36 months of service credit in ERS may reinstate withdrawn TRS credit with TRS. The cost of reinstatement is determined by, and payment is made to, the system from which the service credit was withdrawn.

ERS service credit is evaluated for TRS purposes based on a September 1 through August 31 school year.

## Beneficiary Designation by Members

Death benefits are part of your TRS retirement plan benefits beginning on the first day of your TRS-covered employment. For example, for members employed in TRS-covered positions, death benefits may pay an amount that is equal to twice your annual salary, with the amount payable capped at \$80,000. For this reason, you should designate a beneficiary immediately upon becoming a member of TRS. Designating a beneficiary to receive your TRS benefits can be one of the most important things you do as a TRS participant. Because this decision is such a personal one, TRS encourages you to carefully consider your options to ensure that your decision best serves your interests.

Significant events (such as marriage, divorce, death of a beneficiary, birth of a child, and receipt of Medicaid or other “needs-based” assistance by a person designated as your beneficiary) should prompt a review of your beneficiary designation. It is important to periodically review your beneficiary designation and submit a *Designation of Beneficiary* form (TRS 15 available on the TRS website) directly to TRS immediately if any change is needed to reflect changes in your personal circumstances. Your employer is not authorized to receive your TRS *Designation of Beneficiary* form; submit the form directly to TRS.

TRS death benefits are not life insurance payments and, as a result, they are subject to federal income tax. Also, TRS is not an ERISA plan, and the requirements of that law with respect to designation of beneficiaries do not apply to TRS. For further details, consult your attorney or a financial advisor.

## Designating a Beneficiary for Member Death Benefits

Your beneficiary must be named on a designation of beneficiary form prescribed by TRS. Because TRS has several different beneficiary forms, the form you submit must be for that specific benefit. When you are first enrolled as a TRS member, a beneficiary form is mailed to you. You should fill in the required information on the form and mail it to TRS immediately.

Your employer is not authorized to receive the *Designation of Beneficiary* form (or any later change of beneficiary form) on behalf of TRS. When you designate your beneficiary, it is helpful for you to provide adequate identifying information to enable TRS to locate and pay your beneficiary upon your death. If you designate an estate, trust, or other legal entity as your beneficiary, further documentation may be required.

In the event of your death, if there is no designation of beneficiary on file at TRS, any benefits due will be paid in accordance with the plan terms in Texas law. Currently, the law provides that in the absence of a designated beneficiary your surviving spouse is eligible to receive the benefits; if there is no surviving spouse, TRS will pay according to the statutory order of other related survivors or will pay the deceased member's estate. Payment in this manner may not reflect the needs of your family; therefore, it is important for every member to have a current beneficiary designation form on file at TRS.

Joint beneficiaries may be designated to receive active member death benefits. When joint beneficiaries are designated and one of the joint beneficiaries predeceases the member, then if there is one surviving joint beneficiary, that beneficiary will receive the entire benefit. If there are two or more surviving joint beneficiaries, they will receive the benefit in equal shares. If an alternate beneficiary is named, the alternate beneficiary will not be eligible for the benefit as long as any joint beneficiary survives you.

If a member has at least five years of service credit at the time of death, a sole beneficiary may be eligible to receive an annuity for life. You may want to consider that joint beneficiaries will not be eligible to select and receive lifetime annuity payments as the form of death benefit payable by TRS, since this form of payment is based on the age and life expectancy of you and one other person.

**Note:** TRS benefits including death benefits are not assignable. For example, you cannot assign your death benefits to a funeral home to pay for the cost of your funeral.

## Change in Marital Status

If your marital status changes, you can ensure that your wishes are followed at your death by updating your designated beneficiary on a form prescribed by and received by TRS.

**For members who divorce.** A divorce does not automatically revoke the designation of a former spouse as beneficiary if the designation was made before the date of the divorce. To revoke a designation of the former spouse for death benefits that was submitted before the date of divorce, TRS must receive:

- a new designation of beneficiary before your death that is signed after the date of divorce, or
- a certified copy of your divorce decree before payment of any

death benefits is made to the former spouse as beneficiary.

If your beneficiary designation was submitted after a divorce, the divorce has no effect on the designation. If you want to keep your former spouse as the beneficiary of your death benefits, submit a new form naming your former spouse as beneficiary. TRS must receive the signed form prior to your death.

**For a member whose spouse dies.** If you are married and your spouse is your designated beneficiary, you should review and update your designation of beneficiary if your spouse dies. To ensure that your designation of beneficiary reflects your current wishes, designate your beneficiary on a new form, sign it, and send it to TRS. The new designation is not effective until it is received by TRS, and it must be received by TRS prior to your death.

To reduce the likelihood of a challenge to the designation of beneficiary at your death, submit a new designation of beneficiary form after marriage, divorce, or death of the primary beneficiary.

## Considerations before Naming a Minor Child or Legally Incapacitated Adult

Although you may name a minor child as your beneficiary, Texas law requires that TRS make payment of a benefit to an adult on behalf of the minor child. If you wish to name a minor child, please seek legal advice in order to understand which adult will receive any benefit payments on behalf of the minor you designate as beneficiary. Your attorney can advise you regarding methods of designating a beneficiary that will legally obligate the adult you select to act for the benefit of your child with regard to TRS benefits. Also, if you wish to name a legally incapacitated adult as your beneficiary, TRS encourages you to seek legal advice about how you can best ensure that TRS benefits will be paid as you intend. You can find more information on this topic on the TRS website.

## Active Member Death Benefits

If you are a TRS member and you die in a school year in which you have performed TRS-covered service or if you die while performing qualified military service as defined by §414(u) of the Internal Revenue Code of 1986, your beneficiary is eligible to select **one** of the following death benefit payment plans:

- ① An amount equal to twice your annual rate of compensation for the school year in which you die or twice the amount of your creditable compensation in the preceding school year, whichever is greater, up to a maximum of \$80,000 payable.
- ② Sixty monthly payments equal to your standard annuity without reduction for age. This payment plan is available only to beneficiaries of members who have five or more years of TRS service credit.

- ③ A lifetime annuity equal to an Option 1 retirement plan, calculated as if you retired in the month before your death. This payment plan is available only to beneficiaries of members who have five or more years of TRS service credit. Also, this plan is not available to joint beneficiaries.
- ④ An amount equal to the accumulated contributions in your account.
- ⑤ Survivor benefits consisting of a \$2,500 lump sum payment plus a monthly payment, according to the following designations:
  - To a beneficiary spouse, \$250 per month for life beginning when your spouse reaches age 65 or at your death, whichever is later.
  - To a beneficiary spouse who has one or more minor children, \$350 per month, continuing until the youngest child reaches age 18. At age 65, your beneficiary spouse would again begin receiving \$250 per month for life.
  - To minor children beneficiaries, \$350 per month with two or more children less than age 18, or \$250 per month with only one child under age 18.
  - To a dependent parent beneficiary, \$250 per month for life when the dependent parent reaches age 65 or at your death, whichever is later.

In addition to the payments under one of these five payment plans, a lump sum death benefit of \$160,000 is payable to the beneficiary of a member who is a TRS-covered employee and who dies as a result of a physical assault during the performance of the employee's regular duties.

If you are a member but you did not perform service in the school year of your death, your beneficiary would be eligible to select one of the benefits from the same five death benefit payment plans listed above, if the following conditions are met:

- your death occurs during a time when you were eligible to retire or would become eligible to retire without further service before the fifth anniversary of your last day of service as a member; or
- your absence from service was because of sickness, accident, or other cause TRS determines involuntary; or
- your absence from service was in furtherance of the objectives or welfare of the public school system.

If you are a TRS member at the time of your death but do not meet any of the requirements described in this section for member death benefit eligibility, death benefits in the amount equal to the accumulated contributions in your account are payable to your beneficiary.

TRS death benefits are not life insurance payments and, as a result, they are subject to federal income tax. Please consult a tax professional if you have questions regarding how your beneficiary may be impacted by the receipt of death benefits.

Please keep your beneficiary designation up to date and be sure your family members or other designated beneficiary know of the benefits available from TRS upon your death. The *Designation of Beneficiary* form (TRS 15) is available on the TRS website: [www.trs.state.tx.us](http://www.trs.state.tx.us).

In the event of an active member death, please notify TRS by calling toll-free at 1-800-223-8778. TRS will need the date of death and also will need a copy of the death certificate when it is available. TRS will provide additional information to the designated beneficiary about the process to claim any death benefits payable.

## Deferred Retirement Option Plan (DROP)

The TRS plan permitted eligible members to participate in a Deferred Retirement Option Plan (DROP) by enrolling no later than December 31, 2005. DROP participants continue employment while accumulating a portion of their standard retirement annuity in a special account that is disbursed beginning at the time of their retirement. Any eligible member who wanted to participate in DROP must have done so by December 31, 2005.

If you are a DROP participant, you can obtain more information through the DROP “FAQs” (frequently asked questions) on the TRS website. At retirement you will receive information about your distribution options in your retirement packet. Upon retirement, DROP accounts may be disbursed in a lump sum or in yearly or monthly payments over a five- or 10-year period. Distribution of the DROP has tax consequences. Lump sum distributions or periodic payments for less than 10 years are eligible for rollover tax treatment. For more information, please refer to the *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas* form included with your retirement forms. TRS encourages you to consult with a professional tax advisor if you have any questions.

## Your Retirement Benefits

When you meet the requirements for retirement, you may apply to receive a monthly annuity calculated according to state law. TRS retirement plan benefits may include the following, depending on your eligibility:

- monthly service retirement annuity payments for the life of the retiree, with a choice at time of retirement of standard annuity, joint and survivor annuity (Options 1, 2, or 5), or guaranteed period annuity (Options 3 or 4) payment plans,
- monthly disability retirement annuity payments,
- Partial Lump Sum Option (PLSO) payment in addition to a reduced monthly service retirement annuity,
- survivor benefits payable on the retiree’s behalf to a beneficiary, and/or
- distribution of a DROP account.



Descriptions of each of these benefits are outlined in this handbook. Benefits are subject to change by law or by rules of the TRS Board of Trustees. Please note that if you select some types of benefits, you may not be eligible to select or receive certain other types of benefits. For example, if you participate in DROP, you may not select PLSO at retirement. Also, if you receive disability retirement annuity payments, you are not eligible to receive service retirement benefits.

Federal law requires that you must begin receiving distributions from TRS by April 1 of the calendar year following (1) the calendar year in which you reach 70½ years of age, or (2) the calendar year in which you terminate employment with a Texas public educational institution, whichever is later. Delaying receipt of the benefits beyond your required beginning date may result in federal income tax consequences.

Retirees and their dependents also may be eligible for group health benefits administered by TRS, known as TRS-Care, and for the Group Long-Term Care Insurance Program administered by TRS through Genworth Life Insurance Company. Eligibility for TRS-Care and for group long-term care insurance is addressed later in this handbook (see pages 60-62). You should be aware that the eligibility requirements for retiree group health benefits through TRS-Care differ from eligibility requirements for service retirement. Please review retiree group health benefit plan eligibility requirements carefully when you are considering retirement.

As you begin to plan for retirement, the two most common questions are:

- When am I eligible for service retirement?
- How much will my retirement benefit be?

## When Am I Eligible for Service Retirement?

Your eligibility for service retirement is determined by your age and years of TRS service credit. In combination, your age and years of service credit, along with the date you joined TRS and your eligibility for grandfathering, determine when you are eligible for an unreduced, normal-age retirement annuity or for an early-age retirement annuity reduced according to actuarial tables. You can find detailed information about your eligibility by locating your “TIER.”

Regardless of which TIER you are in, to be eligible to retire and receive a lifetime monthly service retirement annuity (normal age or early age), you must:

- have at least five years of service credit,
- meet the age and service eligibility requirements,
- terminate employment,
- apply for retirement, and
- complete the required one-month break in service.



## What Is My TIER?

Changes to the retirement plan over the years have resulted in four distinct membership categories, each with its own retirement eligibility requirements and early-age reductions. To help you better understand the requirements and reductions that apply to you, TRS has identified four membership TIERS. The membership TIER that applies to you is determined by the date you entered your current TRS membership and by your “grandfathered” status, discussed in this section. By reviewing the information about your TIER, you can find out the age and years of service you must have to be eligible for normal age service retirement, early age service retirement, and the Partial Lump Sum Option (PLSO).

### *Am I a grandfathered member?*

You are a grandfathered member if you met at least one of the following criteria as a member of TRS before September 1, 2005:

- you were at least 50 years of age,
- your age and years of service totaled at least 70, or
- you had at least 25 years of service credit.

If you are a “grandfathered” member,

- you are eligible to elect PLSO by meeting Rule of 80 (age plus years of service equal at least 80) instead of Rule of 90,
- your standard annuity calculation will use a final average salary based on your highest three, instead of your highest five, annual TRS-covered salaries, and
- you are eligible for certain actuarial reduction factors for early age retirement starting at age 55 with at least 20 years of service credit.

## Entry Date

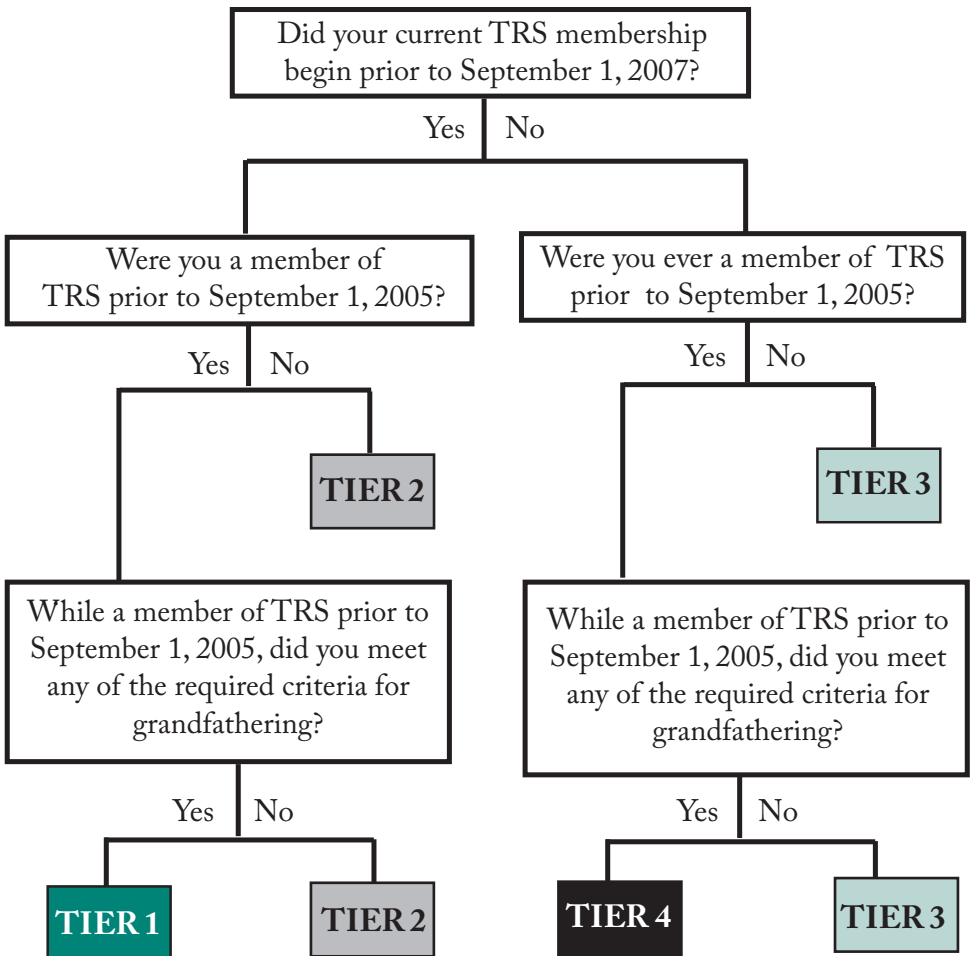
Your TIER category is affected by the date you entered into the TRS retirement plan. To correctly identify your entry date, you need to identify the date on which your current TRS membership began.

- If you have never terminated TRS membership and received a refund of your TRS contributions, then for entry date purposes, your TRS membership began on the first day you were employed in a TRS-covered position. Even if you terminated your employment in Texas public education, your TRS entry date remains the same as long as you never terminated your TRS membership by receiving a refund of your contributions.
- If you terminated your membership in TRS by taking a refund of your member contributions when you had a break in TRS-covered employment, your entry date is the date your *current* TRS membership began. This will be the first day you were

employed in a TRS-covered position after your last refund from TRS. Even if you reinstated your service credit for the previous TRS-covered service, your entry date is determined by your first date of employment after your last refund from TRS.

## TIER Placement Map

The placement map below will direct you to the portion of this handbook that contains normal-age and early-age retirement eligibility information specific to your TIER. To locate your TIER, answer the questions in order, starting with the question at the top. Please see page 27 for information about grandfathering. See the “Entry Date” topic on page 27 if you need more information about when your current TRS membership began.



# TIER 1

If you meet the eligibility requirements to be grandfathered and your current TRS membership began prior to September 1, 2007, your membership status falls under TIER 1. This section describes the age and service requirements that a TIER 1 member must meet to be eligible for normal-age or early-age service retirement, as well as for the Partial Lump Sum Option (PLSO). This section also describes the standard annuity calculation for a TIER 1 member, using the final average salary that applies to TIER 1. Finally, it provides an overview of the early-age reductions to the standard annuity that may apply to a TIER 1 member, depending on age and years of service credit at retirement.

## Normal-Age Retirement Eligibility

To be eligible for normal-age service retirement, you must meet one of the following conditions:

- you are age 65 with at least five years of service credit, or
- you meet the Rule of 80 (your age and years of service credit total at least 80) and you have at least five years of service credit.

## Normal-Age Retirement Annuity

As a TIER 1 member, you will have your monthly annuity calculated using the average of your highest **three** annual salaries (based on creditable compensation) and according to the standard annuity benefit formula in effect when you retire.

## Early-Age Retirement Eligibility

If you apply for early-age service retirement, your annuity will be calculated according to the standard annuity benefit formula in effect when you retire, but the annuity amount will be actuarially reduced for early age to reflect that you will receive retirement benefits earlier than if you waited to reach normal-age eligibility.

If you do not meet the normal-age requirements, then to be eligible for early-age service retirement, you must meet one of the following conditions:

- you are at least age 55 with five or more years of service credit, or
- you have 30 or more years of service credit.

## Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)). The tables or the TRS online calculators can show you the exact amount of the reduction, based on your age and years of service credit. To determine the range of early-age retirement reductions, please see the criteria below.

If you are between age 55 and 64 and have between 5 and 19 years of service credit, but do not meet the Rule of 80:

- The early-age reduction to your standard annuity may be as great as 53%, depending on your age at retirement.

If you are between age 55 and 64 and have between 20 and 24 years of service credit, but do not meet the Rule of 80:

- The early age reduction to your standard annuity may be as great as 10%, depending on your age at retirement.

If you have at least 30 years of service credit but do not meet the Rule of 80:

- The standard annuity reduction will be as much as 2% for each year you do not meet the Rule of 80.

## Standard Annuity Calculation

Average Salary = Average of Three Highest Annual Salaries (based on creditable compensation)

Total Percent = Total Years of Service Credit x 2.3%

Annual Annuity = Total Percent x Average Salary

Annual Annuity ÷ 12 = Monthly Annuity

Retirement annuity calculators are available on the TRS website to assist you. Go to [www.trs.state.tx.us](http://www.trs.state.tx.us) and click on “Calculators” under “Resources” on the TRS home page. As a TIER 1 member, you should select the “Retirement Estimate Calculator for Grandfathered Members.” You can also use the calculator on *MyTRS*, if you are registered to access your personal account information online.

## PLSO Eligibility Requirements

As a TIER 1 member, at retirement you are eligible to select a Partial Lump Sum Option (PLSO) if:

- you are eligible for normal-age service retirement,
- you are not participating in DROP, and
- you are not retiring under the proportionate retirement law.

# TIER 2

If you do not meet the eligibility requirements to be grandfathered but your current TRS membership began prior to September 1, 2007, your membership status falls under TIER 2. This section describes the age and service requirements that a TIER 2 member must meet to be eligible for normal-age or early-age service retirement, as well as for the Partial Lump Sum Option (PLSO). It also describes the standard annuity calculation for a TIER 2 member, using the final average salary that applies to TIER 2. Finally, it provides an overview of the early-age reductions to the standard annuity that may apply to a TIER 2 member, depending on age and years of service credit at retirement.

## Normal-Age Retirement Eligibility

To be eligible for normal-age service retirement, you must meet one of the following conditions:

- you are age 65 with at least five years of service credit, or
- you meet the Rule of 80 (your age and years of service credit total at least 80) and you have at least five years of service credit.

## Normal-Age Retirement Annuity

As a TIER 2 member, you will have your monthly annuity calculated using the average of your highest **five** annual salaries (based on creditable compensation) and according to the standard annuity benefit formula in effect when you retire.

## Early-Age Retirement Eligibility

If you apply for early-age service retirement, your annuity will be calculated according to the standard annuity benefit formula in effect when you retire, but the annuity amount will be actuarially reduced for early age to reflect that you will receive retirement benefits earlier than if you waited to reach normal-age eligibility.

If you do not meet the normal-age requirements, then to be eligible for an early-age service retirement, you must meet one of the following conditions:

- you are at least age 55 with five or more years of service credit, or
- you have 30 or more years of service credit.

## Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)). The tables or the TRS online calculators can show you the exact amount of the reduction, based on your age and years of service credit. To determine the range of early-age retirement reductions, please see the criteria below.

If you are between ages 55 and 64 and have between 5 and 24 years of service credit, but do not meet the Rule of 80:

- The early-age reduction to your standard annuity will be as great as 53% depending on your age at retirement.

If you have at least 30 years of service credit but do not meet the Rule of 80:

- The standard annuity reduction will be as much as 2% for each year you do not meet the Rule of 80.

## Standard Annuity Calculation

Average Salary = Average of Five Highest Annual Salaries (based on creditable compensation)

Total Percent = Total Years of Service Credit x 2.3%

Annual Annuity = Total Percent x Average Salary

Annual Annuity ÷ 12 = Monthly Annuity

Retirement annuity calculators are available on the TRS website to assist you. Go to [www.trs.state.tx.us](http://www.trs.state.tx.us) and click on “Calculators” under “Resources” on the TRS home page. As a TIER 2 member, you should select the “Retirement Estimate Calculator.” You can also use the calculator on *MyTRS*, if you are registered to access your personal account information online.

## PLSO Eligibility Requirements

As a TIER 2 member, at retirement you are eligible to select a Partial Lump Sum Option (PLSO) if:

- you are eligible for service retirement,
- your age and years of service credit total 90,
- you are not participating in DROP, and
- you are not retiring under the proportionate retirement law.

# TIER 3

If you do not meet the eligibility requirements to be grandfathered and your current TRS membership began after September 1, 2007, your membership status falls under TIER 3. This section describes the age and service requirements that a TIER 3 member must meet to be eligible for normal-age or early-age service retirement, as well as for the Partial Lump Sum Option (PLSO). It also describes the standard annuity calculation for a TIER 3 member, using the final average salary that applies to TIER 3. Finally, it provides an overview of the early-age reductions to the standard annuity that may apply to a TIER 3 member, depending on age and years of service credit at retirement.

## Normal-Age Retirement Eligibility

To be eligible for normal-age service retirement, you must meet one of the following conditions:

- you are age 65 with at least five years of service credit, or
- you are at least age 60, your age and years of service credit total at least 80 (Rule of 80), and you have at least five years of service credit.

## Normal-Age Retirement Annuity

As a TIER 3 member, you will have your monthly annuity calculated using the average of your highest **five** annual salaries (based on creditable compensation) and according to the standard annuity benefit formula in effect when you retire.

## Early-Age Retirement Eligibility

If you apply for early-age service retirement, your annuity will be calculated according to the standard annuity benefit formula in effect when you retire, but the annuity amount will be actuarially reduced for early age to reflect that you will receive retirement benefits earlier than if you waited to reach normal-age eligibility.

If you do not meet the normal-age requirements, then to be eligible for early-age service retirement, you must meet one of the following conditions:

- you are at least age 55 with five or more years of service credit,
- you have at least 30 years of service credit, or
- your age and years of service credit total at least 80.



## Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)). The tables or the TRS online calculators can show you the exact amount of the reduction, based on your age and years of service credit. To determine the range of early-age retirement reductions, please see the criteria below.

If you are between age 55 and 64 and have at least 5 years of service credit:

- The reduction to your standard annuity may be as great as 53% depending on your age at retirement.

If you have at least 30 years of service credit:

- The standard annuity will be reduced by 5% for every year your age is below the age of 60.

If you meet the Rule of 80:

- The standard annuity will be reduced by 5% for every year your age is below the age of 60.

## Standard Annuity Calculation

Average Salary = Average of Five Highest Annual Salaries (based on creditable compensation)

Total Percent = Total Years of Service Credit x 2.3%

Annual Annuity = Total Percent x Average Salary

Annual Annuity ÷ 12 = Monthly Annuity

Retirement annuity calculators are available on the TRS website to assist you. Go to [www.trs.state.tx.us](http://www.trs.state.tx.us) and click on “Calculators” under “Resources” on the TRS home page. As a TIER 3 member, you should select the “Retirement Estimate Calculator.” You can use the calculator on *MyTRS* if you are registered to access your personal account information online.

## PLSO Eligibility Requirements

As a TIER 3 member, you are eligible to select a Partial Lump Sum Option (PLSO) if:

- you are eligible for service retirement,
- your age and years of service credit total 90,
- you are not participating in DROP, and
- you are not retiring under the proportionate retirement law.

# TIER 4

If you meet the eligibility requirements to be grandfathered but your current TRS membership began after September 1, 2007, your membership status falls under TIER 4. This section describes the age and service requirements that a TIER 4 member must meet to be eligible for normal-age or early-age service retirement, as well as for the Partial Lump Sum Option (PLSO). It also describes the standard annuity calculation for a TIER 4 member, using the final average salary that applies to TIER 4. Finally, it provides an overview of the early-age reductions to the standard annuity that may apply to a TIER 4 member, depending on age and years of service credit at retirement.

## Normal-Age Retirement Eligibility

To be eligible for normal-age service retirement, you must meet one of the following conditions:

- you are age 65 with at least five years of service credit, or
- you meet Rule of 80 (your age and years of service credit total at least 80), are at least age 55, and you have at least 20 years of service credit.

## Normal-Age Retirement Annuity

As a TIER 4 member, you will have your monthly annuity calculated using the average of your highest **three** annual salaries (based on creditable compensation) and according to the standard annuity benefit formula in effect when you retire.

## Early-Age Retirement Eligibility

If you apply for early-age service retirement your annuity will be calculated according to the standard annuity benefit formula in effect when you retire, but the annuity amount will be actuarially reduced for early age to reflect that you will receive retirement benefits earlier than if you waited to reach normal-age eligibility.

If you do not meet the normal-age requirements, then to be eligible for early-age service retirement, you must meet one of the following conditions:

- you are at least age 55 with five or more years of service credit, or
- you have at least 30 years of service credit, or
- you are less than age 55 but you meet Rule of 80.

## Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)). The tables or the TRS online calculators can show you the exact amount of the reduction, based on your age and years of service credit. To determine the range of early-age retirement reductions, please see the criteria below.

If you are between ages 55 and 64 and have between 5 and 19 years of service credit:

- The early-age reduction to your standard annuity may be as great as 53% depending on your age at retirement.

If you are between ages 55 and 59 and have between 20 and 24 years of service credit, but do not meet the Rule of 80:

- The reduction to your standard annuity may be as great as 10%, depending on your age at retirement.

If you have at least 30 years of service credit, but do not meet the Rule of 80:

- The standard annuity will be reduced 5% for every year your age is below the age of 60.

If you are less than age 55 but you meet the Rule of 80:

- The standard annuity will be reduced 5% for every year your age is below the age of 60.

## Standard Annuity Calculation

Average Salary = Average of Three Highest Annual Salaries (based on creditable compensation)

Total Percent = Total Years of Service Credit x 2.3%

Annual Annuity = Total Percent x Average Salary

Annual Annuity ÷ 12 = Monthly Annuity

Retirement annuity calculators are available on the TRS website to assist you. Go to [www.trs.state.tx.us](http://www.trs.state.tx.us) and click on “Calculators” under “Resources” on the TRS home page. As a TIER 4 member, you should select the “Retirement Estimate Calculator for Grandfathered Members.” You can use the calculator on *MyTRS* if you are registered to access your personal account information online.

## PLSO Eligibility Requirements

As a TIER 4 member, at retirement you are eligible to select a Partial Lump Sum Option (PLSO) if:

- you are eligible for normal-age service retirement benefits,
- you are not participating in DROP, and
- you are not retiring under the proportionate retirement law.

# How Much Will My Service Retirement Benefit Be?

Now that you know when you are eligible for normal-age or early-age service retirement based on your TIER, you need to know how much your service retirement benefit will be.

## Standard Annuity

The starting point for determining the amount of your service retirement benefit is the standard annuity. The standard annuity is the maximum payment for TRS retirement benefits. It provides you the maximum amount of benefit each month compared to the optional service retirement payment plans (Options 1 – 5). If you select a standard annuity form of payment, it ends upon your death. The standard annuity is calculated according to the benefit formula in state law as of the date of your retirement.

TRS uses the following formula to calculate a normal-age monthly standard annuity:

- (1) Average of Highest Five\* Annual Salaries (based on creditable compensation) = Average Salary
- (2) Total Years of Service Credit X 2.3% = Total %
- (3) Total % X Average Salary = Annual Annuity
- (4) Annual Annuity ÷ 12 = Monthly Standard Annuity

The standard annuity will be reduced for one or more of the following reasons:

- you are eligible for early-age retirement, but not normal-age retirement (based on your TIER),
- you elect one of the optional retirement payment plans (Options 1-5) instead of the standard annuity payment plan,
- you are eligible for (based on your TIER) and elect the Partial Lump Sum Option (PLSO),
- other reductions required by law.

The standard annuity calculation for DROP participants does not include credit for service or salary during the years of DROP participation.

\*As noted on page 27, members who are grandfathered (TIERs 1 and 4) have their standard annuity calculated using the average of their highest three annual salaries.

## Examples of Standard Annuity Calculation

Assume that the following facts apply when a TRS member applies for retirement:

Age: 60

Years of service credit: 30

Creditable Compensation Average: \$36,000

The member's standard annuity would be calculated as follows:

**1. \$36,000**

Average of Highest Annual Salaries

(using creditable compensation for three or five years, according to your TIER)

$$2. 30 \quad \times \quad 2.3\% (.023) = 69\% (.69)$$

Total Years of  
Service Credit

Multiplier

Total %

$$3. 69\% (.69) \times \$36,000 = \$24,840$$

Total %

Average Salary

Annual Annuity

$$4. \$24,840 \div 12 = \$2,070$$

Annual Annuity

Monthly Standard Annuity

**Note:** The standard annuity formula is not weighted for age. Age is only used to establish eligibility for service retirement and any early age reduction that applies; it is not factored into the formula for benefits for normal-age retirement. Therefore, once you reach normal-age retirement eligibility, your benefit will not increase unless you continue to be employed in a TRS-covered position and you earn additional service and salary credit. TRS pays benefits based on your effective date of retirement, which is established when you submit an application for retirement. TRS does not pay benefits for any period of time that is before your effective retirement date.

An online retirement estimate calculator is available under the "Resources" section on the home page of the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or from the Retirement Planning link on the Active Members page.

The TRS retirement plan does not provide for regular cost-of-living increases to the amount of your annuity. Any post-retirement increase in benefits must be authorized by the Texas Legislature.

## Minimum Benefit

If your monthly standard annuity calculated under the formula is less than \$150 per month, you are eligible to receive a minimum benefit of \$150 per month. This minimum benefit will be reduced due to early-age retirement, the selection of an optional form of annuity payment (a joint and survivor annuity or a guaranteed period annuity), or other reductions required by law.

## Excess Benefit Arrangement

Some highly compensated TRS members may earn a retirement plan benefit that is higher than the amount allowed to be paid from the TRS

pension trust fund under Section 415(b)(1)(A) of the Internal Revenue Code. The benefit paid from the pension trust fund must be reduced to the applicable federal limit. However, state law authorizes TRS to pay an “excess benefit” equal to the reduction required by federal tax law. The amount is paid from a separate, non-qualified excess benefit account that is funded by the state, not the pension trust fund. State or federal law changes may terminate the excess benefit account fund at any time without prior notice. In this event, all payments from the excess benefit fund would be terminated.

If your annual retirement benefit is \$195,000 or more in plan year 2011-2012, you may be affected. Also, the benefit limit is adjusted for several factors, including retirement age. Retirement before age 62 may result in a significant reduction to the amount of allowable pension trust fund payment, thus increasing the amount that must be paid from the excess benefit account. TRS provides additional details to affected members during the retirement process.

## Optional Forms of Annuity

At retirement, in lieu of a standard annuity, you have five options for annuity payments. Optional forms of payment reduce the monthly annuity payable during your life but provide for a beneficiary to receive a monthly benefit after your death, either for life or for a guaranteed period of time. The monthly benefits payable to you and a beneficiary under an optional plan are calculated to be the actuarial equivalent of a standard annuity payable to only you.

TRS offers the following two categories of optional payments for members eligible to retire:

**Joint and Survivor Annuity:** a reduced annuity that is paid to you for life and then to a surviving beneficiary for life. The benefit to you is reduced based on an actuarial factor that takes into account your age and the beneficiary's. At your death, all or a portion of the monthly amount payable to you will become payable to the person designated as primary beneficiary, provided the beneficiary survives you. You elect at retirement whether the payment to the surviving beneficiary will be 100 percent of the monthly amount payable to you (Option One), 75 percent of the monthly amount (Option Five), or 50 percent of the monthly amount (Option Two). If the beneficiary does not survive you, your benefit is increased to the standard annuity amount after you notify TRS of the beneficiary's death.

**Guaranteed Period Annuity:** a reduced annuity payable throughout your life; if you die before the guaranteed number of months of payment have been made, the remainder of the guaranteed number of months of payment are payable to the person(s) named as beneficiaries. The benefit to you is reduced based on an actuarial factor that takes into account your age and the guaranteed period you select; the age of the designated beneficiary



does not affect the reduction. The TRS plan offers either a 60-month (Option Three) or a 120-month (Option Four) guaranteed period annuity.

**Option Factor Tables:** In the pages that follow, you will find option tables that show a limited number of examples of the percentage of the standard annuity a retiree would receive under an optional payment plan, based on the age of the retiree and the beneficiary. The full option factor tables are available on the TRS website, or you may use the retirement estimate calculator on the TRS website to see the estimated amount of your annuity if you select an optional payment plan.

**Special Note:** If you select an optional form of annuity, you may designate a minor child or a legally incapacitated person as beneficiary to receive annuity payments after your death. However, at your death, the benefit will be paid to an adult with legal authority to receive the benefit on behalf of the child or incapacitated individual. See the “Beneficiary Designation by Members” section on page 23 for more information on the topic of “Considerations before Naming a Minor Child or Legally Incapacitated Adult.”

Also, the designation of a non-spouse beneficiary for a joint and survivor annuity may limit your benefit selection when the beneficiary is more than 10 years younger than the member, as described in the next section.

## Joint and Survivor Annuity

If you are eligible to retire, you may choose from three joint and survivor options. These options, described below, are distinguished by the percentage of your annuity that is payable to the surviving beneficiary.

You may designate only one beneficiary to receive a joint and survivor annuity. This requirement is necessary since the amount of the annuity is based on the joint lengths of the lives of two people - you and the beneficiary. The beneficiary must be a person or an irrevocable trust with only one person as beneficiary.

When you retire, if you wish to designate a beneficiary who is younger than you are, then

- you are not eligible to select Option One if you designate a non-spouse beneficiary with an “adjusted age difference” of more than 10 years, and
- you are not eligible to select Option Five if you designate a non-spouse beneficiary with an “adjusted age difference” of more than 19 years.

The adjusted age difference is calculated as follows:

### Calculation for Adjusted Age Difference

**Step 1:** Age 70 – Member’s age at retirement = allowable adjustment to actual age difference

**Step 2:** Member’s age at retirement – beneficiary’s age as of retirement date = actual age difference between member and beneficiary

**Step 3:** Age difference between member and beneficiary – allowable adjustment = adjusted age difference for option eligibility.

### OPTION ONE: 100 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive 100 percent of the reduced annuity throughout the beneficiary’s life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary’s death.

The following table shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under Option One:

#### OPTION 1 - 100%

		Age of Member at Date of Retirement					
		55	57	59	61	63	65
Age of Beneficiary	Percent of Standard Annuity						
	55	92.56	91.06	89.31	87.33	85.12	82.70
57	93.05	91.61	89.93	88.02	85.87	83.50	
59	93.54	92.17	90.56	88.71	86.64	84.33	
61	94.02	92.72	91.19	89.42	87.42	85.19	
63	94.49	93.26	91.81	90.13	88.21	86.06	
65	94.94	93.79	92.42	90.82	89.00	86.94	

### OPTION TWO: 50 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive one-half of the reduced annuity throughout the beneficiary’s life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary’s death.

The following table shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under Option Two:

### OPTION 2 - 50%

		Age of Member at Date of Retirement						
		55	57	59	61	63	65	67
Age of Beneficiary	Percent of Standard Annuity							
55	96.13	95.32	94.35	93.24	91.96	90.53	88.94	
57	96.40	95.62	94.70	93.63	92.40	91.01	89.46	
59	96.66	95.92	95.05	94.02	92.84	91.50	90.00	
61	96.92	96.22	95.39	94.41	93.29	92.00	90.56	
63	97.17	96.51	95.73	94.81	93.73	92.51	91.13	
65	97.40	96.80	96.06	95.19	95.18	93.02	91.70	
67	97.63	97.07	96.38	95.57	94.62	93.52	92.28	

### OPTION FIVE: 75 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive 75 percent of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary's death.

The following table shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under Option Five:

### OPTION 5 - 75%

		Age of Member at Date of Retirement						
		55	57	59	61	63	65	67
Age of Beneficiary	Percent of Standard Annuity							
55	94.31	93.14	91.76	90.19	88.41	86.44	84.28	
57	94.69	93.57	92.25	90.74	89.01	87.09	84.98	
59	95.07	94.01	92.75	91.29	89.63	87.77	85.72	
61	95.45	94.44	93.24	91.85	90.26	88.46	86.48	
63	95.81	94.86	93.73	92.41	90.89	89.17	87.26	
65	96.16	95.27	94.21	92.96	91.51	89.88	88.05	
67	96.49	95.67	94.67	93.50	92.14	90.58	88.85	

Joint and survivor annuities may be estimated through the retirement estimate calculator on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)).

## Guaranteed Period Annuity

At retirement, you may choose from two guaranteed period annuities instead of a standard annuity or a joint and survivor annuity. The two guaranteed period annuities are distinguishable by the period of time that benefits are guaranteed to be paid to a beneficiary. Members who select the Option Three or Option Four retirement plan may name single or joint beneficiaries.

### OPTION THREE: 60 monthly payments

This retirement plan provides a reduced annuity which is payable to you for life. If you die before 60 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 60 payments has been made. Option Three is not available to a member retiring at age 104 or older.

### OPTION FOUR: 120 monthly payments

This retirement plan provides a reduced annuity which is payable to the retiree for life. If the retiree dies before 120 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 120 payments has been made. Option Four is not available to a member retiring at age 93 or older.

The following table shows selected member ages and the factors, which represent the percentage of standard annuity available under the two guaranteed period annuities. Complete tables (including specific factors not shown here) are available from the TRS website.

### OPTIONS 3 and 4

<b>Age of Member at Last Birthday</b>	<b>Option 3 60 Months</b>	<b>Option 4 120 Months</b>
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#### Percent of Standard Annuity

55	99.76	99.04
57	99.68	98.74
59	99.57	98.34
61	99.43	97.82
63	99.24	97.18
65	98.99	96.42
67	98.70	95.53

## Partial Lump Sum Option (PLSO)

At service retirement, if you are eligible, you may select a Partial Lump Sum Option (PLSO) distribution in addition to either a reduced standard annuity or a reduced optional form of annuity. Please refer to your TIER to determine your eligibility to select PLSO at retirement.

If you are eligible, you may select a partial lump sum distribution equal to 12, 24, or 36 months of a standard service retirement annuity. When you select the PLSO option by submitting a completed *Partial Lump Sum Option (PLSO) Election* form (TRS 30P), your monthly annuity will be actuarially reduced to reflect your selection. **Note:** If you select PLSO with an early-age (reduced) service retirement annuity, your PLSO distribution will be calculated as 12, 24, or 36 months of a standard service retirement annuity reduced for early-age-retirement.

TRS will disburse your PLSO selection as follows, depending on which PLSO distribution you select.

- A lump sum amount equal to 12 months of a standard annuity will be disbursed at the same time as your first monthly annuity payment.
- A lump sum amount equal to 24 months will be disbursed in either one or two annual payments.
- A lump sum amount equal to 36 months will be disbursed in one, two, or three annual payments.

If you select two or three annual lump sum payments, you will have your second and third payments made on the anniversary date of your initial lump sum payment. No interest will be paid on any unpaid lump sum amounts. If you select two or three annual lump sum payments and later wish to accelerate the remaining payments, you may do so by making an election on a form prescribed by TRS.

A distribution of a partial lump sum is taxable as income. You are also permitted to roll over the eligible portion of any lump sum payments to another eligible retirement plan. For more information, please refer to the income tax information form, *Special Tax Notice Regarding Your Rollover Options Under the Teacher Retirement System of Texas*, included with your retirement forms. We encourage you to read this notice carefully and consult with a professional tax advisor if you have any questions.

The selection of a partial lump sum option permanently reduces your monthly annuity. The reduced annuity plus the partial lump sum are the actuarial equivalent of the standard annuity benefit. If you are eligible for PLSO, the online retirement estimate calculator on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)) will estimate your PLSO amounts.

**Note:** If the Texas Legislature authorizes a post-retirement cost of living increase, it typically is based on the amount of the retiree's annuity. If you select PLSO, the amount of the post-retirement increase you would

receive may be less because the increase typically would be calculated on the reduced annuity amount.

## Disability Retirement

As a member, regardless of your age or years of service credit, you may apply for disability retirement if:

- you are mentally or physically disabled from the further performance of your duty, and
- your disability is probably permanent.

The TRS Medical Board must certify your disability. The TRS Medical Board is comprised of three physicians appointed by the TRS Board of Trustees. To certify a disability, the Medical Board reviews information provided by you and your attending physician, along with clinical evidence such as medical histories, diagnostic reports by independent medical authorities, and laboratory test results.

If you qualify for disability retirement and have at least 10 years of service credit, you are entitled to a monthly annuity that is not reduced due to early age. You may select a standard annuity or one of the five optional forms of annuity payment plans described earlier in this handbook. Your monthly payments will be calculated using the standard annuity formula, but in no case will the standard annuity be less than the minimum standard annuity amount of \$150. If you select a payment plan other than the standard annuity, your monthly annuity will be reduced using disability retirement actuarial factors to reflect the additional liability for payment to your beneficiary. This benefit is also subject to any other reduction required by law.

If you qualify for disability retirement but you have less than 10 years of service credit in TRS on the date of disability retirement, TRS provides a monthly disability benefit of \$150 that is paid for the lesser of the number of months you have been covered by TRS, the duration of your disability, or the duration of your life. In deciding the duration of the disability payments, you will be credited with 12 months of service for every year of service credit. For any year in which you did not earn a year of service credit, the actual number of months of TRS-covered service will be added to the duration of your payment. This benefit is eligible for rollover to another eligible retirement plan to continue tax-deferred treatment. If not rolled over, the benefit is subject to mandatory federal income tax withholding. This benefit is also subject to any reduction required by law.

In some cases you may be certified for disability retirement but an annual re-examination is required. When this occurs, you must provide medical documentation of your continued disability for review by the TRS Medical Board. Failure to provide the information when requested by TRS may result in suspension of your benefits until the documentation is received. Your annuity payments will be discontinued and you may be returned to active member



status if you continue to fail to submit to a required medical examination or if the Medical Board determines that you are no longer disabled.

If you are receiving disability retirement benefits, you are not eligible to receive service retirement benefits. Additionally, if you retired with less than 10 years of service credit and you have exhausted the duration of payments, you are not eligible to receive service retirement benefits based on that service credit. However, if you recover from your disability and return to active TRS membership, you may begin contributing to TRS again and retire as a service retiree when you meet eligibility requirements. State law and TRS rules determine whether service credit earned before disability retirement began would be counted towards service retirement eligibility and benefit calculation. Contact TRS for more information.

If you are a disability retiree whose retirement date is after August 31, 2007 and whose retirement application is received after August 31, 2007, you are subject to a limit on the compensation you may earn for work while receiving disability retirement benefits. Earning excess compensation will subject you to forfeiture of annuity payments as well as to higher TRS-Care contributions, if you have TRS-Care coverage. See the TRS *Employment After Retirement* brochure for more information.

## Proportionate Retirement

If you have active membership credit in more than one Texas public statewide retirement system, you may be eligible to combine all of your service credit to satisfy eligibility requirements to retire under TRS. If you wish to retire in another system, you may also be eligible to combine your TRS service credit for this purpose. While all service credit would be considered to determine eligibility for TRS service retirement benefits, the calculation of any TRS retirement benefit amount is based solely on TRS service credit and salaries. Benefits based on service credit earned in other eligible retirement systems are the responsibility of those systems. Retirement systems currently participating are:


- Teacher Retirement System of Texas
- Employees Retirement System of Texas (ERS)
- Judicial Retirement System of Texas (Plans One and Two)
- Texas Municipal Retirement System (TMRS)
- Texas County and District Retirement System (TCDRS)
- City of Austin Employees Retirement System
- El Paso City Employees' Pension Fund
- El Paso Firemen and Policemen's Pension Fund
- City of Austin Police Retirement System

If you are a member of one of the participating retirement systems, you may be eligible to reinstate previously withdrawn service credit in any participating retirement system. Certain restrictions apply, so contact the retirement system in which you were previously a member. As a TRS

member, you should determine your proportionate retirement rights before withdrawing member accounts in any other participating systems. Withdrawal of any account may terminate or affect your eligibility for a valuable benefit.

## Applying for Retirement

If you wish to receive a retirement benefit, you must apply to TRS using the appropriate retirement application form. This form establishes your effective date of retirement. Retirement can be effective no earlier than either the last day of the month in which you file your application or the last day of either of the two previous months, provided you have terminated employment by the effective date of retirement. For example, if you want your retirement to be effective January 31, you must terminate employment by January 31 and file your retirement application no later than March 31.



It is extremely important to file your retirement application with TRS by the deadline described above. However, it is also important to submit all other forms required as instructed in your retirement packet or in any TRS correspondence you may receive. Failure to submit all required documents within 12 months of the retirement date you state on your retirement application will result in cancellation of your retirement application. You must then submit a new retirement application, and your retirement date can be no earlier than the last day of the month in which the new application is received or the last day of either of the two previous months, provided you have terminated employment by the new retirement date. No benefits will be payable for months in which the previous application was pending but incomplete.

## Termination of Employment Before Retirement

Termination occurs no earlier than your official resignation date and after you have ceased all employment with all TRS-covered employers. You must follow your employer's guidelines for giving notice of resignation.

- For early-age-retirement purposes, employment does not terminate if you are on paid or unpaid leave or if you have a contract for any type of future employment with a TRS-covered employer.
- For normal-age retirement purposes, employment does not terminate if you are on paid or unpaid leave or if you have a contract for future full-time (more than one-half time) employment.

See “Negotiation for Return to Employment” for more information.

A limited exception to the requirement that you must terminate employment is available for May 31 retirees. If you must work into the month of June to complete work required for the school year, you may establish a May 31 retirement date provided you complete your work and terminate your employment no later than June 15. You must also file your retirement application no later than July 31.

## Negotiation for Return to Employment

With limited exceptions, your employment does not terminate (end) for TRS purposes if, at the time of retirement, you have a contract, agreement, or promise for future employment with a Texas public education institution. Because the law on employment after retirement significantly changed in 2011, retiring members now have stricter limitations on what type of employment they may arrange for before retirement. Arranging for future employment before you retire is permissible only when the following two conditions are met:

- you must be eligible to take normal-age retirement, and
- you arrange for half-time or less employment.

**Note:** Members retiring after January 1, 2011, may arrange in advance only for employment that will not result in loss of monthly benefits. Due to changes in the law, for a service retiree, the only exceptions to loss of monthly benefits now are:

- half-time employment,
- substitute service, and
- full-time employment after a break in service from all TRS-covered employers for 12 consecutive months after retirement.

Because substitute service cannot be arranged before retirement and because employers are not likely to arrange for full-time employment if the retiree will not begin until 12 months later, this leaves only employment for half-time or less that may be arranged in advance of retirement by a normal-age service retiree.

See pages 29-36 for normal-age retirement requirements. For more information, see the *Employment After Retirement* brochure, available on the TRS website or by calling TRS.

Members who do not meet these two criteria, but nevertheless enter into employment arrangements at the time of retirement, are not eligible for retirement because they have not effectively terminated employment. They are not eligible for any retirement benefits they may have received or for retiree health care coverage.

Members taking early-age retirement may not have a contract, agreement, or promise for any type of future employment with a TRS-covered employer at the time they retire. They must wait until after the required break in service to negotiate any contract for employment with a TRS-covered employer. After the required break in service (one full-calendar month), an early-age retiree may contract for any type of employment; however, the employment after retirement remains subject to the monthly forfeiture of benefit provisions. See pages 29-36 for early-age retirement requirements.


Members who enter into contracts, agreements, or promises to return to

work that do not meet the requirements described above risk revocation of their retirement and loss of all associated benefits of retirement.

## Required Break in Service

You revoke your retirement if you become employed in any position in a Texas public education institution in any capacity during the first calendar month following the effective date of your retirement. If your retirement date is May 31 but your contract or work agreement requires you to work into June but no later than June 15, you may not return to employment in Texas public education until August 1. If you revoke your retirement, benefits (including any DROP or PLSO distribution and any retiree health benefits through TRS-Care) must be repaid to TRS. You must also reapply for retirement. The break in service requirement applies to both normal-age and early-age retirees and to both service and disability retirees. Volunteering to perform services that are normally provided by an employee or waiving payment for service during the required break in service may be considered service that revokes retirement.

**Note:** One full-calendar month of separation from employment with any TRS-covered employer is also required of a person retiring with the Employees Retirement System (ERS) whose last place of employment was with a TRS-covered employer and who uses TRS service credit, transferred at retirement, for benefit calculation under ERS.



**Break in Service.** Keep in mind that employment after retirement restrictions now refer to two different types of breaks in service. 1. All retirees must observe a break in service of one full-calendar month after retirement in order to have an effective retirement. 2. If a retiree wishes to work full-time in Texas public education without loss of monthly benefits, the retiree must observe a break in service of 12 consecutive, full calendar months.

## Ready to Retire?

If you are a member nearing retirement, you should contact TRS six months prior to your anticipated retirement date to allow yourself enough time to complete and submit all required forms. Start the retirement process by submitting a completed *Request for Estimate of Retirement Benefits* form (TRS 18) to receive a retirement packet. You may do this electronically, from the *MyTRS* section of the TRS website, or you may print form TRS 18 from the forms section of the website, complete it and mail it to TRS. After TRS receives your TRS 18, you will receive a retirement packet with the forms you need to select your retirement date and your retirement payment plan. When you receive your retirement packet, follow the instructions in the packet. You will need to send TRS a copy of your birth certificate, as well as a copy of the birth certificate of your beneficiary if you select Option 1, 2, or 5 as your annuity payment plan. Please write your social security number on any birth certificate you submit.

As you go through the retirement process, please review this handbook and the TRS website for more information on the retirement options available to you. If you are eligible to purchase service credit, please contact TRS early in the process to finalize your purchase before your retirement date.

## Employment After Retirement

If you plan to work in Texas public education after service or disability retirement, you should carefully review all requirements that apply to such work.

If you do not effectively terminate employment because you do not wait long enough to return to work or to arrange your return to work, you could:

- revoke your service or disability retirement entirely.

If you terminate employment properly and your retirement is effective but you work more than the law allows you to do while receiving your monthly benefit, you could:

- lose monthly service or disability annuity payments for months in which your work exceeds the allowable amount.


To work after service or disability retirement without revocation of retirement or loss of benefits, a retiree must:

- terminate all employment with a TRS-covered employer (see “Termination of Employment Before Retirement” and “Negotiation for Return to Employment,” pages 47-48, for additional information),
- wait to negotiate a return to employment as permitted under law,
- not work for a TRS-covered employer during the required break in service after the retirement effective date, and
- work only the amount of time permitted under one of the employment after retirement exceptions. The service retirement exceptions permit three kinds of employment without losing the annuity for the month in which the employment is performed: half-time employment, substitute service, and full-time employment after a complete break in service of 12 full-consecutive calendar months. The disability retirement exceptions permit work as a substitute for 90 days in a school year, work on a half-time basis for 90 days, work in a combination of substitute and half-time work for 90 days, or work on a three-month trial basis for as much as full time. Working as much as full-time during a three-month trial basis is in addition to the 90 days of work allowed on a one-half time basis or a substitute, or in combination of one-half time and substitute.

These requirements apply to all retirees, service and disability and both normal age and early age. However, there are some differences in how the

requirements are applied, depending on retirement circumstances. For a full explanation of the requirements, see the *TRS Employment after Retirement* brochure, which can be found on the TRS website or can be obtained by calling TRS. The brochure covers many topics of interest to those who plan to work after retirement, including the pension fund and TRS-Care surcharges paid by employers for retirees working after retirement, employment through a third-party entity, and work as an independent contractor. Disability retirees should review information on the earning limit that may affect TRS-Care premiums and forfeiture of monthly benefits, as well as information about work that could cause you to be restored to active service, thus terminating your disability retirement and, if applicable, TRS-Care coverage. Please contact TRS if you are considering returning to employment in Texas public education after retirement and are unsure whether your employment will affect your retirement or your monthly annuity payment.

## Recent Changes to Employment After Retirement Laws and Rules



Senate Bill (SB) 1669, passed by the Texas Legislature in 2011, made important changes to the employment after retirement limits for **TRS service retirees**. TRS has adopted rule changes to implement SB 1669 and to provide new guidance on one-half-time employment.

For members who retired before January 1, 2011, a service retiree now may work in any capacity without loss of annuities after the required one full calendar month break in service.

For members who retire after January 1, 2011, the general rule still is that you will forfeit your monthly retirement benefit for any month in which you work in Texas public education, unless there is an exception that allows you to work without loss of benefits. After the required one-full-calendar-month break in service, members who retire after January 1, 2011 may return to work as substitutes and in one-half-time positions (or in a combination of one-half-time and substitute) without forfeiting the monthly annuity. One-half-time employment allows you to work the equivalent of four hours for each work day in that calendar month in any arrangement or schedule. As for full-time employment, SB 1669 repealed many exceptions that previously allowed retirees to work without loss of benefits, including the six-month exception, bus driver exception, principal exception, acute shortage exception, and nurse faculty exception. Now, service retirees may work full-time only after a break in service of 12 consecutive-full-calendar months. A retiree who returns to work in a full-time position without serving the required 12-month break in service forfeits the monthly annuity for each month in which work occurs.

The new law did not change the requirement that **ALL** retirees must serve a one-full-calendar-month break in service after retirement before



returning to work with a TRS-covered employer. A retiree who returns to work in any capacity without serving the required one-month break in service revokes retirement. Also, the law did not change the requirement that early-age retirees may not negotiate for any employment with a TRS-covered employer until after the one-month break in service. Normal-age retirees may not negotiate for full-time employment until after the one-month break in service.

Pension and TRS-Care surcharge requirements for employers still apply to the employment of retirees who retired after September 1, 2005 and are working in TRS-eligible positions.

Before making any decisions on working after retirement, please review the TRS *Employment after Retirement* brochure to get the most up-to-date, comprehensive information about employment after retirement, or contact TRS.

## Information for Retirees

### Marriage After Retirement

In limited circumstances, a retiree may change the retirement plan from a standard annuity to one of the joint and survivor annuities (Option One, Two, or Five) and designate a new spouse as beneficiary.

If you are a retiree receiving a standard annuity benefit and you marry after retirement, you may select a joint and survivor annuity and designate your spouse as beneficiary to receive the annuity. Your selection must be made before the second anniversary date of your marriage. The selection does not take effect until the first payment of the annuity that becomes due two years after the date that the selection and designation are filed with TRS. Both you and your spouse must survive for the two years until the effective date of the change.

If you are a retiree receiving a standard annuity benefit after the death of your original beneficiary under a joint and survivor plan, you may also make this change. However, you must do so within two years of your new marriage and both you and your spouse must survive the two-year waiting period. Additionally, retirees who have revoked the beneficiary of a joint and survivor annuity and returned to the standard annuity benefit are eligible for this election after marriage.

**Note:** A divorce from the new beneficiary, whether during or after the waiting period, does not revoke or void the designation.

Please contact TRS for the *Application to Change Retirement Plans and Beneficiary After Retirement* form (TRS 30A) to make this change. Benefit estimates under the Option One, Option Two, and Option Five retirement plans are calculated based on the current spouse's date of birth and will be provided by TRS.

## Beneficiary and Payment Plan Changes

### Changing a beneficiary when a member has retired under Option One, Option Two, or Option Five Retirement Plans

Once you have named a beneficiary for a joint and survivor annuity (Option One, Two, or Five) and retired, you may change that designation only when the following conditions are met:

- You have not previously changed the beneficiary of your joint and survivor annuity (that is, the beneficiary of the joint and survivor annuity can be changed only one time);
- If the beneficiary is your spouse or former spouse, the beneficiary must consent, or a court that has jurisdiction over your marriage with the beneficiary must have ordered a change in the beneficiary;
- You have not outlived the remaining life expectancy of the original joint and survivor beneficiary; and
- You complete the appropriate change of beneficiary form, and TRS receives the form before your death.

TRS will pay a joint and survivor annuity to your new beneficiary for the shorter of (1) the remaining life expectancy of your original beneficiary, or (2) the remainder of your new beneficiary's life.

**Note:** It is possible that no annuity payment will be paid to your new beneficiary if you live longer than the remaining life expectancy of your original beneficiary. When changing your beneficiary, it is not possible to guarantee payment to your new beneficiary for life.

**Trust as beneficiary.** *If you named a trust as your Option 1, 2, or 5 beneficiary when you retired and the trust has one person as its sole beneficiary, you may change your beneficiary one time from the trust to the person who is the trust beneficiary. When this specific type of change is made and if the new beneficiary survives the retiree, TRS will pay the joint and survivor annuity for the life of the new beneficiary.*

If your original beneficiary is a spouse or former spouse, consent of the original beneficiary or a certified copy of an order from a court with jurisdiction over the marriage ordering a change of beneficiary is required. The divorce decree or court order must be a certified copy issued from the clerk of the court that entered the order.

Please contact TRS for the consent form and the change of beneficiary for a continuing annuity under Option One, Two, or Five. If the beneficiary of your joint and survivor annuity is not your spouse or former spouse, simply complete the change of beneficiary for a continuing annuity form and submit it to TRS. For your beneficiary designation to become effective, the form must be received by TRS before your death. Note that changing your beneficiary to non-spouse beneficiary who is younger than you is subject to the same

limitation described previously in this handbook for Option One and Option Five when there is an age difference of more than 10 years between you and the other individual. **The designation of a new beneficiary for death and survivor benefits (\$10,000 lump sum death benefit) will not change the beneficiary of a joint and survivor annuity.**

### **Changing a beneficiary when a member has retired under the Option Three or Option Four Retirement Plans**

If you select Option Three or Four at retirement, you may change the beneficiary at any time during the guaranteed option period by filling out a *Change of Beneficiary for Continuing Optional Retirement Annuity (Options Three and Four)* form (TRS 30D) and returning it to TRS. A change in beneficiary designation for the guaranteed period annuity form must be received before your death to be effective. Contact TRS at 1-800-223-8778 to obtain form TRS 30D.

### **Revoking a Joint & Survivor Annuity Beneficiary**

As a retiree, you may revoke the designation of your spouse, former spouse, or adult child as your beneficiary of a joint and survivor annuity (Option One, Two, or Five). This revocation cancels the optional annuity you selected and authorizes TRS to pay you the current standard annuity amount. Your designation may be revoked only when the following conditions are met:

- your beneficiary is your spouse or former spouse and the court in a divorce proceeding involving you and your beneficiary spouse approves or orders the revocation in the divorce decree or property settlement, or
- your beneficiary is your spouse, former spouse, or adult child and the beneficiary consents to the revocation using a form provided by TRS, and
- TRS receives the revocation of beneficiary form prior to your death.

Contact TRS for the revocation of beneficiary designation for an Option One, Two, or Five joint and survivor annuity form. For the beneficiary revocation and cancellation of the option to become effective, the form must be received by TRS before your death. TRS also requires a certified copy of the court order when the change is made without the beneficiary's consent. A certified copy may be obtained from the clerk of the court that entered the order. **The designation of a new beneficiary for death and survivor benefits (\$10,000 lump sum death benefit) will not revoke the beneficiary of a joint and survivor annuity.**

## **Retiree Survivor Benefits**

The designated beneficiary of a retiree is entitled to receive a lump sum survivor benefit payment of \$10,000. This benefit is payable on the death of either a service or disability retiree unless the disability retiree has exhausted all monthly payments before death. It is paid in addition to any joint and

survivor (Option 1, 2, or 5) or guaranteed period (Option 3 or 4) annuity that may be payable under an optional form of payment chosen by a retiree at retirement.

In lieu of the \$10,000 survivor benefit, the following benefits may be available after the death of the retiree:

- If the beneficiary is the retiree's spouse or dependent parent, the beneficiary may choose a \$2,500 lump sum payment plus \$250 per month beginning when the beneficiary reaches age 65 or upon the death of the retiree, whichever is later.
- If the beneficiary is the spouse of the decedent and has one or more minor children or has custody of one or more minor children of the decedent, the beneficiary may choose a \$2,500 lump sum payment, plus a \$350 monthly benefit. This benefit is payable until the youngest child reaches age 18 and is followed by a lifetime monthly benefit of \$250 beginning when the spouse reaches age 65.
- If the beneficiary or beneficiaries are the retiree's dependent children under the age of 18, the children's surviving parent or guardian may elect to receive for them a \$2,500 lump sum payment plus a \$350 monthly benefit. The \$350 monthly benefit is payable for as long as two or more children are under age 18; a \$250 monthly benefit is payable as long as one child is under age 18.

Beneficiaries of disability retirees who retired before September 1, 1992, and are receiving a standard disability retirement annuity may elect to receive either the lump sum survivor benefits, described above, or the benefits payable at the death of an active member.

In addition to the survivor benefits described above, TRS also pays a lump sum payment of the total amount of accumulated contributions in the member account at the time of retirement, less the amount that already has been paid in monthly benefits to a retiree receiving a standard annuity. If an Option One, Two, or Five beneficiary dies before distribution of an amount equal to the total accumulated contributions in the member's account, TRS will distribute the remaining accumulated contributions to the beneficiary named by the primary beneficiary, the beneficiary's estate, or others as provided by law.

As a retiree, you must designate your beneficiary on a form prescribed by and received by TRS before your death. Your beneficiary designated to receive the survivor benefits may be different from the beneficiary designated to receive an optional form of annuity. You may change your beneficiary for survivor benefits after retirement; there is no restriction on the number of times you may change the beneficiary for these benefits. If you elect to change your beneficiary for survivor benefits after you retire, please contact TRS for a *Designation of Beneficiary* form (TRS 15) or print a copy from the TRS website, fill it out, and send it to TRS.

A designation of a former spouse as beneficiary of the lump sum survivor benefit that was made before the date of divorce is revoked when TRS receives a certified copy of a divorce decree. For the revocation to be effective, TRS must receive a copy of the divorce decree before payment is made to a former spouse who is a designated beneficiary. Submit a new designation form to TRS to ensure that your beneficiary designation reflects the person you currently want to receive payment after your death. If your former spouse is to remain as beneficiary, complete a new designation form and file it with TRS after the date of your divorce to avoid the possible revocation.

TRS survivor benefits are not life insurance payments and, as a result, they are subject to federal income tax. Please consult a tax professional if you have questions regarding how your beneficiary may be impacted by the receipt of survivor benefits.

## General Information for all TRS Participants

### EFT (Direct Deposit of Annuity Payments)

Whether you are a retiree or a beneficiary receiving a monthly annuity, you may use the electronic fund transfer (EFT) method to deposit your annuity to your financial institution account. Payments are generally paid on the first working day of each month following the month for which the payment accrues. Election of EFT must be made on the *Direct Deposit Request* form (TRS 278). TRS encourages this method of payment for the safety and security of your benefits. You may change your financial institution for direct deposit by completing a new form TRS 278, available on the TRS website, and submitting it to TRS.

### Income Tax

Since January 1, 1988, member contributions to TRS have been made on a pre-tax basis through an employer pickup that reduces the member's salary for federal income tax purposes only. Payments for purchased service credit, however, are made on an after-tax basis (unless made through a rollover or trustee-to-trustee transfer). Interest earned on both types of contributions is credited to a member's account on a tax-deferred basis.

Because contributions are generally made on a pre-tax basis, any retirement plan benefits received from TRS are subject to federal income tax, including service and disability retirement annuities paid to the retiree or to a beneficiary, PLSO or DROP lump sum payments, death and survivor benefits, and refunds of accumulated contributions. Any after-tax contributions that you made to TRS will be handled in the manner required by federal tax law. Tax information will be provided when a TRS benefit is first received. For comprehensive tax assistance, please contact a professional tax advisor or the Internal Revenue Service (IRS), 1-800-829-1040.

When you retire, you should complete a *Federal Income Tax Withholding*

*Certificate* form (TRS 228A). After you retire, you may change your withholding at any time by completing a new form TRS 228A. The TRS 228A is available in the forms section of the TRS website.

Retired public safety officers whose qualified health insurance or long-term care insurance premiums are deducted from their TRS annuity payments may be eligible to exclude an amount equal to the premiums, but not more than \$3,000, from gross income on their federal income tax returns. Please see the *Instructions for IRS Form 1040* relating to insurance premiums for retired public safety officers, and consult a tax advisor if you have questions about your eligibility or how to take this exclusion.

## **Division of Benefits due to Termination of Marriage by Divorce or Death**

In Texas, benefits earned during marriage may be community property subject to division by the court in a divorce, partition suit, or probate proceeding. TRS is authorized to provide information relevant to the determination of community property interest to you as well as to your spouse or former spouse. Please be sure to allow enough time before any court proceeding for TRS to prepare the requested information.

If your spouse or former spouse (referred to as the “alternate payee”) is awarded a portion of your TRS benefit and is to receive direct payment from TRS of the portion awarded, the court must enter a Qualified Domestic Relations Order (QDRO). TRS has a model QDRO to assist the parties in drafting an order that meets the applicable statutory requirements. The model QDRO is on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or is available from TRS by request. Due to a change in state law, TRS is now authorized to require payment of a QDRO fee and to require parties to use the TRS model QDRO. TRS will provide information to parties as applicable.

Amounts payable to an alternate payee under a QDRO will be distributed in the same form as payments to you. The alternate payee generally may receive the portion awarded by the court only when a benefit is paid to you or, in the event of your death, to your beneficiary.

However, under a limited exception, TRS may begin payments to the alternate payee before payments begin to you. This exception only applies if you are age 62 or older, you are otherwise eligible to retire without reduction for early age, and you have not yet retired. The alternate payee must make a written request for the early distribution of the actuarial equivalent of the amount awarded in the QDRO. The early distribution will permanently reduce your retirement benefit by the actuarial equivalent of the benefits payable to the alternate payee. Even if the alternate payee dies before you do, your benefit will remain actuarially reduced. Generally, this actuarial reduction is greater than a dollar-for-dollar reduction. If you are affected by a QDRO, you should carefully consider the permanent financial impact on



your benefits if you delay retirement beyond the month in which you turn age 62 and an alternate payee applies to begin receiving payments before your retirement. The amount of the retirement benefit that you will receive may actually decrease with a delayed retirement.

Even if your retirement benefits are not divided by a QDRO, you should submit a new designation of beneficiary form after a divorce to ensure payment of death benefits to your desired beneficiary.

## **Social Security**

In some instances, the calculation of your social security benefits may be affected by the TRS benefits that you receive. While TRS is not able to provide information regarding possible reductions to your social security benefits, you should contact the Social Security Administration (SSA) at 1-800-772-1213 for information on possible offsets or reductions to these benefits. You may also visit the Social Security Administration website ([www.ssa.gov](http://www.ssa.gov)) for information on topics such as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). When authorized by you, TRS can verify your first eligibility date for retirement and the amount of benefit paid on your behalf. If you need this information, contact TRS and request *TRS Benefit Information* form (TRS 562).

## **Appeal Procedure**

A person adversely affected by a TRS decision about a retirement plan matter may appeal the decision as permitted by TRS rules. The appeal procedure begins by writing to the TRS manager making the decision and describing the action that is being requested. If the matter is not resolved at that level, the appeal may be pursued through successive levels of management, including to the executive director and the board of trustees if TRS has jurisdiction over the matter and authority to grant the requested action and if the requested action does not conflict with the terms of the retirement plan. Copies of TRS rules (34 Texas Administrative Code Ch. 43) detailing retirement plan appeal procedures are available from TRS or on the TRS website under the Publications link.

If you are dissatisfied with a decision of the TRS Medical Board relating to disability retirement, you may request that the medical board reconsider your application for disability retirement, including any additional relevant medical information you provide. If the TRS Medical Board does not certify your disability after reconsideration, you may appeal to the TRS Board of Trustees by filing a petition for adjudicative review within 45 calendar days of the medical board's decision. Contact TRS for more information about the appeal procedure for disability retirement.

## **Complaints**

While TRS strives to deliver services promptly and to resolve member concerns about the delivery of services quickly, you may not be satisfied

with TRS' efforts. If your concern cannot be settled by correspondence or discussion with TRS management, you may submit a written complaint to the TRS Complaint Officer. The Complaint Officer ensures that a timely response is provided to the complainant. Information on how to submit a complaint is available upon request from TRS and is also found on the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)) in the information regarding the TRS Compact With Texans.

## Health Benefit Plans

### Active Employees (TRS-ActiveCare)

TRS-ActiveCare is the group health benefits program for eligible employees (and their eligible dependents) of participating entities (i.e., school districts, open enrollment charter schools, regional education service centers, or other educational districts) that were required to or chose to offer health benefits through this program. To date, more than 1,122 school districts and other eligible entities have elected to participate in TRS-ActiveCare. Blue Cross and Blue Shield of Texas administers the medical benefits; Medco Health Solutions, Inc. (Medco) administers the pharmacy benefits. TRS-ActiveCare offers a choice of four preferred provider organization (PPO) plans statewide. Also, alternative coverage under health maintenance organizations (HMOs) is available in certain service areas to eligible TRS-ActiveCare participants.

To be eligible for TRS-ActiveCare, you must be employed by a participating entity and must satisfy one of the following requirements:

- you must be an active contributing TRS member, or
- you must be employed for 10 or more hours per week.

However, you are not eligible for coverage under TRS-ActiveCare if you receive health benefit coverage as an employee or retiree under the Employees Retirement System of Texas (ERS), the University of Texas System (UT), or the Texas A&M University System (Texas A&M). Nor are you eligible for coverage under TRS-ActiveCare if you are performing personal services as an independent contractor. Also, if you are enrolled in, or declined coverage under, TRS-Care, you are not eligible for coverage as an employee under TRS-ActiveCare, even if you return to work for a TRS-ActiveCare participating entity. Notwithstanding the above, dependents of individuals who are eligible for TRS-ActiveCare according to the criteria above, including a TRS retiree who is a dependent and declined coverage under TRS-Care, may also become covered under TRS-ActiveCare if certain conditions are met. More details about the program are available on the TRS website ([www.trs.state.tx.us/trs-activecare](http://www.trs.state.tx.us/trs-activecare)).

## Retirees (TRS-Care)

TRS-Care is the group health benefits program administered by TRS for eligible retirees and their eligible dependents. TRS retirees who are not eligible for ERS, UT, or Texas A&M system health benefit coverage may be eligible for TRS-Care. If you are considering retirement, you should carefully review your eligibility for TRS-Care before terminating your employment. Eligibility requirements for retiree health benefits are subject to change; the requirements as of September 1, 2011, are summarized below.

To be eligible for TRS-Care, you must have at least 10 years of service credit in TRS at the time of retirement. This service credit may include up to five years of military service credit, but it may not include any other special or equivalent service credit purchased. Additionally, you must meet one of the following requirements at the time of retirement:

- the sum of your age and years of service credit in TRS equals or exceeds 80, regardless of whether you had a reduction in the retirement annuity for early age (years of service credit can include all purchased service); or
- you have 30 or more years of service credit in the retirement system (years of service credit can include all purchased service).

## Disability Retirees

A disability retiree is initially eligible for TRS-Care regardless of the number of years of service credit. Once enrolled in TRS-Care as a disability retiree, if all applicable premium payments are timely made, a disability retiree with more than 10 years of service credit in TRS on the date of disability retirement may continue to be covered by TRS-Care as long as the individual is a disability retiree. If all applicable premiums are timely made, TRS-Care coverage for disability retirees with less than 10 years of service credit in TRS on the date of disability retirement may continue until the disability retirement benefit ends.

If you are a disability retiree who retired or applied for retirement after August 31, 2007, you will be required to file an annual compensation statement with TRS if you earn excess compensation for work during disability retirement. If you earn compensation exceeding limits set by the TRS Board of Trustees, you may forfeit your disability retirement annuity and have to pay an increased amount for TRS-Care coverage. If you are a disability retiree with at least 10 years of service credit in TRS on the date of disability retirement and you pay all applicable premiums in a timely manner, you remain eligible for TRS-Care coverage even if you are not entitled to receive monthly benefits from TRS because those benefits have been forfeited due to earned compensation that exceeds limits set by the TRS Board of Trustees. If you are a disability retiree with less than 10 years of service credit in TRS on the date of disability retirement, you are not subject to the compensation reporting requirement. See the *Employment After Retirement* brochure for more information.

## Surviving spouses and surviving dependent children

Surviving spouses and surviving dependent children of active members and retirees may also participate in TRS-Care if certain conditions are met.

### Additional Information

The TRS-Care health benefit program offers comprehensive health care through statewide and nationwide networks of hospitals, physicians and other health care providers and pharmacies. As a participant, if you use network providers, the plan generally reimburses you for 80 percent of your eligible expenses after you have satisfied a deductible each plan year. Services provided out-of-network are reimbursed at a lower rate.

Significant plan provisions include:

- no maximum on lifetime benefits, and
- no pre-existing condition limitation if a retiree enrolls when first eligible.

TRS-Care does not have annual enrollment periods. Eligible retirees should give enrollment in TRS-Care serious consideration at the time of their retirement. After the initial enrollment period, there is no guarantee that a retiree will ever be able to enroll later.

For complete details, refer to the TRS-Care *Your Group Plan Booklet* and the *Highlights of the Plan* brochure. Both are available from TRS-Care and the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)).

## Group Long-Term Care Insurance for Active Members and Retirees

Genworth Life Insurance Company (Genworth) underwrites the group long-term care insurance program for active TRS members, TRS retirees, and certain family members. Under this program, eligible individuals may apply for completely portable coverage at favorable group rates. To obtain this coverage from Genworth, a medical questionnaire showing evidence of good health may be required. Some applications may be declined based on Genworth's underwriting guidelines.

TRS active members and retirees are eligible if they are not participating in plans administered by ERS, UT or Texas A&M university systems. For family members to be eligible, you must first be eligible. However, you are not required to enroll in the group long-term care program for the family member to enroll.

During a new employee's first 90 days of TRS-covered employment, you will not be required to show proof of good health to enroll in the program. You must, however, meet the eligibility requirements for TRS members. To enroll after this initial enrollment period, you will be required to show proof

of good health. Eligible family members and retirees must always satisfy the carrier's underwriting requirements and may be required to provide proof of good health.

TRS active members who are public school employees may pay premiums through payroll deductions by their districts. Retirees may have their premiums deducted from their TRS annuity payments. All others must pay their premiums directly to Genworth. Additional details on payroll deduction for public school employees are available from TRS-covered school districts or by calling Genworth's toll-free number (1-866-659-1970).

More detailed benefit information and enrollment materials may also be obtained by calling Genworth toll-free at 1-866-659-1970, or by visiting Genworth's website ([www.genworth.com/trs](http://www.genworth.com/trs)).

## How to Reach TRS

You may contact a benefit counselor by mail, telephone, personal appointment in TRS' Austin office and limited cities statewide, or scheduled group meetings in numerous locations across the state. Please schedule appointments in advance.

### TRS Contact/Access to Information (Web, Phone, etc.)

There are two ways to access specific information about your TRS account:

**Online Access:** To access information about your TRS account through the TRS website, log on to the *MyTRS* section of the website and create your own unique user ID and password. Through *MyTRS*, active members, retirees, and beneficiary annuitants can view personal accounts or benefit information and sign up to receive TRS publications electronically. TRS continues to expand the offerings of *MyTRS*. Watch the website for new information.

**Automated Telephone System.** To access specific information about your TRS account over the telephone, you will need a Personal Identification Number (PIN). To obtain a PIN, complete a *TRS Telephone Personal Identification Number Authorization* form (TRS 590). You can print the form from the TRS website (click on "Forms" and then on "Forms for TRS Active Members" to find the form in the list). You can also request the form by phone through the automated telephone system. Once you have completed the form and sent it to TRS, a four-digit PIN will be mailed to you.

Please include your social security number on all documents and correspondence with TRS.

## TRS Brochures

Additional benefits information is available on the TRS website and in TRS publications, including but not limited to:

<i>TRS Service Credit</i>	<i>Employment After Retirement</i>
<i>Requesting a Refund</i>	<i>TRS Automated Telephone System</i>
<i>TRS/ERS Transfer</i>	<i>TRS-Care Highlights of the Plan</i>
<i>TRS-Care Your Group Plan Booklet</i>	<i>TRS-ActiveCare Enrollment Guide</i>
<i>TRS-ActiveCare Benefits Booklet</i>	<i>Partial Lump Sum Option</i>
<i>TRS-A Great Value for All Texans</i>	



## GENERAL TRS INFORMATION

TRS website: [www.trs.state.tx.us](http://www.trs.state.tx.us)

### Mailing Address:

Teacher Retirement System of Texas  
1000 Red River Street, Austin, Texas 78701-2698

*Please remember to include your name and social security number on all correspondence mailed to TRS.*

### TRS Telephone Counseling Center:

Monday - Friday, 7 a.m. - 6 p.m. Automated information available day or night, seven days a week

1-800-223-8778 (or 1-512-542-6400)

**TTY (for hearing-impaired persons)** 1-800-841-4497

(or 1-512-542-6444)

## HEALTH & INSURANCE BENEFITS

**TRS-ActiveCare** /General Information: 1-800-223-8778, ext. 6446

Medco (prescription drugs): 1-866-355-5999

Valley Baptist Health Plan: 1-800-829-6440

Blue Cross and Blue Shield of Texas (enrollment, medical claims):

1-866-355-5999 ( [www.bcbstx.com/TRS](http://www.bcbstx.com/TRS))

First Care Health Plan: 1-800-884-4901

Scott & White Health Plan: 1-800-321-7947

**TRS-Care** /General Information: 1-800-223-8778, ext. 6456

Aetna (medical claims): 1-800-367-3636 [www.aetna.com](http://www.aetna.com)

Caremark Inc. (prescription drugs): 1-866-877-1555

[www.caremark.com/trs](http://www.caremark.com/trs)

## GROUP LONG-TERM CARE INSURANCE PROGRAM

Genworth Life Insurance Company Customer Service:

1-866-659-1970

Benefit Administrators:

[www.genworth.com/trs](http://www.genworth.com/trs)

Active Members: [www.genworth.com/trsactivemember](http://www.genworth.com/trsactivemember)

Retirees: [www.genworth.com/trsretiree](http://www.genworth.com/trsretiree)

**NOTE:** The TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)) features convenient links to the administrators' websites for TRS-ActiveCare, TRS-Care, and the TRS Group Long-Term Care Insurance Program.

## OTHER HELPFUL CONTACTS

Social Security Information - Social Security Administration:

1-800-772-1213

[www.ssa.gov](http://www.ssa.gov)

Medicare Information - General Information:

1-800-633-4227

[www.medicare.gov](http://www.medicare.gov)

# Teacher Retirement System of Texas

1000 Red River Street, Austin, TX 78701-2698

## CHANGE SERVICE REQUESTED



Did you know you can receive  
*a TRS Benefits Handbook,*  
*TRS News* issues, and other  
publications even before they are  
mailed to members?  
Visit the **MyTRS** link  
at [www.trs.state.tx.us](http://www.trs.state.tx.us) for  
more details.

**1-800-223-8778**

**[www.trs.state.tx.us](http://www.trs.state.tx.us)**