

Update

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TEACHER RETIREMENT SYSTEM OF TEXAS

SB 1458 - New reporting requirement for FY 2015

Beginning with the September 2014 TRAQS reports, all reporting entities that do not contribute into Social Security for their TRS-eligible employees are required to make a new monthly contribution to TRS. This is in accordance with Senate Bill 1458. (This requirement does not apply to institutions of higher education.)

The contribution amount for FY 2015 (September 2014-August 2015) will be 1.5 percent of all TRS-eligible compensation. However, if the member's compensation is subject to the Statutory Minimum Report, the reporting entity must contribute 1.5 percent of the member's adjusted state minimum salary.

For example, if the adjusted state minimum salary for a particular reporting entity is \$4,000 a month and a TRS-eligible employee receives a monthly salary of \$4,500, the salary that is subject to the 1.5 percent will be the adjusted state minimum salary of \$4,000. The reporting entity is also required to make contributions at the state rate on amounts paid above the adjusted statutory minimum that are eligible TRS compensation.

For employees whose positions are not subject to the state statutory minimum salary schedule, or for employers that are not subject to the Statutory Minimum Report, the reporting entities shall contribute 1.5 percent of the employee's total TRS-eligible salary.

Beginning in FY 2016 (September 2015 - August 2016), if the state contribution rate is reduced below 6.8 percent, the employer contribution rate of 1.5 percent is reduced by one-tenth of 1 percent for every one-tenth of 1 percent that the state contribution is reduced.

In the next few weeks, we will send out a survey to determine which reporting entities contribute into social security for TRS-eligible employees. Completion of the survey is mandatory. Further instructions will be given on how to complete and return this survey.

Please contact reporting@trs.state.tx.us if you have any questions.

Spring TRAQS workshops cancelled

TRS had originally planned to hold a second round of TRAQS workshops this spring to train reporting entities on the requirements of Senate Bill 1458 (see the article above). However, because the scope of this new reporting requirement is not as complicated as we had initially anticipated, TRS has chosen to cancel the workshops. We will continue to include any pertinent information regarding this report in future issues of the *Update* as well as in emails to reporting entities.

Important information for employers with qualified retirement plans

Employers that sponsor qualified retirement plans of their own should be aware that state law establishes the TRS retirement plan as the primary plan when there is more than one plan covering employees. This law is important to the administration of an employer-sponsored plan because it could affect the benefits payable from the employer's qualified defined benefit plan or the annual contributions that may be made to the employer's qualified defined contribution plan.

Contributions made to TRS for service credit purchase *and* made to an employer's qualified defined contribution plan *must be aggregated to determine whether the total annual contributions are within federal tax law limits.* See TRS rule 34 TAC §29.51. The general contribution limit for the Sept. 1, 2013 through Aug. 31, 2014 plan year is \$51,000 or 100 percent of compensation, whichever is less. If aggregated contributions would exceed the applicable limit, TRS members may be able to use installment payments or rollovers for service purchases to keep aggregated annual contributions within the limits. However, if aggregated contributions exceed the applicable limit, then contributions to the employer plan may need to be reduced.

For employers with defined benefit plans, Section 825.506, Texas Government Code, states that an employer may not provide employee retirement or deferred benefits that, when considered together with TRS benefits as required by federal law, would result in the TRS plan failing to meet federal qualification standards as applied to public pension plans. The benefit limits in Section 415(b) of the Internal Revenue Code are part of the standards that TRS must meet to maintain plan qualification and favorable tax treatment, such as deferral of federal income tax on salary contributions to TRS until benefits are paid.

Section 415(b) establishes limits on annual benefit payments by qualified defined benefit plans. *When an employee who retires will receive benefits from more than one qualified defined benefit plan covering the same employment, the limits apply to the aggregated benefits.* The Section 415(b) limit is \$205,000 for the 2013-2014 plan year, with lower limits applicable for retirement before age 62.

Because state law establishes the TRS defined benefit plan as primary, TRS compares only a member's TRS benefits to the federal limits to determine whether the benefits will be within the federal benefit limits at and during retirement. If an employer's own defined benefit plan also pays benefits to a retired employee, then under Section 825.506 the employer must take into account the TRS benefits to be sure that the aggregated benefits do not exceed the Section 415(b) limits.

To determine whether an employer's plan is affected by the limits on benefits or annual contributions, the employer should contact the plan administrator or the tax advisor for the plan. TRS maintains no information on employer plans. Also, due to confidentiality requirements, any individual TRS contribution amounts or benefit amounts that an employer's plan administrator may need to consider in comparison to the applicable limits must be obtained directly from the covered employee.

Important TRS-ActiveCare enrollment news for this year

In past years, TRS-ActiveCare has featured spring and summer enrollment periods. There will be no spring enrollment period this year. The TRS Board will decide on 2014-2015 plan year rates and benefits at its June 2014 meeting. Details on the TRS-ActiveCare plan options (effective Sept. 1, 2014) and instructions on how to enroll will be forwarded to participating entities and their Benefit Administrators (BA) later this summer. Since any changes to TRS-ActiveCare rates and benefits will not be determined until June 2014, there will not be any spring BA training meetings this year. Any information needed by TRS-ActiveCare participating entities for the 2014-2015 plan year enrollment will be communicated via the TRS website and through email communications to their BAs on or after June 9, 2014.

TRAQS - Tip of the Month

Beginning with this month's *Update*, we are pleased to introduce our "TRAQS – Tip of the Month." In every issue of the *Update*, a helpful TRAQS tip will be featured. We hope this will better assist you in your TRS reporting duties.

TRAQS - Tip of the Month

When a member no longer has a work agreement due to termination, retirement or death, an MD 90 (Member Data Termination Record) must be submitted in the month that the final transaction for the member is to be reported on the Regular Payroll Report. This will help prevent "Zero Day Errors" on your Regular Payroll Report.