Teacher Retirement System of Texas

TRS BENEFITS HANDBOOK

TRS
TEACHER RETIREMENT SYSTEM OF TEXAS

JANUARY 2018

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 December 2017. The TRS plan terms are subject to changes due to modifications to the law, as enacted by the Texas Legislature; to the rules and policies, as approved by the TRS Board of Trustees; and to federal law relating to qualified retirement plans.

Links to the state laws and TRS rules can be found on the TRS website (www.trs.texas.gov), 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.

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. The *TRS Benefits Handbook* presents retirement eligibility information by "tier." 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 pages 33-34, 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 2017 legislation or recent TRS rule changes, you can locate this information next to a star-shaped icon as shown at left. To keep you informed of current developments, TRS also publishes a newsletter, the *TRS News*, at least twice a year. Also, several brochures that provide in-depth information about various topics are available (see page 74). You can also find a wealth of information about TRS benefits on our website (www.trs.texas.gov). 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

TRS administers a pension trust fund that has been serving the needs of Texas public education employees for over 80 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 Section 401(a) of the U.S. Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). In addition, 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 credited to you 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 retirement 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 to the amount of your accumulated contributions in your TRS member 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.

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.

The funds of TRS-Care and TRS-ActiveCare are maintained in separate trust funds.

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

Your membership begins on your first day of eligible employment with a TRS-covered employer. Your employer provides TRS with information about you and your employment such as your full name, current mailing address, social security number, date of birth, date of hire, and the type of position you hold. Retirement plan membership offers you not only service retirement benefits when you qualify based on age and years of service credit, but 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 should designate a beneficiary on this form and mail the original 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, possible death benefits include a lump sum amount that is equal to twice your annual salary, with the lump sum 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 beneficiary may be eligible to receive.

As a TRS member, you contribute a percentage of your eligible compensation as your share of the funding for your benefits. The contribution rate is set by the Texas Legislature. 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 with a **single** 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.

Note: *You may work for more than one TRS-covered employer during a school year, but you cannot combine work with more than one employer to establish membership eligibility for that school year.*

An employee of a public, state-supported educational institution in Texas is considered to meet these requirements if the employee's customary employment is for 20 hours or more each week at a single employer and for 4½ months or more in one school year. Employment with an institution of higher education, including community and junior colleges, meets these requirements if the member's employment is expected to continue for more than one full semester or continues for more than one full semester in the same 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 a 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 except adjunct faculty in higher education. Bus drivers no longer have a separate eligibility standard.

Adjunct Faculty in Higher Education – An adjunct faculty position is defined as an instructor position that is filled on a semester-by-semester basis, compensated on a per-class basis, and whose duties include only those directly related to the instruction of students. A minimum of 20 hours per week is required for adjunct faculty to qualify for TRS membership eligibility.

When determining whether an employee of an institution of higher education meets the requirement of working one-half time or more, employment measured in semester or course hours or credits, instructional units, or any other unit representing class or instructional time is to be converted to clock hours and counted as a minimum of two clock hours for each clock hour of instruction in the classroom or lab. If the employer has established a greater amount of preparation time of each hour in the classroom or lab, the employer's standard will be used to determine the number of clock hours scheduled for work. Time spent teaching online classes is counted as two clock hours for every college or semester hour assigned to the class. Time spent teaching continuing education classes, adult education classes and other classes not offered for college credit is evaluated for membership on the number of clock hours worked. The standard of counting each hour of instruction in the classroom or lab as two hours worked is applied only to classes taken for college credit or taken to prepare the student for college level work and expressed in semester or course hours or credits.

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) 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),
- effective with the beginning of the 2017-18 school year, a person employed in a Texas public college or university that, as a condition of employment, requires the person to be enrolled as a student in the institution, is not eligible for membership even if the person is employed in another membership-eligible position,
- 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 eligible salary and wages paid or payable to a member for services rendered during a school year (a 12-month period beginning Sept. 1 and ending Aug. 31) . The salary and wages must be payments of money for service, the right to receive the compensation must be earned or accrued proportionately as the service is rendered, and must be paid in normal periodic payments. A member employed in a position eligible for membership through one employer must make contributions on all eligible compensation received from all TRS-covered employers . Employers must report and TRS credits compensation in the month it is paid.

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 in determining the amount of TRS benefits. Examples of non-creditable compensation include:

Unused Compensatory Leave – Payments for unused compensatory leave, including compensatory leave for Fair Labor Standards Act (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 worked but instead the employee is awarded compensatory leave in lieu of salary or wages and paid later, such as in an annual payment for the unused leave, the payment is non-creditable.

Conversion and Salary Increases in Years Used for Highest Average Salary Computation – Amounts converted into salary from non-creditable compensation in the last three or five years before retirement (depending on the number of years used in the member's highest average salary computation at 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 (the "10 percent/$10,000 limit"). The member must have received service credit in the base year being used to determine the base amount of allowable compensation in the third or fifth year before retirement. If the member does not have service credit in three of the last five or five of the last seven school years before retirement, the 10 percent/$10,000 limit does not apply. 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 prior to the 2011-12 school year but paid in the 2011-12 school year will be credited to the 2011-12 school year. 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 $270,000 – 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 Sept. 1, 1996. For these individuals, the current limit is $270,000 for the plan year Sept. 1, 2017 through Aug. 31, 2018, and the limit will increase to $275,000 for the plan year Sept. 1, 2018 through Aug. 31, 2019. The annual limit is subject to indexing each plan year, based on federal regulations, and is updated on the TRS website as needed to reflect the current limit. 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 driver education courses conducted outside regular classroom hours,
- 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/or 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; however, normal compensation paid to an employee while on administrative leave pursuant to a settlement agreement is creditable for TRS purposes and does not require a written determination from TRS in order to report the compensation to TRS,
- payments made as an incentive to terminate employment or to provide early notice of resignation,
- payments made as an incentive to accept or to continue employment such as signing or retention bonuses,
- payments for work as an independent contractor or consultant, and
- effective Sept. 1, 2017, compensation received for student employment is not subject to report and may not be used in benefit computations.

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), except in certain limited situations. Compensation earned during the final school year before retirement but not yet paid by

the date of retirement is counted in the annual compensation for that school year. TRS will also accept additional compensation paid to a retiree after the effective date of retirement and a distribution of retirement benefits has commenced and adjust the retiree's annuity prospectively if the additional compensation is owed due to an error by the employer and the correction is made and contributions submitted by the end of the school year following the year of retirement.

Member Contribution Account

Your member contribution account consists of contributions paid from 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 7.7 percent of creditable compensation. If the state contribution rate is reduced below 6.8 percent, the member contribution rate will be reduced from 7.7 percent by an equivalent percentage.

Your employer deducts the TRS member contribution from your salary on a pre-tax basis and forwards it directly to TRS. Member contributions are not taxed until you receive a distribution from TRS.

Note: *If you are an active employee of a public school or other educational district, regional education service center, or an open-enrollment charter school, you also contribute 0.65 percent of your 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. An employee entitled to health care coverage through the Employees Retirement System (ERS) or the University of Texas (UT) or Texas A&M University (TAMU) systems is not required to make the TRS-Care contribution.*

Interest Earned – Interest on your contributions is currently computed at the rate of two percent a year. TRS credits interest on Aug. 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 Aug. 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 (TRS 15), 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 (TRS 15) 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 13 for additional information on address changes.) You may elect to receive your Statement of Account electronically through *MyTRS.* (See the Online Access information on page 73 regarding planned updates to *MyTRS* offerings.)

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. If you find an error on your annual statement regarding service credit or compensation for the most recent school year reflected on your annual statement, you may be able to correct the error without paying actuarial cost for the missing service or compensation credit. However, you must notify your employer and TRS immediately upon noticing the error on the annual statement but no later than May 31 of the year following the year the service was rendered or the compensation was paid so that the error can be corrected in the current school year. If you are working for the same employer and compensation is still owed to you, your employer must withhold member contributions for the missing compensation and pay all employer contributions and penalties in order to establish the missing service and/or compensation credit.

If you do not notify TRS by May 31 regarding errors related to the immediately preceding school year, or if the error cannot be corrected because you are no longer employed by the same employer, or there is no additional compensation owed to you to by that employer, you may still establish the service or compensation credit for that year by paying the actuarial cost. Also, if the service or compensation not reflected on your annual statement was rendered or paid in earlier years, you may establish credit for the service or compensation provided you meet the following requirements.

To receive TRS credit for the service not reflected 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 in a form prescribed by TRS. Once the service is verified, you may purchase it at actuarial cost at any time prior to your retirement to receive the service credit. If you do not verify the service within the five-year deadline, the service cannot be purchased and will not be creditable. If any service rendered before Sept. 1, 2011 that is not credited on your annual statement was not verified by Aug. 31, 2016, the service cannot be purchased and will not be creditable.

Similarly, compensation not reflected on your annual statement must be verified within five years from the end of the school year in which it is paid. Once the compensation is verified, you may purchase the compensation credit at any time prior to your retirement at actuarial cost. If you received compensation before Sept. 1, 2011 that is not credited on your annual statement and was not verified by Aug. 31, 2016, the compensation credit cannot be purchased and will not be creditable. If you do not notify TRS and verify your compensation within the applicable timeframe, compensation credit cannot be purchased and the compensation will not be creditable. Even if you do not receive an annual statement, the five-year deadline applies.

Status of Membership

Your membership status determines the retirement plan benefits you may receive when eligibility requirements are met. There are three categories of membership status: 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 status on the following page.

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 three following categories: (1) have at least five years of service credit and are not currently employed in a TRS-covered position, (2) have less than five years of service credit and are currently employed by a TRS-covered employer but not in a membership eligible position, or (3) have less than five years of service credit and have been absent from employment with a TRS-covered employer 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 all employment with a TRS-covered employer 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 Sept. 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,
- earning service credit in another Texas public retirement system that participates in the Proportionate Retirement Program, or
- working for a TRS-covered employer in a part-time position that is not eligible for TRS membership.

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 47.*

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 ORP is determined by the employing institution. However, TRS determines whether an eligible individual has made a timely election to participate in ORP in lieu of membership in TRS.

If you are newly employed in or promoted to a position that is eligible for ORP, then your eligibility to elect ORP participation in lieu of membership in TRS begins on the first day of your employment in the ORP-eligible position. Generally, election to participate in ORP must be made before the 91st day after 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 TRS service credit prior to your election to participate in ORP, you forfeit any right to benefits based on your prior service credit.

Effective Sept. 1, 2017, a person who is eligible to elect ORP but is not notified of the opportunity on the first day of eligibility may make the election under the following circumstances. If the person is notified before the 91st day after becoming eligible, he or she must elect to participate in ORP before the later of the 91st day after becoming eligible or the 31st day after being notified of eligibility. If the person is notified after the 91st day after becoming eligible but before the 151st day, he or she must elect before the later of the 151st day after becoming eligible or the 31st day after being notified of the opportunity to participate. If the person is not notified of the opportunity to elect before the 151st day of becoming eligible, he or she may

not elect to participate in ORP and must remain a TRS participant.

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 for Employees who are Eligible to Elect ORP* available at 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 Section 401(a)(9) of the Internal Revenue Code. 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 TRS member, the required beginning date is April 1 of the year following the calendar year in which you attain age 70½ or terminate employment with 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 for benefits. 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. Failure to submit the required TRS forms does not delay the "required beginning date."

Ending Your TRS Membership

A member ends membership in the retirement system by:

- retirement (see page 56 for more information),
- death (see page 26 for more information),
- terminating employment and receiving a refund of accumulated contributions,
- not qualifying for TRS membership service credit for five consecutive years (see page 9 under "Status of Membership-Inactive Members") unless employment with all TRS-covered employers has not terminated, or
- electing to participate in ORP.

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, or
- elect to participate in ORP.

Requesting a Refund

In order to end TRS membership and withdraw your account, you must submit an *Application for Refund* form (TRS 6) to TRS. You may print a copy of this form from the TRS website. TRS requires that you acknowledge that you are forgoing (waiving) future retirement benefits if you have at least five years of service credit by taking a refund. The waiver is included as part of the refund application. Your account will be refunded after TRS receives all required, completed forms and termination of your employment is confirmed or the final deposit is received from your employer and posted to your account. For your protection, TRS requires sufficient time to verify your employment status and identify you as the withdrawing party.

You must submit the *Application 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 or social security card that reflects your name change.

If you were employed with a TRS-covered employer within the last six months (preceding your request for refund), TRS will contact your last TRS-covered employer to certify 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 Oct. 6; the October report is due on Nov. 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 or your employer confirms the termination of your employment.

Ineligible Refund – If you have returned to work, have applied for employment 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, you must sign a waiver acknowledging that you are waiving all rights to future TRS retirement benefits if you have at least five years of service credit by refunding your account. Additionally, individuals who terminate membership but later return to TRS membership are subject to new normal-age retirement eligibility criteria, including minimum age 62 for unreduced service retirement benefits, and new more costly 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 ERS at the time of your retirement.

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). The mandatory federal income tax withholding is 20 percent of any portion of the refund amount consisting of pre-tax funds that is not rolled over. 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. If you are not a U.S. citizen or resident alien of the U.S. and you request that your refund be sent to you at your address outside of the U.S., the mandatory federal income tax withholding is 30 percent, unless you are eligible for and claim a reduced rate of federal income tax withholding or exemption from federal income tax withholding pursuant to a U.S. tax treaty. If you are eligible for tax treaty benefits, you must notify TRS and provide TRS with the required documentation in order to claim tax treaty benefits. For more details, please contact the IRS, refer to the *Special Tax Notice Regarding Rollover Options under TRS* that is part of the TRS 6 form, or refer to the TRS brochure titled *Requesting a Refund*, which is available online (www.trs.texas.gov) 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 by rules adopted by the TRS Board of Trustees 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 that you notify us of a change of address in writing or online as a registered user of *MyTRS*. 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 or your TRS Participant ID number and your signature.

You may change your address online if you are a registered user of *MyTRS* or submit a *Change of Address Notification* form (TRS 358). This form may be printed from the Forms page of the TRS website (www.trs.texas.gov), or obtained by calling TRS at 1-800-223-8778 and then requesting the "Forms" menu. To register for *MyTRS*, go to the home page of the TRS website and click on the *MyTRS* login button to create a user ID and password.

Notify TRS if Your Name Changes

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. Your employer will report your name to TRS as it is shown on your social security card.

If you are a retiree or TRS member who is not currently employed with a TRS-covered employer, TRS requires notification in writing of your name change. The written notice must contain both your social se-

curity number or TRS Participant ID number and your signature. You must also include a copy of a court order or marriage license that authorizes your name change or social security card that reflects 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.*

Note: *If you are a TRS-ActiveCare participant, you must also notify the health plan administrator, Aetna, of address or name changes because Aetna 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 the *Designation of Beneficiary* form (TRS 15) from the TRS website. Complete, sign and mail the original 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 24 of this handbook for more information. Retirees should refer to the information on pages 63-67.

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" beginning on page 47 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 2012-13 school year, a school year starts on Sept. 1 and ends Aug. 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 no more than 12 months later. **Starting with the 2012-13 school year, all TRS members receive service credit based on a standardized school year that begins Sept. 1 and ends Aug. 31.** The TRS standardized school year may not be the same as the instructional year of your employer.

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 working and/or receiving paid leave for each day of the full fall semester, even if that semester is less than 90 days. Effective Sept. 1, 2015, members who are regularly scheduled to work fewer than five days per week may earn a year of service credit by working four

and one-half months; however, the member must serve at least four full calendar months during which the member works or receives paid leave for at least eight days each month and the member must also work or receive paid leave for an additional five days that cannot be included in the four full calendar months.

A TRS member may not receive a year of service credit before Dec. 31, except in the year of retirement when a member may earn a full year of service credit by working the entire fall semester.

Check Your Annual Statement! – Members must promptly notify TRS in writing if eligible membership service or compensation credit is not shown on the member's annual statement. If you find an error on your statement regarding service or compensation credit for the most recent school year reflected on your annual statement, you may be able to correct the error without paying actuarial cost. However, you must notify your employer and TRS immediately upon noticing the error on the annual statement but no later than May 31 of the year following the year the service was rendered or the compensation was paid so that the error can be corrected without paying the actuarial cost for the additional benefits associated with the additional service or compensation. If the error regards service or compensation from earlier years or you cannot correct the error from the immediately preceding school year without paying actuarial cost and you want to receive TRS credit for the service or compensation, you must notify TRS within five years of the end of the school year in which the service was rendered or the compensation was paid, provide verification of the service or compensation in a form prescribed by TRS and purchase the service or compensation credit. If you do not verify the credit by the required deadline, the service or compensation cannot be purchased and will not be creditable. If any service rendered before Sept. 1, 2011, that is not credited on your annual statement was not verified by Aug. 31, 2016, the service cannot be purchased and will not be creditable.

Service as a substitute is not eligible for membership in TRS, but work as a substitute for a minimum of 90 workdays in a school year may qualify for service credit if verified and purchased. If you want to receive TRS service credit for the substitute service, you must notify TRS within five years after the end of the school year in which the substitute service was rendered and provide verification of the substitute service in a form prescribed by TRS. If the substitute service is eligible to be purchased, TRS will send you a cost statement and you may purchase the service credit. If you do not verify the substitute service credit by the required deadline, the service cannot be purchased and will not be creditable. If any substitute service rendered before Sept. 1, 2011 was not verified by Aug. 31, 2016, the service cannot be purchased and will not be creditable. 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, unreported compensation or substitute service, is required to verify the service or compensation to TRS no later than five years after the end of the school year in which the service was rendered or compensation was paid in order for it to be creditable. You are not required to purchase service or compensation credit 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. If the unreported service or compensation relates to the most recent school year reflected on your annual statement, you may be able to correct the error without paying actuarial cost. However, you must notify your employer and TRS immediately upon noticing the error on the annual statement but no later than May 31 of the year following the year the service was rendered or the compensation was paid so that the error can be corrected by the end

of that school year. See "Check Your Annual Statement" for details on how to correct an error in service and/or compensation in the immediately preceding school year, page 8.

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" unless you continue to work for a TRS-covered employer in a position that is less than one-half time. 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 12 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
- substitute service
- out-of-state public school service
- developmental leave (unpaid)
- military service
- Uniformed Services Employment & Re-employment Rights Act (USERRA) service
- state sick and/or personal 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 qualified retirement plan, including TRS. For more information, please read "Restrictions on Service Credit Purchase" on page 22.

Effective Sept. 1, 2017 to use purchased service credit in calculating service retirement benefits, you have two calendar months to complete the purchase from your effective date of retirement or from the last day of the month in which you submit a retirement application, whichever is later, provided that the purchase is completed before TRS makes the first annuity payment. If the service credit must be purchased in order to establish eligibility to retire, the purchase must be completed by the effective date of your retirement. This includes all purchases for service credit except state sick and/or personal leave.

Effective Sept. 1, 2017 if you wish to purchase state sick and/or personal leave for service credit at retirement, you have 90 days after the date TRS issues a cost statement to complete the purchase. You may request a one-time extension of 30 days to complete the purchase using a rollover of funds from another eligible retirement plan or a direct trustee-to-trustee transfer of funds from a governmental 403(b) plan or governmental 457(b) deferred compensation plan.

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 toward eligibility for TRS-Care health benefits at the time of retirement, refer to the *TRS Service Credit* brochure.

Withdrawn Service Credit

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).

Note: *If you are not a member of TRS 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 credit. Contact TRS for more information.*

Unreported Service and/or Compensation Credit and Substitute Service

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

Any unreported and/or substitute service that was rendered and/or unreported compensation that was paid, before Sept. 1, 2011, must have been verified, in a form prescribed by TRS, *Verification of Service and Salary* form (TRS 22I) or *Verification of Substitute Service and Salary* form (TRS 22S), by Aug. 31, 2016. TRS will determine if verified service and/or compensation is eligible for use in determining benefits and the cost to establish the credit.

Note: *Service as a substitute is not eligible for membership but service credit for work as a substitute may be purchased at actuarial cost if verified to TRS by the end of the fifth school year after the substitute service is rendered.*

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

Unreported and 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, or the amount of, any TRS benefits.

The cost to purchase credit for unreported and substitute service and/or unreported compensation is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit and/or compensation credit. 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. In calculating the cost to purchase unreported compensation, TRS will use the member's age and years of service credit on Sept. 1 of the year in which the cost of the purchase is established.

If the unreported service or compensation relates to the most recent school year reflected on your annual statement, you may be able to correct the error without paying actuarial cost. However, you must notify your employer and TRS immediately upon noticing the error on the annual statement but no later than May 31 of the year following the year the service was rendered or the compensation paid so that the error can be corrected if all the requirements are met. Substitute service credit may not be established in this manner.

Out-of-State Public School Service Credit

If you have out-of-state service in a public school system or college and you also have five years of TRS membership service credit, you may be eligible to purchase one year of out-of-state service credit for each year of service credit with a TRS-covered employer, up to a maximum of 15 years. However, any eligible out-of-state service that is currently maintained in another public retirement system is considered nonqualified service credit, and you are eligible to purchase only a total of five years of nonqualified service credit. Service credit is considered maintained with another public retirement system if you have not withdrawn your contributions. If your eligible out-of-state service is not currently maintained in another public retirement system, your purchase of out-of-state service credit is treated as qualified permissive service credit under federal tax law and you may purchase up to the maximum of 15 years of the service credit.

Service eligible for purchase as out-of-state service credit includes service in a public education institution maintained in whole or part by one of the states of the United States, by a commonwealth territory or possession of the United States, and by the United States government, including Department of Defense Schools. Specific types of service that are eligible for purchase as out-of-state service credit and the general requirements for eligibility to purchase out-of-state service credit are discussed in the *TRS Service Credit* brochure.

The cost to purchase credit for out-of-state service is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit. 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.

Developmental Leave Service Credit

General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. You may purchase a maximum of two years of developmental leave service credit. To be eligible to purchase this service credit, you must notify TRS, on a form prescribed by TRS, of your intent to take unpaid developmental leave on or before the date the leave begins. Without pre-certification, you are not eligible to purchase this service credit.

The cost to purchase service credit for unpaid developmental leave is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit. 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. Provided you meet the pre-certification requirement and you have at least five years of TRS service credit, 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, the cost will increase the longer you delay in purchasing the service credit.

Military Service Credit

If you are a TRS member with at least five years of TRS service credit, you may be eligible to purchase up to five years of service credit for active military duty you rendered in the United States armed forces. General eligibility requirements for purchase of credit for military service are described in the *TRS Service Credit* brochure. This service credit may be purchased one year at a time.

Immediately upon becoming eligible to purchase the service credit, you should send TRS a copy of all your military service record forms (DD 214) showing your entry and separation dates for all periods of active duty service. TRS will then send you a cost statement and inform you of eligible service credit. If the military service was rendered during a time when you were a TRS member, the cost per year to purchase military service credit is an amount equal to the contributions that you would have paid on your full annual compensation for the last year of membership service preceding the school year of military duty. If your membership in TRS was established after your military service was rendered, the cost is an amount equal to the member contributions required on your full annual compensation for the first creditable year of membership service occurring after your military service was rendered. If you do not purchase all eligible military service credit as soon as you become eligible to do so, a fee of eight percent, compounded annually, will be added to the cost of obtaining military service credit for each year following the first year of eligibility until the cost is paid. Military service credit must be purchased in the order it was rendered.

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 with the same employer. You may be entitled to establish USERRA service credit and compensation credit for the active military duty. Specific time limits must be followed when returning to employment and purchasing this service or compensation credit.

General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. 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. In addition, you may be eligible to use unpurchased USERRA military service rendered before Sept. 1, 2014 to meet the 2014 Five-Year Service Credit Requirement discussed on page 31 for purposes of determining when you will be eligible for service retirement 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. If your employment is interrupted by military duty in a school year in which you already have received a year of TRS membership service credit and you expected that year to be one of your highest compensation years for calculation of a retirement benefit, you should contact TRS about establishing compensation credit for that year under USERRA.

The cost of the USERRA service or compensation credit is an amount equal to the member contributions the person would have made if the person had continued to be employed in the former position covered by TRS during the entire period of active duty. Under USERRA, the service credit must be purchased within a time period starting with the date of re-employment and lasting three times the period of the person's uniformed service, not to exceed five years.

If you receive USERRA credit under these provisions, you may not receive duplicate active duty military service credit for the same period of military service. Contact TRS for more information.

State Sick and/or Personal Leave

If you meet the eligibility requirements on your last day of employment before retirement, you may purchase one year of service credit if you have 50 days or 400 hours of unused state sick and/or personal leave accumulated at no more than five days per year. General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. Purchased state sick and/or personal leave may not be used to establish eligibility for retirement.

The cost to purchase credit for state sick and/or personal leave is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit. 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.

Purchase of this service credit is subject to the annual contribution limits described in the "Restrictions on Service Credit Purchase" on page 22. If you are interested in purchasing this type of service credit, you

should consider making the purchase with a rollover of pre-tax funds from another eligible retirement plan or a direct trustee-to-trustee transfer of pre-tax funds from a governmental 403(b) plan or a governmental 457(b) deferred compensation plan, or completing the purchase of all other types of service credit you are eligible to purchase in the years prior to retirement. Doing so will allow you to reserve the maximum amount allowed by law for voluntary contributions to purchase this type of service credit at the time of retirement.

Work Experience Service Credit (by Career or Technology Teacher)

If you are a TRS member with at least five years of service credit, you may be eligible to establish service credit for one or two years of eligible work experience that was required for your certification in a career or technology field. General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure.

The cost to purchase service credit for work experience by a career or technology teacher is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit. 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.

Membership Waiting Period Service Credit

A person was subject to a 90-day waiting period before TRS membership began if the member:

- began work for a TRS-covered employer on or after Sept. 1, 2003, but before Sept. 1, 2005, and
- was not already a TRS member at the time that employment began.

If, due to the waiting period, you did not work a sufficient length of time as a TRS member to earn a year of membership service credit for that school year, you may be eligible to purchase waiting period service credit. General eligibility requirements for purchase of this service credit are described in the *TRS Service Credit* brochure. However, purchasing service credit for the year in which the waiting period occurred does not establish an earlier TRS membership start date.

The cost to purchase credit for this service is the actuarial present value at the time of purchase of the increased benefits associated with the additional service credit. 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.

Methods of Payment

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

1. a lump sum payment using after-tax dollars (such as from a savings account),
2. installment payments using after-tax dollars available for most types of service credit but excluding USERRA and state sick and/or personal leave service credit, or
3. a rollover from another eligible retirement plan or a direct trustee-to-trustee transfer from a governmental 403(b) plan or a governmental 457(b) deferred compensation plan.

Note: *Prior to Sept. 1, 2017, if a member's installment agreement for the purchase of service credit was canceled and the member received a refund of the payments made towards years of service not yet*

credited, the member was not permitted to use the installment payments plan again for the purchase of the same service credit for three years from the date of the refund. Effective Sept. 1, 2017, this prohibition no longer applies.

Service credit costs must be paid in full by the applicable deadline (or had to have been purchased by the time of 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 at any time, even if you do not complete the purchase.

Restrictions on Service Credit Purchase

The Internal Revenue Code limits the amount of voluntary annual contributions a person may make to TRS in a plan year (Sept. 1 through Aug. 31) for purchasing service credit to:

1. $54,000 for the 2017-18 plan year (Sept. 1, 2017 through Aug. 31, 2018), and
2. $55,000 for the 2018-19 plan year (Sept. 1, 2018 through Aug. 31, 2019).

The limits are subject to annual adjustment by the Secretary of the Treasury in future plan years. You are encouraged to make your service credit purchase in plan years in which you are employed in Texas public education and receiving compensation so that you can make sure your payments for service credit are within any applicable limit.

The limit on voluntary annual contributions does not apply to the purchase of USERRA service credit or withdrawn service credit. Also, any pre-tax amounts that a member rolls over from another eligible retirement plan, or transfers via a direct trustee-to-trustee transfer from a governmental 403(b) plan or a governmental 457(b) deferred compensation plan, to TRS toward a service credit purchase do not count toward the 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 credit 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; however, 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 55 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 Sept. 1 through Aug. 31 school year.

Determining Annual Compensation

Annual compensation is another important component in determining the amount of TRS benefits. Your retirement benefits and certain death benefits are based on a percentage of your highest average annual compensation. Annual compensation is the amount of creditable compensation you receive during a 12-month period for service you rendered to your TRS-covered employer. As indicated below, the 12-month period will not always coincide with your contract period or with your employer's instructional year.

Beginning with the 2013-14 school year, annual compensation is the amount of creditable compensation for service paid to a TRS member during a 12-month period beginning Sept. 1 and ending Aug. 31 of the next calendar year.

For the 2012-13 school year, annual compensation is the greater of the amount of creditable compensation for service paid to a TRS member during the member's qualified contract period or the amount of creditable compensation paid to the member during a 12-month period beginning Sept. 1, 2012 and ending Aug. 31, 2013. A qualified contract is any employment agreement for a 12-month period in which service each year under the agreement is to begin on or after July 1 and is to extend past Aug. 31 of the same calendar year.

For school years prior to the 2012-13 school year, annual compensation is the amount of creditable compensation for service paid to a TRS member during the member's 12-month qualified contract period.

Beginning with the 2015-16 school year, annual compensation for the school year in which you retire is the highest total of compensation received during a 12-consecutive month period that occurs during a 14-consecutive month period provided:

- you complete the full contract period for the final year,
- the 14-consecutive month period includes the months of September through August of the school year in which you retire,
- the 14-consecutive month period does not include months prior to the month in which your contract for the final year began,
- the annual compensation does not include compensation earned after you retire, except that creditable annual compensation earned by the date of your retirement but not yet paid at the date of retirement is included in the annual compensation for that year,
- the annual compensation does not include performance pay credited to you by TRS as annual compensation in a prior school year,
- the annual compensation for the school year in which you retire does not exceed all applicable Internal Revenue Code limits for that school year,
- you do not receive credit for more than 12 months of compensation in the annual compensation for the final school year, and
- your compensation in the final year before retirement is not paid out in fewer than 12 months.

Please keep in mind that your employer must report to TRS the compensation paid to you in the month that it was paid. For example, if you receive your first salary payment in September for work you performed in August, your employer must report the compensation to TRS for the month of September. To ensure that all employers are reporting compensation in the month that it is paid, TRS adopted a rule that was effective

Sept. 1, 2015 that requires all TRS-covered employers to report compensation in the month it is paid. If a member did not receive credit for one month of salary in the 2014-15 school year due to the requirement to report compensation when paid and the compensation for the 2014-15 school year would have been one of the years of compensation used in calculating the member's highest average salary for benefit calculation purposes, TRS will attribute an additional month of salary in the 2014-15 school year for benefit calculation purposes. The amount TRS will attribute for the missing month is the amount of compensation that would have been reported for the missing month if the requirement to report when paid was not in place and the employer had reported the compensation earned in the missing month.

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 include an option for your beneficiary to select a benefit that pays a lump sum amount that is equal to twice your annual salary, with the lump sum 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 immediately submit a *Designation of Beneficiary* form (TRS 15), available on the TRS website, directly to TRS if any change is needed to reflect changes in your personal circumstances. Your employer is not authorized to receive your *Designation of Beneficiary* form (TRS 15); submit the form directly to TRS. The original form must be received by TRS prior to your death.

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 for death benefits must be named on a *Designation of Beneficiary* form (TRS 15) 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 *Designation of Beneficiary* form (TRS 15) is mailed to you. You should fill in the required information on the form, sign it and mail the original form to TRS immediately. The original form must be received by TRS prior to your death.

Your employer is not authorized to receive the *Designation of Beneficiary* form (TRS 15) (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 valid 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 if there are none, TRS will pay the deceased member's estate. Payment in this manner may not reflect the needs of your family; therefore, it is important for you to have a current beneficiary designation form on file at TRS.

Joint beneficiaries may be designated to receive certain active member death benefits. When joint beneficiaries are designated, the beneficiaries receive the benefits in equal shares. If one of the joint beneficiaries predeceases the member, the surviving joint beneficiary(ies) 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 TRS. The original signed form must be received by TRS prior to your death.

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 as beneficiary for death benefits that was submitted before the date of divorce, TRS must receive:

1. a new designation of beneficiary before your death that is signed after the date of divorce, or
2. a certified copy of your divorce decree before payment of any death benefits is made to any beneficiary.

Note: *Your former spouse will be revoked as your beneficiary for death benefits if TRS receives a certified copy of your divorce decree from any source, before or after your death, if death benefits have not yet been paid to any beneficiary.*

If your beneficiary designation naming your former spouse as beneficiary was submitted after a divorce, receipt by TRS of a certified copy of the divorce decree has no effect on the post-divorce designation. If you want to keep your former spouse as the beneficiary of your death benefits, submit a new form after the date of divorce naming your former spouse as beneficiary. TRS must receive the original 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 the original form to TRS. The new designation is not effective until the original form 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 Designating a Minor Child or Legally Incapacitated Adult

Although you may designate 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 designate 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 designate 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 (www.trs.texas.gov).

Considerations Before Designating a Trust, your Estate or an Organization as a Beneficiary

Although you may designate a trust, your estate or an organization as your beneficiary for certain TRS benefits, TRS encourages you to seek legal advice about any tax consequences of such a designation, the impact this may have on your estate and how you can best ensure that TRS benefits will be paid as you intend. Also, naming a trust, your estate or an organization as your beneficiary may affect the ability of the benefit to be rolled over to another eligible retirement plan.

Active Member Death Benefits

If you are a TRS member and you die in a school year in which you have performed service for a TRS-covered employer or if you die while performing qualified military service as defined by Section 414(u) of the Internal Revenue Code, 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 the creditable compensation actually paid to you in the preceding school year, whichever is greater, up to a maximum of $80,000 payable.
2. Sixty monthly payments in an amount 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 One retirement plan (100 percent joint and survivor annuity),

calculated as if you retired in the month before your death. This payment plan is available only to a beneficiary of a member who has five or more years of TRS service credit. Also, this plan is not available to joint beneficiaries.

Note: *In determining whether the lifetime annuity equal to an Option One retirement plan payable as a death benefit to the beneficiary of an active member who died with at least five years of service credit is reduced for early age, TRS must make the determination as if the member had five additional years of service credit on the last day of the month preceding the month in which the member died. The amount of any required reduction must also be determined by using the five additional years of service credit attributed to the member. This change affects death benefits payable on behalf of a member who dies on or after Sept. 1, 2017 or who died before Sept. 1, 2017 but the benefits have not commenced on Sept. 1, 2017.*

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, or when the youngest child reaches 18, whichever is later, your beneficiary spouse would 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. Payments cease when the youngest beneficiary reaches 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 working in a TRS-covered position 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 for a TRS-covered employer 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 previously listed if one of 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,
- your absence from service was because of sickness, accident or other cause TRS determines involuntary,
- your absence from service was in furtherance of the objectives or welfare of the public school system,
- your death occurred on or after Jan. 1, 2007, while performing qualified military service (USERRA) as defined by Section 414(u) of the Internal Revenue Code, or
- you were employed by a TRS-covered employer in the school year of your death but the position was not eligible for membership.

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 active member death benefit eligibility, death benefits in an 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 usually subject to federal income tax. However, the $160,000 death benefit paid on behalf of a member who dies as a result of a physical assault, as previously described in this section, is considered a "line of duty" death benefit that is not 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, which is located at www.trs.texas.gov.

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 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 DROP by enrolling no later than Dec. 31, 2005. DROP participants continued employment while accumulating a portion of their standard retirement annuity in a special account that is disbursed beginning at the time of their retirement or death. Any eligible member who wanted to participate in DROP must have done so by Dec. 31, 2005.

If you are a DROP participant, you can obtain more information through the DROP "FAQs" (frequently asked questions) on the TRS website (www.trs.texas.gov). 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 Rollover Options under TRS* form 6PG1 included with your retirement forms. TRS encourages you to consult with a professional tax advisor if you have any questions.

Interest on your DROP account balance is currently computed at the rate of two percent per year beginning Sept. 1, 2014. If you began receiving your DROP distribution before that date, your future distributions are adjusted to reflect the decrease in interest.

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 (Option One, Two or Five), or guaranteed

period annuity (Option Three or Four) payment plans,
- monthly disability retirement annuity payments,
- Partial Lump Sum Option (PLSO) payment in addition to a reduced monthly service retirement annuity,
- distribution of a DROP account, and
- survivor benefits payable on the retiree's behalf to a beneficiary.

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 or to select a PLSO at retirement.

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 70-72). 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 or based on a flat percentage rate. Beginning Sept. 1, 2014, your years of service credit as of Aug. 31, 2014, will also affect your eligibility for service retirement benefits and the amount of reduction for an early-age retirement annuity. 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 several distinct membership categories, each with its own retirement eligibility requirements and early-age reductions. TRS has identified membership tiers that correspond to the different categories of membership to help you better understand the requirements and reductions that apply to you. The membership tier that applies to you is determined by the date you entered your current TRS membership; by your "grandfathered" status; and by the amount of service credit you had on Aug. 31, 2014, discussed in this section. **Please note:** Beginning with the 2014-15 school year, changes made by Senate Bill 1458, passed by the Texas Legislature in 2013, may affect the membership tier that previously applied to you. Please see the section entitled "2014 Five-Year Service Credit Requirement" on page 31 for more information.

By reviewing the information about your tier, you can find out the age and years of service credit 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, under 2005 legislation, if you met at least one of the following criteria as a member of TRS before Sept. 1, 2005:

- you were at least 50 years of age,
- your age and years of service credit 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 if you are eligible to receive an unreduced service retirement annuity and you are not a DROP participant,
- your standard annuity calculation will use an average salary based on your highest three annual salaries, and
- you are eligible for certain, more favorable 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 terminate your employment in Texas public education, your TRS entry date remains the same as long as you do not terminate 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, 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.

2014 Five-Year Service Credit Requirement

Beginning Sept. 1, 2014, any member with less than five years of service credit in TRS on Aug. 31, 2014, or any member who has an entry date, as described beginning on the previous page, on or after Sept. 1, 2014, will be affected by the changes made to service retirement eligibility criteria by Senate Bill 1458, passed by the Texas Legislature in 2013. These changes are encompassed in Tiers 5 and 6.

Only service credit actually credited in the retirement system on or before Aug. 31, 2014, is considered for meeting the five years of service credit requirement. Service credit that was purchased and paid in full by Aug. 31, 2014, is counted toward the five years of service credit requirement. However, any qualifying USERRA military service, up to a maximum of five years, rendered on or before Aug. 31, 2014, will be counted toward the five years of service credit requirement, even if it is not purchased.

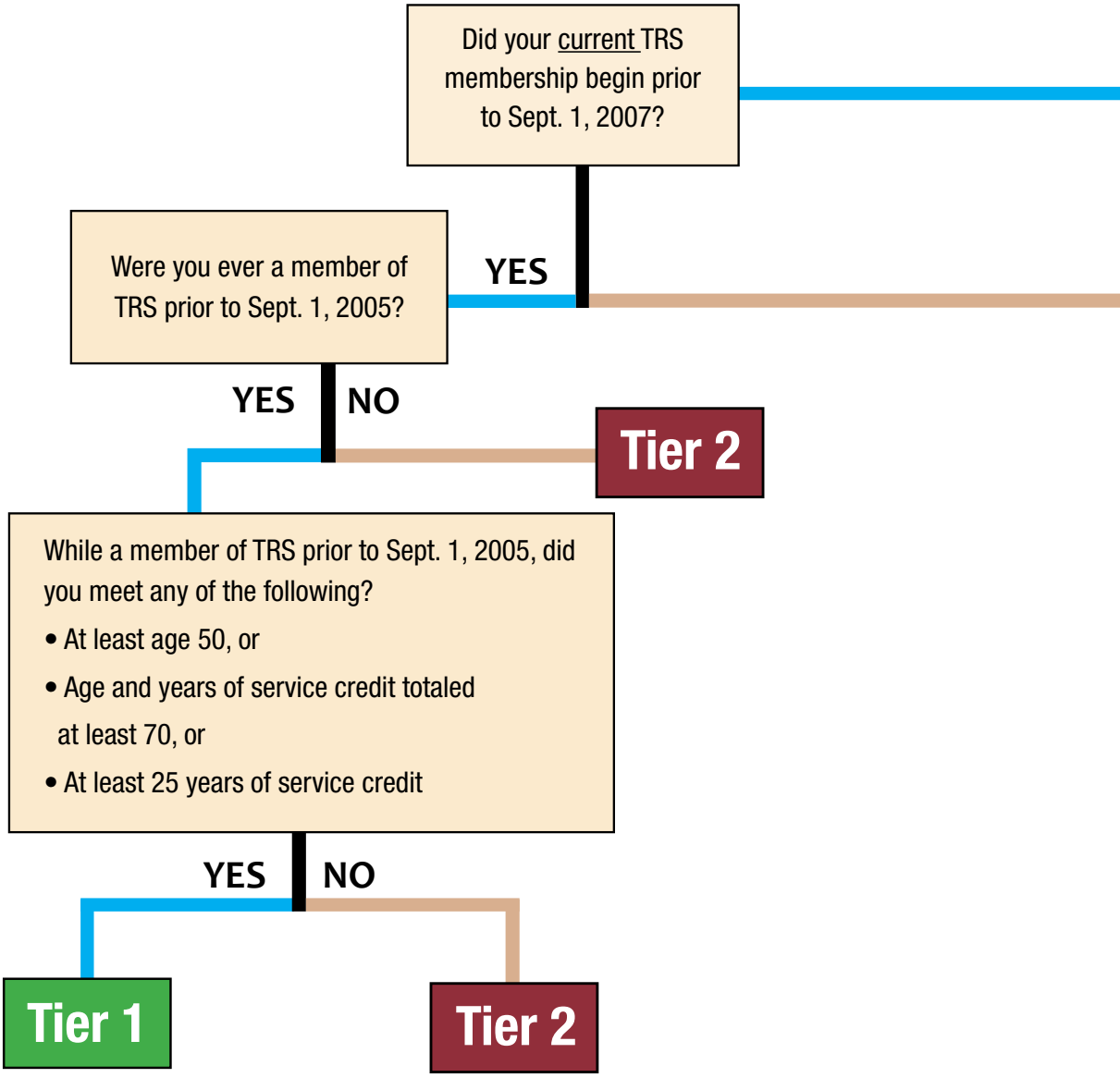
A TRS member on Aug. 31, 2014 who also has service credit in a retirement system that participates in the Proportionate Retirement Program (see page 55) may combine active service credit in the other system with TRS service credit as of Aug. 31, 2014, in order to meet the five years of service credit requirement. Service credit in the other retirement system that participates in the Proportionate Retirement Program may be used even if the member has retired from the other retirement system or if the service credit is granted as “time only credit” in the other retirement system. Members must notify TRS of the service credit in the other retirement system prior to retirement in order for it to be considered for meeting TRS retirement eligibility criteria.

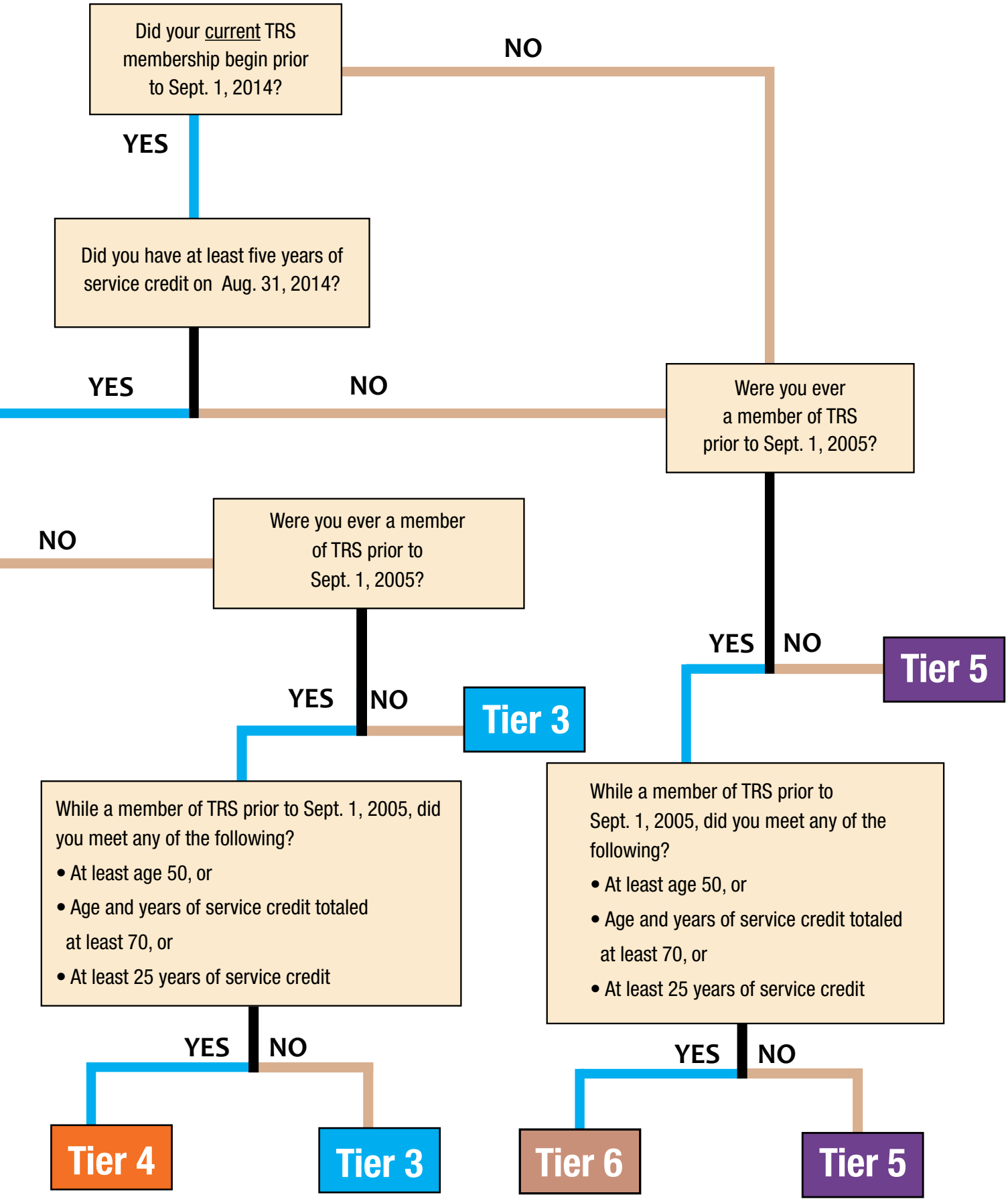
On the following pages you will find comprehensive information about tiers, including tier placement maps and charts.

What is my Tier?

Tier Placement Map
Effective Sept. 1, 2014

Effective Sept. 1, 2014, the placement map below should be used to correctly determine the tier that applies to you. Your placement on the map may have changed on that date due to the 2014 Five-Year Service Credit Requirement. Each placement map 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 30 for information about grandfathering. See the "Entry Date" topic on pages 30-31 if you need more information about when your current TRS membership began.




Did your current TRS membership begin prior to Sept. 1, 2014?
NO
YES
Did you have at least five years of service credit on Aug. 31, 2014?
YES
NO
Were you ever a member of TRS prior to Sept. 1, 2005?
NO
Were you ever a member of TRS prior to Sept. 1, 2005?
YES
NO
Tier 5
YES
NO
Tier 3
While a member of TRS prior to Sept. 1, 2005, did you meet any of the following?
• At least age 50, or
• Age and years of service credit totaled at least 70, or
• At least 25 years of service credit
While a member of TRS prior to Sept. 1, 2005, did you meet any of the following?
• At least age 50, or
• Age and years of service credit totaled at least 70, or
• At least 25 years of service credit
YES
NO
YES
NO
Tier 4
Tier 3
Tier 6
Tier 5

If you met the 2005 eligibility requirements to be grandfathered and your current TRS membership began prior to Sept. 1, 2007, and you had at least five years of service credit in TRS as of Aug. 31, 2014, and you maintain your membership until retirement, your membership falls under Tier 1. To retain your placement in Tier 1 you cannot terminate your membership, withdraw your accumulated contributions and resume membership in TRS after Aug. 31, 2014. This section describes the age and service credit 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80, or
- you have 30 or more years of service credit but do not meet the Rule of 80.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) within TRS Rule 29.12. The tables or the TRS online calculator through *MyTRS* 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 five 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 percent, 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 early-age reduction to your standard annuity may be as great as 10 percent, depending on your age at retirement.

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

- Your standard annuity will be reduced by 2 percent for every year your age is below the age of 50.

Standard Annuity Calculation

Average Salary = Average of Three Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

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 to receive an unreduced service retirement annuity,
- you are not participating in DROP, and
- you are not retiring under the Proportionate Retirement Program.

If you did not meet the 2005 eligibility requirements to be grandfathered but your current TRS membership began prior to Sept. 1, 2007, and you had at least five years of service credit in TRS as of Aug. 31, 2014, and you maintain your membership until retirement, your membership falls under Tier 2. To retain your placement in Tier 2 you cannot terminate your membership, withdraw your accumulated contributions and resume membership in TRS after Aug. 31, 2014. This section describes the age and service credit 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80, or
- you have 30 or more years of service credit but do not meet the Rule of 80.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) within TRS Rule 29.11. The tables or the TRS online calculator through *MyTRS* 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 service retirement reductions, please see the criteria below.

If you are between ages 55 and 64, have at least five 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 percent, depending on your age at retirement.

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

- Your standard annuity will be reduced by 2 percent for every year your age is below the age of 50.

Standard Annuity Calculation

Average Salary = Average of Five Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

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 Program.

If you did not meet the 2005 eligibility requirements to be grandfathered and your current TRS membership began on or after Sept. 1, 2007 but prior to Sept. 1, 2014, and you had at least five years of service credit in TRS as of Aug. 31, 2014, and you maintain your membership in TRS until retirement, your membership falls under Tier 3. To retain your placement in Tier 3 you cannot terminate your membership, withdraw your accumulated contributions and resume membership in TRS after Aug. 31, 2014. This section describes the age and service credit 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 service retirement 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, 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 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80,
- you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 60, or
- you meet the Rule of 80 with at least five years of service credit but you are less than age 60.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) within TRS Rule 29.11. The tables or the TRS online calculators through *MyTRS* 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 service retirement reductions, please see the criteria below.

If you are between ages 55 and 64, have at least five 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 percent depending on your age at retirement.

If you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 60:

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

If you meet the Rule of 80 with at least five years of service credit but are less than age 60:

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

Standard Annuity Calculation

Average Salary = Average of Five Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

PLSO Eligibility Requirements

As a Tier 3 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 Program.

If you met the 2005 eligibility requirements to be grandfathered but your current TRS membership began on or after Sept. 1, 2007 but prior to Sept. 1, 2014, and you had at least five years of service credit in TRS as of Aug. 31, 2014, and you maintain your membership in TRS until retirement, your membership falls under Tier 4. To retain your placement in Tier 4 you cannot terminate your membership, withdraw your accumulated contributions, and resume membership in TRS after Aug. 31, 2014. This section describes the age and service credit 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 service retirement 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 are at least age 60, 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 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80,
- you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 60, or
- you are less than age 60 but you meet the Rule of 80 with at least five years of service credit.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) in TRS Rule 29.12. The tables or the TRS online calculator through *MyTRS* 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 service retirement reductions, please see the criteria below.

If you are between ages 55 and 64, have between five 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 percent 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 early-age reduction to your standard annuity may be as great as 10 percent, depending on your age at retirement.

If you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 60:

- Your standard annuity will be reduced by 5 percent 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 with at least five years of service credit:

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

If you are at least age 55 but less than age 60, have at least 20 years of service credit, and meet the rule of 80:

- Your standard annuity is not reduced based on actuarial tables, but you are still considered an early-age retiree.

Standard Annuity Calculation

Average Salary = Average of Three Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

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 to receive an unreduced service retirement annuity,
- you are not participating in DROP, and
- you are not retiring under the Proportionate Retirement Program.

If you did not meet the 2005 eligibility requirements to be grandfathered and any of the following applies: 1) you did not have at least five years of service credit on Aug. 31, 2014, 2) your current membership in TRS began on or after Sept. 1, 2014, or 3) you had at least five years of service credit on Aug. 31, 2014, but you terminated your membership in TRS by withdrawing your accumulated contributions and resumed membership in TRS after Aug. 31, 2014, your membership falls under Tier 5. This section describes the age and service credit requirements that a Tier 5 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 5 member, using the final average salary that applies to Tier 5. Finally, it provides an overview of the early-age service retirement reductions to the standard annuity that may apply to a Tier 5 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 62, 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 5 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80,
- you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 62, or
- you meet the Rule of 80 (your age and years of service credit total at least 80) with at least five years of service credit but you are less than age 62.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) in TRS Rule 29.11. The tables or the TRS online calculator through *MyTRS* 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 service retirement reductions, please see the criteria below.

If you are between ages 55 and 64, have at least five 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 percent depending on your age at retirement.

If you have at least 30 years of service credit, do not meet the Rule of 80 and are less than age 62:

- Your standard annuity will be reduced by 5 percent for every year your age is below the age of 62.

If you meet the Rule of 80 with at least five years of service credit but are less than age 62:

- Your standard annuity will be reduced by 5 percent for every year your age is below the age of 62.

Standard Annuity Calculation

Average Salary = Average of Five Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

PLSO Eligibility Requirements

As a Tier 5 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 Program.

If you met the 2005 eligibility requirements to be grandfathered and any of the following applies: 1) you did not have at least five years of service credit on Aug. 31, 2014, 2) your current membership in TRS began on or after Sept. 1, 2014, or 3) you had at least five years of service credit on Aug. 31, 2014, but you terminated your membership in TRS by withdrawing your accumulated contributions and resumed membership in TRS after Aug. 31, 2014, your membership falls under Tier 6. This section describes the age and service credit requirements that a Tier 6 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 6 member, using the final average salary that applies to Tier 6. Finally, it provides an overview of the early-age service retirement reductions to the standard annuity that may apply to a Tier 6 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 62, 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 6 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 do not meet the normal-age service retirement 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 but do not meet the Rule of 80,
- you have at least 30 years of service credit, do not meet the Rule of 80 and are less than age 62, or
- you are less than age 62 but you meet Rule of 80 with at least five years of service credit.

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 service retirement eligibility.

Early-Age Reductions

Actuarial tables detailing the percentage reduction applied to your annuity may be found on the TRS website (www.trs.texas.gov) in TRS Rule 29.12. The tables or the TRS online calculator through *MyTRS* 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 service retirement reductions, please see the criteria below.

If you are between ages 55 and 64, have between five 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 percent 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 early-age reduction to your standard annuity may be as great as 10 percent, depending on your age at retirement.

If you have at least 30 years of service credit, do not meet the Rule of 80, and are less than age 62:

- Your standard annuity will be reduced by 5 percent for every year your age is below the age of 62.

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

- Your standard annuity will be reduced by 5 percent for every year your age is below the age of 62.

If you are age 61, you meet the Rule of 80, and you have 19 years of service credit:

- Your standard annuity will be reduced by 5 percent.

If you are at least age 55 but less than age 62, have at least 20 years of service credit, and meet the rule of 80:

- Your standard annuity is not reduced based on actuarial tables, but you are still considered an early-age retiree.

Standard Annuity Calculation

Average Salary = Average of Three Highest Annual Salaries
Total Percent = Total Years of Service Credit x 2.3%
Annual Annuity = Total Percent x Average Salary
Monthly Annuity = Annual Annuity ÷ 12
Retirement annuity calculators are available on the TRS website through MyTRS to assist you.

PLSO Eligibility Requirements

As a Tier 6 member, at retirement you are eligible to select a Partial Lump Sum Option (PLSO) if:

- you are eligible to receive an unreduced service retirement annuity,
- you are not participating in DROP, and
- you are not retiring under the Proportionate Retirement Program.

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 (Option One, Two, Three, Four, and Five). If you select a standard annuity form of payment, monthly payments end upon your death. The standard annuity is calculated according to the benefit formula in state law in effect on the date of your retirement. The current multiplier set by statute is 2.3 percent.

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% (multiplier) = 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 (Option One, Two, Three, Four, or Five) 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.

*As noted on page 30, members who are grandfathered (Tiers 1, 4 and 6) have their standard annuity calculated using the average of their highest three annual salaries.

The standard annuity calculation for DROP participants does not include credit for service or salary during the years of DROP participation. The standard annuity for DROP participants is the sum of the pre-DROP standard annuity plus the standard annuity calculated only on any post-DROP service and salary credit.

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
Highest Annual Salary 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**		x	**2.3% (.023)**	=	**69% (.69)**
Total Years of Service Credit			Multiplier		Total %
3. **69 (.69)**		x	**$36,000**	=	**$24,840**
Total %			Average Salary		Annual Annuity
4. **$24,840**		÷	**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 on the basis of your age. You must continue to be employed in a TRS-covered position and earn additional service and salary credit in order for your annuity amount to increase. For example, a person in Tier 1 who is 60 years old with 30 years of service credit and a $50,000 final average salary will receive the same standard annuity amount as a 55 year old person in Tier 1 with 30 years of service credit and a $50,000 final average salary. 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 through *MyTRS* on the TRS website, which is located at www.trs.texas.gov.

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 provided above is less than $150 per month, you are eligible to receive a minimum standard annuity benefit of $150 per month. This minimum benefit will be reduced due to early-age service retirement, the selection of an optional form of annuity payment (Option One, Two, Three, Four, or Five), 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 arrangement that is funded by the state, not the pension trust fund. State or federal law changes may terminate the excess benefit arrangement fund at any time without prior notice. In this event, all payments from the excess benefit arrangement fund would be terminated.

If your annual retirement benefit is $215,000 or more in plan year 2017-18 or $220,000 or more in plan year 2018-19, you may be affected by the 415(b) limit. The limit may be adjusted annually by the IRS. TRS maintains the applicable limit on its website for your reference. Also, the benefit limit is adjusted for several factors, including retirement age. Retirement before age 62 may result in a significant reduction to

the allowable amount that can be distributed from the pension trust fund, thus increasing the amount that must be paid from the excess benefit arrangement and the amount that is "at risk" if the excess benefit arrangement fund is terminated. 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** is a reduced annuity that is paid to you for life and then to a surviving beneficiary for life. The annuity paid to you is reduced based on an actuarial factor that takes into account your age and the beneficiary's age. This reduction is in addition to any reduction for early-age service retirement. 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 payable to you (Option Five), or 50 percent of the monthly amount payable to you (Option Two). If the beneficiary does not survive you, please notify TRS. After you notify TRS, your benefit is increased to the standard annuity amount effective with the annuity payable for the month following your beneficiary's death.

- **Guaranteed Period Annuity** is 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 beneficiary(ies). 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. This reduction is in addition to any reduction for early-age service retirement. 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 after application of any early-age reduction factors a retiree would receive under an optional payment plan, based on the age of the retiree and the beneficiary.

Special Note: *If you select an optional form of annuity and you designate a minor child or a legally incapacitated person as beneficiary to receive annuity payments after your death, the benefit will be paid to an adult or entity with legal authority to receive the benefit on behalf of the child or incapacitated individual. See the "Beneficiary Designation by Members" section on pages 24-26 for more information on the topic of "Considerations Before Designating 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 you, 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 the beneficiary of the trust.

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: Actual 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:**

Age of Member at Date of Retirement

Age of Beneficiary	55	57	59	61	63	65
	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:**

Age of Member at Date of Retirement

Age of Beneficiary	55	57	59	61	63	65	67
	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	94.18	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 table on the next page shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under **Option Five:**

	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

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 a single beneficiary 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 you for life. If you die 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.

Options 3 and 4

Age of Member	60 MONTHS	120 MONTHS
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 the time of 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. The opportunity to select PLSO is only available at service retirement. Please refer to your tier to determine your eligibility to select PLSO at retirement.

If you are eligible, you may select a PLSO 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.*

Depending on which PLSO distribution you select, TRS will disburse your PLSO selection as follows:

- 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 payments, your initial payment will be disbursed at the same time as your first monthly annuity payment and 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 PLSO distribution 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 *Special Tax Notice Regarding Rollover Options under TRS* 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 PLSO 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 *MyTRS* online retirement estimate calculator on the TRS website (www.trs.texas.gov) 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 is 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 retirement annuity that is not reduced due to early age and that is paid for the lesser of the duration of your disability or the duration of your life. 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 20 percent federal income tax withholding (30 percent if you are not a U.S. citizen or a resident alien of the U.S. and you request that your annuity be sent to you at you address outside the U.S., unless you are eligible for and claim a reduced rate of federal income tax withholding or exemption from federal income tax withholding pursuant to a U.S. tax treaty). 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 Aug. 31, 2007 and whose retirement application is received after Aug. 31, 2007, you are subject to a limit on the compensation you may earn for work you perform while receiving disability retirement benefits. The current limit is the greater of the highest amount of creditable compensation you received while a member of TRS or $40,000. 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 retirement system, you may be eligible to combine all of your service credit to satisfy eligibility requirements for service retirement under TRS. If you retired after Sept. 1, 2016, you may also be eligible to combine all of your service credit in determining the early-age reduction to be applied to your TRS service retirement benefit. If you wish to retire in another system, you may also be eligible to combine your TRS service credit with service credit in that entity for this purpose. Combined service credit under this program may not be used to establish eligibility for TRS-Care or any type of benefit other than service retirement benefits.

While all service credit with participating retirement systems may be considered to determine eligibility for and in determining the early-age reduction to be applied to 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 participating retirement systems are the responsibility of those other retirement 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
- City of Austin Police Retirement System
- El Paso City Employees' Pension Fund
- El Paso Firemen and Policemen's Pension Fund

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 Jan. 31, you must terminate employment by Jan. 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 canceled application was pending but incomplete.

Termination of Employment Before Retirement

Termination of employment occurs no earlier than your official resignation date and after you have ceased all employment with all TRS-covered employers. This requirement includes terminating any part-time employment with a TRS-covered employer that would not meet the requirements for membership in TRS. You should 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 that is to begin before the required 12 full, consecutive-calendar-month break in service.

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 for TRS purposes if, at the time of retirement, you have a contract, agreement or promise for future employment with a Texas public educational institution. Contracting for future employment before you retire is permissible only when the following conditions are met:

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

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

If you do not meet these two criteria, but nevertheless enter into employment arrangements at the time of retirement, you are not eligible for retirement because you have not effectively terminated employment. You are not eligible for any retirement benefits you may have received or for retiree health care coverage. See pages 35-46 for normal-age retirement requirements. For more information, see the TRS *Employment After Retirement* brochure, available on the TRS website or by calling TRS.

If you take early-age retirement you may not have a contract, agreement or promise for any type of future employment with a TRS-covered employer at the time you retire. You 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), you may contract for any type of employment; however, the employment after retirement remains subject to the monthly forfeiture of benefit provisions. See pages 35-46 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 revoke their retirement and forfeit all associated benefits of retirement.

Required Break in Service

You also revoke your retirement if you are employed in any position in a Texas public educational institution in any capacity (including working as a substitute and working less than full time) 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 Aug. 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 may be considered service that revokes retirement. Working but waiving payment for service during the required break in service revokes retirement. In addition, working as a substitute during the required one full, calendar-month break in service after retirement revokes retirement.

Note: *One full, calendar month of separation from employment with any TRS-covered employer is also required of a person retiring with 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. **One Month –** All retirees must observe a break in service of one full, calendar month after retirement in order to have an effective retirement and avoid revoking your retirement.
2. **Twelve Months –** If a retiree who retires after Jan. 1, 2011 wishes to work full time (more than one-half time) in Texas public education without loss of monthly benefits, the retiree must observe a break in service of 12 full, consecutive calendar months.

Note: *For retirees who retire after Sept. 1, 2017 and retirees who are within the first 12 full, consecutive calendar months following the effective date of retirement on Sept. 1, 2017, additional types of employment with a TRS-covered employer that must be reported to TRS and that are considered employment that interrupts the 12-month break in service include: (1) working or performing services as an independent contractor; (2) waiving, deferring or forgoing compensation for the services; or (3) volunteering and performing the same duties or providing the same services for the employer that the retiree performed or provided immediately before retiring and the retiree has an agreement to perform those duties or provide those services after the first 12 full, consecutive calendar months after the retiree's effective date of retirement. These types of arrangements are considered employment for employment after retirement purposes, provided the retirees are performing duties or providing services that employees would otherwise perform.*

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 or other proof of age documentation, as well as a copy of the birth certificate or other proof of age documentation of your beneficiary if you select Option One, Two or Five as your annuity payment plan. Please write your social security number or TRS Participant ID on any birth certificate or other proof of age document 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 retirement process to finalize your purchase before your retirement date.

Employment After Retirement

General Information

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 revoke your service or disability retirement entirely.

- If you comply with all the requirements and your retirement is effective, but you work more than the law allows while receiving your monthly benefit, you 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 all TRS-covered employers (see "Termination of Employment Before Retirement" and "Negotiation for Return to Employment," pages 56-57, 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 effective retirement date, and
- work only the amount of time permitted.

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 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 earnings 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.

Service Retirees

If you retired **before** Jan. 1, 2011, you are permitted to return to work in any capacity without loss of annuities after the required one full, calendar-month break in service.

If you retired **after** Jan. 1, 2011 and have fulfilled the required one full, calendar-month break in service, you may work in Texas public education without forfeiting your annuity payment under the following conditions:

Substitute – You may substitute an unlimited number of days during the school year. However, you may **not** work as a substitute during the required one full, calendar-month break in service immediately following retirement, or for retirees who retired after Jan. 1, 2011, you may not work as a substitute during the required 12 full, consecutive-calendar-month break in service required before full-time employment. For TRS purposes, a substitute is a person who serves on a temporary basis in the place of a current employee. Effective Sept. 1, 2016, a substitute also includes a person who serves in a vacant position for not more than 20 days total in that vacant position and is paid no more than the daily rate of pay for a substitute, provided the person is not serving in a vacant position that was last held by that person.

One-half Time or Less – You may work one-half time or less. For employment after retirement purposes, one-half time employment allows you to work the equivalent of four hours for each workday in that calendar month in any arrangement or schedule. A workday is every Monday through Friday in the month without regard to whether the retiree is scheduled to work that day, the day is a holiday or the employer is

open for business. Using paid leave is counted as time worked.

In addition, time worked as a faculty member in higher education is counted as a minimum of two clock hours for every hour of instruction in the classroom or lab. Time spent teaching online classes is counted as two clock hours for every college or semester hour assigned to the class. Time spent teaching continuing education classes, adult education classes and other similar classes not offered for college credit is counted as one hour for each clock hour worked. The standard of counting each hour of instruction in the classroom or lab as two hours worked is applied only to classes taken for college credit or classes taken to prepare students for college level work and that are expressed in semester hours or similar terms. See the TRS *Employment After Retirement* brochure for additional information on these topics.

Combination of Substitute and One-half Time Employment – You may combine substitute and one-half time employment during the same calendar month as long as the total days worked in both positions do not exceed one-half the number of workdays in the calendar month. A workday is each Monday through Friday. However, working any part of a calendar day, including a Saturday or Sunday, is counted as a day worked. When combining substitute work and any other work in a calendar month with an odd number of workdays, a retiree may not work any part of the remaining one-half day when dividing the number of workdays in the month by two.

Members who retired **after** Jan. 1, 2011 and **have observed a 12 full, consecutive-calendar-month break in service** are permitted to return to work in any capacity without loss of annuity payments.

Note: *You may not work as a substitute or for any amount of time for a TRS-covered employer during the 12 full, consecutive-calendar-month break in service. If you are employed in any capacity by a TRS-covered employer, including one-half time or less and/or substituting, prior to completing the 12 full, consecutive-calendar-month break in service as described above, your 12 full, consecutive-calendar-month break in service must start over. The new 12-month period begins the month after you terminate all employment with a TRS-covered employer.*

For retirees who retire after Sept. 1, 2017 and retirees who are within the first 12 full, consecutive calendar months following the effective date of retirement on Sept. 1, 2017, additional types of employment with a TRS-covered employer that must be reported to TRS and that are considered employment that interrupts the 12-month break in service include: (1) working or performing services as an independent contractor; (2) waiving, deferring or forgoing compensation for the services or duties; or (3) volunteering and performing the same duties or providing the same services for the employer that the retiree performed or provided immediately before retiring and the retiree has an agreement to perform those duties or provide those services after the first 12 full, consecutive calendar months after the retiree's effective date of retirement. These types of arrangements are considered employment for employment after retirement purposes, provided the retirees are performing duties or providing services that employees would otherwise perform.

Work performed through a third-party entity on behalf of a TRS-covered employer is considered employment with a TRS-covered employer for employment after retirement purposes. Work performed through a third-party entity does not revoke your retirement but if you exceed the limits on employment after retirement, you will forfeit your monthly annuity payment for each calendar month that you exceed the limit. See the TRS *Employment After Retirement* brochure for more information.

Disability Retirees

If you are a disability retiree, you may be employed by a Texas public educational institution for a maximum of 90 days per school year (Sept.1 through Aug. 31) in the following categories without forfeiting your annuity payments:

- **Substitute –** You may serve as a substitute, subject to the 90-day limit on total employment in a school year. For TRS purposes, a substitute is a person who serves on a temporary basis in the place of a current employee. Effective Sept. 1, 2016, a substitute also includes a person who serves in a vacant position for not more than 20 days total in that vacant position and is paid no more than the daily rate of pay for a substitute, provided the person is not serving in a vacant position that was last held by that person.
- **One-half Time or Less –** You may work one-half time or less, subject to the 90-day limit on total employment in a school year. For employment after retirement purposes, one-half time employment allows you to work the equivalent of four clock hours for each workday in that calendar month in any arrangement or schedule. Time spent teaching online classes is counted as two clock hours for every college or semester hour assigned to the class. Time spent teaching continuing education classes, adult education classes and other similar classes not offered for college credit is counted as one hour for every clock hour worked. The standard of counting each hour of instruction in the classroom or lab as two hours worked is applied only to classes taken for college credit or classes taken to prepare students for college level work and that are expressed in semester hours or similar terms.
- **Combination of Substitute and One-half Time Employment –** You may combine substitute and one-half time employment during the same calendar month as long as the total number of days you work in both positions does not exceed one-half the number of work days in the calendar month. A workday is each Monday through Friday. However, working any part of a calendar day, including a Saturday or Sunday, is counted as a day worked. When combining substitute work and any other work in a calendar month with an odd number of work days, a disability retiree may not work any part of the remaining one-half day when dividing the number of workdays in the month by two. The combination of substitute and one-half time employment cannot exceed 90 days.

In addition to the above, on a one-time only trial basis, you may work up to full time for a period of no more than three consecutive months provided that all of the following requirements are met:

- The work occurs in three consecutive months designated by the employee. Working any part of a month counts as a full month.
- The trial work period may occur in more than one school year provided that the total amount of time in the trial period does not exceed three consecutive months.
- The full-time employment begins in a school year that starts after the effective date of your retirement and the required one full, calendar-month break in service requirement has been met.
- Written notice on *Employment After Retirement Disability Election* form (TRS 118D) is received by TRS by the last day of the first month of full-time employment. This form can be found on the TRS website under “Forms.”

Note: *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 employment.*

In addition to the limit on the number of days you may work as a disability retiree, you may also be subject to a limit on the amount of compensation you may receive from any source, including non-TRS covered employers and/or self-employment while receiving a disability retirement annuity. If you are a disability retiree who applied and retired after Aug. 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. The current compensation limit is the greater of $40,000 or your highest salary prior to retirement. Disability retirees who applied and retired after Aug. 31, 2007 and who exceed this limit are required to report the compensation to TRS. The report must be made by May of the year following the year in which the compensation was received. 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 limit or the reporting requirement. Work performed by a disability retiree through a third-party entity on behalf of a TRS-covered employer is considered employment with a TRS-covered employer for employment after retirement purposes. See the TRS *Employment After Retirement* brochure for more information.

Note: *Before making any decisions on returning to employment in Texas public education, please review the TRS Employment After Retirement brochure to get the most up-to-date, comprehensive information about employment after retirement. You may also contact TRS if you are unsure whether your employment will affect your retirement or your monthly annuity payment.*

Employer Surcharges

An employer who hires a retiree who retired after Sept. 1, 2005 may be subject to surcharges if the retiree work exceeds one-half time. Surcharges are incurred when the retiree works for more than the equivalent of four clock hours for every workday in that calendar month or more than half the number of workdays in the month if the retiree is combining one-half time and substitute employment. For the purposes of employment after retirement a workday is any Monday through Friday in the month without regard to whether the employee is scheduled to work that day, whether the day is a holiday, or whether the employer is open for business. The hours may be worked in any arrangement or schedule in that calendar month. Hours of paid leave used by retirees must be included in the total number of hours worked for that calendar month. A surcharge is not incurred if the retiree works only as a substitute that calendar month.

The amount of the pension surcharge is the amount of state and member contributions on the compensation paid to the retiree that calendar month. If the retiree is also enrolled in TRS-Care, the employer must pay a health benefit surcharge in an amount set by the TRS Board of Trustees.

While the law establishing the surcharges requires that the employer pay the surcharges to TRS, it is silent with regard to the source of the funds. TRS is aware that some employers require the retiree to reimburse the employer for all or part of the surcharges incurred as a result of the retiree's employment. Please check with your potential employer about any requirements for reimbursing the employer for surcharges owed on your employment before you begin work.

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 changed their retirement payment plan from a joint and survivor annuity to the standard annuity benefit as described below 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, Two and Five retirement plans are calculated based on the current spouse's date of birth and will be provided by TRS.

Post-Retirement Beneficiary and Payment Plan Changes

Post-Retirement Change in Beneficiary

Changing a Beneficiary When a Member has Retired Under Option One, Two or Five Retirement Plans – Once you have named a beneficiary for a joint and survivor annuity (Option One, Two, or Five) and your first annuity payment has been issued by TRS, you may change that designation only when all of 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).
- You have not previously changed your retirement payment plan to a joint and survivor annuity and designated your spouse as beneficiary as described in the previous "Marriage After Retirement" section.
- If the original beneficiary was your spouse at the time of designation, the beneficiary must consent to the change, on a form prescribed by TRS, or a court that has jurisdiction over your marriage to the beneficiary must have ordered or authorized a change in the beneficiary.
- You have not outlived the remaining life expectancy of the original joint and survivor beneficiary.
- You complete the appropriate change of beneficiary form, and TRS receives the original 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 One, Two or Five 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. Also, if you named a person as your Option One, Two or Five beneficiary at retirement and you change your beneficiary to a trust with the person named at retirement as the sole beneficiary of the trust, TRS will pay the beneficiary for life rather than for the remainder of the beneficiary's life expectancy if the person who is the sole beneficiary of the trust survives the retiree. The trust must be irrevocable and meet all other requirements for designation of a trust as beneficiary.

If your original beneficiary was your spouse at the time of designation, consent of the original beneficiary or an order from a court with jurisdiction over the marriage ordering or authorizing a change of beneficiary is required.

Please contact TRS for the *Beneficiary Consent* form (TRS 571) and the *Change of Beneficiary* form (TRS 30C) 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 form for a continuing annuity and submit it to TRS. For your beneficiary designation to become effective, the original signed form must be received by TRS before your death. Note that changing your beneficiary to a 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 adjusted age difference of more than 10 years or 19 years respectively, 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 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. The original signed TRS 30D form must be received by TRS before your death to be effective. Please contact TRS to obtain form TRS 30D.

Post-Retirement Change in Retirement Payment Plan

If you selected a joint and survivor annuity (Option One, Two or Five) either at retirement or after retirement as described in the "Marriage After Retirement" section, you may change your retirement payment plan to a standard service annuity and begin receiving a standard annuity payment, reduced for early-age, if applicable. This change cancels the optional annuity selection and authorizes TRS to begin paying you the current standard annuity amount beginning with the payment for the month after the month in which

TRS receives the notice of change on the form prescribed by TRS (TRS 572).

If the original beneficiary for the survivor's portion of your joint and survivor annuity is not your spouse or former spouse, you only need to submit a notice of change on *Change Retirement Plan from Continuing Optional Retirement Annuity to Standard Annuity* form (TRS 572) in order to change your payment plan to the standard service annuity. If the beneficiary for the survivor's portion of your joint and survivor annuity was your spouse at the time of designation, you must submit a notice of change on form TRS 572 plus one of the following:

- a signed, notarized consent to the change by the original beneficiary on the *Beneficiary Consent* form (TRS 571), or
- an order from a court with jurisdiction over the marriage between you and your beneficiary approved or ordered the change.

Changing your retirement payment plan as described above also cancels the designation of beneficiary with respect to the optional annuity benefit; however, it does not cancel a designation of beneficiary with respect to any other benefits payable by TRS on the death of a retiree. If you wish to change your beneficiary for any other benefits payable from TRS, you should complete and submit the appropriate beneficiary designation form. The original signed forms must be received by TRS prior to your death in order to be effective. If the original beneficiary for the joint and survivor annuity was your spouse at the time of designation and the original beneficiary does not consent, TRS also requires a copy of the court order that orders or authorizes the change. **The designation of a new beneficiary for survivor benefits ($10,000 lump sum death benefit) will not change the beneficiary of a joint and survivor annuity nor will it change your retirement payment plan.**

It is important that you consider the consequences of changing your retirement payment plan carefully before doing so. Changing your retirement payment plan cannot be reversed.

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 One, Two or Five) or guaranteed period (Option Three or Four) annuity that may be payable under an optional form of payment chosen by a retiree at retirement.

In lieu of the $10,000 lump sum amount, survivor benefits consisting of a $2,500 lump sum payment plus a monthly payment, are also available 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, or when the youngest child reaches 18, whichever is later, your beneficiary spouse would 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. Payments cease when the youngest beneficiary

reaches 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.

Beneficiaries of disability retirees who retired before Sept. 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 to the beneficiary equal to the total amount of accumulated contributions in the member account at the time of retirement, less the amount that already has been paid in benefits to a retiree receiving a standard annuity. If the retiree and the retiree's Option One, Two or Five beneficiary die 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 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 the original designation 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 certified 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 if you divorce your beneficiary 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 affected by the receipt of survivor benefits.

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

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 that is in the U.S. Payments are generally paid on the last working day of each 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. TRS is not currently able to make payments electronically to an account that is outside the U.S.

Income Tax

Since Jan. 1, 1988, member contributions to TRS have been made on a pre-tax basis through an employer pick-up 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 of pre-tax funds from another eligible retirement plan or a direct trustee-to-trustee transfer of pre-tax funds from a governmental 403(b) plan or a governmental 457(b) deferred compensation plan. Interest earned on both types of contributions is credited to a member's account and is not taxed until you receive a distribution from TRS.

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 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 distributed. For comprehensive tax assistance, please contact a tax professional 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 on the Forms page of the TRS website. If you are not a U.S. citizen or resident alien of the U.S., you may be precluded under the Internal Revenue Code from changing your federal income tax withholding rate below certain required rates.

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 professional 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 that parties are required to use when submitting an order to TRS. The model QDRO is on the TRS website (www.trs.texas.gov) or is available from TRS by request.

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 as you continue to work and delay retirement.

Even if your retirement benefits are not divided by a QDRO, you should submit a new *Designation of Beneficiary* form (TRS 15) after a divorce to ensure payment of death benefits to your desired beneficiary.

Forfeiture of Benefits

A TRS member or retiree who is convicted of a qualifying felony forfeits the right to receive any service retirement benefits payable by TRS if the crime occurred while the defendant was employed by a TRS-covered employer and if the victim of the crime was a student. Upon receipt of notice of judgment that includes the information required for TRS to determine that the defendant's benefits are forfeited, TRS will terminate the distribution of monthly service retirement benefits to the defendant if the defendant has retired and refund the accumulated contributions in the member's account at the time of retirement. If the defendant has not retired, TRS will refund the balance of the accumulated contributions in the member's account. Benefits payable to an alternate payee under certain domestic relations orders are not affected by the defendant's ineligibility to receive a retirement annuity.

If the defendant's conviction is overturned on appeal, TRS is required to pay service retirement annuities that were forfeited, with interest, to the person. TRS service retirement annuities that are due in the future may be paid only upon repayment by the person of the accumulated contributions previously distributed on the person's behalf.

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 SSA website located at

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).

Your TRS pension benefits are not affected by any payments you are entitled to from social security.

Appeal Procedure

If you are adversely affected by a TRS decision about a retirement plan matter, you 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, you may pursue the appeal through successive levels of management, including to the executive director and the board of trustees if TRS has jurisdiction over the matter, authority to grant the requested action and 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 TRS 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 an adjudicative hearing within 45 calendar days of the TRS 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.texas.gov) 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. As of Aug. 31, 2017, 1,093 school districts and other eligible entities participated in TRS-ActiveCare. Individual enrollment has grown to over 492,000 employees and dependents. Aetna administers the medical benefits; Caremark administers the pharmacy benefits. TRS-ActiveCare offers a choice of two Point of Service II plans, TRS-ActiveCare 1-HD and TRS-ActiveCare 2, which work very much like Preferred Provider Organization plans. Also offered is the TRS-ActiveCare Select plan, which is a

network-only plan. The TRS-ActiveCare Select plan is made up of five Aetna Whole Health (Select) options and one Aetna Select Open Access option. Also, alternative coverage under health maintenance organizations (HMOs) is available in certain service areas of Texas 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 a participating member who is employed in a position that is eligible for membership in the TRS pension, or
- you must be regularly employed for 10 or more hours per week and either (i) be employed in a position that is not eligible for membership in the TRS pension plan or (ii) not be eligible for membership in the TRS pension plan because you are a service or disability retiree under the TRS pension plan.

However, you are not eligible for coverage under TRS-ActiveCare as an employee 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 System), or the Texas A&M University System (TAMU System). Nor are you eligible for coverage under TRS-ActiveCare if you are performing services for a TRS-covered employer as an independent contractor. Also, if you are enrolled in 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, may also become covered under TRS-ActiveCare if certain conditions are met. More details about the program are available on the TRS website.

Retirees (TRS-Care)

TRS-Care is the group health benefits program for eligible retirees and their eligible dependents. 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 NOT the same as eligibility requirements for the TRS pension plan and are subject to change.

Service Retirees

A service retiree must have at least 10 years of service credit in the TRS pension 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 purchased service credit. In addition to the "10 years of service credit" requirement noted above, you must meet one of the following requirements at retirement:

- the sum of your age and years of service credit in the TRS pension plan equals or exceeds 80 (with at least 10 years of service credit), regardless of whether you had a reduction in the retirement annuity for early-age retirement (years of service credit can include all purchased service credit); or
- you have 30 or more years of service credit in the TRS pension plan (which can include purchased service credit).

Note: *Combined service credit under the Proportionate Retirement Program may not be used to establish eligibility for TRS-Care or any type of benefits other than service retirement benefits.*

A service retiree is not eligible to enroll in the TRS-Care program if he or she is eligible for ERS, UT System or TAMU System health benefit program coverage.

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 the TRS pension plan on the date of disability retirement may continue to be covered by TRS-Care as long as the individual is a disability retiree. TRS-Care coverage for disability retirees with less than 10 years of service credit in the TRS pension plan on the date of disability retirement may continue until the disability retirement benefit ends, provided all applicable premiums are timely made.

If you are a disability retiree who applied and retired after Aug. 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 the TRS pension plan 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 disability retirement 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 the TRS pension plan on the date of disability retirement, you are not subject to the compensation limit or the reporting requirement. See the *Employment After Retirement* brochure for more information.

Due to changes passed by the 85th Texas Legislature, TRS retirees who retired prior to Jan. 1, 2017, receive TRS disability retirement benefits, and are not eligible for Medicare, will not pay a premium for retiree-only coverage and monthly premiums to cover a spouse or dependent will be reduced by $200 in the 2018 plan year (Jan. 1 – Dec. 31, 2018).

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 nationwide networks of hospitals, physicians and other health care providers and pharmacies.

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 or surviving spouse will ever be able to enroll later unless the retiree or surviving spouse experiences an applicable special enrollment event opportunity or turns 65 years of age. For complete

details, refer to the online *TRS-Care Benefits Booklets* and the *TRS-Care Enrollment Guides.* Both are available from TRS-Care and the TRS website (www.trs.texas.gov).

In order to sustain TRS-Care for current and future retirees, the 85th Texas Legislature passed legislation changing the program's benefits structure and provided additional funding to further support the program. As a result of these changes, beginning Jan. 1, 2018, TRS-Care participants have one of two health plans, depending on whether or not they qualify for Medicare. Retirees, spouses and dependents without Medicare will have coverage through a new TRS-Care Standard plan. Aetna administers the medical benefits; Caremark administers the pharmacy benefits. Retirees, spouses and dependents with Medicare will have coverage through the TRS-Care Medicare Advantage plan administered by Humana and the TRS-Care Medicare Rx plan administered by SilverScript, an affiliate of CVS Caremark.

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 System or TAMU System. 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. You must, however, meet the eligibility requirements for TRS members. 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 employers. 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 the member's TRS-covered employer 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/groupltc).

How to Reach TRS

You may contact TRS by mail or telephone. You may also schedule to meet with a benefit counselor in TRS' Austin office, or limited cities statewide (see the TRS website for locations). Please schedule appointments well in advance. You can also register for group presentations in numerous locations across the state (see the TRS website for locations).

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, visit 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 their personal account or benefit information and sign up to receive TRS publications and announcements electronically. As a result of progress being made on the TEAM project, a multi-year effort to modernize TRS' non-investment computer systems, active members will experience some temporary and minimal reductions in the functionality of *MyTRS*. It is currently not possible to access the following information online: members' beneficiary information, service credit purchase forms (once they have been created for a cost statement), and replacement retirement packets (still available by contacting TRS directly). Also, members who access their annual statement information online will only be able to see information updated through Sept. 1, 2016. Their online account information will remain unchanged until the new *MyTRS* Web Self-Service is available. Once the TEAM project is completed, TRS will expand *MyTRS* offerings. 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 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 or TRS Participant ID 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:

- *TRS Service Credit*
- *Employment After Retirement*
- *Requesting a Refund*
- *TRS/ERS Transfer*
- *TRS-Care Enrollment Guides*
- *TRS-Care Benefits Booklets*
- *TRS-ActiveCare Enrollment Guide*
- *TRS-ActiveCare Benefits Booklet*
- *Partial Lump Sum Option*
- *TRS–A Great Value for All Texans*

GENERAL TRS INFORMATION

TRS Website: www.trs.texas.gov

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 Contact Center: Monday – Friday, 7 a.m. – 6 p.m.

Automated information is available day or night, seven days a week. You may reach our contact center or automated system at 1-800-223-8778. If you have a *MyTRS* account, you may also send your questions though a secure email without logging into your account.

Dial Relay 711 (for the hearing impaired).

HEALTH & INSURANCE BENEFITS

TRS-Care

1-888-237-6762	TRS Health Benefits Eligibility and Enrollment (General Questions)
1-800-367-3636	TRS-Care Standard – Medical (Aetna)
1-800-320-9566	TRS-Care Medicare Advantage – Medical (Humana)
1-844-345-4577	TRS-Care Prescription Drug Coverage (CVS Caremark/SilverScript)

TRS-ActiveCare

1-800-222-9205	TRS-ActiveCare Customer Service Option 1, Aetna (Medical) Option 2, Caremark (Prescription)

TRS-ActiveCare (HMO)

1-800-321-7947	Scott & White Health Plan
1-800-884-4901	FirstCare Health Plan
1-888-378-1633	Blue Essentials Access

Group Long-Term Care Insurance Program

1-866-659-1970	Genworth Life Insurance Company Customer Service Benefit Administrators: www.genworth.com/trs Active Members: www.genworth.com/trsactivemember Retirees: www.genworth.com/trsactivemember

Note: *The TRS website (www.trs.texas.gov) features convenient links to the administrators' websites for TRS-ActiveCare, TRS-Care and the TRS Group Long-Term Care Insurance Program.*

OTHER HELPFUL CONTACTS

1-800-772-1213	Social Security Information Social Security Administration: www.ssa.gov
1-800-633-4227	Medicare Information – General Information: www.medicare.gov

Teacher Retirement System of Texas

1000 Red River Street/Austin, Texas 78701-2698

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Did you know you can receive a link to the *TRS Benefits Handbook*, *TRS News* and other publications through *MyTRS* Email Subscriptions?

Visit the *MyTRS* link
at www.trs.texas.gov for more details.

Follow us on:

1-800-223-8778
www.trs.texas.gov

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