



TRS BENEFITS HANDBOOK

TEACHER
RETIREMENT
SYSTEM OF
TEXAS



September 2004

TRS Mission Statement

The mission of the Teacher Retirement System of Texas is:

- 1. to deliver retirement and related benefits authorized by law for members and their beneficiaries; and*
 - 2. to prudently invest and manage the assets held in trust for members and beneficiaries in an actuarially sound system administered in accordance with applicable fiduciary principles.*
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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 generally reprinted every two years. This edition is based upon TRS laws and rules enacted through July 2004. TRS benefits are subject to subsequent changes or modifications to the law, as enacted by the Texas Legislature, and to the rules, as approved by the TRS Board of Trustees.

A copy of *TRS Laws & Rules* is available from the TRS Web site (www.trs.state.tx.us) and is available during normal business hours at:

Teacher Retirement System of Texas

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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, higher 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 has been established to finance member benefits. These responsibilities are carried out by a staff of approximately 400 located at the system's offices in Austin, Texas.

Public education needs have grown dramatically over the years, and this has fueled a corresponding increase in the number of TRS active members and retirees. In the last decade alone, TRS has grown from 639,000 to more than one million active members and annuitants. Likewise, distributed annual retirement benefits have increased from \$1.2 billion in 1991 to \$4.9 billion in 2003. Such benefits are paid from the pension trust fund. The \$77.6 billion fund's growth is generated from member and state contributions as well as from investment performance.

The *TRS Benefits Handbook* is organized chronologically to reflect the same sequence of events that a member or retiree would experience while participating in the system. For example, the booklet begins with an explanation of how to become a member and a description of member eligibility requirements. It concludes with information on various options available to annuitants after they retire from the system.

An index is provided to help you locate topics of interest. If you are interested in how the TRS plan has changed specifically as a result of 2003 legislation, you can locate this information next to wherever a Texas State Capitol-shaped icon appears.



While this handbook summarizes your TRS benefits, it is supplemented by other materials that more fully address benefit issues and current developments. *TRS News*, a periodical written for and distributed to all members and retirees, provides information regarding significant events in the system. The *Update* newsletter provides news for district and higher education reporting officials. A variety of special brochures also provide information on TRS benefits. Last but not least, you can find a wealth of information about TRS benefits on the system's Web site (www.trs.state.tx.us).

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

TRS

Introduction

The Teacher Retirement System of Texas (TRS) is a trust fund that was established in the Texas Constitution in 1936. The following year, the Texas Legislature passed laws establishing TRS as the agency to administer that trust fund.

Current TRS responsibilities include:

- paying benefits as authorized by law to members and beneficiaries in a timely and efficient manner;
- collecting member contributions and maintaining records of member accounts;
- collecting state contributions;
- maintaining records of financial transactions and reporting them to the state and TRS members;
- investing the pension trust fund prudently to pay benefits provided by law; and
- administering the retirement plan to promote an actuarially sound system.



The system is governed by a nine-member board of trustees appointed by the governor with the approval of the Texas Senate. Trustees, who serve staggered six-year terms, include active and retired employees of public schools and higher education, complemented by appointees having relevant business experience.

The TRS plan of benefits is administered as a qualified plan under the provisions of the U.S. Internal Revenue Code Section 401(a). This benefits members in several ways:

1. Your 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 contri-

butions is deferred until you receive a distribution from TRS.

2. Interest that is added to member contribution accounts each year also is tax-deferred until it is distributed.
3. The retirement benefit that you may be eligible to receive is taxable income only for the year in which it is paid.
4. Certain benefits payable to a member, retiree, spouse, or alternate payee may be eligible for continued tax deferral through provisions of federal tax law allowing rollover to another eligible retirement plan.

The TRS retirement benefit plan is a defined benefit plan. This means that the amount of the benefit you are paid is determined under a formula established by law. Following formula rules and upon attaining eligibility for retirement, you may apply to receive a particular monthly benefit without regard to the amount of your member contributions during TRS membership.

As a governmental pension plan, TRS is not an "ERISA" plan under the federal Employees Retirement Income Security Act of 1974.

TRS also has been given responsibility to administer several other programs established by state law, including

- TRS-Care, the health benefits program for some public school (K-12th grade) retirees,
- TRS-ActiveCare, the health benefits program for public school employees,
- TRS long-term care insurance, available to eligible TRS members, retirees, and certain members of their family; and
- Compensation supplement and a health reimbursement arrangement (HRA) for public school employees.

This handbook focuses primarily on your retirement plan benefits. For more detailed information on other programs administered by TRS, please refer to the TRS Web site or to special publications that may be available for these programs.

FUNDING

TRS pension benefits are funded by member and state contributions to the Teacher Retirement System of Texas trust fund, and by earnings on the investments of the fund. In some cases, the employer pays a part of the state contribution. Contribution rates for active members and the state are established by the Texas Legislature, within a range specified by the Texas Constitution. The member contribution rate is applied to the member's eligible monthly compensation, and the state contribution rate is applied to the aggregate eligible compensation, of all members during a fiscal year. The Texas Constitution requires that financing of benefits be based on sound actuarial principles.

TRS-Care health benefits for public school retirees are funded by a separate trust fund through contributions to TRS-Care from active employees of Texas public schools, the State of Texas, the public schools themselves (including school districts and open-enrollment charter schools), and the retirees who are participants. Active employee, public school, and state contribution rates are established by the legislature.



How to Become a TRS Member

TRS membership begins on your 91st day of eligible employment by a TRS-covered employer. Your employer will provide TRS with your current mailing address, Social Security number, date of birth, date of hire, and the type of position held. TRS will send you a "Welcome to Membership" letter and a Designation of Beneficiary form. You will need to complete this form and mail it directly to TRS. Please see the "Beneficiary Designation by Members" topic further in this handbook for information that may be helpful to you in



completing this form.

As a TRS member, you contribute 6.4 percent of your eligible compensation as your share of the funding for your retirement plan benefits, including disability retirement and death benefits. Your employer is required to forward your contributions directly to TRS for each month of eligible employment.

Eligibility for TRS Membership

Eligible employment for membership in TRS is defined as employment in a public, state-supported educational institution in Texas for one half or more of the standard workload at a rate comparable to the rate of compensation for other persons employed in similar positions. Any employee of a public, state-supported educational institution in Texas shall be considered to meet these requirements if the member's customary employment is for 20 hours or more for each week and for four and one-half months or more in one school year.

All employees of the public education system in Texas must participate in TRS, unless an exception to TRS membership applies. The exceptions to TRS membership include:

- An employee who begins employment on or after September 1, 2003, and who is not already a TRS member at the time of employment is subject to a 90-day waiting period before membership begins. The requirement for a membership waiting period currently is scheduled to expire on August 31, 2005.
- An employee who is working less than half time. However, an employee who performs service as a bus driver and who drives at least one route approved by the Texas Education Agency *is* required to be a member of TRS.
- A TRS retiree who returns to employment with a TRS-covered employer.
- Certain eligible employees, primarily in higher education, who elect

to participate in the Optional Retirement Program (ORP).

- An employee of an institution of higher education who is required to be enrolled concurrently as a student in the employing institution.
- A person serving on a daily, on-call basis as a substitute in a TRS-covered position normally filled by another regular employee.

Optional Retirement Program

Eligible public education employees in Texas who work half time or more at a rate comparable to the rate of compensation for other employees in similar positions are automatically enrolled in TRS after the 90-day membership waiting period of employment. However, the Commissioner of Education and some higher education employees in certain positions designated by law may choose to participate in the Optional Retirement Program (ORP) instead of TRS. Eligibility to participate in the ORP is determined by the employing institution.

Election to participate in the ORP must be made within 90 days of first becoming eligible to do so. The 90-day election period may not begin before TRS membership begins. If you have questions regarding your eligibility for ORP participation, please contact your employer or the Texas Higher Education Coordinating Board. This election is a one-time, irrevocable decision between two distinct plans. The ORP is administered by the Texas Higher Education Coordinating Board and the governing board of each individual institution of higher education. Additional information may be found in the Texas Higher Education Coordinating Board brochure titled *An Overview of TRS and ORP*, available on that agency's Web site (www.theccb.state.tx.us).

Member Information

YOUR BENEFITS AS A TRS MEMBER

TRS offers a wide array of benefits authorized by law. Service retirement, dis-

ability retirement, and death benefits are funded by the retirement trust fund. Excess benefit arrangement funds and health benefits for public school employees and retirees that are administered by TRS are funded through separate funds and are not a part of the TRS pension plan.

For the purposes of this handbook, membership categories have been defined as active contributing members, active non-contributing members, and inactive members. The following pension plan benefits are available on behalf of TRS members, when specific eligibility requirements are met:

ACTIVE CONTRIBUTING MEMBERS are those who are currently working for TRS-covered employers and are contributing to the TRS pension plan. They are eligible for the following:

- interest earned monthly on member contributions
- membership service credit towards service or disability retirement benefits
- opportunity to purchase service credit, subject to eligibility requirements and annual contribution limits required under federal tax law
- transfer of eligible service credit to or from the Employees Retirement System of Texas (ERS) at retirement
- consideration of eligible service credit under certain Texas public retirement systems participating in the Proportionate Retirement Program in determining TRS retirement eligibility
- refund of accumulated contributions upon termination of Texas public education employment and application for refund
- death benefits payable on the member's behalf to a beneficiary, as described under "Death and Survivor Benefits for Members"
- Deferred Retirement Option Plan (DROP) participation for members who have at least 25 years of service credit and are eligible for normal age retirement

- retirement annuity with five or more years of service credit when minimum age requirements are met and employment with Texas public education has terminated

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

- interest earned monthly on member’s account
- opportunity to reinstate service credit and, in limited circumstances, opportunity to purchase special service credit, subject to eligibility requirements and limits established by federal tax law on amounts that may be contributed annually to the TRS plan
- transfer of eligible service credit to or from the Employees Retirement System of Texas (ERS) at retirement
- consideration of eligible service credit under certain Texas public retirement systems participating in the Proportionate Retirement Program in determining TRS retirement eligibility
- death benefits in an amount equal to the member’s accumulated contributions, or, if the member meets certain eligibility requirements, active contributing member death benefits (See “Death and Survivor Benefits for Members,” also in this handbook.)
- refund of accumulated contributions upon termination of Texas public education employment and application for refund
- retirement annuity with five or more years of service credit when minimum age requirements are met and employment with Texas public education has terminated

INACTIVE MEMBERS are those who have less than five years of service credit and who terminated employment in a TRS-covered position more than five years ago. State law provides that unless a person has at least five years of service credit with TRS, failure to qualify for service credit for five consecutive years will terminate that person’s membership in TRS, effective on the first September 1 that occurs after the non-qualifying years. Persons whose membership in TRS is terminated in this manner are eligible to have their accumulated contributions returned to them or paid to their heirs before the seventh anniversary of the former member’s 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 notify TRS of the circumstances relating to their absence from TRS-covered service:

- Performing military service that is creditable in TRS,
- On leave of absence from employment in a public school, or
- Earning service credit in either ERS or in another Texas public retirement system that participates in the proportionate retirement program.

Note that 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 the part of this handbook beginning on page 24.

In addition to participation in the TRS pension plan, some public education employees and/or their dependents may be eligible to participate in the following programs administered by TRS:

- TRS-ActiveCare, the group health benefit plan for



- some public school employees
- Long-term care insurance, administered by TRS through Aetna
- Supplemental compensation payments made on a “pass through” basis by TRS until September 1, 2004
- TRS-HRAccount, a health reimbursement arrangement program beginning September 1, 2004

CHANGE OF MAILING ADDRESS

TRS requires notification *in writing* of an address change. The written notice must contain both your Social Security number and your signature. If you work for a TRS-covered employer that uses TRAQS, the TRS Internet reporting system, you must submit your change of address directly to your employer, who will submit the change to TRS electronically. This change will remain in effect until you revoke it. Members whose employers do not use TRAQS or who are not currently employed in Texas public education may submit address changes on a “Change of Address Notification” form (TRS 358). Copies of this form may be printed from the Forms page of the TRS Web site (www.trs.state.tx.us) or obtained by calling TRS at 1-800-223-8778 and then requesting the “Forms” menu.

MEMBER NAME CHANGE

TRS requires notification *in writing* of a name change. The written notice must contain both your Social Security number and your signature. You must also include a copy of a court order or marriage license that authorizes your name change. There is no TRS form available to change your name.

If you work for a TRS-covered employer that uses TRAQS, the Internet reporting system, you also must officially change your name in *your employer’s records*. Your employer will then communicate this change to TRS electronically.

CHANGE OF BENEFICIARY BY AN ACTIVE MEMBER

To ensure that any death benefits payable by TRS are paid as you intend, it is important for every member to have a current beneficiary designation on file with TRS. You may print a copy of form TRS 11 from the TRS Web site or contact TRS for a change in beneficiary form when significant life events occur, such as marriage, divorce, or death of a spouse or designated beneficiary. Please see the topic “Beneficiary Designation by Members” further in this handbook for more information. Retirees should refer to the information on pages 26-27.

Your Member Contribution Account

Your member contribution account includes your contributions, amounts paid for purchased service credit (excluding fees) and applicable interest. Contributions to a DROP account are not included. The amount contributed is established by law; currently, the required contribution rate is 6.4 percent of eligible compensation. Member contributions due after January 1, 1988, are tax-deferred.

NOTE: If you are a member employed by a public school, you also contribute .50 percent of eligible compensation to TRS-Care, the retirees’ group health benefits program. This amount is not deposited into your member contribution account, is not reflected on your annual Statement of Account, and is non-refundable.



Your contribution to TRS is deducted by your employer each time you are paid, and forwarded to TRS. Upon receipt, TRS credits your member contribution account with the deposit.

Interest on your contribution is computed at the rate of five percent a year on the mean balance in your account during

that fiscal year (average of your lowest and highest balances). TRS credits interest on August 31 of each year. If you withdraw your account, interest is computed at the rate of five percent on the mean balance from September 1 of the fiscal year in which the account is withdrawn until the end of the month immediately preceding the termination.

Each year, members are provided with a Statement of Account that shows the deposits and total amount in the member's account for the year ending August 31. These statements are mailed directly to the member's address on file at TRS.

The Statement of Account will also reflect information about your current and highest years of compensation and service credit. In addition, if you are eligible for normal age or early age retirement, the statement will provide you with the estimated monthly annuity payments you could receive if you retired. The estimate is subject to correction of salary or service credit at time of retirement. The age and gender of your primary beneficiary is also shown on your Statement of Account.

It is very important for you to advise TRS in writing of any inaccuracies contained in your statement.

Creditable Compensation

Creditable compensation is an important component in the calculation of your retirement benefit, as well as some forms of death and survivor benefits paid on behalf of active members. State and federal laws limit the amount and type of compensation creditable with TRS. For TRS retirement plan purposes, compensation is defined as salary and wages paid or payable to a member for services rendered during a school year. The salary and wages must be paid proportionately as the service is rendered and must be paid in normal periodic payments.

Non-creditable compensation includes expense payments, allowances, most bonuses, fringe benefits, payments for unused vacation or sick leave, pay for teaching certain driver education courses, compensation not made pursuant to a valid employment

agreement, active employee health coverage or compensation supplementation received by an employee under Art. 3.50-8 of the Texas Insurance Code, amounts creditable to a health reimbursement arrangement, amounts paid in settlement of a claim in lieu of lost wages, payments for terminating employment or paid as an incentive to terminate employment, payments made as an incentive to accept employment such as signing bonuses, and payments for work as an independent contractor or consultant. **Non-creditable compensation cannot be used for the purpose of determining TRS benefits.**

TRS may require additional information or verification to determine whether compensation reported to TRS is creditable. Verification for any compensation other than performance pay will not be accepted 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 DROP. Verification of performance pay earned during the school year in which the member retires must be made to TRS by the employer as soon as possible; any benefit adjustment resulting from performance pay verified after retirement will be made effective the month following the month in which TRS receives the deposits for the performance pay from your employer. TRS will also apply state law in determining whether mid-year increases or retroactive increases in your salary are eligible.

Some more highly paid members may have their annual creditable compensation limited in accordance with Section 401(a) (17) of the Internal Revenue Code. These limits affect individuals who joined TRS for the first time on or after September 1, 1996. For such individuals, annual creditable compensation is limited to \$205,000 for the plan year September 1, 2004 through August 31, 2005. The annual limit is subject to indexing each plan year, based on federal regulations.

The same compensation that is subject to credit for TRS benefit calculations is also subject to member contributions. Amounts excluded from creditable compensation are not subject to member contributions.

Membership Service Credit

Service credit is earned in one-year increments. A member must serve at least 4½ months in an eligible position during the school year (generally September 1 through August 31) to receive one year of membership service credit. *Service during the initial 90-day membership-waiting period does not fulfill any of the service requirements to receive a year of membership service credit.* (See page 3.) A year of service credit cannot include more than 12 months. The beginning date of the year of service credit generally coincides with the beginning date of the school year of the employer or the date of your employment under a contract or oral or written work agreement that begins on or after July 1 and continues after August 31 of the same calendar year.

There are two exceptions to the 4½-month service requirement to receive a year of membership service credit.

First, a member who serves a full semester of more than four calendar months will receive credit for a year. Second, a year of service credit will be granted to an employee in a TRS-eligible position who entered into an employment contract, or oral or written work agreement, for a period of at least 4½ months or a period of a full semester of more than four calendar months but who actually renders only 90 or more actual workdays.

Service for a minimum of 90 actual workdays as a substitute may qualify for service credit if verified and purchased.

No more than one year of service may be credited in any one school year.

Service credit is an important component in determining eligibility for certain benefits, in the calculation of a service or disability retirement benefit, and it also may be important in the calculation of certain death and survivor benefits. See the section on “Standard Annuity” on page 18 for more information on how service credit affects the calculation of your retirement benefit.

Five Years Membership Service Credit

Five years of membership service credit is important because:

- Your membership does not terminate due to absence from service.
- You are eligible to retire at a future date and receive a lifetime monthly annuity.

If you have fewer than five years of service credit, your TRS membership will be terminated on September 1 following five consecutive years in which you fail to qualify for a year of membership service credit, as described on page 5 under “Inactive Members.” You will no longer receive TRS membership information, such as newsletters or annual account statements. To receive a refund of your accumulated contributions before your membership terminates, please contact TRS.

Refund of Member Contributions

Withdrawal of your account means termination of your membership, loss of your TRS service credit and forfeiture of any benefits that you have accrued. It also results in loss of eligibility you may have had for TRS-Care health benefits upon retirement. To ensure full understanding of the TRS benefits waived, a member with five or more years of service credit must sign a form acknowledging that you are waiving all rights to TRS retirement benefits. Terminating TRS membership may also affect your eligibility for retirement under the proportionate retirement program, if you have service under another Texas public retirement system.

If you return to TRS-covered employment after you have terminated membership in TRS through a refund of your member contributions, you are subject to the 90-day membership-waiting period applicable to employees who begin employment on or after September 1, 2003.

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). An early withdrawal penalty assessed by the IRS may also be applicable. For more details, please refer to the TRS brochure titled *Requesting a Refund*, which is available online or from TRS.

If you permanently terminate employment with a TRS-covered employer and have not applied for or received a promise of employment with the same or another TRS-covered employer, you may terminate membership in TRS and withdraw the accumulated contributions in your member account. In order to terminate TRS membership and withdraw your account, form TRS 6, "Notice of Final Deposit and Request for Refund," must be submitted to TRS. You may print a copy of this form from the TRS Web site. Your account will be refunded following receipt of both your final deposit and completed forms. For your protection, TRS requires sufficient time to verify your employment status and identify you as the withdrawing party.

More information on the refund process can be found in the Refund Checklist at the end of this handbook.

Purchase of Service Credit

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:

- unreported service
- state sick and/or personal
- substitute service
- developmental leave
- withdrawn
- out-of-state
- work experience by a career or technology teacher
- military/USERRA
- service credit purchase option
- 90-day waiting period

Purchase of service credit is subject to Internal Revenue Code limits on the annual voluntary contributions that may be made to a tax-deferred retirement plan. For more infor-

mation, please read the section, "Limits Affecting Purchase of Service Credit," on page 13.

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

If you wish to participate in the Deferred Retirement Option Plan (DROP) but also wish to purchase service credit, you must purchase all service credit for which you are eligible prior to your entry into DROP. If you participate in DROP, you are not eligible to purchase state sick and/or personal leave service credit for leave accrued but unused before and during your participation in DROP.

Service credit that you may be eligible to purchase cannot be included in calculating your member death benefits unless the service credit is purchased before your death. A 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.

Out-of-state service, military service, developmental leave, and work experience are evaluated for credit based on a September 1 through August 31 school year.

Fees for purchasing service credit vary according to the type purchased.

Service credit may be purchased by lump sum, and for some types of service credit, installment payment plans may be available.

Members who may be eligible to purchase service credit should plan carefully if they wish to make such purchases, well in advance of the anticipated retirement date, due to eligibility requirements, annual contribution limits, and deadlines that may apply. Detailed information about each type of service credit, including eligibility, cost,

and procedure to purchase the credit, is available in the brochure *TRS Service Credit*, which is available on the TRS Web site. If you have questions about whether purchased service credit will be counted towards eligibility for TRS-Care health benefits at time of retirement, please refer your questions to the TRS-Care staff.



UNREPORTED SERVICE AND/OR SUBSTITUTE SERVICE

Unreported service is service in a TRS-eligible position that was not reported to TRS at the time the service was rendered. Service of 90 or more actual workdays in a school year as a substitute may also be eligible for service credit as unreported service.

Eligible unreported and/or substitute service will be credited to your member account when TRS receives acceptable proof of your service and the salary earned, as well as payment of the unreported deposits that are due.

A five percent per year fee on the unpaid amount is added to the cost of the service credit from the date the service was rendered until the cost is paid.

Once eligible unreported service or substitute service is verified, payment of TRS deposits and applicable fees for the service is mandatory. A benefit will not be paid until deposits have been received on all service that is eligible for TRS membership.

If as a member you have eligible unreported service that has not been verified to TRS, you should contact TRS for the form needed to verify your service. If you have at least 90 days of substitute service in a school year and wish to purchase the substitute service, please contact TRS. Unreported or substitute service cannot be verified and purchased after a member has retired or entered the Deferred Retirement Option Plan (DROP).

WITHDRAWN SERVICE

Any member who has withdrawn accumulated contributions has terminated the service credit associated with the contributions. Members are not required to be currently contributing to TRS in order to buy back withdrawn service. However, members who are not contributing and wish to buy back withdrawn service must have an account balance with TRS, or they must meet the ERS or proportionate retirement eligibility requirements described further below.

Terminated service credit may be reinstated by:

- depositing the eligible amounts withdrawn,
- paying a reinstatement fee of six 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.

ERS members who have at least 36 months of ERS service credit and who withdrew TRS accounts may reinstate their TRS service credit account for retirement purposes. Terminated service credit may also be reinstated by beneficiaries of deceased active members and used in the calculation of death benefits payable by ERS. See "TRS/ERS Service Transfer" later in this publication.



Active members of other Texas public retirement systems that participate in the proportionate retirement program may also reinstate terminated TRS service credit. Submit a written request to TRS to obtain more information.

A TRS member also may be able to reinstate terminated service credit in another Texas public retirement system that participates in the proportionate retirement program. Please contact that retirement system for information on reinstating service credit.

OUT-OF-STATE SERVICE

If you are an active TRS member with at least five years of TRS service credit, you may be eligible to purchase certain out-of-state service credit. Generally, one year of out-of-state service credit may be purchased for each year of TRS service credit, up to a maximum of 15 years. Purchase of out-of-state service credit may be limited by other state and federal laws, including limits on the amount of money that may be voluntarily contributed in one year. TRS has no agreement with retirement systems in other states for transferring service.

Out-of-state service credit must have been rendered in a public school system or college maintained wholly or partly by another state or territory of the United States or by the United States for children of United States citizens. A school receiving funds under 22 U.S.C. Section 2701 is considered a public school for the purpose of this service credit. Employment in a position on a full-time basis (defined as one-half time or more) for at least four and one-half months, for a full semester of more than four calendar months, or for 90 days of service (either full time or as a substitute) in any one school year qualifies.

To obtain TRS credit for each year of out-of-state service, you must pay 12 percent of the annual salary rate for the first year of TRS-covered service that is both after the out-of-state service and after September 1, 1956. A fee of eight percent, compounded annually, is added to the cost of obtaining out-of-state service credit for each year following the first year of eligibility until the cost is paid. This service credit may be purchased one year at a time, and it must be purchased in the order in which the out-of-state service was rendered.

MILITARY SERVICE

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 rendered in the United States armed forces.

Credit for both voluntary and draft service is eligible for purchase. Military ser-

vice terminated by a sentence of court-martial is not eligible for purchase.

Immediately upon becoming eligible to purchase the service credit, you should send TRS a copy of your military service record form (DD 214) showing your entry and separation dates of active duty service. TRS will then send you a cost statement and inform you of eligible service credit. If you do not make payment within one year after the end of the year in which you become eligible to purchase the service credit, 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. This service credit may be purchased one year at a time.

USERRA SERVICE

Uniformed Services Employment & Re-employment Rights Act (USERRA)

The federal law known as “USERRA” establishes certain rights if you leave TRS-covered employment for active military duty and are subsequently re-employed, or apply for re-employment, in a TRS-covered position. You may be entitled to establish USERRA service credit for the active duty. You should contact TRS immediately upon application for, or re-employment in, a TRS-covered position to receive a cost statement indicating the amount needed to establish the service credit. If you receive credit under these provisions, you may not receive duplicate military service credit as described above for the same period of military service.

Specific time limits must be followed when returning to employment and purchasing this service credit. See the *TRS Service Credit* brochure for additional information.

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 but you expected that year to be one of the best three compensation years for calculation of a TRS retirement benefit, you should contact TRS about establishing compensation credit for that year under USERRA.

Some military service may qualify for either military service credit or USERRA service credit. In some instances, the cost of the service credit may be less under USERRA, if the military service qualifies. However, 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. Regular military service credit does not have this restriction. Contact TRS for more information to determine which options would be available to you, if you have military service.

STATE SICK AND/OR PERSONAL LEAVE

A member may purchase one year of membership service credit for 50 days or more or 400 hours or more of accumulated state sick and/or personal leave that is unused as of your last day of employment before retirement. You may accumulate only five days per year of state sick and/or personal leave toward the 50 days or 400 hours. A maximum of one year of service credit may be purchased.

Purchase of this service credit is subject to the annual contribution limits in Section 415 of the Internal Revenue Code. You should consider completing the purchase of all other types of service credit you are eligible to purchase in the years prior to retirement to reserve the maximum amount allowed by law for voluntary contributions for the purchase of this service credit at the time of retirement.

To receive service credit, you must pay the actuarial present value of the benefits that are attributable to the sick and/or personal leave service credit. Purchased sick and/or personal leave may not be used to establish eligibility for retirement.

If you participate in DROP, you are not eligible to purchase state sick and/or personal leave service credit for leave that is accrued before and during your participation in DROP.

DEVELOPMENTAL LEAVE

If you are a member with at least five years of service credit, you may purchase a maximum of two years of service credit for developmental leave by:

- notifying TRS in advance that you will be taking the developmental leave,
- certifying the leave through your current employer, and
- making deposits for both state and member contributions by the end of your first creditable year of service following the leave. The deposits would be based on your annual salary for the year prior to the year in which you take the leave.

Developmental leave is absence from membership service that is approved by the member's TRS-covered employer for study, research, travel, or another purpose designed to improve the member's professional competence. Established developmental leave credit cannot be used in computing retirement benefits until you have at least 10 years of actual Texas public school service.

WORK EXPERIENCE BY CAREER OR TECHNOLOGY TEACHER

An eligible member may establish service credit for one or two years of eligible work experience. An eligible member is one who has at least five years of TRS membership service credit, and eligible work experience is work for which you are entitled to salary step credit under Section 21.403(b) of the Texas Education Code. An eligible member may establish credit for this service by depositing with TRS, for each year of service, an amount equal to the actuarial present value of the additional standard retirement annuity benefits that would be attributable to the additional service credit. Cost tables for this type of purchased service credit are available on the TRS Web site.

SERVICE CREDIT PURCHASE OPTION (SCPO)

A member with at least seven years of membership service credit for actual service in Texas public education institutions is eligible to purchase one, two, or three years of additional service credit. To purchase this credit, you must pay the actuarial present value of the additional annuity benefit as determined by TRS that is attributable to the number of years of service credit purchased. You may estimate the cost of purchasing this service credit by using the calculator on the TRS Web site (www.trs.state.tx.us).

Purchase of this service credit is subject to the limits in Section 415 of the Internal Revenue Code on the amount of money, which can be voluntarily contributed to TRS, and any restrictions in state law on the amount of service credit, which may be purchased.

MEMBERSHIP WAITING PERIOD SERVICE

A person who begins work for a TRS-covered employer on or after Sept. 1, 2003, and who is not already a TRS member at the time employment begins is subject to a 90-day waiting period before TRS membership begins. If, due to the waiting period, a member does not work a sufficient length of time as a TRS member in a school year to earn a year of membership service credit, the member may be eligible to purchase waiting period service credit. To do so, the member must have sufficient waiting period service and TRS-covered service combined during the school year to meet the length of service requirements for a year of TRS membership service credit (generally, 4½ months). Waiting-period service credit is not available for purchase until after August 31 of the school year that contains the waiting period. Contact TRS for eligibility and cost information, if you wish to purchase waiting period service credit.



LIMITS AFFECTING PURCHASE OF SERVICE CREDIT

Federal tax law limits the amount of annual contributions a person may make to tax-deferred retirement plans, including TRS. Under the Internal Revenue Code, voluntary member payments to TRS in a plan year (September through August) for purchasing service credit generally are limited to 100 percent of compensation or \$41,000 for the 2004-2005 plan year, whichever is less. The \$41,000 amount is subject to annual adjustment by the U.S. Secretary of Treasury in subsequent plan years. For some types of purchased service credit, the limit does not apply or may be higher. TRS will inform a member at the time of billing whether the limit is applicable. For example, the annual limit does not apply to payments for reinstating withdrawn service credit. Payments made through a rollover or a direct trustee-to-trustee transfer also are not subject to, or counted towards, the limit.

The limit does not increase regardless of how many types of service credit you may be eligible to purchase. The limit is especially important if you are considering purchase of state sick and/or personal leave credit, which can only be purchased at the time of retirement, or the service credit purchase option (SCPO), due to the estimated cost of such service credit and federal tax code requirements.

For more information, please refer to the brochure *TRS Service Credit* to plan your purchase of service credit in a manner consistent with the limits.

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-credited service credit to ERS. The transfer of service that has been actively maintained or reinstated takes place under the rules of the system to which the credit is transferred. Such transfer may only take place when the member retires or at the time that a pre-retirement death benefit becomes payable. Members who have al-

ready retired under either system are not eligible to transfer service credit, although such TRS retirees may be able to use their TRS service credit under the proportionate retirement program.

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



Beneficiary Designation by Members

Death benefits are provided beginning on the first day of your TRS-covered employment following completion of the initial 90-day waiting period. For this reason, you should designate a beneficiary. Significant events (such as marriage, divorce, death of a beneficiary, birth of a child and receipt of Medicaid 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 notify TRS immediately if any change is needed to reflect changes in your personal circumstances.



DESIGNATING A BENEFICIARY FOR MEMBER DEATH AND SURVIVOR BENEFITS

Your beneficiary must be designated on a designation of beneficiary form prescribed by TRS. Because TRS has several different beneficiary forms, the form you complete must be for that specific benefit. When you are enrolled as a TRS member, a beneficiary form is mailed to you. The signed and completed form must be received by TRS prior to your death. Your employer is **not** authorized to receive the designation of

beneficiary form, or any later change of beneficiary form, on behalf of TRS. When you designate your beneficiary, you should 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 will be required.

Joint beneficiaries may be designated to receive death benefits. When joint beneficiaries are designated and one of the joint beneficiaries predeceases the member, then the remaining joint beneficiary(ies) will receive either the entire benefit or the benefit in equal shares. If an alternate beneficiary was named, the alternate beneficiary would not be eligible for the benefit as long as any joint beneficiary(ies) survived the member. You may want to consider that joint beneficiaries will not be eligible to select and receive lifetime annuity payments as the form of death and survivor benefit payable by TRS, since this form of payment is based on the age and life expectancy of one person.

When naming children as beneficiaries, please note that TRS cannot pay the benefit directly to a minor child. Therefore, if you name a minor child residing in Texas, TRS will pay either through that child's surviving parent or the legally appointed guardian in accordance with Texas law. If the child does not reside in Texas, TRS will pay the benefit on behalf of the child in accordance with the laws governing the child's place of residence. See the "General Information" section at the end of this handbook, under the topic "Considerations before Naming a Minor Child as a Beneficiary." When considering the designation of a minor child or a child with special needs, TRS suggests that you seek legal counsel.

A divorce **does not** automatically revoke the designation of a spouse or former spouse as beneficiary if the designation was made before the date of the divorce. To revoke the designation of the former spouse for active member death benefits that was effective *before* the date of divorce, TRS **must** receive a certified copy of your divorce decree before payment of any death

benefits is made to the former spouse as beneficiary. If your beneficiary designation was effective *after* a divorce, the divorce has no effect on the designation. For example, if you designate your former spouse as your beneficiary *after* your divorce with the intent that the former spouse should receive the benefits to care for the children of the marriage, the divorce will have no effect on the designation.

If your marital status changes, you can ensure that your wishes are followed by updating who you designate as your beneficiary on a form prescribed by and received by TRS. To reduce the chance of a challenge to the designation at your death, submit a new designation of beneficiary form after marriage or divorce—even if you designate the same person as your beneficiary.

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 a legal and/or a financial advisor.

Death and Survivor Benefits for Members

When you as a member die in a school year in which you have performed service, your beneficiary is eligible to select one of the following 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 eligible compensation paid in the immediately preceding school year, whichever is greater, up to a maximum benefit payment of \$80,000.
2. Sixty monthly payments equal to your standard annuity without reduction for age. This payment plan is available to members who have five or more years of TRS service credit.
3. A lifetime annuity equal to an Option 1 retirement plan, calculated as

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

4. An amount equal to the accumulated contributions in your account.
5. Survivor benefits consisting of a \$2,500 lump sum payment plus a monthly payment, according to the following relationships:
 - To a beneficiary spouse, \$250 per month for life when your spouse reaches age 65.
 - To a beneficiary spouse who has one or more minor children, \$350 per month, continuing until the youngest child reaches age 18. At age 65, your beneficiary spouse would receive \$250 per month for life.
 - To minor children designated as beneficiaries, \$350 per month with two or more children less than age 18, or \$250 per month with only one child under age 18.
 - To a dependent parent beneficiary, \$250 per month for life when the dependent parent reaches age 65.

If an annuity form of payment is selected, the first payment will become payable for the month in which your death occurs.

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

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

- Your death occurs during a time when you were eligible to retire or would become eligible to retire without further service before the

fifth anniversary of your last day of service as a member; or

- Your absence from service was because of sickness, accident or other cause the board of trustees determines involuntary; or
- Your absence from service was in furtherance of the objectives or welfare of the public school system.

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

More information about the steps a beneficiary should take in the event of the death of a member can be found in the “Death Claims Checklist” at the end of this handbook.

Deferred Retirement Option Plan (DROP)

The TRS plan permits eligible members to participate in a Deferred Retirement Option Plan (DROP). Participation in this plan allows members to continue employment while accumulating a portion of their standard annuity in a special account that is disbursed beginning at the time of their retirement.

Active contributing members who are eligible for normal age service retirement and who have at least 25 years of service credit may participate in DROP.

An eligible member may elect to participate in DROP for a period of one to five years, in yearly increments. Your election is made one time and is irrevocable. If you enrolled in the DROP program on or after September 1, 1999, you will have 60 percent of your calculated standard annuity deposited each month into a special DROP account, following TRS approval of your DROP application. TRS credits interest monthly to the DROP account at the rate of five percent per annum until final distributions are made.

During DROP participation, your member contributions to TRS continue, but they

are not deposited into your account and are not refundable. No service or compensation credit is earned during DROP participation.

Participation in DROP limits a retiree’s annuity as compared with the annuity that would have been received had no DROP been selected, since no additional service credit accrues during the years in which a member participates in DROP. Post-retirement increases are based on the amount of a retiree’s annuity. Consequently, any future percentage increases awarded by the legislature could be smaller than they otherwise would have been, since they would be calculated on a smaller annuity.

If you wish to participate in DROP but also wish to purchase service credit, you must purchase all service credit for which you are eligible prior to your entry into DROP. If you participate in DROP, you are not eligible to purchase unused state sick and/or personal leave service credit for leave accrued before and during your participation in DROP.

Upon retirement, DROP accounts may be disbursed in a lump sum or in yearly or monthly payments over a five- or 10-year period. Lump sum distributions or periodic payments for less than 10 years are eligible for rollover tax treatment. Distribution of the DROP has tax consequences. The *Deferred Retirement Option Plan/Partial Lump Sum Option* brochure has additional information regarding these important tax consequences.

Also, if you are eligible for DROP, the online retirement estimate calculator on the TRS Web site will estimate your DROP values. See the TRS Web site (www.trs.state.tx.us).

Health Benefit Programs for Active Public School Employees

TRS-ActiveCare

TRS-ActiveCare went into effect on September 1, 2002. Blue Cross and Blue Shield of Texas administers the medical benefits, and Medco administers the pharmacy

benefits.

TRS-ActiveCare offers a choice of three preferred provider organization (PPO) plans statewide. Also, health maintenance organizations (HMOs) options are available in select service areas. To be eligible for TRS-ActiveCare, an individual must be employed by a participating entity, which means a school district, a participating charter school, a regional education service center, or another educational district whose employees are TRS members, and must satisfy one of the following requirements:

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

Individuals receiving health benefit coverage as an employee or retiree under the State University Employees Uniform Insurance Benefits Act or the Texas Employees Group Benefits Act are not eligible for coverage under TRS-ActiveCare. Also, a TRS retiree enrolled in, or who declined coverage under, TRS-Care is not eligible for coverage under TRS-ActiveCare.

More details about the program are available on the TRS Web site (www.trs.state.tx.us/trs-activecare).

TRS-HRAccount

The 78th Texas Legislature passed House Bill 3257, which provides for a new Health Reimbursement Arrangement (HRA) program, called TRS-HRAccount. TRS-HRAccount goes into effect on September 1, 2004, and Aetna was selected by TRS to administer the program.



TRS-HRAccount allows employees to reimburse themselves or pay providers for qualified health care expenses. The program also allows employees to reimburse themselves for premiums that are not subject to a Section 125 premium conversion plan. The expenses may be for the employees, spouses, or eligible dependents. The following are additional key features about the new TRS-HRAccount benefit:

- It is structured to provide a non-taxable benefit to employees when

the funds are used for qualified health care expenses.

- It is funded solely by the compensation supplement paid by the State.
- Unused funds in the account remaining after the end of the fiscal year (August 31) carry over to subsequent years.
- Terminated employees retain access to their accumulated funds for future claims.

Additional details about TRS-HRAccount will be provided in TRS newsletters and through the TRS Web site (www.trs.state.tx.us).

GROUP LONG-TERM CARE INSURANCE PROGRAM

Aetna Life Insurance Company (Aetna) underwrites the group long-term care insurance program for active TRS members, TRS retirees, and certain family members. Under this plan, eligible individuals may apply for completely portable coverage at favorable group rates.

Eligible TRS retirees, eligible active TRS members, and eligible family members have the opportunity to apply for group long-term care insurance coverage until September 30, 2006. To obtain this coverage from Aetna, a medical questionnaire showing evidence of good health may be required. Some applications may be declined based on Aetna's underwriting guidelines.

TRS active members are eligible if they are not participating in any of the following plans, and TRS retirees are eligible if they cannot participate in either of the following plans:

- Texas Employees Group Benefits Program – administered by the Employees Retirement System of Texas (ERS)
- State University Employees Uniform Insurance Benefits Program – administered by the Texas A&M University System or the University of Texas System

For family members to be eligible, the respective member or retiree must first be eligible. However, the member or retiree is

not required to enroll in the long-term care program for the family member to enroll.

During a new employee's first ninety (90) days of TRS-covered employment, which will follow any applicable 90-day membership waiting period, the employee will not be required to show proof of good health to enroll in the program. The employee must, however, meet the eligibility requirements for TRS members stated above. If a new employee is subject to the membership waiting period, TRS-covered employment will begin after an initial waiting period of 90 days is satisfied. The 90-day enrollment period for this coverage begins after the 90-day TRS membership waiting period. To enroll after this initial enrollment period, the new employee will be required to show proof of good health. Eligible family members and retirees must always satisfy the carrier's underwriting requirements by providing proof of good health.

TRS active members who are public school employees may pay premiums through payroll deductions by their districts. Retirees may have their premiums deducted from their TRS annuity payments. All others must pay their premiums directly to Aetna. Additional details on payroll deduction for public school employees are available from TRS-covered school districts or by calling Aetna's toll-free number 1-877-894-2462.

More detailed benefit information and enrollment materials may be obtained by calling Aetna toll-free at 1-877-894-2462 or by visiting Aetna's Web site (www.aetnaushc.com/custom/group/trs).

Standard Annuity

The standard annuity is the maximum payment for TRS retirement benefits. It provides for the retiree to receive a maximum amount each month ending upon the retiree's death.

When calculating a standard annuity, the Teacher Retirement System uses the following formula:

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

(2) Total Years of Service Credit X 2.3% = Total %

(3) Total % X Average Salary = Annual Annuity

(4) Annual Annuity ÷ 12 = Monthly Standard Annuity

The standard annuity may be further reduced due to early age, retirement options selected, or other reductions required by law.

EXAMPLES OF STANDARD ANNUITY CALCULATION

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

Age — 55 Years of service — 30
Average of Highest 3 Years' Creditable Compensation — \$36,000

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

1.	\$36,000		
	<i>Average of Highest Three Annual Salaries</i>		
2.	30	x 2.3% (.023)	= 69% (.69)
	<i>Total Years of Service Credit</i>		<i>Total %</i>
3.	.69	x \$36,000	= \$24,840
	<i>Total %</i>	<i>Average Salary</i>	<i>Annual Annuity</i>
4.	\$24,840	÷ 12	= \$2,070
	<i>Annual Annuity</i>		<i>Monthly Standard Annuity</i>

Information on how to estimate your benefit and an online retirement estimate calculator is available from the TRS Web site (www.trs.state.tx.us).

Disability Retirement Eligibility

As a member, regardless of your age, 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 a disability. The TRS Medical Board is com-

prised of three physicians appointed by the TRS Board of Trustees. In making their determination of qualifying disabilities, the Medical Board reviews information provided by the member and the member's attending physician, along with clinical evidence such as medical histories, diagnostic reports by independent medical authorities and laboratory test results.

If you qualify for disability retirement and have at least 10 years of service credit, you are entitled to a monthly annuity that is not reduced due to early age. You may select a standard annuity or one of the five optional forms of annuity payment plans described later in this publication. Your monthly payments will be calculated using the formula for determining a standard annuity with a minimum standard annuity amount of \$150.00. If you select a payment plan other than the standard annuity, your monthly annuity will be reduced to reflect the additional liability for payment to your beneficiary. This benefit is also subject to any other reduction required by law.

In the event that disability occurs before you have earned 10 years of service credit, TRS provides a \$150 monthly disability benefit payable for the number of months you have been covered by TRS, the duration of your disability, or the duration of your life, whichever is less. In determining 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 render a creditable year of service, the actual number of months will be counted to determine the duration of your payment. This benefit is subject to any reduction required by law and is eligible for rollover to another eligible retirement plan to continue tax-deferred treatment.

If you are certified for disability retirement on an annual basis, you must provide medical documentation of your continued disability for review by the Medical Board. Failure to provide the information when requested by TRS may result in the suspension of your benefits until the documentation is received. 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 recover from your disability and return to active TRS membership, you may begin contributing to TRS again and retire at a later date as a service retiree with benefits based on your total service credit.

Service Retirement Eligibility

In order to be eligible to retire and receive a lifetime monthly service annuity, you must:

- have at least five years of service credit,
- meet the eligibility requirements for age and service (see below),
- terminate employment, and
- apply for retirement.

Members should be aware that the requirements for eligibility for retiree group health benefits, such as TRS-Care, differ from requirements for eligibility for service retirement. Please review retiree group health benefit plan eligibility requirements carefully when you are considering retirement.

Normal Age Service Retirement

When a member meets the requirements for a normal age service retirement and retires, the retiree is entitled to receive a payment of a lifetime monthly annuity, calculated according to the standard annuity benefit formula in effect at the time of retirement, with no reduction that would be required for early age retirement.

Under current law, a member meets the age and service requirements for normal age service retirement when

You are age 65 with five or more years of service credit, or your age and years of service credit total 80, and you have at least five years of service credit.

Minimum Benefits Under TRS

TRS law provides that each service retiree is eligible to receive a minimum benefit of \$150 per month. This minimum benefit may be reduced due to early age retirement, the selection of a joint and survivor or guaranteed period annuity, or other reductions required by law.

Early Age Service Retirement

When a member elects an early age service retirement, the retiree is entitled to receive a payment of a lifetime monthly annuity, calculated according to the standard annuity benefit formula in effect at time of retirement, but reduced for early age according to actuarial tables.

If as a member your total of age and service credit is 80 or more with at least five years of service credit, you are eligible for normal age retirement. Under current law, you are entitled to early age service retirement when the total of age and service is less than “80” and the following conditions are met:

You are at least age 55 with five or more years of service credit,

or

you are any age below age 50 with 30 or more years of service credit.

Members who are age 49 or less and have 30 or more years of service credit will have their standard annuity reduced by two percent for each year of age under the age at which the sum of their age plus years of service credit would equal 80. Applicable percentages of standard annuity payable at early retirement for these members are shown in Table A.

Table A

Years of Service	Age at Date of Retirement					
	45	46	47	48	49	50
	Percent of Standard Annuity					
30	90	92	94	96	98	100
31	92	94	96	98	100	100
32	94	96	98	100	100	100
33	96	98	100	100	100	100

Members who are between 55 and 64 years of age, and who have completed between five and 19 years of service, will receive a percent of their standard annuity payable at early retirement as shown in Table B.

Table B

Years of Service	Age at Date of Retirement										
	55	56	57	58	59	60	61	62	63	64	65
	Percent of Standard Annuity										
5-15	47	51	55	59	63	67	73	80	87	93	100
16	47	51	55	59	63	67	73	80	87	100	100
17	47	51	55	59	63	67	73	80	100	100	100
18	47	51	55	59	63	67	73	100	100	100	100
19	47	51	55	59	63	67	100	100	100	100	100

Members who are between 55 and 59 years of age, and who have completed between 20 and 24 years of service, will receive a percent of their standard annuity payable at early retirement as shown in Table C.

Table C

Years of Service	Age at Date of Retirement					
	55	56	57	58	59	60
	Percent of Standard Annuity					
20	90	92	94	96	98	100
21	92	94	96	98	100	100
22	94	96	98	100	100	100
23	96	98	100	100	100	100
24	98	100	100	100	100	100
25+	100	100	100	100	100	100

Optional Forms of Annuity

In lieu of a standard annuity, the member may choose an optional form of annuity payment that reduces the annuity payable during the retiree's life and provides for a beneficiary to receive a benefit either for life or for a guaranteed period of time. The total amount of benefits is the actuarial equivalent of a standard annuity.

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

- **Joint and Survivor Annuity:** a reduced annuity that is paid to the retiree for life. The benefit to the retiree is reduced based on an actuarial factor that takes into account the ages of the retiree and the beneficiary. At the death of the retiree, all or a portion of the monthly amount payable to the retiree is payable to the person designated as primary beneficiary, provided the beneficiary survives the member.

- **Guaranteed Period Annuity:** a reduced annuity payable for a guaranteed period of time beginning with the date of retirement or as long as the retiree lives, whichever is longer. The benefit to the retiree is reduced based on an actuarial factor that takes into account the retiree's age and the guaranteed period but that is not affected by the age of the designated beneficiary. If the retiree dies before the guaranteed period expires, the person or persons named as beneficiary(ies) will receive the payments remaining within the guaranteed period.

JOINT AND SURVIVOR ANNUITY

A member who is eligible to retire may choose from three joint and survivor options. These options are listed below and are distinguished by the percentage of the retiree's annuity that is payable to the surviving beneficiary.

Only one beneficiary may be designated 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 – the retiring mem-

ber and the beneficiary. The beneficiary must be a person or an irrevocable trust with only one individual beneficiary. A minor child or a legally incapacitated person may be designated to receive annuity payments after the retiree's death; however, at the time of the retiree's death, the benefit will be paid to the individual with legal authority to receive the benefit on behalf of the child or incapacitated individual. In Texas, a surviving parent may be eligible to receive the benefit on behalf of the minor child unless precluded by a court order. See the "General Information" section of this handbook for more information on the topic of "Considerations before Naming a Minor Child as Beneficiary." Please consult your attorney for advice regarding this matter.

OPTION ONE: - 100 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to the retiree throughout the retiree's lifetime. Upon the retiree's death, if the designated beneficiary survives the retiree, the designated beneficiary would receive 100 percent of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary predeceases the member, the annuity will be increased to the standard annuity amount.

OPTION TWO: - 50 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to the retiree throughout the retiree's lifetime. Upon the retiree's death, if the designated beneficiary survives the retiree, the designated beneficiary would receive one-half of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary predeceases the member, the annuity will be increased to the standard annuity amount.

OPTION FIVE: - 75 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to the retiree throughout the retiree's lifetime. Upon the retiree's death, if the designated beneficiary survives the retiree, the designated beneficiary would receive three-fourths of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary predeceases

the member, the annuity will be increased to the standard annuity amount.

The following tables show selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under the various joint and survivor options.

OPTION 1 - 100%

Age Of Beneficiary	Age of Member at Date of Retirement						
	55	57	59	61	63	65	67
	Percent of Standard Annuity						
55	92.56	91.06	89.31	87.33	85.12	82.70	80.08
57	93.05	91.61	89.93	88.02	85.87	83.50	80.93
59	93.54	92.17	90.56	88.71	86.64	84.33	81.82
61	94.02	92.72	91.19	89.42	87.42	85.19	82.75
63	94.49	93.26	91.81	90.13	88.21	86.06	83.70
65	94.94	93.79	92.42	90.82	89.00	86.94	84.68
67	95.38	94.31	93.02	91.51	89.78	87.83	85.66

OPTION 2 - 50%

Age Of Beneficiary	Age of Member at Date of Retirement						
	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 5 - 75%

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

Joint and survivor annuities may be estimated through the retirement estimate calculator on the TRS Web site (www.trs.state.tx.us).

GUARANTEED PERIOD ANNUITY

A retiring member may also choose from two guaranteed period annuities, which are distinguishable by the period of time that benefits are guaranteed to be paid to a beneficiary. Members who select the Option Three or Option Four retirement plan may name single or multiple beneficiaries.

OPTION THREE: - 60 monthly payments

This retirement plan provides a reduced annuity which is payable to the retiree for life. If the retiree dies before 60 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 60 payments have been made.

OPTION FOUR: - 120 monthly payments

This retirement plan provides a reduced annuity which is payable to the retiree for life. If the retiree dies before 120 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 120 payments have been made.

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

OPTIONS 3 AND 4

Age Of Member At Last Birthday	Option 3 60 Months	Option 4 120 Months
	Percent of Standard Annuity	
55	99.76	99.04
57	99.68	98.74
59	99.57	98.34
61	99.43	97.82
63	99.24	97.18
65	98.99	96.42
67	98.70	95.53

Partial Lump Sum Option

At retirement, you may select a partial lump sum distribution in addition to either a reduced standard annuity or a reduced optional form of annuity. You may select the partial lump sum payment option (PLSO) if you are eligible for normal age service retirement benefits (but not if you are eligible only for early age retirement benefits), are not participating in the Deferred Retirement Option Plan (DROP), are not retiring with disability benefits, and are not retiring under the proportionate retirement law.

You may select a partial lump sum distribution equal to 12, 24, or 36 months of a standard service retirement annuity. When you select the PLSO option by submitting a completed form TRS 30, "Application for Service Retirement," your annuity will be actuarially reduced to reflect your selection. Disbursement of your PLSO selection will be made as follows, depending on which number of months PLSO you select.

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

If you select two or three annual lump sum payments, you will have your second and third payments made on the anniversary due date of your initial lump sum payment. No interest will be paid on any lump sum amounts paid. Retirees who select two or three annual lump sum payments may receive all remaining payments due at any time that they elect to do so on a form prescribed by TRS. Retirees are also permitted to roll over the eligible portion of any lump sum payments to another eligible retirement plan.

Distribution of a partial lump sum has tax consequences. The *Partial Lump Sum Option* brochure has additional information regarding these important tax consequences.

The selection of a partial lump sum option actuarially reduces a retiree's annuity. Post-retirement increases are based on the amount of the retiree's reduced annuity and, consequently, any future increases that may be approved by the Texas Legislature would be calculated on the reduced annuity.

For more details, refer to the TRS *Partial Lump Sum Option* brochure. Also, if you are eligible for DROP/PLSO, the online retirement estimate calculator on the TRS Web site will estimate your DROP/PLSO values. See the TRS Web site (www.trs.state.tx.us).

Proportionate Retirement

A member with service in more than one Texas public statewide retirement system may be eligible to combine that service in order to satisfy the length of service requirements used to determine eligibility for service retirement under one or more of the participating systems. Your retirement benefit would be paid separately from each system, based only on the service you rendered in that system. Participating retirement systems are:

- TRS
- Employees Retirement System of Texas (ERS) (Also, refer to the brochure titled *TRS/ERS Transfer*.)
- Judicial Retirement System of Texas (Plans One and Two)
- Texas Municipal Retirement System (TMRS)
- Texas County and District Retirement System (TCDRS)
- City of Austin Retirement System
- El Paso Municipal Employees Retirement System
- El Paso Fire and Police Retirement System
- Other Texas retirement systems covering municipal employees who have qualified plans and have elected to participate in the proportionate retirement program

If you are a member of one of the participating retirement systems you may re-

establish credit for service that you earned in another participating retirement system, but which you previously had canceled—even though you are not currently a member of the system of which you are buying back service. Certain restrictions apply. However, 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.

Benefit Limitations and the Excess Benefit Arrangement

Certain highly compensated TRS members may have their retirement annuity limited because of Section 415(b)(1)(A) of the Internal Revenue Code. However, state law authorizes TRS to pay a benefit payment equal to the amount of the reduction required by federal tax law. The amount is paid from a separate, non-qualified excess benefit account that is funded by the state, not from the pension trust fund.

A member whose highest average of three years of creditable compensation is \$165,000 may be affected. The limitation is adjusted for a number of factors, including retirement age, and thus may affect members whose highest three-year average is somewhat above or below this amount.

Additional details are provided to affected members during the retirement process.

Retiree Information

YOUR BENEFITS AS A TRS RETIREE

RETIREES may be eligible for the following pension plan benefits:

- monthly service retirement annuity payments with a choice of standard annuity, joint and survivor annuity, or guaranteed period annuity payment plans at time of retirement

- monthly disability retirement annuity payments
- PLSO, payment of part of the value of the annuity in a lump sum
- death benefits payable on the retiree's behalf to a beneficiary
- distribution of a DROP account

Descriptions of each of these benefits are outlined in this handbook. This information is subject to change by law or by rules of the TRS Board of Trustees.

Consistent with federal law, TRS members must begin receiving distributions from TRS by April 1 of the calendar year following (1) the calendar year in which they reach 70½ years of age, or (2) the calendar year in which they terminate employment with a Texas public educational institution—*whichever is later*.

For more information on the steps a member should take to apply for service retirement, please refer to the Service Retirement Checklist at the end of this handbook.

Retirees and their dependents also may be eligible for group health benefits administered by TRS, known as TRS-Care. Also, retirees and their dependents may be eligible for the long-term care insurance program administered by TRS through Aetna. TRS-Care eligibility is addressed below in this handbook, while information on the long-term care insurance program is described earlier in this handbook.

Health Benefits for Retirees

ELIGIBILITY

To be eligible for TRS-Care, a retiree **cannot** be eligible for ERS, UT, or A&M System health benefit coverage. Service retirees who retire after September 1, 2004 must meet one of the four following standards to be eligible for TRS-Care:

1. - be at least age 65, and
- have taken a TRS service retirement and have at least 10 years of service credit in the system, which



may include up to five years of military service credit but which may not include any other special service purchased; *or*

2. - have taken a TRS service retirement and have at least 10 years of service credit in the system, which may include up to five years of military service credit but which may not include any other special service purchased, and
 - the sum of age plus service credit described by this paragraph equals or exceeds 80 - *TRS-Care Rule of 80*; *or*
3. - purchase service credit that was credited by 8/31/03 (excludes all withdrawn, unreported, substitute, and transferred ERS service credit); and
 - have the sum of age, plus service credit for actual service in Texas public schools or higher education (including all purchased withdrawn, unreported, and substitute service credit and transferred ERS service credit), plus any other purchased service credit that was credited by 8/31/03, equal or exceed 80 - *Grandfathered TRS-Care Rule of 80*; and
 - at the time of retirement, have at least 10 years of Texas public school or higher education service credit, five of which can be out-of-state service credit, so long as the out-of-state service was credited by 8/31/03; and
 - take a normal age service retirement, as determined by TRS pension law, by 8/31/09; *or*

NOTE: Service retirees who meet all the requirements of number 3 except the Grandfathered TRS-Care Rule of 80 at the time of retirement can age into TRS-Care eligibility under number 3 only if they will meet the Grandfathered TRS-Care Rule of 80 by August 31, 2009. Retirees who take an early-age retirement can never meet the requirements of number

3 because it requires a normal age service retirement.

4. - have been employed in actual service in Texas public schools or higher education during or before the 2003-2004 school year, and
 - have taken a TRS service retirement, and
 - at the time of retirement, have at least 10 years of Texas public school or higher education service credit, five of which can be out-of-state service credit.

A retiree eligible to participate under number 4 is required to pay the total cost of TRS-Care until the date the retiree qualifies for TRS-Care under number 1, 2, or 3 above. A service retiree who retires after September 1, 2004 and who is eligible for TRS-Care only under number 4 will have a second initial enrollment period for TRS-Care when he or she first meets the requirements of either number 1, 2, or 3. Retirees who declined, waived, or dropped TRS-Care coverage under number 4 are still eligible for the second enrollment opportunity.

Service retirees who retire after September 1, 2004 under either number 1 or 2, and who participated in the Deferred Retirement Option Plan (DROP) may use any years of service credit that they would have received had they not participated in DROP as service credit to qualify for TRS-Care under only number 1 or 2 above.

To be eligible for TRS-Care, a ***disability retiree*** is eligible regardless of the number of years of service credit. TRS-Care coverage for disability retirees with less than 10 years of service credit ends when the disability retirement benefit ends.

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

The TRS-Care health benefits plan offers comprehensive health care through statewide networks of hospitals, physicians and other health care providers, and pharmacies. As a participant, if you use network providers, the plan generally reimburses you for 80 percent of your eligible expenses after you have satisfied a deduct-

ible each plan year. Services provided out-of-network are reimbursed at a lower rate.

Significant plan provisions include:

- no maximum on lifetime benefits; and
- no preexisting condition limitation if member enrolls when *first* eligible.

There are currently no plans for a TRS-Care open enrollment period. Members should therefore give enrollment in TRS-Care serious consideration at the time of retirement.

For complete details, refer to the *TRS-Care Highlights of the Plan* booklet or the plan document. Both are available from TRS-Care.

Death and Survivor Benefits for Retirees

The designated beneficiary of a retiree is entitled to receive a lump sum death and survivor benefit payment of \$10,000. This benefit is payable on the death of either a service or disability retiree. It is payable in addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment that a retiree elected at retirement.

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

- If the beneficiary is the retiree's spouse or dependent parent, the beneficiary may choose a \$2,500 lump sum payment plus \$250 per month beginning when the beneficiary reaches age 65.
- If the beneficiary is the spouse of the decedent and has one or more minor children or has custody of one or more minor children of the decedent, the beneficiary may choose a \$2,500 lump sum payment plus a monthly benefit of \$350 payable until the youngest child reaches age 18, followed by a lifetime monthly benefit of \$250 beginning when the spouse reaches age 65.
- If the beneficiary or beneficiaries are

the retiree's dependent children under the age of 18, the children's guardian may elect to receive for them a \$2,500 lump sum payment plus a monthly benefit of \$350 which is payable for so long as two or more children are under age 18 or a monthly benefit of \$250 which is payable as long as one child is under age 18 or a monthly benefit of \$250 which is payable as long as one child is under age 18.

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

In addition to the death and survivor benefits described above, if the total amount of accumulated contributions in the member account at the time of retirement has not been paid in monthly benefits to a retiree receiving a standard annuity, TRS also pays a lump sum payment of the amount not distributed. If an Option 1, 2, or 5 beneficiary dies prior to distribution of an amount equal to the total amount of the accumulated contributions in the member's account, the beneficiary as provided by law will receive the lump sum payment of the amount of accumulated contributions not distributed.

As a retiree, you must designate your beneficiary on a form prescribed by and received by TRS before your death. Please contact TRS for the appropriate form. Your beneficiary designated to receive the death and survivor benefit may be different from the beneficiary designated to receive an optional form of annuity. If you elect to change your beneficiary after you retire, please contact TRS for the correct form as different designation forms are used for different benefits.

Important changes in the law regarding divorces provide that receipt by TRS of a

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

More information on steps a beneficiary should take in the event of a death of a retiree can be found in the Death Claims Checklist at the end of this handbook.

Changing a Beneficiary Under an Optional Plan After Retirement

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

Once you have named a beneficiary for a joint and survivor annuity (Option 1, 2, or 5) and retired, you may change that designation only when the following conditions are met:

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

change of beneficiary form and TRS receives the form before your death.

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

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

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

Please contact TRS for the consent form and the change of beneficiary for a continuing annuity under Option 1, 2, or 5. **The designation of a new beneficiary for death and survivor benefits will not change the beneficiary of a joint and survivor annuity.** If your beneficiary is not your spouse or former spouse, simply complete the change of beneficiary for a continuing annuity and submit the form to TRS. For your beneficiary designation to become effective, the form must be received by TRS prior to your death.

Changing a beneficiary when a member has retired under the Option Three or Option Four Retirement Plan – –

Retirees who selected Option 3 or 4 at retirement may change the beneficiary at any time during the guaranteed option period by completing the TRS form prescribed for this benefit and returning it to TRS. A change in beneficiary designation for the guaranteed period annuity must be received prior to the death of a retiree to be effective.

Revoking a Beneficiary and Canceling a Joint and Survivor Annuity When a Member has Retired Under Option One, Option Two, or Option Five Retirement Plans

As a retiree, you may revoke the designation of your spouse or former spouse or adult child as your beneficiary of a joint and survivor annuity (Option 1, 2, or 5). Revocation of the designation of your spouse, former spouse, or adult child as beneficiary of the joint and survivor annuity cancels the optional annuity you selected and authorizes TRS to pay you the current standard annuity amount. Your designation may be revoked only when the following conditions are met:

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

Contact TRS for the revocation of beneficiary designation for an Option 1, 2, or 5 joint and survivor annuity. For the beneficiary revocation and cancellation of the option to become effective, the form must be received by TRS prior to your death. TRS also requires a certified copy of the court order, when the change is made without consent. A certified copy may be obtained from the clerk of the court that entered the order. The designation of a new beneficiary for death and survivor benefits will not revoke the beneficiary of a joint-and-survivor annuity.

Selecting a Joint and Survivor Annuity and Designating a New Beneficiary Due to 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 1, 2, or 5) and designate a new beneficiary.

If you are a retiree receiving a standard annuity amount 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 amount due to the death of the beneficiary of the joint and survivor plan, you may also make this change provided you do so within two years of your marriage and both you and your spouse survive the two-year waiting period. Additionally, retirees who have revoked their previous beneficiary and who have returned to the standard annuity amount 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 to make this change. Estimates of benefits under the Option 1, Option 2, and Option 5 retirement plans calculated based on the current spouse’s date of birth will be provided by TRS.

Employment After Retirement

GENERAL INFORMATION

Retirees who plan to be employed or otherwise work in Texas public education after retirement should carefully review all requirements applicable to such work. Revocation of retirement or loss of monthly annuity payments may result if the retiree does not effectively terminate employment or a retiree's work is not in compliance with the requirements.

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

- have an effective date of retirement by terminating employment,
- wait to negotiate a return to employment in a manner permitted under law,
- not be employed or otherwise work during the required break in service after the retirement effective date, and
- work only the amount of time permitted under one of the employment after retirement exceptions, which permit certain kinds of employment without loss of the annuity for the month in which the employment is performed.

These requirements are applicable to all retirees, both service and disability and both normal age and early age. However, there are some differences in how the requirements are applied, as described in more detail below, depending on retirement circumstances. If you are considering returning to employment in Texas public education after retirement and unsure about whether your employment will affect your retirement or your monthly annuity payment, please contact TRS.

For employment after retirement purposes, the definition of "school year" is a 12-month period beginning September 1 and ending August 31 of the next calendar year.

During employment after retirement, a retiree will not earn additional service credit,

and TRS contributions will not be withheld from your salary.

TERMINATION OF EMPLOYMENT BEFORE RETIREMENT

An eligible member who wishes to receive a service retirement benefit must apply to TRS using the TRS 30, "Application for Service Retirement." This form establishes a service retiree's effective date of retirement. Service retirement can be effective no earlier than either the last day of the month in which you file the form TRS 30 or the last day of either of the two previous months, provided you have terminated employment by the effective date of retirement. For example, if you want your retirement to be effective January 31, you must terminate employment by January 31 and file your retirement application by March 31. An eligible member who wishes to apply for a disability retirement benefit must likewise terminate employment by the effective date of retirement.

Termination does not occur until your official resignation date and you have ceased all employment with all TRS-covered employers. Providing notice to your employer that you are retiring is effectively giving notice of your resignation. For retirement purposes, employment has not terminated if you are on paid or unpaid leave.

An exception to this requirement is available for May 31st retirees. If you must work into the month of June but no later than June 15 to complete work required for the school year, you may establish a May 31 retirement date provided you file your retirement application by July 31 and terminate employment on or before June 15.

NEGOTIATION FOR RETURN TO EMPLOYMENT

Members should be aware that, with limited exceptions, a member's employment **does not terminate (end) for TRS purposes** if, at time of retirement, the member has a contract, agreement, or promise for future employment with a Texas public educational institution. Arranging for future employment prior to retirement is permissible

only when the following two conditions are met:

- the member must be eligible to take normal age retirement, and
- the post-retirement employment must qualify under one of the exceptions to loss of monthly benefits.

Specifically, retirees who meet the requirements for normal age retirement may only have a contract for employment *during the school year in which they retire* for half-time employment or as a bus driver. If an agreement is for employment *after* the school year in which retirement occurs, a normal age retiree may also have an agreement for full-time employment **that does not exceed six months**. See page 19 for normal age retirement requirements.

Members who do not meet these two criteria but nevertheless enter into employment arrangements at the time of retirement are not eligible for retirement because they have not effectively terminated employment, and they are not eligible for any retirement benefits they may have received or for retiree health care coverage. Members taking normal age retirement should be aware that a contract for full-time employment that exceeds six months, when entered into at the time of retirement, will make a person ineligible for retirement. Retirees must wait until after the required break in service to negotiate a contract for full-time employment that exceeds six months.

Members taking early age retirement may not have a contract, agreement, or promise for any type of future employment at the time they retire. They must wait until after the required break in service to negotiate any contract for employment with a TRS-covered employer. After the required break in service, a retiree may contract for any type of employment; however, the employment after retirement remains subject to the forfeiture of benefit provisions described below. See page 20 for early age retirement requirements.

Members who enter into contracts, agreements, or promises to return to work that do not meet the requirements described above risk revocation of their retirement and loss of all associated benefits of retirement.

Volunteering service or waiving payment for service during the required break in service will also jeopardize a member's retirement.

REQUIRED BREAK IN SERVICE

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

NOTE: The one-month separation is also required of a person retiring with the Employees Retirement System of Texas who uses TRS service transferred at retirement for benefit calculation.

Employment After Retirement for Service Retirees

EMPLOYMENT WITHOUT FORFEITURE OF BENEFITS

Members who retired before January 1, 2001, are permitted to go back to work without employment restrictions or reduction in TRS benefits.

The following employment-after-retirement provisions apply to members retiring *on or after* January 1, 2001:

After terminating employment and fulfilling the period of required absence following the effective date of retirement as indicated above, service retirees may work

in a Texas public educational institution without forfeiting their annuity payment under the following conditions:

RETURN TO WORK DURING SAME SCHOOL YEAR AS RETIREMENT

- **Substitute:** Retirees may substitute an unlimited number of days during the school year if the following criteria are met. For TRS purposes, a substitute is a person who serves on a daily, on-call basis in a TRS-covered position usually filled by another regular employee. The salary earned cannot be more than the daily rate of substitute pay set by the employer.
- **One-Half Time or Less: Retirees may work one-half time or less.** Working one-half time means employment for no more than one-half the time required for the full-time job for that particular month. Refer to the section below on “Definition of One-Half Time Employment” for additional information.
- **Bus Driver: Retirees may work on as much as a full-time basis as a bus driver provided the retiree is a normal age retiree and drives at least one TEA-approved route on a regular basis.** An early age retiree may work as a bus driver only under the one-half time exception.
- **Combination of Substitute and One-Half Time Employment:** Retirees may combine substitute and one-half time employment during the same calendar month provided the amount of total time worked does not exceed the amount of time available for half-time employment for that month. Retirees may also work either as a substitute or on a half-time basis in different months of the same school year.



RETURN TO WORK DURING SCHOOL YEARS AFTER RETIREMENT

- **Substitute, One-Half Time or Less, or Bus Driver:** The types of employment exceptions listed above for retirement in the same school year as retirement also are available in the school years after retirement.
- **Six-Month Exception: Retirees may work on as much as a full-time basis in any position for as long as six months during the school year.** This exception *cannot be used* in the same school year that retirement occurs. Work during any month after the sixth month will result in the forfeiture of the monthly annuity for the month worked. Also, this exception cannot be used with any other exception to forfeiture of benefits during the same school year. If the retiree works full time (more than one-half time) in any month, employment as a substitute or on a one-half time basis in any other month will be counted in the six months and benefits will be forfeited for any month that exceeds the six months.
- **Combination of Substitute and One-Half Time Employment:** Retirees may combine substitute and one-half time employment during the same calendar month provided the amount of total time worked does not exceed the amount of time available for half-time employment for that month. Retirees may also work either as a substitute or on a one-half time basis in different months of the same school year.
- **OTHER EXCEPTIONS FOR FULL-TIME EMPLOYMENT WITH 12-MONTH BREAK IN SERVICE AFTER RETIREMENT**



- **Acute Shortage Area Exception:** Retirees may work on as much as a full-time basis without limitation as a teacher in an acute shortage area. This exception is limited to certified classroom teachers. An acute shortage area is determined by the board of trustees of the employing school district based on guidelines provided by the Commissioner of Education.

In addition, the following requirements must be met:

- ❖ Retired without a reduction in benefits due to early age.
 - ❖ Not worked in any position or capacity for any Texas public educational institution for a 12-consecutive-month period following the date of retirement.
 - ❖ Employed to teach at least one classroom hour per day in an area designated as an acute shortage area.
 - ❖ Certified by the State Board of Educator Certification (SBEC) to teach in the acute shortage area.
 - ❖ Complete form TRS 581, “Certification for Employment After Retirement as a Classroom Teacher in an Acute Shortage Area or as a Principal/Assistant Principal.” The completed form is submitted to TRS by the employer.
- **Principal or Assistant Principal Exception:** Retirees may work on as much as a full-time basis without limitation as a principal or assistant principal provided the following requirements are met:
 - ❖ Retired without a reduction in benefits due to early age.
 - ❖ Not worked in any position or capacity for any Texas public educational institution for a 12-consecutive-month period

following the date of retirement.

- ❖ Certified under Subchapter B, Chapter 21, Education Code, to serve as principal.
- ❖ Employed as and performs the duties of a principal or assistant principal.
- ❖ Complete form TRS 581, “Certification for Employment After Retirement as a Classroom Teacher in an Acute Shortage Area or as a Principal/Assistant Principal.” The completed form is submitted to TRS by the employer.

EMPLOYMENT WITH FORFEITURE OF BENEFITS

A service retiree who retires on or after January 1, 2001 will forfeit retirement annuity payments for any month worked as follows:

1. Full-time employment during the same school year in which retirement occurs unless working as a bus driver under the “Bus Driver Exception” described previously. (Full-time employment is any employment that is more than one-half time.)
2. Work in excess of six months in the school year after retirement if employed under the “Six-Month Exception” as described above. The six-month exception applies if any work is full time.
3. Work as a substitute combined with work on a one-half time basis and the combined employment for the month exceeds the time allotted for the one-half time position.

DEFINITION OF ONE-HALF TIME EMPLOYMENT

For employment-after-retirement purposes, “one-half time” means employment during any month on as much as one half the full-time load for the particular position as determined by the employer. In addition, the following requirements are

applied in determining one-half time employment:

- Employment measured in clock hours must not exceed more than one half the number of working hours in the month or 92 clock hours, whichever is less.
- One-half time employment cannot exceed 50 percent of the full-time position.
- As a bus driver a retiree can only drive the bus for one half the number of working days in that particular calendar month. For example, December is a short month due to the Christmas holidays; therefore, if the school is only open for 10 working days, a retiree could only drive the bus five days in that month. This rule does not apply to bus drivers who qualify for the “Bus Driver Exception” as described above.

NOTE: Because the number of working days in each month is not always the same, the amount of time available to work one-half time may vary from month to month.

EMPLOYMENT THROUGH A “THIRD-PARTY ENTITY”

Employment by a third-party entity is considered employment by a Texas public educational institution subject to the employment-after-retirement requirements unless the retiree was first employed by the third-party entity on or before May 24, 2003, or the retiree does not perform duties or provide services on behalf of or for the benefit of a Texas public educational institution. For purposes of employment after retirement, a third-party entity is an entity retained by a Texas public educational institution to provide personnel to the institution to perform duties or provide services that employees of the institution would normally perform or provide.



EMPLOYMENT AS AN INDEPENDENT CONTRACTOR

Employment with a Texas public educational institution as an independent contractor is not subject to the TRS laws and rules regarding employment after retirement. Therefore, if you are an independent contractor your employment is not reported to TRS and your monthly annuity is not affected. A member who wants to return to work as an independent contractor should carefully consider whether the work arrangement meets all legal tests for this status. The characterization of your relationship with the Texas public educational institution as an independent contractor may be affected by laws such as those governing federal income tax and Social Security as well as TRS laws. TRS recommends that you carefully review the work arrangement and seek legal advice from your attorney as necessary to determine if you are an independent contractor.

If it is determined that your employment arrangement does not meet the legal tests for an independent contractor, you are regarded as an employee of the educational institution rather than an independent contractor. If your contract was negotiated prior to retirement, you may not have terminated employment for TRS purposes and you are not eligible to retire. In this case, you must return all benefits associated with your retirement, including any annuity payments, DROP or PLSO payments, and any group health benefits received under TRS-Care. If the contract was negotiated after the required break in service, your retirement eligibility may not be in question; however, you will forfeit benefits for any month that your work exceeds the applicable limits under the exceptions described above. Consult your own attorney before entering into an agreement to work as an independent contractor to make sure that the work arrangement does not jeopardize your eligibility for retirement and retirement benefits.

Employment After Retirement for Disability Retirees

Disability retirees are subject to the same requirements and limitations found in the sections on General Information, Termination of Employment Before Retirement, Negotiation for Return to Employment, Required Break in Service, Employment Through a Third-Party Entity, and Employment as an Independent Contractor. Please refer to these sections for additional information and instructions.

It is important to remember that the retirement of a disability retiree will be revoked if there is a return to employment in a Texas public educational institution in any capacity during the calendar month following the effective date of retirement. For instance, if a disability retiree retires in August, the retiree cannot return to work before October 1st of the same calendar year. If the retirement date is May 31 but the contract or work agreement requires work into June but no later than June 15, the retiree cannot return to work until August 1st of the same calendar year. If retirement is revoked, all benefits associated with retirement (including any benefits of health care under TRS-Care) must be repaid to TRS and the retiree must reapply for retirement. Waiving payment for service during this time period is employment that revokes retirement. Similarly, volunteering to perform services that are normally provided by an employee may be considered employment that revokes retirement.

EMPLOYMENT WITHOUT FORFEITURE OF BENEFITS

A disability retiree may be employed without restrictions by any business or agency that is not a Texas public educational institution. Disability retirees may be employed by a Texas public educational institution for a maximum of 90 days per school year (September through August) in the following categories without forfeiting their annuity payments:

- **Substitute:** Disability retirees 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 daily, on-call basis in a TRS-covered position usually filled by another regular employee. Also, salary earned cannot be more than the daily rate of substitute pay set by the employer.
- **One-Half Time or Less:** Disability retirees may work one-half time, subject to the 90-day limit on total employment in a school year. Working one-half time means employment for no more than one half the time required for the full-time job for that particular month. Refer to the definition of “One-Half Time Employment” given previously for additional information.
- **Combination of Substitute and One-Half Time Employment:** Disability retirees may combine substitute and one-half time employment during the same calendar month provided the total time worked does not exceed the amount of time available for half-time employment for that month and the total number of days worked in both capacities does not exceed 90 days. Disability retirees may also work either as a substitute or on a one-half time basis during different calendar months provided the total number of days worked in both capacities does not exceed 90 days.



In addition to the above, on a one-time-only basis a disability retiree may work up to full time for a period of no more than three months in a school year (September through August) provided that:

- ❖ The work occurs in three consecutive months designated by the employee.

- ❖ If the full-time employment is performed in a school year that begins after the disability retiree's effective date of retirement and the required break in service has been met, and
- ❖ Written notice on form TRS 118D, "Employment After Retirement Disability Election," is submitted by the employer to TRS by the last day of the first month of full-time employment. Working any part of a month counts as a full month. This form can be found on the TRS Web site under "Forms."

- **Work in Excess of 90 Days:** A disability retiree who works more than a total of 90 days in a school year will forfeit the annuity for the month in which the 91st day is worked and for any additional month in which work occurs.

NOTE: In addition to the forfeiture of benefits for working in excess of 90 days, disability benefits may be suspended if the disability retiree refuses or fails to submit to a medical examination requested by TRS, or if the Medical Board determines you are no longer disabled, for those disability retirees who are subject to an annual determination of disability. See Disability Retirement Eligibility on page 18 for additional information.

EMPLOYMENT WITH FORFEITURE OF BENEFITS

Disability retirees will forfeit their retirement annuity for any month worked as follows:

- **Full-Time Employment:** A disability retiree who works full-time (working more than one-half time is considered full-time employment) during any month will forfeit the annuity payment for that month. In addition, the days worked will be included in the 90-day limit total. An exception to this limit is if the full-time employment occurs during one of the three consecutive months of trial full-time work referenced above.
- **Substitute Service in Excess of 90 Days:** A disability retiree who serves more than 90 days as a substitute will forfeit the annuity for the month in which the 91st day is worked and for any additional month in which work occurs.
- **One-Half Time Employment in Excess of 90 Days:** A disability retiree who works more than 90 days of one-half time employment will forfeit the annuity for the month in which the 91st day is worked and for any additional month in which work occurs.

General Information for Members and Retirees

ANNUAL STATEMENT OF ACCOUNT

Each year, TRS mails a Statement of Account to active members showing deposits and the total amount in their accounts for the year ending August 31. If you are a member who is eligible to retire, an estimate of your retirement benefits is also included. Statements are mailed directly to your address on file at TRS. To ensure receipt of your statement, please notify TRS of any address changes. Address changes must be provided to TRS in writing and must include your signature and Social Security number. TRS members who work for employers using the TRS Internet reporting system called TRAQS should make address changes through their employers, as explained on page 6.

CONSIDERATIONS BEFORE NAMING A MINOR CHILD AS A BENEFICIARY

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—particularly when designating a minor child.

While the law provides TRS participants with an option to name minor children as their beneficiaries, the benefit must be paid to an adult on behalf of the minor child. Complications sometimes arise that prevent the member's wishes from being carried out when the benefit cannot be paid directly to a minor.

In Texas, unless a guardian of the estate has been appointed for a minor child, the surviving parent may receive the benefit on behalf of the child. Establishing a guardianship for a minor child requires a legal proceeding in which the court appoints the guardian and issues letters of guardianship. After presenting the letters of guardianship, the guardian with authority over the child's estate may receive the TRS benefit on behalf of a child. While naming a guardian in your will gives notice to the court of your desire to have a specific individual named, your will alone does not establish the guardian of your child's estate. Laws in other states may differ from those in Texas.

TRS members and retirees should also carefully consider the unintended consequences of naming an adult friend or relative with the intent that this person will distribute the benefit to a minor child. When an adult is named individually, TRS will pay the benefit to the individual using that person's Social Security number. All the tax consequences become the responsibility of the named beneficiary. You should also consider what could happen if that person is injured or killed before the benefit is distributed to your child. While the person you designate might follow through with your request to distribute the benefit to your child, there is no legal obligation to do so. If that person is incapacitated and a guardian is then appointed for that person, or if that person dies, his or her guardian or executor would be legally obligated to use the benefit to serve the interests of the beneficiary or

the beneficiary's estate, rather than your child's interests.

Also consider the risk, even if it may appear minimal, that the person you designate may not follow through with your request. These unintended consequences become real-life dilemmas that only a court of law—not TRS—may resolve.

You may want to consider establishing an inter vivos or testamentary trust for the benefit of your minor child and designating the trust as the beneficiary of your TRS benefits. By doing so, you can determine who will manage the benefit paid on behalf of your child. Please keep in mind that if you name a testamentary trust (one established in your will), your estate must be probated in a way that allows TRS to pay the benefits in this manner. You may also want to talk with your attorney about making a designation under the Texas Uniform Transfer to Minors Act. This act allows you to designate a custodian to receive the benefit on behalf of a child under the age of 21.

If you wish to name a minor child as a beneficiary, TRS encourages you to consider seeking legal advice to fully understand the options available to you. 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.

INCOME TAX

Since January 1, 1988, member contributions to TRS have been made on a tax-deferred basis through an employer pickup that reduces the member's salary for tax purposes only. Payments for purchased service credit, however, are made on an after-tax basis (unless made through a rollover or trustee-to-trustee transfer). Interest earned on both types of contributions is credited to a member's account on a tax-deferred basis. Any retirement plan benefits received from TRS, including service and disability retirement benefits, death and survivor benefits, and refunds of accumulated contributions, may be subject to federal income tax. Tax

information will be provided when a TRS benefit is first received. For comprehensive tax assistance, please contact a professional tax advisor or the Internal Revenue Service (IRS), 1-800-829-1040.

REQUIRED MINIMUM DISTRIBUTIONS

As a qualified pension plan under federal tax law, TRS is required to administer benefits in a manner that complies with minimum distribution requirements of Internal Revenue Code Section 401(a)(9). Federal regulations require that plan participants must begin to receive benefits payable from a tax-deferred pension plan by a certain date. Failure of a plan participant to begin to take distributions by the required beginning date may subject the participant to a federal excise tax of 50 percent of the amount that should have been received as a required minimum distribution in a tax year. For a member, the required beginning date is April 1 of the year following the calendar year in which the member attains age 70½ or terminates employment by a TRS-covered entity, whichever is later. For a beneficiary, the required beginning date is generally no later than one year after the death of the member, although certain exceptions apply if all payment 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, or if you are a beneficiary who is eligible to receive a payment from TRS, please contact TRS at least three months before your required beginning date to allow sufficient time to process your application. A member or beneficiary must complete all forms required to establish eligibility for a distribution before payment is due from TRS.

ANNUITY PAYMENTS

A TRS annuitant, whether a retiree or a beneficiary, is able to use the electronic fund transfer (EFT) method of payment to your financial institution account. Payments are

generally due to be paid on the first working day of each month following the month for which the payment accrues.

APPEAL PROCEDURE

Any person may appeal a TRS decision or action regarding a pension plan matter over which TRS has jurisdiction. The appeal procedure begins by writing to the manager making the decision. If the matter is not resolved at that level, the appeal may be pursued through successive levels of management until a final written administrative decision is rendered by the chief officer with responsibility over the matter. If the individual is not satisfied with the final decision of the chief officer, the matter may be appealed to the TRS executive director by filing a petition for adjudicative hearing within 45 calendar days of the date of the chief officer's final decision. Copies of TRS rules (34 Tex. Admin. Code Ch. 43) detailing appeal procedures are available from TRS.

If a member is dissatisfied with a decision of the TRS Medical Board relating to disability retirement, the Medical Board may be requested to reconsider the application for disability retirement and be provided with any additional relevant medical information for their consideration. If after reconsidering the request for disability retirement, the TRS Medical Board does not certify the disability, the member may appeal the Medical Board's decision to the TRS Board of Trustees by filing a petition for adjudicative review within 45 calendar days of the date of the Medical Board's decision. Contact TRS for additional information regarding the appeal procedure for disability retirement.

DIVISION OF BENEFITS DUE TO DIVORCE

In Texas, benefits earned during marriage may be community property subject to division by the court in a divorce or partition suit. If a spouse or former spouse is awarded a portion of the member's TRS benefit and is to receive direct payment from TRS of the portion awarded, the court must enter a Qualified Domestic Relations Order

(QDRO). The spouse or former spouse (alternate payee) may receive the portion awarded when a benefit is paid on behalf of a member and will be distributed in the same manner of payment. A limited exception to the law provides for an earlier payment to the alternate payee if the TRS member is age 62 and is otherwise eligible to retire without reduction for early age but has not yet done so. The alternate payee must make a written request for the early distribution.

TRS has developed a model QDRO to assist the parties in drafting an order that meets all of the statutory requirements. The model QDRO is on the TRS Web site or is available from TRS upon request. Use of the TRS model is not required but many attorneys have found it helpful in drafting an order that meets the statutory requirements. Also, information relevant to the determination of community property interest may be provided to the parties, including the spouse or former spouse of the member. Please be sure to allow adequate time prior to any court proceeding for TRS to prepare and forward the information as requested. TRS participants should submit a new designation of beneficiary form after a divorce to ensure payment of death benefits to their desired beneficiary.

SOCIAL SECURITY

In some instances the calculation of your Social Security benefits may be affected by the TRS benefits that you receive. TRS is not able to provide information regarding possible reductions to your Social Security benefits. Please contact the Social Security Administration (SSA) at 1-800-772-1213 for information on possible offsets or reductions to your Social Security benefits. You may also visit the Social Security Administration Web site (www.ssa.gov) where you will find information on topics such as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). When requested, TRS can verify your first

eligibility date for retirement and the amount of benefit paid on your behalf.

ACCESSING MEMBER INFORMATION THROUGH TRS' AUTOMATED SYSTEMS

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

Online access: To access specific information about your TRS account through the TRS Web site, you will need a password. To get a password you need to complete a TRS Form 608I, "TRS Web Site Password Authorization." You can download the form from the TRS Web site (Click on "Forms" and then "Forms for Members," and find the form in the list.). Once you have completed the form and had it notarized, send it to TRS. Then a 8-to-10-digit password will be mailed to you.

Automated Telephone System: To access specific information about your TRS account over the telephone, you will need a personal identification number (PIN). To get a PIN you need to complete a TRS Form 590I, "TRS Telephone Personal Identification Number Authorization." You can download the form from the TRS Web site (Click on "Forms" and then "Forms for Members," and find the form in the list.) You can also request the form over the phone through the automated system. Once you have completed the form and had it notarized, send it to TRS. Then, a four-digit PIN will be mailed to you.

ADDITIONAL INFORMATION

Additional benefits information is available on the TRS Web site and in TRS publications, including:

- *TRS Service Credit*
- *Requesting A Refund*
- *TRS/ERS Transfer*
- *History Of Benefit Improvements*
- *Employment After Retirement*
- *Partial Lump Sum Option/Deferred Retirement Option Plan*
- *TRS Automated Telephone System*
- *TRS-Care Highlights Of The Plan*

Glossary

Accumulated Contributions - The total amount in a member's individual account. This includes TRS contributions deducted from the member's compensation, other amounts that must be placed in the member's individual account such as payment for special service credit, and interest credited to the account.

Active Contributing Member - A member who is currently working for a TRS-covered employer and is contributing to the TRS pension plan.

Active Non-Contributing Member - A member who fits into one of the two following categories: (1) has at least five years of service credit and is not currently employed in a TRS-covered position, or (2) has less than five years of service credit, is not currently employed in a TRS-covered position, and has been absent from TRS service for less than five years.

Annual Compensation - Salary and wages paid or payable to a member for service rendered during a school year and creditable for TRS purposes. Expenses, allowances, most bonuses, fringe benefits, payments for unused vacation or sick leave, pay for certain driver education classes, compensation not made pursuant to a valid employment agreement, active employee health coverage or compensation supplementation received by an employee under Article 3.50-8 of the Insurance Code, amounts credited to a health reimbursement arrangement, amounts paid in settlement of a claim in lieu of lost wages and/or salary, payments for terminating employment or paid as an incentive to terminate employment, payments made as an incentive to enter into contracts such as signing bonuses, and payments for work as an independent contractor or consultant represent non-creditable compensation for purposes of determining TRS benefits. (However, performance pay was added by the legislature in 1997 as eligible compensation. It refers to amounts awarded to an employee by a school district as part of a total compensation plan approved

by the district trustees and certified as performance pay by the reporting official.)

Annuitant - A person who receives a monthly benefit including retirement and death benefits.

Benefits - A distribution made or service provided by TRS in accordance with the plan requirements. The types of benefits payable are service retirement benefits, disability retirement benefits, death and survivor benefits, and a return of accumulated contributions.

Inactive Member - A member who has less than five years of service credit and was employed more than five years ago in a TRS-covered position.

Member - A person regularly employed at least half time in an eligible position in public education in Texas and who is paid at a regular rate comparable to that of other persons employed in similar positions. This does not include an employee who is subject to the membership-waiting period, a retiree, or a person who is participating in the Optional Retirement Program (ORP) instead of TRS. See Texas Government Code, Title 8, Sections 821.001(6) and 822.002.

Public School - An educational institution or organization in Texas that is entitled by law to be supported in whole or in part by state, county, school district, or other municipal corporation funds. Also, this term is commonly used to distinguish elementary and secondary educational organizations from higher education institutions. The context of the term may determine whether it is used in its broadest meaning or its narrower meaning.

Retirement - Terminating service with a TRS-covered employer with a retirement benefit granted under law, following application for retirement.

Retirement Date - The earliest effective date of retirement may either be the last day of the month of application or the last day of either of the two previous months. Termination from eligible service by the effective date and for one full month following the effective date is required for

retirement. A member on paid or unpaid leave status is not eligible to retire.

School Year - A 12-month period beginning approximately September 1 and ending approximately August 31 of the next calendar year or, for a member whose employment contract or oral or written work agreement begins after June 30 and continues after August 31 of the same calendar year, a period not to include more than 12 months beginning on the date the contract or work agreement begins. For employment-after-retirement purposes, the school year begins September 1 and ends August 31 of the next calendar year.

Service - The time a person is an employee in a position eligible for TRS membership. The amount of service required for a year of membership service credit is established by rules and procedures governing TRS and its members.

Service Credit - The amount of membership or special service credited to a member in the retirement system. It is used to determine eligibility for, and calculation of, TRS benefits. Service credit in TRS is expressed in whole years.

Substitute Service - A substitute is defined as a person who serves on a daily, on-call basis in a TRS-covered position usually filled by another regular employee. In addition, a substitute may be paid no more than the daily rate of pay set by the employer.

Service Retirement Checklist

THINKING ABOUT RETIREMENT

If you are a member nearing retirement, you should contact TRS six months prior to your anticipated retirement date to allow sufficient time to complete and submit all required forms. The checklist below will assist you in making a smooth transition to retirement.

THINGS TO DO BEFORE RETIREMENT

- Consult your *TRS Benefits Handbook* to obtain information on the retirement options available to you.
- Purchase special service credit for retirement credit or transfer service credit, if applicable. As Section 415 of the Internal Revenue Code limits the amount of voluntary contributions which can be made to TRS each year, please consider purchasing any eligible special service credit well before retirement to ensure sufficient time is available to make the contributions necessary to purchase the service credit.
- Send TRS copies of birth records for you and your beneficiary (if you select an Option 1, Option 2 or Option 5 retirement plan). Write your Social Security number on the birth records submitted so that the records can be matched with your TRS account.
- Contact TRS to request a copy of form TRS 18 (Request for Estimate of Retirement Benefits). You may do this by printing the form from the “Forms” page of the TRS Web site (www.trs.state.tx.us) or by calling the automated telephone system at 1-800-223-8778.
- View the streaming video on the TRS Web site titled “Steps to Retirement.” The video provides members with an overview of the steps to follow when nearing retirement.
- Complete form TRS 18 and return it to TRS to receive a retirement packet. (Processing of retirement packets is prioritized by retirement date, and response time may vary based upon the time of year that a retirement application is received.)
- Complete the following forms included in your retirement packet:
 - ▣ Form TRS 30 (Application for Service Retirement)
 - ▣ Form TRS 7 (Notice of Final Deposit Before Retirement)

- ❑ Form TRS 278 (Direct Deposit Request/Annuity Payment EFT Exemption Certificate)
- ❑ Form TRS 700A (TRS-Care Enrollment Application – Retiree) – (included only if preliminary analysis indicates retiree may be eligible for enrollment)
- ❑ Form TRS 228A (Income Tax Withholding Form)

TRS may include additional forms if applicable. Form TRS 31, “Instructions for Service Retirement,” will be included to help you complete your application.

- Give form TRS 7 to your employer (school district, college, etc.). Your employer’s reporting official must complete the form and mail it to TRS.
- You should complete all of the other forms in the packet and return them directly to TRS as soon as possible before your retirement date.
- Contact TRS-Care or another group health plan benefits from which you may be eligible to obtain coverage as a retiree, if you wish to enroll in the plan and need information or instructions.
- Terminate employment by the effective date of your retirement.
- Contact the Social Security Administration regarding your eligibility for Social Security benefits. You may contact Social Security toll-free at 1-800-772-1213 or obtain more information at www.ssa.gov. Request verification of annuity form from TRS if you need to provide this to the Social Security Administration.

You should consider many factors in determining the best time for you to retire. Please keep in mind that if you retire after meeting the minimum requirements for establishing a year of service credit, you will receive service credit for that year, but

you will **not** receive credit for the full year’s salary. If the year in question is one in which you are earning one of your highest salaries, you may wish to retire at the end of the school or contract year to take advantage of the full year’s salary.

You may wish to attend one of several TRS retirement presentations offered around the state each year. They focus on a number of details relating to the retirement process and the forms that must be completed by members. To view a schedule of presentations or to register online, please visit the TRS Web site (www.trs.state.tx.us). You may also register through the TRS Automated Telephone System by calling 1-800-223-8778 toll-free.

Refund Checklist

Step 1 – Contact TRS to request form TRS 6 (“Notice of Final Deposit and Request for Refund”) by calling the TRS automated telephone system (1-800-223-8778), day or night, or you may obtain the form from the TRS Web site (www.trs.state.tx.us).

Step 2 – Form TRS 6 will require that you sign and have notarized a statement that you have *permanently terminated* your employment with a Texas public educational institution and have not applied for or received any promise of employment with a TRS-covered employer. The unauthorized receipt of accumulated contributions in your TRS account will prohibit TRS from distributing future benefits should you later return to TRS-covered employment until the amounts are repaid. (If your name is different than that shown on TRS records, you must send TRS a copy of the court order or marriage license documenting your name change.)

Step 3 – If you were employed in a TRS-covered position within the last six months, your TRS-covered employer must certify on the form

TRS 6 the last date of your employment and indicate the month that your final deposit will be/was submitted to TRS.

- Step 4** – If TRS membership records indicate that you have at least five years of service credit with the system, TRS will send you a form TRS 287 (“Waiver of Benefits”) which you must sign and return to TRS. By signing this form, you acknowledge that accepting a refund will cause you to lose your TRS service credit and eligibility for all benefits.
- Step 5** – If you wish to roll over all or a portion of your contributions, TRS will send you a rollover election form. Complete and sign form TRS 6A and then send it to the eligible retirement plan that will accept the rollover so that they can complete it and send it to TRS.
- Step 6** –Your employer will submit a monthly payroll report that contains your final salary and deposits to TRS. Your account is then reconciled by TRS. These reports are due by the sixth day of the month following the calendar month for which the report is prepared (e.g., the September report is due on October 6, the October report is due on November 6).
- Step 7** – After all the required documents have been received by TRS and the accounts have been reconciled, TRS will request the State Comptroller of Public Accounts to issue you a refund warrant. (Payments are mailed out the same day that TRS receives them from the Comptroller’s Office.) The warrant will not be processed if records indicate that you have been reemployed by a TRS-covered employer.

For more details on requesting a refund from TRS, please refer to the TRS brochure titled *Requesting A Refund*.

Death Claims Checklist

Being familiar with how to request TRS death benefits can greatly ease matters for your beneficiaries at a difficult time in their lives. The following checklist should assist with this process:

1. If you die as a TRS member or retiree, a close family member or friend should notify TRS. Your employer or funeral home may offer to assist in this process. TRS should be notified of the death even if the monthly annuity will continue to be paid to your beneficiary under an option plan. Prompt notice allows TRS to make the necessary changes for tax purposes and to disburse valuable death and survivor benefits.

TRS may be notified by calling toll-free at 1-800-223-8778. TRS will require the family contact’s name, address, and telephone number as well as your date of death. At that time, TRS will request a copy of your death certificate when it is available for verification purposes.
2. After receiving notification of the death, TRS will mail out benefit information and forms. If your death occurs while you are working for a TRS-covered employer, then TRS must receive salary documentation from your employer to determine the actual benefit to be paid.
3. When TRS receives all properly completed documents, the claim will be processed and the death benefit payment will be requested. Payments are mailed out the same day that they are received from the State Comptroller of Public Accounts (unless your beneficiary has instructed TRS to do otherwise).

When important member records are not kept up to date, a longer time may be needed to process a claim. To expedite processing, TRS records should be updated with the current names and addresses of *your beneficiaries* using a Designation of Beneficiary form from TRS. To ensure that *your* address is updated in TRS records, please complete form TRS 358, “Change of

Address Notification.” Both forms are available toll-free from TRS (1-800-223-8778) and from the TRS Web site (www.trs.state.tx.us).

NOTE: TRS benefits including death benefits are not assignable. For example, TRS may not pay the benefits directly to a funeral home to cover burial expenses.

How to Reach TRS

You may contact a benefit counselor by mail, telephone, personal appointments in TRS' Austin office, or scheduled group meetings in numerous locations across the state. To reduce waiting time, please schedule appointments in advance.

General TRS Information

TRS Telephone Counseling Center -

(Monday - Friday, 7 a.m. - 6 p.m.; also automated information available day or night, seven days a week): 1-800-223-8778 (or 1-512-542-6400)

Other Ways to Reach TRS -

TTY (for hearing-impaired persons): 1-800-841-4497 (or 1-512-542-6444)
TRS Web site - www.trs.state.tx.us

Mailing Address -

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

TRS-ActiveCare –

Blue Cross and Blue Shield of Texas and Medco: 1-866-355-5999
FIRSTCARE: 1-800-884-4901
Mercy Health Plans: 1-800-617-3433
Scott & White Health Plan: 1-800-321-7947
Valley Baptist Health Plan: 1-800-829-6440

Long-Term Care Insurance Program -

Aetna: 1-877-894-2462

TRS-Care -

General Information: 1-800-223-8778, ext. 6456
Aetna (medical claims): 1-800-367-3636
Caremark Inc. (prescription drugs): 1-866-877-1555

TRS-HRAccount -

Aetna: 1-800-437-3666

Please note that the TRS Web site (www.trs.state.tx.us) features convenient links to the administrators' Web sites for TRS-Care (Aetna and Caremark), TRS-ActiveCare (Blue Cross and Blue Shield of Texas and Medco), and the TRS long-term care program (Aetna).

Other Helpful Contacts

Social Security Information –

Social Security Administration 1-800-772-1213
Web site – www.ssa.gov

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For additional topics covered in this handbook, please refer to the Table of Contents.

TRS Board of Trustees

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Greg Poole, Ed.D., 2007
Conroe

Dory A. Wiley, 2009
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Linus D. Wright, 2005
Dallas

Terms expire August 31

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.*

Teacher Retirement System of Texas

1000 Red River Street/Austin, TX 78701-2698

CHANGE SERVICE REQUESTED

TRS BENEFITS HANDBOOK



1-800-223-8778 www.trs.state.tx.us

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