



# TRS BENEFITS HANDBOOK

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TEACHER  
RETIREMENT  
SYSTEM OF  
TEXAS



October 2009

## **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.

## **TRS Diversity Statement**

At TRS, we believe that we can best serve our members through a diverse workforce. We promote this belief by creating a culture where we:

- Foster awareness and understanding of the value of individual differences.
- Fully utilize the varied talents, backgrounds and insights of our employees.
- Demonstrate respect and cooperation in our actions.
- Provide opportunities and encouragement for success.
- Treat one another with dignity and compassion.
- Are receptive to different viewpoints and change.

Fairness and inclusiveness are the cornerstones upon which we build respect for all those we work with and serve. With this solid foundation, TRS is well positioned to successfully serve our members and other stakeholders now and in the future.

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

The *TRS Benefits Handbook* is revised every two years. This edition is based upon TRS plan terms in effect September 2009. The TRS plan terms are subject to changes due to modifications to the law, as enacted by the Texas Legislature, and to the rules and policies, as approved by the TRS Board of Trustees.

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

Teacher Retirement System of Texas  
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**Ronnie G. Jung, Executive Director**

# Table of Contents

<b>Foreword</b> .....	<b>1</b>
<b>Introduction</b> .....	<b>2</b>
<b>Establishing Your Membership in TRS</b> .....	<b>4</b>
Covered Employment .....	4
Creditable Compensation .....	5
Member Contribution Account .....	6
Categories of Membership .....	7
Optional Retirement Program .....	9
How Long Can You Wait to Receive Your Benefits? (Required Minimum Distribution) .....	9
Ending Your TRS Membership .....	10
<b>Refund of Your TRS Contributions</b> .....	<b>10</b>
Notice of Final Deposit and Request for Refund .....	10
Waiving Rights to Future TRS Retirement Benefits .....	11
Income Tax Withholding .....	11
Refund Checklist .....	11
<b>Your Responsibilities as a Member or Annuitant</b> .....	<b>12</b>
Keep Address Current .....	12
Notify TRS of Name Changes .....	12
Keep Beneficiary Designation Current .....	13
Keep Informed .....	13
<b>Establishing TRS Service Credit</b> .....	<b>13</b>
Creditable Service .....	13
Five Years Membership Service Credit .....	14
Types of Service Credit Eligible for Purchase .....	14
Withdrawn Service .....	15
Unreported Service and/or Substitute Service Credit .....	15
Out-of-State Service Credit .....	16
Military Service Credit .....	17
USERRA Service Credit .....	17
State Sick and/or Personal Leave .....	18
Developmental Leave .....	18
Work Experience by Career or Technology Teacher .....	19
Membership Waiting Period Service Credit .....	19
Methods of Payment .....	19
Restrictions on Service Credit Purchase .....	20
TRS/ERS Service Transfer .....	20
<b>Beneficiary Designation by Members</b> .....	<b>21</b>
Designating a Beneficiary for Member Death and Survivor Benefits .....	21
Change in Marital Status .....	22
Considerations before Naming a Minor Child or Legally Incapacitated Adult .....	22
<b>Active Member Death &amp; Survivor Benefits</b> .....	<b>23</b>
Death Claims Checklist .....	25
<b>Deferred Retirement Option Plan (DROP)</b> .....	<b>25</b>

<b>Your Retirement Benefits</b> .....	<b>26</b>
Service Retirement .....	27
Normal-Age Service Retirement Eligibility .....	27
Standard Annuity .....	28
Minimum Benefit .....	29
Excess Benefit Arrangement .....	30
Optional Forms of Annuity .....	30
Joint and Survivor Annuity .....	31
Guaranteed Period Annuity .....	33
Partial Lump Sum Option (PLSO) .....	34
<b>Early-Age Service Retirement Reductions</b> .....	<b>35</b>
<b>Disability Retirement</b> .....	<b>38</b>
<b>Proportionate Retirement</b> .....	<b>39</b>
<b>Applying for Retirement</b> .....	<b>39</b>
<b>Termination of Employment Before Retirement</b> .....	<b>39</b>
<b>Negotiation for Return to Employment</b> .....	<b>40</b>
<b>Required Break in Service</b> .....	<b>41</b>
<b>Things to do Before Retirement</b> .....	<b>41</b>
Retirement Checklist.....	42
<b>Employment After Retirement</b> .....	<b>43</b>
General Information .....	43
Service Retirees .....	45
Disability Retirees.....	48
<b>Information for Retirees</b> .....	<b>51</b>
Marriage After Retirement .....	51
Beneficiary and Payment Plan Changes .....	51
Revoking a Joint & Survivor Annuity Beneficiary .....	52
<b>Retiree Death &amp; Survivor Benefits</b> .....	<b>53</b>
<b>General Information for all TRS Participants</b> .....	<b>54</b>
EFT (Direct Deposit of Annuity Payments) .....	54
Income Tax .....	54
Division of Benefits due to Termination of Marriage by Divorce or Death .....	54
Social Security .....	55
Waiving Rights to TRS Retirement Benefits .....	56
Appeal Procedure .....	56
Complaints .....	56
TRS Brochures .....	56
TRS Contact/Access to Information (Web, Phone, etc.) .....	57
<b>Health Benefit Plans</b> .....	<b>57</b>
Active Employees (TRS-ActiveCare) .....	57
Retirees (TRS-Care) .....	58
Long-term Care for Active Members and Retirees .....	59
<b>How to Reach TRS</b> .....	<b>60</b>
General TRS Information.....	60
Health Care Benefits.....	60
Other Helpful Contacts.....	60
<b>Glossary</b> .....	<b>61</b>
<b>Index</b> .....	<b>63</b>
<b>NOTES</b> .....	<b>64</b>

# Foreword

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

TRS has two core responsibilities — to deliver retirement and related benefits that have been authorized by the Texas Legislature, and to manage the trust fund that finances member benefits. These responsibilities are carried out by a staff of approximately 500 employees located at the system's offices in Austin, Texas. Public education needs have grown dramatically over the years, and this growth has fueled a corresponding increase in the number of TRS active members and retirees. Over the last 10 years TRS has grown from 968,000 to more than 1,250,000 active members and annuitants. Likewise, for the same period, distributed annual retirement benefits have increased 88 percent from \$3.3 billion in 2000 to approximately \$6.2 billion in 2009. These benefits are paid from the pension trust fund. The estimated fiscal year 2009 net assets of just under \$88 billion were generated from the following sources over the past 10 years: 45 percent investment performance, 29 percent member contributions, 22 percent State of Texas contributions, and four percent employer contributions.

The *TRS Benefits Handbook* is organized chronologically to reflect the sequence of events that a member may experience while participating in the retirement plan. For example, the *TRS Benefits Handbook* begins with an explanation of how to become a member and a description of member eligibility requirements. It continues with an explanation of how to apply for and receive retirement benefits. It concludes with general information on a variety of topics of interest for members and annuitants. At the end of the handbook, you also will find information about the group health benefits programs that TRS administers. An index is provided to help you locate topics of interest.

If you are interested in how TRS benefits have changed as a result of 2009 legislation, you can locate this information next to a Texas State Capitol-shaped icon.



While this handbook summarizes your TRS retirement plan benefits, it is supplemented by other materials that more fully address benefit issues and current developments. *TRS News*, a newsletter written for and distributed to all members and retirees, provides information regarding significant events in the system and changes in the plan's terms. A variety of special brochures also provide information on TRS benefits (see page 56).

You can also find a wealth of information about TRS benefits on the system's Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)), including the full text of the statutory retirement plan terms enacted by the legislature and the related rules adopted by the TRS Board of Trustees. The statutes establishing the terms of the TRS retirement plan are located primarily in Title 8 of the Texas Government Code, and the rules adopted by the TRS Board of Trustees are found in Title 34 of the Texas Administrative Code. These publications may be accessed through the Publications section of the TRS Web site.

We hope you find this handbook and other TRS materials informative and helpful. Should you have questions, the TRS staff welcomes the opportunity to assist you. When you correspond with TRS, please include the member's

Social Security number on all documents so that TRS staff can accurately identify the account. These documents are maintained by TRS in the member's file and are not disclosed to the public.

## Introduction

The Teacher Retirement System of Texas (TRS) is a pension trust fund that has been serving the needs of Texas public education employees for more than 70 years. In November 1936, voters approved an amendment to the Texas Constitution creating a statewide teacher retirement system. With the passage of enabling legislation in 1937, TRS was officially formed. The system is governed by a nine-member board of trustees appointed by the governor with the approval of the Texas Senate. Trustees, who serve staggered six-year terms, include active and retired employees of public schools and higher education, complemented by appointees having relevant financial and investment expertise and experience.

The TRS retirement plan provides service and disability retirement benefits and death benefits. Current TRS responsibilities for the retirement plan include:

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

TRS retirement plan benefits are funded by member, state, and employer contributions to the trust fund, and by earnings on the investments of the fund. The Texas Constitution provides for a member contribution rate of no less than six percent and a state contribution rate in a range of six to 10 percent. Currently, the member contribution rate established by the Texas Legislature is 6.4%, and the state contribution rate is 6.4%. 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 state rate is also paid by the employer on compensation paid to new members during the first 90 days of employment; on amounts paid to employees above the statutory minimum amount; and on compensation paid from federal or private funds. The Texas Constitution requires that financing of benefits be based on sound actuarial principles.

The TRS plan of retirement benefits is administered as a qualified retirement plan under the provisions of the U.S. Internal Revenue Code Section 401(a). Members benefit in several ways from TRS' tax-qualified status:

1. 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 taxes on the contributions are deferred until you receive a distribution from TRS.
2. Interest that is added to member contribution accounts each year 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, alternate payee, or beneficiary may be eligible for continued tax deferral through provisions of federal tax law that allow rollovers to another eligible retirement plan.

The TRS retirement benefit plan is a defined benefit plan. This designation means that the amount of the benefit you are paid is determined under a formula established by law. Once you qualify for retirement under the rules of the plan, you are eligible to receive a particular monthly benefit for life. Your monthly benefit is "defined" by the formula and is not limited by the amount of your member contributions to your retirement account. This formula is not weighted for age. Age is only used to establish eligibility; it is not factored into the formula for benefits for normal-age retirement.

As a governmental retirement 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 three other benefit programs established by state law. These programs are separate from the TRS retirement plan and have different eligibility requirements. These programs are:

- TRS-Care, the health benefit program for eligible retirees;
- TRS-ActiveCare, the health benefit program for eligible active public school employees; and
- TRS long-term care insurance, the optional insurance program that provides funds to assist with long-term care and is available to eligible TRS members, retirees, and certain members of their families.

TRS-Care health benefits for eligible public school retirees are funded by a separate trust fund. The TRS-Care fund receives contributions from the 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. Retiree contributions paid as premiums are set by the TRS Board of Trustees. Medical benefits under TRS-Care are administered by Aetna Life Insurance Company; Caremark, L.L.C. (Caremark) administers the pharmacy benefits under TRS-Care 2 and TRS-Care 3.

Medical benefits under TRS-ActiveCare are funded by state and employer contributions and premiums paid by participants and administered by Blue Cross and Blue Shield of Texas; Medco Health Solutions, Inc. administers the pharmacy benefits. TRS-ActiveCare offers a choice of four preferred provider organization (PPO) plans statewide. Also, alternate coverage under health maintenance organizations (HMOs) is available in certain service areas to eligible TRS-ActiveCare participants.

Genworth Life Insurance Company underwrites the optional group long-term care insurance program for active TRS members, TRS retirees, and certain family members that is funded by premiums paid by participants. Under this plan, eligible individuals may apply for completely portable long-term care insurance coverage at favorable group rates.

This handbook focuses primarily on your retirement plan benefits, but also includes a brief summary of eligibility for the three health benefit pro-

grams noted above. For more detailed information on the health benefit programs administered by TRS, please refer to the TRS Web site or to specific publications that are available for these programs.

## **Establishing Your Membership in TRS**

TRS membership begins on your first day of eligible employment with a TRS-covered employer. Your employer provides TRS with your 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 (TRS 11). You need to designate a beneficiary on this form and mail it directly to TRS as soon as possible. Your employer is not authorized to receive this form on behalf of TRS. By doing this, you ensure that benefits payable at your death will be paid to the person or persons you choose. The death benefits are significant and available to your beneficiary from the first day of your TRS-covered employment at no additional cost to you. Please see the "Beneficiary Designation by Members" section of this handbook for information that may be helpful to you in completing this form. See the section titled "Active Member Death & Survivor Benefits" for information on the valuable benefits your designated beneficiary may be eligible to receive.

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

### **Covered Employment**

Employment that makes you eligible for membership in TRS is:

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

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

Full-time service is employment that is usually 40 clock hours per week. If the TRS-covered employer has established a lesser requirement for full-time employment for certain positions, full-time service includes employment in those positions. In no event may full-time employment require less than 30 hours per week. All regular employees of the public education system in Texas (employed for 4½ months or more, for one-half time or more, and paid at a rate comparable to other persons employed by that employer in similar positions during one school year) must participate in TRS, unless an exception to TRS membership applies.

Exceptions to TRS membership include the following:

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

Some types of employment, such as driving a bus, have special requirements. Driving at least one bus route per day that meets Texas Education Agency guidelines is employment that is eligible for TRS membership.

## 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. 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 payments of money for service, must be paid proportionately as the service is rendered, and must be paid in normal periodic payments. State and federal laws limit the amount and type of compensation creditable with TRS. In addition, if an employer pays differential pay – the difference between a member’s regular pay and military pay – while a member is serving on active military duty under the federal “Heroes Act,” it is creditable compensation.



Some compensation that you may receive from your employer is non-creditable for TRS purposes. Non-creditable compensation includes the following: expense payments, allowances (such as automobile and cell phone allowances), bonuses and incentive pay unless state law provides otherwise, “at risk” pay, 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, the value of active employee health coverage or any employer contributions towards such coverage, amounts paid in lieu of and in settlement of a claim for 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. Additionally, payments for unused compensatory leave, including compensatory leave for FLSA overtime worked, are non-creditable compensation. Payment required by law for overtime worked is creditable only if it meets all criteria for salary and wages, including payment of money at fixed intervals, generally at the end of each pay period. When FLSA overtime is not paid at the end of each pay period in which the overtime was accrued but instead is accumulated as compensatory leave and paid later, such as in an annual payment for the compensatory leave, the payment is non-creditable.

## **Non-creditable compensation cannot be used for the purpose of determining TRS benefits.**

Otherwise eligible compensation converted from non-creditable compensation in the last three years before retirement is excluded by TRS and not counted in benefit calculations. Additionally, salary increases in the last three years before retirement are counted only to the extent that they are within the allowable range established by the rules of the TRS Board of Trustees. The current board rule generally limits salary increases to 10 percent of the previous year's salary or \$10,000, whichever is greater. For more information, see TRS rules on these topics or contact TRS.

TRS may require additional information or verification to determine whether compensation reported to TRS is creditable. TRS will also apply state law in determining whether mid-year increases or retroactive increases in your salary are eligible. TRS will not accept verification for any compensation other than performance pay 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. Performance pay must meet all statutory and rule requirements in order to be eligible compensation for TRS purposes.

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.

Some highly paid members may have their annual creditable compensation limited in accordance with Section 401(a) (17) of the Internal Revenue Code. These limits affect individuals who joined TRS for the first time on or after September 1, 1996. For such individuals, the current limit is \$245,000 for the plan year September 1, 2009 through August 31, 2010. 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 under the Internal Revenue Code provisions are not subject to member contributions.

## **Member Contribution Account**

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

- **Payroll deduction:** The amount a member contributes is established by law; currently, the required member contribution rate is 6.4 percent of creditable compensation. Your employer deducts the TRS contribution from your salary on a pre-tax basis and forwards it directly to TRS. (See page 5 for more information regarding creditable compensation.) Member contributions due after January 1, 1988, are tax-deferred. Note: If you are a member employed by a public school or other educational district, regional service center, or an open enrollment charter school, you also contribute 0.65 percent of eligible compensation to TRS-Care, the retirees' group health benefits program. This amount is not a member contribution, is not deposited into your member contribution account, is not reflected on your Statement of Account, and is non-

refundable.

- **Interest earned:** Interest on your 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 terminate membership in TRS and 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.
- **Statement of Account:** In the fall of each year, members are provided with a Statement of Account that shows the deposits and total amount in the member's account for the fiscal year ending August 31. In addition, if you are eligible for normal age or early age retirement, the statement will provide you with the estimated monthly annuity payments you could receive if you retired. The estimate is subject to correction of salary and/or service credit at the time of retirement. The age and gender of your primary beneficiary are also shown on your Statement of Account. If there is any discrepancy in the information on the Statement of Account and your "Designation of Beneficiary" form, the designation on the valid form will control the distribution of benefits. If there is no beneficiary information reflected on the form, please submit a new "Designation of Beneficiary" form to TRS to ensure death benefits are paid to the beneficiary you select.

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

## Categories of Membership

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

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

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

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

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

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

**Inactive members** are those who have less than five years of service credit and who terminated employment in a TRS-covered position more than five years ago. State law provides that unless a person has at least five years of service credit with TRS, failure to qualify for service credit for five consecutive years will terminate that person's membership in TRS. Membership will terminate on the first September 1 that occurs after the five non-participating years. When TRS membership is terminated in this manner, former members are eligible to have their accumulated contributions returned to them or paid to their heirs before the seventh anniversary of their last day of service. If the person or the person's heirs do not claim the accumulated contributions and cannot be found at the address of record with TRS, the person's contributions may be forfeited to TRS.

Inactive members may avoid termination of membership if they meet one of the following requirements and provide documentation to TRS verify-

ing the circumstances relating to their absence from TRS-covered service:

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

**Note:** A member who retires terminates TRS membership through retirement. Therefore, members who retire are referred to in this handbook as “retirees” rather than as “members.” Retirees are not included in any of the membership categories described above. For retiree benefits please refer to information beginning on page 26.

## **Optional Retirement Program**

Public education employees in Texas who are employed in membership-eligible positions are required to participate in TRS and are automatically enrolled in TRS on their first day of eligible employment. However, 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.

If you are newly employed in or promoted to a position that is eligible for ORP, then your eligibility to elect ORP participation begins on the first day of your employment in the ORP-eligible position. Election to participate in the ORP must be made within 90 days of first becoming eligible to do so. The 90-day election period may not begin before eligibility for TRS membership begins.

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](http://www.theccb.state.tx.us)). Employees eligible to elect ORP should carefully consider the distinct terms of each plan before deciding which plan best meets their needs.

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

As a qualified retirement 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 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. Certain exceptions apply for a beneficiary if all payments will be completed within five years after the member’s death, or if the deceased

member's spouse is the sole beneficiary.

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

## **Ending Your TRS Membership**

A member ends membership in the retirement system by:

- retiring (see page 26 for more information),
- death (see page 23 for more information),
- terminating employment and receiving a refund of accumulated contributions, or
- not qualifying for TRS membership service credit for five consecutive years (as explained on pages 8-9 under "Categories of Membership – Inactive Members").

## **Refund of Your TRS Contributions**

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

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

## **Notice of Final Deposit and Request for Refund**

In order to end TRS membership and withdraw your account, you must submit a "Notice of Final Deposit and Request for Refund" form (TRS 6) to TRS. You may print a copy of this form from the TRS Web site. If you have at least five years of service credit, TRS requires that you acknowledge that you are foregoing future retirement benefits by taking a refund. A waiver form will be sent to you by TRS if you are required to complete one. Your account will be refunded after TRS receives both your final deposit from your employer and all required, completed forms. For your protection, TRS requires sufficient time to verify your employment status and identify you as the withdrawing party.

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

If you were employed with a TRS-covered employer within the last six months (preceding your request for refund), your last TRS-covered employer must also certify on the form TRS 6 the last date of your employment and indicate the month that your final deposit was or will be submitted to TRS. Your former employer will submit a monthly payroll report that contains your final salary and deposits to TRS. These reports are due by the sixth day of

the month following the calendar month for which the report is prepared. (For example, the September report is due on October 6; the October report is due on November 6.) When the report and your final contributions are received, TRS will calculate the amount of interest owed on your contributions, close your account, and issue your refund. A refund cannot be issued until TRS has received a final deposit from your employer.

**Ineligible refund:** If you have returned to work or have a promise to return to work when you receive your refund, your refund must be returned to TRS. No benefits, including service retirement, disability retirement, or death benefits, will be payable to you or on your behalf unless the ineligible refund is returned. If you fail to return the refund in the same tax year in which it is issued, TRS will require you to reimburse it for any taxes that TRS withheld and paid to IRS on your behalf. If you fail to return the refund within the same year, you will also be required to pay TRS additional fees on the amount refunded.

## **Waiving Rights to Future TRS Retirement Benefits**

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

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

## **Income Tax Withholding**

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

## **Refund Checklist**

The checklist below summarizes the steps required for a refund. For more information, refer to the TRS brochure titled *Requesting a Refund*.

**Step 1** – You may obtain “Notice of Final Deposit and Request for Refund” form (TRS 6) from the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or by calling the TRS automated telephone system (1-800-223-8778) day or night. Complete the form, have it notarized, and send it directly to TRS. If you were employed with a TRS-covered employer within the last six months, remember to have your employer certify your last date of employment.

**Step 2** – If TRS membership records indicate that you have at least five years of service credit with the system, TRS will send you a “Waiver of Benefits” form (TRS 287), which you must sign and return to TRS. By signing this form, you acknowledge that by accepting a refund, you cancel your TRS service credit and forfeit eligibility for all benefits.

**Step 3** – If you indicate on form TRS 6 that you wish to roll over all or a portion of your contributions, TRS will send you a “Refund Rollover Election” form (TRS 6A). TRS 6A must be completed and signed by you and a representative of the financial institution that will be accepting the rollover.

**Step 4** – After all the required documents have been received by TRS and the account has been reconciled, TRS will request that the State Comptroller of Public Accounts issue you a refund warrant. Payments are mailed the same day that TRS receives them from the Comptroller’s Office. A refund will not be issued if records indicate that you have been re-employed by a TRS-covered employer.

## Your Responsibilities as a Member or Annuitant

### Keep Address Current

For security reasons, TRS requires notification in writing of an address change. Your address of record is the address to which TRS sends confidential information regarding your account and to which TRS may send payments owed to you. The written notice must contain both your Social Security number and your signature. If you work for a TRS-covered employer that uses TRAQS, the TRS Internet reporting system, you should 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). This form may be printed from the “Forms” page of the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)), or obtained by calling TRS at 1-800-223-8778 and then requesting the “Forms” menu.

### Notify TRS of Name Changes

For security reasons, TRS requires notification in writing when a TRS member or retiree has a name change. The written notice must contain both your Social Security number and your signature. You must also include a copy of a court order or marriage license that authorizes your name change. There is no TRS form for submitting a name change.

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

**Note:** If you are a TRS-ActiveCare participant, you will need to notify the health plan administrator, Blue Cross and Blue Shield of Texas, of address or name changes as they maintain a separate address file from TRS.

## Keep Beneficiary Designation Current

To ensure that TRS pays member death benefits to the persons you want to receive them, it is important for you to have a current beneficiary designation on file with TRS. If you are a member, you may print a copy of "Designation of Beneficiary" form (TRS 11) from the TRS Web site. Complete and mail the form directly to TRS. Your employer is not authorized to receive this form on behalf of TRS. If you are a retiree, contact TRS for a change of beneficiary form. You should review your beneficiary designation when significant life events occur such as marriage, divorce, birth of a child, death of a spouse or designated beneficiary, or if the beneficiary becomes eligible for Medicaid or other "needs-based" assistance programs. **A divorce does not automatically revoke your former spouse as beneficiary.** Please see the topic "Beneficiary Designation by Members" on pages 21-22 of this handbook. Retirees should refer to the information on pages 51-53.

## Keep Informed

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

## Establishing TRS Service Credit

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

### Creditable Service

Service credit is earned in one-year increments. Only one year of service may be credited in any one school year. A school year generally is September 1st through August 31st. A member must serve at least 4½ months in an eligible position during the school year to receive one year of membership service credit. 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.

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

- A member who serves a full semester of **more than** four calendar months in a TRS-eligible position will receive service credit for one year.
- 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 renders only 90 or more actual work days.

Service for a minimum of 90 work days as a substitute may qualify for service credit if verified and purchased. Refer to the section on "Unreported

Service and/or Substitute Service Credit” on page 15 for more information.

## Five Years Membership Service Credit

Members who establish at least five years of membership service credit are eligible to retire at a future date and receive a lifetime monthly annuity. If you have fewer than five years of service credit and have not qualified for a year of membership service credit in five consecutive years, your TRS membership will terminate on September 1 following the five consecutive years in which you fail to qualify for a year of membership service credit, as described earlier under “Inactive Members.” Once your membership is terminated, you will no longer receive TRS membership information, such as newsletters or annual account statements. Additionally, accumulated contributions in an individual’s account on the date that the individual’s membership in TRS is terminated do not earn interest after that date. To receive a refund of your accumulated contributions, please refer to pages 10-12 of this handbook or contact TRS.

## Types of Service Credit Eligible for Purchase

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

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

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

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

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

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

Members who may be eligible and wish to purchase service credit should

plan the timing of the purchase carefully. Planning should start well in advance of the anticipated retirement date due to eligibility requirements, annual contribution restrictions, and deadlines that may apply. As a general rule, it is beneficial to buy service credit as soon as possible rather than later. 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 the time of retirement, contact the TRS-Care staff.

## Withdrawn Service

**Any member who has withdrawn accumulated contributions by taking a refund has terminated the service credit associated with those contributions.** Although you must be a member to reinstate withdrawn service credit, you are not required to be currently contributing to TRS in order to buy back withdrawn service. However, members who are not currently 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 below.

ERS members who have at least 36 months of ERS service credit and who withdrew TRS accounts may reinstate their TRS service credit for transfer purposes. Withdrawn TRS service credit may also be reinstated by beneficiaries of deceased active ERS 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 for the purpose of establishing eligibility for benefits under the program. Submit a written request to TRS to obtain more information.

If you are eligible to reinstate your terminated service credit, then you may do so 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 (no partial reinstatement is allowed).

**Note:** A TRS member also may be able to reinstate terminated service credit in ERS or another Texas public retirement system that participates in the Proportionate Retirement Program. Please contact that retirement system for information on reinstating service credit.

## Unreported Service and/or Substitute Service Credit

Unreported service is service in a TRS-eligible position that was not reported to TRS at the time the service was rendered. A member who has eligible unreported service that has not been verified to TRS should contact TRS for the form needed to verify the service.

Additionally, service as a substitute for 90 or more actual workdays in a school year may also be eligible for service credit as unreported 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. For TRS purposes, the substitute must be serving in a position currently held by another employee. If the position is vacant, the employee is not a substitute.

Once eligible unreported service or substitute service is verified, payment of TRS deposits and applicable fees for the service is mandatory. 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.

Eligible unreported and/or substitute service will be credited when TRS receives acceptable proof of your service and the salary earned, as well as payment of the unreported deposits that are due. TRS will not pay a benefit until deposits have been received on all unreported service you are purchasing that is eligible for TRS membership.

Unreported or substitute service cannot be verified and purchased after a member has retired or entered the Deferred Retirement Option Plan (DROP).

### **Unreported Compensation**

Unreported compensation is eligible compensation paid to a member that was not reported to TRS during the school year in which it was received. If you have unreported compensation that you wish to claim, you must verify your claim by submitting proof of the amount of the compensation as required by TRS rules and verification from the employer that includes the reasons the compensation was not reported at the time it was paid. If the compensation is verified, you must pay the required amounts before payment of any benefits by TRS. All unreported compensation must be verified before your retirement and the issuance of your first monthly annuity, or if you participate in DROP, all unreported compensation must have been verified before your DROP commencement date.

### **Out-of-State Service Credit**

If you are an active TRS member with at least five years of TRS service credit, you may be eligible to purchase credit for certain out-of-state service in public education. Generally, one year of out-of-state service credit may be purchased for each year of TRS membership service credit, up to a maximum of 15 years. TRS has no agreement with retirement systems in other states for transferring service credit.

Out-of-state service 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 purchasing this service credit. Employment qualifies if it was in a position on a full-time basis (defined as one-half time or more), and it was:

- for at least 4½ months, or
- for a full semester of more than four calendar months, or
- for 90 days of service (including service as a substitute) during any one school year.

Your out-of-state service credit cost is determined by two factors:

- 1) your membership status as of December 31, 2005, and
- 2) when your out-of-state service was rendered.

*For those who were TRS members on December 31, 2005, **and** whose out-of-state service was performed before January 1, 2006:* The cost for

each year purchased is 12 percent of the full-time annual salary rate for the first creditable 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.

*For those who do not meet both the membership and date of performance requirements above:* The cost is the actuarial present value, at time of deposit, of the additional standard annuity retirement benefits that would be attributable to the purchase of the service credit.

Out-of-state service is evaluated for credit based on a September 1 through August 31 school year. 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 Credit**

If you are a TRS member with at least five years of TRS service credit, you may be eligible to purchase up to five years of service credit for active military duty you rendered in the United States armed forces. Credit for both voluntary and draft service is eligible for purchase. Military service 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 all your military service record forms (DD 214) showing your entry and separation dates for all periods of active duty service. TRS will then send you a cost statement and inform you of eligible service credit. If 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. Military service is evaluated for credit based on a September 1 through August 31 school year. This service credit may be purchased one year at a time.

## **USERRA Service Credit**

### **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 without withdrawing your TRS contributions and are subsequently re-employed, or apply for re-employment, in a TRS-covered position. You may be entitled to establish USERRA service credit and/or compensation credit for the active duty. Your discharge must meet USERRA standards. Also, you must return to employment or apply for re-employment with a TRS-covered employer within the time period required by TRS rules, unless USERRA extends that period due to illness or hospitalization. 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.

If your employment is interrupted by military duty in a school year in which you already have received a year of TRS membership service credit and you expected that year to be one of the best compensation years for calculation of a TRS retirement benefit, you should contact TRS about establish-

ing compensation credit for that year under USERRA.

The cost of the USERRA service or compensation credit is an amount equal to the member contributions the person would have made if the person had continued to be employed in the former position covered by TRS during the entire period of active duty. Specific time limits must be followed when returning to employment and purchasing this service or compensation credit. See the *TRS Service Credit* brochure for additional information.

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**

**If, on your last day of employment before retirement, you have credit for 50 days or more, or 400 hours or more of accumulated state sick and/or personal leave, you are eligible to purchase one year of service credit.** You may accumulate only five days per year of state sick and/or personal leave toward the 50 days or 400 hours. You may purchase a maximum of one year of service credit.

Purchase of this service credit is subject to the annual contribution limits described in the section "Restrictions on Service Credit Purchase" later in this handbook. If you are interested in purchasing this type of service credit, you should consider completing the purchase of all other types of service credit you are eligible to purchase in the years prior to retirement. Doing so will allow you to reserve the maximum amount allowed by law for voluntary contributions to purchase this type of service credit at the time of retirement.

To receive service credit, you must pay the actuarial present value of the benefits that are attributable to the state sick and/or personal leave service credit, as determined by TRS. Purchased state 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**

Developmental leave is defined as an absence from membership service that is approved in advance by the member's TRS-covered employer for study, research, travel, or another purpose designed to improve the member's professional competence.

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 in advance on "Notice of Intent to Take Developmental Leave" form (TRS 215) through your current employer,
- notifying TRS immediately upon your return to employment following

the leave, and

- making deposits for both state and member contributions by the end of your first creditable year of service following the leave. The deposits are based on your annual salary rate, for the year prior to the year in which you take the leave.

Established developmental leave credit cannot be used in computing retirement benefits until you have at least 10 years of actual Texas public school service. Developmental leave is evaluated for credit based on a September 1st through August 31st school year.

## **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 is currently a TRS member and has at least five years of TRS membership service credit. 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 type of service by depositing with TRS (for each year of service), an amount equal to the actuarial present value of the additional standard annuity retirement 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. Work experience is evaluated for credit based on a September 1st through August 31st school year.

## **Membership Waiting Period Service Credit**

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

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

If, due to the waiting period, a member did 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). A member may establish credit for this service by depositing with TRS an amount equal to the actuarial present value of the additional standard annuity retirement benefits that would be attributable to the additional service credit. Because the actuarial cost increases over time, it is most cost effective to purchase this service credit as soon as possible. Contact TRS for cost information if you wish to purchase waiting period service credit.

## **Methods of Payment**

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

- a lump sum using after-tax dollars (such as from a savings or checking account),
- installment payments using after-tax dollars available for some types of service credit, or
- a rollover (or in certain situations, a direct trustee-to-trustee transfer) from another eligible retirement plan.

Service credit costs must be paid in full by the time of retirement (or

entry into DROP). Different types of service credit (for example, military and out-of-state) may be purchased at the same time. Once service credit has been established, contributions are not refundable unless a member terminates TRS membership and withdraws all accumulated contributions. Fees are nonrefundable.

## **Restrictions on Service Credit Purchase**

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

- 100 percent of compensation, or
- \$49,000 for the 2009-2010 plan year

The \$49,000 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. For example, the annual limit does not apply to payments for reinstating withdrawn service credit. TRS will inform a member at the time of billing whether the limit is applicable. Also, some types of payments do not count towards the limit. For instance, payments made through a rollover or a direct trustee-to-trustee transfer also are not subject to, or counted towards, the limit.

The limit is per year and does not increase based upon the number of types of service credit you may be eligible to purchase. The limit is especially important if you are considering purchase of one of the types of service credit that is purchased at actuarial cost such as:

- state sick and/or personal leave credit (which can only be purchased at the time of retirement),
- work experience by career or technology teacher,
- membership waiting period service credit, or
- out-of-state service credit billed at actuarial present value.

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 maintained or reinstated takes place under the rules of the system to which the credit is transferred. Such transfer may only take place when the member retires or at the time that a pre-retirement death benefit becomes payable. Members who have already retired under either system are not eligible to transfer service credit, although a TRS member who has previously retired under ERS may be able to use ERS service credit to establish TRS retirement eligibility under the Proportionate Retirement Program. See page 39 for additional information on proportionate retirement.

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

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

## **Beneficiary Designation by Members**

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

Significant events (such as marriage, divorce, death of a beneficiary, birth of a child, and receipt of Medicaid by a person designated as your beneficiary) should prompt a review of your beneficiary designation. It is important to periodically review your beneficiary designation and submit a "Designation of Beneficiary" form (TRS 11 for active members or TRS 12 for retirees to change the beneficiary for survivor death benefits) directly to TRS immediately if any change is needed to reflect changes in your personal circumstances. Your employer is not authorized to receive your TRS "Designation of Beneficiary" form; submit the form directly to TRS.

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

### **Designating a Beneficiary for Member Death and Survivor Benefits**

Your beneficiary must be named on a designation of beneficiary form prescribed by TRS. Because TRS has several different beneficiary forms, the form you submit must be for that specific benefit. When you are first enrolled as a TRS member, a beneficiary form is mailed to you. You should fill in the required information on the form and mail it to TRS immediately. Your employer is not authorized to receive the "Designation of Beneficiary" form (or any later change of beneficiary form) on behalf of TRS. When you designate your beneficiary, it is helpful for you to provide adequate identifying information to enable TRS to locate and pay your beneficiary upon your death. If you designate an estate, trust, or other legal entity as your beneficiary, further documentation may be required.

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

Joint beneficiaries may be designated to receive active member death benefits. When joint beneficiaries are designated and one of the joint beneficiaries predeceases the member, then if there is one surviving joint beneficiary, that beneficiary will receive the entire benefit. If there are two or more surviving joint beneficiaries, they will receive the benefit in equal shares. If an alternate beneficiary is named, the alternate beneficiary will not be eligible for the benefit as long as any joint beneficiary(ies) survive the member. If a member has at least five years of service credit at the time of death, the beneficiary may be eligible to receive an annuity for life. You may want to consider that joint beneficiaries will not be eligible to select and receive lifetime annuity payments as the form of death and survivor benefit payable by TRS, since this form of payment is based on the age and life expectancy of you and one other person.

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

## **Change in Marital Status**

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

A divorce **does not** automatically revoke the designation of a former spouse as beneficiary if the designation was made before the date of the divorce. To revoke a designation of the former spouse for death benefits that was submitted before the date of divorce, TRS must receive a new designation of beneficiary before your death that is signed after the date of divorce, or a certified copy of your divorce decree before payment of any death benefits is made to the former spouse as beneficiary. If your beneficiary designation was submitted after a divorce, the divorce has no effect on the designation. If you want to keep your former spouse as the beneficiary of your death benefits, submit a new form naming your former spouse as beneficiary. TRS must receive the signed form prior to your death.

If your marriage is terminated due to the death of your spouse and your spouse was designated as your beneficiary, you may also want to review your designation of beneficiary. To ensure that your designation of beneficiary reflects your current wishes, designate your beneficiary on a new form, sign it, and send it to TRS. The new designation is not effective until it is received by TRS and it must be received by TRS prior to your death.

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

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

Although TRS members may name minor children as their beneficiaries, Texas law requires that the benefit must be paid to an adult on behalf of the minor child. Members who wish to name a minor child should seek legal advice in order to understand which adult will receive any benefit payments on behalf of the minor.

For example, in Texas, the surviving parent may receive the benefit on behalf of the child, unless a guardian of the estate has been appointed for a minor 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 be the child's guardian, 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 dies 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 of your child under the Texas Uniform Transfers 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 without having to establish a trust for the child.

If you wish to name a minor child as your beneficiary, TRS encourages you to seek 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.

If you wish to name a legally incapacitated adult as your beneficiary, TRS encourages you to seek legal advice about how you can best ensure that TRS benefits payable on your behalf will be paid as you intended.

## **Active Member Death & Survivor Benefits**

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

1. An amount equal to twice your annual rate of compensation for the school year in which you die or twice the amount of your creditable

compensation in the preceding school year, whichever is greater, up to a maximum of \$80,000 payable.

2. Sixty monthly payments equal to your standard annuity without reduction for age. This payment plan is available to beneficiaries of members who have five or more years of TRS service credit.
3. A lifetime annuity equal to an Option 1 retirement plan, calculated as if you retired in the month before your death. This payment plan is available only to beneficiaries of members who have five or more years of TRS service credit. Also, this plan is not available to joint beneficiaries.
4. An amount equal to the accumulated contributions in your account.
5. Survivor benefits consisting of a \$2,500 lump sum payment **plus** a monthly payment, according to the following designations:
  - To a beneficiary spouse, \$250 per month for life beginning when your spouse reaches age 65 or at your death, whichever is later
  - To a beneficiary spouse who has one or more minor children, \$350 per month, continuing until the youngest child reaches age 18. At age 65, your beneficiary spouse would again begin receiving \$250 per month for life.
  - To minor children beneficiaries, \$350 per month with two or more children less than age 18, or \$250 per month with only one child under age 18
  - To a dependent parent beneficiary, \$250 per month for life when the dependent parent reaches age 65 or at your death, whichever is later

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

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

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

- your death occurs during a time when you were eligible to retire or would become eligible to retire without further service before the fifth anniversary of your last day of service as a member; or
- your absence from service was because of sickness, accident, or other cause 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.

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

by the receipt of death and survivor benefits.

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" below.

## 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. When a TRS member or retiree dies, a family member, friend, or other responsible party should notify TRS. The member's employer or funeral home may offer to assist in this process. TRS must be notified of the death even if a monthly annuity will continue to be paid to a beneficiary under a retiree's optional form of annuity. 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 name, address, and telephone number of a family member, friend, or other person who can act as a contact for TRS, as well as the TRS participant's date of death. At that time, TRS will request a copy of the death certificate when it is available for verification purposes.

2. After receiving notification of the death, TRS will mail out benefit information and forms to the beneficiary. If the member's death occurs while employed by a TRS-covered employer, then TRS must receive salary documentation from the employer before information is sent out in order to determine the actual benefit to be paid.
3. The beneficiary should complete and file the claim form and related documents before the first anniversary of the death of the member or retiree to avoid adverse tax consequences.
4. When TRS receives all completed documents, the claim will be processed and the death benefit will be paid.

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 (TRS 11 for active members or TRS 12 for retirees). The forms are available from the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or by calling TRS toll-free (1-800-223-8778).

## Deferred Retirement Option Plan (DROP)

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

The election to participate in DROP is irrevocable. If you enrolled in the DROP program on or after September 1, 1999, you have 60 percent of your standard annuity deposited each month into a special DROP account during the period of DROP participation. TRS credits interest monthly to the DROP account at the rate of five percent per year 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. This is because no additional service credit accrues during the years in which a member participates in DROP. Post-retirement increases, when authorized by the legislature, 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.

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. For more information, please refer to the "Special Tax Notice Regarding TRS Payments" form included with your retirement forms. TRS encourages you to consult with a professional tax advisor if you have any questions.

## **Your Retirement Benefits**

When a member meets requirements for retirement, he or she is entitled to apply to receive a monthly annuity calculated according to state law. TRS retirement plan benefits may include the following, depending on the individual member's eligibility:

- monthly service retirement annuity payments for the life of the retiree, 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
- partial lump sum option (PLSO) payment in addition to a reduced monthly service retirement annuity
- 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. Benefits are subject to change by law or by rules of the TRS Board of Trustees. Please note that selection of some of these types of benefits by an eligible participant precludes selection of another type of benefit. For example, a member may not select PLSO if participating in DROP; also, a member receiving disability retirement annuity payments is not eligible to receive service retirement benefits.

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. Delaying receipt of the benefits beyond your required beginning date may result in federal income tax consequences.

Retirees and their dependents also may be eligible for group health ben-

efits administered by TRS, known as TRS-Care, and for the long-term care insurance program administered by TRS through Genworth Life Insurance Company. Eligibility for TRS-Care and for long-term care insurance is addressed later in this handbook (see pages 58-59). Members should be aware that the eligibility requirements for retiree group health benefits, such as TRS-Care, differ from eligibility requirements for service retirement. **Please review retiree group health benefit plan eligibility requirements carefully when you are considering retirement.**

Recent legislation (HB3347) provides an opportunity for certain retired public safety officers participating in the University of Texas and Texas A&M University retiree health programs to deduct their qualified health insurance premiums from their TRS retirement annuities. The federal Pension Protection Act of 2006 included a provision permitting eligible retired public safety officers to elect to exclude up to \$3,000 of their retirement benefit from income if used for qualified health insurance premiums or long-term care insurance premiums. This provision is generally referred to as the "HELPS" election. However, premiums are not eligible for this income exclusion if they are not deducted directly from governmental retirement plan distributions, such as the TRS monthly annuity payment. Prior to the passage of HB3347, TRS' statutory authority for retiree health benefits premium deductions was limited to TRS-Care and to the ERS-administered group benefits program for retired state employees and retired higher education employees other than the University of Texas and Texas A&M University. This recent state legislation provides TRS retirees who meet these eligibility requirements the opportunity to participate in the benefits of the federal "HELPS" legislation.



## Service Retirement

To be eligible to retire and receive a lifetime monthly service retirement annuity (normal age or early age), you must:

- have at least five years of service credit,
- meet the eligibility requirements for age and service,
- terminate employment (See section "Termination of Employment Before Retirement," page 39 for important information regarding when you may negotiate for employment after retirement with a TRS-covered employer),
- apply for retirement (See section "Applying for Retirement," page 39 for additional information), and
- complete the required break in service.

## Normal-Age Service Retirement Eligibility

When a member meets the requirements for a normal-age service retirement and applies to retire, the retiree is entitled to receive a payment of a lifetime monthly annuity. The annuity is calculated according to the standard annuity benefit formula in effect when the member retires. The current formula is discussed in detail in the "Standard Annuity" section on page 28. Normal-age service retirement means that a retiree's annuity will not be subject to an early-age retirement reduction in the amount payable; "normal-age service retirement" may sometimes be referred to as being eligible for "unreduced service retirement benefits" or "unreduced benefits."

If you became a member of TRS prior to September 1, 2007 and maintain your membership until retirement, you will meet 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.**

If you first became a member of TRS or returned to membership on or after September 1, 2007, you will meet the age and service requirements for normal-age service retirement when:

**You are age 65 with five or more years of service credit  
or  
You are at least age 60, and your age and years of service  
credit total 80, and you have at least five years of service credit.**

## **Grandfathered Members Who Terminate Membership and Later Return**

Grandfathered members who terminate their TRS membership by withdrawal of contributions at any time (prior to or after September 1, 2007) and return to membership on or after September 1, 2007, have different eligibility requirements for unreduced benefits (i.e., normal-age service retirement) than other persons who become members on or after September 1, 2007. A member is **grandfathered** if, on or before August 31, 2005: 1) the member was at least age 50, 2) the member's age and years of service credit totaled at least 70, or 3) the member had at least 25 years of service credit. Persons who were grandfathered at the time of withdrawal have their grandfathered status restored upon returning to membership on or after September 1, 2007, regardless of whether they reinstate the withdrawn service.

For these grandfathered members who return to membership on or after September 1, 2007, the following eligibility requirements must be met to qualify for **unreduced** benefits at retirement:

- Age 65 with five years of service credit, or
- Age **55** with at least twenty years of service credit and meets the Rule of 80 (combined age and years of service credit total at least 80), or
- Age 60 with at least five years of service and meets the Rule of 80.

Grandfathered members who return to membership on or after September 1, 2007, and who do not meet eligibility requirements for unreduced benefits are subject to an annuity reduction. See "Early-Age Service Retirement Reductions" later in this handbook for more information. An early-age reduction is a permanent reduction to your annuity.

## **Standard Annuity**

The standard annuity is the maximum payment for TRS retirement benefits. It provides the retiree a maximum amount of benefit each month compared to optional service retirement forms of payment, and it ends upon the retiree's death.

**When calculating a normal age monthly standard annuity, TRS uses the following formula:**

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

#### **(4) Annual Annuity ÷ 12 = Monthly Standard Annuity**

The standard annuity will be reduced due to early age retirement, the selection of an optional form of annuity payment, partial lump sum option (PLSO), or other reductions required by law. The standard annuity calculation for DROP participants does not include credit for service or salary during the years of DROP participation.

**\*Members who are grandfathered are eligible to have their standard annuity calculated using the average of their highest three annual salaries. To be grandfathered, you must have met at least one of the following requirements as a member on or before August 31, 2005:**

- **attained age 50,**
- **had at least 25 years of service credit, or**
- **age and years of service totaled at least 70**

#### **EXAMPLES OF STANDARD ANNUITY CALCULATION**

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

Age: 60

Years of service: 30

Average of Highest Five Years' Creditable Compensation: \$36,000

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

**1. \$36,000**

Average of Highest Five Annual Salaries  
(using creditable compensation)

**2. 30 x 2.3% (.023) = 69% (.69)**

Total Years of Service Credit	Total %
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**3. 69% (.69) x \$36,000 = \$24,840**

Total %	Average Salary	Annual Annuity
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**4. \$24,840 ÷ 12 = \$2,070**

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

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

#### **Minimum Benefit**

If the monthly standard annuity calculated under the formula is less than \$150 per month, a service retiree is eligible to receive a minimum benefit of \$150 per month. This minimum benefit will be reduced due to early-age retirement, the selection of an optional form of annuity payment (a joint and

survivor annuity or a guaranteed period annuity), or other reductions required by law.

## **Excess Benefit Arrangement**

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

A member retiring at age 62 or older whose annual retirement benefit is \$195,000 or more in plan year 2009-2010 may be affected. The limitation is adjusted for several factors, including retirement age. Retirement before age 62 may result in a significant decrease to the amount of allowable pension fund payment, thus increasing the amount that must be paid from the excess benefit account. TRS provides additional details to affected members during the retirement process.

## **Optional Forms of Annuity**

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

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 and then to a surviving beneficiary 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 will become payable to the person designated as primary beneficiary, provided the beneficiary survives the retiree. The retiree elects at retirement whether the payment to the surviving beneficiary will be 100 percent of the monthly amount payable to the retiree (Option One), 75 percent of the monthly amount (Option Five), or 50 percent of the monthly amount (Option Two). If the beneficiary does not survive the retiree, the retiree's benefit is increased to the standard annuity amount.

**Guaranteed Period Annuity:** a reduced annuity payable throughout the life of the retiree; if the retiree dies before the guaranteed number of months of payment have been made, the remainder of the guaranteed number of months of payment are payable to the person(s) named as beneficiaries. The benefit to the retiree is reduced based on an actuarial factor that takes into account the retiree's age and the guaranteed period selected by the retiree, but that is not affected by the age of the designated beneficiary. The TRS plan offers either a 60-month (Option Three) or a 120-month (Option Four) guaranteed period annuity.

**Special Note:** A retiring member who selects an optional form of annuity may designate a minor child or a legally incapacitated person as beneficiary to receive annuity payments after the retiree’s death. However, at the time of the retiree’s death, the benefit will be paid to an adult 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 “Beneficiary Designation by Members” section on [page 21](#) for more information on the topic of “Considerations before Naming a Minor Child or Legally Incapacitated Adult.” Please consult your attorney for advice regarding this matter. Also, the designation of a non-spouse beneficiary for an Option One or Option Five joint and survivor annuity may be limited when the beneficiary is more than 10 years younger than the member, as described in the next section.

## Joint and Survivor Annuity

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

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

A member who retires after December 31, 2007 and wishes to designate a beneficiary who is younger than the member

- is not eligible to select Option One if the member designates a non-spouse beneficiary with an “adjusted age difference” of more than 10 years,
- and is not eligible to select Option Five if the member designates a non-spouse beneficiary with an “adjusted age difference” of more than 19 years

The adjusted age difference is calculated as follows:

### Calculation for Adjusted Age Difference

#### Step 1

Age 70 – Member’s age @ retirement = allowable adjustment to actual age difference

#### Step 2

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

#### Step 3

Age difference between member and beneficiary - allowable adjustment = Adjusted age difference for Option eligibility.

## OPTION ONE: 100 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to 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 dies before the retiree, the retiree’s annuity will be increased to the standard annuity amount.

The following table shows selected member and beneficiary ages and the

factors, which represent the percentage of standard annuity available under Option One:

**OPTION 1 - 100%**

**Age of Member at Date of Retirement**

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

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

This retirement plan provides a reduced annuity, which is paid to 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 dies before the retiree, the retiree’s annuity will be increased to the standard annuity amount.

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

**OPTION 2 - 50%**

**Age of Member at Date of Retirement**

<b>Age of Beneficiary</b>	<b>Age of Member at Date of Retirement</b>						
	<b>55</b>	<b>57</b>	<b>59</b>	<b>61</b>	<b>63</b>	<b>65</b>	<b>67</b>
<b>Percent of Standard Annuity</b>							
55	96.13	95.32	94.35	93.24	91.96	90.53	88.94
57	96.40	95.62	94.70	93.63	92.40	91.01	89.46
59	96.66	95.92	95.05	94.02	92.84	91.50	90.00
61	96.92	96.22	95.39	94.41	93.29	92.00	90.56
63	97.17	96.51	95.73	94.81	93.73	92.51	91.13
65	97.40	96.80	96.06	95.19	94.18	93.02	91.70
67	97.63	97.07	96.38	95.57	94.62	93.52	92.28

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

This retirement plan provides a reduced annuity, which is paid to the retiree throughout the retiree’s lifetime. Upon the retiree’s death, if the designated beneficiary survives the retiree, the designated beneficiary would receive 75 percent of the reduced annuity throughout the beneficiary’s life. If

the designated primary beneficiary dies before the retiree, the retiree’s annuity will be increased to the standard annuity amount.

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

**OPTION 5 - 75%**  
**Age of Member at Date of Retirement**

<b>Age of Beneficiary</b>	<b>55</b>	<b>57</b>	<b>59</b>	<b>61</b>	<b>63</b>	<b>65</b>	<b>67</b>
	<b>Percent of Standard Annuity</b>						
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](http://www.trs.state.tx.us)).

## **Guaranteed Period Annuity**

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

### **OPTION THREE: 60 monthly payments**

This retirement plan provides a reduced annuity which is payable to 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 has been made. Option Three is not available to a member retiring at age 104 or older.

### **OPTION FOUR: 120 monthly payments**

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

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

At retirement, an eligible service retiree may select a partial lump sum option (PLSO) distribution in addition to either a reduced standard annuity or a reduced optional form of annuity. The following eligibility requirements apply:

- Unless you are “grandfathered” under the criteria below, then effective September 1, 2005, you may select PLSO if you are eligible for a service retirement annuity, you meet the “Rule of 90” (combined age plus years of service credit equal at least 90), you are not participating in the Deferred Retirement Option Plan (DROP), and you are not retiring under the proportionate retirement law.
- However, if you are “grandfathered,” you are eligible for PLSO under the pre-September 1, 2005 requirements. Under these requirements, you are eligible for PLSO if you are:
  - eligible for normal-age (unreduced) service retirement benefits,
  - are not participating in DROP, and
  - are not retiring under the proportionate retirement law.

A retiree must have met one of the following criteria as a member on or before August 31, 2005, in order to be “grandfathered:”

- was at least 50 years old,
- had age and years of service credit that equaled at least 70 or
- had at least 25 years of service credit.

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

Disbursement of your PLSO selection will be made as follows, depending on which PLSO monthly distribution you select.

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

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

A distribution of a partial lump sum is taxable as income. For more information, please refer to the income tax information form, "Special Tax Notice Regarding TRS Payments," included with your retirement forms. We encourage you to read this notice carefully and consult with a professional tax advisor if you have any questions.

The selection of a partial lump sum option permanently reduces a retiree's annuity. The reduced annuity plus the partial lump sum are the actuarial equivalent of the standard annuity benefit. If post-retirement increases, when authorized by the legislature, are based on the amount of the retiree's reduced annuity, the amount of the increase may be less because the increase is calculated on the reduced annuity amount. If you are eligible for PLSO, the online retirement estimate calculator on the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) will estimate your PLSO amounts.

## Early-Age Service Retirement Reductions

When a member is eligible for an early-age service retirement and applies to retire, the retiree is entitled to receive a payment of a lifetime monthly annuity. The annuity is calculated according to the standard annuity benefit formula in effect when the member retires but reduced for early age according to actuarial tables.

If you became a member of TRS prior to September 1, 2007, and you maintain your membership until retirement, but you do not yet meet normal age retirement eligibility, you are entitled to early-age service retirement when one of the following conditions is 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.**

If you became a member of TRS on or after September 1, 2007, or returned to membership on or after September 1, 2007, but you do not yet meet normal age retirement eligibility, you are entitled to early-age service retirement when one of the following conditions is met:

- **you are at least age 55 with five or more years of service credit;**
- **your age and service credit total 80 but you are less than age**

**60 with at least five years of service credit; or**

- **you have 30 years of service credit but you are less than age 60.**

If you meet the early-age retirement eligibility requirements, refer to the applicable table below to determine the percentage reduction that would apply, based on your age and years of service credit at retirement, and when you established your TRS membership. Applicable percentages of standard annuity payable at early retirement are shown in the tables. Because changes in the law effective September 1, 2005 modified the reduction percentages for non-grandfathered members, your reduction percentage also is affected by whether you meet any one of the grandfathering criteria described on pages 28-29.

**Table A.** Use this table if:

- **you established TRS membership before September 1, 2007 and maintained your membership until retirement; and**
- **you have at least 30 years of service credit but do not meet the “rule of 80.”**

**TABLE A**

**Age at Date of Retirement**

<b>Years of Service</b>	<b>45</b>	<b>46</b>	<b>47</b>	<b>48</b>	<b>49</b>	<b>50</b>
	<b>Percent of Standard Annuity</b>					
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

**Table B.** Use this table regardless when you established membership if:

- **you are between 55 and 64 years old and have at least five years of service credit, but do not meet the “rule of 80”; and**
- **you are not grandfathered.**

**TABLE B**

**Age at Date of Retirement**

<b>Years of Service</b>	<b>55</b>	<b>56</b>	<b>57</b>	<b>58</b>	<b>59</b>	<b>60</b>	<b>61</b>	<b>62</b>	<b>63</b>	<b>64</b>	<b>65</b>
	<b>Percent of Standard Annuity</b>										
At Least 5 Years Service	47	51	55	59	63	67	73	80	87	93	100

**Table C.** Use this table if:

- **you established membership before September 1, 2007 and maintained your membership until retirement;**
- **you are between 55 and 64 years old and have at least five years of service credit, but do not meet the “Rule of 80”; and**
- **you are grandfathered.**

Also use this table if:

- **you established membership on or after September 1, 2007;**
- **you are grandfathered based on meeting the grandfathering requirements outlined on pages 28-29 during a prior period of membership; and**
- **you are age 55 through 59, with 20 through 24 years of service credit.**

**TABLE C**

**Age at Date of Retirement**

Years of Service	Percent of Standard Annuity					
	55	56	57	58	59	60
5-19	The percentages in Table B apply for ages 55 through 64					
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

**Table D.** Use this table if you established membership on or after September 1, 2007 and any of the following circumstances apply:

- **you are grandfathered based on meeting the grandfathering requirements outlined on pages 28-29 during a prior period of membership, and you meet the "Rule of 80" but are less than age 55;**
- **you are grandfathered based on meeting the grandfathering requirements outlined on pages 28-29 during a prior period of membership, and you have at least 30 years of service but are less than age 50\* (see below);**
- **you meet the "Rule of 80" but are less than age 60; or**
- **you have at least 30 years of service credit but are less than age 60.**

**TABLE D**

Age at Retirement	50	51	52	53	54	55	56	57	58	59	60
Years of Service Credit	30	29	28	27	26	25	24	23	22	21	20
Percentage of Standard Annuity Receivable	50	55	60	65	70	75	80	85	90	95	100

\*For each year of age under age 50 with 30 years of service credit, the standard service retirement annuity shall be five percent less than the percentage for age 50 with 30 years of service credit.

# Disability Retirement

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

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

The TRS Medical Board must certify your disability. The TRS Medical Board is comprised of three physicians appointed by the TRS Board of Trustees. To certify a disability, the Medical Board reviews information provided by 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 earlier in this handbook. Your monthly payments will be calculated using the standard annuity formula 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 using disability retirement actuarial factors to reflect the additional liability for payment to your beneficiary. This benefit is also subject to any other reduction required by law.

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

In some cases a member is certified for disability retirement but an annual re-examination is required. When this occurs, you must provide medical documentation of your continued disability for review by the TRS Medical Board. Failure to provide the information when requested by TRS may result in suspension of your benefits until the documentation is received. Your annuity payments may be discontinued and you may be returned to active member status if you continue to fail to submit to a required medical examination or if the Medical Board determines that you are no longer disabled.

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

Disability retirees whose retirement date is after August 31, 2007 and whose retirement application is received after August 31, 2007 are subject to a limit on the compensation they may earn for work while receiving disability retirement benefits. Earning excess compensation will subject a disability retiree to forfeiture of annuity payments as well as to higher TRS-Care contributions, if the retiree has TRS-Care coverage. See "Employment After Retirement" on pages 43-51.

## Proportionate Retirement

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

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

If you are a member of one of the participating retirement systems, you may be eligible to reinstate previously withdrawn service credit in any participating retirement system. Certain restrictions apply, so contact the retirement system in which you were previously a member. As a TRS member, you should determine your proportionate retirement rights before withdrawing member accounts in any other participating systems. **Withdrawal of any account may terminate or affect your eligibility for a valuable benefit.**

## Applying for Retirement

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

## Termination of Employment Before Retirement

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

age retirement purposes, employment does not terminate if you are on paid or unpaid leave or if you have a contract for any type of future employment with a TRS-covered employer. For normal-age retirement purposes, employment does not terminate if you are on paid or unpaid leave or if you have a contract for future full-time employment. See "Negotiation for Return to Employment" below for more information.

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

## Negotiation for Return to Employment

With limited exceptions, 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 education institution. Arranging for future employment before 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 whose primary employment is bus driving. 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**. Members taking normal-age retirement will be ineligible to retire if, at the time of retirement, they enter into a contract for full-time employment that exceeds six months. See page 27 for normal-age retirement requirements. For information on the half-time employment or bus driver requirements, see the section on "Employment After Retirement."

Members who do not meet these two criteria, but nevertheless enter into employment arrangements at the time of retirement, are not eligible for retirement because they have not effectively terminated employment. They are not eligible for any retirement benefits they may have received or for retiree health care coverage. Normal-age retirees must wait until after the required break in service to negotiate for full-time employment.

Members taking early-age retirement may not have a contract, agreement, or promise for any type of future employment with a TRS-covered employer at the time they retire. They must wait until after the required break in service to negotiate any contract for employment with a TRS-covered employer. After the required break in service, an early-age 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 35 for early-age retirement requirements.

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

# Required Break in Service

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

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

# Things to do Before Retirement

If you are a member nearing retirement, you should contact TRS six months prior to your anticipated retirement date to allow yourself enough time to complete and submit all required forms. The following checklist will help you to make a smooth transition to retirement.

- Consult your *TRS Benefits Handbook* and the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) for information on the retirement options available to you.
- Purchase special service credit for retirement credit or transfer service credit, if applicable. Section 415 of the Internal Revenue Code limits the amount of voluntary contributions that can be made to TRS each year. Therefore, please consider purchasing any eligible special service credit well before retirement to make sure you have enough time to make the necessary contributions.
- Send TRS copies of birth records for you and your beneficiary (if you select an Option One, Option Two, or Option Five retirement plan). Print 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 "Request for Estimate of Retirement Benefits" form (TRS 18). You may do this by calling the automated telephone system at 1-800-223-8778 or you may print the form from the "Forms" page of the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)).
- Complete form TRS 18 and return it to TRS to receive a retirement packet. Processing retirement packets is prioritized by retirement date. Response time may vary based on when form TRS 18 is received. Form TRS 18 may be obtained as described above, completed, and mailed to TRS or you may complete and submit the form electronically from the TRS Web site, [www.trs.state.tx.us](http://www.trs.state.tx.us).
- After you receive your retirement packet, follow the instructions in the packet and refer to the retirement checklist on page 42.

## Retirement Checklist

<input type="checkbox"/>	<p>As soon as you receive your retirement estimate and packet, review the information carefully. If service and salary data on your estimate(s) does not agree with your records, notify TRS immediately.</p>
<input type="checkbox"/>	<p>Complete the documents provided in your retirement packet, following the instructions in the packet:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> "Application for Service Retirement" form (TRS 30)</li> <li><input type="checkbox"/> "Application for Disability Retirement" form (TRS 59), if applicable</li> <li><input type="checkbox"/> "Statement of Member in Claim for Disability Retirement" form (TRS 59A), if applicable</li> <li><input type="checkbox"/> "Statement of Attending Physician in Claim for Disability Retirement" form (TRS 58), if applicable</li> <li><input type="checkbox"/> "Deferred Retirement Option Plan (DROP) Distribution Election" form (TRS 573), if applicable</li> <li><input type="checkbox"/> "Notice of Final Deposit Before Retirement" form (TRS 7). Give form TRS 7 to your employer (school district, college, etc.). The TRS reporting official at your place of employment must complete this form and mail it to TRS.</li> <li><input type="checkbox"/> "Direct Deposit Request" form (TRS 278)</li> <li><input type="checkbox"/> "Federal Income Tax Withholding Certificate" form (TRS 228A)</li> <li><input type="checkbox"/> TRS-Care "Enrollment Application - Retiree" form (TRS 700A), if applicable (see additional information below)</li> <li><input type="checkbox"/> Complete any other forms included in your packet and return them directly to TRS as soon as possible before your retirement date</li> </ul>
<input type="checkbox"/>	<p>Send copies of birth records for you and your primary beneficiary. Print your name and your social security number on your and your beneficiary's birth records.</p>
<input type="checkbox"/>	<p>Complete purchase of special service credit.</p>
<input type="checkbox"/>	<p>Contact TRS-Care or another group health plan for eligibility and enrollment information. Note: A TRS-Care "Enrollment Application - Retiree" form (TRS 700A) and <i>Highlights of the Plan</i> brochure will be included in your retirement packet if a preliminary review indicates that you are or may become eligible for TRS-Care. If you are not eligible for TRS-Care, contact the benefits office at your place of employment to determine whether you may be eligible for other health benefit coverage after retirement.</p>
<input type="checkbox"/>	<p>Review the TRS group long-term care insurance enrollment information and call Genworth toll-free at 1-866-659-1970 with any questions.</p>
<input type="checkbox"/>	<p>Terminate employment with all TRS-covered employers, including any paid or unpaid leave status, by the effective date of your retirement.</p>

**Note:** Please include your Social Security number on any document or correspondence to TRS. If the document, such as your birth certificate, shows a name that is different from your name in TRS records, please print your current name on the document as well.

You should consider many factors to determine 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, but before the end of the school year, you will receive service credit for that year. However, you will receive compensation credit only for the eligible salary actually paid, not for your full annual salary rate. 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 receive compensation credit for the full year's salary.

You may also wish to attend one of several TRS retirement presentations offered throughout the state each year. They focus on a number of details on 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](http://www.trs.state.tx.us)). You may also register through the TRS Automated Telephone System by calling 1-800-223-8778 toll-free.

## **Employment After Retirement General Information**

Retirees who plan to work in Texas public education after retirement should carefully review all requirements that apply to such work. If the retiree does not effectively terminate employment, or if the retiree's work is not in compliance with the requirements, the retiree could:

- revoke his or her retirement entirely, or
- lose monthly annuity payments for work that exceeds the allowable amount.

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

- terminate all employment with a TRS-covered employer (See "Termination of Employment Before Retirement" and "Negotiation for Return to Employment," pages 39-40, for additional information),
- wait to negotiate a return to employment as permitted under law,
- not be employed or otherwise work for a TRS-covered employer during the required break in service after the retirement effective date, and
- work only the amount of time permitted under one of the employment-after-retirement exceptions. The exceptions permit certain kinds of employment without losing the annuity for the month in which the employment is performed.

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

**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 TRS service credit, and TRS member contributions will not be withheld from your salary. For employment on or after September 1, 2005, public education employers in Texas are required to pay a surcharge to the TRS pension fund for retirees employed in positions that would be eligible for TRS membership if held by an active member. This surcharge payment is not a member contribution, nor is it refundable to the retiree at any time. Employers may also be required to pay the state contribution for the retirees' TRS-Care health benefits. The surcharges are not required for a retiree who (1) retired prior to September 1, 2005, (2) works only as a substitute (serves on a temporary basis in the place of a current employee), or (3) works in a position that does not meet TRS membership eligibility requirements for active members.

### **\*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 otherwise 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. Additionally, the employer surcharges do not apply to retirees working as independent contractors. 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 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 as 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. You will, however, forfeit benefits for any month that your work exceeds the applicable limits under the exceptions described below. Additionally, your employer may owe TRS the applicable surcharges on your employment. 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.

## Service Retirees

### *Employment without Forfeiture of Monthly Annuity Payments*

**TRS retirees who retired before January 1, 2001, are permitted to return to work without employment restrictions or reduction in TRS benefits.**

The following employment-after-retirement provisions apply to members who retire **on or after January 1, 2001**. After terminating employment and fulfilling the required break in service, TRS service retirees may work in a Texas public educational institution without forfeiting their annuity payment under the following conditions:

#### **\*A return to work during same school year as retirement\***

- **Substitute:** Retirees may substitute an unlimited number of days during the school year. For TRS purposes, a substitute is a person who serves on a temporary basis in the place of a current employee. If the position is vacant, the retiree is not a substitute for TRS purposes. The retiree's pay 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 during any month for no more than one-half the full-time load for the particular position as determined by the employer. One-half time employment cannot exceed 50 percent of the full-time position. Additionally, the following apply:
  - 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.
  - Employment measured in credit or semester hours may not exceed one-half of the full-time load. A full-time work load measured in credit or semester hours is usually 12 to 15 semester hours or 4-5 courses per long semester.
  - Paid time off, including sick leave, vacation leave, and compensatory leave for overtime worked, is employment and reduces the number of hours available to work in a calendar month.
  - Because the number of working days in each month is not always the same, the maximum amount of time a retiree is allowed to work under the one-half time exception will vary from month to month.
  - If an employer is closed for business during scheduled periods, the amount of time available to work during that month is reduced by the number of business days that the employer is closed.
  - A retiree working as a bus driver under the one-half time exception can drive the bus only for one half the number of working days in that particular calendar month, not to exceed 12 days. For example, December is a short work month due to the Christmas holidays. Therefore, if the school is open for only 10 working days in the month, a retiree could drive five days in the month. This rule does not apply to bus drivers who qualify for the "Bus Driver Exception" on page 46.

- **Bus Driver:** Retirees who retired before September 1, 2005, may work on as much as a full-time basis under the bus driver exception provided the retiree is a normal-age retiree and regularly drives at least one route per day that complies with Texas Education Agency (TEA) guidelines. Effective with retirements after September 1, 2005, retirees who work as bus drivers under this exception and drive at least one route per day that complies with TEA guidelines will not forfeit their annuities provided bus driving is their primary employment with the TRS-covered employer. For bus driving to be considered an employee's primary employment, the total amount of any other employment with a TRS-covered employer must be less than half-time. An early-age retiree may work as a bus driver only under the one-half time exception, and all rule provisions governing the one-half time exception are applicable.
- **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 including any paid leave 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.

**\*A return to work during school years beginning after retirement, but with less than a 12-month break in service\***

- **Substitute, One-half Time or Less, or Bus Driver:** These employment exceptions are available for retirees who return to work the same school year in which they retired as well as those who return to work in the school years following 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. Any employment during any month after the sixth month will result in the forfeiture of the monthly annuity for the month. Paid time off, including sick leave, vacation leave, and compensatory leave for overtime worked, is considered employment for purposes of this exception. The following also apply:
  - Retirees who are working under the six-month exception and cannot complete work required under their contract by May 31 may work into June, but no later than June 15, without losing the annuity for June.
  - Attendance at professional development activities not included in the work required in the contract of employment will not result in the loss of an annuity.
  - This exception cannot be used with any other exception to avoid 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 the monthly annuity payment 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

including any paid leave 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.

**\*A return to work after 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, a retiree must meet the following requirements:
  - Retired without a reduction in benefits due to early age
  - Has not worked in any position or capacity for any Texas public educational institution for a 12-consecutive-month period following the date of retirement
  - Is employed to teach at least one classroom hour per day in an area designated as an acute shortage area
  - Is certified by the State Board of Educator Certification (SBEC) to teach in the acute shortage area
  - Completed form TRS 581, "Certification for Employment After Retirement as a Classroom Teacher in an Acute Shortage Area or as a Principal or Assistant Principal." The employer must submit the completed form to TRS.
- **Principal or Assistant Principal Exception:** A retiree may work on as much as a full-time basis without limitation as a principal or assistant principal provided the retiree meets the following requirements:
  - Retired without a reduction in benefits due to early age
  - Has not worked in any position or capacity for any Texas public educational institution for a 12-consecutive-month period following the date of retirement
  - Is certified under Subchapter B, Chapter 21, Education Code, to serve as principal
  - Is employed as, and performs the duties of, a principal or assistant principal
  - Completed form TRS 581, "Certification for Employment After Retirement as a Classroom Teacher in an Acute Shortage Area or as a Principal or Assistant Principal." The employer must submit the completed form to TRS.
- **Faculty of professional nursing program:** A retiree may work on as much as a full-time basis without limitation as faculty of a professional graduate or undergraduate nursing program provided the retiree meets the following requirements:
  - Has not worked in a position or capacity for any Texas public educational institution for a 12-consecutive-month period following the date of retirement
  - Is employed as a faculty member in an undergraduate or graduate professional nursing program as defined in §54.221, Tex. Education Code
  - Completes form TRS 581N, "Certification for Employment After Retirement as Faculty Member of a Nursing Program." The employer must submit the completed form to TRS.

- This exception is currently available through the last day of the 2015 spring semester.

### *Employment with Forfeiture of Monthly Annuity Payments*

A service retiree who retired 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 and includes any paid leave.
2. Work in excess of six months in the school year after retirement if employed under the "Six-Month Exception" as described on page 46. The use of any paid leave during a calendar month is considered work for purposes of the six-month exception. The six-month exception applies if any work during the school year is full time. For return-to-work purposes, a school year is defined as September 1 through August 31.
3. Work as a substitute combined with work on a one-half time basis, including any paid leave, and the combined employment for the month exceeds the time allotted for the one-half time position.
4. Work as a bus driver when combined with other work that is one-half time or more, including any paid leave. A normal-age retiree who retired prior to September 1, 2005 may have other employment on as much as full-time basis without forfeiting any annuity provided he or she drives at least one bus route per day that meets TEA guidelines.

## **Disability Retirees**

Disability retirees are subject to the 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 more 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 1 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 1 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. The retiree must also reapply for retirement. Waiving payment for service during this time period is employment that revokes retirement. Volunteering to perform services that are normally provided by an employee also may be considered employment that revokes retirement.

### *Employment without Forfeiture of Monthly Annuity Payments*

Disability retirees may be employed by a Texas public educational institu-

tion 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 temporary basis in the place of a current employee. Service in a position that is vacant is not substitute service for TRS purposes. Also, the retiree's pay 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. For employment-after-retirement purposes, "one-half time" means employment during any month for no more than one-half the full-time load for the particular position as determined by the employer. One-half-time employment cannot exceed 50 percent of the full-time position. 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.
  - Employment measured in credit or semester hours may not exceed one-half of the full-time load. A full-time work load measured in credit or semester hours is usually 12 to 15 semester hours or 4-5 courses per long semester.
  - 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.
- **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. The total number of days worked in both capacities cannot 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 trial basis a disability retiree may work up to full-time for a period of no more than three months provided that all of the following requirements are met:

- The work occurs in three consecutive months designated by the employee. Working any part of a month counts as a full month.
- The full-time employment is performed beginning in a school year that starts after the disability retiree's effective date of retirement, and the required break in service has been met.
- Written notice on "Employment After Retirement Disability Election" form (TRS 118D) is submitted by the employer to TRS before the end of the trial period of full-time employment. This form can be found on the TRS Web site under "Forms."

#### *Employment with Forfeiture of Monthly Annuity Payments*

Disability retirees will forfeit their retirement annuity for any month

worked as follows:

- **Full-time employment:** A disability retiree who works full-time 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. Working more than one-half time is considered full-time employment.
- **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 during that school year.
- **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 in that school year.
- **Work in excess of 90 days:** A disability retiree who works more than a total of 90 days in a school year (September through August) will forfeit the annuity for the month in which the 91st day is worked and for any additional month in which work occurs in that school year.
- **Earnings limit:** A disability retiree whose compensation earned for work while receiving disability benefits exceeds the applicable earnings limit established by TRS will forfeit the monthly annuity payments until the earned compensation ceases or is reduced to an allowable amount. See full discussion in next section below.

**Note:** In addition to the forfeiture of benefits for working in excess of 90 days or exceeding the earnings limit if applicable, disability benefits may be discontinued if the disability retiree refuses or fails to submit to a medical examination requested by TRS. Disability benefits may also be discontinued for those disability retirees who are subject to an annual determination of disability, if the Medical Board determines you are no longer disabled. See “Disability Retirement” on page 38 for more information.

#### *Forfeiture of Monthly Annuity Payments Due to Excess Earnings*

A disability retiree whose retirement date is after August 31, 2007 and whose retirement application is received after August 31, 2007 is subject to a limit on the compensation the retiree may earn for work while receiving disability retirement benefits. Earning excess compensation will subject a disability retiree to forfeiture of annuity payments as well as to higher TRS-Care contributions during the period of time one or more annuities are forfeited, if the retiree has TRS-Care coverage. Compensation subject to the limits includes, but is not limited to, compensation for any work performed for any employer including a TRS-covered employer; self-employment income; and profit from a business.

Excess compensation must be reported to TRS in the manner required by TRS. Failure to report excess compensation will subject a retiree to forfeiture of annuities and higher TRS-Care contributions. TRS may obtain information from other sources regarding compensation earned by a disability retiree. TRS also may audit the compensation report and require a disability retiree to provide supporting documentation to verify the accuracy of the report.

TRS will resume payment of an annuity after receipt of a report that the compensation has ceased or decreased to below the established limit.

For more information on the limit on compensation for work, please visit the TRS Web site or contact TRS if you have questions.

## Information for Retirees

### Marriage After Retirement

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

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

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

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

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

### Beneficiary and Payment Plan Changes

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

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

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

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

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

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

Please contact TRS for the consent form and the change of beneficiary for a continuing annuity under Option One, Two, or Five. If the beneficiary of your joint and survivor annuity is not your spouse or former spouse, simply complete the change of beneficiary for a continuing annuity form and submit it to TRS. For your beneficiary designation to become effective, the form must be received by TRS before your death. Note that changing your beneficiary to non-spouse beneficiary who is younger than you is subject to the same limitation described previously in this handbook for Option One and Option Five when there is an age difference of more than 10 years between you and the other individual. **The designation of a new beneficiary for death and survivor benefits (\$10,000 lump sum death benefit) will not change the beneficiary of a joint and survivor annuity.**

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

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

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

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

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

Contact TRS for the revocation of beneficiary designation for an Option One, Two, or Five joint and survivor annuity form. For the beneficiary revocation and cancellation of the option to become effective, the form must be received by TRS before your death. TRS also requires a certified copy of the

court order when the change is made without the beneficiary's consent. A certified copy may be obtained from the clerk of the court that entered the order. The designation of a new beneficiary for death and survivor benefits (\$10,000 lump sum death benefit) will not revoke the beneficiary of a joint and survivor annuity.

## Retiree Death & Survivor Benefits

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 unless the disability retiree has exhausted all monthly payments before death. It is paid in addition to any joint and survivor or guaranteed period annuity that may be payable under an optional form of payment chosen by a retiree at retirement.

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

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

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

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

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

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

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" on page 25 of this handbook.

## **General Information for all TRS Participants**

### **EFT (Direct Deposit of Annuity Payments)**

A TRS annuitant, whether a retiree or a beneficiary, may use the electronic fund transfer (EFT) method of deposit to his or her financial institution account. Payments are generally paid on the first working day of each month following the month for which the payment accrues. Election of EFT must be made on the "Direct Deposit Request" form (TRS 278). TRS encourages this method of payment for the safety and security of your benefits.

### **Income Tax**

Since January 1, 1988, member contributions to TRS have been made on a pre-tax basis through an employer pickup that reduces the member's salary for 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 are subject to federal income tax, including service and disability retirement benefits, death and survivor benefits, and refunds of accumulated contributions. Any after-tax contributions that you made to TRS will be handled in the manner required by federal tax law. Tax information will be provided when a TRS benefit is first received. For comprehensive tax assistance, please contact a professional tax advisor or the Internal Revenue Service (IRS), 1-800-829-1040.

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

In Texas, benefits earned during marriage may be community property subject to division by the court in a divorce or partition suit or probate proceeding. 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).

Amounts payable to the former spouse will be distributed in the same form as payments to the member. Under Texas law, the interest of the former spouse in the TRS benefits terminates at the death of the former spouse, and the interest awarded to the former spouse reverts back to the retiree or retiree's beneficiary. For TRS purposes, this interest of the retiree in receiving back the portion awarded to the former spouse (but no longer payable because of the former spouse's death) is called the "right of reversion" or the "reversionary" interest.

The spouse or former spouse (alternate payee) generally may receive the portion awarded by the court only when a benefit is paid on behalf of a member. However, under a limited exception, TRS may begin payments to the alternate payee before payments begin to the TRS participant. This exception only applies if the TRS member is age 62 or older, is otherwise eligible to retire without reduction for early age, and has not yet retired. The alternate payee must make a written request for the early distribution. The early distribution will permanently reduce the member's retirement benefit by the actuarial equivalent of the benefits payable to the alternate payee. There is no reversion to the retiree of any part of the actuarial equivalent calculated as payable to the alternate payee should the alternate payee predecease the member. Generally, this actuarial reduction is greater than a dollar-for-dollar reduction. Members affected by QDROs should carefully consider the permanent financial impact on their benefits and the lost right of reversion if they delay retirement beyond the month in which they turn age 62 and an alternate payee applies to begin receiving payments before the member's retirement. The amount of the retirement benefit that the member will receive may actually decrease with a delayed retirement.

TRS has developed a model QDRO to assist the parties in drafting an order that meets all of the statutory requirements for such an order. The model QDRO is on the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) or is available from TRS by 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 enough time before any court proceeding for TRS to prepare and forward the requested information. 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. While TRS is not able to provide information regarding possible reductions to your Social Security benefits, members should contact the Social Security Administration (SSA) at 1-800-772-1213 for information on possible offsets or reductions to these benefits. You may also visit the Social Security Administration Web site ([www.ssa.gov](http://www.ssa.gov)) for information on topics such as the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). When authorized by you, TRS can verify your first eligibility date for retirement and the amount of benefit paid on your behalf. If you need this information, contact TRS and request "TRS Benefit Information" form (TRS 562).

## Waiving Rights to TRS Retirement Benefits

In certain circumstances, a person may wish to waive TRS benefits that they are eligible to receive. The benefits must be waived on a form prescribed by TRS. All or a portion of the benefits may be waived. In some cases, a waiver may be irrevocable. Contact TRS if you need more information.

## Appeal Procedure

A person adversely affected by a TRS decision or action regarding a retirement plan matter may appeal the decision as permitted by TRS rules. The appeal procedure begins by writing to the TRS manager making the decision. 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. This must be done within 45 calendar days of the chief officer's final decision. Copies of TRS rules (34 Texas Administrative Code Ch. 43) detailing retirement plan appeal procedures are available from TRS or on the TRS Web site under the Publications link.

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

## Complaints

While TRS strives to deliver services promptly and to resolve member concerns about the delivery of services quickly, you may not be satisfied with TRS' efforts. If your concern about the delivery of services cannot be settled by correspondence or informal conferences with TRS management, you may submit a written complaint to TRS. The complaint should be submitted to the TRS Complaint Officer. The Complaint Officer ensures that a timely response is provided to the complainant. Information on how to submit a complaint is available upon request from TRS and is also found on the TRS Web site, [www.trs.state.tx.us](http://www.trs.state.tx.us), in the information regarding the TRS Compact With Texans.

## TRS Brochures

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

- *TRS Service Credit*
- *Employment After Retirement*
- *Requesting a Refund*
- *TRS Automated Telephone System*
- *TRS/ERS Transfer*
- *TRS-Care Highlights of the Plan*
- *Partial Lump Sum Option*
- *TRS-A Great Value for All Texans*
- *History of Benefit Improvements*

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

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

**Online Access:** To access information about your TRS account through the TRS Web site, you will need a password. To obtain a password, complete a "TRS Web Site Password Authorization" form (TRS 608). 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 sent it to TRS, an 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 obtain a PIN, complete a "TRS Telephone Personal Identification Number Authorization" form (TRS 590). You can download the form from the TRS Web site (Click on "Forms" and then on "Forms for Members" to find the form in the list.). You can also request the form by phone through the automated telephone system. Once you have completed the form and sent it to TRS, a four-digit PIN will be mailed to you.

Please include your Social Security number on all documents and correspondence with TRS.

## **Health Benefit Plans Active Employees (TRS-ActiveCare)**

TRS-ActiveCare went into effect on September 1, 2002. To date, more than 1,089 school districts and other eligible entities have elected to participate in TRS-ActiveCare. Blue Cross and Blue Shield of Texas administers the medical benefits; Medco Health Solutions, Inc. (Medco) administers the pharmacy benefits. TRS-ActiveCare offers a choice of four preferred provider organization (PPO) plans statewide. Also, health maintenance organizations (HMOs) are available in certain service areas.

To be eligible for TRS-ActiveCare, an individual must be employed by a participating entity (including 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.

However, you are not eligible for coverage under TRS-ActiveCare if you receive health benefit coverage as an employee or retiree under the Employees Retirement System of Texas (ERS), the University of Texas System (UT), or the Texas A&M University System (Texas A&M). Also, a TRS retiree enrolled in, or who declined coverage under, TRS-Care is not eligible for coverage as an employee under TRS-ActiveCare, even if the TRS retiree returns to work for a TRS-ActiveCare participating entity. Dependents of individuals who are eligible for TRS-ActiveCare according to the criteria above, including a TRS retiree who is a dependent and declined coverage under TRS-Care, may also become covered under TRS-ActiveCare if certain conditions are met. More details about the program are available on the TRS Web site ([www.trs.state.tx.us/trs-active-care](http://www.trs.state.tx.us/trs-active-care)).

## Retirees (TRS-Care)

TRS-Care is the group health benefits program administered by TRS for eligible retirees. TRS retirees who are not eligible for ERS, UT, or Texas A&M system health benefit coverage may be eligible for TRS-Care. Members considering retirement should carefully review their eligibility for TRS-Care before terminating their employment. Eligibility requirements for retiree health benefits continue to experience changes, as summarized below.

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

- the sum of the retiree's age and years of service credit in TRS equals or exceeds 80 at the time of retirement, regardless of whether the retiree had a reduction in the retirement annuity for early age (years of service credit can include all purchased service); or
- the retiree has 30 or more years of service credit in the retirement system at the time of retirement. (Years of service credit can include all purchased service.)

### ***Disability Retirees***

A **disability retiree** is initially eligible for TRS-Care regardless of the number of years of service credit. TRS-Care coverage for disability retirees with less than 10 years of service credit in TRS on the date of disability retirement ends when the disability retirement benefit ends.

Disability retirees who retired or applied for retirement after August 31, 2007 will be required to file an annual compensation statement with TRS if they earn excess compensation for work during disability retirement. If they earn compensation exceeding limits set by the TRS Board of Trustees, they may forfeit their disability retirement annuity and have to pay an increased amount for TRS-Care coverage. If all applicable premium payments are timely made, a disability retiree with at least 10 years of service credit in TRS on the date of disability retirement remains eligible for TRS-Care coverage even if the retiree is not entitled to receive monthly benefits from TRS because those benefits have been forfeited due to earned compensation that exceeds limits set by the TRS Board of Trustees. See the handbook sections on disability retirement and employment after retirement by disability retirees for more information.

### ***Surviving spouses and surviving dependent children***

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

### ***Other Information***

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

Significant plan provisions include:

- no maximum on lifetime benefits, and

- no pre-existing condition limitation if a retiree enrolls when first eligible.

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

**Note:** Under HB 1191 enacted by the Texas Legislature in 2009, members who retire on or after September 1, 2009, may select TRS-Care coverage during the first 90 days after retirement.



For complete details, refer to the *TRS-Care Highlights of the Plan* booklet or the plan document. Both are available from TRS-Care and the TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)).

## Long-term Care for Active Members and Retirees

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

TRS active members and retirees are eligible if they are not participating in plans administered by ERS, UT or Texas A&M university systems.

For family members to be eligible, 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 90 days of TRS-covered employment, 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. 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 and may be required to provide proof of good health.

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

More detailed benefit information and enrollment materials may also be obtained by calling Genworth toll-free at 1-866-659-1970, or by visiting Genworth's Web site ([www.genworth.com/groupltc](http://www.genworth.com/groupltc)). Use Group ID: TRS and Access Code: groupltc.

# How to Reach TRS

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

## General TRS Information

**TRS Web Site** – [www.trs.state.tx.us](http://www.trs.state.tx.us)

### 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)

**TTY** (for hearing-impaired persons) –  
1-800-841-4497  
(or 1-512-542-6444)

### Mailing Address –

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

*Please remember to include your name and Social Security number on all correspondence mailed to TRS.*

## Health Care Benefits

### TRS-ActiveCare –

General Information:  
1-800-223-8778, ext. 6446

*Blue Cross and Blue Shield of Texas (enrollment, medical claims):*  
1-866-355-5999

*Medco Health Solutions, Inc. (prescription drugs):*  
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

**Note:** The TRS Web site ([www.trs.state.tx.us](http://www.trs.state.tx.us)) features convenient links to the administrators' Web sites for TRS-ActiveCare, TRS-Care, and the TRS long-term care insurance program.

### TRS-Care –

General Information:  
1-800-223-8778, ext. 6456

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

*Caremark Inc. (prescription drugs):*  
1-866-877-1555  
[www.caremark.com/trs](http://www.caremark.com/trs)

### Long-Term Care Insurance Program –

*Genworth Customer Service:*  
1-866-659-1970  
[www.genworth.com/groupltc](http://www.genworth.com/groupltc)  
Use Group ID: TRS  
Access Code: groupltc

## Other Helpful Contacts

### Social Security Information –

Social Security Administration:  
1-800-772-1213  
[www.ssa.gov](http://www.ssa.gov)

### Medicare Information –

General Information:  
1-800-633-4227  
[www.medicare.gov](http://www.medicare.gov)

# Glossary

**Accumulated Contributions** - The total amount of member contributions, voluntary payments for purchase of special service credit (not including fees), and all interest attributable to an individual member. This includes TRS retirement plan 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 retirement 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.

**Benefits** - A distribution by TRS in accordance with the plan requirements. The types of benefits payable are service retirement benefits (including DROP and PLSO payments), optional annuity payments continuing to a beneficiary, disability retirement benefits, death and survivor benefits, and a return of accumulated contributions.

**Creditable Compensation** - Salary and wages paid or payable to a member for service rendered during a school year and creditable for TRS purposes. See page 5 for more information.

**Employer Pension and Health Benefit Surcharges** - A required amount paid monthly by employers to the pension fund (pension surcharge) for each retiree working in a TRS-covered position and reported to TRS. Also, the employer must pay a health benefit surcharge for each retiree enrolled in TRS-Care and working in a TRS-covered position. Under state law, the surcharges are not required for a retiree who (1) retired before September 1, 2005, (2) works only as a substitute (serves on a temporary basis in the place of a current employee), or (3) works in a position that does not meet TRS membership eligibility requirements for active members.

**Inactive Member** - A person who has less than five years of service credit and ceased employment 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 expected to last for a period of 4½ months or more and who is paid at a rate comparable to that of other persons employed in similar positions. Does not include a retiree or a person who is participating in the Optional Retirement Program (ORP) instead of TRS.

**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 term may also mean any employer whose employees are eligible for TRS membership. The context of the term and definitions in state law 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 in which the application is received or the last day of either of the two previous months, provided the employee has terminated employment.

**Retirement Plan** - The TRS defined benefit retirement plan established by state law and administered under those laws and the rules of the TRS Board of Trustees. The plan provides service and disability retirement benefits and death and survivor benefits funded by the TRS pension trust fund. The retirement plan does not include group health benefit plans such as TRS-Care or TRS-ActiveCare.

**School Year** - For members, 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 retirees, 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 to establish a year of membership service credit is established by TRS rules.

**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** - A person who serves on a temporary basis in the place of a current employee and whose pay does not exceed the rate of pay for substitutes established by the employer. Does not include service in a vacant position.

# Index

Annuity Payments.....	28,29,32-34	Member Contribution Account .....	6
Appeal Procedure .....	56	Membership Service Credit .....	13
Beneficiary Change After Retirement .....	51	Membership Waiting Period Service Credit .....	19
Beneficiary Designation, Active Members. ....	21	Military Service .....	17
Beneficiary Designation, Minor Child .....	22	Minimum Benefit .....	29
Beneficiary Designation, Overview .....	21	Minimum Distribution .....	9
Benefit Overview, Members.....	7	Name Change .....	12
Benefit Overview, Retirees .....	26	Normal-Age Service Retirement....	27
Career/Technology Teacher Work Experience.....	19	One-Half Time Employment, Retirees .....	45
Creditable Compensation.....	5	Online Access.....	57
Death and Survivor Benefits, Active Members .....	23	Optional Forms of Annuity .....	30
Death and Survivor Benefits, Retirees .....	53	Optional Retirement Program .....	9
Death Claims Checklist .....	25	Out-of-State Service .....	16
Deferred Retirement Option Plan (DROP) .....	25	Partial Lump Sum Option (PLSO).....	34
Defined Benefit Plan.....	3	Proportionate Retirement.....	39
Developmental Leave .....	18	Qualified Plan.....	2
Disability Retirement, Eligibility ....	38	Refund Checklist.....	11
Divorce, Division of Benefits....	22,54	Refund of Member Contributions...	10
Early Age Service Retirement .....	35	Retirement Checklist.....	42
Eligibility for TRS Membership .....	4	Service Credit .....	13,62
Employer Surcharges .....	44,61	Service Credit Purchase.....	14
Employment After Retirement, Disability Retirees.....	48	Service Credit Restrictions .....	20
Employment After Retirement, Overview .....	43	Service Retirement Eligibility.....	27
Employment After Retirement, Service Retirees .....	45	Social Security .....	55
ERS, Service Transfer .....	20	Standard Annuity .....	28
Excess Benefit Arrangement.....	30	State Sick and/or Personal Leave.....	18
Formula, Standard Annuity .....	28	Statement of Account.....	7
General Information.....	54	Substitute Service Credit .....	15
Glossary.....	61	Telephone Access .....	57
Grandfathered Members .....	28-29,34,36-37	TRS-ActiveCare .....	3,57
Guaranteed Period Annuity .....	33	TRS-Care .....	3,58
Health Benefit Plans, Public School Employees.....	57	TRS/ERS Service Transfer .....	20
Health Benefits, Retirees .....	58	USERRA Service .....	17
How to Reach TRS .....	60	Withdrawn Service.....	15
Income Tax.....	54		
Joint and Survivor Annuity .....	31		
Long-term Care Insurance .....	59		
Mailing Address, Change of .....	12		
Member Benefits .....	4,7		

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







## **TRS Board of Trustees**

Linus D. Wright, Chair, 2011  
Dallas

Mark Henry, Ed.D., Vice Chair, 2009  
Galena Park

Charlotte Clifton, 2013  
Snyder

Robert P. Gauntt, 2013  
Houston

John Graham, Jr., 2009  
Fredericksburg

R. David Kelly, 2011  
Dallas

Eric C. McDonald, 2013  
Lubbock

Philip Mullins, 2011  
Austin

Dory A. Wiley, 2009  
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**



1-800-223-8778  
[www.trs.state.tx.us](http://www.trs.state.tx.us)