

# Plan Design

The TRS plan is a traditional defined benefit state retirement program in which investment risks are generally absorbed by the state. Contributions go into a large trust fund that is managed by experienced investment professionals who focus on prudent portfolio management with a diversified investment strategy. This type of plan provides stability and does not require any investment decisions by individual members. Service credit is earned on the basis of required minimum service in a school year, and members also may be eligible to purchase additional service credit (e.g., military service or out-of-state public school service).

Retirement benefits are based on statutory formulas. The monthly standard annuity is currently calculated as the number of years of service credit multiplied by 2.3 percent of the average of the highest five annual salaries and then divided by 12. A standard annuity is available at age 65 with at least five years credit or at age 60 with at least five years credit if age plus years of service credit is at least 80 (Rule of 80). (Persons who became TRS members before 09/01/2007 and maintain membership until retirement can receive an unreduced annuity at any age they meet Rule of 80 with a minimum of five years credit.) Early age retirement is available with other combinations of age and years of service credit; the annuity amount is actuarially reduced to reflect that benefits begin at an earlier age. A standard annuity, whether normal age or reduced for early age retirement, is payable for the life of the retiree. Annuity payment options provide income to a retiree for life and may continue to provide payments to a beneficiary for a specified number of years after the retiree's death or for the life of the surviving beneficiary. Upon termination from Texas public higher education (or public K-12 education), TRS members who do not desire a retirement benefit may withdraw employee contributions plus five percent interest, but state contributions remain in the fund. TRS also provides death and disability coverage from the first day of membership. System administrative costs are paid with a very small percentage of investment income.

## Contributions

Both the employee and the state make monthly contributions to TRS based on percentages of the employee's salary. The percentages are established by the Texas Legislature and may fluctuate over time. Employee contribution rates for TRS are 6.4% from 09/01/2013 - 08/31/2014 and will increase to 6.7% effective 9/1/2014 - 8/31/2015. The state contribution rate for TRS is 6.8% from 09/01/2013 - 08/31/2014 and remains at that rate to 8/31/2015.

## VESTING

### Teacher Retirement System

Under TRS, "vesting" is commonly used to refer to the five-year minimum service credit requirement for service retirement eligibility. A TRS member may receive service retirement benefits upon reaching the retirement age established by law for his or her amount of service credit. This is true even if the member terminates covered employment prior to reaching retirement age, as long as the employee portion of the contributions remain in the system and the member has at least five years of TRS service credit. Withdrawal of employee contributions terminates TRS membership and cancels a member's service credit and any associated future benefits under TRS. Members who withdraw their employee contributions upon termination will only be eligible for service retirement benefits if they return to covered employment and satisfy minimum service requirements again (through actual service and/or "buying back" previously withdrawn service credit) or if they reinstate service credit under other applicable law, such as the ERS/TRS service transfer law. A person who resumes TRS membership following termination of membership is subject to the same terms of membership as a person entering service for the first time.

The TRS "vesting" period is currently five years of service credit for actual service (i.e., not including purchased service credit a member may be eligible to establish). Beginning with the 2011-2012 school year and except in the final year before retirement, a year of service credit is established by working in a TRS-eligible position or

receiving paid leave from a TRS-eligible position for at least 90 days during the school year. In the last school year of service before retirement, a member who worked or received paid leave for less than 90 days in the school year but worked or received paid leave for a full fall semester receives a year of service credit. Only one year of service credit may be established during each school year, which runs from September 1 through August 31. Individuals who terminate employment prior to accruing at least five years of service credit and then return to covered employment within five years do not terminate their TRS membership and lose their service credit unless they withdrew their employee contributions following termination of employment. Members may change employment from any Texas public educational institution to another without loss of service credit or retirement benefit eligibility

**TRS Disability and Death Benefits** Disability retirement benefits are provided for members who have a mental or physical disability that prevents them from further performance of duty and that is probably permanent. Members with at least 10 years of service credit who become disabled may receive a standard annuity (a minimum of \$150 per month) or may select from among the payment options provided for service retirements. A disability retiree with less than 10 years of service credit at the time of disability receives \$150 per month for a period of time equal to the shortest period of the duration of the disability, the number of months of service credit or the duration of the person's life. All active members are covered by disability retirement provisions from the first day of membership. Members who apply for disability retirement after August 31, 2007, may be subject to an earnings limit.

TRS members are also covered from the first day of membership by death and survivor benefits. Designated beneficiaries of active members may choose one of five options under the death and survivor benefit, including a lump sum payment equal to twice the member's annual salary, not to exceed \$80,000. The designated beneficiary of a TRS retiree is entitled to receive a lump sum death benefit payment of \$10,000 (or, for qualifying beneficiaries, a lump sum of \$2,500 and a monthly payment of either \$250 or, with a minor child, \$350), in addition to any continuing annuity that may be payable under the retiree's selected annuity option. If the total retirement annuity payments made to the retiree and any designated beneficiary are less than the balance in the member's contribution account on the date of retirement, the excess contributions may be paid to a beneficiary designated to receive any remaining amounts.

### Purchasing TRS Service Credit

A TRS member who has at least five years of TRS service credit may purchase one year of eligible out-of-state public school service for each year of Texas service up to a maximum of 15 years. Under certain circumstances, members may purchase credit for other eligible special service, including military or USERRA service (up to five years), developmental leave (up to two years), and credit for accumulated state sick leave or personal leave as of the last day of employment before retirement (one year). Some TRS members certified under the Texas Education Code may be eligible to buy one or two years of work experience credit, and members who were subject to a membership waiting period may be eligible to purchase service credit for that school year. Members may also "buy back" previously withdrawn TRS service credit.

As an alternative to a lump sum payment, installment payments are permitted (and may be made through payroll deduction) over a period of 12 to 60 months (but not longer than the number of years being purchased), with an annual fee applied to the declining balance due. Special service credit may also be purchased with a direct rollover of an eligible distribution from another eligible retirement plan or IRA.

### Additional Service Credit Provisions

Members with service credit in both TRS and the Employees Retirement System (ERS) for Texas state agency employees can transfer credit from one system to the other at retirement and, if eligible, can retire under either system in which they have at least three years of credit. A person who has at least three years of service credit in either TRS or ERS can reinstate an account that was withdrawn from the other system and use the reinstated service credit for retirement purposes in either system in which the person has at least three years of service credit.

Members with service credit in the retirement systems of certain Texas cities, counties or other governmental entities may qualify for the Proportionate Retirement Program and should contact TRS and the other system for details. (ORP is not included in the Proportionate Retirement Program.)

### Returning to Work after TRS Retirement

Returning to work for a Texas public education employer during the month after retirement will revoke a TRS member's retirement. A pre-existing agreement to return to work may revoke a person's retirement. TRS retirees must be terminated from employment for at least a full calendar month after the TRS effective date of retirement before being re-employed. Service retirees who retire after January 1, 2011, and have a break in service of 12 full consecutive calendar months after retirement may return to work in Texas public education on a full time basis for as much as 12 months each school year without any loss of annuities. Full-time work before satisfying the required break will result in the loss of the annuity for the month in which the full-time work occurs. Work as a substitute or on a half-time basis will not trigger an annuity loss, but it will restart the counting toward the required 12-month break. TRS should be contacted for further details on annuity forfeiture during post-retirement employment. Institutions may have local policies regarding return-to-work retirees (often referred to as modified retirement programs) that restrict the type and/or amount of employment.

If you are planning to retire under TRS, you should notify TRS as soon as possible to obtain a retirement packet. You can request this packet and other information from TRS. Contact information for TRS is listed below. You may also refer to the Payroll website under our section on resignation/retirement and the HR website under their section on Planning your Retirement for additional information.

### Contact Information for TRS:

TRS [http://www.trs.state.tx.us/active.jsp?page\\_id=/global/welcome\\_active](http://www.trs.state.tx.us/active.jsp?page_id=/global/welcome_active)

Contact: 1-800-223-8778

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