

## Texas Legislature enacts new laws affecting TRS members, retirees

The 83rd Texas Legislature, Regular Session, adjourned at the end of May after enacting laws that will impact many TRS members and retirees.

The following briefly summarizes key TRS legislation. New laws will take effect on Sept. 1, 2013, unless otherwise noted. In upcoming months, TRS will provide additional information through email messages sent to members and retirees who have registered through *MyTRS* to receive legislative updates as soon as those updates become available. TRS will also provide information through newsletters, the TRS website ([www.trs.state.tx.us](http://www.trs.state.tx.us)), and other publications to help members and retirees understand how these bills affect them.

### Senate Bill 1 - Appropriations Bill

The state contribution rate increases from 6.4% to 6.8% for FY 2014 and FY 2015. TRS-Care is in part funded by the state at the statutory requirement of 1% of active member payroll. Contingency riders could direct more funding toward TRS-Care.

### Senate Bill 1458 - TRS Benefits and Contributions

- **Raising contribution rates for members and requiring a new contribution from most school districts.** The increase in the contribution rates for TRS active members will be phased in. The rate will increase from the current 6.4% to 6.7% in fiscal year 2015, 7.2% in fiscal year 2016, and 7.7% in fiscal year 2017. Beginning Sept. 1, 2017, if the state contribution rate is reduced below 6.8%, the contribution rate for active employees will be reduced by an equivalent percentage.

Beginning in fiscal year 2015, school districts and charter schools that do not contribute to Social Security for TRS-eligible employees will contribute to TRS 1.5% of the statutory minimum salary for employees whose positions are subject to the state statutory minimum salary schedule in addition to the state contribution amount on compensation paid in excess of the state minimum amount. For employees whose positions are not subject to the state statutory minimum salary schedule, the employer will contribute 1.5% on the employees' total salary.

Beginning Sept. 1, 2015, if the state contribution rate is reduced below 6.8%, the employer contribution rates are reduced by an equivalent percentage.

## Active member group benefit presentations planned statewide

Beginning in September, TRS will conduct benefit presentations in a group setting in 31 cities throughout Texas. The presentations will review TRS benefits available to TRS active members and will also cover issues for members considering retirement in the 2013-14 school year. *Presentation times and locations are listed on the "What's New" page of the TRS website.*

Beginning Aug. 23, 2013, active members who are registered for *MyTRS* may sign up for group presentations online. If not already registered for *MyTRS*, members will need to do so before they can sign up for a presentation. Reservations are taken on a first-come, first-served basis. Members will receive a confirmation email with their scheduled date and time. TRS schedules these meetings. Please do not call the location for information.

Members who sign up for group presentations are not automatically scheduled for individual appointments. Individual counseling appointments must be scheduled separately. Members who make individual appointments do not need to attend a group presentation. For more information, see the article on page 4.

# MEMO TO MEMBERS FROM Executive Director Brian K. Guthrie

TRS is pleased to report that this year's legislative session resulted in significant and very positive results for our members and the long-term health of our pension plan. After carefully considering the long-term sustainability of the plan, your elected officials made changes in state, school district and active member contributions that we expect will place the system on the path to actuarial soundness.

Thanks to this year's legislative session, those who retired on or before Aug. 31, 2004 will receive a three percent cost-of-living increase capped at \$100 per month. This will benefit nearly two-thirds of all TRS retirees and is the first such annuity increase in more than a decade – a time period marked by significant global financial challenges.

A summary of 2013 TRS-related legislation is featured in this newsletter.

Please review this summary carefully as the changes could affect you directly. We also invite you to learn more through a new video on legislative changes, which we will post to our website in August. On the website, you will also find two other new videos featuring Chief Investment Officer Britt Harris. Thanks to Britt and our investment team, we have completely recovered from losses experienced during the Great Recession. Our fund now stands at approximately \$117 billion – up from a low of \$67 billion in 2009.

If you have not yet taken advantage of the opportunity to purchase certain types of service and compensation credit, please read the article and footnote on this topic. You have until Aug. 31 to purchase this credit. We also encourage you to familiarize yourself with recent rules changes described in this newsletter.

Health care-related news is also included in this issue. One article describes a new

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resource, Benefits Value Advisors, available to TRS-ActiveCare PPO Plan participants. Another article announces five open positions on our Retirees Advisory Committee.

This fall, TRS will publish a new *TRS Benefits Handbook*, which will provide an updated summary of your TRS benefits. Unlike past years, we will not mail new handbooks to all members and retirees due to the high cost to the pension plan for printing and mailing more than a million handbooks. However, you have three easy options to obtain a handbook. You can enroll now in *MyTRS* Email subscriptions. If you do so, we will send you an email this fall with a link to the new handbook when it is published. This fall, you will also be able to either view the handbook online or request that one be mailed to you at that time.

## Death and survivor benefits

TRS provides valuable death and survivor benefits to eligible beneficiaries of members and retirees. It's important to know that death and survivor benefit payments cannot be assigned to a funeral home. Also, death and survivor benefit payments are not life insurance payments. They are subject to federal income tax and are taxable income to beneficiaries receiving the benefit.

Prompt reporting of a TRS member or retiree death by calling TRS is appreciated. The earlier the notification of death is received by TRS, the sooner the beneficiaries will receive benefit information, forms to complete for benefit payment, and benefits. Payment of death and survivor benefits is made to the beneficiaries within 31 days after all required forms are received.

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## TRS service credit purchase costs to increase Sept. 1, 2013\* Act now to avoid paying higher costs

In 2011, the Texas Legislature enacted new laws that significantly increased the cost to purchase certain types of service and compensation credit. However, a two-year window, closing Aug. 31, 2013\*, was established to allow eligible members to purchase the credit at the old, lower cost, provided certain requirements are met.

To view a comparison of old and new costs, including a service credit purchase cost comparison per year of service credit and other important requirements, visit the TRS website located at [www.trs.state.tx.us](http://www.trs.state.tx.us).

The following types of service credit purchases are affected by the cost increases:

- withdrawn service,
- unreported service and/or compensation credit (including substitute service),
- out-of-state service (rendered before Jan. 1, 2006), and
- developmental leave.

If you are eligible to purchase any of these types of service or compensation credit and wish to make the purchase at the old (lower) cost, TRS must receive payment in full or a completed installment agreement on or before Aug. 31, 2013.\*

When purchasing service credit using an installment agreement, payments must be made according to the terms of the agreement. If a member terminates an agreement, including by failure to meet the terms of the agreement prior to payment in full, the member must pay the full cost by Aug. 31, 2013\* or lose the opportunity to purchase that service credit at the old cost.

If you are thinking about purchasing one of these types of service credit, contact TRS now so we can confirm your eligibility and send you a cost statement. Once you receive the cost statement, you can decide whether you want to go forward with the purchase and how you will make payment. If you plan to use a rollover for full or partial payment for the service credit, please be aware that rollovers require additional processing time, both by the financial company that currently holds your funds and by TRS. TRS encourages all members eligible to purchase these types of service credit to start the process now.

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**\*Please Note:** The legislative deadline to purchase eligible service credit at its old cost is Aug. 31, 2013; however, since Aug. 31, 2013, falls on the Saturday of Labor Day weekend, TRS will accept bill requests that include any required, completed verification documents; payments in-full; and completed installment agreements through Tuesday, Sept. 3, 2013.

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## Rule changes affecting surcharge trigger - Rule 31.41 and Rule 41.4

Pension Surcharge and TRS-Care Surcharge rules have been amended to align the “trigger” for the surcharge(s) with the criteria for one-half time employment for retirees who retired after Jan. 1, 2011 and for disability retirees. The surcharges are no longer triggered by the retiree working in a TRS-eligible position, i.e., working one-half or more of the full-time load for 4½ months or more. Beginning Sept. 1, 2013, each report month a retiree who retired after Sept. 1, 2005, is working for a TRS-covered employer or a third-party entity for more

than the equivalent of four clock hours for each work day in the calendar month, the employer will pay the Pension Surcharge. A work day for purposes of employment after retirement is every Monday through Friday in that calendar month, including holidays and days the employer is not open for business. The amount of the Pension Surcharge is a combination of the employee contribution rate (currently 6.4%) and the state contribution rate (6.8% for the 2013-2014 school year), for a total of 13.2% of the salary paid to that retiree in that report month.

The TRS-Care Surcharge will be triggered by the same criteria. If a retiree works for a TRS-covered employer or a third-party entity for more than the equivalent of four clock hours for each work day in that calendar month, the TRS-Care Surcharge will be due if the retiree participates in TRS-Care. The amount of the TRS-Care surcharge varies person-to-person based on the level of TRS-Care coverage. The employer may find the amount of the TRS-Care Surcharge due on an individual member by using the “View

*Cont. on page 4*

## Recent changes to TRS rules

TRS Rules 25.1(g) and 25.6 were recently amended to clarify membership eligibility for employment in higher education. Regular employment for one-half or more of the full-time load is eligible for membership. Regular employment is employment that is expected to continue for 4½ months or more. Employment with an institution of higher education (including community and junior colleges) is “regular employment” if it is expected to continue for more than one full semester or continues for more than one full semester in the same school year.

Additionally, when determining whether an employee of an institution of higher education meets the requirement of working one-half time or more, employment measured in semester or course hours or credits, instructional units, or any other unit representing class or instructional time is to be converted to clock hours and counted as a minimum of two clock hours for each clock hour of instruction or time in the classroom or lab. This reflects instructional time as well as preparation, grading, and other time typically associated with one hour of instruction. If the employer has established a greater amount of preparation time for each hour in the classroom or lab, the employer’s standard will be used to determine the number of clock hours scheduled for work.

TRS Rule 25.6 clarifies that part-time or temporary employment in an institution of higher education is employment that is less than one-half the number of clock hours required for full-time employment or employment that is for no more than one semester in a school year. Part-time employment is not eligible for TRS membership.

## Active member, one-on-one counseling appointments planned across Texas

Beginning in October, TRS will once again conduct one-on-one counseling appointments in 10 cities across Texas during the 2013-2014 school year. *One-on-one counseling appointment locations and dates are listed on the “What’s New” page of the TRS website.*

Thirty individual counseling appointments will be available on each trip. These one-hour appointments are designed for active members who are eligible to retire and are considering retirement in the 2013-2014 school year. These individual appointments will be offered to members on a first-come, first-served basis and only with a prearranged appointment.

Beginning Aug. 23, 2013, active members who are registered for *MyTRS* may schedule a one-on-one appointment online. If not already registered for *MyTRS*, members will need to do so before they can schedule an appointment. All appointments must be made by the deadlines listed on the TRS website. These deadlines allow TRS to prepare and send retirement packets to members ahead of time. Members will also receive a confirmation email with their appointment date and time. TRS schedules these meetings. Please do not call the location for information.

Members who make individual appointments do not need to attend a group presentation. Please note that members who sign up for group presentations are not automatically scheduled for individual appointments. See separate article on page one of this issue for group presentations.

### ***Surcharge trigger - cont. from page 3***

Employee Information” tool in TRAQS.

Beginning on Sept. 1, 2013, the effects of the amendments will include all of the following:

- Retirees can work the equivalent of four hours for every work day in that calendar month without forfeiting the annuity payment for that month and without triggering payment of a surcharge.
- For a retiree who retired after Sept. 1, 2005, work that exceeds the equivalent of four clock hours for each work day in that calendar month will not only cause the retiree to forfeit the annuity for that month, but will also cause the employer to owe the surcharge(s) on the retiree’s employment for that month.
- Employers will need to determine monthly whether surcharges are owed.

The law has not changed regarding the amount of time a retiree may work without forfeiting a monthly annuity. Service retirees who retired after Jan. 1, 2011 who have not had a 12 full, consecutive calendar month break in service may work up to the equivalent of four hours for each work day in that calendar month without losing their monthly retirement annuity. Service retirees who retired on or before Jan. 1, 2011 may work without limit and without loss of monthly annuities. Only the employment of retirees who retired Sept. 1, 2005 or after may trigger payment of surcharges.

## Texas Legislature - cont. from page 1

- **Increase in normal-age retirement eligibility for non-vested members.** The bill increases the normal retirement age to age 62 with the Rule of 80 and at least five years of service credit for all members who are not vested as of Aug. 31, 2014 and new members on or after Sept. 1, 2014. A member is considered vested when he/she has five years of service credit. For purposes of this bill, the service credit must be currently credited with TRS as of Aug. 31, 2014; withdrawn service credit and unreported service credit that has not been reinstated or purchased in full by that date will not be used to determine a member's vested status.

All members vested as of Aug. 31, 2014, are not subject to the new requirements and will experience no change in normal-age retirement eligibility.

- **Cost-of-Living Adjustment (COLA).** Under the changes in contribution rates and retirement eligibility established in SB 1458, TRS becomes "actuarially sound" and can provide a 3% COLA, capped at no more than \$100 per month, for annuitants who retired on or before Aug. 31, 2004 or whose benefits are based on the death of a retiree or member who died on or before Aug. 31, 2004. The COLA will begin with the annuity payable for September 2013, which is paid in October of 2013. The annuitant must be living on Sept. 1, 2013 to be eligible to receive the COLA.
- **Modifications in TRS-Care health plan eligibility requirements (current retirees are not affected).** For individuals who take a service retirement on or after Sept. 1, 2014, the bill sets the minimum age of 62 to be eligible for TRS-Care 2 and 3\*. All service retirees affected by this limitation will be able to choose TRS-Care 2 or 3 when they turn 62 years of age. Eligibility requirements for participating in TRS-Care 1 were not changed by the bill.

\*A service retiree is not subject to the new age requirements if the sum of the person's age and years of service credit is 70 or greater on or before Aug. 31, 2014; or if the person has at least

25 years of service credit on or before Aug. 31, 2014.

- **Decrease in member and DROP account interest rate.** The bill reduces the rate of interest paid to member and DROP accounts from 5% to 2%, beginning Sept. 1, 2014. The reduced rate will be applied prospectively and will not affect the amount of interest accrued to the date of the change.

### House Bill 3357 - Administration and Benefits

The bill makes several administrative and technical changes to the TRS plan terms. The bill allows a retiree who has selected an optional annuity payment plan to increase to the standard annuity payment plan without regard to the relationship of the retiree to the beneficiary of the optional annuity. The bill did not change the plan term that requires the beneficiary's consent if a spouse or former spouse is the beneficiary or a court order from a court with authority over the marriage that orders or authorizes the retiree to make the change. The bill repeals the statutory requirement that TRS-ActiveCare must provide an ERS health care plan equivalent. It clarifies that regional education service centers and charter school employees can serve as trustees and vote in the election of TRS trustees.



### Senate Bill 1812 - Junior Colleges Contributions

The bill limits state contributions to the pension plan for junior colleges and junior college districts to 50% of the creditable compensation of members whose duties are instructional or administrative and whose salaries may be fully paid from funds appropriated under the General Appropriations Act, whether the salaries are actually paid from appropriated funds. For TRS pension benefits, junior colleges and junior college districts must pay the state contribution amount on the remaining 50% of creditable compensation for instructional or administrative employees as well as 100% of the state contribution amount on all other TRS members employed by these entities. The bill also provides that the number of instructional and administrative employees for which the state must make contributions on creditable compensation may not be increased at a greater rate than the percentage growth in student enrollment.

# TRS to mail annual statements, 2013 TRS Benefits Handbooks this fall

## Annual Statements

Every fall, TRS mails annual statements to all active members of the retirement system. This statement contains information pertaining to the school year that members recently completed as well as information regarding the current beneficiary designation on file with TRS. Information in the 2013 annual statement will pertain to the school year that began on Sept. 1, 2012 and ended on Aug. 31, 2013. It will also contain important information about the number of years of service credited to you.

Changes in the law make it even more important to review your statement and check its accuracy. Members must verify to TRS any unreported service and/or compensation, including substitute service, by the end of the fifth school year after the service was rendered or the compensation was received. After the end of the fifth school year, members will not be allowed to verify the unreported service and/or compensation. Service rendered and/or compensation paid before Sept. 1, 2011 must be verified by Aug. 31, 2016.

Changes to the cost required to establish unreported service and/or salary are significant. The cost increases after Aug. 31, 2013. Please read the article and footnote on page 3 of this issue for important information on the increase in cost.

For additional information on this year's statement and answers to frequently asked questions, please visit the TRS website in late September.

## TRS Benefits Handbooks

This fall, TRS will also publish an updated version of the *TRS Benefits Handbook* containing changes in the law enacted by the 83rd Texas Legislature. Unlike past handbooks, the 2013 edition will *not* be automatically mailed to members and retirees. Instead, it will be made available as follows:

1. TRS will post the new handbook to the TRS website as soon as it is completed.
2. Those who enroll to receive the handbook electronically through *MyTRS* Email Subscriptions will receive an email

message containing a link to the new handbook on the TRS website.

3. Those who prefer not to view the handbook online or receive a copy by email will be able to request that a handbook be mailed to them through the TRS Automated Telephone System. *To do so, this fall, please check to see when the new handbook has been added to the TRS website.* Then, simply call TRS at 1-800-223-8778 and follow the prompts to "Request a Form or Brochure."

The new process will enable TRS to provide members and retirees with quicker access to new handbooks and at the same time save your pension fund considerable printing and mailing expenses.

Enrolling in *MyTRS* Email Subscriptions is easy. If you are already registered to use *MyTRS*, simply log in, select *MyTRS* Email Subscriptions and follow the instructions. However, if you have not yet registered to use *MyTRS*, you will first need to do so by clicking on the "*MyTRS* LOGIN" button on the

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## Reason to reinstate withdrawn service credit or verify/purchase unreported service

New retirement eligibility requirements affect members with less than five years of service credit on Aug. 31, 2014. SB 1458 established new retirement eligibility standards for members who do not have at least five years of service credit on Aug. 31, 2014 that will extend normal retirement age to 62 for affected members. TRS will provide more information on the new standards in future publications.

However, in light of the increase in the cost to purchase service credit after Aug. 31, 2013, you may want to consider reinstating any withdrawn service credit and/or verifying and purchasing any unreported service credit at the old cost by the Aug. 31, 2013 deadline so that you can meet the five years of service credit (vesting) requirement by the Aug. 31, 2014 deadline.

## New resource available to TRS-ActiveCare PPO Plan participants: identify costs of medical services

Do you want to know in advance the actual cost of a medical service and your estimated out-of-pocket share of the cost? Now, TRS-ActiveCare PPO plan participants can take advantage of a new resource to help them save money and make informed choices about their health care benefits: **Benefits Value Advisors** at Blue Cross and Blue Shield of Texas.

**Benefits Value Advisors** can provide benefits cost information by in-network providers for a number of health care services such as: CAT or CT scans; MRIs; endoscopy and colonoscopy procedures; back, spinal, knee and shoulder surgery; hip or joint replacement surgery; and bariatric surgery.

For example, if your doctor recommends you to get an MRI of your knee, you can call a Benefits Value Advisor. The Advisor can tell you about several in-network MRI providers in your area and the estimated cost for an MRI, which may vary significantly by provider. Using this service, you will have more information when choosing where to go for your MRI.

To reach a Benefits Value Advisor, call the Customer Service number, which is located on the back of your TRS-ActiveCare/BCBSTX ID card (866-355-5999).

## Watch for TRS Today videos on website, YouTube!

Learn about recent TRS legislative changes through a new “TRS Today” video to be added to the TRS website in August. The video includes an interview with Executive Director Brian Guthrie. Also featured will be two video interviews with Chief Investment Officer Britt Harris, which provide an overview of TRS investment strategies and achievements. All three videos will be posted on the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us) and on [www.youtube.com/TRSofTexas](http://www.youtube.com/TRSofTexas).

## TRS-Care Retirees Advisory Committee

### *Appointments planned for early 2014*

In February 2014, TRS will fill five positions on the Retirees Advisory Committee (RAC) for members of the committee whose terms are expiring. The Texas Insurance Code requires that this advisory committee for TRS-Care be comprised of nine members with staggered four-year terms.

Five positions will expire on Jan. 31, 2014: one active school administrator, two retired teachers, one active teacher, and one retired member of the auxiliary personnel of a school district.

RAC responsibilities include holding public meetings on group coverage, recommending minimum standards and plan features, and recommending changes to rules and legislation affecting TRS-Care. The committee meets twice a year in Austin.

TRS evaluates nominees based on the following criteria:

- Length of experience as a TRS member and/or retiree
- Participation in education-related volunteer programs
- Professional activities and experience serving on committees, boards, and decision-making organizations, especially related to health care or other benefits
- Credentials, awards or other meritorious recognition
- Participation in TRS-Care (for retired nominees)
- Geographic diversity
- Experience in health care benefits or a related field

Anyone required to register as a lobbyist under Chapter 305, Texas Gov't. Code, is ineligible for appointment. To be nominated to one of the five positions, please submit your resume and a cover letter to TRS, attention Assistant Director of Health and Insurance Benefits Department, by **Nov. 1, 2013**.

Your cover letter should state the position you are applying for and why you should be considered for committee membership.



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## CHANGE SERVICE REQUESTED

# 2014 enrollment opportunity for TRS-Care Medicare-eligible participants

If you are a TRS-Care enrollee covered by Medicare, and you made a decision not to participate in the Aetna Medicare Advantage medical plan or the Express Scripts Medicare Part D prescription plan when you were first eligible, you will have an additional opportunity to participate in these plans effective Jan. 1, 2014. **The enrollment period is from Oct. 15, 2013 – Nov. 15, 2013.**

This fall, TRS will send more information to TRS-Care enrollees who are eligible, but not currently participating in the TRS Medicare plans, about the enrollment opportunity for the Aetna Medicare Advantage plans and the Express Scripts Medicare Part D plans. Please take time to read these materials. **If you are not currently enrolled and are interested in participating in the TRS Medicare plans effective Jan. 1, 2014, you will need to take action to enroll during the enrollment period mentioned above.** If you do not take action at that time, you will remain enrolled in the standard TRS-Care plan. *However, you will miss out on the richer benefits and lower costs offered through the TRS Medicare plans.*

Remember, if you decide to try the TRS Medicare plans, you can terminate participation at any time and resume participation in your original TRS-Care standard medical and/or prescription plan.

TRS-Care has received a lot of positive feedback from the participants who are currently enrolled in the Medicare plans. Currently, there are more than 87,000 participants in the Aetna Medicare Advantage medical plans and 112,000 participants in the Express Scripts Medicare Part D prescription plans.

Please note, **if you are already enrolled in the Aetna Medicare Advantage plan or the Express Scripts Medicare Part D plan, you will not receive information about the enrollment period and do not need to take action to continue to participate in these plans.**

More information can be obtained by visiting the TRS website at [www.trs.state.tx.us](http://www.trs.state.tx.us) or calling TRS-Care Customer Service at 1-800-367-3636.

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