

TRS NEWS

DECEMBER 2016

TEACHER RETIREMENT SYSTEM OF TEXAS

2017 TRS Board election nomination forms now available online

Elections will be held in the spring of 2017 to determine the nominees presented to the governor for appointment to fill two upcoming vacancies on the TRS Board of Trustees. Both positions will be for six-year terms beginning as early as Sept. 1, 2017.

One election will be held to field nominees eligible for appointment to fill the retiree position on the board. Nominating petitions must be signed by 250 TRS retirees. Active members are not eligible to sign retiree election nominating petition forms.

The other election will be held to field nominees eligible for appointment to fill a new at-large position on the board. A change to Texas law enacted in 2011 established the new at-large position to replace what had previously been the higher education position on the board. TRS retirees as well as members who are currently employed by a higher education institution, public school district, charter school, or regional service center may run for nomination to fill this position on the board. Nominating petitions must be signed by 250 TRS retirees or members whose most recent credited service is or was performed for one of these entities or signed by a combination of retirees and eligible members.

A retiree may not run for nomination to both the retiree and at-large positions during this election period but may only declare intent to run for one position or the other. A retiree, however, may sign nominating petition forms for both the retiree and at-large positions.

When signing nominating petition forms, include your printed or typed name, the first five digits of your current residential zip code, and the last four digits of your social security number. All valid nominating petitions must be filed with TRS by Jan. 20, 2017 in order to be accepted.

To obtain the retired member position or at-large position forms, you may: print the petition form from the website (www.trs.texas.gov); request the form be sent to you by writing TRS at 1000 Red River, Austin, TX 78701-2698; call 800-223-8778, ext. 2702 to request the form; or fax a request for the form to 512-542-6585. Nominating instructions are on the form.

In this issue:

MEMO TO MEMBERS from Executive Director Brian K. Guthrie	page 2
Planning for retirement	page 4
Live video counseling sessions	page 7

New TRS videos on health care, financial awareness, retirement and more now online

TRS invites you to view our most recent



videos on the TRS website and YouTube. The videos are part of Financial Awareness and TRS Today series offering updated news on TRS and the programs it administers. Topics include financial awareness, health care programs, steps to retirement, and our new website.

This fall, TRS released several videos from the new financial awareness video series. The short animated whiteboard videos feature a cast of characters guiding members through three important concepts: what you have – your TRS defined benefit plan; what you need – to save more; and how to get it – by saving smart. Some of the videos are relevant to early and mid-career members, while others may be of more interest to members nearing retirement. However, no matter where you are in your career, you'll find something valuable in every video. Videos released include: "Welcome to the Series" - "What Does TRS Do For

Cont. on page 3

MEMO TO MEMBERS FROM Executive Director Brian K. Guthrie

TRS has just received an updated actuarial valuation for the TRS Pension Fund, effective Aug. 31, 2016. The valuation reported a 79.7 percent funded ratio for your retirement system with an unfunded actuarial accrued liability of \$35.5 billion. This year's funded ratio was slightly lower than last year, and our unfunded actuarial liability also increased slightly. However, these short-term developments had been expected as part of our long-term path to actuarial soundness, which anticipates that our funded ratio will rise again to and above 80 percent as our unfunded liability decreases over time. These projections are based on changes adopted by the Texas

Legislature three years ago, which increased contributions and changed new member eligibility requirements. Both have laid the groundwork for a continually improving actuarial condition for the fund.

TRS also had an actuarial valuation conducted for TRS-Care, our retiree health benefits program. That valuation reported that the TRS-Care fund has an unfunded actuarial accrued liability of \$49.6 billion and that the plan was 1.3 percent funded as of the end

of fiscal year 2016. As a result, the near-term solvency of the TRS-Care program is at risk. You may recall that the TRS Board addressed the solvency of this program by adopting plan design changes for the first time in more than a decade. However, due to a legislative directive, retiree premiums did not change. The legislature elected to infuse \$768 million into the health benefits program to help address the solvency of the TRS-Care fund through the FY 2016-17 biennium. The 84th Legislature also created a joint interim committee to study TRS-Care and TRS-ActiveCare. Current projections to the TRS-Care balance show a shortfall ranging from \$1.3 to \$1.6 billion for the 2018-19 biennium. TRS will continue to work with the legislature and the joint interim committee to address the long-term solvency and affordability of TRS-Care. For more detailed information about these recent valuations, please visit the publications page of the TRS website this December.

Are you planning to retire in the coming year? If so, please read the article in this issue that can help you decide when to retire. It can also familiarize you with valuable information to consider in selecting the retirement option that will best serve your needs. And if you are thinking of returning to work for a TRS-covered employer after you retire, please read the article about employment after retirement. That information will be very important to help you avoid jeopardizing your retirement benefit and forfeiting annuity payments and health benefits paid on your behalf by TRS-Care.

Last but not least, please take a moment to read the article about the new videos featured on TRS' newly redesigned website and YouTube. These videos are part of the Financial Awareness and TRS Today series, and they offer members, retirees and others important news on financial awareness, our health care programs, steps to retirement, and how to navigate our new website.

As this will be the last *TRS News* issue for this year, I would like to close by wishing you and your families a safe and happy holiday season. All of us at TRS look forward to continuing to serve you in the new year.

Board of Trustees

R. DAVID KELLY, Chair, Plano
DOLORES RAMIREZ, Vice Chair, San Benito
KAREN CHARLESTON, Houston
JOE COLONNETTA, Dallas
DAVID CORPUS, Humble
JOHN ELLIOTT, Austin
GREG GIBSON, Shertz
CHRISTOPHER MOSS, Lufkin
ANITA PALMER, Jacksboro

BRIAN K. GUTHRIE, Executive Director

The Teacher Retirement System of Texas does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. A copy of the complete TRS plan is available at the above address during normal business hours.

Access next year's 1099-R forms quickly and easily online

In late January 2017, TRS will send 1099-R forms to those who have received one or more payments from TRS during calendar year 2016. The 1099-R is an Internal Revenue Service form that the recipient uses to report any distributions paid by TRS during the prior calendar year.

From the time this form is distributed in January until April 15, TRS receives numerous requests for duplicate copies. Due to confidentiality requirements, TRS cannot provide the information over the phone or by fax. The duplicate copies must be mailed. However, retirees and payment beneficiaries who have a *MyTRS* password can view and print a copy of their 1099-R forms, even before forms are mailed in January.

If you subscribe now on *MyTRS*, you can have TRS send you an email message to notify you as soon as your 1099-R form is posted online. If you haven't registered yet for *MyTRS*, doing so is easy. Simply go to the TRS website at www.trs.texas.gov and click on

the *MyTRS* link at the top of the homepage. Follow the instructions from there.

Note: *Individuals who receive payments from the TRS excess benefit arrangement will receive a W-2 form from TRS for the amounts paid out of the excess benefit arrangement during the 2016 calendar year.*

Also, if you received less money in the 2016 calendar year than you did in 2015, it may be due to the change in payment dates that occurred in September 2015. As you may recall, the payment date was changed from the first working day of the month following the month for which the payment was due to the last working day of the month for which the payment is due. The change took place in September 2015 and resulted in some annuitants receiving 13 payments in calendar year 2015. Since the current calendar year will generally have only 12 annuity payments, the amount reflected on your 1099-R for 2016 may be less than the one you received for calendar year 2015.

TRS to publish summary financial report in January

In January 2017, TRS will publish a summary of its *2016 Comprehensive Annual Financial Report* (CAFR) to help members who do not wish to read the entire document but would like to know the highlights. "We know that many members don't have the inclination or time to sit down and study a detailed financial document," said Executive Director Brian Guthrie. "We hope this high-level summary will provide the financial highlights that are of greatest importance to our members."

The 2016 CAFR summary features easy-to-read charts, graphs and other key information relating to the TRS pension fund and health care programs. To view the CAFR summary, please visit the TRS website in January at www.trs.texas.gov.

New TRS videos - cont. from page 1

Me?" - "Will My TRS Pension Be Enough?" - "Estimating Your TRS Benefit" - "Setting Financial Goals" - "Getting Retirement Ready" - "Working Longer."

Additional financial awareness videos are scheduled for release in early 2017 covering topics such as financial advisors, Social Security, compound interest, inflation and more.

Available on TRS Today are two health benefits-related videos featuring interviews with Chief Health Care Officer Katrina Daniel titled "TRS-ActiveCare Changes for 2016-17 School Year" and "TRS-Care Changes Take Effect Sept. 1, 2016" where Daniel talks about issues affecting both

health benefits programs. Another video related to health benefits is "TRS Medicare 101." This video explains the different parts of Medicare and how Medicare and TRS health plans work together.

An instructional video, "Steps to Retirement," will take members on a road trip to TRS retirement using an easy-to-follow map and instructions.

Members may also take a tour of the recently launched website by viewing the "TRS Website Tour" video.

The videos are approximately two-to-10 minutes long and are available on our website's homepage (www.trs.texas.gov).

Planning for retirement – what to consider beforehand

Retiring can be less stressful if you plan ahead. To assist you, TRS has included information on our website that not only helps you decide the right time for you to retire, but also provides information for you to consider in selecting the retirement option that best serves your needs.

To view information that will help you plan your retirement, click on “Active Members” in the top blue bar of the TRS website. Then click on “Planning Your Retirement” to find the following information:

Eligibility Requirements – Describes TRS retirement eligibility requirements for normal-age and early-age service retirements, and disability retirements.

Things to do Before Retirement – If nearing retirement, this information will help you prepare for a smooth transition to retirement.

Annuity Payment Options – Describes the TRS standard annuity as well as five optional forms of annuities available from TRS.

Checklist for Retiring Members – After you have requested and received your retirement packet, this checklist may be useful to ensure that you have completed the retirement application process.

Retirement Deadlines Chart – Provides information regarding the date your employment must be terminated, the deadline for filing your retirement application, and the deadline for purchase of additional service credit.

Retirement Estimate Calculator – Helps you estimate your retire-

ment annuity. TRS Online Calculator which requires a *MyTRS* User ID and password, automatically imports current data from your TRS computer records such as your years of service credit, highest reported salaries, etc. for your use in estimating the amount of your retirement benefit.

Withholding Calculator – This calculator is for estimating the amount of federal income tax to be withheld from your annuity. You can enter your gross annuity, select your marital status, and enter the number of exemptions and other deductions you’d like used in estimating your withholding. This calculator does not require a User ID or password. If you have already retired and if you have a *MyTRS* User ID and password, you may also log in to *MyTRS* to estimate change in your withholding. The *MyTRS* calculator imports the current annuity and withholding elections from your TRS account. You can modify your information for tax withholding purposes such as your marital status, the number of exemptions, and other deductions to estimate changes in your withholding.

Request for Estimate of Retirement Benefits – Allows you to electronically submit your request and information needed to have TRS prepare a retirement estimate. Submitting your request electronically is an alternative to completing the *Request for Estimate of Retirement Benefits* form (TRS 18) by hand and sending the form to TRS at 1000 Red River St., Austin, TX 78701-2698.

For additional information, please refer to the *TRS Benefits Handbook*, located on the website’s homepage (www.trs.texas.gov).

TRS annual statements mailed in October

TRS mailed annual statements to active TRS members in October. These statements contain information pertaining to the recently completed 2015-16 school year as well as information regarding the total accumulated contributions in your member account and the amount of service credit recognized by TRS. Review your statement carefully.

MISSING ONE MONTH OF SALARY FOR THE 2014-15 SCHOOL YEAR. A TRS rule change adopted in December 2014 may have affected the amount of compensation you saw reflected on your annual statement for 2014-15. The rule change required reporting entities to report compensation to TRS in the month in which it is paid instead

of the month in which it was earned. That change took effect Sept. 1, 2015 and was needed to standardize how compensation is reported to TRS by all employers.

If your employer previously reported compensation to TRS in the month it was earned, the shift to reporting compensation to TRS in the month it is paid could have caused you to have had one month in the 2014-15 school year in which no compensation was reported to TRS. If your employer made this change, you may have noticed on your annual statement last year that your compensation for the 2014-15 school year did not include 12 months of compensation.

Employment after retirement

What are the most important things to remember?

If you are retired or planning to retire and you are considering employment with a TRS-covered employer after you retire, take some time to review the *Employment After Retirement* (EAR) booklet on the TRS website. TRS laws and rules that pertain to working for a TRS-covered employer or a third-party entity providing personnel to a TRS-covered employer are different based on the date you retired and whether or not you are retired under Service Retirement or Disability Retirement.

DON'T REVOKE YOUR RETIREMENT – If you go back to work – any kind of work, even working as a substitute – for a TRS-covered employer in the calendar month following your retirement (or in the two months following retirement if you worked into June but retired in May), you can actually REVOKE your retirement. You can also revoke your retirement by contracting too soon to return to work. If you revoke your retirement, you forfeit any benefits paid to you because you were not eligible for any benefits. You are required to pay back all of your annuities, any PLSO or DROP payments, and health benefit payments made by TRS-Care on your behalf or on behalf of your dependents. If you can't pay back the amount owed, TRS must permanently reduce your monthly benefit by an actuarially reduction to cover the benefits you were not eligible to receive. All of these situations and more are covered in the EAR booklet.

DON'T FORFEIT AN ANNUITY PAYMENT – If you work more than allowed, you will lose your annuity for each month that you exceed the limits. If you retired after Jan. 1, 2011 and you have not had a 12 full, consecutive-calendar-month break in service from any type of work for all TRS-covered employers, you are limited to working no more than one-half time, working only as a substitute for an unlimited number of days in a calendar month or in the school year, or working only one-half the number of work days in that calendar month if you combine work as a substitute and any other type of work for a TRS-covered employer in the same calendar month. You cannot work in ANY capacity – even as a substitute – during the 12-month break in service before returning to work in a position where you would be employed more than half-time. If you retired before Jan. 1, 2011, you may work without limit without risking loss of your monthly annuity. Avoid jeopardizing your retirement benefit or forfeiting annuity

TRS annual statements mailed in October *Cont. from page 4*

In such a situation, it is most likely the compensation for August 2015 was not included in your salary for the 2014-15 school year. Instead, the compensation for August 2015 would have been re-reported in September 2015 and will be reflected in this year's annual statement for the 2015-16 school year.

If you did not receive credit for one month of salary in the 2014-15 school year due to this change and the compensation for the 2014-15 school year would have been one of the years of compensation used in calculating your highest average salary for benefit calculation purposes, TRS will attribute an additional month of salary in the 2014-15 school year for benefit calculation purposes.

RETIREMENT ESTIMATE MISSING OR DOES NOT INCLUDE CORRECT COMPENSATION – If you met age and service requirements for retirement, your annual statement included an unaudited estimate of your retirement benefits. However, if you received an estimate prepared by TRS within the previous 12 months, you may not have received an estimate on your statement. If your statement does not include an estimate of your retirement benefits, you may find it helpful to visit the TRS website and use the Retirement Estimate Calculator in creating your own retirement estimate. The calculator is featured in the *MyTRS* portion of the website. You can register for *MyTRS* via the TRS website at www.trs.texas.gov. Click on the *MyTRS* link at the top of the TRS homepage and follow the instructions for registering.

NO ANNUAL STATEMENT – If you became a new member of TRS or recently returned to TRS-covered employment after the end of the 2015-16 school year, you will not receive an annual statement until the fall of 2017. When you receive your annual statement, please review it carefully and promptly notify TRS if your records are inconsistent with the reported compensation or number of years of service credit shown on your statement.

It is important that you review your annual statements carefully. You have a limited opportunity to have corrections made to your service and compensation credit for the 2015-16 school year without having to pay the actuarial cost for the additional credit.

Also, eligibility for retirement and requirements for purchasing service and/or compensation credit may have changed. In 2013,

In case you missed it: retiree health care changes

For the first time in 12 years, the TRS Board determined plan design changes were immediately necessary to improve TRS-Care sustainability for current and future retirees. TRS faced a critical funding shortfall in 2017 and risked not being able to keep paying retiree health claims, unless the board took action. These changes are intended to keep TRS-Care funded through 2017.

TRS-Care changes timeline

Sept. 1, 2016

- Deductibles and out-of-pocket maximums increased for TRS-Care Standard medical plans.
- Copays increased for TRS-Care Standard 2 & 3 prescription plans. TRS implemented a \$10 fee for second refills of maintenance medications at non-Retail-Plus pharmacies. Participants can avoid the \$10 “convenience” fee by filling prescriptions at Retail-Plus pharmacies.

Jan. 1, 2017

- Humana will become the insurer for TRS-Care Medicare Advantage plans. If you’re enrolled or enrolling in this plan, you’ll receive a new health ID card in mid-December.
- TRS will automatically enroll TRS-Care Standard 2 and 3 participants, and TRS-Care Medicare Advantage 2 and 3 participants who have Medicare Part A and/or Part B in the Express Scripts Medicare prescription drug plan (PDP) through TRS-Care. The Express Scripts Medicare PDP has lower copays than the TRS-Care Standard 2 and 3 prescription plans. All new participants will receive ID cards with their lower copays.

TRS annual statements mailed in October **Cont. from page 5**

the Texas Legislature made changes to retirement eligibility criteria, which took effect Sept. 1, 2014. However, the changes only affect members who did not have at least five years of service credit on Aug. 31, 2014, those persons who become members of TRS on or after Sept. 1, 2014, or members who had five years of service credit, terminate TRS membership by withdrawal of accumulated contributions on or after Sept. 1, 2014, and then later resume membership.

Want to be up to date on news related to TRS health benefit plans?

You can now subscribe to receive news related to TRS’ health benefit plans by registering online through *MyTRS* Email Subscriptions.

Through *MyTRS* Email Subscriptions, a TRS email subscription service, members may receive TRS publications and announcements by email. By choosing TRS-Care News and TRS-Active-Care News from the subscription list, you will have access to the latest news on your health benefits, tips on how to make the most of your plan, articles on wellness, and more.

In addition to health benefit options, you can also select to receive publications and announcements, including *TRS News*, Notice of Videos, Webcasts and Meetings, New Legislation, TRS Annual Statement Notification, IRS Distribution Form (1099-R) Notification, and more.

If you are already registered to use *MyTRS*, simply log in, select *MyTRS* Email Subscriptions and follow the instructions. If you are not yet a *MyTRS* registered user, all you need to do is register through the *MyTRS* portal on the TRS website located at www.trs.texas.gov and follow the instructions. By enrolling in *MyTRS* Email Subscriptions, you not only will receive TRS-related news faster, but you will also help reduce printing and mailing costs for TRS.

Employment after retirement ***Cont. from page 5***

payments and any health benefits paid on your behalf by TRS-Care. Know the facts – there are different limitations on full-time employment, substitute work and half-time employment.

The *Employment After Retirement* booklet is currently being revised. If you have questions about your individual situation after you read the *Employment After Retirement* booklet, please call TRS at 800-223-8778 and speak to a benefit counselor.

Notice to retirees and beneficiaries — several tax withholding preferences available

Each calendar year TRS provides notice to retirees and beneficiaries who are receiving monthly payments to remind them that they can change their federal income tax withholding preferences.

You are not required to change your withholding preference if you are satisfied with the amount currently being withheld. This article provides instructions on how to check your current withholding preference and how to change it only if you wish to do so. If you are satisfied with your current amount, you DO NOT need to take any action at all.

If you wish to see your current withholding preference (such as married with one allowance) and your monthly withholding amount, you may do so through *MyTRS* on the TRS website.

If you would like to estimate a new withholding amount, TRS has two withholding calculators: there is one inside *MyTRS* after you log in, which automatically imports the current annuity and withholding preferences from your TRS account. You can modify your marital status, the number of exemptions, and other deductions to estimate changes in your withholding. There is also a generic income tax withholding estimate calculator on the TRS website that does not require you to log in to *MyTRS*, to estimate taxes. It does not import any data; you input all the data.

If you wish to change your withholding preference, you may do so through *MyTRS*. Log into *MyTRS* and select Modify Withholding Preference. You may also change your withholding preference by printing a copy of form TRS 228A from the TRS website. Go to the section for Retirees and Beneficiaries, then select Forms from the right-hand column. Under Retirees and Beneficiaries, select the TRS 228A from the list, prepare, print and sign. For your convenience, a link to the current tax tables is provided within the form on the website. If you prefer, you may call TRS at 800-223-8778 to request a copy of the form TRS 228A through our automated telephone system. Completed forms should be mailed to TRS at 1000 Red River St., Austin, TX 78701.

Any new preference for the amount of withholding applies to future payments only; TRS cannot apply a new preference to any payment already made.

TRS will withhold federal income tax on monthly annuity payments to retirees and beneficiaries unless you elect not to have withholding apply. You have the right to elect not to have withholding apply to your monthly payments from TRS. Your preference will remain in effect until you revoke it. You may revoke a preference of no withholding at any time by following the instructions in this article.

If you elect not to have withholding apply to your TRS payments, or if you do not have enough federal income tax withheld from your TRS payments, you may be responsible for payment of estimated tax. You may incur penalties under the federal estimated tax rules if your withholding and estimated tax payments are not sufficient.

Please note that if you are not a U.S. citizen or resident alien of the U.S., you may not elect not to have withholding apply to your TRS payments. TRS is required to withhold 30 percent for federal income tax unless you qualify for benefits under a U.S. tax treaty. If so, you must notify TRS of your eligibility for reduced withholding or exemption from withholding and provide TRS with the required documentation.

If you have questions regarding your tax withholding status, TRS suggests you contact a tax professional.

Live video counseling sessions now available from the convenience of your home

TRS now offers you the option of meeting with a counselor in the convenience of your home or office through the internet. New technology enables a counselor to meet with members online to present the same documents they would see in a face-to-face meeting.

If you are interested, all you need is a personal computer or tablet with a camera, a reliable internet connection, and a quiet private place for a meeting. To schedule a live video counseling session, call 800-223-8778. A counselor will be happy to “see” you.

1000 Red River Street
Austin, Texas 78701-2698

CHANGE SERVICE REQUESTED

Next legislative session begins in January

The 85th Texas Legislature will convene on Jan. 10, 2017. As in the past, bills under consideration may affect an individual member's specific retirement and group health benefits. Funding for TRS programs and operations will also be discussed.

While the fate of many bills may not be known until June, TRS members planning to retire in 2017 may want to know about proposed legislation.

After the session begins, detailed information on bills may be obtained by calling the Legislative Reference Library's Bill Status Information Office at its toll-free number (877-824-7038). Please have the number or specific topic of the bill that interests you, as it will help library staff members locate the information you are seeking. You will also be able to view proposed legislation through the library's website at www.lrl.state.tx.us, or by visiting the Texas Legislature's website, which is located at www.capitol.state.tx.us.

Following each legislative session, TRS informs members of significant new laws or changes in the law that may impact their TRS benefits. Watch for updates on the TRS website located at www.trs.texas.gov, and on Facebook after the session concludes in early June.

TRS has a "new and improved" website



TRS recently launched a completely redesigned website. A two-minute guided video tour of the site is now featured on the homepage.

Visitors will also notice that the new site features a "responsive

design" that customizes your view depending on whether you use a desktop computer or mobile device.

The new site is easy to use with enhanced how-to, search and global navigation functions. It also enables searches by topic area as well as by your role or relationship with TRS, such as member, retiree, beneficiary, or TRS employer. Persons with disabilities will find improved access and a reduced need to resize documents or scroll through multiple website pages.

To visit the new site, visit www.trs.texas.gov or follow us on Facebook and Twitter.