

TRS NEWS

MARCH 2015

TEACHER RETIREMENT SYSTEM OF TEXAS



TRS Board election now under way

Three of the nine trustee positions on the TRS Board of Trustees have terms expiring on Aug. 31, 2015. One position, currently held by Todd Barth, is a direct appointment of the governor. A second position, currently held by Christopher Moss, is appointed by the governor from a list of nominees submitted by the State Board of Education. The third position, currently held by Nanette Sissney, will be appointed by the governor from a list of the three candidates who receive the most votes after nomination and election by TRS active members. This election is now under way. All three appointments will be for six-year terms that will expire on Aug. 31, 2021.

Biographical information on the candidates who have been nominated by the active TRS members and qualified to run in this year's election is featured on pages 4 and 5 of this issue. Eligible active public education members may now cast their ballots in the election.

TRS has contracted with VR Election Services (VRES) of Carrollton, Texas, to manage the election process. Each ballot will contain the names of the candidates who are seeking to be appointed to the active public education position on the board. Space on the ballot has also been provided for write-in candidates.

Eligible active public education members will have the opportunity to vote via the Internet or by mail. Instructions for both voting methods are included with this year's ballots. Only TRS members whose most recent credited service was performed for a Texas public education employer are eligible to vote in the election. Texas public education employers include public schools, regional education service centers and charter schools. For purposes of this election, institutions of higher education are not considered public education employers.

Ballots and postage-paid return envelopes are included with this newsletter for those who are eligible to vote. To be counted, ballots must be returned in envelopes received by TRS **no later than May 5, 2015**. Internet votes must also be cast by **5 p.m. (CDT) on May 5**.

Names of the top three candidates, along with the number of votes they received in the election, will be submitted to the governor. The governor will then appoint one of the individuals to fill a six-year term beginning as early as September 1, 2015.

Group retirement sessions planned

Beginning in March 2015 and continuing through July 2015, TRS will conduct **group** retirement sessions at the TRS building in Austin. Tuesday, Wednesday, and Thursday sessions will be conducted at 9 a.m. and 2 p.m. Scheduled presentation dates may be found on the TRS website, www.trs.state.tx.us. Each session will be limited to 10 members considering retirement on or before Jan. 31, 2016.

Additionally, there will be two sessions conducted simultaneously each Saturday listed on the TRS website. Each session will be limited to 20 members considering retirement on or before Jan. 31, 2016. The Saturday sessions will be conducted **only** at 9 a.m.

Members may register online through *MyTRS* or by calling TRS at 1-800-223-8778 and speaking with a benefit counselor.

MEMO TO MEMBERS FROM Executive Director Brian K. Guthrie

A nominating election is now under way to help determine who will fill one of the two active public education member seats on the TRS Board of Trustees. Only TRS members whose most recent credited service was performed for a Texas public education employer are eligible to vote in this election. Eligible members will receive a ballot enclosed in their newsletters along with a postage-paid return envelope. They may also cast their votes over the Internet. Details are included in this issue along with biographical information on all six candidates running in this year's election.

Timing can be important when it comes to taking advantage of your TRS benefits. In this issue, we have included articles on tax withholding elections, timeframes related to retirement, important deadlines relating to verification of unreported service and service reported but not credited on your annual statement, how your annual compensation will be considered for benefit calculation purposes after March 31, 2015, and upcoming group retirement sessions. Please review this information carefully to best ensure that you get the most out of your TRS benefits.

Did you know that TRS paid more than \$8.5 billion in retirement benefits to more than 365,000 retirees last year? Most people have no idea how significantly TRS impacts Texas, our public and higher education systems, and our state's economy. To learn more, see our newly updated brochure titled *TRS: A Great Value for All Texans* and a new companion video. Both are now on the TRS website.

Many members are also unaware of the vital role that the TRS Internal Audit department plays in helping ensure that we comply with all applicable laws and policies as well as operate in an efficient manner to best serve our members. Please take a moment to read more about Internal Audit and how it benefits TRS in this issue.

If you are registered for *MyTRS*, TRS wants you to know we have made some recent upgrades. We are asking all *MyTRS* users to simply log in to activate the upgrades. You do not need to do anything else and you may log out immediately. If you have not registered yet for *MyTRS*, we encourage you to do so. This upgrade will happen automatically when you sign up. Then, you are on your way to plan for retirement, keep track of your TRS account and get other important announcements and communications from TRS.

As you may know, the 84th Texas Legislature is now in session and will continue meeting in Austin until early June. While TRS is prohibited by law from lobbying or advocating for changes in the law, we work closely with elected officials to provide information relating to TRS. Following the session, we will report any new TRS-related legislation through the TRS website, on Facebook and in our summer newsletter.

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1000 Red River Street
Austin, Texas 78701-2698
(512) 542-6400 or 1-800-223-8778
www.trs.state.tx.us

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.

Notice to retirees and beneficiaries about tax withholding preferences

At the start of 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 instruction 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 wish 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 to the “forms” item on the left menu. Select the TRS 228A from the list and print. For your convenience, the current tax tables are behind the form TRS 228A on the website. If you prefer, you may call TRS at 1-800-223-8778 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.

New required TRS model Domestic Relations Order

Are you in the process of getting a divorce, or are you divorced and the court awarded a portion of your TRS pension benefits to your former spouse? If so, TRS can make a direct payment to your former spouse of the portion that was awarded by the court if you provide TRS with a certified copy of a domestic relations order (DRO) and TRS determines that the order is a qualified order. A DRO is an order entered by a state court related to a domestic relations law including a community property law that directs TRS to make direct payment to the member’s former spouse. It also tells TRS the amount, or how to calculate the amount, of your benefits awarded to the former spouse. When TRS receives a certified copy of the DRO, it will determine if it meets all of the requirements in the relevant law and rules and if it conforms to the model order. If so, TRS will consider it to be a “qualified domestic relations order” or “QDRO.” TRS will administer a QDRO as directed by the QDRO’s provisions when

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2015 Board of Trustees election candidates



Brandon Duck

Brandon Duck, CFO for Trinity Basin Preparatory, has over 19 years working in the investment industry. He earned a MBA from UW – Madison and a B.S. double majoring in accounting and finance. He is a CPA, Certified Internal Auditor, and a Certified Investments-Derivatives Auditor. He was an Audit Manager for KPMG Chicago, a CFO for TTSTC in Austin, TX, and an Internal Audit Director and Director of Enterprise Risk and Compliance for the State of Wisconsin Investment Board (9th largest public pension). Brandon's wife was a 5th grade teacher in Houston and they have three daughters attending Wylie ISD. bduck@dallascharter.org.

Nanette Sissney

Nanette Sissney left the corporate technology world to become an educator 24 years ago. She currently serves as Vice Chair of the TRS Board and a legislative committee member for the National Council on Teacher Retirement. Earning her B.A. from Texas Woman's University and a M. Ed. from Southeastern Oklahoma State University, she taught government/economics for 12 years and has been Whitesboro Intermediate School counselor for the past 12 years. Active in Texas Classroom Teachers Association, serving as 2012-2013 state president, she is also a member of Delta Kappa Gamma. She and her husband have two adult sons and a delightful granddaughter. nsissney@whitesboroisd.org.



Hiram Burguete

Hiram Burguete, Mission CISD Payroll and Benefits Administrator, has served in this capacity for 17 years in two South Texas school districts with employee populations of 6,700. He holds a B.B.A. in Accounting from the University of Texas-Pan American. He is active in his church and community. Professional affiliations include: Texas Association of School Board Officials, Past President-VASBO, Past President-Mission Rotary, Past President-McAllen Lions, Past Chairman-McAllen City Zoning Board Adjustment- Appeals, Past Chairman-McAllen Convention Center and Treasurer-Mission Historical Museum. Mr. Burguete remains abreast of TRS rules/guidelines and advises employees concerning them through his everyday duties and responsibilities. Work (956) 323-5520.

TRS Internal Audit – Protecting the Trust

TRS believes that auditing is a cornerstone of good public governance. To evidence this belief, TRS employs 10 full-time staff to audit and report on all aspects of its operations- from ensuring the accuracy of member annuity payments, to assessing whether social security numbers are protected, and verifying adherence to investment and ethics policies.

Internal Audit (IA) helps TRS accomplish its objectives by bringing a systematic, disciplined approach to evaluate

and improve the effectiveness of risk management, control and governance processes. The chief audit executive reports functionally to the TRS Board of Trustees through the Audit Committee and administratively to TRS' executive director. This reporting structure provides IA with the independence and objectivity required by Texas state law and professional standards.

Every three years, IA undergoes an external quality assessment review. The last review was

conducted in 2013, and IA was found to fully comply with auditing standards issued by both the Institute of Internal Auditors and the Government Accountability Office.

During the fiscal year that ended Aug. 31, 2014, IA issued eight assurance and six agreed-upon procedures reports, followed up and reported quarterly on the status of all outstanding audit recommendations, and performed advisory services related to TEAM (TRS Enterprise Application Modernization)

Program initiatives. IA also assisted the State Auditor's Office to evaluate TRS' *Comprehensive Annual Financial Report*. Results of audits, the Annual Audit Plan, the Internal Audit Charter, and the Annual Internal Audit Report are available publicly and may be found under [Internal Audit Information](#) in the General Information section of the TRS website.

In fiscal year 2015, TRS formally launched a program to audit

Cont. on next page

Bob DeGarimore

Bob DeGarimore is a teacher at Jimmy Carter ECHS, an adjunct professor at South Texas College and at the University of Phoenix. Prior to relocating to the Rio Grande Valley in 2010, he was a financial advisor, holding securities licenses, series 24, 4, 6.3, 6.5, & 7. Bob served in the military, enabling him to use the G.I. bill to complete degrees in: Economics (B.S.), History (B.A.), and Teaching (M.A.) from University of Idaho. In 2013, he earned the principal certification and is currently pursuing his superintendent license at UTPA. He has a three-year-old son, Bobby Dylan. r.degarimore@ljsd.com.



Dr. Sylvia P. Atkinson

With 22 years in public education, she has served as a SPED/Government Teacher, Assistant Principal, HR Director, Executive Director, Area/Assistant Superintendent, and Superintendent of Schools in two different regions of the state. She is currently an Assistant Superintendent in Brownsville ISD. Dr. Atkinson earned a Bachelor's in Political Science/Sociology from Southern Methodist University, a Master's in Education from the University of Texas at Brownsville, and a Doctorate in Education from the University of Houston. Dr. Atkinson is a member of TSTA/NEA, ATPE, TASA, and TVEA. She is also a proud community member of Lions International, Rotary International, and St. Mary's Catholic Church. Ourfutureourkids@aol.com.



Dr. Greg Gibson

Superintendent, Schertz-Cibolo-Universal City ISD. Dr. Gibson has served as a truancy officer, bus driver, teacher, assistant principal, principal, curriculum director, assistant superintendent and superintendent in Texas public schools. He has worked in ESC(s) 11, 13, 14 and 20. He is the son of Jerry and Judy Gibson, both retired Texas educators. His wife, Oteka, is also a Texas educator. He has three children: Scout (22), Tate (18) and Emma (17). Professional affiliations: TASA; TASBO; TACS; Fast Growth Coalition; Quality Texas; & ASCD. Contact Greg at work (210) 945-6200 or by email (ggibson@scuc.txed.net).



TRS Internal Audit - cont. from page 4

member data submitted to it by TRS employers to ensure that information provided to its actuary is complete and accurate and that surcharges and contributions are submitted as required. For more information on the employer audit initiative, visit the [Employer Audits](#) page of the TRS website, located in the Employers section under Reporting Officials. Questions regarding this initiative or other audit-related matters may be submitted to employeraudits@trs.texas.gov.

Domestic Relations Order - cont. from page 3

benefits become payable on behalf of the member. One of the advantages of having TRS make direct payments to the former spouse that are awarded by the court is that payments made to a former spouse under the terms of a QDRO are issued under the former spouse's social security number and are reported for tax purposes as income to the former spouse rather than to the member.

TRS is authorized to require the use of a model QDRO prescribed by TRS. TRS has a new model domestic relations order that the TRS Board, by administrative rule, requires to be used. For all orders entered on Jan. 1, 2015 and after, TRS requires the use of the model QDRO. TRS prescribed two model orders: one is a model order for TRS active members, and one is a model order for TRS retirees. The model orders are available on the TRS website, along with an explanation of the model orders and the TRS review process. The explanation also includes short summaries of other topics that may be relevant to a member or retiree seeking a domestic relations order. The model orders are in a fillable form that allows the user to enter relevant information in the spaces and to customize the order by selecting from a number of special options and instructions. The user may then print the DRO and submit the order to the court. Once the order is entered by the court, the clerk of the court must certify the order before it is sent to TRS.

Important deadlines for verification of unreported service and service reported but not credited on your annual statement

Changes to TRS laws effective Sept. 1, 2011, established a new **five-year time limit** for you to notify TRS and provide verification to TRS of service not credited on your annual statement and to provide verification to TRS of **any** unreported service and/or compensation, including substitute service. All unreported service rendered prior to Sept. 1, 2011, and any service not credited on your annual statement for the fiscal year ended Aug. 31, 2011, must be verified no later than **Aug. 31, 2016**. Unreported service and/or compensation, including substitute service, and service that was reported but not credited on your annual statement that is not verified within the required timeframe will not be eligible for purchase or credit and cannot be used to determine eligibility for, or the amount of, any of your benefits.

Verification Deadlines

Deadline Dates	Type of Service
Aug. 31, 2016 – Date by which unreported service and/or compensation, including substitute service, rendered or paid prior to Sept. 1, 2011, must be verified on the appropriate TRS 22 form, listed below, in order to be eligible for purchase.	Unreported Service and/or Compensation, including Substitute Service
Aug. 31, 2016 – Date by which member must notify TRS in writing, and provide verification on the appropriate TRS 22 form, listed below, if eligible membership service rendered prior to Sept. 1, 2011, is reported but not credited on the member’s annual statement for the fiscal year ended Aug. 31, 2011.	Service Reported but not Credited on Member’s Annual Statement
Five years from the end of the school year in which the service was rendered or compensation was paid – Deadline by which unreported service and/or compensation, including substitute service, rendered or paid after Sept. 1, 2011, must be verified in order to be eligible for purchase. For example, if a member had eligible service and/or compensation in the 2011-2012 school year that was not reported to TRS, the member must submit verification on the appropriate TRS 22 form, listed below, no later than Aug. 31, 2017 , to be eligible to purchase the service credit.	Unreported Service and/or Compensation, including Substitute Service
Five years from the end of the school year in which the service was rendered – Deadline by which member must notify TRS in writing if eligible membership service rendered after Sept. 1, 2011, is reported but not credited on the member’s annual statement. For example, service not credited on the statement for the year ended Aug. 31, 2012, requires notice and verification on the appropriate TRS 22 form, listed below, no later than Aug. 31, 2017 .	Service Reported but not Credited on Member’s Annual Statement

Forms for verifying unreported service and/or compensation, including substitute service and service reported but not credited on the annual statement, are: Verification of Service and Salary (TRS 221); Verification of Substitute Service and Salary (TRS 22S); and Verification of Worker’s Compensation Payments (TRS 22W). Select and print the appropriate form from the TRS website (www.trs.state.tx.us). Have your employer complete the form and return it to you; then sign and date the “Instructions for Member” section and send the form to TRS so that it is received by the applicable deadline.

Planning ahead makes your retirement process easier

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

The website is divided into four sections for active members, retirees and beneficiaries, employers, and general information. To view information that will help you plan your retirement, visit the “Active Members” section of the site. Then click on “Planning Your Retirement,” which may be found on the left-hand side of the page. There you will 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 annuity available from TRS.

Checklist for Retiring Members – After you have requested and received your retirement packet, this checklist may be useful to complete 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 retirement 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.

Withholding Calculator – This calculator is for estimating the 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 calculating your withholding. This calculator **does not require a User ID or password.**

If you have a *MyTRS* User ID and password, you may log in to use its calculator, which automatically 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 information to have TRS prepare a retirement estimate. It can be used as an alternative to filing the TRS18 form (Request for Estimate of Retirement Benefits.)

For additional information, please refer to the *TRS Benefits Handbook*, located on the website’s home page, www.trs.state.tx.us.

For retirements after March 31, 2015 – TRS is changing how your annual compensation for benefit calculation purposes is calculated

In 2011, the definition of a school year for TRS benefit and service credit calculations changed to a standard school year, which begins for each member on Sept. 1 and ends on Aug. 31. The standard school year may not be the same as your employer’s instructional year or your contract year. To reduce the impact of the change in the dates used to determine your annual compensation, TRS adopted a rule that provided for TRS to compare the salary you received during your contract year with salaries that were received during the standard school year and to use the 12-month period that provided the larger salary in benefit calculations. This rule applied to salaries received before the 2012-13 school year. Experience with the rule proved the comparison to be complex and to substantially increase the amount of time required for TRS staff to manually prepare retirement estimates. In most instances, the comparison of salaries resulted in a minimum increase in benefits, if any. However, members who usually receive a salary increase in July or August and begin receiving that increase prior to Sept. 1 would usually be credited with a higher annual salary using the standard school year.

In February, the TRS Board adopted an amendment to Section 25.26, the TRS rule that authorized the comparison. The revised rule provides that the comparison of salaries using the standard school year with the member’s contract year will be limited to only the determination of annual salary for the 2012-13 school year. This change will affect retirements and deaths occurring after March 31, 2015. For years prior to the 2012-13 school year, TRS will determine the annual compensation using eligible compensation paid during the contract year -- the standard used before the change to the standard school year. For years following the 2012-13 school year, TRS will determine the annual compensation received between Sept. 1 and Aug. 31.



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1000 Red River Street
Austin, Texas 78701-2698

CHANGE SERVICE REQUESTED

How much value does TRS really provide to Texas?

While many Texans know that TRS provides pension benefits to eligible Texas public education and higher education employees, most don't realize how significant that value can be.

TRS has recently published an updated *TRS: A Great Value for All Texans* brochure and accompanying video, which help quantify how the TRS Pension Plan benefits the state and its residents.

TRS not only provides value to its members, but it also adds significant dollars to the state and local economies. For example:

Retirement Benefits

- In 2014, TRS paid over \$8.5 billion in retirement benefits to more than 365,000 retirees. Nearly 95% of these benefit payments, or approximately \$8 billion, went directly to members who live and spend these dollars in Texas.

Economic Stimulus

- Retirees spending their benefits provide a notable economic stimulus to communities throughout the state. When spent locally, these payments generate additional expenditures on an ongoing basis.

Tax Revenue

- Retirement benefits and the economic stimulus that benefits produce generate tax revenue. Approximately \$892 million in state

revenues and \$342 million in local government revenues were generated in 2014.

Benefits from Member Contributions

By contributing to TRS, school employees are investing in a retirement program that provides several major advantages:

- Retirement security – TRS ensures that its members have a benefit they can count on, relieving much of the stress of retirement planning.
- Freedom from investment decisions – Rather than having to buy and sell investments, rebalance portfolios and reallocate assets based on their age, TRS members can count on a strong team to manage their contributions before and after retirement.
- Protection from investment risk – TRS members are assured that their pensions will not be affected even by declines in financial markets.
- Certainty of payments – TRS members know that they will not outlive their monthly benefits, and they have the option of selecting a payment plan that continues annuity payments throughout their lifetime or that of their beneficiary, whichever is longer.

View the new brochure and video at www.trs.state.tx.us.