

85th Texas Legislature enacts new laws affecting TRS members, retirees

The 85th Texas Legislature, Regular Session, adjourned at the end of May after enacting laws that will impact many TRS members and retirees. The following summarizes key TRS legislation and changes to the plan terms that affect members and retirees. New laws will take effect on Sept. 1, 2017, unless otherwise noted.

TRS provides information about significant changes through email sent to members and retirees who have registered through *MyTRS* to receive legislative updates as soon as those updates become available. TRS also provides information through newsletters such as this one, other publications and the TRS website to help members and retirees understand how these bills affect them.

TRS-Care

The TRS-Care program provides health benefits for retired public education employees and their dependents. TRS administers the program.

TRS-Care is funded on a pay-as-you-go basis and is subject to change based on available funding. As a self-insured health benefits program, TRS-Care uses contributions from the state, public schools, employees and retirees to provide health care for participants. Over the past decade, national health care costs have been skyrocketing, rising almost 10 percent each year. Without any changes to the program, TRS-Care was in danger of becoming too expensive to continue.

85th Regular Legislative Session

TRS-Care was facing an estimated \$1.06 billion shortfall for the FY 2018-19 biennium. Without legislative changes and additional funding to the TRS-Care program, the estimated \$1.06 billion shortfall would be fully borne by the retirees, becoming unsustainable and forced to close. In order to sustain TRS-Care for current and

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TRS Board of Trustees adopts changes to TRS-ActiveCare

The TRS Board of Trustees adopted benefit and premium changes for TRS-ActiveCare plans that take effect Sept. 1, 2017. Aetna will continue to administer the TRS-ActiveCare plans and provide access to its broad network of doctors and hospitals. You still have the choice of three plans: TRS-ActiveCare Select, TRS-ActiveCare 2, and TRS-ActiveCare 1-HD. You may also have the choice of a regional HMO, depending on where you live.

For more TRS-ActiveCare and HMO plan highlights and rates, visit the Health Care Benefits section of the TRS website.

TRS-ActiveCare Annual Enrollment is underway

Annual Enrollment for TRS-ActiveCare participants is ongoing and ends on Aug. 22 this year. Specific enrollment dates vary by district, so check with your benefits administrator to find out when you can enroll. This is your annual opportunity to make changes to your health benefits without experiencing a special enrollment event, so be sure to take your time and consider all your options.

Be sure to check out ALEX, your online health care benefits counselor at www.myalex.com/trsactivecare/. ALEX can help you understand your health care options without all the insurance jargon.

If you'd like to stay in your current TRS-ActiveCare plan, you **don't** need to do anything. You and your dependents will be re-enrolled automatically.

MEMO TO MEMBERS FROM Executive Director Brian K. Guthrie

Early this summer, the Texas Legislature concluded its regular legislative session, enabling us to share recent TRS-related changes in the law with you. A summary of those changes may be found on page one of this newsletter. Please review this summary carefully as these changes could affect you directly.

As a result of laws passed during the last session, there are important changes to such areas as the purchase of state and/or personal leave, purchasing service credit, rolling over to a qualified plan, electing Optional Retirement Program participation, and the TRS-Care retiree health care program (particularly for those who have retired but not yet reached age 65 when they become eligible for Medicare). The latter topic will be of interest to those nearing retirement.

Following the conclusion of the regular session, the Texas Legislature reconvened in a specially called session to consider further changes in the law. That session was still underway when this newsletter went to press so we encourage you to visit our website and learn about any further changes in the law that were enacted. We will also mail information regarding additional changes in TRS laws and rules this fall.

This issue also contains articles on such topics as TRS-ActiveCare changes and annual enrollment, proposed changes to 403(b) rules, the latest installments in our financial awareness video series, and upcoming active member group benefit presentations and one-on-one counseling appointments around the state.

We have recently added information to our website regarding employment after retirement. If you are, or will soon be, a retiree who is considering a return to TRS-covered employment, please review this information. It will help ensure that you are aware of all pertinent employment-after-retirement restrictions and can minimize any chance of inadvertently forfeiting your retirement benefits.

Beginning in September, TRS will implement Phase 1 of our new pension line of business system. Our highest priority is to provide reliable service throughout the implementation process by making sure that all requests received by Aug. 31, 2017 are processed before implementation. We will do everything possible to process requests received Sept. 1 – 22 in a timely manner; however, some requests may not be processed until October. If your retirement date is on or before July 31, 2017 and we have everything needed to process your paperwork, we will do all we can to ensure that you receive your first annuity check on time. For more details, please see the article on page four.

Many of you may recall that TRS' new website offers quick and easy access to TRS benefit information 24/7. It also eliminates the need for you to call us and wait for a representative when all you require is general benefit information. When you use our website to obtain general benefit information, you also help free up the phone lines for other members who require more personalized, account-specific information. Please visit us at www.trs.texas.gov.

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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.

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future retirees, the 85th Texas Legislature passed legislation that changed the program's benefits structure and provided additional funding to further support the program.

The Texas Legislature passed SB 1 and HB 3976 to provide additional funding and statutory changes to sustain the TRS-Care program.

SB 1 provided for additional State/District Contribution in FY 2018-19:

- Increases the state contribution from 1 to 1.25 percent of active employee payroll
- Provides a \$182.6 million one-time supplemental contribution
- Increases the district contribution from 0.55 to 0.75 percent of active employee payroll
- \$167.4 million (0.25 percent state contribution increase) + \$182.6 million (supplemental) = \$350 million + \$133.9 million (0.20 percent district contribution increase)
Total Additional Funding = \$483.9 million

HB 3976 provided statutory changes:

- Increases the state contribution from 1 to 1.25 percent of active employee payroll, which is a permanent and ongoing increase of state funding to the program.
- Creates the TRS-Care Standard plan for Non-Medicare eligible participants:
 - The TRS-Care Standard plan provides a \$0 cost for generic prescription for certain maintenance drugs, and
 - provides a \$0 premium for disability retirees who retired as a disability retiree on or before Jan. 1, 2017 and are not eligible to enroll in Medicare
- Creates the TRS-Care Medicare Advantage Plan for Medicare-eligible participants:
 - The 2018 plan will maintain similar benefits as the current TRS-Care Medicare Advantage level 2 plan; and
 - maintain Medicare Part D Plan for prescription drug benefits
- Eliminates the statutory requirement to provide a \$0 premium health care

Please note: Pension-related changes in the law can be found on page four. At the time of publication a special session of the Texas Legislature had convened. For additional details, please check the TRS website.



Have you met Mary?

Earlier this year, TRS completed the financial awareness video series. The whiteboard videos are informative and entertaining, covering a wide range of topics like estimating your TRS pension, how to enroll in a 403(b) plan, getting retirement ready, and Social Security. The videos feature fictional TRS characters, like Mary (pictured above), in various job positions and career stages. This 15-part series includes a live action video from the executive director and 14 animated whiteboard videos.

We know your time is valuable. That's why the videos are short and to the point. In fact, the average length of a video is under three minutes.

To watch the videos, visit the TRS website at www.trs.texas.gov, select the "About TRS" tab, then click on Mary.

Proposed changes to 403(b) rules

TRS is currently reviewing rules related to 403(b) certification and product registration. Substantive changes have been proposed to the maximum fees that may be charged on 403(b) products and investment options. The proposed rule amendments would lower the allowable surrender or withdrawal charge, reduce the allowable loan initiation fee and eliminate front- and back-end sales loads. The proposed rule amendments also lower the maximum allowable annual asset-based fee and restructure the fee by asset class. Finally, the proposed rules aim to provide more fee transparency for the public by capturing product and investment option asset class information and the breakout of product administrative fees and expense ratio fees. TRS is gathering pertinent data prior to the August board meeting to determine how the proposed rule amendments will impact the 403(b) market.

The TRS Board of Trustees will receive an update on proposed rule amendments at its August meeting and take final action in fall 2017. For more information on the proposed rule amendments, including a presentation to the TRS Board of Trustees summarizing the proposed rule amendments, visit the TRS website at www.trs.texas.gov, select the "Active Members" tab, then "403(b)," and then "403(b) Rule Review."

85th Texas Legislature - TRS Pension Plan

In addition to changes to TRS-Care, the legislature passed other bills that affect the TRS pension plan and its participants. The significant changes include the following:

These changes are authorized by SB 1663:

- **Changing retirement plan or beneficiaries after retirement** - The consent of the spouse or a court order from a court with jurisdiction over the marriage of the retiree and his or her beneficiary is required to change the retirement plan selection only if the beneficiary was the retiree's spouse at the time the designation was made. A determination by TRS' executive director or his or her designee that the order is not sufficient to authorize the change of retirement plan or beneficiary is a contested case under Chapter 2001, Government Code. Such a determination may be appealed to the TRS Board of Trustees unless the board waives the requirement by rule. The bill also clarifies that a retiree who designated a trust as the beneficiary of a joint-and-survivor annuity at retirement may later change the beneficiary from the trust to the individual who is the sole beneficiary of that trust, and the annuity may be paid for the remainder of the beneficiary's life.
- **Beneficiary of a disability retiree** - The beneficiary of a disability retiree who retired with less than 10 years of service credit and who dies while receiving disability retirement benefits is eligible to receive any balance of excess accumulated contributions in addition to other benefits authorized by the plan.

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Plan ahead this fall with your service requests

Beginning in September, TRS will implement Phase 1 of our new pension line of business system. You may be wondering what this will mean for you. Our goal is to provide reliable service throughout the implementation process by making sure that all requests received by Aug. 31, 2017 are processed before implementation. If your retirement date is on or before July 31, 2017, and we have everything needed to process your paperwork, our highest priority will be to ensure you receive your first annuity check on time.

What can you do to minimize delays in getting the service you need? Planning ahead is key. The following are dates to keep in mind.

Through Sept. 22, 2017

Employees will be attending training on our new system. During this time you can expect longer hold times on the phone as counselors learn how to navigate the new system and prepare to serve you.

Sept. 25 – 28, 2017

We will not be able to update your account, process a refund or create a retirement estimate. Our counselors will be able to provide information over the phone and/or send forms to you.

Sept. 29 – Oct. 1, 2017

During this time frame, TRS online services will be closed. We will not have access to account information as we prepare to switch over to the new pension line of business system. *MyTRS* online account services will be closed.

Oct. 1 – 31, 2017

TRS employees will be processing requests received pre- and post-implementation.

During the first weeks of October, counselors will be available to answer questions, but you can expect longer hold times on the phone as they adjust to using the new system. If you have a *MyTRS* account, you may

send your questions through our website (www.trs.texas.gov). A counselor will send a secure response. *MyTRS* will have limited functionality until we implement Phase 2. You may contact a counselor to set up an office visit or request your account balance.

Despite our best efforts, you may experience process delays with the following types of requests:

- retirement estimates,
- refunds,
- direct deposit banking changes, and
- address changes.

Again, while our goal is for the implementation to be seamless for you, it may take a little longer to serve you while we adjust to the new system.

Active member one-on-one counseling appointments planned statewide; scheduling begins Oct. 11

Beginning in November, TRS will once again conduct one-on-one counseling appointments for pension benefits in 10 cities throughout Texas during the 2017-18 school year. One-on-one counseling appointment locations and dates will be listed on the “What’s New” page of the TRS website in August.

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 2017-18 school year. These individual appointments will be offered to members on a first-come, first-served basis and only with a prearranged appointment.

This year there will be no online member registration for these one-on-one counseling appointments outside of Austin.

Beginning on Oct. 11, 2017, active members may schedule one-on-one appointments by calling TRS at 1-800-223-8778. 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 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 register for group presentations are not automatically registered for individual appointments.

Individual office visits in Austin are not available for online registration. To schedule an office visit in Austin, please call 1-800-223-8778, or if you live in the Austin area call 512-542-6400. A counselor will be happy to assist you.

Active member group presentations planned statewide

Beginning in October, TRS will conduct group benefit presentations in 30 cities throughout Texas. Presenters will review TRS benefits available to active members and those considering retirement during the 2017-18 school year. Presentation times and locations will be listed on the “What’s New” page of the TRS website.

Beginning Aug. 22, 2017 active members who have a *MyTRS* account may register for group presentations online. If you haven’t registered for *MyTRS*, set up an account today, and you will be able to register for a presentation. Reservations will be 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.

From November 2017 through May 2018 there will also be a limited number of individual counseling sessions available. Members who register for group presentations are not automatically scheduled for individual appointments. Individual counseling appointments must be scheduled separately by calling a TRS counselor at 1-800-223-8778. We will begin scheduling individual appointments on Oct. 11, 2017. Members who make individual appointments do not need to attend a group presentation.

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- **Return to work provisions** - Retirees are considered employees for employment-after-retirement purposes during the first 12 consecutive-calendar months following their retirement if they are performing duties or providing services for an educational institution that an employee of the institution would otherwise perform but
 - waiving, deferring, or foregoing compensation;
 - working as independent contractors; or
 - working as volunteers but performing duties or providing services that the retirees performed immediately before retiring and have an agreement to perform or provide those same services or duties after the 12 full, consecutive-calendar-month break in service.

Employers are required to report these retirees each month during the first 12 calendar months after the retiree's effective date of retirement as if they were employees. This change applies to a retiree who retires after Sept. 1, 2017 and a retiree who is within the first 12 calendar months following the effective date of retirement on Sept. 1, 2017.

- **Retiree Advisory Committee** - The size of this committee has been reduced from nine to seven members by removing the two positions reserved for members who represented active and retired auxiliary personnel.
- **Calculation of benefits at the death of an active member** - In determining whether the joint and survivor annuity amount payable as a death benefit on behalf of an active member who died with at least five years of service credit is reduced for early age, TRS must make the determination as if the member had five additional years of service credit on the last day of the month preceding the month in which the member died. The amount of any required reduction must also be determined by using the five additional years of service credit attributed to the member under this section. This change affects death benefits payable on behalf of a member who dies on or after Sept. 1, 2017 or who died before Sept. 1, 2017 but the benefits have not commenced on the effective date of the act.
- **Student employment** - Effective Sept. 1, 2017, student employment (employment that requires enrollment as a student at an institution of higher education as a condition of employment) is excluded from membership in TRS, and compensation received for student employment is not subject to report and may not be used in benefit computations. This change does not affect compensation or service credited based on eligible student employment prior to Sept. 1, 2017.
- **TRS Board of Trustees** - The TRS Board of Trustees is allowed not to meet in open session to discuss investment transactions or potential investment transactions if the board concludes in open session that deliberating or conferring in open session would have a detrimental effect on TRS' position in negotiations with third parties or if it would place TRS at a competitive disadvantage in the market.
- **Late fees for reports** - TRS is authorized to charge a late fee, not to exceed \$1,000 per business day, for each day that the required employer reports are late with a cap of \$25,000 per report month on the late fees. The due date for the employment of retired employees report is also shifted to before the 11th day after the end of the month for which the report is due. The August report of employment of retired employees is still due before the seventh day of September.
- **Service credit** - The prohibition on using an installment plan to purchase service credit was removed when the member has received a refund of installment payments or payroll deduction payments within the last three years while purchasing the same type of service credit.
- **Electronic delivery of information** - TRS is authorized to provide non-confidential information to participants by sending the information to an email address provided to TRS by their employers. Confidential information may be provided to participants using an email address specified by the participant. TRS may also meet the statutory requirement to provide non-confidential information by giving written or electronic notice and directing the participant to a website address to access the information.

These changes are authorized by SB 1664:

- **Test for Independent Contractor Status** - This bill confirms that the test used by TRS to determine an individual's status as an employee vs. an independent contractor is the common law test.
- **Two calendar months to purchase service credit at retirement** - A member has a period of two calendar months from the later of the member's effective retirement date or the last day of the month in which TRS receives the retirement application to complete the purchase of service credit (provided that the purchase is completed before TRS makes the first annuity payment). If the purchase cannot be completed in

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the time period provided, the member can either revoke retirement and establish a new retirement date that allows sufficient time to complete the purchase, or the member can decline to purchase the service credit and retain the effective date of retirement. If the purchase of the service credit is required to establish eligibility to retire, the additional time to purchase service credit does not apply and the purchase must be completed by the effective date of retirement.

- **Ninety days to complete purchase of state and/or personal leave credit at retirement** - A member purchasing state sick and/or personal leave at retirement has 90 days after the date the retirement system issues a cost statement to complete the purchase. The member is authorized to request a one-time extension of 30 days to complete the purchase using a rollover of funds or a direct trustee-to-trustee transfer. If the purchase cannot be completed in the time period provided, the member can either revoke retirement and establish a new retirement date that allows sufficient time to complete the purchase, or he or she can decline to purchase the service credit and retain the effective date of retirement.

- **Crediting cost of purchasing service credit** - The bill confirms that the portion of cost representing member deposits used to purchase USERRA, developmental leave, state sick and/or personal leave, membership waiting period, and Service Credit Purchase Option (SCPO) service credit is credited to the member savings account.

- **Rollover to a qualified plan** - An eligible distribution may be rolled over to a qualified plan described in Section 401(a) of the Internal Revenue Code. However, to do so, the plan must agree to separately account for (1) the amounts transferred, (2) earnings on the amounts transferred and (3) the portion of the distribution that is includable in gross income and the portion that is not includable in gross income.

These correction methods for errors in electing participation in the Optional Retirement Program (ORP) are provided in SB 1954:

- **Late notice of election period** - A person who is eligible to elect ORP but is not notified of the opportunity on the first day of eligibility may make the election under the following circumstances. The person must be notified before the 91st day after becoming eligible, and he or she must elect to participate in ORP before the later of the 91st day after becoming eligible or the 31st day after being notified of eligibility. If the person is notified after the 91st day after becoming eligible but before the 151st day, he or she must elect before the later of the 151st day after becoming eligible or the 31st day after being notified of the opportunity to participate. If the person is not notified of the opportunity to elect before the 151st day of becoming eligible, he or she may not elect to participate in ORP and must remain a TRS participant.

- **Mistaken report to TRS of person previously electing ORP** - This bill established a method to correct errors made by employers in reporting members to TRS who had previously elected ORP and participated for at least one year but had no intervening employment with a public school employer. The bill requires the person to be restored to ORP and allows TRS to make a direct trustee-to-trustee transfer of certain member contributions plus four percent earnings. It also provides a process for employers to recoup employer contributions made in lieu of state contributions to TRS, and it authorizes the state comptroller to transfer the state's contributions plus four percent earnings to the employer for deposit in the person's ORP account. The bill also provides for the employer to make applicable contributions to the person's ORP account plus a rate of earnings determined by the employer in accordance with applicable Internal Revenue Code correction requirements. The bill authorizes TRS to return contributions in excess of the amount that should have been contributed to the ORP account directly to the member without earnings as well as any amounts paid to purchase service credit while the person was not eligible to participate in TRS.

The forfeiture of a retiree's TRS annuity is required in SB 7 for conviction of certain crimes:

- **Crimes involving a student** - A TRS member or annuitant forfeits the right to receive an annuity when convicted of certain crimes involving a student. There are provisions in the bill for the payment of a portion of the benefit to the spouse or former spouse of the participant under the terms of a qualified domestic relations order (QDRO) and for the refund of contributions to the participant if an annuity cannot be paid. Restoration of the annuity is authorized if the conviction is overturned provided certain requirements are met.

The authority for TRS to deduct health care premiums for certain annuitants participating in university health benefit program is provided in HB 4035:

- **Deduction for health care premiums from TRS annuity** - TRS is authorized to deduct health care premiums from TRS annuities of annuitants participating in the University of Texas and Texas A&M health plans. The health plan sponsor will coordinate with TRS to provide the authorizations to make the deductions.



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CHANGE SERVICE REQUESTED

Notice of Summary of Benefits and Coverage and Notice of Privacy Practices

A Summary of Benefits and Coverage (SBC) is available for each health plan offered under both TRS-Care (excluding Medicare Advantage plans) and TRS-ActiveCare. Each SBC provides an overview of the benefits and services the health plan covers and what you can expect to pay for such services for the plan year. The SBCs for the 2016-17 plan year are currently available. The SBCs for the 2017-18 plan year will be available after Sept. 1, 2017. You can locate the SBCs by accessing the TRS website: www.trs.texas.gov.

If you have any questions about your benefits or would like to request a paper copy of an SBC, free of charge, please call:

- TRS-ActiveCare Customer Service: 1-800-222-9205
- TRS-Care Customer Service: 1-800-367-3636
- Hearing-impaired individuals should dial Relay 711.

A Notice of Privacy Practices (NPP) is available to you. The NPP explains how TRS may use and disclose your protected health information, as well as your rights and the obligations of TRS with respect to that information. You can locate the NPP by accessing the TRS website: www.trs.texas.gov.

TRS has recently added language to its Notice of Privacy Practices which clarifies that under certain circumstances, you will have an opportunity to agree or to object to the use or disclosure of your protected health information by TRS.

For more information regarding TRS-Care enrollment and eligibility, please contact the TRS Health and Insurance Benefits Department: 1-888-237-6762.

For more information regarding TRS-Active Care enrollment and eligibility, please contact the Benefit Administrator Advocate Team: 1-877-767-5254.