

Gov. Abbott appoints three trustees to TRS Board

Gov. Greg Abbott has announced the appointment of Jarvis V. Hollingsworth of Missouri City as chairman, James “Dick” Nance of Hallettsville and Nanette Sissney of Whitesboro as trustees to the Teacher Retirement System of Texas (TRS) Board of Trustees.

Hollingsworth is a former chairman of the TRS Board of Trustees. He served from 2002-07 on a number of committees. Hollingsworth is a partner and member of the management committee of the law firm of Bracewell LLP. He is a former regent of the University of Houston System, where he served in many capacities, including chairman of the board of regents. He is a member of the American Bar Association, Houston Bar Association, State Bar of Texas Foundation, and the State Bar of Texas, and previously served on its board of directors. Additionally, he is former treasurer of the Houston Bar Foundation and a member of the United Way of Greater Houston’s Alexis de Tocqueville Society. Hollingsworth received a B.S. from the United States Military Academy at West Point, and served for several years on active and reserve duty in the United States Army. He received a Juris Doctor degree from the University of Houston.

Nance of Hallettsville represents TRS retirees. He is retired from Pasadena ISD after 35 years of service. He is a former member of the Texas Athletic Directors Association, Greater Houston Football Coaches Association, and the Texas High School Coaches Association. Additionally, he is president of the District III Texas Retired Teachers Association and former president of Pasadena South Rotary Club and Lavaca County Retired Teachers Association. He is former secretary of the Hallettsville ISD Education Foundation and a former member of the Hallettsville Lions Club and the Hallettsville ISD Strategic Planning Committee. Nance received a B.S. in education, a mid-management certificate, and a Master of Education from the University of Houston.

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TRS annual statements mailed in October

TRS mailed annual statements to active TRS members in October. These statements contain member contribution information pertaining to the recently completed 2016-17 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.

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 2016-17 school year, you will not receive an annual statement until the fall of 2018.

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 2016-17 school year without having to pay the actuarial cost for the additional credit.

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MEMO TO MEMBERS FROM Executive Director Brian K. Guthrie

As you read this final *TRS News* issue of 2017, all of us at TRS wish you and your families a safe and happy holiday season. We hope you are able to enjoy the holidays, look back upon the last year and have an even better 2018. At TRS, we've already begun laying the groundwork to better serve you in the coming year.

TRS successfully launched Phase 1 of the new pension line of business system as part of the TRS Enterprise Application Modernization (TEAM) Program. Phase 1 includes the new Reporting Entity (RE) Portal and processes related to active membership. We're now working on requirements for Phase 2 which will include improvements to pension benefit payments and a newly developed web self-service application for TRS members. A separate health insurance line of business project began this year, and TRS also began implementing the Centralized Accounting and Payroll/Personnel System (CAPPS) financial solution from the Office of the Comptroller.

As with any new implementation, challenges arise that require immediate attention in order to ensure we continue to provide superior service to you. We are experiencing a higher than normal call volume due to changes in health care for retirees and the recent implementation of Phase 1.

Counselors are available to answer questions; however, members can expect long wait times due to the call volume. We thank you for your patience. TRS employees, REs and our vendor are working closely to resolve issues with processing RE reports and member contribution refunds. Completion of pending reports can potentially delay refunds. We apologize for any inconvenience these delays may cause you.

If you are thinking of returning to work for a TRS-covered employer after you retire, please read the article about employment after retirement on page three. 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.

This newsletter also provides you with important information to rule changes that may affect you as a TRS participant. TRS trustees recently adopted the new rules and amendments to existing rules as a result of legislation passed by the 85th Legislature. Summaries of the new rules and amendments begin on page four of this issue.

I am delighted to let you know that TRS was named to the list of 2017 Top Workplaces for a sixth consecutive year. The evaluation for the honor is based upon feedback from an employee survey conducted by the *Austin American-Statesman* citing the best places to work in the Greater Austin area.

Last but not least, we are excited to announce that Gov. Abbott appointed three new TRS trustees – Jarvis V. Hollingsworth of Missouri City, James “Dick” Nance of Hallettsville and Nanette Sissney of Whitesboro. We are happy to have them on board; however, we are already missing our outgoing trustees, Chairman David Kelly and Karen Charleston. All of us are grateful to them for their many years of service to TRS and Texas. You can learn more about our new trustees in this issue. In the meantime, here's wishing you happy holidays and a prosperous and healthy new year.

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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.

Employment after retirement – What’s important to know and when

Your retirement date is key to determining whether you are subject to the employment after retirement laws and rules. Certain retirees can return to work without any limitations and other retirees must observe the limits on employment after retirement in order to not risk forfeiting their TRS benefits. Before returning to work for a TRS-covered employer, we encourage retirees to review the *Employment After Retirement* brochure for policies that affect your benefits. TRS reminds retirees:

- Don’t revoke your retirement – Review the employment after retirement information before negotiating any employment in Texas public education.
- Follow the employment after retirement laws and rules if you are receiving a monthly annuity payment from the TRS pension fund as a service retiree or a disability retiree. Depending on the type of retirement you are receiving, restrictions will differ.
- Not following the rules could result in revocation of retirement, loss and/or suspension of retirement benefits.
- Review TRS’ definition of substitute, one-half time, and full time to determine if you are restricted by hours or days in order to comply with employment after retirement policies.
- Be aware that paid leave counts as time worked and must be in-

cluded in the calendar month taken when determining time worked for the purposes of the limits on the amount of time you may work during the month.

- Returning to work for one or more TRS-covered employers in the same calendar month – Each employer is required to report the total amount of time worked and any paid leave received in the calendar month, which counts against the amount of time you may work for the month.
- In order to not inadvertently exceed the limits on employment after retirement, keep track of your days/hours worked and any paid leave received in each calendar month.
- Considering full time? If you can put off working in Texas public education for 12 full, consecutive-calendar months, you can return to work on a full-time basis with a TRS-covered employer without forfeiting your annuity payment. This does not apply to a disability retiree.
- Stay informed on the most current laws, rules and policies in order to make the best decision when returning to work in Texas public education.

To learn more about working after retirement or for assistance with questions, visit www.trs.texas.gov or call TRS at 1-800-223-8778.

TRS annual statements mailed in October - *Cont. from page 1*

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

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 see reflected on your annual statement for the 2014-15 school year. 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 that your compensation for the 2014-15 school year did not include 12 months of compensation.

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 reported in September 2015 and would have been reflected in your 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.

Summary of rule changes regarding pension plan

The TRS Board of Trustees recently adopted three new rules and 14 amendments to existing rules as a result of legislation passed by the 85th Legislature during its regular session. In addition, the Policy Committee of the TRS Board of Trustees recently authorized staff to publish in the *Texas Register* two new proposed rules related to the forfeiture of annuities established in recent legislation when a TRS member or service retiree is convicted of certain crimes involving students.

Following are summaries of the new rules and amendments to existing rules that were adopted at the board meeting on Sept. 21, 2017, as well as a summary of the two proposed rules that address the forfeiture of annuities due to conviction of certain crimes involving students, that are currently published in the *Texas Register* for public comment.

Adopted rules and changes to existing rules:

• Chapter 23, Administrative Procedures – New rule

■ **§ 23.9, Communicating Information Electronically** – This new rule implements the authority provided in SB 1663 for TRS to communicate certain general information to a member or retiree electronically using a work email address. Examples of the information provided to a work email address include *TRS News*, *TRS Benefits Handbook*, and other TRS publications. Confidential information will not be sent to a work email address, but may be sent to an email address provided by the member or retiree as long as TRS takes reasonable steps to protect the information from unauthorized disclosure. Examples of confidential information include annual statements and 1099-R forms.

• Chapter 25, Membership Credit – Two new rules and two rule amendments

■ **§ 25.10, Student Employment** – The amendments to this rule incorporate the legislative change in SB 1663 that makes student employment not eligible for membership in TRS. In the past, student employment – i.e., employment by a Texas public college or university that is conditioned upon enrollment as a student – was not eligible for membership unless the person was also employed in other TRS-eligible employment. Effective Sept. 1, 2017, student employment rendered and the compensation paid to a student employee after that date will no longer be eligible for TRS membership and no longer eligible for service and/or compensation credit.

■ **§ 25.28, Payroll Report Date** – The changes to this rule address the changes in SB 1663 that establish different due dates for an employer to file the monthly payroll report and the monthly certified statement of employment of TRS retirees. Payroll reports must continue to be completed before the seventh day of the following calendar month. The monthly certified statement of employment of TRS retirees must be filed before the 11th day of the following calendar month. The bill also authorized TRS to charge a late fee when employers fail to complete the required reports by the established due dates. The rule changes include the schedule of late fees, effective with the January 2018 reports.

Number of eligible employees	Late fee for first day	Late fee for each subsequent day
1-99	\$100	\$10
100-499	\$250	\$25
500-1,000	\$500	\$50
Over 1,000	\$1,000	\$100

■ **§ 25.173, Correction of Ineligible Participation in TRS** – The new rule implements the requirements of SB 1954 that establish how to correct the error of reporting a person to TRS who is not eligible for participation in TRS because of a prior election to participate in the Optional Retirement Program (ORP). The new rule confirms the statutory requirement that the person must be restored to ORP immediately and describes how member contributions that should have been made to ORP plus four percent rate of return are sent to the ORP trustee via a direct trustee-to-trustee transfer; how employer contributions made to TRS in lieu of state contributions are returned to the employer; and how the employer obtains the state contribution from the State Comptroller of Public Accounts.

■ **§ 25.191, Time Period at Retirement to Complete Purchase of Service Credit** – The new rule allows additional time at retirement for a member to complete the purchase of service credit as authorized in SB 1664. The bill provides a member with two calendar months after the later of the member’s effective retirement date or the last day of the month in which the member submits a retirement application, but before TRS issues the first annuity payment, to complete the purchase of service credit other than the purchase of service credit for accumulated state sick or personal leave. Members purchasing service credit for accumulated state sick or personal leave credit are given 90 days after TRS issues the cost statement to complete the purchase because this type of service credit may only be purchased at retirement. However, the purchase of service credit must be completed before the first annuity payment is made or the member must decide whether to select a later retirement date to allow time to complete the purchase of the service credit or to decline to purchase the service credit and retain the earlier retirement date.

● **Chapter 31, Employment After Retirement – Amendments to 11 rules**

■ **§ 31.2, Monthly Certified Statement** – The changes to this rule reflect the new timeline for employers to file the monthly certified statement of the employment of retirees: the new deadline is before the 11th day of the following calendar month. This deadline is for all calendar months except August. The August report must be filed before the seventh day of the following calendar month. The earlier due date for the August report is required in order for TRS to accomplish year-end closing in a timely manner. In addition, the amendments confirm TRS’ long standing application of the deadline by specifically stating that if the deadline falls on a weekend or federal holiday, the reports and surcharges are due on the last business day before the deadline.

The changes adopted by the board of trustees also incorporate the following schedule of late fees TRS was authorized to charge in SB 1663:

Number of eligible employees	Late fee for first day	Late fee for each subsequent day
1-99	\$100	\$10
100-499	\$250	\$25
500-1,000	\$500	\$50
Over 1,000	\$1,000	\$100

In addition to the change in due dates, the amendments to the rule also address the requirement to report additional types of employment after retirement for the first 12 full, consecutive-calendar months following retirement. The additional types of employment that must be reported to TRS and that are considered employment that interrupts the 12-month break in service required before working full time include: working as an independent contractor; waiving, deferring or foregoing compensation; or volunteering. These types of arrangements are considered employment for employment after retirement purposes provided the retirees are performing duties or providing services that employees would otherwise perform.

These remaining rules incorporate the changes described above:

- § 31.11, Employment Resulting in Forfeiture of Service Retirement Annuity
- § 31.12, Exceptions to Forfeiture of Service Retirement Annuity
- § 31.13, Substitute Service
- § 31.14, One-half Time Employment
- § 31.15, Full-time Employment after 12-Consecutive-Month Break in Service

Similarly, the following rules regarding disability retirement incorporate similar changes:

- § 31.31, Employment Resulting in Forfeiture of Disability Retirement Annuity
- § 31.32, Half-time Employment Up to 90 Days
- § 31.33, Substitute Service Up to 90 Days
- § 31.34, Employment Up to Three Months on a One-time Only Trial Basis

The rule regarding employer surcharges is also amended to reflect the changes described.

- § 31.41, Return to Work Employer Pension Surcharges

Summary of rule changes regarding pension plan - Cont. from page 5

• Chapter 43, Contested Cases – Amendment to one rule

■ **§ 43.4, Decisions Subject to Review by an Adjudicative Hearing** (administrative hearing) – The rule amendment implements the authority provided in SB 1663 for the board to waive the requirement of an appeal to the board from a decision by the executive director or his/her designee on certain matters. The matters regard the sufficiency of a court order to authorize a change of retirement plan or beneficiary of a joint and survivor annuity when the beneficiary is the spouse or former spouse. In the event the executive director denies the appeal and a motion for rehearing is final, the appellant is authorized to pursue an appeal in the district court of Travis County without first having to appeal to the board of trustees.

Proposed new rules:

• **Chapter 29, Benefits** – TRS proposed two new rules that are published for public comment in the *Texas Register*: §29.90, relating to Forfeiture of Certain Benefits Due to Criminal Offense and §29.91, relating to Restoring Forfeited Benefits After Conviction is Overturned. SB 7 requires the board of trustees to adopt rules necessary to implement new § 824.009, Government Code, no later than Dec. 31, 2017. The bill indicates that its requirements apply to crimes committed on or after the effective date of the rules.

■ Proposed new rule § 29.90 addresses the requirement in SB 7 that a defendant who is or was an employee of a public primary or secondary school and is convicted of a qualifying felony of which the victim is a student forfeits the right to receive any service retirement benefits payable by TRS.

○ The new proposed rule requires a conviction of a felony under § 21.02, Penal Code, relating to continuous sexual abuse of young child or children; § 21.12, Penal Code, relating to improper relationship between educator and student; § 22.011, Penal Code, relating to sexual assault; or § 22.021, Penal Code, relating to aggravated sexual assault, of which a student is the victim and requires that the crime occurred while the defendant was employed by a TRS-covered employer.

○ The new proposed rule also requires that upon receipt of notice of judgment from a state or federal district court, a district attorney or U.S. Attorney, or the defendant's employer that includes the information required for TRS to determine that the defendant's benefits are forfeited under § 824.009, TRS will terminate the distribution of monthly service retirement benefits to the defendant if the defendant has retired and refund the accumulated contributions in the member's account at the time of retirement or refund the balance of accumulated contributions in the member account to the defendant if he/she has not retired. Because the statute requires that benefits payable to an alternate payee under certain domestic relations orders are not affected by the defendant's ineligibility to receive a retirement annuity, the proposed new rule addresses how TRS will ensure that the alternate payee receives the benefits due under the qualified domestic relations order (QDRO).

■ Proposed new rule § 29.91 addresses a requirement in the same bill providing that service retirement benefits must be restored to the defendant when the conviction is overturned on appeal.

○ The new proposed rule § 29.91, concerning restoring forfeited benefits after a conviction is overturned, addresses how annuity payments that were forfeited will be restored to a person whose conviction identified in § 29.90 is overturned or who meets the requirements for innocence under §103.001(a)(2), Civil Practices and Remedies Code and the amount of the benefit if the annuities were divided based on the terms of a qualifying QDRO.

○ The proposed rule distinguishes between annuities that were forfeited in the past and annuities that are due in the future.

▶ Annuities that were forfeited in the past must immediately be paid to the person along with interest.

▶ Annuities that are due in the future may be paid only upon repayment by the person of the accumulated contributions distributed on his/her behalf under § 29.90.

○ The proposed new rule also addresses what benefits will be paid to certain alternate payees. Because SB 7 specifically addresses QDRO's in place before Sept. 1, 2017 and QDRO's entered pursuant to § 824.009, but does not address QDRO's entered after Sept. 1, 2017 but not pursuant to § 824.009, there is a difference described in the proposed rule in how payments to alternate payees under the different QDRO's are affected.

Gov. Abbott appoints three trustees - Cont. from page 1

A public educator for 26 years, Sissney served on the TRS board from 2009-16, having served as vice chair and chair of the budget and compensation committees. She is a school counselor and former high school teacher with Whitesboro ISD. She is the former state president of the Texas Classroom Teachers Association and former member of the National Council on Teacher Retirement. Additionally, she is a volunteer for Christmas Angel Tree and Ministerial Alliance and chair of Whitesboro Santa's Breakfast. Sissney earned a B.A. from Texas Woman's University and a Master of Education from Southeastern Oklahoma State University. She was appointed to the new at-large trustee position. The at-large seat on the board was formerly reserved for a candidate from higher education.

The new trustees took office in December. All three board appointments are for terms that will expire on Aug. 31, 2023.

"We congratulate and look forward to benefitting from the prior board experience of both Chairman Hollingsworth and Ms. Sissney," said TRS Executive Director Brian Guthrie. "We also welcome and congratulate Mr. Nance on his appointment to the board. These three individuals will bring valuable investment and public education perspectives and experience to TRS."

Guthrie added, "I'd also like to thank outgoing Chairman R. David Kelly, Trustee T. Karen Charleston and the late Trustee Anita Smith Palmer for their many years of service on the board. All of us at TRS appreciate their wisdom and willingness to learn about complex issues, deliberate carefully, and make the best possible decisions for our members and retirees."

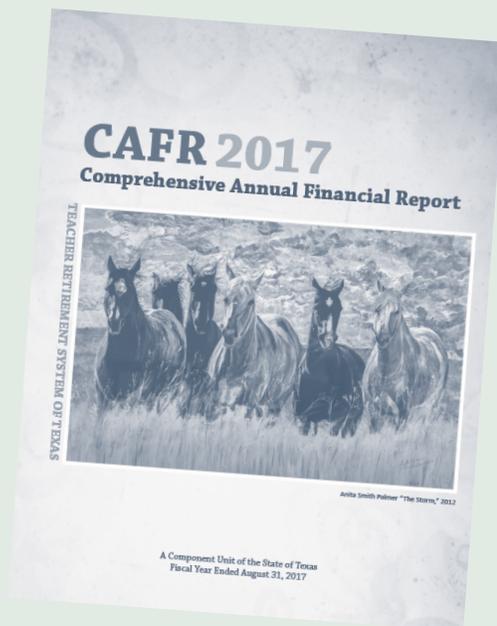
"I have enjoyed my years of service to the teachers and retirees of our great state," said outgoing Chairman R. David Kelly. "I am grateful to have had the opportunity to help guide the fund from a low of \$63 billion during the Great Financial Crisis to its current healthy status of \$147 billion. I will also miss my fellow trustees, executives and TRS employees I've enjoyed knowing these past years and wish them all the best."

2017 Comprehensive Annual Financial Report on website; summary report coming in January

In November, TRS published its *2017 Comprehensive Annual Financial Report* (CAFR). The report may be found on the What's New page and Publications page of the TRS website at www.trs.texas.gov. In early 2018, TRS will publish a summary of the 2017 CAFR to help members who do not wish to read the entire document but would like to know the highlights.

"We realize not everyone has time to sit down and study an approximate 200-page financial document," said Executive Director Brian Guthrie. "We hope this high-level summary will showcase TRS' financial highlights that are of greatest importance to our members."

The *2017 Summary Annual Report* will feature easy-to-read charts, graphs and other key information relating to the pension fund and health care programs. To view the CAFR summary, please visit the TRS website in January 2018.



Clarification

An article in the August issue of *TRS News* stated that SB 1, passed by the Texas Legislature to provide additional funding and statutory changes to sustain the TRS-Care program, provided for additional state/district contributions in FY 2018-19. FY 2018 began on Sept. 1, 2017.



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CHANGE SERVICE REQUESTED

TRS' website offers information at your fingertips

TRS' recently redesigned website (www.trs.texas.gov) offers quick and easy access to TRS benefit information 24/7. The days of needing to call TRS and wait for a representative to speak with you regarding general benefit information are a "thing of the past." With the new website, your benefit information is easily located at your fingertips. In addition, when you use our website to obtain general TRS benefit information, you help free up the phone lines for other members who require more personalized, account-specific information.

Website features save you precious time by offering new and enhanced options to look up information. One new feature is a robust search function for easy-to-find information on such topics as naming a beneficiary; applying for a refund; planning for retirement; and deciding whether employment after retirement is right for you. Additional features include a new drop-down menu for easy navigation. Mega menu tabs at the top of each website page also help you find information on your benefits and other TRS topics faster than ever before.

In the past, members had to request TRS forms and wait for them to arrive by mail, but all of that is now changing. With only

a few clicks, you can print publications and checklists as well as beneficiary designation forms – no need to pick up the phone to call Benefit Services and request this information. Save time and find the information you need at www.trs.texas.gov to print your benefit information, forms, publications, benefits estimates (through our calculators), and much more.

Watch for TRS Today videos on website, YouTube

TRS invites you to view our most recent videos on the TRS website and YouTube. The videos are part of the TRS Today series offering updated news on TRS and the programs it administers.

Available on TRS Today are videos featuring updates and more:

- TRS-ActiveCare Updates
- TRS-Care Updates
- Introduction to new Chief Investment Officer Jerry Albright

All videos are available on our website's home page (www.trs.texas.gov).