



# Texas Legislature Enacts New Laws Affecting TRS Members, Retirees



The Texas Legislature recently approved legislation during the 86<sup>th</sup> legislative session that impacts TRS active members and retirees. Most notably the legislature passed **Senate Bill 12 (SB 12) by Senator Joan Huffman and Representative Greg Bonnen – the TRS Pension Reform bill**. It provides for gradual contribution increases from the state; school districts, charter schools, and regional education service centers; and active employees to make the pension fund actuarially sound. As a result, most members who retired on or before Dec. 31, 2018 will receive a one-time supplemental payment in either the amount of their monthly annuity payment or \$2,000, whichever is less.

Below is some information to help answer any questions you may have.

## Active Employees

### Changes to Employee Contribution to TRS Pension Fund

SB 12 increases the TRS contribution rate for active employees beginning on Sept. 1, 2021. On that date, the rate will increase from the current 7.7 percent of salary to 8 percent. The active employee contribution rate will increase to 8.25 percent on Sept. 1, 2023. There are no changes to employees' benefit calculation.

Calendar Date	State	Public Education Employer*	Active Employee
Current Rates	6.80%	1.50%	7.70%
Sept. 1, 2019	7.50%	1.50%	7.70% (no change)
Sept. 1, 2020	7.50%	1.60%	7.70% (no change)
Sept. 1, 2021	7.75%	1.70%	8.00%
Sept. 1, 2022	8.00%	1.80%	8.00%
Sept. 1, 2023	8.25%	1.90%	8.25%
<b>Sept. 1, 2024</b>	<b>8.25%</b>	<b>2.00%</b>	<b>8.25%</b>

*\* Please note: SB 12 requires an increase in employer contributions by school districts, charter schools and regional education service centers to the TRS Pension Fund, regardless of whether the employer participates in social security. Prior to SB 12, all public schools, except higher education institutions, that did not contribute to social security were required to pay the 1.50 percent contribution. Beginning Sept. 1, 2019 all public schools, except higher education institutions, and regional education service centers, will contribute the 1.50 percent, with gradual increases as stated in the chart above.*

## Retirees

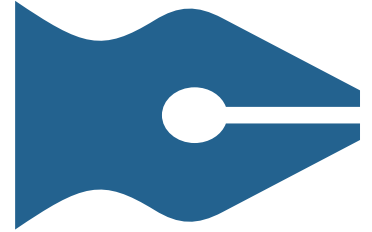
### One-Time Supplemental Payment

State law requires the pension fund to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment. SB 12 made the payment possible by providing for gradual contribution increases from the state, school districts, charter schools, regional education service centers, and active employees. These increases immediately made the pension fund actuarially sound. All eligible members retired as of Dec. 31, 2018 will receive an extra annuity check in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.



# Memo to Retirees

from  
Executive Director  
Brian K. Guthrie



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The recently completed 86<sup>th</sup> legislative session focused heavily on education issues and featured the passage of several meaningful bills to active and retired members of TRS. One of those bills was SB 12, which in conjunction with other legislation authorized a gradual increase in pension contributions from all sources to make the TRS Pension Fund actuarially sound. This landmark legislation also authorizes the payment of a one-time supplemental payment (commonly referred to as a "13<sup>th</sup> check") to most members who retired on or before Dec. 31, 2018 in the amount of their monthly annuity payment or \$2,000, whichever is less. Through HB 1, the legislature provided additional funding to sustain the retiree health care plan through 2021. Retirees and dependents will **not** see a premium increase for TRS-Care in 2020. Please read additional details on SB 12 and other TRS-related legislation beginning on page one.

Are you turning 65 soon? If so, you know what a milestone that is, especially as it relates to your TRS-Care coverage. Whether you currently have TRS-Care, you never enrolled but were eligible to enroll at retirement, or you dropped the program, you have decisions to make. Find out what they are on page six.

Each calendar year, TRS provides notice to retirees and beneficiaries who are receiving monthly payments to remind you that you can change your federal income tax withholding preferences if you'd like. More details on the notice can be found on page five.

We're pleased to announce new videos in our Member Education Video Series! Check out the information below to find out where you can view the videos in the series which include information on membership benefits, naming a beneficiary, employment after retirement, and much more.

Finally, I'd like to personally invite you to learn about two new executives here at TRS, who are already hard at work, making our pension fund the best it can be. The first is Andrew Roth, TRS' new Chief Operations and Administration Officer (COAO). The second is Kirk Sims, who is heading up the Investment Management Division's Emerging Manager Program. You can read about Andrew and Kirk on page four. Join me in welcoming them to TRS.

## New Videos Released as Part of TRS Member Education Video Series

Have you heard about our Member Education Video Series? Learn about your pension benefits in just a few short minutes! Watch the series today by visiting the [TRS Member Education Videos](#) page on the TRS website or subscribing to our YouTube channel [TRSoTexas](#).



# Texas Legislature Enacts New Laws Affecting TRS Members, Retirees *continued*

## Retirees *Continued*

### Am I eligible for the one-time supplemental payment?

If you retired on or before Dec. 31, 2018 or you are a beneficiary of a retiree or active member and the retiree or active member died on or before Dec. 31, 2018 and meet the criteria of the legislation, including being eligible to receive your annuity payment the month before TRS issues the one-time supplemental payment, you will receive the extra annuity payment.

### When will I get the payment?

TRS anticipates payments to be issued on or about Sept. 15, 2019. For updates and Frequently Asked Questions, please contact TRS or refer to the website or TRS Facebook page.

☎ 1-800-223-8778    **f** [www.facebook.com/TRSofTexas](http://www.facebook.com/TRSofTexas)    **globe** [www.trs.texas.gov](http://www.trs.texas.gov)

### The following individuals will not receive a one-time supplemental payment:

- If you retired on or after Jan. 1, 2019, or you are a beneficiary of a retiree or active member and the retiree or active member died on or after Jan. 1, 2019.
- Disability retirees with less than 10 years of service credit.
- Beneficiaries receiving a fixed \$250 or \$350 annuity payment.
- Other exclusions may apply. Please contact TRS.

### TRS-Care: Retiree Health Care

The legislature provided additional funding through HB 1 to sustain the retiree health care plan through 2021. **Retirees and dependents will not see a premium increase for TRS-Care in 2020.** TRS will hold in-person meetings across the state for retirees to learn more about how to make the most of their health benefits. Look for invitations later this summer.

### TRS-ActiveCare

The legislature did not make any changes to TRS-ActiveCare.

### Actives and Retirees

#### Out-of-Network Health Care Balance Billing

Balance billing occurs when an out-of-network provider (*e.g.*, a doctor or hospital) bills you for the difference between their charge and what you and your health plan have already paid under the terms of your health coverage. SB 1264 prohibits balance billing for the following types of services generally described below for participants of TRS-Care and TRS-ActiveCare.

#### Services with Balance Billing Protections

- emergency care provided at certain out-of-network facilities,
- out-of-network providers at in-network facilities,
- out-of-network diagnostic imaging\*, and
- out-of-network lab services\*.

*\*The prohibition on balance billing for imaging and lab services only applies if provided in connection with a service provided by an in-network provider. This protection may not apply if the participant chooses, after advance written notice, to receive services from one of these providers.*

For the services covered by SB 1264, participants will not need to initiate the process to resolve provider disputes concerning payments for health services. More information will be provided in *The Pulse* – your source for TRS health care news.

### TRS Appeals

HB 2629 requires the TRS Board of Trustees to adopt new rules governing the appeal of a final administrative decision of TRS. These rules will provide that the active employee or retiree be afforded the same time to file an appeal as TRS has to issue a decision. This will apply to appeals made on or after Jan. 1, 2020.

### Public School Finance Reform

The legislature passed HB 3, which provides major revisions to school finance in Texas. Please refer to the Texas Education Agency for implementation notices sent to districts.

Under HB 3, open-enrollment charter schools and districts of innovation will be required to pay the state's contribution to the pension fund on an employee's salary that would be above the statutory minimum salary schedule for that employee if the employee worked for a school district subject to the minimum salary schedule.

TRS will provide more information in *Update* newsletters regarding this change and other issues relating to HB 3.

### Changes to 403(b) Certification & Registration Program

As a result of HB 2820, effective Sept. 1, 2019, TRS will no longer certify 403(b) companies nor will TRS maintain a list of registered 403(b) investment products. Products will continue to be regulated by the Texas Department of Insurance, the Texas State Securities Board and applicable federal agencies.

The bill maintains some requirements for school districts and charter schools regarding 403(b) investment products. School districts and charter schools are encouraged to review the legislation and visit with their own counsel to determine what remaining provisions of the law apply.

# Welcome to TRS



**We are pleased to announce that Andrew Roth has been hired as Chief Operations and Administration Officer (COAO).** He started in his new role in April 2019, replacing Ken Welch, who retired in 2018.

Roth comes to TRS from the California State Teachers' Retirement System (CalSTRS) where he served as the executive responsible for the administration of its largest business area, the Benefits and Services branch.

He began his tenure with CalSTRS in 2012 as the director of Client Outreach & Guidance. Prior to joining CalSTRS he worked in several other California state agencies including the Departments of Public Health, Business Oversight, Social Services, and the Bureau of State Audits. In 2009, he was awarded the North American Securities Administrators Association's Distinguished Service Award for his contributions to investor protection efforts in North America.

*"I'm excited for the opportunity to join the team of experienced professionals at TRS and apply my skill sets to improving the retirement security of Texas educators."*

In his new role at TRS, he is responsible for all day-to-day operations, including delivery of shared services and oversight of key business units including Benefit Services, Health Care, Information Technology, Finance, and Organizational Excellence.

"I'm excited for the opportunity to join the team of experienced professionals at TRS and apply my skill sets to improving the retirement security of Texas educators," said Roth.

Roth reports directly to TRS' Executive Director Brian Guthrie who commented, "Andrew brings a wealth of experience and skills that are needed to meet the operational needs of our growing system."

Roth holds a Bachelor of Arts in history and a Master of Public Administration from the University of Washington.



**We are pleased to announce the hiring of Kirk Sims to lead the system's Emerging Manager (EM) Program.**

Sims came to TRS in March from the Teacher Retirement System of Illinois where he oversaw that system's \$7 billion Minority Investment Program. Sims also oversaw its \$750 million Emerging Manager Program, an evergreen pool of capital that includes Domestic and International Equity, Fixed Income, Real Estate, Private Equity, and Hedge Funds.

Prior to his work at TRS of Illinois, Sims worked with Prudential Retirement conducting investment research for its Manager of Managers platform as well as an open architecture investment platform. He also has a background in asset management and has held various positions with both large and small asset managers.

*"I am excited to join one of the premier public pension plans in the country. Texas Teachers' investment staff is well respected within the community and I look forward to adding value to the team and its mission."*

Sims attended Columbia Business School, receiving an MBA, Finance. He holds a CFA designation and earned a Masters in Business Administration from the Columbia University Graduate School of Business. Sims received a Bachelor of Business Administration from Howard University in Washington, DC.

Sims' role at TRS of Texas will include oversight of the \$5.7 billion EM Program as well as this year's rollout of the system's new \$3 billion commitment to the Emerging Manager 3.0 Program. The new program will focus on innovating with emerging investors to further enhance the trust's value.

The TRS EM Program began in 2005 and promotes relationships with the next generation of high-performing investment managers. The program is one of the longest continuously-running investment talent development outreach platforms of its kind. Half of its 162 managers are women and minority-owned firms.

"I am excited to join one of the premier public pension plans in the country. Texas Teachers' investment staff is well respected within the community and I look forward to adding value to the team and its mission," Sims said.



# Notice to Retirees and Beneficiaries About Tax Withholding



Are you receiving monthly payments from TRS? 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 the current withholding meets your needs. 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 withholding amount, you DO NOT need to take any action.

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 ([www.trs.texas.gov](http://www.trs.texas.gov)).

If you would like to estimate a new withholding amount, there are two calculators available to you through the TRS website.

- The first calculator is the *MyTRS* Withholding Calculator. When you log in to *MyTRS*, you can select the link to the Withholding Calculator found in the left-hand menu. The calculator will display your current annuity and withholding preferences. Simply follow the calculator instructions. 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 you can use to estimate taxes; this calculator does not require you to log in to *MyTRS*. It does not import any data; you enter your data to perform the estimate.

If you wish to change your withholding preference, you may do so online through *MyTRS*. Log in to *MyTRS* and select “Modify Withholding Preference.” If you prefer to submit a paper form, you may also change your withholding preference by printing a copy of the [Federal Income Tax Withholding Certificate](#) form (TRS 228A) from the TRS website. Go to [www.trs.texas.gov](http://www.trs.texas.gov), click on the Retirees and Beneficiaries tab at the top of the page, then select Forms from the right-hand column. Under the Retirees and Beneficiaries section, select form TRS 228A. Then, prepare, print and sign. For your convenience, a link to the current tax tables is provided within the form. Alternatively, you may call TRS at 1-800-223-8778 and use our automated telephone system to request a form TRS 228A. Completed forms should be mailed to TRS at 1000 Red River St., Austin, TX 78701.

New withholding preferences apply to future payments only; TRS cannot apply a new preference to payments 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:** If you are not a U.S. citizen or resident alien of the U.S., you may not forgo having 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.**

# Are You Turning 65 Soon?

Turning 65 is a milestone, especially as it relates to your TRS-Care coverage. Whether you currently have TRS-Care, you never enrolled but were eligible to enroll at retirement, or you dropped the program, you have decisions to make.



## Turning Age 65: A New Enrollment Opportunity

If you're a retiree or surviving spouse who isn't yet 65, and you either terminated TRS-Care or didn't enroll during your Initial Enrollment opportunity, you can enroll in TRS-Care when you turn 65. You may also add dependents at that time. Prior to your 65<sup>th</sup> birthday, TRS will send you a postcard with instructions on how to enroll. To enroll in TRS-Care at 65, you must request an application for TRS-Care and submit your application for coverage no later than 31 days from the end of the month in which you turn 65. Call TRS Health and Insurance Benefits at 1-888-237-6762 to request an application prior to your 65<sup>th</sup> birthday.

TRS does not always have information about surviving spouses in its records. If you're a surviving spouse who is not 65 and you want to enroll in TRS-Care, you must request and submit your application for coverage no later than 31 days from the end of the month in which you turn 65.

Please note that this enrollment opportunity is not available to dependent spouses or children when they turn 65.

If eligible for Medicare, you must purchase and maintain Medicare coverage, including Medicare Part B coverage, to participate in the TRS-Care Medicare Advantage plan. **You risk losing all TRS-Care coverage if you do not have Medicare Part B coverage when you're eligible to purchase it.**

## Already Enrolled in TRS-Care?

If you're a retiree who's currently enrolled in TRS-Care, you may add eligible dependents to your TRS-Care coverage when you turn 65. You don't need to submit an application, unless you want to enroll eligible dependents. However, you should follow the checklist on this page because aside from enrolling new dependents, your coverage will change with your new eligibility for Medicare. If your dependents are not eligible for Medicare, they'll be enrolled in the TRS-Care Standard plan.

## Age 65 To-Do's

- If you're eligible for premium-free Medicare Part A (hospitalization), sign up for it through the Social Security Administration. Apply online at [www.ssa.gov/medicare](http://www.ssa.gov/medicare), visit your local social security office or call 1-800-772-1213 (TTY: 1-800-325-0778).
- Purchase Medicare Part B as soon as enrollment becomes available to you.
- Provide TRS with your Medicare information. TRS can't enroll you in TRS-Care coverage without your Medicare information.
- Review the materials in the enrollment kit you receive from TRS.
- Complete and submit the application for TRS-Care no later than 31 days from the end of the month in which you turned 65, if you're enrolling for the first time.

Assuming you are eligible for TRS-Care coverage, and once TRS verifies your Medicare status, TRS will automatically enroll you in the TRS-Care Medicare Advantage and TRS-Care Medicare Rx plans. If TRS does not receive your Medicare information, TRS will not be able to enroll you, and you could risk losing TRS-Care coverage altogether, or not be able to enroll in the program.

## How Soon can You Sign Up for Medicare?

Medicare gives you a seven-month enrollment period to sign up for Part A and Part B – three months before your 65<sup>th</sup> birthday month, your 65<sup>th</sup> birthday month, and three months after your 65<sup>th</sup> birthday month. Signing up in this time frame keeps you from paying a late enrollment penalty in the future. However, TRS strongly urges you to enroll in Medicare effective the first day of your 65<sup>th</sup> birthday month so that you avoid gaps in coverage. If your birthday falls on the first of the month, make sure that your Medicare takes effect the first of the previous month.

# Summary of Rule Changes

The TRS Board of Trustees (board) recently adopted a new rule and amendments to existing rules, at the April and July meetings. At the April meeting, the board adopted new rule 25.11 and amended existing rules 51.2 and 51.11. At the July meeting, the board amended existing rules 25.162, 25.302, 25.303, 29.11, 29.21, 29.71, and 47.17.

New rule 25.11 addresses membership status of employees of a TRS subsidiary that has its principal office located outside the U.S. The minor amendments to rules 51.2 and 51.11 simply update cross-references to other statutes. Amendments to rules 25.162, 25.302, 25.303, 29.11, 29.21, 29.71, and 47.17 incorporate updated actuarial tables.

The updated actuarial tables were prepared by the TRS actuary of record, Gabriel, Roeder, Smith & Company. The tables have been updated based on the board's most recently approved mortality assumptions and new investment return assumption. The tables become effective on Sept. 1, 2019 and will be used to calculate the cost of any relevant service or compensation credit purchases initiated beginning in the 2019-20 school year and going forward, unless otherwise noted.

## Chapter 25, Membership Credit

**§25.162 State Personal and/or Sick Leave Credit** – The amendment to this rule updates the actuarial table for the purchase of one year of service credit based on accumulated state personal or sick leave. This rule takes effect Sept. 1, 2019.

Please refer to the *TRS Service Credit* brochure on the TRS website for more detailed information regarding the calculation of this type of service. If you are a *MyTRS* user, you can use the calculator to estimate your cost for this type of service.

**§25.302 Calculation of Actuarial Costs of Service Credit** – The amendment to this rule updates several actuarial tables and makes conforming changes to the rule text. The updated tables relate to the purchase of service credit that must be purchased based on the actuarial present value of the credit (e.g. unreported service or out-of-state service). This rule takes effect Sept. 1, 2019.

Please refer to the *TRS Service Credit* brochure on the TRS website for more detailed information regarding the calculation of this type of service.

**§25.303 Calculation of Actuarial Costs for Purchase of Compensation Credit** – The amendment to this rule updates several actuarial tables relating to the purchase of compensation credit that must be purchased based on the actuarial present value of the compensation. The amendments also clarify that the cost factor for purchasing compensation credit shall be applied to the difference between a participant's final average salary before and after the purchase, not the additional compensation being purchased.

Please refer to the *TRS Service Credit* brochure on the TRS website for more detailed information regarding the calculation of this type of service.

## Chapter 29, Benefits

**§29.11 Actuarial Tables** – The amendment to this rule incorporates the actuary's updated early-age retirement reduction factors, reduction factors for service and disability retirement options, and reserve transfer factors. This rule change applies to anyone with an effective date of retirement after Sept. 1, 2019.

For a member eligible for a normal age service retirement as of Sept. 1, 2019, TRS will use the tables in effect immediately prior to the change to calculate the benefits if the updated tables in this rule would result in a smaller benefit for that member.

**§29.21 Beneficiary Tables** – The amendment to this rule updates the tables for unisex joint beneficiary life expectancy used when calculating life expectancy for certain option beneficiary changes. Life expectancy shall be determined as of the date of the retirement in question and the age of the original beneficiary at that time.

**§29.71 Tables** – The amendment to this rule updates the actuarial table relating to the reduction factors to be applied to the annuity payments of retirees that elect to receive a partial lump-sum payment at the time of retirement. This rule change applies to anyone with an effective date of retirement after Sept. 1, 2019.

## Chapter 47, Qualified Domestic Relations Orders

**§47.17 Calculation for Alternate Payee Benefits Before a Member's Benefit Begins** – This amendment incorporates three actuarial tables used to calculate distributions made to an alternate payee under Texas Government Code § 804.005. This rule takes effect Sept. 1, 2019.



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

## Summary of Benefits and Coverage (SBC) Now Available

An 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 TRS-ActiveCare 2018-19 plan year and for the 2019 TRS-Care plan year are currently available. The SBCs for the 2019-20 TRS-ActiveCare plan year will be available after Sept. 1, 2019; the SBCs for the 2020 TRS-Care plan year will be available after Jan. 1, 2020.

- TRS-ActiveCare participants: Locate the SBCs by visiting your plan's website at [www.trscareactivecareetna.com/](http://www.trscareactivecareetna.com/). Click on the Documents & Forms tab located at the top of the webpage.
- TRS-Care participants: Locate the SBCs by visiting your plan's website at [www.trscarestandardaetna.com](http://www.trscarestandardaetna.com). Click "Non-Medicare retiree" and then the Documents & Forms tab located at the top of the webpage.

If you have 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.

## Notice of Privacy Practices (NPP) Now Available

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 access the NPP at this link:

[www.trs.texas.gov/TRS%20Documents/notice\\_privacy\\_practices.pdf](http://www.trs.texas.gov/TRS%20Documents/notice_privacy_practices.pdf).

## Have Questions?

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

For more information regarding TRS-Active Care enrollment and eligibility, please contact your Benefit Administrator.