

TRS NEWS

RETIREE
EDITION

DECEMBER 2017

TEACHER RETIREMENT SYSTEM OF TEXAS



TRS-Care December reminders



In order to prepare yourself for the new plan year and understand how to take advantage of your health benefits, please review the following reminders for the month of December:

ID cards coming this month

TRS-Care Standard medical ID cards were mailed during the first week of December 2017.

New plan year takes effect on Jan. 1, 2018

The new plan year takes effect on Jan. 1, 2018. In preparation, be sure to familiarize yourself with the new plan designs as they pertain to your Medicare status. View the new plan designs for 2018 by visiting the TRS website at www.trs.texas.gov/Pages/healthcare_news_trscare_update_2018.aspx.

New Medicare Advantage welcome kits and ID cards

The new Medicare Advantage welcome kits and ID cards from Humana will be mailed from Dec. 11-22, 2017.

Prescription drug contact information

Medicare-eligible TRS-Care participants with questions about their prescription drug coverage for 2018 can call their new pharmacy benefits manager, SilverScript, at 1-844-345-4577 (option 2) or visit <http://info.caremark.com/trscaremedicarerx>.

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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MEMO TO **RETIREES** 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.

This issue includes important reminders for the new TRS-Care plan year, which takes effect on Jan. 1, 2018. We encourage you to familiarize yourself with the new plan designs by visiting our website. On page three, we are reminding retirees and beneficiaries who receive monthly payments that they can change their federal income tax withholding elections if they wish to do so. Changing withholding election is not required if you are satisfied with the amount currently being withheld.

This newsletter also provides you with important information to rule changes that may affect you as a TRS retiree. 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.

Notice to retirees and beneficiaries – tax withholding preferences available

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

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

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

If you would like to estimate a new withholding amount, TRS has two withholding calculators: there is one inside *MyTRS* after you log in, which automatically imports the current annuity and withholding preferences from your TRS account. You can modify your marital status, the number of exemptions and other deductions to estimate changes in your withholding. There is also a generic income tax withholding estimate calculator on the TRS

website that does not require you to log in to *MyTRS*, to estimate taxes. It does not import any data; you input all the data.

If you wish to change your withholding preference, you may do so through *MyTRS*. Log into *MyTRS* and select Modify Withholding Preference. You may also change your withholding preference by printing a copy of the *Federal Income Tax Withholding Certificate* form (TRS 228A) from the TRS website. Go to the section for Retirees and Beneficiaries, then select Forms from the right-hand column. Under Retirees and Beneficiaries, select form TRS 228A from the list, prepare, print and sign. For your convenience, a link to the current tax tables is provided within the form on the website. If you prefer, you may call TRS at 1-800-223-8778 to request a copy of 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.

Form 1095-B coming: proof of medical coverage in 2017

In January, retirees participating in TRS-Care who are not eligible for Medicare (e.g. younger than 65) should watch the mail for Form 1095-B. This form verifies you had medical coverage for all or part of last year.

If you became eligible for Medicare any time during 2017, you will only get a Form 1095-B from TRS reflecting the months you were not eligible for Medicare.

When you file your taxes, you must report to the federal government that you and your eligible dependents had medical coverage for all or part of calendar year 2017. All TRS health plans meet the minimum essential coverage requirements of employer-sponsored coverage.

You will not need to attach Form 1095-B to your tax return. You will only need to keep

it for your records. The information on the form may help you in preparing your tax return, but you don't need to wait for it to file your taxes.

Please watch for this important mailing containing Form 1095-B. For more information, view our FAQs on Form 1095-B in the Retiree & Beneficiary section of the TRS website FAQs page.

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."

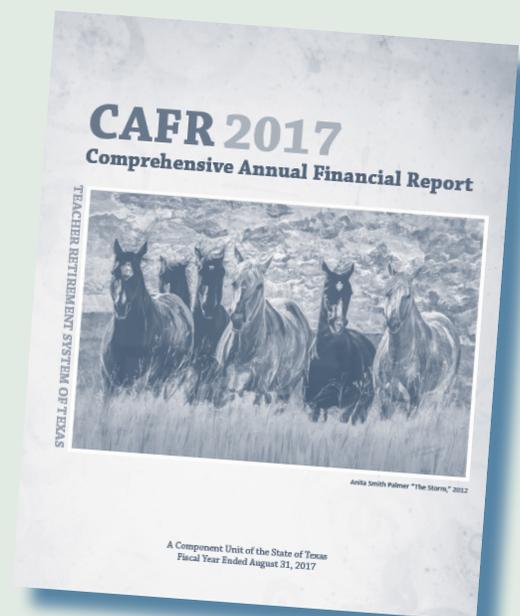
"I have enjoyed my years of service to the teachers and retirees of our great state," said outgoing Chairman R. David Kelly. "I am grateful to have had the opportunity to help guide the fund from a low of \$63 billion during the Great Financial Crisis to its current healthy status of \$147 billion. I 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

Access calendar year 2017 1099-R forms quickly and easily online

In late January 2018, TRS will send 1099-R forms to those who have received one or more payments from TRS during calendar year 2017. The 1099-R is an Internal Revenue Service (IRS) form that the recipient uses to report to the IRS any distributions paid by TRS during the prior calendar year. If you are not a U.S. citizen or resident alien of the U.S., TRS will provide you with and report your payment(s) to the IRS on a 1042-S form instead of on a 1099-R form.

From the time the 1099-R and 1042-S forms are distributed in January until April 15, TRS receives numerous requests for duplicate copies. Due to confidentiality requirements, TRS cannot provide the information over the phone or by fax. The duplicate copies must be mailed. However, retirees and payment beneficiaries who have a *MyTRS* password can view and print their 1099-R or 1042-S forms, even before forms are mailed in January.

If you subscribe now on *MyTRS*, you can have TRS send you an email message to notify you as soon as your 1099-R or 1042-S form is available to you online. If you haven't registered yet for *MyTRS*, doing so is easy. Simply go to the TRS website at www.trs.texas.gov and click on the *MyTRS* link at the top of the homepage. Follow the instructions from there.

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).