

# Update

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## TEACHER RETIREMENT SYSTEM OF TEXAS

### ***Full payroll to be reported in new reporting system***

In the November 2014, *Update* newsletter in the “Team Project Update” article, we pointed out that the most significant change in our new reporting system will be that reporting entities (REs) will be required to report all employees’ payroll information to TRS, including those who do not meet TRS membership eligibility criteria.

In addition to the need for this information to ensure that all employees who are eligible for membership in TRS are reported to TRS and to comply with the new GASB 67 and 68 reporting and allocation guidelines, collecting “full payroll” information will minimize an RE’s need to adjust multiple months of reporting for an individual because membership eligibility errors will be caught in a more timely manner. Reporting an employee incorrectly for months or years (either as a member when the person does not meet membership eligibility or not reporting someone who does meet the membership eligibility requirements) will be less likely to occur because these reporting errors will be caught much earlier than they are now.

TRS will continue to provide regular status reports, training information, and other system replacement news in the TRS *Update* newsletters. In the meantime, you can visit the [TEAM Program Communications page](#) on the TRS Employer Web page for information and updates.

### ***Important information for employers with qualified retirement plans***

Employers that sponsor qualified retirement plans of their own should be aware that state law establishes the TRS retirement plan as the primary plan when there is more than one plan covering employees. This law is important to the administration of an employer-sponsored plan because it could affect the benefits payable **from** the employer’s qualified defined benefit plan or the annual contributions that may be **made to** the employer’s qualified defined contribution plan.

Contributions made to TRS for service credit purchase *and* made to an employer’s qualified defined contribution plan *must be aggregated to determine whether the total annual contributions are within federal tax law limits.* See TRS rule 34 TAC §29.51. The general contribution limit for the Sept. 1, 2014 through Aug. 31, 2015 plan year is \$52,000 or 100 percent of compensation, whichever is less. If aggregated contributions would exceed the applicable limit, TRS members may be able to use installment payments or rollovers for service purchases to keep aggregated annual contributions within the limits. However, if aggregated contributions exceed the applicable limit, then contributions to the employer plan may need to be reduced.

For employers with defined benefit plans, Section 825.506, Texas Government Code, states that an employer may not provide employee retirement or deferred benefits that, when considered together with TRS benefits as required by federal law, would result in the TRS plan failing to meet federal qualification standards as applied to public pension plans. The benefit limits in Section 415(b) of the Internal Revenue Code are part of the standards that TRS must meet to maintain plan qualification and favorable tax treatment, such as deferral of federal income tax on salary contributions to TRS until benefits are paid.

Section 415(b) establishes limits on annual benefit payments by qualified defined benefit plans. *When an employee who retires will receive benefits from more than one qualified defined benefit plan covering the same employment, the limits apply to the aggregated benefits.* The Section 415(b) limit is \$210,000 for the 2014-2015 plan year, with lower limits applicable for retirement before age 62.

Because state law establishes the TRS defined benefit plan as primary, TRS compares only a member’s TRS benefits to the federal limits to determine whether the benefits will be within the federal benefit limits at and during retirement. If an employer’s own defined benefit plan also pays benefits to a retired employee, then, under Section 825.506, the employer must take into account the TRS benefits to be sure that the aggregated benefits do not exceed the Section 415(b) limits.

To determine whether an employer’s plan is affected by the limits on benefits or annual contributions, the employer should contact the plan administrator or the tax advisor for the plan. TRS maintains no information on

employer plans. Also, due to confidentiality requirements, any individual TRS contribution amounts or benefit amounts that an employer's plan administrator may need to consider in comparison to the applicable limits must be obtained directly from the covered employee.

### ***Reminder on report and deposit due dates***

All required monthly reports and all TEXNET Deposits are due each month no later than 6 p.m., Austin time, on the 6th day of the month following the close of the calendar month for which the reports and deposits are due. (For example, December 2014 reports and deposits were due on Jan. 6, 2015, and February 2015 reports and deposits will be due on March 6, 2015.)

Keep in mind that if the 6th falls on a weekend or a federal holiday, the TEXNET transmission must be made no later than 6 p.m. the previous business day. This sometimes causes reports and deposits to be due very early after the previous month ends, such as in September 2015. The August 2015 reports and deposits will be due by 6 p.m. Austin time on Friday, Sept. 4, 2015, because the 6th falls on a Sunday.

These deadlines were set by the state legislature, and TRS does not have the authority to change them for a particular month to allow extra time to submit the required information.

Penalty interest may be assessed for each calendar day a report or deposit is transmitted late.

Timely submission and completion of all required monthly reports and deposits is very important to our members and to TRS. Late reports may delay disbursements of a member's retirement benefits, refund, death benefits, etc.

### ***Report compensation in the month it is paid***

The definition of school year for TRS purposes was changed Sept. 1, 2012 to a standard year that begins on Sept. 1 and ends on Aug. 31. The first year for full implementation of the standard school year for the purpose of determining a member's annual compensation was the 2013-2104 school year. Experience with the implementation of the standard school year revealed that further clarification was needed regarding the reporting of compensation to TRS. Effective Sept. 1, 2015, all reporting entities must report compensation in the month it is ***paid***. For reporting entities who currently report compensation in the month it is ***earned***, you may shift your reporting month at any time between now and Sept. 1, 2015. If the shift to reporting compensation when paid rather than when earned causes employees of your reporting entity to have only 11 months of compensation reported for the 2014-2015 school year, TRS will attribute one additional month of salary to the employee for the 2014-2015 school year for benefit calculation purposes. TRS will ***not*** attribute additional salary to the 2014-2015 school year for other reasons such as the member retiring and not receiving 12 months of compensation in the final year because a portion of the compensation for the final contract year was paid prior to Sept. 1, 2015.

If you have questions about this requirement and how it will affect your reports, please contact your TRAQS coach.

#### ***TRAQS - Tip of the Month***

If you are locked out of TRAQS or have forgotten your password, use the "Click here if you have forgotten your password" feature.

You may have to close your browser and start over.