Update

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TEACHER RETIREMENT SYSTEM OF TEXAS

Important reminders regarding Employment After Retirement

Reporting TRS retirees working in Texas public education

TRS retirees who are employed in Texas public education in any capacity must be reported on the monthly Employment After Retirement (ER10) report. TRS retirees should be reported based on the calendar month (from the first day to the last day of the month) they perform services in Texas public education. For example, April 2013 ER10 records should reflect work performed by retirees from April 1 through April 30, 2013. TRS retirees who retired prior to January 1, 2011 are reported only in Area 2 of the Signature component of the report. Retirees who retired after January 1, 2011 and all disability retirees are reported on the Detail component and in Area 1 of the Signature component of the report. If you have failed to report a TRS retiree, use the ER Correction system found in TRAQS to add the retiree to the Employment of Retired Members reports, which are at a completed status.

If you failed to report a TRS retiree working at your employer who is employed through Educational Independent Contractors, LLC (EIC) or JR3, use the ER Correction system to correct reports for the current school year. If you need to correct reports for prior school years, including the 2011-2012 school year, please contact your TRAQS coach for further instructions. These entities are considered third-party entities by TRS and retirees associated with these entities and asserting independent contractor status are considered employees of the third-party entity subject to the limits on employment after retirement and to the reporting requirements. If you have questions regarding reporting these retirees or disagree with this reporting instruction, please notify your TRAQS coach. Failure to report retirees working for these entities as instructed may be considered fraud.

The employment of retirees who retired on or after September 1, 2005 should also be evaluated to determine if pension and/or health benefit surcharges apply. Effective September 1, 2013, new surcharge eligibility requirements take effect. Beginning September 1, 2013, surcharges will apply if the retiree works more than the equivalent of four clock hours for every work day (Monday through Friday) in that calendar month.

TRS retirees who are employed full time

If a regular service retiree who retired after January 1, 2011 would like to work full time without forfeiture of annuity payment, he/she must have a 12 full consecutive calendar month break in service since the date of retirement. This means the retiree cannot work as a substitute or one-half time during the 12 months in order to satisfy the required break in service.

A retiree whose effective retirement date with TRS is May 31, but who works into June under the June 15th Rule, cannot begin counting toward their 12-month break until July 1 of that year.

For example, a retiree who terminated employment on June 7, 2012, may establish May 31, 2012, as her retirement date. However, since she worked in June, month one of her break begins no earlier than July 2012. In this example, the retiree cannot satisfy the 12 full consecutive calendar month break in service requirement any earlier than July 2013, and may not return to work with a TRS-covered employer or a third-party entity on a full-time basis without forfeiting her monthly retirement annuity before July 1, 2013.

Keep in mind, if a retiree works as a substitute or works on a one-half time basis during the 12-month period, she has not met the requirement for working full time without forfeiting a monthly annuity. A retiree may not work in any capacity for a TRS-covered employer for 12 full consecutive calendar months in order to satisfy the requirement for full-time employment without loss of annuity.

Reminder on reporting a TRS disability retiree

When a TRS disability retiree is employed in Texas public education, the reporting entity must report actual days worked in each calendar month. Disability retirees are limited to working 90 days in a school year (Sept. 1 through Aug. 31). If the disability retiree is hired under the one-half time provision, the one-half time employ-

ment must be reported in clock hours **in addition** to reporting actual days worked for the calendar month. The disability retiree may work the equivalent of four clock hours for every work day (Monday through Friday) in that calendar month under the one-half time employment provision. However, because a disability retiree is limited to no more than 90 days of one-half time employment without forfeiting an annuity payment, the disability retiree can maximize the amount of time he/she is allowed to work by working as many hours as possible on the days worked.

Reporting one-half time or less retirees

Recently, TRS has noticed that many reporting entities seem to misunderstand how to report retirees working under the one-half time or less exception. This confusion appears to be centered primarily on the number of hours available for a retiree to work each calendar month.

A retiree working under the one-half time or less exception may work the **equivalent** of four clock hours for each workday in that calendar month. The total number of hours allowed for that month may be worked in any arrangement or schedule.

For instructors whose employment is measured in semester or course hours, actual course instruction in state-supported colleges (including junior colleges) and universities that is measured in course or semester hours will be counted as a minimum of two clock hours for every hour spent teaching in the classroom or lab. This is done to reflect instructional time as well as preparation and other time typically associated with one course hour of instruction. This is a change in requirements adopted by the TRS Board of Trustees in April 2013. If the employer has established a greater standard for preparation time for each course or semester hour, the employer's established standard will be used to determine the number of course or semester hours a retiree may teach and stay within the one-half time hourly limit.

The time available to work will vary from month to month due to the actual number of working days in the month. A workday is defined as any Monday through Friday in the calendar month. The number of days available to work is not reduced for holidays or days the employer is closed for business, whether scheduled or unscheduled closing.

The table below illustrates the total number of hours available each month (based on eight hours multiplied by the number of workdays in the calendar month) and the number of hours a retiree may work under the one-half time or less exception (four hours multiplied by the number of workdays in the calendar month).

Month	Full-Time Hours ("Work Units Required" on ER10)	Number of Hours Available for Retiree Working One-Half Time or Less
January 2013	184 (23 workdays)	92
February 2013	160 (20 workdays)	80
March 2013	168 (21 workdays)	84
April 2013	176 (22 workdays)	88
May 2013	184 (23 workdays)	92
June 2013	160 (20 workdays)	80
July 2013	184 (23 workdays)	92
August 2013	176 (22 workdays)	88

Do not use this table when a retiree is combining substitute and one-half time employment in the same calendar month. A retiree working as a substitute (per the TRS definition of a substitute) and one-half time in the same calendar month is limited to working one-half the number of available workdays (every Monday through Friday) in the calendar month.

A note about MD40 contract and position records

With the Standardized School Year for salaries going into effect with the 2013-2014 school year, TRS will no longer be moving salaries paid in July or August under non-standard contracts to the new school year for benefit

calculation purposes. Even so, the requirement to submit MD40 (Contract and Position) Records for each employee in each school year is still in place.

Since TRS will not be moving salaries forward, the timing of submitting the MD40s is no longer a critical factor. Reporting entities have the option to submit MD40s when their employees begin a new contract (for example, on the July or August report), or submit them all in September. We understand that some software programs automatically create MD40s at the beginning of an employee's contract. If that is the case, it is absolutely acceptable to submit the MD40s at that time. The important factor is that all MD40s must be submitted by the September report, at the latest.

Outsourcing positions

When a TRS employer chooses to outsource jobs that were previously held by employees of the reporting entity, this decision creates considerations for both the employer and employee. Is the company you are contracting with to outsource these positions going to be considered a third-party entity for employment after retirement purposes? Will your employer have to report TRS retirees working for the third-party entity on the Employment of Retired Members Report and will surcharges be due on their employment? Will TRS retirees who work for the outside company be subject to employment after retirement limits?

If the employer continues to employ any people performing the services or duties that are also being outsourced, then the outside company is a third-party entity for TRS reporting purposes. For example, if your employer outsources plant services but you maintain some employees on your campus who also perform any of the services provided by the employees of the outside company, the outside company is a third-party entity. Any retiree who is employed by the third-party entity is subject to the limits on employment after retirement, and the TRS employer is responsible for reporting the retiree and paying any applicable surcharges. If 100% of the services, equipment, supplies, and personnel who provide the services are provided by the outside vendor and not by the employer, then the vendor is not a third-party entity, TRS retirees working for the vendor would not be subject to the limits on employment after retirement, and surcharges do not apply.

Legislative session adjourns

The 83rd Texas Legislature, Regular Session, adjourned on May 27, and Governor Perry now has the option to sign recently passed bills into law, veto them, or let them become law without his signature. As soon as possible, TRS will share information on enacted TRS-related legislation through the TRS website and in newsletters. In the meantime, you can obtain detailed information on new legislation by calling the Legislative Reference Library's Bill Status Hotline toll-free at 1-877-824-7038. Please have the number *or* topic of the bill that interests you, as it will help the library staff locate the information you are seeking. You may also view legislation through the library's website, www.lrl.state.tx.us, or through Texas Legislature Online at www.capitol.state.tx.us.