

July 2023

# GUIDING PRINCIPLES

## Policy Committee Meeting



**Teacher Retirement System of  
Texas**

1000 Red River Street  
Austin, Texas  
78701-2698

# **TEACHER RETIREMENT SYSTEM OF TEXAS MEETING**

## **BOARD OF TRUSTEES**

### **AND**

## **POLICY COMMITTEE**

*(Committee Chair and Members: Mr. Elliott, Chair;  
Ms. Allred, Mr. Hollingsworth, Mr. Nance, Mr. Walls)*

*All or part of the July 13, 2023, meeting of the TRS Policy Committee and Board of Trustees may be held by telephone or video conference call as authorized under Sections 551.130 and 551.127 of the Texas Government Code. The Board intends to have a quorum and the presiding officer of the meeting physically present at the following location, which will be open to the public during the open portions of the meeting: **1000 Red River, Austin, Texas 78701 in the TRS East Building, 5<sup>th</sup> Floor, Boardroom.***

*The open portions of the July 13, 2023, meeting are being broadcast over the Internet. Access to the Internet broadcast and agenda materials of the meeting is provided at [www.trs.texas.gov](http://www.trs.texas.gov). A recording of the meeting will be available at [www.trs.texas.gov](http://www.trs.texas.gov).*

## **AGENDA**

**July 13, 2023 – 9:45 a.m.**

**TRS East Building, 5<sup>th</sup> Floor, Boardroom**

1. Call roll of Committee members.
2. Consider the approval of the proposed minutes of the April 2023 committee meeting – Chair John Elliott.
3. Review and consider recommending to the Board adoption of amendments to the Policy on Negotiated Rulemaking and Alternative Dispute Resolution–Heather Traeger and Sharada Menon.
4. Consider recommending to the Board adoption of the proposed amendments to the following TRS rules in Chapters 25, 29, and 47 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger, Adam Fambrough, and Nick Gonzalez:
  - A. § 25.162. State Personal or Sick Leave Credit;
  - B. § 25.302, relating to Calculation of Actuarial Costs of Service Credit;
  - C. § 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit;
  - D. § 29.11, relating to Actuarial Tables;
  - E. § 29.21, relating to Beneficiary Tables;
  - F. § 29.71, relating to Tables;
  - G. § 47.17, relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins

## **Minutes of the Policy Committee April 27, 2023**

The Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas met on April 27, 2023, in the boardroom located on the Fifth Floor in the East Building of TRS' offices located at 1000 Red River Street, Austin, Texas, 78701.

### **Committee members present:**

Mr. John Elliott, Chair  
Ms. Brittney Allred  
Mr. Jarvis V. Hollingsworth  
Mr. James Dick Nance  
Mr. Robert H. Walls, Jr.

### **Other TRS Board Members present:**

Mr. Michael Ball  
Ms. Nanette Sissney  
Mr. Elvis Williams

### **Others who participated:**

Brian Guthrie, TRS  
Andrew Roth, TRS  
Don Green, TRS  
Heather Traeger, TRS  
Amanda Jenami, TRS  
Barbie Pearson, TRS  
Katrina Daniel, TRS  
Jase Auby, TRS  
Nick Gonzalez, TRS  
Roberto Cortes Moreno, TRS  
Katherine Farrell, TRS  
Suzanne Dugan, Cohen Milstein

Policy Committee Chair, Mr. John Elliott, called the meeting to order at 3:00 p.m.

### **1. Call roll of Committee members.**

Ms. Farrell called the roll. A quorum was present.

### **2. Consider the approval of the proposed minutes of the December 2022 committee meeting – Chair.**

On a motion by Mr. Nance, seconded by Ms. Allred, the committee unanimously voted to approve the proposed minutes for the December 2022 Policy Committee meeting as presented.

### **3. Receive an overview of the Policy Committee's Calendar Year 2023 Work Plan – Heather Traeger.**

Ms. Heather Traeger reviewed the Policy Committee Work Plan. She noted the plan outlined the regular review schedule for policies but noted that during the course of the year rules will be brought forward due to the rule review process or legislation passed that are not incorporated into the plan.

**4. Consider recommending to the Board adoption of amendments to the Code of Ethics for Contractors and associated forms: Conflict of Interest Disclosure and Request for Determination (“Disclosure Statement”), Annual Ethics Compliance Statement, Disclosure Statement for Financial Services Providers, and Expenditure Reporting Form for Contractors. – Heather Traeger**

Ms. Traeger provided an overview of the Code of Ethics for contractors which is similar to the Trustees Ethics Policy or the Employee Ethics Policy but applies to certain TRS contractors or vendors, instead of employees or Trustees. She said these are the standards that TRS holds its vendors to in providing services to TRS. She said the bulk of the proposed edits are designed to reflect the current organizational structure for process purposes and capture other formatting clean up. She reported that the more substantive proposed change related to the review process where a non-financial services provider has a conflict of interest identified the policy. Currently, the policy states that such conflicts are reported to the general counsel, who -- in consultation with the Chief Compliance Officer (CCO) -- would decide whether to proceed with the vendor in light of the conflict of interest. Ms. Traeger said the recommendation, since the general counsel and CCO position is held by the same person, is to strike general counsel and have the CCO assume the role. She noted if at some point in the future there were two people in the roles again, her recommendation would be to have the role remain with the CCO.

On a motion by Mr. Hollingsworth, seconded by Mr. Nance, the committee voted to recommend to the Board adoption of the proposed amendments to the code of ethics for contractors and associated forms, as presented by staff.

**5. Consider adoption of the proposed amendments to the following TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger, Nick Gonzalez and Adam Fambrough:**

- A. §25.4. Substitutes**
- B. §25.6. Part-time or Temporary Employment**
- C. §25.25. Required Deposits**
- D. §25.31 Percentage Limits on Compensation Increases**
- E. §25.35 Employer Payments for New Members**
- F. §25.36 Employer Payments for Members Not Covered under the Federal Old-Age, Survivors, and Disability Insurance Program**
- G. §25.113 Transfer of Credit between TRS and ERS.**
- H. §25.123 Certification**
- I. §25.131 Required Service**
- J. §25.152 Eligibility, Cost, and Payment for Developmental Leave Credit**
- K. §25.172 Optional Retirement Program and TRS**

Mr. Nick Gonzalez provided an overview of the rules that were brought to the Board for proposal in December. He said one set of the proposed rules are to address the intersection of ERS-TRS transfer of service credit and how ERS' cash balance plan impacts the rules. He noted those in the cash balance plan could not transfer service credit between ERS or TRS. The other set of rules are non-substantive changes identified during last summer's rule review. He reported the proposed changes were published on March 10 in the Texas Register and no public comment was received.

On a motion by Mr. Nance, seconded by Mr. Walls, the committee voted to recommend to the Board adoption of the proposed amendments to TRS rules in Chapter 25 of Title 34, Part 3 of the Texas Administrative Code as presented by staff.

6. **Consider authorizing for publication in the Texas Register notice of the following proposed amendments to the TRS rules in Chapters 25, 29, and 47 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger, Adam Fambrough, and Nick Gonzalez:**
  - A. **§ 25.162. State Personal or Sick Leave Credit;**
  - B. **§ 25.302, relating to Calculation of Actuarial Costs of Service Credit;**
  - C. **§ 25.303, relating to Calculation of Actuarial Cost for Purchase of Compensation Credit;**
  - D. **§ 29.11, relating to Actuarial Tables;**
  - E. **§ 29.21, relating to Beneficiary Tables;**
  - F. **§ 29.71, relating to Tables;**
  - G. **§ 47.17, relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins**

Mr. Gonzalez provided an overview regarding the proposed amendments that incorporate the new actuarial tables. He said when the underlying actuarial assumptions changed, including the investment return assumption to 7 percent, the actuarial tables need to be updated. He said the other proposed changes were non-substantive. Mr. Adam Fambrough spoke to how the proposed changes would impact a member who retires September 2023 or later, there would be no impact to current retirees.

On a motion by Mr. Nance, seconded by Ms. Allred, the committee authorized for publication in the Texas Register a notice of the proposed amendment to TRS rules in Chapters 25, 29 and 47 of Title 34, Part 3 of the Texas Administrative Code, as presented by staff.

7. **Consider authorizing for publication in the Texas Register notice of proposed repeal of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code – Heather Traeger and Roberto Cortés-Moreno:**
  - A. **§41.15 Requirements to Bid on Group Long-Term Care Insurance Under Chapter 1576 of the Insurance Code**
  - B. **§41.16 Coverage Offered Under the Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**
  - C. **§41.17 Definitions**

**D. §41.18 Eligibility for the Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**

**E. §41.19 Initial Enrollment Periods for Texas Public School Employees and Retirees Group Long-Term Care Insurance Program**

**F. §41.20 Effective Date of Coverage Under the Texas**

Mr. Roberto Cortes Moreno provided an overview of the proposed rule. He said the proposal was to repeal the section of rules relating to long-term disability coverage for the rules were obsolete due to no provider offering this optional coverage.

On a motion by Mr. Hollingsworth, seconded by Mr. Nance, the committee authorized for publication in the Texas Register a notice of the proposed repeal of the TRS rules in Chapter 41 of Title 34, Part 3 of the Texas Administrative Code as presented by staff.

With no further business before the Committee, the meeting adjourned at 3:49 p.m.

Approved by the Policy Committee of the Board of Trustees of the Teacher Retirement System of Texas on July \_\_\_\_\_, 2023.

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Katherine H. Farrell  
Secretary of the TRS Board of Trustees

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Date

**TAB 3**



**Legal & Compliance**

## **Memorandum**

**DATE:** July 13, 2023

**TO:** Policy Committee of the Board of Trustees (“Policy Committee”)

**FROM:** Heather Traeger, GC and CCO

**COPY:** Board of Trustees  
Suzanne Dugan, Fiduciary Counsel

**RE:** Comprehensive Review of the Policy on Alternative Dispute Resolution (ADR) and Negotiated Rulemaking

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### **Introduction**

At the July 2023 meeting of the Policy Committee (“Committee”) of the Board of Trustees (“Board”) the Committee will review the Policy on Negotiated Rulemaking and Alternative Dispute Resolution (the “Policy”). The Policy was adopted by the Board in June of 2013 and was last reviewed in July of 2018. The Policy Review Schedule requires the Policy to be reviewed every five years.

### **Background**

Under TRS Board Bylaws Subsection 3.1.5(c) and (d), the Committee must adopt and follow a plan of review to ensure that all written Board policies are reviewed periodically and that the proposed policy changes have been appropriately reviewed. Pursuant to the Policy Review Schedule, the comprehensive review of the Policy is due.

Under Section 825.1025 of the Government Code, the Board is directed to implement a policy regarding negotiated rulemaking and alternative dispute resolution. The Policy under consideration satisfies the requirements of Section 825.1025. The next review of this Policy is scheduled to occur July 2028.

### **Considerations for the Committee**

TRS Staff has reviewed the Policy and recommends some changes to the Policy to increase readability and clarity. TRS Staff recommends no substantive changes to the Policy. A copy of the proposed Policy is attached as Attachment 1, and a copy of the current Policy is attached as Attachment 2.



## ATTACHMENT 1

## **PROPOSED**

**Name:** Negotiated Rulemaking and Alternative Dispute Resolution

**Purpose:** To provide guidance on and encourage the use of a collaborative agreement-seeking approach when appropriate to resolve disputes within the jurisdiction of TRS as required by Tex. Gov't Code §825.1025.

**Core Values:** This Negotiated Rulemaking and Alternative Dispute Resolution policy allows TRS to approach dispute resolution through a Collaborative lens. The resolutions that result from this collaboration will lead to more Efficient business outcomes.

**Reference:**

- SOAH Alternative Dispute Resolution Policy with Guidelines for State Agencies
- Tex. Gov't Code, Ch. 2001 (Administrative Procedures Act).
- Texas Gov't Code §§ 2003.056 (SOAH Alternative Dispute Resolution Policy)
- Tex. Gov't Code § 2009 (Governmental Dispute Resolution Act)
- Tex. Gov't Code §2008 (Negotiated Rulemaking Act)
- Ch. 154, Tex. Civil Practices and Remedies Code (Alternative Dispute Resolution Procedures)

**Applies to:**

- All TRS employees
- Non-TRS workers (contract workers, unpaid interns, and volunteers)

**Definition of Key Words:**

**Alternative Dispute Resolution:** A variety of informal processes intended to achieve conflict resolution by agreement of the parties to the conflict; the goal of which is to develop an agreed resolution that meets the most important needs of each participant. Alternative dispute resolution may include but is not limited to: mediation, facilitation, negotiated rulemaking, collaborative problem-solving, consensus building, and non-binding arbitration.

**Negotiated Rulemaking:** A consensus-based process in which an agency develops a proposed rule by using a neutral facilitator and a balanced negotiating committee composed of representatives of all interests that the rule will affect, including those interests represented by the rulemaking agency itself. Tex. Gov't Code, Ch. 2008.

**Policy Statement:**

It is the policy of TRS to (1) encourage the use of a collaborative agreement-seeking approach when appropriate to resolve disputes within the jurisdiction of TRS, including those involving

rulemaking; and (2) consider the use of negotiated rulemaking as appropriate for rulemaking in connection with new programs administered by TRS or significant modifications to existing programs.

TRS currently uses several processes that include a collaborative element to resolve disputes related to rulemaking and TRS rules, including mediation of appropriate administrative appeals, providing procedures for public participation in the adoption of TRS rules beyond those established for public comment on proposed rules, providing an internal process for vendor protests and a process for settlement through mutual agreement, and the Grievances and Appeals Policy administered for TRS employee concerns.

The Board of Trustees designates the Executive Director or his designee to fulfill the responsibilities described by §825.1025(c), Tex. Gov't Code. Under the Bylaws of the Board of Trustees, the Board delegates this authority to the staff through the Executive Director, and the Executive Director is authorized to assign duties to TRS personnel. Accordingly, the Executive Director may designate a TRS employee to coordinate the implementation of this policy; to serve as a resource for any training needed to implement the procedures for negotiated rulemaking and alternative dispute resolution; and to collect data regarding the effectiveness of the procedures that are implemented. The Executive Director is authorized to establish, revise, and administer appropriate processes supporting collaborative dispute resolution consistent with the fiduciary responsibilities of TRS, retirement plan qualification requirements, and statutory program responsibilities.

**Cross Reference/Related Documents:**

Tex. Gov't Code §825.1025.

34 Tex. Admin. Code §23.4

34 Tex. Admin. Code §51.2

Tex. Gov't Code, Chapter 2001

TRS Grievance and Appeals Policy

<b>Policy Type:</b> Board of Trustees	<b>First Issued:</b> June 2013
<b>Contact:</b> Nicholas Gonzalez	<b>Last Review:</b> July 26, 2023
<b>Department Sponsor(s):</b> Executive Director, Legal & Compliance	<b>Next Review Due Date:</b> July 26, 2028
<b>Reviewing Department(s):</b> Executive Director, Legal & Compliance	<b>Version Number:</b>
<b>Review Cycle:</b> 5 years	<b>Version Approved Date:</b>
<b>Intranet Location:</b>	

## ATTACHMENT 2

## **CURRENT**

### **Board of Trustees**

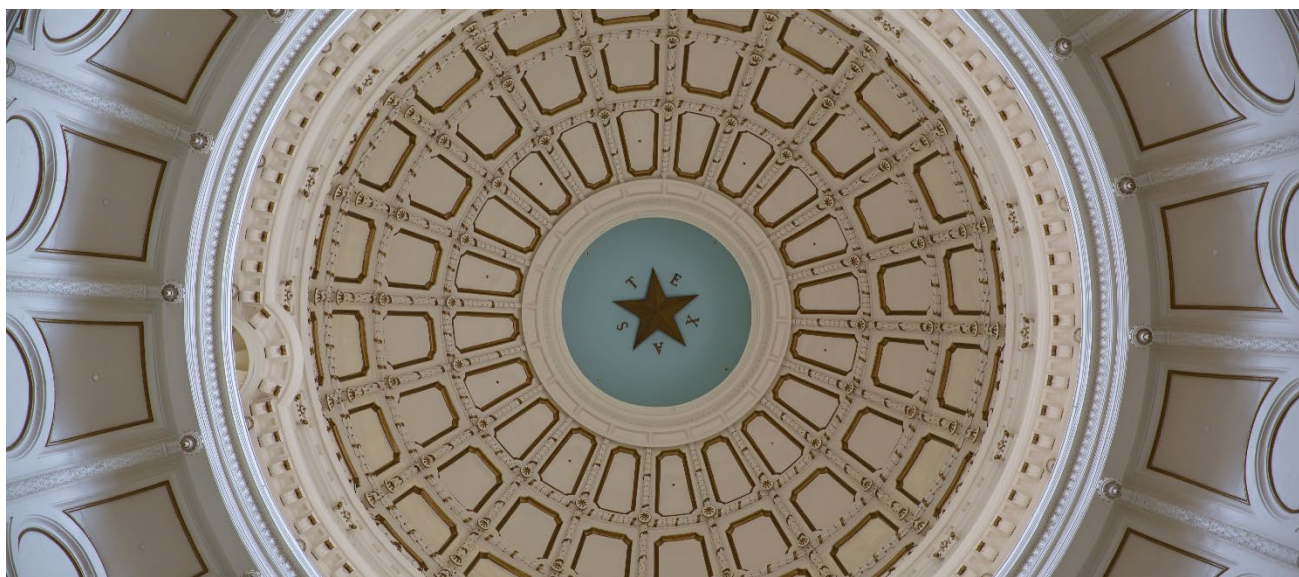
#### **Policy on Negotiated Rulemaking and Alternative Dispute Resolution**

**July 26-27, 2018**

- I. In accordance with Tex. Gov't Code §825.1025, the Board of Trustees of the Teacher Retirement System of Texas (TRS) hereby establishes this policy regarding negotiated rulemaking and alternative dispute resolution.
- II. It is the policy of TRS to encourage the use of a collaborative agreement-seeking approach when appropriate to resolve disputes within the jurisdiction of TRS, including those involving rulemaking.
- III. It is the policy of TRS to consider the use of negotiated rulemaking as appropriate for rulemaking in connection with new programs administered by TRS or significant modifications to existing programs.
- IV. TRS currently uses several processes that include a collaborative element to resolve disputes, including mediation of appropriate administrative appeals referred to the State Office of Administrative Hearings (SOAH); TRS rule 34 Tex. Admin. Code §23.4, providing procedures for public participation in the adoption of TRS rules beyond those established for public comment on proposed rules under the Administrative Procedure Act (Chapter 2001, Tex. Gov't Code); TRS rule 34 Tex. Admin. Code §51.2, providing an internal process for vendor protests, including settlement through mutual agreement; and the Grievances and Appeals Policy administered for TRS employee concerns.
- V. The Executive Director is authorized to establish, revise, and administer appropriate processes supporting collaborative dispute resolution consistent with the fiduciary responsibilities of TRS, retirement plan qualification requirements, and statutory program responsibilities.
- VI. The Board of Trustees designates the Executive Director or his designee to fulfill the responsibilities described by §825.1025(c), Tex. Gov't Code. Under the Bylaws of the Board of Trustees, the Board delegates this authority to the staff through the Executive Director, and the Executive Director is authorized to assign duties to TRS personnel. Therefore, it is appropriate from time to time for the Executive Director to designate a TRS employee to carry out on his behalf the responsibilities described by §825.1025(c), Tex. Gov't Code, specifically, to coordinate the implementation of this policy; to serve as a resource for any training needed to implement the procedures for negotiated rulemaking and alternative dispute resolution; and to collect data regarding the effectiveness of the procedures that are implemented.

**TAB 4**





# Legal & Compliance

Proposed Chapter 25, 29, and 47  
Amendments: Actuarial Table Update

Heather Traeger, General Counsel  
Adam Fambrough, Senior Director of  
Benefit Processing  
Nick Gonzalez, Senior Pension  
Counsel

July 13, 2023





## Actuarial Table Update: Proposed Amendments Adopting New Tables

TRS proposed amendments to seven TRS rules in order to incorporate new actuarial tables and assumptions based on the recommendations of TRS Actuary of Record, GRS:

### GRS PREPARED NEW ACTUARIAL TABLES

GRS prepared new actuarial tables impacting TRS retirement calculations and service credit purchases based on new assumptions, including the investment return assumption, adopted by the Board.

### POLICY COMMITTEE AUTHORIZED PUBLICATION OF PROPOSED RULES

At the April 2023 Policy Committee meeting, the committee authorized staff to publish seven proposed rules in the *Texas Register* that incorporated the new tables.

### PROPOSED RULES PUBLISHED

The proposed amendments to Chapters 25, 29, and 47 of TRS rules were published in the *Texas Register* on June 9, 2023. No public comments were received.

## Actuarial Table Update: Proposed Amended Rules

TRS Staff recommends the Board adopt the proposed rules incorporating the updated actuarial tables without changes to the published text.

Table Types	Proposed Amended Rules	Specific Tables Affected
Service Credit Purchases	25.162, 25.302 and 25.303	Relating to service credit purchases, compensation credit purchases, and state sick and personal leave service credit purchases.
Retirement Benefits	29.11, 29.21 and 29.71	Relating to early retirement, optional retirement, reserve transfer factors, beneficiary life expectancy, and partial lump sum options.
Alternate Payee Payments	47.17	Relating to payments to an alternate payee under Section 804.005

## Next Steps

July 13-14,  
2023

- Policy Committee and Board consider proposed rules for adoption

July 21-  
28, 2023

- Adopted rules submitted to the *Texas Register* for publication

September  
1, 2023

- Adopted rules become effective for the 2023-2024 school year

# Appendix

## Appendix: Factor Change Comparison

### RETIREE ASSUMPTIONS

Age = 62 | Years of Service = 23 | Average Salary = \$57,254

Current Factors		Proposed Factors
\$2,523.95	Standard Annuity	\$2,523.95
\$2,295.03	Option One	\$2,293.01 (↓ \$2.02)
\$2,093.98	Option One with 12 Month PLSO	\$2,096.95 (↑ \$2.97)

### SERVICE CREDIT PURCHASE ASSUMPTIONS

Age = 45 | Years of Service = 11 | Average Salary = \$55,639 | Tier 5

Current Factors		Proposed Factors
\$7,344.35	Cost to purchase one year of service	\$7,729.93 (↑\$385.58)



## Legal & Compliance

# Memorandum

**DATE:** July 13, 2023

**TO:** Policy Committee of the Board of Trustees ("Policy Committee")

**FROM:** Heather Traeger, General Counsel & Chief Compliance Officer

**COPY:** Brian Guthrie, Executive Director

**RE:** Proposed Amended Rules: TRS Rules §§ 25.162, 25.302, 25.303, 29.11, 29.21, 29.71, and 47.17

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### **Requested Action**

TRS Staff asks the Policy Committee to recommend that the Board of Trustees ("Board") adopt the following proposed amendments without changes to the proposed text as published in the June 9, 2023 issue of the *Texas Register*:

- § 25.162 (relating to State Personal or Sick Leave Credit)
- § 25.302 (relating to Calculation of Actuarial Costs of Service Credit)
- § 25.303 (relating to Calculation of Actuarial Cost for Purchase of Compensation Credit)
- § 29.11 (relating to Actuarial Tables)
- § 29.21 (relating to Beneficiary Tables)
- § 29.71 (relating to Tables)
- § 47.17 (relating to Calculation for Alternate Payee Benefits Before a Member's Benefit Begins)

## **Background**

At the April 27, 2023 policy committee meeting, TRS Staff asked the Policy Committee to authorize publication in the *Texas Register* of proposed TRS Rules 25.162, 25.302, 25.303, 29.11, 29.21, 29.71, and 47.17, relating to membership credit, benefits, and qualified domestic relations orders. The proposed rule amendments were published in the *Texas Register* on June 9, 2023 (48 TexReg 2927). TRS did not receive any public comments on the proposed amended rules.

## **Summary of the Proposed Amended Rules**

The proposed amendments are needed to ensure that TRS administers the retirement plan according to the latest actuarial assumptions adopted by the board. The TRS actuary of record, Gabriel, Roeder, Smith & Company, prepared the new actuarial tables based on the board's most recently approved actuarial assumptions, including new mortality assumptions and the new investment return assumption of 7.0%. Each of the proposed amended rules incorporates at least one actuarial table that impacts the payment of a TRS benefit or the purchase of TRS service credit and makes conforming changes necessary to implement the new tables.

TRS staff proposed no other changes to the rules and recommends adoption of the proposed amendments without changes to the proposed text. If adopted, the proposed amended rules and updated tables will be effective September 1, 2023.

Clean versions of all seven proposed amended rules are attached as Appendix A and redline versions are attached as Appendix B. Note, for some rules, the only change being proposed is the incorporation of a new actuarial table. The complete actuarial tables are also available upon request.

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	BENEFITS
SUBCHAPTER I	OTHER SPECIAL SERVICE CREDIT
RULE §25.162	State Personal or Sick Leave Credit

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(a) An eligible member may purchase one year of service credit in the Teacher Retirement System of Texas ("TRS") for accumulated state personal or sick leave in accordance with Government Code §823.403 and subject to approval of TRS.

(b) A member is eligible to purchase one year of service credit if the member has at least ten years of TRS service credit for actual service with one or more employers defined by Government Code §821.001(7), retires from such an employer, and has at least 50 days or 400 hours of accumulated state personal or sick leave on the last day of employment before retirement. Not more than an aggregate of five days of unused state personal or sick leave may be accumulated per year. State personal and sick leave may be combined, if needed, for the purpose of calculating the necessary 50 days or 400 hours. No more than one year of service credit may be purchased even if more time has been accumulated.

(c) Credit purchased under this section may be used only for the purpose of calculating the amount of a retirement plan benefits but may not be used to determine eligibility for retirement plan benefits.

(d) To establish service credit under this section, an eligible member must submit an employer certification in the form and manner prescribed by TRS. Additionally, the eligible member must deposit with TRS, in the manner prescribed by TRS, the actuarial present value of the additional standard retirement annuity benefits that would be attributable to the conversion of the unused state personal or sick leave into the service credit, as described in subsection (e) of this section.

(e) To compute these amounts, TRS will use the State Personal or Sick Leave Conversion Factor Tables furnished by the TRS actuary of record. Specifically, TRS will select the applicable conversion factor from the table based on the age of the member in full years and months at the effective date of retirement. To obtain the cost of the service credit, the conversion factor will be multiplied by the increase in the monthly standard retirement annuity resulting from the conversion of state personal or sick leave to an additional one year of service credit. The increase in the annuity will be determined using the standard retirement annuity without an adjustment for an optional service retirement annuity plan selected by the member because any optional plan selected by the member is required by Government Code §824.204(b) to be the actuarial equivalent of the member's standard retirement annuity.

Attached Graphic



## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	MEMBERSHIP CREDIT
SUBCHAPTER P	CALCULATION OF FEES AND COSTS
RULE §25.302	Calculation of Actuarial Costs of Service Credit

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(a) When a member is purchasing TRS service credit for which the law requires that the actuarial cost or actuarial present value be deposited and for which the method in this section is referenced by another section of this title, TRS will calculate the cost using the cost factors obtained from the Actuarial Cost Tables adopted and method described in this section. For purposes of this section, TRS will use the age of the member and the service credit established by the member on September 1 of the school year in which the cost of the purchase is established.

(b) The factors for individuals whose membership was established before September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, are shown in the tables adopted as part of this subsection. Within each set of tables, the number of years of service credit to be purchased will determine which specific table will be used. Each of the tables cross-references the member's age in rows with years of credited service (before purchase) in columns. The intersection of the participant's age and service is the cost per \$1,000 of salary. The cost factor for a participant with more years of service credit than shown on the table is the same as the factor shown for the highest number of years of service credit on the table for the participant. TRS will calculate the cost to purchase service credit under this section by dividing the participant's salary by 1000 and multiplying the resulting quotient by the appropriate cost factor obtained from the table. The tables set forth the cost, per \$1,000 of salary, to purchase from one year to fifteen years of service credit. The number of years of service credit available for purchase is determined by the laws and rules applicable to the type of service credit to be purchased. For the purpose of calculating the required amount for a member who is not grandfathered to use a three-year salary average under §51.12 of this title (relating to Applicability of Certain Laws in Effect Before September 1, 2005), the term "salary" is defined as follows:

(1) For the upper region of the table (where the factors appear above the line), salary is the greater of the annual salary for the last year of credited service or the average of the member's highest years of compensation calculated on September 1 of the school year in which the cost of the service credit is established. The fewer of five years of compensation or all of the member's years of compensation shall be used for the average; or

(2) For the lower region of the table (where the factors appear below the line), salary is the average of the member's highest five years of compensation calculated on September 1 of the school year in which the cost of the service credit is established. A member's highest five years of compensation shall be calculated as if the member were retiring at the time the service credit is purchased. The lower region of the table (where the factors appear below the line) reflects those age and service combinations where the purchase of service credit results in immediate eligibility of the member for unreduced retirement benefits.

## APPENDIX A

### Attached Graphic

(c) For the purpose of calculation of actuarial cost for service credit for a member described in subsection (b) of this section who is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. Additionally, the cost shall be 103.5 percent of the cost as calculated under subsection (b) of this section.

(d) For individuals whose membership was established on or after September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional service credit, but TRS shall use the factors in the tables adopted as part of this subsection. If the member is not grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section.

### Attached Graphic

(e) If an individual established membership on or after September 1, 2007 and has five years of service credit on August 31, 2014, and maintains membership in TRS until the time of purchase, but is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. The cost of establishing additional service credit for a grandfathered member described in this subsection, shall be 1.035 times the cost as calculated under subsection (d) of this section.

(f) An individual who first was a member of TRS before September 1, 2007, but who terminated membership through withdrawal of accumulated contributions and then again joined TRS on or after September 1, 2007, and has five years of service credit on August 31, 2014 and maintains membership in TRS until the time of purchase, is subject to the calculation of cost for additional service credit under subsections (d) and (e) of this section.

(g) For members who do not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, the methodology described in subsections (b) and (c) of this section shall be used to determine the cost of additional service credit, but TRS shall use the factors in the tables adopted as a part of this subsection.

### Attached Graphic

(h) For the purpose of calculation of actuarial cost for service credit for a member described in subsection (g) of this section who is not grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section.

(i) If the individual did not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, but is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. The cost of

## **APPENDIX A**

establishing additional service credit for a grandfathered member described in this subsection shall be 1.035 times the cost as calculated under subsection (g) of this section.

(j) The tables adopted in this section shall be used when the service credit cost is paid on or after September 1, 2023, or an installment agreement is entered into on or after September 1, 2023.

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	MEMBERSHIP CREDIT
SUBCHAPTER P	CALCULATION OF FEES AND COSTS
RULE §25.303	Calculation of Actuarial Cost for Purchase of Compensation Credit

---

(a) When a member is purchasing TRS compensation credit for which the law requires that the actuarial cost or actuarial present value be deposited and for which the method in this section is referenced by another section of this title, TRS will calculate the cost using the cost factors obtained from the Actuarial Cost Tables adopted and the method described in this section. TRS will use the age of the member and the service credit established by the member on September 1 of the school year in which the cost of the purchase is established.

(b) Each of the tables cross-references the member's age in rows with years of credited service in columns. The intersection of the participant's age and service is the cost factor that shall be applied in determining the cost to purchase compensation credit. TRS will calculate the cost to purchase compensation credit under this section by dividing the difference between participant's final average salary before and after the purchase by 1,000 and multiplying the quotient by the appropriate cost factor obtained from the table. The eligibility of additional compensation credit available for purchase is determined by the laws and rules applicable to the type of compensation sought to be credited.

(c) For individuals whose membership was established before September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional compensation credit, but TRS shall use the factors in the tables adopted as part of this subsection.

### Attached Graphic

(d) For individuals whose membership was established on or after September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional compensation credit, but TRS shall use the factors in the tables adopted as part of this subsection.

### Attached Graphic

(e) For members who do not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, the methodology described in subsection (b) of this section shall be used to determine the cost of additional compensation credit, but TRS shall use the factors in the tables adopted as a part of this subsection.

### Attached Graphic

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER A	RETIREMENT
RULE §29.21	Beneficiary Tables

---

Tables for Unisex Joint Beneficiary Life furnished by the TRS actuary of record (actuary) will be used in calculating a life expectancy under §824.1013 of the Government Code. A fraction of a year shall be converted to whole months with any partial month being rounded upward to a full month. Life expectancy shall be determined as of the date of the retirement in question and the age of the original beneficiary at that time. The Teacher Retirement System of Texas adopts the actuary's Tables for Unisex Joint Beneficiary Life.

Attached Graphic

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER A	RETIREMENT
RULE §29.11	Actuarial Tables

---

(a) Actuarial tables furnished by the TRS actuary of record will be used for computation of benefits. Factors for ages or types of annuities not included in the tables will be computed from the same data by the same general formulas.

(b) The Teacher Retirement System adopts the actuary's early age reduction factors. The factor tables are as follows:

Attached Graphic

(c) The Teacher Retirement System adopts the actuary's factors for service retirement options. The factor tables are as follows:

Attached Graphic

(d) The Teacher Retirement System adopts the actuary's factors for disabled member retirement options. The factor tables are as follows:

Attached Graphic

(e) The Teacher Retirement System adopts the actuary's reserve transfer factors. The reserve transfer factor tables are as follows:

Attached Graphic

(f) The board of trustees may change the tables or adopt new tables from time to time by amending this section; provided, however, that any such change does not result in any retiree or member eligible for service retirement with an unreduced annuity as of the date of the change receiving a smaller benefit than the benefit computed immediately before the change.

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER F	PARTIAL LUMP-SUM PAYMENT
RULE §29.71	Tables

---

(a) Any eligible retiree who selects a partial lump-sum option will receive an actuarially reduced annuity to reflect the selection of the lump-sum option. TRS will use Factor Tables for Partial Lump-Sum Option Payments furnished by the TRS actuary of record.

### Attached Graphic

(b) The member's age in whole years will be used from column one and the percentage of standard annuity factor from column three, four, or five depending on the number of months of lump-sum selected, will be used to determine the percentage of standard annuity that will be paid to a person who elects to participate in the partial lump-sum option plan.

## APPENDIX A

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 47	QUALIFIED DOMESTIC RELATIONS ORDERS
RULE §47.17	Calculation for Alternate Payee Benefits Before a Member's Benefit Begins

---

(a) An alternate payee of a TRS member is eligible to receive the benefits described by Government Code §804.005 if:

- (1) the alternate payee has a qualified domestic relations order ("QDRO") approved by TRS;
- (2) the alternate payee submits a written request to TRS to receive these benefits; and
- (3) the member meets the requirements of subsection (b) of this section.

(b) The alternate payee of a TRS member may only elect to receive benefits under this section if the member:

- (1) has not retired;
- (2) has attained the greater of either the age of 62 and is eligible to retire without reduction for early age retirement, or normal retirement age and service requirements for service retirement; and
- (3) retains credit and contributions in TRS attributable to that service.

(c) If an alternate payee elects to receive benefits under this section, the benefits will become payable once TRS receives a written request for the benefits and a certified copy of the domestic relations order determined to be a QDRO.

(d) In figuring these benefits for the alternate payee and the adjusted standard annuity of the member's benefit as set forth in this section, TRS shall consider the member's benefit as a normal age standard service retirement annuity without regard to any optional annuity chosen or beneficiary designated by the member.

(e) The beginning of monthly payments under this section terminates any interest that the alternate payee who receives the payment might otherwise have in benefits that accrue to the account of the member after the date the initial payment to the alternate payee is made.

(f) An alternate payee who elects this method of payment has only a right to receive an annuity for life as calculated in this section and does not have the right to pass on any portion of his/her benefit upon his/her death. There is no reversion of the alternate payee's benefit to the member upon the alternate payee's death, irrespective of whether the death occurs before or after the member's benefit commencement.



## APPENDIX A

(g) TRS will use Tables for Life Annuity Factors furnished by the TRS actuary of record to calculate the actuarially equivalent portion of the member's accrued benefit payable to an alternate payee under this section.

### Attached Graphic

(h) Except as otherwise provided by this section, TRS shall calculate the alternate payee's actuarial equivalent benefit in the following manner:

(1) Determine the member's accrued monthly benefit as of the alternate payee's benefit commencement date.

(2) Determine the member's age and the alternate payee's age as of the alternate payee's benefit commencement date.

(3) Determine the appropriate percent of the member's accrued benefit payable to the alternate payee under the terms of the QDRO.

(4) Multiply the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent. Then, divide that figure by the life annuity factor at alternate payee's age.

(i) Except as otherwise provided by this section, TRS shall calculate a member's adjusted standard annuity by reducing the member's standard annuity monthly benefit at the time of retirement by an amount equal to the percent of the member's benefit payable to the alternate payee under the QDRO multiplied by the member's accrued monthly benefit as of the alternate payee's benefit commencement date.

(j) If the member dies before retiring:

(1) the member's adjusted standard annuity must be used for any benefit due after death if a standard annuity is used to calculate that benefit;

(2) the balance of the accumulated contributions in the member savings account payable to a beneficiary must be adjusted to reflect the payment to the alternate payee by reducing the accumulated contributions in the member savings account by the QDRO percentage described in subsection (h)(3) of this section; and

(3) a benefit payable under Government Code §824.402(a)(1) and (2) or a lump sum payment of \$2,500.00 plus an applicable monthly benefit as described in Government Code §824.404 is not reduced by payments made to the alternate payee under this section.

(k) If the member dies after retiring:

(1) the \$10,000.00 lump sum survivor benefits or the \$2,500.00 lump sum payment plus an applicable monthly benefit payable to a beneficiary under Government Code §824.501 and §824.404, are not reduced as a result of payments to an alternate payee under this section; and

## APPENDIX A

(2) any payments paid pursuant to Government Code §824.407 must be reduced by first reducing the account balance at the time of retirement by the QDRO percentage described in subsection (h)(3) of this section.

(l) If the member elects to terminate membership in TRS before retirement, the accumulated contributions in the member account before a refund is processed must be reduced by the QDRO percentage described in subsection (h)(3) of this section.

(m) When new law provides for an increase in the benefit payable to the member after the commencement of the payment of an annuity to the member, the increase will be distributed by increasing the member's and the alternate payee's benefit as provided by the law for an increase to the member's benefit so long as there is no additional actuarial cost to TRS or unless provided otherwise by the legislature.

(n) To reinstate withdrawn service reduced under subsection (l) of this section, a person must deposit the amount withdrawn or refunded and the fees required by law. Benefits payable based wholly or in part on the terminated service will be reduced as described in this section as if the service had not been terminated.

(o) When a member who has an alternate payee receiving benefits under this section elects a partial lump-sum option, TRS will use the member's adjusted standard annuity in the calculation for the member's partial lump-sum payment.

(p) If the total distribution amount awarded to the alternate payee in a QDRO is limited to a specific dollar amount, TRS shall calculate the alternate payee's actuarial equivalent benefit as follows:

(1) Determine the alternate payee's age as of the alternate payee's benefit commencement date.

(2) Calculate the alternate payee's actuarial equivalent monthly benefit by multiplying the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent. Compare the product to the specific dollar limit amount. If the specific dollar limit amount is the smaller amount, divide the specific dollar limit amount awarded to the alternate payee by the life annuity factor at alternate payee's age to determine the alternate payee's monthly benefit. If the specific dollar limit amount is larger than the product of the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent, divide the product by life annuity factor at alternate payee's age to determine the alternate payee's monthly benefit.

(q) When a member who is participating in the deferred retirement option plan ("DROP") has an alternate payee begin a distribution under this section, TRS will calculate the alternate payee's actuarial equivalent benefit by multiplying the member's accrued benefit times the life annuity factor at member's age plus the balance of the DROP times the alternate payee's percent. That figure shall then be divided by the life annuity factor at alternate payee's age.

(r) When a member who is participating in DROP has an alternate payee begin a distribution under this section, TRS will reduce the DROP account by applying the percentage of the member's accrued benefit payable to the alternate payee under the terms of the qualified domestic relations order beginning with the initial month that a distribution is payable to the alternate payee.

## APPENDIX A

(s) If the amount of monthly retirement benefit awarded to the alternate payee in the QDRO is a stated monthly amount rather than a percentage, TRS shall determine the alternate payee's actuarial equivalent benefit by multiplying the stated monthly amount times the life annuity factor at the member's age and then dividing the product by the life annuity factor at the alternate payee's age.

(t) If the amount of monthly retirement benefit awarded to the alternate payee in the QDRO is a percentage of the benefit but limited to no more than a stated monthly amount, TRS shall determine the alternate payee's actuarial equivalent benefit by multiplying the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent, then dividing that product by the life annuity factor at alternate payee's age. If the amount derived from this calculation is smaller than the stated monthly amount, the amount calculated is the alternate payee's actuarial equivalent benefit. If the amount derived from this calculation is larger than the stated monthly amount, the alternate payee's actuarial equivalent benefit is calculated by dividing the stated monthly amount by the life annuity factor at the alternate payee's age.

(u) If the amount of the monthly retirement benefit awarded to the alternate payee in the QDRO is a percentage of the benefit but limited to no more than a stated monthly amount, TRS shall determine the member's adjusted standard annuity by reducing the member's standard annuity monthly benefit at the time of retirement by the lesser of the stated monthly amount and the amount of the reduction calculated under subsection (i) of this section.

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	BENEFITS
SUBCHAPTER I	OTHER SPECIAL SERVICE CREDIT
RULE §25.162	State Personal or Sick Leave Credit

---

(a) An eligible member may purchase one year of service credit in the Teacher Retirement System of Texas ("TRS") for accumulated state personal or sick leave in accordance with Government Code §823.403 and subject to approval of TRS.

(b) A member is eligible to purchase one year of service credit if the member has at least ten years of TRS service credit for actual service with one or more employers defined by Government Code §821.001(7), retires from such an employer, and has at least 50 days or 400 hours of accumulated state personal or sick leave on the last day of employment before retirement. Not more than an aggregate of five days of unused state personal or sick leave may be accumulated per year. State personal and sick leave may be combined, if needed, for the purpose of calculating the necessary 50 days or 400 hours. No more than one year of service credit may be purchased even if more time has been accumulated.

(c) Credit purchased under this section may be used only for the purpose of calculating the amount of a retirement plan benefits but may not be used to determine eligibility for retirement plan benefits.

(d) To establish service credit under this section, an eligible member must submit an employer certification in the form and manner prescribed by TRS. Additionally, the eligible member must deposit with TRS, in the manner prescribed by TRS, the actuarial present value of the additional standard retirement annuity benefits that would be attributable to the conversion of the unused state personal or sick leave into the service credit, as described in subsection (e) of this section.

(e) To compute these amounts, TRS will use the State Personal or Sick Leave Conversion Factor Tables furnished by the TRS actuary of record. Specifically, TRS will select the applicable conversion factor from the table based on the age of the member in full years and months at the effective date of retirement. To obtain the cost of the service credit, the conversion factor will be multiplied by the increase in the monthly standard retirement annuity resulting from the conversion of state personal or sick leave to an additional one year of service credit. The increase in the annuity will be determined using the standard retirement annuity without an adjustment for an optional service retirement annuity plan selected by the member because any optional plan selected by the member is required by Government Code §824.204(b) to be the actuarial equivalent of the member's standard retirement annuity.

[Attached Graphic](#)

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	MEMBERSHIP CREDIT
SUBCHAPTER P	CALCULATION OF FEES AND COSTS
RULE §25.302	Calculation of Actuarial Costs of Service Credit

---

(a) When a member is purchasing TRS service credit for which the law requires that the actuarial cost or actuarial present value be deposited and for which the method in this section is referenced by another section of this title, TRS will calculate the cost using the cost factors obtained from the Actuarial Cost Tables adopted and method described in this section. ~~For [Effective September 1, 2015, for]~~ purposes of this section, TRS will use the age of the member and the service credit established by the member on September 1 of the school year in which the cost of the purchase is established.

(b) The factors for individuals whose membership was established before September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, are shown in the tables adopted as part of this subsection ~~[, which shall be used when the service credit cost is paid on or after September 1, 2019, or an installment agreement is entered into on or after September 1, 2019]~~. Within each set of tables, the number of years of service credit to be purchased will determine which specific table will be used. Each of the tables cross-references the member's age in rows with years of credited service (before purchase) in columns. The intersection of the participant's age and service is the cost per \$1,000 of salary. The cost factor for a participant with more years of service credit than shown on the table is the same as the factor shown for the highest number of years of service credit on the table for the participant. TRS will calculate the cost to purchase service credit under this section by dividing the participant's salary by 1000 and multiplying the resulting quotient by the appropriate cost factor obtained from the table. The tables set forth the cost, per \$1,000 of salary, to purchase from one year to fifteen years of service credit. The number of years of service credit available for purchase is determined by the laws and rules applicable to the type of service credit to be purchased. For the purpose of calculating the required amount for a member who is not grandfathered to use a three-year salary average under §51.12 of this title (relating to Applicability of Certain Laws in Effect Before September 1, 2005), the term "salary" is defined as follows:

(1) For the upper region of the table (where the factors appear above the line), salary is the greater of the annual salary for the last year of credited service or the average of the member's highest years of compensation calculated on September 1 of the school year in which the cost of the service credit is established. The fewer of five years of compensation or all of the member's years of compensation shall be used for the average; or

(2) For the lower region of the table (where the factors appear below the line), salary is the average of the member's highest five years of compensation calculated on September 1 of the school year in which the cost of the service credit is established. A member's highest five years of compensation shall be calculated as if the member were retiring at the time the service credit is purchased. The lower region of the table (where the factors appear below the line) reflects those

## APPENDIX B

age and service combinations where the purchase of service credit results in immediate eligibility of the member for unreduced retirement benefits.

### Attached Graphic

(c) For the purpose of calculation of actuarial cost for service credit for a member described in subsection (b) of this section who is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. Additionally, the cost shall be 103.5 percent of the cost as calculated under subsection (b) of this section.

(d) For individuals whose membership was established on or after September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional service credit, but TRS shall use the factors in the tables adopted as part of this subsection ~~[, which shall be used when the service credit cost is paid on or after September 1, 2019, or an installment agreement is entered into on or after September 1, 2019]~~. If the member is not grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section.

### Attached Graphic

(e) If an individual established membership on or after September 1, 2007 and has five years of service credit on August 31, 2014, and maintains membership in TRS until the time of purchase, but is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. The cost of establishing additional service credit for a grandfathered member described in this subsection, shall be 1.035 times the cost as calculated under subsection (d) of this section.

(f) An individual who first was a member of TRS before September 1, 2007, but who terminated membership through withdrawal of accumulated contributions and then again joined TRS on or after September 1, 2007, and has five years of service credit on August 31, 2014 and maintains membership in TRS until the time of purchase, is subject to the calculation of cost for additional service credit under subsections (d) and (e) of this section.

(g) For members who do not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, the methodology described in subsections (b) and (c) of this section shall be used to determine the cost of additional service credit, but TRS shall use the factors in the tables adopted as a part of this subsection.

### Attached Graphic

(h) For the purpose of calculation of actuarial cost for service credit for a member described in subsection (g) of this section who is not grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section.

## APPENDIX B

(i) If the individual did not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, but is grandfathered to use a three-year salary average, the term "salary" shall have the same meaning as in subsection (b) of this section except that a three-year salary average shall be used instead of a five-year salary average. The cost of establishing additional service credit for a grandfathered member described in this subsection shall be 1.035 times the cost as calculated under subsection (g) of this section.

(j) The tables adopted in this section shall be used when the service credit cost is paid on or after September 1, 2023, or an installment agreement is entered into on or after September 1, 2023.

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 25	MEMBERSHIP CREDIT
SUBCHAPTER P	CALCULATION OF FEES AND COSTS
RULE §25.303	Calculation of Actuarial Cost for Purchase of Compensation Credit

---

(a) When a member is purchasing TRS compensation credit for which the law requires that the actuarial cost or actuarial present value be deposited and for which the method in this section is referenced by another section of this title, TRS will calculate the cost using the cost factors obtained from the Actuarial Cost Tables adopted and the method described in this section. ~~[For purchases in which the cost is established and the purchase is initiated in the 2016-17 school year or after,]~~ TRS will use the age of the member and the service credit established by the member on September 1 of the school year in which the cost of the purchase is established.

(b) Each of the tables cross-references the member's age in rows with years of credited service in columns. The intersection of the participant's age and service is the cost factor that shall be applied in determining the cost to purchase compensation credit. TRS will calculate the cost to purchase compensation credit under this section by dividing the difference between participant's final average salary before and after the purchase by 1,000 and multiplying the quotient by the appropriate cost factor obtained from the table. The eligibility of additional compensation credit available for purchase is determined by the laws and rules applicable to the type of compensation sought to be credited.

(c) For individuals whose membership was established before September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional compensation credit, but TRS shall use the factors in the tables adopted as part of this subsection.

[Attached Graphic](#)

(d) For individuals whose membership was established on or after September 1, 2007 and who have five years of service credit on August 31, 2014, and maintain membership in TRS until the time of purchase, the methodology described in subsection (b) of this section shall be used to determine cost of additional compensation credit, but TRS shall use the factors in the tables adopted as part of this subsection.

[Attached Graphic](#)

(e) For members who do not have five years of service credit on August 31, 2014 or whose current membership began after August 31, 2014, the methodology described in subsection (b) of this section shall be used to determine the cost of additional compensation credit, but TRS shall use the factors in the tables adopted as a part of this subsection.

[Attached Graphic](#)



## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER A	RETIREMENT
RULE §29.21	Beneficiary Tables

---

Tables for Unisex Joint Beneficiary Life furnished by the TRS actuary of record (actuary) will be used in calculating a life expectancy under §824.1013 of the Government Code. A fraction of a year shall be converted to whole months with any partial month being rounded upward to a full month. Life expectancy shall be determined as of the date of the retirement in question and the age of the original beneficiary at that time. The Teacher Retirement System of Texas adopts the actuary's Tables for Unisex Joint Beneficiary Life.

[Attached Graphic](#)

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER A	RETIREMENT
RULE §29.11	Actuarial Tables

---

(a) Actuarial tables furnished by the TRS actuary of record will be used for computation of benefits. Factors for ages or types of annuities not included in the tables will be computed from the same data by the same general formulas.

(b) The Teacher Retirement System adopts the actuary's early age reduction factors. The factor tables are as follows:

[Attached Graphic](#)

(c) The Teacher Retirement System adopts the actuary's factors for service retirement options. The factor tables are as follows:

[Attached Graphic](#)

(d) The Teacher Retirement System adopts the actuary's factors for disabled member retirement options. The factor tables are as follows:

[Attached Graphic](#)

(e) The Teacher Retirement System adopts the actuary's reserve transfer factors. The reserve transfer factor tables are as follows:

[Attached Graphic](#)

(f) The board of trustees may change the tables or adopt new tables from time to time by amending this section; provided, however, that any such change does not result in any retiree or member eligible for service retirement with an unreduced annuity as of the date of the change receiving a smaller benefit than the benefit computed immediately before the change. ~~[If such a change would result in a smaller benefit, then TRS will use the tables in effect immediately prior to the change to calculate the benefits for any retiree or member eligible for service retirement with an unreduced annuity as of the date of the change.]~~

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 29	BENEFITS
SUBCHAPTER F	PARTIAL LUMP-SUM PAYMENT
RULE §29.71	Tables

---

(a) Any eligible retiree who selects a partial lump-sum option will receive an actuarially reduced annuity to reflect the selection of the lump-sum option. TRS will use Factor Tables for Partial Lump-Sum Option Payments furnished by the TRS actuary of record.

### Attached Graphic

(b) The member's age in whole years will be used from column one and the percentage of standard annuity factor from column three, four, or five depending on the number of months of lump-sum selected, will be used to determine the percentage of standard annuity that will be paid to a person who elects to participate in the partial lump-sum option plan.

## APPENDIX B

TITLE 34	PUBLIC FINANCE
PART 3	TEACHER RETIREMENT SYSTEM OF TEXAS
CHAPTER 47	QUALIFIED DOMESTIC RELATIONS ORDERS
RULE §47.17	Calculation for Alternate Payee Benefits Before a Member's Benefit Begins

---

(a) An alternate payee of a TRS member is eligible to receive the benefits described by Government Code §804.005 if:

- (1) the alternate payee has a qualified domestic relations order ("QDRO") approved by TRS;
- (2) the alternate payee submits a written request to TRS to receive these benefits; and
- (3) the member meets the requirements of subsection (b) of this section.

(b) The alternate payee of a TRS member may only elect to receive benefits under this section if the member:

- (1) has not retired;
- (2) has attained the greater of either the age of 62 and is eligible to retire without reduction for early age retirement, or normal retirement age and service requirements for service retirement; and
- (3) retains credit and contributions in TRS attributable to that service.

(c) If an alternate payee elects to receive benefits under this section, the benefits will become payable once TRS receives a written request for the benefits and a certified copy of the domestic relations order determined to be a QDRO.

(d) In figuring these benefits for the alternate payee and the adjusted standard annuity of the member's benefit as set forth in this section, TRS shall consider the member's benefit as a normal age standard service retirement annuity without regard to any optional annuity chosen or beneficiary designated by the member.

(e) The beginning of monthly payments under this section terminates any interest that the alternate payee who receives the payment might otherwise have in benefits that accrue to the account of the member after the date the initial payment to the alternate payee is made.

(f) An alternate payee who elects this method of payment has only a right to receive an annuity for life as calculated in this section and does not have the right to pass on any portion of his/her benefit upon his/her death. There is no reversion of the alternate payee's benefit to the member upon the alternate payee's death, irrespective of whether the death occurs before or after the member's benefit commencement.

## APPENDIX B

(g) TRS will use Tables for Life Annuity Factors furnished by the TRS actuary of record to calculate the actuarially equivalent portion of the member's accrued benefit payable to an alternate payee under this section.

### Attached Graphic

(h) Except as otherwise provided by this section, TRS shall calculate the alternate payee's actuarial equivalent benefit in the following manner:

(1) Determine the member's accrued monthly benefit as of the alternate payee's benefit commencement date.

(2) Determine the member's age and the alternate payee's age as of the alternate payee's benefit commencement date.

(3) Determine the appropriate percent of the member's accrued benefit payable to the alternate payee under the terms of the QDRO.

(4) Multiply the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent. Then, divide that figure by the life annuity factor at alternate payee's age.

(i) Except as otherwise provided by this section, TRS shall calculate a member's adjusted standard annuity by reducing the member's standard annuity monthly benefit at the time of retirement by an amount equal to the percent of the member's benefit payable to the alternate payee under the QDRO multiplied by the member's accrued monthly benefit as of the alternate payee's benefit commencement date.

(j) If the member dies before retiring:

(1) the member's adjusted standard annuity must be used for any benefit due after death if a standard annuity is used to calculate that benefit;

(2) the balance of the accumulated contributions in the member savings account payable to a beneficiary must be adjusted to reflect the payment to the alternate payee by reducing the accumulated contributions in the member savings account by the QDRO percentage described in subsection (h)(3) of this section; and

(3) a benefit payable under Government Code §824.402(a)(1) and (2) or a lump sum payment of \$2,500.00 plus an applicable monthly benefit as described in Government Code §824.404 is not reduced by payments made to the alternate payee under this section.

(k) If the member dies after retiring:

(1) the \$10,000.00 lump sum survivor benefits or the \$2,500.00 lump sum payment plus an applicable monthly benefit payable to a beneficiary under Government Code §824.501 and §824.404, are not reduced as a result of payments to an alternate payee under this section; and

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(2) any payments paid pursuant to Government Code §824.407 must be reduced by first reducing the account balance at the time of retirement by the QDRO percentage described in subsection (h)(3) of this section.

(l) If the member elects to terminate membership in TRS before retirement, the accumulated contributions in the member account before a refund is processed must be reduced by the QDRO percentage described in subsection (h)(3) of this section.

(m) When new law provides for an increase in the benefit payable to the member after the commencement of the payment of an annuity to the member, the increase will be distributed by increasing the member's and the alternate payee's benefit as provided by the law for an increase to the member's benefit so long as there is no additional actuarial cost to TRS or unless provided otherwise by the legislature.

(n) To reinstate withdrawn service reduced under subsection (l) of this section, a person must deposit the amount withdrawn or refunded and the fees required by law. Benefits payable based wholly or in part on the terminated service will be reduced as described in this section as if the service had not been terminated.

(o) When a member who has an alternate payee receiving benefits under this section elects a partial lump-sum option, TRS will use the member's adjusted standard annuity in the calculation for the member's partial lump-sum payment.

(p) If the total distribution amount awarded to the alternate payee in a QDRO is limited to a specific dollar amount, TRS shall calculate the alternate payee's actuarial equivalent benefit as follows:

(1) Determine the alternate payee's age as of the alternate payee's benefit commencement date.

(2) Calculate the alternate payee's actuarial equivalent monthly benefit by multiplying the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent. Compare the product to the specific dollar limit amount. If the specific dollar limit amount is the smaller amount, divide the specific dollar limit amount awarded to the alternate payee by the life annuity factor at alternate payee's age to determine the alternate payee's monthly benefit. If the specific dollar limit amount is larger than the product of the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent, divide the product by life annuity factor at alternate payee's age to determine the alternate payee's monthly benefit.

(q) When a member who is participating in the deferred retirement option plan ("DROP") has an alternate payee begin a distribution under this section, TRS will calculate the alternate payee's actuarial equivalent benefit by multiplying the member's accrued benefit times the life annuity factor at member's age plus the balance of the DROP times the alternate payee's percent. That figure shall then be divided by the life annuity factor at alternate payee's age.

(r) When a member who is participating in DROP has an alternate payee begin a distribution under this section, TRS will reduce the DROP account by applying the percentage of the member's accrued benefit payable to the alternate payee under the terms of the qualified domestic relations order beginning with the initial month that a distribution is payable to the alternate payee.

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(s) If the amount of monthly retirement benefit awarded to the alternate payee in the QDRO is a stated monthly amount rather than a percentage, TRS shall determine the alternate payee's actuarial equivalent benefit by multiplying the stated monthly amount times the life annuity factor at the member's age and then dividing the product by the life annuity factor at the alternate payee's age.

(t) If the amount of monthly retirement benefit awarded to the alternate payee in the QDRO is a percentage of the benefit but limited to no more than a stated monthly amount, TRS shall determine the alternate payee's actuarial equivalent benefit by multiplying the member's accrued benefit times the life annuity factor at member's age times the alternate payee's percent, then dividing that product by the life annuity factor at alternate payee's age. If the amount derived from this calculation is smaller than the stated monthly amount, the amount calculated is the alternate payee's actuarial equivalent benefit. If the amount derived from this calculation is larger than the stated monthly amount, the alternate payee's actuarial equivalent benefit is calculated by dividing the stated monthly amount by the life annuity factor at the alternate payee's age.

(u) If the amount of the monthly retirement benefit awarded to the alternate payee in the QDRO is a percentage of the benefit but limited to no more than a stated monthly amount, TRS shall determine the member's adjusted standard annuity by reducing the member's standard annuity monthly benefit at the time of retirement by the lesser of the stated monthly amount and the amount of the reduction calculated under subsection (i) of this section.