

TEACHER RETIREMENT SYSTEM of TEXAS

UPDATE**PENALTY FEES TO BE IMPLEMENTED WITH SEPTEMBER 2018 REPORTING CYCLE**

Senate Bill 1663 and TRS Rule 25.28, which provide for penalty fees on late reports, were originally scheduled to be effective with January 2018 reports. However, due to the ongoing efforts to transition to the new employer reporting system, TRS decided **NOT** to implement penalty fees for the 2017-18 school year.

While penalty fees **will** be assessed on late reports effective with the September 2018 reports, we will be instituting a two-month grace period for FY2019 reports since some reporting entities (REs) may be working on reports from previous months that may require TRS' intervention in order to reach "Complete" status.

For example, if November 2018 reports are due on Dec. 6 but an RE is still working on the September 2018 reports, then penalty fees will be assessed on the outstanding September report. If January 2019 reports are due on Feb. 6 but an RE is still working on September 2018 reports, then the RE will owe penalty fees on September, October, and November 2018 reports. If an RE is still working on September 2018 reports when the March 2019 reports are due on April 5, then penalty fees will be due on September, October, November, December, and January reports. Penalty fees will be assessed the day after the due date.

Regular Payroll Grace Period Deadline	Month(s) for Which Penalty Fees Would be Due	Employment after Retirement Grace Period Deadline	Month(s) for Which Penalty Fees Would be Due
December 6, 2018	September 2018	December 10, 2018	September 2018
January 4, 2019	October 2018 and prior	January 10, 2019	October 2018 and prior
February 6, 2019	November 2018 and prior	February 8, 2019	November 2018 and prior
March 6, 2019	December 2018 and prior	March 8, 2019	December 2018 and prior
April 5, 2019	January 2019 and prior	April 10, 2019	January 2019 and prior
May 6, 2019	February 2019 and prior	May 10, 2019	February 2019 and prior
June 6, 2019	March 2019 and prior	June 10, 2019	March 2019 and prior
July 5, 2019	April 2019 and prior	July 10, 2019	April 2019 and prior
August 6, 2019	May 2019 and prior	August 9, 2019	May 2019 and prior
September 6, 2019	June 2019 and prior	September 10, 2019	June 2019 and prior
October 4, 2019	July 2019 and prior	October 10, 2019	July 2019 and prior
November 6, 2019	August 2019 and prior	November 8, 2019	August 2019 and prior

Penalty interest on late TEXNET deposits remains in effect. Please remember to transmit your TEXNET deposits on time so that penalty interest is not accrued on those deposits. Please refer to the [April 2018 Update newsletter](#) for information regarding requests from an RE to waive penalty interest and the instructions for submitting that request.

During spring 2018 workshops, we received numerous comments about penalty interest being applied to adjustments for unreported service due to a technological error (please see the [August 2015 Update newsletter](#) for more information regarding unreported service), adjustments due to a change in funding source, or corrections to ED40 contracts that require Regular Payroll (RP) adjustments. These are currently being assessed and we are determining our methodology for waiving the assessment. Possible rule changes may be needed.

The penalty fee is based on the number of TRS-eligible members reported on the May report for the previous school year. The late fee is not to exceed \$1,000 per business day, for each business day that a required employer report is late. There is a cap of \$25,000 per report month on the late fees for each report.

Number of Employees	First Business Day Past Due	Each Subsequent Business Day
1-99	\$100	\$10
100-499	\$250	\$25
500-1,000	\$500	\$50
1001 and above	\$1,000	\$100

REPORTING TIPS

TIPS FOR YEAR-END PROCESSING

Year-end processing at TRS will soon be underway. As you begin a new school year, we are winding down our fiscal year. This time of year can certainly be busy for everyone. Here is a list of tips that we hope will help make things run more smoothly:

1. All August reports and TEXNET deposits are due by **8 p.m. CST on Thursday, Sept. 6, 2018.**
2. All RP reports for the entire 2017-18 fiscal year MUST be at "Complete" status by **5 p.m. on Wednesday, Sept. 12, 2018.** Failure to bring your RP report to "Complete" status by the deadline will result in incorrect annual statements for your employees.
3. As mentioned, year-end processing is a very busy time at TRS. Your coach may not be able to immediately respond to you due to the volume of requests being submitted. If you need assistance, please call **or** email your coach **only once**. If you do not receive a response within two business days or if you are unsure of who your coach is, email reporting@trs.texas.gov. Please ensure that you include your four-digit TRS number in any email or voice message.

As a reminder, REs may remove non-eligible employees from the RP report if the RP record contains errors that are causing your report to be incomplete. This workaround applies for reports through August 2018.

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TIPS FOR NEW FISCAL YEAR PROCESSING

- Web Administrators: Please ensure that RE Portal contacts are up to date. End the contact records for those who are no longer serving in that role and add any new contacts – including the Head of Institution. For the list of additional responsibilities, please read our [Instructions for Web Administrators](#).
- Higher education REs are not required to report student employees on the RP report.
- Each report month is required to contain hours and days worked in the report month and pay received in the report month. The hours and days should not be based on the pay period. This applies both to the RP and Employment after Retirement (ER) reports.
- Reporting ER employment dates for a school year are not based on the retiree's contract with the employer, nor are all retirees required to be reported with employment dates of Sept. 1 – Aug. 31. Rather, they are based on the dates the retiree will be employed in a particular position and/or employment type during a fiscal year. The fiscal year is Sept. 1 – Aug. 31.
The Employment Type Code reflects the type of work a retiree performed in that specific report month. A retiree that will be working full time during some months, but half-time or less in other months should not be reported as working full time all fiscal year.
Additionally, if a retiree works as a substitute and substitutes in multiple position codes throughout the month, do not report a separate record for each position code. Instead, combine all substitute work under the retiree's primary position code.
- REs are not required to submit ED20 and ED40 records in September for all employees like REs were required to do in 2017. ED20s will need to be submitted for only new employees. ED40s will need to be submitted for all employees employed in the 2018-19 fiscal year.
Submit the ED40 records for returning employees as they begin their new contract.
- Submit ED90 records for all terminated employees.

STATE COMPTROLLER'S OFFICE ANNOUNCES TEXNET ENHANCEMENT

The National Automated Clearing House Association (NACHA) recently expanded the capability for moving ACH payments faster. Currently, ACH debit payments received through TEXNET are settled on the next business day.

Effective June 25, 2018: The TEXNET Payment Portal will allow for same-day settlement to payers who submit ACH debit payments of \$25,000 or less before 10 a.m. CST.

WHEN SURCHARGES ARE DUE FOR RETIREES WORKING MORE THAN ONE-HALF TIME

When a TRS retiree who retired after Sept. 1, 2005 works more than one-half time in a calendar month, the employer is required to pay surcharges to TRS for that month. In the 2018-19 school year, the pension surcharge is 14.5 percent of the compensation paid to that retiree in a given month. The TRS-Care surcharge is a monthly amount of \$535. Please use the "View Employee Information" link in the RE Portal to determine if the retiree retired before or after Sept. 1, 2005, and if the TRS-Care surcharge applies for a particular retiree.

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In an effort to help employers determine when the surcharges are triggered each month in the school year, the table below illustrates:

- 1) The total number of workdays available each month.
- 2) The number of hours a retiree may work or be on paid leave under the one-half time or less exception (four hours multiplied by the number of workdays in the calendar month). If a retiree's employment is measured in class hours or semester hours rather than clock hours, each hour of instruction in the classroom or lab counts as a minimum of two clock hours in order to reflect instructional time as well as preparation time.
- 3) The number of days a retiree who is combining substitute and one-half time or less employment in the same calendar month may work or be on paid leave without the employer incurring the pension and TRS-Care surcharges.

Month	Total Number of Workdays in Calendar Month	Number of Hours a Retiree Working One-Half Time or Less May Work Without Triggering Surcharges	Number of Workdays Retiree Combining Substitute and Other TRS-Covered Employment May Work Without Triggering Surcharges
September 2018	20 days	80 hours	10 days
October 2018	23 days	92 hours	11 days
November 2018	22 days	88 hours	11 days
December 2018	21 days	84 hours	10 days
January 2019	23 days	92 hours	11 days
February 2019	20 days	80 hours	10 days
March 2019	21 days	84 hours	10 days
April 2019	22 days	88 hours	11 days
May 2019	23 days	92 hours	11 days
June 2019	20 days	80 hours	10 days
July 2019	23 days	92 hours	11 days
August 2019	22 days	88 hours	11 days

Please refer any TRS retiree with questions about the amount of time the retiree is allowed to work or be on paid leave without affecting his or her annuity to a TRS Benefit Counselor.

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IRS SALARY CAP PROVISION FOR THE 2018-19 SCHOOL YEAR

Some highly paid members may have their annual creditable compensation limited in accordance with Section 401(a)(17) of the Internal Revenue Code. These limits affect individuals who joined TRS for the first time on or after Sept. 1, 1996. The annual limit is subject to indexing each plan year, based on federal regulations. Amounts excluded from creditable compensation under this law are not subject to member contributions and will not be used in calculating benefits.

Do not report an amount of salary in excess of the salary cap to TRS for those members who joined TRS on or after Sept. 1, 1996.

The cap is based on the TRS plan year of September through August and not the member's contract/work agreement year. Once the member's reported salary beginning with the September posting reaches the salary cap for that year, no further salary is to be reported until the following September which is the beginning of the next plan year. However, creditable days must continue to be reported for these employees after they have reached the salary cap.

For the 2018-19 plan year, the IRS 401(a)(17) annual creditable compensation limit (for a person who first becomes a member of TRS after Aug. 31, 1996) is **\$275,000**.

DELETION OF ELIGIBLE EMPLOYEES FROM RP REPORT

When TRS implemented the new reporting system last October, communication was sent to all REs regarding employees who were ineligible for TRS. If any ineligible employees were preventing reports from being completed, the RE had the option to remove the ineligible employees from the report without needing to submit adjustment records for them at a later date.

This only applied to employees who were not in TRS-eligible positions. If you removed TRS-eligible employees in error, then adjustments will need to be made prior to TRS fiscal year-end deadlines. Please review your records for any TRS-eligible employees who may have been removed from your RP report in error. RP25 records will need to be submitted in order to make any necessary corrections.

FTE OR FULL-TIME EQUIVALENT

TRS has received questions related to the field titled "Full-Time Equivalent" (FTE) on the ED40.

For TRS purposes:

- 1) FTE is defined as the number of hours per week that an employee must work to be considered full time in a particular position.
- 2) A total of 40 hours per week is the standard workload unless the RE has established a lesser requirement that does not require substantially less service per week. For example, some positions such as those held by support staff may require less than 40 hours per week. However, a full-time position can never be less than 30 hours per week.

Regardless of how many hours an employee actually works or is expected to work, the FTE is defined based upon the position, not the employee. The FTE field on the ED40 file format is a range between 30-40 hours. If the FTE for a position contains a fraction of an hour (i.e., 37.5 hours per week), round the FTE down to the nearest whole number (in this example, the FTE would be 37).

For example, an employee may only be scheduled to work 10 hours a week, but the position requires a full-time person in the same position to work 40 hours a week. On the ED40, an FTE of "40" would be reported for the person who is working 10 hours a week since the field is based upon the position that is being worked. In this case, an FTE of "00" should not be reported.

An FTE of "00" should only be reported when the position does not have an FTE. Please remember that for institutions of higher education, adjunct instructor positions should be reported with an FTE of "40" per TRS guidelines.

TRS' definition and usage of FTE for reporting purposes is separate from the definition provided by the Government Accountability Office (GAO).

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NEW TRS MEMBERSHIP CARDS MAILED

In a continuous effort to improve service to our members, we are pleased to announce that we are issuing official TRS Membership Cards to participants. Please notify your employees that they should expect to receive their new cards, by mail, this summer. Participants will find that their membership card can be a beneficial, convenient resource to use when communicating with us. It also serves as a tangible representation of being part of the TRS member community. The membership card includes information that will be helpful when contacting our Telephone Counseling Center and using the automated telephone system or speaking with a Benefit Counselor. Please note that the participant's name and unique Participant Identification Number (PID) are printed on the front of the card. The back of the card includes important information about our operating hours and toll-free numbers. If your employees have questions related to their new TRS Membership Card, please advise them to call 1-844-203-5280.

ALONG WITH ISSUING THIS CARD, WE ARE LAUNCHING A NEW AUTOMATED TELEPHONE SYSTEM IN SEPTEMBER. HERE'S WHAT TO EXPECT:

- When you call TRS, please be ready to provide personal information such as your PID, social security number, and date of birth.
- If you call from a telephone number that is currently on file with TRS, you will be able to easily authenticate your identity by providing your social security number.
- If you call from a telephone number that is not currently on file with TRS, you will be asked to provide personal information, including your PID, to authenticate your identity.
- There will no longer be a need to set up and maintain a Personal Identification Number (PIN).

HELPFUL TIPS:

- Keep this card in your wallet or another safe, convenient place.
- File this helpful information with your other important TRS records.
- **Please note:** This card is **not** related to your health insurance card and **cannot** be used in place of your health insurance card.

NOMINATIONS SOUGHT FOR TRS BOARD OF TRUSTEES PUBLIC SCHOOL DISTRICT EMPLOYEE POSITION

TRS is now accepting nominations for eligible members to qualify as candidates for the election of the Public School District Employee position on the TRS Board of Trustees. The term begins as early as Sept. 1, 2019 and ends Aug. 31, 2025.

For the first time, TRS is offering two ways in which a nominee may collect the required 250 signatures of eligible members for nomination. An eligible member for this election is a current employee of a public school district, charter school, or regional education service center.

A nominee may collect the 250 signatures electronically by declaring his/her interest to become a nominee to the [Secretary to the Board of Trustees](#). Once the member's eligibility is validated, the member's name will be posted on the [nomination site](#) where the nominee may direct eligible members to sign the nominee's electronic petition. The names of nominees will be listed on a first-come, first-listed basis. To sign the electronic petition, eligible members will need to provide identifying information in order to verify their eligibility to sign the petition. The process is easy and only takes a few minutes. For an electronic petition, the nominee does not need to submit anything further to TRS but must have 250 eligible member signatures by Jan. 21, 2019 to be considered a candidate.

TRS will also continue to allow nominees to collect 250 signatures of eligible members with paper petitions. TRS must receive the nominee's paper petitions no later than Jan. 21, 2019. You may download a [petition \(pdf\)](#) from the Resources section on the Nominations for TRS Board of Trustees Public School District Employee position page on the [TRS website](#); or if you do not have access to a printer, please contact the [Secretary to the Board of Trustees](#) to request a petition be mailed to you.