

TEACHER RETIREMENT SYSTEM of TEXAS

UPDATE

OUTSOURCING SUBSTITUTES

TRS has recently received questions regarding outsourcing substitutes for some or all positions to a third party.

If a Reporting Entity (RE) enters into an agreement with an outside party to provide substitutes for a particular position type, that position would be considered 100 percent outsourced if the outside party provides all of the substitutes for that position type. The substitutes under this contract would not be employees of the RE; instead, they would be employed by the third party.

For example, if an RE outsources all their teacher substitutes (position code 02) or all their bus driver substitutes (position code 04), these positions would be considered 100 percent outsourced and the substitutes would not be employed by the RE.

Thus, the reporting requirements are as follows:

Active Participants (non-TRS retirees)

Active substitutes employed by the third party should not be reported on the Employee Demographic or Regular Payroll (RP) reports, as they are not employed by the RE.

NOTE:

The RE and the third party should also make sure that non-retiree substitutes understand they will not be able to purchase service credit for their work as substitutes under this contract. They are not working for a TRS-covered employer. They are working for the third party providing all substitutes for the position type.

TRS Retirees

Do not report the retiree substitutes as working for a third-party entity if the type of position in which they are substituting is 100 percent outsourced to the third party.

Similarly, the retiree substitutes employed by the third party do not need to be reported as independent contractors during the first 12 months after their retirement for Employment After Retirement (ER) purposes. This is because the retirees are not performing work that an RE employee would otherwise perform since substitutes for that position type are outsourced.

If an employee of the third party is not performing work that would qualify as substitute work as defined under TRS laws and rules, or the RE is not outsourcing 100 percent of the position, that work would need to be reported to TRS in accordance with TRS laws and rules as applied to each individual case.

REPORTING INTERSESSION CONTRACTS FOR YEAR-ROUND SCHOOLS

TRS established position code 09 for Independent School Districts (ISDs) to use for employees working summer school when their regular school year contract was subject to Statutory Minimum Contributions. Position code 09 enabled REs to report the summer school work and pay as “wholly separate” and not subject to Statutory Minimum. Due to House Bill 3 passed in the 2019 legislative session, position code 09 will also be used by charter schools beginning in FY20.

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REPORTING INTERSESSION CONTRACTS FOR YEAR-ROUND SCHOOLS *continued*

This position code 09 was originally intended to be used only during summer school. However, it has come to TRS' attention that year-round schools with intersessions also need a method to report the intersession work as wholly separate from the regular school year contract. Thus, position code 09 will be used for these intersession contracts as well.

Use of position code 09 for contracts outside of summer school will be limited to year-round schools only and will require an override by the reporting coach.

REPORTING TIME WORKED FOR EMPLOYEES

The start of a new fiscal year is an opportunity to review RE processes and ensure that your data is being reported correctly. A common concern that TRS discovers relates to how REs submit time worked on their monthly reports.

As a reminder, the days and hours worked on the RP and ER reports *must* reflect the work actually performed in that month and not the time paid in that month.

To clarify, if an employee performs work in August but does not receive compensation for that time until September, the days and hours worked in August must be included on the August report period. The days and hours worked in August must not be reported as time worked in September when it is paid.

Reporting the time worked when it is paid, rather than when it is actually performed, can prevent members from earning a creditable year of service with TRS. In addition, for ER reporting it may cause entities to overreport surcharges as well as possibly affect the retiree's annuity check.

TEMPORARY EMPLOYMENT VS. PART-TIME EMPLOYMENT

For TRS purposes, temporary employment is when the length of the employment is expected to last *less than* four and one-half months. Employment that is sporadic, seasonal, or irregular but is expected to take place over the entire fiscal year should be categorized as "Less than Half Time" rather than "Temporary."

If a person is expected to be employed in any capacity for four and one-half months or longer, they should not be classified as a temporary employee for TRS reporting purposes.

UPDATED PAYROLL MANUALS

TRS completed an extensive update to the Payroll Manuals for Public School and Higher Education entities. The updated manuals feature:

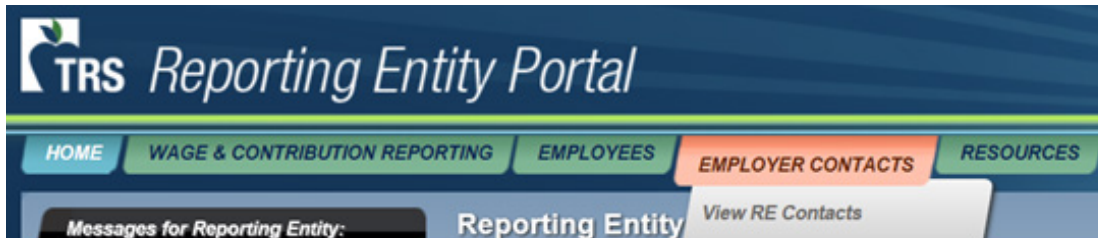
- Hyperlinked table of contents
- Four topic-specific sections
 - General Reporting Requirements
 - Active Employee Reporting
 - TRS Retired Employee Reporting
 - Additional Reporting Information
- New and expanded examples

TRS encourages REs to utilize the new Payroll Manual as a resource for reporting questions. The updated manuals can be found on the TRS website (www.trs.texas.gov) underneath the Reporting Entities banner and under RE Portal Resources.

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VIEWING RE CONTACTS

When viewing the contact list for your RE on the RE Portal, the home page displays all people who are or have been contacts at any time. In order to filter to see only the current active contacts, click on the “Employer Contacts” tab and select “View RE Contacts.”



Then, you will be able to filter on Active contacts, Inactive contacts, or All contacts.



We must keep a history of all those who have ever been a contact for audit purposes. Therefore, if someone is no longer an RE contact, their information will appear under the Inactive and All sections.

SPREAD THE WORD – DOWNLOAD THE TRS-ACTIVECARE MOBILE APP TODAY

The TRS Health App, powered by Aetna, provides everything your employees need in one place related to their TRS-ActiveCare medical and pharmacy benefits offered through Aetna and CVS Caremark. By downloading the TRS Health App, participants have access to:

- ID cards
- benefit information
- health and wellness information
- 24/7 access to a family medicine doctor through Teladoc
- key TRS Health-related contacts all in one location
- Aetna Health Concierge team by the “click to call” feature

To Download the TRS Health App:

1. From your smartphone, go to Google Play or the Apple App Store and search for your “**TRS Health App**.”
2. Install “**TRS Health App**” and open the app.
3. Create your login credentials.

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NEW BENEFIT ENHANCEMENTS TO TRS-CARE

The 86th Texas Legislature provided additional funding to sustain TRS-Care through 2021. As a result, TRS-Care participants will not see an increase in premiums in 2020. While there have been no changes to the TRS-Care premiums, there have been benefit enhancements added to both TRS-Care plans.

TRS-Care Medicare Advantage Participants

As part of a new benefit enhancement for the TRS-Care Medicare Advantage plan, starting Jan. 1, 2020, the deductible for primary care physician (PCP) visits will be waived. Members will now only pay a \$5 copay for any non-preventive care service (sick visits) from a PCP. While the PCP copay will not apply to your deductible, it will still apply to the maximum out-of-pocket (MOOP) costs.

TRS-Care Standard Participants

Starting Sept. 1, 2019, TRS-Care Standard participants will continue to have access to family medicine physicians through Teladoc at a lower copay of \$30, down from \$40. TRS-Care participants will also have access to mental health services through Teladoc. Participants who are 18 or older can receive confidential care for conditions such as anxiety and depression from a psychiatrist, psychologist, licensed therapist, or certified substance abuse counselor. Psychiatrists are the only behavioral health providers who can prescribe and are currently prescribing from a limited list of medications, including antidepressants. Consults scheduled with a psychiatrist are \$185 for the initial evaluation and \$95 for the ongoing visits. Visits scheduled with a therapist, psychologist, or substance abuse counselor are \$85. Participants will also have access to nutrition counseling from a registered dietitian through Teladoc starting Jan. 1, 2020 for \$59.

In addition to these expanded telemedicine benefits, TRS-Care retirees' **non-covered** family members can also use Teladoc's general medical services starting Sept 1, 2019.

INTRODUCING TRS-ACTIVECARE'S TELADOC BEHAVIORAL HEALTH PROGRAM

Beginning Sept. 1, 2019, TRS-ActiveCare participants will have access to mental health services through Teladoc. Participants who are 18 or older can receive confidential care for conditions such as anxiety and depression from a psychiatrist, psychologist, licensed therapist or certified substance abuse counselor. Psychiatrists are the only behavioral health providers who can prescribe and are currently prescribing from a limited list of medications, including antidepressants. Consults scheduled with a psychiatrist are \$185 for the initial evaluation and \$95 for the ongoing visits. Visits scheduled with a therapist, psychologist, or substance abuse counselor are \$85.

UPDATED TRS 7 FORM

An updated version of the Notice of Final Deposit before Retirement and School Official Certification of Salaries (TRS 7) became available on Aug. 25, 2019. The updated version will be included with retirement packets sent to members from now on. The prior version of the form will continue to be accepted.

Summary of Changes

- The participant's middle initial will now display.
- A new question was added so that an RE can indicate if the participant was in a TRS-eligible position in the last school year of employment. If you indicate "No" on the form, you only need to include the termination date for the employee.
- The new form clarifies that the annual salary listed on the form should represent the compensation paid between Sept. 1 through the termination date.

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UPDATED TRS 7 FORM continued

FAQS on TRS 7

The TRS 7 is one of the forms included in the retirement packet if a member has worked in the current or prior school year. Members are instructed to give this form to their TRS-covered employer, and an authorized official of the employer must complete the form. TRS uses the information provided on this form to correctly determine a member's final annual salary and eligibility for retirement; therefore, it is important that reporting officials provide the information requested on this form to TRS in a timely and accurate manner.

What does TRS do with this form?

TRS uses the information provided on the TRS 7, in part, to determine if a member is eligible for the retirement date he or she has selected. One of the requirements to retire from TRS is that a member must terminate all employment with TRS-covered employers by the member's retirement date. This includes employment as a substitute and non-TRS-eligible employment. TRS also uses the TRS 7 to determine the amount of creditable compensation in the member's final year of TRS-covered employment. This salary information is needed to accurately calculate the member's annuity.

How should a TRS-covered employer certify the member's effective date of resignation/termination on the TRS 7? Is the "Effective Date of Resignation/Termination" the date the person resigned, or the person's retirement date?

The effective date of resignation/termination is the date that the member terminates the employment relationship with the employer and all employment with the TRS-covered employer ceases. A member must terminate all TRS-eligible and non-eligible employment before retirement. A member has not officially terminated employment with a TRS-covered employer if the member is working or on paid or unpaid leave with the TRS-covered employer. For example, a member may turn in a letter of resignation to terminate employment at the end of the day on July 31. This member may stop working on July 25 and remain on paid or unpaid leave through his or her date of resignation; however, the member's effective date of resignation/termination should be certified as July 31 on the TRS 7.

For the purpose of determining eligibility for retirement, a member who has a contract or agreement for future employment with a TRS-covered employer has not terminated all employment with a TRS-covered employer. A member who has not terminated all employment with TRS-covered employers is not eligible to retire and is not eligible to receive any benefit related to retirement. There is one exception to this requirement: A person who is eligible for normal-age retirement may have a contract for future one-half time or less employment, or a contract for future full-time employment that begins after a 12 full, consecutive-calendar-month break in service with all TRS-covered employers.

What dates should a TRS-covered employer certify as the semester dates on the TRS 7?

If you are a TRS-covered employer operating under a calendar with defined semesters, the semester dates certified on the TRS 7 should be the beginning and ending dates of the fall and spring semesters. TRS uses this information to determine if a member has rendered enough service to earn a year of service credit in the final school year prior to retirement.

How should a TRS-covered employer certify the member's final annual salary and final report month on the TRS 7?

The TRS 7 instructs reporting officials to include all creditable compensation earned between the beginning and ending dates of an employee's contract or work agreement during the final year of employment. TRS recognizes that many employers have not paid all of the compensation due to an employee by the employee's effective date of resignation/termination; however, reporting officials should include creditable compensation earned, but not yet paid, by the employee's effective date of resignation/termination in the final annual salary amount. The final deposit and month should reflect the amount of the final member contribution the TRS-covered employer will submit on behalf of the member and on which monthly report it will be included. This amount should exclude any TRS-ActiveCare contributions or other payroll deductions submitted on behalf of the member to TRS.

NOTE:

It is very important to complete the Final Report Month field correctly. Beginning September 2015, all REs were required to report salary in the month it is paid, regardless of when it was earned. Please ensure that the Final Report Month field is completed based on the employee's final pay date, not based on the employee's termination date. The final report month is important for the timing of the member's first annuity payment(s).

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UPDATED TRS 7 FORM continued

Is the annual salary requested on the TRS 7 based on a member's contract dates or TRS fiscal year?

The annual salary listed on the TRS 7 should reflect the TRS-eligible compensation that was paid during the TRS fiscal year of Sept. 1 through Aug. 31 or the participant's termination date, whichever is earlier.

What is non-creditable compensation that has been converted to salary, and how should a TRS-covered employer certify it on the TRS 7?

TRS must exclude from benefit calculations any otherwise eligible compensation amounts that have been converted from non-creditable compensation to eligible salary and wages during any of the last three or five school years prior to a member's retirement (depending on the number of years used in the member's final average salary computation at retirement).

Conversion occurs when an employer agrees to begin paying a member with creditable compensation for services performed that were previously paid by that employer with non-creditable compensation. For example, if in the prior year contract, a TRS-covered employer identified a portion of the member's compensation as a car allowance or cell phone allowance (non-creditable compensation) and then in the current year contract includes this compensation as base salary and not as a car or cell phone allowance, the previously ineligible compensation (the allowance amount) has been converted to creditable compensation (base salary). If the conversion occurred in the last three or five school years prior to retirement, the amounts converted to base salary will be excluded from the calculation of the member's final average salary. The amounts converted to eligible salary and wages would need to be certified on the TRS 7 if the conversion took place in any of the final five school years prior to retirement.

Employers should submit member contributions on converted amounts because until the member retires, TRS does not know whether the converted amounts will be included in the member's annual compensation for benefit calculation purposes. If the converted compensation is not used in the benefit calculation, TRS will refund the member contributions on the converted amounts to the member.

To certify the non-creditable compensation on the TRS 7, mark "Yes" that non-creditable compensation has been converted to salary, include the amount of conversion per month and the beginning month/year of the salary conversion.

Who at the entity can complete/sign the form?

Any individual that has signature authority in the TRS RE Portal can complete a TRS 7.

Can the TRS 7 be faxed to TRS?

At this time, TRS is unable to accept the TRS 7 via fax. In the future, reporting officials will be able to submit the information needed on the TRS 7 via the TRS RE Portal much like a refund certification. This enhancement will be rolled out with Phase 2 of our new pension line-of-business system. Please watch for more information on Phase 2 in future editions of the TRS Update.

Is a TRS 7 required if a member has only been a substitute/in a non-eligible position in the current or previous school year?

Yes. If a TRS member was employed by a TRS-covered employer in any position regardless of TRS eligibility during the school year in which they retire or the previous school year, a TRS 7 is needed. TRS members must terminate all employment with all employers in Texas public education, including employment as a substitute, regardless of whether it is a paid position or not. Indicate that the member was not in a TRS membership eligible position and include the member's effective date of resignation/termination.

When should the TRS 7 be submitted to TRS?

Submit the TRS 7 only after the correct final earned salary is confirmed. Do not submit the TRS 7 any earlier than the retirement month.

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UPDATED TRS 7 FORM *continued*

Is it OK to pay the person out over the summer, or do we have to pay them everything at the end of the school year?

Yes, either way is acceptable to TRS as long as the TRS 7 reflects the correct resignation/termination date and final report period. For example, if a member terminates employment at the end of May and receives pay through the end of August, retirement payments representing the months of June, July and August would typically be issued during the first few days of September as long as all other required documentation has been received. TRS strives to issue the first annuity payments within 31 days from the later of the retirement date, final report month, or date the final documentation/form is received.

If I made a mistake on the dates or salary, how can I make corrections?

On the TRS 7 that was originally submitted, mark a single line through the incorrect information, note the correct information, and initial the correction. At the top of the TRS 7, write "Revised." Send the revised TRS 7 to TRS.

Should the entire salary be reported on the TRS 7 even if it includes ineligible pay?

No. The TRS 7 should only reflect eligible compensation; do not include ineligible compensation.
