



Texas Retired Teachers Association

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Teacher Retirement System Fact Sheet

Texas Retirement System History

1. In 1936, the Teacher Retirement System of Texas (TRS) is a pension trust fund that was established in the Texas Constitution.
2. In 1937, the Texas Legislature passed a law establishing TRS as the public entity to administer that trust fund.
3. The Texas Constitution provides for a member contribution rate of no less than 6% and a state contribution rate in the range of 6 to 10 %.
4. In 1993, Consumer Price Index (CPI) catch-up was initiated.
5. In 1995, the legislature passed a law clearly defining the role of TRS as follows: "The purpose of the retirement system is to invest and protect funds of the retirement system and to deliver benefits provided by statute, not to advocate or influence legislative action or inaction or to advocate for higher benefits".
6. In 1995, CPI Phase 2 was passed.
7. In 1996, the TRS fund was doing well and fully funded. The legislature lowered the state contribution rate to lowest permitted by law 6%.
8. In 1997, phase 3 of CPI was granted.
9. In 1999, Phase 4 of CPI Catch-up was granted and the multiplier was changed to 2.2.
10. In 2001, an annuity increase was granted.
11. In 2005, Senate Bill 1691 changed the rules for retirement and re-employment.
12. In 2007, HB 1846 TRS authorized a 13th check (no more than \$2400) for those who retired as of December 31, 2006 and changed the rule for return to work for those who retired before September 2005.
13. In 2007, HB 1846 the State contribution rate was raised to 6.58%. It also prohibits that the state contribution rate could not be less than the active member's contribution.
14. In 2009 Governor veto HB 2656 which would allow one more retiree on TRS Board of Trustees. This bill passed the House and Senate without a dissenting vote.
15. In 2009 Attorney General ruled the TRS annuitants could not receive a \$500 payment. The money will go into TRS Pension fund and raise the state contribution to 6.644% in January 2010. The State Contribution rate from September 2009 to December 2009 was 6.4%

Texas Retirement System History of Contribution Rates

Fiscal Year	State Contribution Rate	Member Contribution Rate	Total Contribution Rate
1980-83	8.50%	6.65%	15.15%
1984-85	7.10%	6.00%	13.10%
1986-87	8.00%	6.40%	14.40%
1988-89	7.20%	6.40%	13.60%
1990-91	7.65%	6.40%	14.05%
1992-95	7.31%	6.40%	13.71%
1996-2007	6.00%	6.40%	12.40%
2007- 2009	6.58%	6.4%	12.98%
September – December 2009	6.40%	6.40%	12.80%
January 2010-	6.644%	6.40%	13.044%

Texas Retirement System Board of Trustees

1. The system is governed by a nine-member board of trustees appointed by the Governor with the approval of the Texas Senate.
2. The nine trustees serve six-year terms that are staggered.
3. The Board of Trustees consist of:
 - Three trustees are direct appointments of the governor.
 - Two trustees are appointed by governor from a list prepared by State Board of Education.
 - Two trustees are appointed by the governor from the three public school district active member candidates who have been nominated for each position by employees of public school districts.
 - One trustee is appointed by the governor from the three higher education active member candidates nominated by employees of institutions of higher education.
 - One trustee is appointed by the governor from the three retired member candidates who are nominated by retired TRS members.
4. Present Board of Trustees and dates of term completion:
 - **Appointed by Governor**
 - 1) R. David Kelly- 2011, Dallas, Chairman of Board
 - 2) Todd Barth- 2015 Houston
 - 3) Robert P. Gauntt-2013, Missouri City
 - **Appointed by Governor from a list prepared by the State Board of Education**
 - 1) Eric C. McDonald-2013, Lubbock
 - 2) Christopher Moss- 2015, Lufkin
 - **Appointed by the governor from the three public school district active member candidates who have been nominated for the position by employees of public school districts.**
 - 1) Nanette Sissney 2015, Whitesboro

- 2) Charlotte Clifton- 2013, Snyder
 - ***Appointed by governor from the three higher education active member candidates nominated by employees of institutions of higher education.***
 - 1) Philip Mullins-2011, Austin
 - ***Appointed by the governor from the three retired member candidates who are nominated by retired TRS members.***
 - 1) Linus D. Wright, Vice Chairman-2011, Dallas
5. The Board of Trustee is responsible for the administration of the system under provisions of the state constitution and laws.

Texas Retirement System Philosophy

We are dedicated to professional, accurate, timely, and cost-effective delivery of services and benefits to members and annuitants. We are sensitive, caring, and fair to those we serve and to our co-workers. We take pride in the work we perform and strive to continuously improve. We are open, responsive, and ethical in the conduct of business with members, annuitants, government officials and the public.

Texas Retirement System Responsibilities

1. Paying benefits as authorized by law to members and beneficiaries in a timely and efficient manner.
2. Collecting and maintaining records of member contributions.
3. Maintaining records of financial transactions and reporting them to the state and TRS members.
4. Collecting state employer contributions.
5. Investing the pension fund prudently to pay benefits provided by law.
6. Administering the retirement plan to promote actuarially sound system.

Texas Retirement System Funding

1. TRS retirement plan benefits are funded by members, state, and employer contributions to the trust fund and by earnings on the investment of the fund.
2. Contribution rates for active members and the state are established by the Texas Legislature with in the range specified by the Texas Constitution.
3. Texas Constitution specifies that the state contribution must be no lower than 6% or higher than 10%.
4. State contribution rate is 6.644%.
5. Member rate is 6.4%.
6. Employers' rate is 6.644%.

There are 2 types of retirement plans. TRS is a defined benefit plan. This designation means that the amount of the benefits you are paid is determined under a formula established by law. You are guarantee only the amount you retire with as annuity. There are not standard of living increases built in your annuity. The TRS pension fund has to be actuarially sound for a pension increase. The differences in the two type plans are explained in the following.

Texas Retirement System Plans

1. **Defined Benefit Plan**
 - You cannot outlive your benefits.

- Funds are managed by TRS investment professionals.
 - Its benefits are based on age at retirement, years of service, and highest salaries.
 - It is not based on balance of your account.
2. **Defined Contribution Plan**
- It is based on the amount in your account.
 - It depends on your ability to invest it.
 - It generates unpredictable income.
 - You can outlive your benefits.

Legislation Affecting the Texas Retirement System

1. **Senate Bill 9**

Passed by the 74th Legislature in 1995 clearly defined the role of TRS as follows: "The purpose of the retirement system is to invest and protect funds of the retirement system and to deliver benefits provided by statute, not to advocate or influence legislative action or inaction or to advocate for high benefits."

2. **Senate Bill 1691** passed by 79th Legislature that changed retirement eligibility and benefit calculation.

- **For those not grandfathered:**

- 1) Final Average Salary at retirement will be determined by the highest 5 years instead of 3 years of salary.
- 2) Subsidized early retirement is eliminated in most instances by repeal of Section 824.202©, Texas Government Code. Early retirement is still allowed at age 55 with 5 years of service or at any age with at least 30 years of service, but with an actuarial reduction in annuity.
- 3) Partial Lump Sum Option eligibility requires a combine age plus years of creditable service that equals at least 90("Rule of 90").

- **Grandfather:**

- 1) The previous provisions exempt current TRS members, if they meet any one or more of the following criteria on August 31, 2005:
- 2) At least 50 years old, or
- 3) Age and years of service equal at least 70("Rule of 70"), or
- 4) Have at least 25 years of service credit
- 5) Retirement at age 60 for Future Members:
- 6) Although current TRS members (if they maintain membership status) should not be affected, those who established TRS membership on or after 9/1/07 and meet the Rule of 80(where combined age plus years of creditable service equal at least 80) must be at least age 60 at the time of retirement to qualify for an unreduced annuity. Members choosing to retire before age 60 will have a 5% annuity reduction for each year under age 60.

3. **Senate Bill 1846**

- Increases the state contribution to 6.58%.
- Prohibits the state contribution rate from being less than the active member contribution.
- Authorizes 13th check contingent on the pension fund's actuarial soundness.
- Limits the 13th check to no more than \$2400.
- Allows the TRS board of Trustees to increase active teacher contribution to 6.58%.
- Allows retirees to return to work without a school district surcharge penalty for their reemployment if they retired between January and September 1, 2005.

4. **HB 3347**

1. It was ruled unconstitutional by the Attorney General Abbott. Hence retirees did not get a \$500 supplemental payment.

2. The Attorney General ruled the supplement payment money would go into TRS pension trust fund and raise state contribution to 6.644%.

Employment After Retirement

Local employers will be required to contribute to the pension fund an amount for each retired employee based on the combined state and member contribution rates; plus, they must pay the difference between the retiree's premium to TRS-Care and the actual cost of the coverage as determined by TRS.

1. **Grandfather provision**

- Local employer payments as described do not apply for retired employees reported by the district to TRS as working for employer in January 2005.

2. **Tax Status**

TRS plan of retirement benefits is administrated as qualified retirement plan under the provisions of the U.S. Internal Revenue Code Section 401(a). Members benefit in several ways from TRS' tax-qualified status:

- Members' contributions are made on a pre-tax basis, meaning that at the time you receive your salary, you do not pay federal income tax on the portion of your salary used to make the contribution. Federal income tax on the contribution is deferred until you receive a distribution from TRS.
- Interest that is added to member contribution accounts each year is tax-deferred until it is distributed.
- The retirement benefit that you may be eligible to receive is taxable income only for the year in which it is paid.
- Certain benefits payable to member, retiree, spouse, alternate payee, or beneficiary may be eligible for continued tax deferral through provision of federal tax law that allow rollovers to another eligible retirement plan.

Texas Retirement System Health Benefits

TRS administers 3 health plans. These programs are separate from the TRS retirement plan and have different eligibility requirements. These plans are:

1. TRS-Care, the health benefit program for eligible retirees;
2. TRS-Active Care, the health benefit program for eligible public school employees; and
3. TRS long-term care insurance, the insurance program that provides funds to assist the long-term care and is available to eligible TRS members, retirees, and certain members of their families.

TRS-Care

TRS-Care health benefits for eligible public school retirees are funded by a separate trust fund. TRS-Care fund receives contributions from active employees of Texas public schools, the State of Texas, the public schools themselves (including school districts and open enrollment charter schools), and the retirees who are participants. Active employee, public school, and state contribution rates are established by legislature. The TRS Board sets the retiree premiums. (Retiree contributions paid as premiums are set by the TRS Board of Trustees.) Medical benefits under TRS-Care are administered by Aetna Life Insurance Company; Caremark Inc. administers the pharmacy benefit under TRS-Care 2 and

TRS-Care 3. Eligibility requirements for retiree health benefits continue to experience changes as summarized below.

Service Retirees who retire after September 1, 2007

To be eligible for TRS-Care, the member must have at least 10 years of service credit in TRS. This service credit may include up to five years of military service credit, but it may not include any other special or equivalent service credit purchased. Additionally, the members must meet one of the following requirements:

- The sum of the retiree's age and years of service credit in TRS equal or exceed 80 at the time of retirement, regardless of whether the retiree had a reduction in the retirement annuity for early age(years of service credit can include all purchased service); or
- The retiree has 30 or more years of service credit in the retirement system at the time of retirement. (Years of service credit can include all purchased service.)

TRS-Active Care

Medical benefits under TRS-Active Care are funded by state and employer contributions and premiums paid by participants and administered by Blue Cross and Blue Shield of Texas; Medco Health Solutions, Inc. administers the Pharmacy benefits. TRS-Active Care offers a choice of three preferred provider organization (PPO) plans statewide. Also alternate coverage under health maintenance organizations (HMO) is available in certain service areas to eligible TRS-Active Care participants.

Long-term Care

Aetna Life Insurance Company also underwrites the group long-term care insurance program for active TRS members, TRS retirees, and certain family members that are funded by premiums paid by participants. Under this plan eligible individuals may apply for completely portable long-term care insurance coverage at favorable group rates.

Terms

There are many terms that are used to describe concepts, legislative activities, financial information, and many other aspects pertaining to the Teacher Retirement System and your retirement benefits. This list helps define some of those terms.

Amortization period—a measure of time that is needed to gradually reduce the outstanding pension debt needed for the payment of future retirement benefits.

Actuarially Sound—A term that is applied to the TRS pension trust fund when it is able to amortize its long-term liabilities within a 31-year timeframe. Actuarially unsound (also "not actuarially sound")—A period of time to pay down the pension fund's outstanding funding debt that exceeds a 31-year period.

Annually Required Contribution (also "ARC)—the amount of State contribution required to maintain the actuarial soundness of the TRS pension trust fund as determined by the TRS Board of Trustees and the TRS actuaries.

Ad hoc raise—a one-time increase in a pensioner's annuity that permanently increases the annuity's value.

13th Check (also “one time additional payment)—the distribution of an additional annuity payment to pensioners. Often, 13th checks are NOT guaranteed from year-to-year, but are rather approved by the legislature when additional and permanent annuity increases are deemed too expensive.

Cost of Living Adjustment (or COLA)—an ongoing, permanent increase in a pensioner’s annuity. This increase is generally further broken into two categories:

1. **Simple**—an increase that is based on the pensioner’s original annuity and adds that same amount year after year.
2. **Compound**—an increase that builds from year to year.

Sources of Information

TRS Benefits Handbook- available from TRS

TRS Web Site- www.trs.state.tx.us

TRS Brochures available on TRS Web Site

TRS Service Credit

Requesting a Refund

TRS/ERS Transfer

Partial Lump Sum Option

History of Benefit Improvements

Employment After Retirement

TRS Automated Telephone System

TRS-Care Highlights of the Plan

TRS- A Great Value for All Texans

Last updated on June 2010.