

Teacher Retirement System of Texas
Changes Effective September 1, 2005
(unless otherwise noted, and pending action by the Governor)

NOTE: Additional information including further clarification will be posted on the TRS web site, www.trs.state.tx.us, as it becomes available.

Service Retirement Eligibility and Benefit Calculation

For those *not* grandfathered:

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

Grandfather: *The above provisions exempt current TRS members, if they meet any one or more of the following criteria on August 31, 2005:*

- ❑ *at least 50 years old, or*
- ❑ *age and years of service equal at least 70 (“Rule of 70”), or*
- ❑ *have at least 25 years of service credit*

Retirement at Age 60 for Future Members:

Although **current TRS members** (if they maintain membership status) **should not be affected**, those who establish TRS membership on or after either 9/1/06 or 9/1/07 as applicable (to be determined) 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.

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 (currently 12.4%); 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.
 - **Grandfather provision:** Local employer payments as described above do not apply for a retired employee reported by the district to TRS as working for that employer in January 2005. The payment is also waived in the event of district consolidations before

9/1/05, if the retired employee was reported by either district as working for that district in January 2005.

- ❑ District reporting to TRS of retired employees will continue and is now expressly required by law.
- ❑ Effective with retirements after September 1, 2005, retired employees who work as bus drivers will not have their annuities withheld provided this employment is their primary employment with the TRS-covered employer.
- ❑ Nursing faculty will be allowed employment after retirement (in a professional nursing program with a TRS-covered employer) without loss of annuity if they have been separated from TRS service for at least 12 months.

Special Service Credit Purchases

- ❑ Credit Purchase Option (“Air time”) is repealed as of January 1, 2006. Members may either purchase the service credit or enter an installment agreement for purchase by 12/31/05.
- ❑ Out-of-state service credit purchases will require actuarial contributions after January 1, 2006.
 - **Grandfather provision:** Individuals who are TRS members as of December 31, 2005, who also have service in another state before January 1, 2006 can purchase TRS out-of-state service credit at the current reduced cost.
- ❑ All special service credit purchases will count for TRS-Care eligibility.
 - Those who retired between September 1, 2004 and August 31, 2005, (during the period when special service credit did not count toward TRS-Care eligibility) may be reconsidered on a prospective basis under more favorable eligibility criteria after August 31, 2005, including the applicable premium amount.
- ❑ Installment payments are now allowed for all types of service credit purchase (except unused sick leave that must be bought at retirement.)

Pension Plan Membership

The 90-day membership waiting period will expire as scheduled on September 1, 2005. Local employers will then pay an amount to the TRS pension fund equal to the state contribution (currently 6%) during the first 90 days of a new member’s employment.

DROP

The Deferred Retirement Option Program is being discontinued, and the deadline for new participation is December 31, 2005. Current participants are unaffected. In addition, there will be a window for DROP revocation from September 1 to December 31, 2005, for those with DROP participation by September 1, 2005, but not yet retired.

Contributions to TRS-Care (Retiree health care)

Effective September 1, 2005, the active member contribution to TRS-Care will increase from .5% to .65% of salary. In addition, the local employer contribution to TRS-Care will increase from .4% to .55% of payroll.

The changes outlined above are enacted by various provisions in the following legislation.
SB 1, SB 132, SB 1691, SB 1863, HB 3169