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Teacher Retirement System: Retire/Rehire

Rebecca M. Smith
Assistant General Counsel
Teacher Retirement System of Texas

Author contact information:
Teacher Retirement System of Texas
1000 Red River St.
Austin, Texas 78701
512-542-6506

TEACHER RETIREMENT SYSTEM: RETIRE/REHIRE

ABOUT TRS

The Teacher Retirement System of Texas (TRS) is a trust fund that was established in the Texas Constitution in 1936. TRS is the agency that administers the trust fund. The system is governed by a nine-member board of trustees appointed by the governor with the approval of the Texas Senate. Trustees, who serve staggered six-year terms, include active and retired employees of public schools and higher education, complemented by appointees having relevant business experience.

The TRS plan of benefits is administered as a qualified plan under the provisions of the U.S. Internal Revenue Code Section 401(a). This benefits members in several ways:

- Member contributions are made on a pre-tax basis allowing federal income tax on the contributions to be deferred until a distribution is made by TRS.
- Interest that is added to the member contribution accounts each year is tax-deferred until it is distributed.
- The retirement benefit is taxable income only for the year in which it is paid.
- Certain benefits payable to a member, retiree, spouse, or alternate payee may be eligible for continued tax deferral through the provisions of the federal tax law allowing rollover to another eligible retirement plan.

As a qualified plan, TRS must be maintained and administered for the exclusive benefit of the participants and their beneficiaries.

The TRS retirement benefit plan is a defined benefit plan. This means that the amount of benefit paid is determined under a formula established by law. Following formula rules and upon attaining eligibility for retirement, a member may apply to receive a particular monthly benefit without regard to the amount of member contributions during TRS membership. The standard annuity is the maximum payment for TRS retirement benefits. It provides for the retiree to receive a maximum amount each month ending upon the retiree's death. The standard annuity is calculated using the following formula:

1. Average of the Highest Three Annual Salaries (based on creditable compensation)
2. Total Years of Service Credit X 2.3%= Total %
3. Total % X Average Salary= Annual Annuity
4. Annual Annuity divided by 12= Monthly Standard Annuity

The standard annuity may be further reduced due to early age, optional retirement plan selected, or other reductions required by law.

As a governmental pension plan, TRS is not an “ERISA” plan under the federal Employees Retirement Income Security Act of 1974.

TRS also administers several other programs established by state law, including

- TRS-Care, the health benefit program for eligible public school (K-12th grade) retirees,
- TRS-ActiveCare, the health benefit program for public school employees,
- TRS-long-term care insurance available to eligible TRS members, retirees, and certain members of their families; and
- Compensation supplement for public school employees.

TRS pension benefits are funded by member and state contributions to the Teacher Retirement System of Texas trust fund, and by earnings on the investments of the fund. In some cases, the employer pays a part of the state contribution. Contribution rates for active members and the state are established by the Texas Legislature, within a range specified by the Texas Constitution. The member contribution rate is applied to the member’s eligible monthly compensation, and the state contribution rate is applied to the aggregate eligible compensation of all members during a fiscal year. The Texas Constitution requires that financing of benefits be based on sound actuarial principles.

The TRS-Care health benefits for public school retirees are funded by a separate trust fund through contributions to TRS-Care 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 the legislature.

GENERAL INFORMATION ABOUT RETIREMENT

A member is eligible to retire and begin receiving a monthly service retirement benefit from TRS when the minimum requirements for age and service credit are met and the member ends all employment with a TRS-covered employer. Sections 824.002 and 824.202, TEX. GOV’T CODE. To initiate a distribution of service retirement benefits, the member must apply to TRS and indicate the effective date of the retirement as well as elect the type of retirement payment plan. Section 824.201 TEX. GOV’T CODE. The member may not return to employment with a TRS-covered employer until after a break in service of one full calendar month following the effective date of retirement. If the retiree utilizes an effective retirement date of May 31st but completes all work by June 15 as provided in Section 824.002(d), the retiree cannot become employed in any position in a Texas public school during the first two full months following the effective date of retirement. Retirement is revoked if this requirement is breached.

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