ZACHARY ESPERICUETA
RETIREMENT PLANS · MEDICARE · LIFE INSURANCE

# YOUR TRS PENSION PLAN AND HOW IT WORKS

Your **TRS pension** is a critical part of your retirement plan. In this section, we'll walk through the basics—how your benefit is calculated and what factors impact your eligibility. Keep in mind, the Texas Legislature can make changes to TRS, so it's important to stay informed. Always review official TRS communications, and visit www.trs.texas.gov for the most up-to-date information.

Currently, TRS members fall into one of six tiers (Tiers 1–6). Your tier determines when you're eligible to retire with full (unreduced) benefits and how your benefit is calculated. Regardless of your tier, you must meet specific service and age requirements to qualify for a lifetime monthly pension.

## IN ORDER TO COLLECT YOUR TRS BENEFIT, YOU MUST:

- Have at least 5 years of service
- Meet age & service requirements
- Terminate employment
- Apply for benefits

## HOW TO CALCULATE YOUR STANDARD ANNUITY BENEFIT

**STEP 1**
Determine your *Years of Service*

**STEP 2**
Based on your TRS Tier (see tier map), determine your *Average Salary*

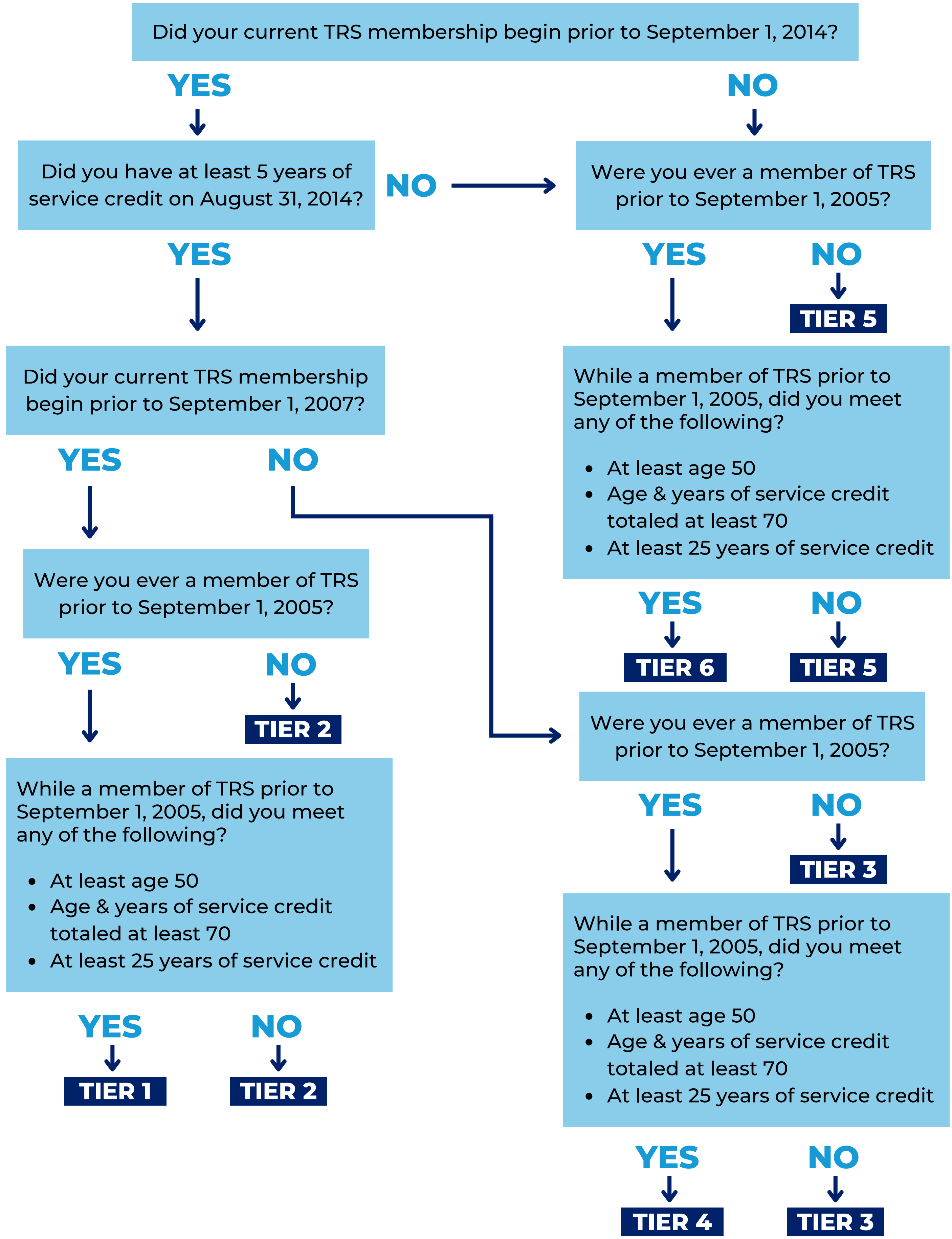
**STEP 3**
Multiply your total *Years of Service* by 2.3% to get your *Payout Factor*

**STEP 4**
Multiply *Average Salary* by *Payout Factor* to get annual annuity payout

**STEP 5**
Divide annual annuity payout by 12 to get your gross monthly annuity payout

(210) 760-0409
ZEspericueta@Outlook.com
www.ZachEspeAdvisor.com

# TRS TIER PLACEMENT MAP



# TRS TIER REQUIREMENTS

Rule of 80 = Years of Service + Age

| | Normal Retirement Age Eligibility | Average Salary Calculation | Partial Lump Sum Eligibility |
|---|---|---|---|
| TIER 1 | 65 with 5 years of service **OR** Rule of 80 (minimum five years of service) | Highest three annual salaries | Eligible for normal age retirement, not in DROP, not under proportional retirement law |
| TIER 2 | 65 with 5 years of service **OR** Rule of 80 (minimum five years of service) | Highest five annual salaries | Eligible for service retirement, age plus years of service equals 90, not in DROP, not under proportional retirement law |
| TIER 3 | 65 with 5 years of service **OR** Age 60 + Rule of 80 (minimum five years of service) | Highest five annual salaries | Eligible for service retirement, age plus years of service equals 90, not in DROP, not under proportional retirement law |
| TIER 4 | 65 with 5 years of service **OR** Age 60 + Rule of 80 (minimum five years of service) | Highest three annual salaries | Eligible for normal age retirement, not in DROP, not under proportional retirement law |
| TIER 5 | 65 with 5 years of service **OR** Age 62 + Rule of 80 (minimum five years of service) | Highest five annual salaries | Eligible for service retirement, age plus years of service equals 90, not in DROP, not under proportional retirement law |
| TIER 6 | 65 with 5 years of service **OR** Age 62 + Rule of 80 (minimum five years of service) | Highest three annual salaries | Age 65 with 5 years of service **OR** Rule of 80 + 5 years of service, not in DROP, not under proportionate retirement law |

**EXAMPLE:** A Tier 2 TRS participant is retiring at age 59 with 30 years of service. The participant's final salary was $67,000/yr., and average salary was $65,000 a year.

## SAMPLE CALCULATION:

| | | | | |
|---|---|---|---|---|
| 30<br>Years of Service | X | 2.3%<br>Multiplier | = | 69%<br>Payout Factor |
| 69%<br>Payout Factor | X | $65,000<br>Average Salary | = | $44,850<br>Gross Annual Payment |
| $44,850<br>Gross Annual Payment | ÷ | 12 | = | $3737.50<br>Gross Monthly Payment |

## PAY ATTENTION TO THE GAP!

In this example, the gross TRS pension replaces approximately 67% of the educator's average salary, leaving an income gap of approximately 33% before taxes, insurance premiums, survivor elections, and other deductions.

## YOUR CALCULATION:

| | | | | |
|---|---|---|---|---|
| ______<br>Years of Service | X | 2.3%<br>Multiplier | = | ______<br>Payout Factor |
| ______<br>Payout Factor | X | ______<br>Average Salary | = | ______<br>Gross Annual Payment |
| ______<br>Gross Annual Payment | ÷ | 12 | = | ______<br>Gross Monthly Payment |

## PAYMENT OPTIONS

The six TRS payout options allow you to receive payments for your life only, you and your spouse's life, or payments for a specified period. Election of options may result in reduced monthly income. The available payout options are:

- Standard Payout - level payments for life
- Option 1 - 100% joint & survivor
- Option 2 - 50% joint & survivor
- Option 3 - 60 monthly payments
- Option 4 - 120 monthly payments
- Option 5 - 75% joint & survivor

## PARTIAL LUMP SUM OPTION

Qualified participants can choose to take one of three lump-sum options at retirement, with payments equal to:

- 12 months of their standard payment
- 24 months of their standard payment
- 36 months of their standard payment

If you elect a PLSO option, your monthly income will be reduced. Lump-sum distributions are subject to income taxes. These taxes can be deferred if the distribution is rolled over into a qualified retirement account or IRA.

## BUYING YEARS OF SERVICE

If you will not have sufficient service years to retire with full benefits, you are permitted to buy years of service from TRS. Typically, service credit purchased earlier in your career costs less than credit purchased later. ***If you need to buy years of service, please contact TRS for an estimate.***

## BUILDING INCOME BEYOND TRS

Your TRS pension can provide valuable lifetime income, but it may not replace your full working salary. Taxes, health insurance, survivor elections, inflation, and other retirement expenses can make that income gap even larger.

Saving consistently can supplement your TRS benefit. Depending on your employer and eligibility, available retirement savings options may include:

- 403(b) accounts
- 457(b) accounts
- Traditional or Roth IRAs

Each account has different limits, tax treatment, investment options, fees, and withdrawal rules. The best option depends on your individual goals, timeline, and financial situation.


(210) 760-0409

ZEspericueta@Outlook.com

www.ZachEspeAdvisor.com

ZACHARY ESPERICUETA

RETIREMENT PLANS • MEDICARE • LIFE INSURANCE