

YOUR TRS PENSION PLAN AND HOW IT WORKS



Let's review some TRS basics and learn how your benefit is calculated. Keep in mind that the state of Texas may consider changes to TRS, so it's important that you read all communications that they send you. You can always find the best information about the Texas Teachers' Retirement System at www.trs.texas.gov.

Currently, there are six TRS tiers (tiers 1-6). Your tier will determine when you are eligible for unreduced benefits, as well as what payout you receive. In order to receive a lifetime benefit, certain requirements must be met, regardless of your tier.

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

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TRS TIER PLACEMENT MAP

Did your current TRS membership begin prior to September 1, 2014?

YES



Did you have at least 5 years of service credit on August 31, 2014?

YES



Did your current TRS membership begin prior to September 1, 2007?

YES



Were you ever a member of TRS prior to September 1, 2005?

YES



While a member of TRS prior to September 1, 2005, did you meet any of the following?

- At least age 50
- Age & years of service credit totaled at least 70
- At least 25 years of service credit

YES



TIER 1

NO



TIER 2

NO



Were you ever a member of TRS prior to September 1, 2005?

YES



YES



TIER 6

NO



TIER 5

While a member of TRS prior to September 1, 2005, did you meet any of the following?

- At least age 50
- Age & years of service credit totaled at least 70
- At least 25 years of service credit

NO



TIER 5

Were you ever a member of TRS prior to September 1, 2005?

YES



YES



TIER 4

NO



TIER 3

While a member of TRS prior to September 1, 2005, did you meet any of the following?

- At least age 50
- Age & years of service credit totaled at least 70
- At least 25 years of service credit

NO



TIER 3

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:

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

PAY ATTENTION TO THE GAP!

This is a 38% reduction of income from what is being earned.

If you elect to name a spouse as a joint survivor, your monthly income could be reduced by almost 40%. Keep in mind that this example does not account for taxes, health insurance, or joint survivor benefits - all of which can further reduce your TRS benefit payment each month.

YOUR CALCULATION:

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

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 (PLSO)

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.*

DEFERRED RETIREMENT OPTION PLAN (DROP)

Any eligible member who wanted to participate in the Deferred Retirement Option Plan (DROP) must have enrolled by Dec. 31, 2005. DROP participants continued employment while accumulating a portion of their standard retirement annuity in a special interest-bearing account that is disbursed beginning at the time of their retirement or death.

At retirement, DROP accounts may be disbursed in a lump sum or in yearly or monthly payments over a 5 or 10-year period. Lump sum distributions and payments made for less than 10 years are eligible for rollover tax treatment

DROP participants can obtain more information through the DROP FAQs on the TRS website (www.trs.texas.gov).

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