



TRS SERVICE CREDIT

INCLUDING :

- Withdrawn Service Credit
- Unreported Service Credit
- Substitute Service Credit
- Military Service Credit
- USERRA Service Credit
- Out-of-State Service Credit
- State Sick and/or Personal Leave Service Credit
- Certified Career or Technology Teacher Work Experience Service Credit
- Developmental Leave Service Credit
- Membership Waiting Period Service Credit

**TEACHER
RETIREMENT
SYSTEM OF
TEXAS**

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NOTICE: Senate Bill 1668, recently passed by the Texas Legislature, makes significant changes in the opportunity to purchase unreported service and/or compensation credit (including substitute service). The bill also increases the cost to purchase unreported service and/or compensation credit (including substitute), as well as out-of-state, developmental leave, and withdrawn service credit. This brochure has not yet been revised to reflect the changes made by Senate Bill 1668. [Click on this link for more information about this bill.](#)



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TRS service credit is governed by state law and TRS Board of Trustees rules. If any information in this brochure is inconsistent with laws and rules in effect at the time of purchase or at the time the service credit is to be used for a TRS benefit, the applicable laws and rules control.

Establishing TRS Service Credit

The Teacher Retirement System of Texas (TRS) administers a retirement plan for eligible Texas public education employees. The plan provides service and disability retirement benefits, as well as death and survivor benefits, to its eligible members.

TRS service credit is an important component in determining eligibility for plan benefits. Service credit also affects the amount of a service or disability retirement benefit you may receive when you are eligible for retirement. An active member's service credit can affect what death and survivor benefits would be available to a beneficiary in the event of the member's death and how much that benefit would be.

TRS members can build service credit in two ways:

- Earning membership service credit through employment in Texas public education (see the *TRS Benefits Handbook*)
- Purchasing service credit when eligible to do so

This brochure provides a detailed explanation of what service credit is available for purchase by eligible members, the cost, and how to make a purchase.

Because most TRS retirement plan benefits increase with more years of service credit, members should carefully consider purchasing service credit when they are first eligible to do so. The cost to purchase service credit generally increases over time. Purchases must be completed before retirement, including disability retirement.

Service credit that a member may be eligible to purchase cannot be included in calculating active member death benefits or in determining eligibility for certain forms of payment unless the service credit is purchased before the member's death. A beneficiary, however, may complete payment for service credit being purchased on an installment basis by paying the balance due in a lump sum, unless other restrictions apply.

Federal tax law limits the amount of money a member may voluntarily pay to TRS in a school

year for some types of purchased service credit. Because of this restriction, a member generally may make payments only in years in which compensation from a TRS-covered entity is earned or must use a rollover or trustee-to-trustee transfer for the purchase. See *Restrictions on Service Credit Purchases* later in this brochure. The restriction also may affect a beneficiary who wishes to complete payments begun under an installment agreement.

For all of these reasons, a member who wishes to purchase service credit should contact TRS as soon as possible after meeting the eligibility requirements.

Two Special Topics: TRS-Care and DROP

TRS members frequently have service credit questions relating to their eligibility for TRS-Care, the retiree health benefit program administered by TRS, and relating to their participation in DROP, the Deferred Option Retirement Plan.

TRS-Care. TRS members who are not eligible for retiree health care benefits offered through the Employees Retirement System of Texas (ERS) or through a higher education institution may be eligible for TRS-Care retiree health care benefits upon retirement. Eligibility for TRS-Care is based on a minimum level of membership service credit for *actual* service in the Texas public schools. Service credit requirements are not the same for TRS-Care health care benefits as for TRS retirement benefits. Therefore, members interested in TRS-Care should carefully review the brochure *TRS-Care Highlights of the Plan* or the *TRS Benefits Handbook*. Both of these publications are available on the TRS Web site or by calling 1-800-223-8778.

DROP. Effective December 31, 2005, DROP is closed to new participants. A member who elected to participate in DROP by December 31, 2005, was required to complete the purchase of all service credit before the effective date of the

member's participation in DROP. Service credit may not be purchased during DROP participation. Members who elected to participate in DROP are disqualified from purchasing state sick and/or personal leave service credit for leave accrued as of the date of DROP participation or for leave accumulated during DROP participation. However, if a member completes the period of DROP participation and continues or returns to employment with a TRS-covered employer without having retired, the member may then purchase any special service credit for which the member is eligible and for which the requirements have been met entirely after DROP participation. Service credit purchased after the expiration of DROP participation will be used in the calculation of a second component to the member's retirement annuity. It will have no effect on the member's DROP account.

Earning Membership Service Credit

TRS membership service credit is earned in one-year increments. Only one year of service may be credited in any one school year. A school year generally is September 1st through August 31st. A member generally must serve at least 4½ months in an eligible position during the school year to receive one year of membership service credit. A year of service credit cannot include more than 12 months. The beginning date of the year of service credit generally coincides with the beginning date of the school year of the employer or the date of your employment under a contract or oral or written work agreement that begins on or after July 1.

There are two exceptions to the 4½-month service requirement to receive a year of membership service credit:

- A member who serves a full semester of more than four calendar months in a TRS-eligible position will receive credit for a year.

- A year of service credit will be granted to an employee in a TRS-eligible position who entered into an employment contract (or oral or written work agreement) for a period of at least 4½ months or a period of a full semester of more than four calendar months but who renders only 90 or more actual work days.

Each public education employer in Texas provides a monthly report to TRS showing which employees are in positions eligible for TRS membership. The employer also forwards TRS member contributions to TRS. Member contributions to the retirement plan are 6.4% of the employee's TRS-eligible compensation.

Service for a minimum of 90 work days as a substitute may qualify for service credit if verified and purchased. Refer to the section on "Substitute Service Credit" later in this brochure for more information.

Purchasing TRS Service Credit

In addition to earning membership service credit for employment with a TRS-covered employer, eligible TRS members may purchase the following:

- withdrawn membership service credit
- unreported service credit
- substitute service credit
- military service credit
- Uniformed Services Employment & Re-employment Rights Act (USERRA) service credit
- out-of-state service credit
- state sick and/or personal leave service credit
- certified career or technology teacher work experience service credit
- developmental leave service credit
- membership waiting period service credit

To use purchased service credit in calculating service retirement benefits, a member must complete the purchase by the effective date of retirement or by the last day of the month in which

the member submits a retirement application, whichever is later. If the service credit must be purchased in order to establish eligibility to retire, the purchase must be completed by the effective date of retirement.

To use purchased service credit in the calculation of a disability retirement benefit, a member must complete the purchase by the effective date of retirement, by the last day of the month in which the retirement application is filed, or within 30 days of TRS correspondence notifying the member that disability retirement has been certified, whichever is later.

Reinstating withdrawn service credit

If you withdrew your accumulated contributions in your TRS member account by taking a refund, you terminated the TRS service credit associated with those contributions. You may be eligible to reinstate withdrawn service credit as described below.

Eligibility: To reinstate service credit, generally a person must resume membership in TRS and pay all costs for the terminated service credit to TRS. However, the member is not required to be *currently contributing* to TRS to be eligible to buy back withdrawn service – the member simply must have an account balance with TRS. For those who are not TRS members, the opportunity to reinstate withdrawn service credit is available only through the Proportionate Retirement Program, described in the ***TRS Benefits Handbook***, or the TRS/ERS Transfer program, described in both the handbook and the ***TRS/ERS Transfer*** brochure.

Even if you meet the eligibility requirements for reinstatement of service credit, not all withdrawn service credit is eligible for reinstatement. Service credit that was established through student employment performed before September 1, 1977, may not be reinstated if it was withdrawn. Also, a person who is contributing to the Optional Retirement Program (ORP) is not eligible to reinstate previously withdrawn TRS service credit

unless the person terminates employment covered by ORP and becomes employed in the public school system or with a state agency in a position that is not eligible for participation in ORP.

Laws governing the reinstatement of service credit are changed from time to time. Persons interested in reinstatement of withdrawn credit who are not eligible under current law should monitor new laws as they are enacted to determine whether restrictions may have changed.

Cost: The cost of reinstating eligible service credit includes the amount withdrawn plus a reinstatement fee of 6 percent, compounded annually, of the eligible amount from the date of the withdrawal to the date of redeposit. If more than one member account was withdrawn and service credit terminated, **all eligible service credit must be reinstated.** A withdrawn account that represents less than a creditable year of service must be reinstated only if the combination of terminated service credit with other eligible service credit in the same year results in a creditable year.

What to do: Contact TRS to obtain a bill for withdrawn service credit. If you are a TRS member, you may request a bill through the TRS Web site. Members of other retirement systems, including ERS, must submit a written request to TRS for reinstatement of TRS service credit and may be required to provide a certification from the other system to verify membership in that system.

When to purchase: Withdrawn service credit may be reinstated as soon as the member becomes eligible to do so and must be reinstated before the effective date of retirement in order to be included in the calculation of retirement benefits. Because the cost increases over time, a member may wish to purchase this service credit as soon as possible.

Special note: For TRS members who also are members of other Texas public retirement systems, TRS service credit may be counted towards eligibility requirements to receive benefits

from the other system. Also, TRS service credit may make a member eligible to reinstate service credit withdrawn from another Texas public retirement system. For more information on the Proportionate Retirement Program, please refer to the *TRS Benefits Handbook* or contact the other Texas public retirement system in which the service credit was earned. Members with credit in more than one system should ask each system about their eligibility for benefits under the Proportionate Retirement Program before terminating participation in any of the systems.

Establishing unreported service/unreported compensation credit

Unreported service is eligible service that should have been reported to TRS but was not reported at the time of the employment. Unreported compensation is eligible compensation paid to a member that should have been reported but was not reported to TRS during the school year in which it was earned. A member who has eligible unreported service or compensation should contact TRS.

Eligibility: A member may establish service credit for previously unreported service or eligible compensation. This includes service that would not be eligible if considered alone but that, when combined with other service performed for a TRS-covered employer during the same school year, becomes eligible employment. Similarly, if a member is employed in a TRS-covered position resulting in a creditable year of service and also performs service for another TRS-covered employer in the same school year, contributions must be made on *all* compensation received from *all* TRS-covered employers. Contributions on all compensation are required even if employment in a position would not otherwise be eligible for TRS membership and even if the contributions on the additional employment do not result in an increased benefit to the member.

Creditable compensation that is not paid in the year in which it is earned but is paid in a subsequent year remains subject to TRS contributions. Upon payment of the required contributions and any applicable fees, a member is eligible for additional compensation credit for the year in which the compensation was earned.

Employees who were subject to a membership waiting period between September 1, 2003, and August 31, 2005, may **not** purchase the waiting period service as unreported service. Service rendered during a waiting period does not qualify as unreported service credit. See *Membership Waiting Period Service Credit* below for more information on establishing service credit for a school year that included a waiting period.

Cost: The cost for unreported service or compensation credit is the amount of member contributions on the compensation plus a 5 percent fee on the unpaid amount from the end of the school year in which the contributions were due or the end of the 1974-75 school year, whichever is later, to the date of the payment. Upon receipt of the required payment, TRS will credit the member with the additional eligible service credit or compensation. In addition, a member is required to pay the employee contribution to TRS-Care if the unreported service was rendered in a Texas public school district or open enrollment charter school.

What to do: If a TRS-covered employer fails to report all eligible service and submit the required member contributions, the employer or the member **must** notify TRS. The employer must verify the service and the additional compensation to TRS on form TRS 22I (Verification of Service and Salary); this form is available on the TRS Web site. When TRS receives the verification, TRS will send a bill to the member for the unreported service or compensation.

Unlike service as a substitute, which an individual may choose whether to verify, unreported service *is required to be verified* to

TRS as soon as possible after the individual or the employer becomes aware that the employment should have been reported to TRS.

Payment of member contributions on the service or compensation, plus fees, is mandatory. No benefits will be paid by TRS to the member or to a beneficiary until all required amounts have been paid. Unreported service or compensation cannot be verified and purchased after the member has retired or entered DROP.

Substitute service credit

Service as a substitute for 90 or more actual workdays in a school year may be eligible for TRS service credit.

Eligibility: A person who serves as a substitute in a position otherwise eligible for membership in TRS may establish a year of service credit when at least 90 days of substitute service have been rendered in one school year. A substitute is a person who serves on a temporary basis in place of a current employee. A substitute may be paid no more than the daily rate of pay set by the employer.

Cost: The cost to establish substitute service credit is the amount of member contributions due on the compensation received during that school year plus a fee computed at the rate of 5 percent a year on the unpaid amounts from the year in which the substitute service was rendered or the end of the 1974-75 school year, whichever is later, to the date of payment. In addition, a member is required to pay the employee contribution to TRS-Care if the substitute service was rendered in a Texas public school district or open enrollment charter school.

When to purchase: A person may purchase substitute service credit as soon as the required service has been rendered in a school year. Because the cost increases over time, a

person may wish to purchase this service credit as soon as possible.

What to do: To establish substitute service credit, the employer must verify the service and compensation on form TRS 22S (Verification of Substitute Service and Salary); this form is available on the TRS Web site. After TRS receives form TRS 22S, TRS will send a bill for the service credit to the member. Verification and purchase must be completed before the member's retirement under TRS and before receipt of the first annuity payment.

Verification of substitute service credit is not mandatory if a member does not plan to purchase such credit. **However, once the service is verified to TRS, payment of the required deposits and fees is mandatory.** TRS will not pay any benefits to a member or beneficiary when substitute service has been verified but not paid.

For members participating in DROP, verification and purchase of substitute service credit was required to have been completed before participation in DROP began.

Military service credit

If you served on active military duty in the United States armed forces and are a TRS member with at least five years of TRS service credit, you may be eligible to purchase up to five years of military service credit.

Eligibility: A TRS member with at least five years of TRS membership service credit for actual service with a TRS-covered employer may purchase up to five years of service credit for **active duty** federal military service in the U.S. armed forces. Both voluntary and draft service is eligible. Service as a reservist or member of the National Guard by a TRS member who was ordered to active duty under the authority of federal law is also considered eligible military service. Military service terminated by a sentence of court-martial is not eligible for purchase.

Military service credit may be established in one-year increments. Active military duty of at least 4 ½ months rendered between September 1 and August 31 is required in order to establish military service credit for that year. Credit for military service may not be given for any year in which service credit is already granted.

Persons who have active membership in more than one Texas public statewide retirement system may not purchase or establish military service credit for the same military service with more than one retirement system.

Cost: If the military service was rendered during a time when the person was a member of TRS, the cost to purchase military service credit is an amount equal to the contributions that the member would have paid on the full annual compensation rate for the last year of membership service preceding the school year of military duty. If membership in TRS was established after the military service was rendered, the cost is an amount equal to the member contributions required on the annual compensation rate for the first creditable year of membership service occurring after the military service was rendered. Compensation for substitute service may not be used to calculate the cost. If a member is eligible to purchase more than one year of military service credit but wishes to buy one year at a time, the member must purchase the service credit in the order in which the military service was rendered.

If the member does not purchase all eligible military service credit as soon as the member is eligible to do so, an additional fee is charged for the service credit. The additional fee is 8% of the required deposits, compounded annually from the end of the year in which the member was first eligible to purchase the military service credit until payment for the service credit is received by TRS. The date of eligibility to purchase the military service credit is the latest of the following:

- The date the member accrues five years of membership service credit for actual service with a TRS-covered employer;
- The date the military service credit was available by TRS law; or
- The date the member completed the military service used to establish the military service credit.

When to purchase: A member may purchase military service credit when first eligible to do so. Because the cost of this service credit increases over time, a member may wish to purchase this service credit as soon as possible.

What to do: Contact TRS in writing to request a bill for military service credit. Your request must include a copy of your military service record (for example, a DD 214) showing the entry and separation dates for all periods of active duty military service and the type of military service. TRS may request other documentation as needed to determine eligibility. Once eligibility is determined, TRS will send you a bill.

You may purchase military service credit one year at a time. The service is credited upon receipt of sufficient deposits to purchase a full year of service credit. However, the 8 percent fee will continue to be compounded annually on any eligible service that is not purchased.

USERRA service credit

Uniformed Services Employment & Re-employment Rights Act (USERRA)

The federal law known as “USERRA” establishes certain rights if you leave TRS-covered employment for active military duty without withdrawing your TRS contributions and you are subsequently re-employed, or apply for re-employment, in a TRS-covered position. You may be entitled to establish USERRA service credit for the active duty. You should contact TRS immediately upon application for, or re-employment in, a TRS-covered position.

Eligibility: A member who leaves TRS-covered employment for voluntary or involuntary active military duty in the uniformed services and subsequently returns to, or applies for, re-employment with a TRS-covered employer may be eligible to establish TRS service credit and/or compensation credit for the period of duty under USERRA. The member must receive an honorable discharge and must return to or apply for re-employment within 31 days of discharge if the member served active duty for less than 90 days. If the member served active duty for 90 days or more, the member must return to or apply for re-employment within 90 days of discharge. A person establishing USERRA service credit may not establish any other military service credit with TRS for the same period of active military duty.

If a member's employment is interrupted by military duty in a school year in which the member already has received a year of TRS membership service credit, but the member expected that year to be one of the highest compensation years for calculation of TRS retirement benefits, the member should contact TRS about establishing compensation credit under USERRA. Such credit reflects the compensation that would have been received if the person had continued to be employed by a TRS-covered employer for the remainder of the year.

A person who meets the USERRA requirements should contact TRS promptly, regardless of employment, membership, or retirement status, to determine eligibility to establish TRS service credit.

Cost: The cost of the USERRA service or compensation credit is an amount equal to the member contributions the person would have made if the person had continued to be employed in the former TRS-covered position during the entire period of active duty. If a member is eligible to purchase more than one year of USERRA service credit, the credit may be purchased one year at a time as long as all USERRA service credit the member

wishes to establish is purchased within the time period applicable under federal law (generally, a time period starting with the date of re-employment and lasting three times the period of the person's uniformed service, not to exceed five years).

When to purchase: Members with eligible USERRA service should contact TRS immediately upon re-employment or application for re-employment after their military service. USERRA service credit must be purchased within the time period specified in federal law, as discussed immediately above. If military service is not purchased as USERRA service credit within the specified time period, it still may be eligible to be purchased as military service credit, but the cost of military service credit increases over time.

What to do: Members who may be eligible to purchase credit under USERRA should contact TRS immediately upon application for re-employment with a TRS-covered employer and provide TRS a copy of the military service record (for example, a DD-214). A member must also furnish any salary or employment records that may be required by TRS.

Special note: Some military service may qualify for **either** TRS military service credit **or** TRS USERRA service credit. In some instances, the cost of the service credit may be less under USERRA, if the military service qualifies. However, under USERRA, there is a time deadline for purchase of the service credit. Regular military service credit does not have this restriction. Contact TRS for more information to determine which options are available if you have military service.

Out-of-state service credit

If you have out-of-state service in a public school system or college and you also have five years of TRS membership service credit, you may be eligible to purchase out-of-state service credit. TRS has no agreement with retirement systems in other states for transferring service.

Eligibility: A member who has at least five years of TRS membership service credit for actual service with a TRS-covered employer may purchase one year of eligible out-of-state service credit for each year of service credit with a TRS-covered employer, up to a maximum of 15 years.

Eligible out-of-state service includes the following:

- service in public educational institutions that are maintained in whole or in part by one of the states of the United States;
- service in a public educational institution maintained in whole or in part by a commonwealth territory or possession of the United States;
- service in a public educational institution maintained in whole or in part by the United States government. Public educational institutions of the United States government must have been maintained for the primary purpose of educating the children of United States citizens either in foreign countries or in locations within the United States where state or local governments have not provided for public educational facilities;
- service with a Department of Defense Dependent's School (DODDS); and
- service in a school outside the U.S. receiving funds under 22 U.S.C Section 2701.

The out-of-state service must satisfy the same requirements for membership and service credit that would have applied if the service had been performed for a Texas public education institution. For example, the out-of-state service qualifies if it was in a position on a full-time basis (one-half time or more) and for the required length of time (at least four and one-half months, a full semester of more than four calendar months, or 90 days of service). Out-of-state service is evaluated for credit based on a September 1 through August 31 school year.

Out-of-state service credit may be combined with eligible TRS-covered employment in the same school year to receive a year of TRS service credit. A member may not establish out-of-state service credit for a year in which the member is eligible to establish other TRS service credit or has established other TRS service credit. Also, a member may not establish TRS service credit for out-of-state service performed for a public school if the service was performed while the member was a member of the armed forces and the member was compensated for the service by the United States.

Cost: A member's out-of-state service credit cost method is determined by two factors:

1. membership status as of December 31, 2005, **and**
2. when the out-of-state service was performed.

For those who were TRS members on December 31, 2005, and whose out-of-state service was performed before

January 1, 2006: The cost for each year is 12 percent of the full-time annual salary rate for the first creditable year of TRS-covered service that is both after the out-of-state service and after September 1, 1956. All eligible compensation will be included in the cost calculation. The salary limits, if any, in place for TRS-covered employment will be applied in computing the cost of the service credit. Compensation received for substitute service may not be used in computing the cost of out-of state service credit. If the member did not work full-time or worked fewer days or months than a full-time employee working in a similar position, TRS will compute a full-time, annual rate of pay from the member's reported compensation.

If the service credit is not purchased when the member first becomes eligible, the member must pay an additional fee of 8 percent, compounded annually, of the required contribution from the date the member was first eligible to purchase the

service credit to the date of purchase. The date the member is first eligible to purchase the service credit is the latest of one of the following dates:

- The date the member accrued five years of membership service credit for actual service with a TRS-covered employer,
- The date the out-of-state service credit was first available by law for purchase, or
- The date the member completed one year of creditable service with a TRS-covered employer after the out-of-state service.

For those who do not meet both the membership and date of performance requirements above: The cost is the actuarial present value, at time of deposit, of the additional standard annuity retirement benefits that would be attributable to the purchase of the service credit. The cost is based on member age and years of TRS service credit at time of purchase, as well as member salary. The cost tables assume a lump-sum deposit; if deposits are made through installment payments, the cost will be adjusted to reflect the installment payment fee.

When to purchase: Because the cost increases over time, a member may wish to purchase credit for each eligible year of out-of-state service as soon as possible.

What to do: When you submit records to show that the service is eligible, TRS will prepare a bill for out-of-state service credit. To establish that the service is eligible, submit a copy of the Texas Teacher Service Record that reflects the out-of-state service. If the service record is not available, TRS will accept a form TRS 224 (Verification of Out-of-State Service) that is completed by the member's **out-of-state employer** and verifies the eligible employment. This form is available on the TRS Web site. Service with a school outside the U.S. must be verified by a Texas Teacher Service Record or form TRS 224, accompanied by a written statement from the current administrator of the overseas or foreign school or from an official of the U.S. State

Department in addition to the service record. The written statement must specify that the school received funds under 22 U.S.C. Section 2701 during the years in which the member was employed at the school.

Out-of-state service credit may be established one year at a time and is credited upon receipt of sufficient deposits to purchase a full year of service credit. The service credit must be purchased in the order in which the out-of-state service was performed.

Salary for out-of-state service may not be used in the salary average used to determine TRS benefits.

State sick and/or personal leave service credit

If, on your last day of employment before retirement, you have credit for 50 days or more, or 400 hours or more, of accumulated state sick and/or personal leave, you are eligible to purchase one year of service credit.

Eligibility: At the time of retirement, a member may purchase a maximum of one year of service credit for 50 or more days or 400 or more hours of accumulated state sick and/or personal leave that is unused as of the last day of employment before retirement. Only five days of state sick and/or personal leave may be credited each year toward the 50-day or 400-hour total. State sick and personal leave may be combined to reach the required total. State sick and/or personal leave service credit may be used only for calculating benefits but cannot be used to determine eligibility for retirement.

Members who elected to participate in DROP may not purchase this service credit based on days or hours accumulated at the time DROP participation began or during DROP participation. Eligible leave accumulated after DROP participation ends and before retirement may be used to establish eligibility to purchase the service credit. Eligible leave accrued after DROP

participation is subject to the five-day-per-year limit.

Cost: The cost of the service credit is the actuarial present value of the increased standard annuity benefit that would be attributable to the additional year of service credit. TRS calculates this cost based on the State Personal and/or Sick Leave Conversion Factor Tables adopted by the Board of Trustees, which are on the TRS Web site, along with a worksheet. The conversion factor depends on age at retirement and is multiplied by the increase in the monthly standard annuity resulting from the additional year of service credit. If local policy allows, the employer from which the member retires may reimburse the member for all or part of the cost of purchasing state sick and/or personal leave service credit.

When to purchase: A member may purchase this service credit only at the time of retirement.

What to do: Interested members can use the TRS Web site tables and worksheet to estimate the cost for this service credit. A member who is retiring and who is eligible to purchase the credit should then obtain a TRS 587 (Certification of Unused State Sick and/or Personal Leave) from the TRS Web site, have it completed by the employer, and submit it to TRS. TRS will then provide a bill showing the exact cost. To purchase the service credit at the time of retirement, the member must deposit the cost of the service credit with TRS.

The purchase of this service credit is subject to the federal tax code restriction on the amount of money that may be voluntarily paid to TRS during a plan year for special service credit. Specifically, unless the purchase is made with a rollover, the purchase must be completed during a plan year in which the member receives compensation from a TRS-covered employer that is at least equal to the cost of all special service credit being purchased. The TRS plan year is from September 1 to August

31. If, for example, the member terminates employment in August of a plan year and does not make payment for the service credit until September, the federal tax code restriction may prohibit the purchase of the service credit unless it is made with an eligible rollover. TRS encourages members to review *Restrictions on Service Credit Purchases* later in this brochure and **carefully plan your decision** about when to purchase other service credit and when to retire in order to preserve any eligibility you may have to purchase this or other service credit. The combination of the state law limiting purchase of unused leave service credit to the time of retirement and of the federal restriction, calculated as a percentage of compensation in the plan year of purchase, should be factored into your decision.

Service credit for work experience by certified career or technology teacher

If you are a certified career or technology teacher, you may be eligible to establish TRS service credit for the work experience that entitles you to salary step credit as a teacher.

Eligibility: An eligible member **who is certified as a career or technology teacher** may establish service credit for one or two years of work experience, if the teacher is entitled to salary step credit for that work experience under Section 21.403(b) of the Texas Education Code. This law states that for each year of work experience required for certification in a career or technological field, up to two years, a certified career or technology education teacher is entitled to salary step credit as if the work experience were teaching experience. For TRS service credit, a year of work experience is determined based on a September 1 through August 31 school year. Additionally, a member must have at least five years of TRS membership service credit for actual service with a TRS-covered employer in order to be eligible to purchase this service credit.

Cost: The cost of this service credit is the actuarial present value, at the time of deposit, of the additional standard service retirement annuity benefit that would be attributable to the purchase of the service credit. The actuarial cost tables for this service credit are available on the TRS Web site. The cost is based on member age and years of TRS service credit at time of purchase, as well as member salary. The cost tables assume a lump-sum deposit; if deposits are made over a period of time, the cost will be adjusted.

What to do: An eligible member may visit the TRS Web site to use the chart to estimate the cost. If interested in purchasing the credit, a member should then contact TRS for certification requirements to establish that the work experience is eligible and for a bill showing the exact cost to purchase this service credit. TRS form 582 (Certificate of Work Experience by Career or Technology Teacher), available on the TRS Web site, also must be completed by the member's employer.

Developmental leave service credit

Developmental leave is an absence from TRS membership service that is approved *in advance* by **the employer** for study, research, travel, or another purpose designed to improve the member's professional competence.

Eligibility: A member who has at least five years of TRS service credit for actual service with a TRS-covered employer may establish a maximum of two years of service credit for developmental leave. Developmental leave is absence from membership service that is approved by the member's TRS-covered employer for study, research, travel, or another purpose designed to improve the member's professional competence. **The leave must be approved in advance by the member's TRS-covered employer, who must certify in advance on form TRS 215 (Notice of**

Intent to Take Developmental Leave), available on the TRS Web site, that the leave meets the requirements for developmental leave. On or before the date the leave is to begin, the member must file a completed form TRS 215 with TRS. Developmental leave is evaluated for credit based on a September 1 through August 31 school year.

Cost: The cost of establishing developmental leave service credit is an amount equal to the member, state, and any required employer contributions based on the annualized compensation for the year of creditable service that occurred prior to the leave. The member must be employed by a TRS-covered employer at the time the amounts are paid to TRS. Payment in full must be made by the end of the first year of creditable service following the leave, or the member loses eligibility to establish any preceding developmental leave.

When to purchase: A member must purchase developmental leave service credit no later than the end of the member's first creditable school year that begins after the developmental leave ends.

What to do: To establish developmental leave service credit, you must receive approval from your employer and file form TRS 215 with TRS *before the leave begins. Upon completion of the leave, you must contact TRS for a cost statement and return to TRS-covered employment.* You must then deposit all required amounts by the end of your first creditable school year that begins after developmental leave ended.

Developmental leave service credit may not be used in computing service retirement benefits until a member has at least 10 years of service credit for actual service with a TRS-covered employer. If developmental service credit is not used in determining benefits, all deposits made to purchase the service credit are refundable.

Membership waiting period service credit

A person was subject to a 90-day waiting period for TRS membership if the person:

- began work for a TRS-covered employer on or after September 1, 2003, but before September 1, 2005, and
- was not already a TRS member at the time that employment began.

Eligibility: If, due to the waiting period, a member did not work a sufficient length of time as a TRS member in a school year to earn a year of membership service credit, the member may be eligible to purchase waiting period service credit. To do so, the member must have sufficient waiting period service and TRS-covered service combined during the school year to meet the length of service requirements for a year of TRS membership service credit.

Cost: An eligible member may establish credit for this service by depositing with TRS an amount equal to the actuarial present value of the additional standard annuity retirement benefits that would be attributable to the additional service credit. The cost is based on member age and years of TRS service credit at time of purchase, as well as member salary. The cost tables assume a lump-sum deposit; if deposits are made over a period of time through installment payments, the cost will be adjusted.

When to purchase: Because the actuarial cost increases over time, it is most cost effective to purchase this service credit as soon as possible.

What to do: Contact TRS by telephone or mail to request a bill for this service credit. No form is required to verify the waiting period; however, TRS may, in some cases, request that additional information regarding your employment dates be provided by your employer.

METHODS OF PAYMENT

The three basic methods of making payment for TRS service credit purchases are:

- a lump sum using after-tax dollars (such as from a savings or checking account),
- installment payments using after-tax dollars (not available for sick/personal leave service credit or for developmental leave), or
- a rollover (or in certain situations, a direct trustee-to-trustee transfer) using pre-tax dollars from another eligible retirement plan.

Service credit costs must be paid in full by the time of retirement. Different types of service credit (for example, military and out-of-state) may be purchased at the same time. Once service credit has been established, contributions are not refundable unless a member terminates TRS membership and withdraws all accumulated contributions. Fees are non-refundable.

Installment Payments

A monthly installment payment plan or a plan combining a down payment plus monthly installments is available for all kinds of service credit purchases except developmental leave and state sick and/or personal leave. Members using an installment plan are subject to any deadlines otherwise applicable for purchasing the service credit.

Military, USERRA, work experience, and out-of-state service credit may be purchased and credited one year at a time. All withdrawn service credit must be paid in full before any credit is given, and credit for **unreported service must be purchased and paid in full before any benefit may be paid by TRS.**

Payments may be made over a period equal to the number of years of service credit to be purchased, but not to exceed 60 months. For example, the installment payment period for the purchase of four years of service credit may not exceed 48 months. A service credit purchase of

greater than five years must be paid within the maximum 60-month period. Minimum monthly payments will be no less than \$25. Total payment on the installment plan is the cost of the service credit plus a nine percent annual administrative fee calculated on the daily declining balance.

Monthly installment payments may be made in three ways: by an automatic payment deducted from the member's financial institution account, by payroll deduction if provided by the member's employer, or with a personal check or money order accompanied by a TRS payment coupon. Post-dated checks will not be accepted. **TRS encourages automatic payment since it is easy, reliable, and economical.**

A member using the installment plan may end payments any time and receive a refund of payments on years of service not yet credited by submitting a signed request. However, no refund will be made on years already credited or on the installment fee. Refunds from the installment plan require approximately 30 days after TRS receives all necessary documentation.

If installment payments become delinquent for 60 days or more, TRS may cancel the installment agreement and refund the payments for any partial year of service credit, less the applicable fees. If either TRS or the member initiates a refund, the member will not be permitted to use the installment plan again for the purchase of the same service credit for three years from the date of the refund.

Special Note: The opportunity to purchase one, two, or three years of additional service credit under the Service Credit Purchase Option (SCPO) was repealed effective January 1, 2006. Therefore, TRS cannot accept new payments or new installment agreements to establish this service credit. For members who are paying for SCPO additional service credit under an installment agreement entered into before January 1, 2006, termination of the agreement (including termination by the member or by TRS cancellation due to

delinquencies) will permanently forfeit the opportunity to purchase this service credit.

If a member dies before completing payments, the beneficiary may receive a refund of the member's payments for any partial year of service, less the applicable fees, or may make a lump sum payment of the unpaid balance to establish credit for the service, subject to any applicable restrictions. A beneficiary may not continue the installment plan.

Rollovers and Transfers from Other Plans

TRS may accept an eligible rollover distribution or, in some situations a direct trustee-to-trustee transfer, from another eligible retirement plan in payment of all or a portion of payment for special service credit or for withdrawn or unreported service credit. Rollovers generally may be accepted from the following kinds of retirement plans in which the member has participated:

- a traditional Individual Retirement Account (IRA)
- a Simplified Employee Pension (SEP) IRA
- a qualified 401(a) plan
- a 401(k) plan
- a qualified 403(a) annuity plan,
- a 403(b) tax-sheltered annuity or account (TSA), or
- a governmental 457 plan

TRS may *not* accept a rollover from a SIMPLE IRA plan ("Savings Incentive Match Plans for Employees"), a Roth IRA, or a Coverdell education savings account (formerly called education IRAs).

A rollover generally requires a distributable event, such as termination of employment, unless it is from an IRA, which does not require a distributable event. Each distributing plan determines when a rollover may be made; TRS cannot make this determination for you. A direct trustee-to-trustee transfer generally does not require a distributable event and thus may be

available if a member is still employed. However, federal law allows TRS to accept a direct trustee-to-trustee transfer only from a governmental 403(b) or governmental 457 plan and imposes other limitations. For example, a member may not use a direct trustee-to-trustee transfer for payment of unreported service or for state sick and/or personal leave service credit.

Members interested in paying for special service credit through a rollover or transfer should contact the plan from which the funds are to be withdrawn to determine that plan's requirements. When the member has confirmed with the other plan that the member's funds are eligible for a rollover or direct trustee-to-trustee transfer, the member should visit the TRS Web site to review form TRS 611 (Information on Rollover or Transfer of Funds to TRS) and should review the information on form TRS 551C (Rollover or Transfer of Funds to TRS) printed on the back of the TRS-issued bills for service credit to be purchased. A member who wishes to use a rollover or transfer of funds should then request a form TRS 551 (Eligible Rollover or Direct Trustee-to-Trustee Transfer to Purchase TRS Service Credit). Form TRS 551 can be obtained by calling or writing TRS.

RESTRICTIONS ON SERVICE CREDITPURCHASE

Federal tax law limits the amount of voluntary annual contributions a person may make to tax-deferred retirement plans, including TRS. Under the Internal Revenue Code, voluntary member payments to TRS in a plan year (September 1 through August 31) for purchasing service credit generally are limited to *the lesser of*:

- 100 percent of compensation, or
- \$42,000 for the 2005-2006 plan year.

The \$42,000 amount is subject to annual adjustment by the U.S. Secretary of Treasury in future plan years. In the 2006-2007 plan year, the

amount increases to \$44,000. For some types of purchased service credit, the limit does not apply. For example, the annual limit does not apply to payments for reinstating withdrawn service credit. TRS will inform a member at the time of billing whether the limit is applicable. Also, some types of payments do not count towards the limit. For instance, payments made through a rollover or a direct trustee-to-trustee transfer also are not subject to, or counted towards, the limit.

The limit is per year and does not increase based upon the number of types of service credit you may be eligible to purchase. The limit is especially important if you are considering purchase of state sick and/or personal leave credit because of the cost of the credit and the fact that it may be purchased only at the time of retirement.

How the restrictions may affect your service credit purchase. The contribution limit is tied to compensation received in a plan year from a TRS-covered employer. Therefore, if a member does not receive compensation from a TRS-covered employer in the plan year in which the member wishes to purchase the service credit, the member may be unable to purchase the credit in that year. For example, if a member terminates employment with a TRS-covered employer in May 2006, does not return to work with any TRS-covered employer in the following school year, but wishes to purchase some type of special service credit in October 2006, the member will have no annual compensation for the plan year 2006-2007. Because the member has no compensation from a TRS-covered employer in the 2006-2007 plan year, the contribution limit is \$0 ($100\% \times \0 compensation = \$0), and any payment for the service credit would exceed the dollar limit for the year. TRS would be unable to accept any payment in the 2006-2007 plan year for some types of service credit purchase, unless paid for with a rollover.

TRS encourages members to plan early for service credit purchases. For example, using an installment payment plan that spreads out the payments over a number of years of employment

may help a member stay within the annual payment limits.

The restriction also applies to a beneficiary who may wish to complete payments for service credit after the death of a member. Payments by a beneficiary are subject to limitations based on the member's compensation received from a TRS-covered employer in the plan year of the member's death. All after-tax payments from a beneficiary must be completed in the same plan year in which the member received compensation.

Other provisions of federal tax law may affect a member's purchase of service credit. TRS provides more detailed information about restrictions, if applicable, when a member requests calculation of a bill for service credit.

ADDITIONAL INFORMATION

TRS/ERS Service Transfer

Eligible members of TRS may transfer service credited under the Employees Retirement System of Texas (ERS) to TRS. Likewise, eligible members of ERS may transfer their service credited in TRS to ERS. Members who have already retired under either system are not eligible to transfer service credit, although a TRS member who has previously retired under ERS may be able to use ERS service credit to establish TRS retirement eligibility under the Proportionate Retirement Program. For more information, please refer to the ***TRS/ERS Transfer*** brochure, available on the TRS Web site or from TRS.

Proportionate Retirement Program

Members with service in more than one Texas public retirement system should ask each system about their eligibility for benefits under the Proportionate Retirement Program. This is especially important before terminating participation in any of the systems. For more information, please refer to the ***TRS Benefits Handbook*** or contact each Texas public retirement system under which you performed service.

Obtaining More Information

The TRS web site has actuarial charts and other information that can help you estimate the cost of some of the service credit purchases mentioned in this brochure. Service credit purchase costs estimated through information on the TRS Web site are not binding on TRS and are subject to verification when TRS prepares a bill. TRS reviews service credit history, as well as reported compensation, to verify that all monthly salaries are credited to the appropriate contract year. This is particularly important if the member ever has had a contract or work agreement that did not coincide with the standard TRS school year of September 1 through August 31.

Members interested in establishing service credit should contact TRS. Information in this brochure is introductory only. If any information is inconsistent with laws and rules in effect at the time of purchase or use of the service credit, then the applicable laws and rules control.



For more information, contact:
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(512) 542-6400 or 1-800-223-8778
or visit the TRS Web site
www.trs.state.tx.us