79th LEGISLATIVE SESSION -- 2005

Following is a summary of major legislative changes affecting the Teachers Retirement System (TRS) and the Employees Retirement System (ERS). If there are changes or additions to this legislation during the special legislative session currently underway, Human Resource Services (HRS) will issue an update as soon as the information becomes available.

### Senate Bill 1691 (TRS Omnibus Bill)

**New eligibility rules for retirement (current employees grandfathered)**

**For Unreduced Annuity:**

- Employees hired before 9/01/06 (eligibility unchanged from previous rules)
  - must be 65 years of age with 5 years of service or
  - must be at least 60 years of age with 20 years of service or
  - must be at least 50 years of age with 30 years of service or
  - meet the Rule of 80 (age plus years of service equal 80)

- Employees hired on or after 9/1/06
  - must be 65 years of age with 5 years of service or
  - must be 60 years of age with 5 years of service AND meet Rule of 80

**Reduced Annuity**

- Employees hired after 8/31/06 but before 8/31/07
  - can retire at age 55 with 5 years of service but annuity will be reduced based on current tables
  - can retire with 30 years of service, but annuity will be reduced by 2% for every year under age 50

- Employees hired on or after 9/1/07
  - can retire under age 60 if they have at least 5 years of service and meet the rule of 80, but annuity will be reduced 5% per year under age 60
  - can retire at any age if they have 30 years of service and do not meet the rule of 80, but annuity will be reduced 5% for every year under age 60

*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 9/1/06 and meet the Rule of 80 must be at least age 60 at the time of retirement to qualify for an unreduced annuity*
Eliminates Service Credit Purchase (Air-Time)
- After January 1, 2006, members will no longer be able to purchase up to three years of service credit at their discretion after completing seven years of service
- Grandfathers those in the process of purchasing time before January 1, 2006

Changes Calculation for Purchase of Out-of-State Service
- After January 1, 2006, members who had service at an educational institution in another state prior to joining TRS will pay the actuarial cost of each year of service rather than a fixed 12% per year if they wish to purchase service for that time
- Grandfathers those who are members of TRS by December 31, 2005 and have out-of-state service prior to January 1, 2006

Changes Retirement Annuity Calculation
- Average salary used to determine retirement annuity will be based on five highest annual salaries
- Grandfathers those who as of 8/31/05 attain age 50 or meet the rule of 70 or have 25 years of service

Changes Eligibility for Partial Lump-Sum Option (PLSO) at Time of Retirement
- Requires a member to meet the Rule of 90 (age and years of service equal at least 90) in order to receive partial lump sum distribution of their pension benefit at the time of retirement
- Grandfathers those who as of 8/31/05 attain age 50 or meet the rule of 70 or have 25 years of service

Eliminates Deferred Retirement Option Plan (DROP)
- Discontinued for new participation effective December 31, 2005. Current participants in DROP unaffected but will have an opportunity revoke participation September 1 through December 31, 2005

Requires employers to pay both the State Contribution and the Employee contribution for TRS retirees who are rehired by a TRS employer
- Grandfathers those retirees who were reported to TRS as working for the employer in January 2005
90-Day Waiting Period Eliminated

- Effective 9/01/05 the 90-day waiting period for new participants in TRS is eliminated. Member and employer contributions to the retirement system begin immediately upon employment. This also applies to participants in the Optional Retirement Plan (ORP).

Senate Bill 1176 (ERS Ominbus Bill)

- Active part-time employees who are receiving a part-time state contribution (50 percent) for health insurance when they file for retirement will receive the part-time contribution when they retire. This provision is effective for employees who retire on or after January 31, 2006.

Senate Bill 1863 (Longevity and Hazardous Duty Pay)

- Effective 9/1/05 increases longevity pay to $20 per month for every two years of service, up to a maximum of $420 monthly
- Effective 9/1/05 increases hazardous duty pay to $10 per month for every year of service, up to a maximum of $300 monthly
- Prohibits retirees who retired on or after June 1, 2005 and later return to work from receiving longevity pay and benefit replacement pay (BRP) and allows only post-retirement service to count toward vacation accrual rates. Current longevity pay provisions are grandfathered for those who retired before June 1, 2005 and return to work before September 1, 2005. Those who retired before June 1, 2005, and return to work on or after September 1, 2005 are not eligible for longevity pay.
- Changes the length of a break in service that will cause loss of eligibility for BRP from 12 consecutive months to 30 consecutive days. Those who leave state employment before September 1, 2005 will retain BRP if they return to state employment within 12 consecutive months of their date of termination or September 30, 2005 whichever is earlier.

Senate Bill 1345 (Military Differential Pay)

- Effective June 17, 2005, changes the amount of military pay used to determine eligibility for and amount of pay differential granted to a state employee on unpaid military leave. Military pay for these purposes does not include combat or hardship pay or any pay the employee receives for being separated from his/her family, all of which were previously included.