

“I Shoulda, Woulda, or Coulda...”

Prepare For Your TRS Retirement Future Now

Charlie Munsell

Over the past 15 years, I have presented programs and made presentations for public schools about the Teacher Retirement System (TRS) and retirement planning. During that time, I have met with many hundreds of teachers, staff, and administrators from across the state to advise on retirement planning and financial goals. The most surprising discovery from these encounters is the widespread lack of knowledge about TRS and how each individual's retirement plan works. Educators have a passion for teaching and planning for retirement is typically not a priority. The overall attitude is to not worry about retirement; TRS will be enough. So, with that in mind, many of these meetings involve unraveling misinterpretations and covering components of retiring under the TRS system, to receive the benefits that have been earned.

The component within the TRS system that is most prone to misinterpretation, and can be the most challenging to understand, is the eligibility rule. All of my presentations begin with “Everyone is under the Rule of 80.” Simply stated, the Rule of 80 is adding your age with your years of service. That total will need to equal the number 80 in order to be eligible to retire with TRS. The key word in that sentence is eligible. TRS has a tier system to determine when an eligible member can retire. In a nutshell, if you began working before 2007, you are eligible when you achieve the Rule

of 80 (for example, age 53 + 27 years of service). If you began working after 2007 and had at least five years of service by 2014, you must meet the Rule of 80, but you cannot retire until age 60. If you began working on or after 2007 and did not have five years of service by 2014, you must meet the rule of 80, but you cannot retire until age 62. Whew!!! The formula seems complicated, but, once a person is aware of where they are in the TRS Tier System, the number of years of service, needed for retirement age, are easy to determine.

Once you are eligible within your tier and decide to retire, TRS will calculate your retirement benefit by multiplying total years of service by a factor of 2.3% per year. For example, 31 years of service $\times 2.3 = 71.3\%$. This percentage of 71.3 would be the set percentage, of the average of your best five years of earnings, that you would receive as your retirement salary. As you can see, your annual earnings will be reduced upon retirement, dependent on your number of years of service. If you retire with 44 years of service, the percentage of your average would be 100%. However, even if you retired with 100% of your salary, that annual retirement earning would be set and any adjustments for inflation or Cost of Living Adjustment (COLA) would be few and far between, with

the last COLA being in 2001. For this reason, it is important to consider starting a savings to supplement your retirement.

Charlie Munsell will present more on TRS and retirement planning at the TBA summer Convention/Clinic.

Another component within TRS is the ability to buy back years of service. If you have served in the military, you are eligible to purchase up to five years of service. Also available for purchase are years

of substitute service, withdrawn service, and out of state or even in state service credit. The fiscal year for TRS begins September 1st and ends August 31st. In order to achieve one year of service credit, a person would need 90 days of service within the fiscal year. An example would be substituting for a total of 90 days during one school year. Once the year is complete, you would submit the service form, TRS 22S, to the school where the service took place and then submit that completed form to TRS. TRS would then calculate the dollar amount necessary to purchase the year of service credit. Adding years to an individual's service credit, if the opportunity is available, adds to that individual's annual income upon retirement. While this may seem pricey on the front end of purchasing, it is well worth the cost of purchase on the back end of retirement.

Another area worth mentioning is understanding how TRS and Social

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Security may relate to each individual. Every individual has a unique situation in regard to these two entities. The best way to understand your particular situation is to refer to the *Windfall Elimination and Government Pension Offset*. These guides can be found on the Social Security Administration website (SSA.gov) or by doing a web search. You can register for an account by going to ssa.gov and creating a login. Like TRS, all of your social security information will be available when you log in with the Social Security Administration.

All of the information discussed in this article, regarding TRS retirement eligibility, can be found on the TRS website (trs.texas.gov). In addition to general information, there is also a tab for MyTRS. When you begin contributing to and become a member of TRS, you can go to MyTRS and create an account. MyTRS will have your account balance, your best five years of income, your beneficiary information, your tier level, a retirement calculator, and much, much more. It is a great tool to begin looking at the road to retirement.

Whether you are a first-year teacher or someone that has been around awhile, consider taking the time to map out your retirement plan if you haven't already. Seek out and look at the benefits and options available to you

through the various retirement savings plans within your school district or work situation. Understand where you are in your career and make adjustments to prepare for your future. TRS is a very strong and solvent retirement system, and as a Texas educator, make that system work for and with you. Many of the educators I meet, who have been working for many years, find out too late that they could have purchased service credit or could have started a savings plan at the beginning of their career. Many react with “I shoulda, woulda, or coulda...” had they understood TRS retirement and their need to prepare. Preparing is something we do every day in our career, and, because we are so focused on helping others, we tend to put our own future needs aside.

Charlie Munsell retired from public school teaching in 2007 after 31 years as a Band Director in the great state of Texas. In 2002, he began working with Rob Dahse and made a solid financial plan for retirement. Upon retirement, he began working as a Financial Advisor with Dahse Financial Group. Mr. Munsell claims that working with educators is like an extension of an education career in that you are teaching how to plan for retirement. He now works with clients and businesses in every walk of life. Active in the professional community, Mr. Munsell served seven years on the Board of Directors of the Texas Bandmasters Association and was President of that organization in 2004. Mr. Munsell is active as a band clinician and conductor throughout Texas. He frequently serves as an