

the allowable amount that can be distributed from the pension trust fund, thus increasing the amount that must be paid from the excess benefit arrangement and the amount that is “at risk” if the excess benefit arrangement fund is terminated. TRS provides additional details to affected members during the retirement process.

Optional Forms of Annuity

At retirement, in lieu of a standard annuity, you have five options for annuity payments. Optional forms of payment reduce the monthly annuity payable during your life but provide for a beneficiary to receive a monthly benefit after your death, either for life or for a guaranteed period of time. The monthly benefits payable to you and a beneficiary under an optional plan are calculated to be the actuarial equivalent of a standard annuity payable to only you.

TRS offers the following two categories of optional payments for members eligible to retire:

- **Joint and Survivor Annuity** is a reduced annuity that is paid to you for life and then to a surviving beneficiary for life. The annuity paid to you is reduced based on an actuarial factor that takes into account your age and the beneficiary’s age. This reduction is in addition to any reduction for early-age service retirement. At your death, all or a portion of the monthly amount payable to you will become payable to the person designated as primary beneficiary, provided the beneficiary survives you. You elect at retirement whether the payment to the surviving beneficiary will be 100 percent of the monthly amount payable to you (Option One), 75 percent of the monthly amount payable to you (Option Five), or 50 percent of the monthly amount payable to you (Option Two). If the beneficiary does not survive you, please notify TRS. After you notify TRS, your benefit is increased to the standard annuity amount effective with the annuity payable for the month following your beneficiary’s death.
- **Guaranteed Period Annuity** is a reduced annuity payable throughout your life; if you die before the guaranteed number of months of payment have been made, the remainder of the guaranteed number of months of payment are payable to the person(s) named as beneficiary(ies). The benefit to you is reduced based on an actuarial factor that takes into account your age and the guaranteed period you select; the age of the designated beneficiary does not affect the reduction. This reduction is in addition to any reduction for early-age service retirement. The TRS plan offers either a 60-month (Option Three) or a 120-month (Option Four) guaranteed period annuity.

Option Factor Tables – In the pages that follow, you will find option tables that show a limited number of examples of the percentage of the standard annuity after application of any early-age reduction factors a retiree would receive under an optional payment plan, based on the age of the retiree and the beneficiary.

Special Note: *If you select an optional form of annuity and you designate a minor child or a legally incapacitated person as beneficiary to receive annuity payments after your death, the benefit will be paid to an adult or entity with legal authority to receive the benefit on behalf of the child or incapacitated individual. See the “Beneficiary Designation by Members” section on pages 24-26 for more information on the topic of “Considerations Before Designating a Minor Child or Legally Incapacitated Adult.”*

Also, the designation of a non-spouse beneficiary for a joint and survivor annuity may limit your benefit selection when the beneficiary is more than 10 years younger than you, as described in the next section.

Joint and Survivor Annuity

If you are eligible to retire, you may choose from three joint and survivor options. These options, described below, are distinguished by the percentage of your annuity that is payable to the surviving beneficiary.

You may designate only one beneficiary to receive a joint and survivor annuity. This requirement is necessary since the amount of the annuity is based on the joint lengths of the lives of two people – you and the beneficiary. The beneficiary must be a person or an irrevocable trust with only one person as the beneficiary of the trust.

When you retire, if you wish to designate a beneficiary who is younger than you are, then

- you are not eligible to select Option One if you designate a non-spouse beneficiary with an “adjusted age difference” of more than 10 years, and
- you are not eligible to select Option Five if you designate a non-spouse beneficiary with an “adjusted age difference” of more than 19 years.

The adjusted age difference is calculated as follows:

Calculation for Adjusted Age Difference

Step 1: Age 70 – Member’s age at retirement = allowable adjustment to actual age difference

Step 2: Member’s age at retirement – beneficiary’s age as of retirement date = actual age difference between member and beneficiary

Step 3: Actual age difference between member and beneficiary – allowable adjustment = adjusted age difference for option eligibility.

OPTION ONE: 100 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive 100 percent of the reduced annuity throughout the beneficiary’s life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary’s death.

The following table shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under **Option One:**

Age of Member at Date of Retirement

	55	57	59	61	63	65
Age of Beneficiary	Percent of Standard Annuity					
55	92.56	91.06	89.31	87.33	85.12	82.70
57	93.05	91.61	89.93	88.02	85.87	83.50
59	93.54	92.17	90.56	88.71	86.64	84.33
61	94.02	92.72	91.19	89.42	87.42	85.19
63	94.49	93.26	91.81	90.13	88.21	86.06
65	94.94	93.79	92.42	90.82	89.00	86.94

OPTION TWO: 50 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive one half of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary's death.

The following table shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under **Option Two**:

Age of Member at Date of Retirement

	55	57	59	61	63	65	67
Age of Beneficiary	Percent of Standard Annuity						
55	96.13	95.32	94.35	93.24	91.96	90.53	88.94
57	96.40	95.62	94.70	93.63	92.40	91.01	89.46
59	96.66	95.92	95.05	94.02	92.84	91.50	90.00
61	96.92	96.22	95.39	94.41	93.29	92.00	90.56
63	97.17	96.51	95.73	94.81	93.73	92.51	91.13
65	97.40	96.80	96.06	95.19	94.18	93.02	91.70
67	97.63	97.07	96.38	95.57	94.62	93.52	92.28

OPTION FIVE: 75 Percent Joint and Survivor Annuity

This retirement plan provides a reduced annuity, which is paid to you throughout your lifetime. Upon your death, if the designated beneficiary survives you, the designated beneficiary would receive 75 percent of the reduced annuity throughout the beneficiary's life. If the designated primary beneficiary dies before you, your annuity will be increased to the standard annuity amount after you notify TRS of the beneficiary's death.

The table on the next page shows selected member and beneficiary ages and the factors, which represent the percentage of standard annuity available under **Option Five**:

Age of Member at Date of Retirement

	55	57	59	61	63	65	67
Age of Beneficiary	Percent of Standard Annuity						
55	94.31	93.14	91.76	90.19	88.41	86.44	84.28
57	94.69	93.57	92.25	90.74	89.01	87.09	84.98
59	95.07	94.01	92.75	91.29	89.63	87.77	85.72
61	95.45	94.44	93.24	91.85	90.26	88.46	86.48
63	95.81	94.86	93.73	92.41	90.89	89.17	87.26
65	96.16	95.27	94.21	92.96	91.51	89.88	88.05
67	96.49	95.67	94.67	93.50	92.14	90.58	88.85

Guaranteed Period Annuity

At retirement, you may choose from two guaranteed period annuities instead of a standard annuity or a joint and survivor annuity. The two guaranteed period annuities are distinguishable by the period of time that benefits are guaranteed to be paid to a beneficiary. Members who select the Option Three or Option Four retirement plan may name a single beneficiary or joint beneficiaries.

OPTION THREE: 60 Monthly Payments

This retirement plan provides a reduced annuity which is payable to you for life. If you die before 60 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 60 payments has been made. Option Three is not available to a member retiring at age 104 or older.

OPTION FOUR: 120 Monthly Payments

This retirement plan provides a reduced annuity which is payable to you for life. If you die before 120 monthly payments have been issued, payments will be made to the beneficiary until the remainder of the 120 payments has been made. Option Four is not available to a member retiring at age 93 or older.

The following table shows selected member ages and the factors, which represent the percentage of standard annuity available under the two guaranteed period annuities.

Options 3 and 4

Age of Member	60 MONTHS	120 MONTHS
55	99.76	99.04
57	99.68	98.74
59	99.57	98.34
61	99.43	97.82
63	99.24	97.18
65	98.99	96.42
67	98.70	95.53

Partial Lump Sum Option (PLSO)

At the time of service retirement, if you are eligible, you may select a Partial Lump Sum Option (PLSO) distribution in addition to either a reduced standard annuity or a reduced optional form of annuity. The opportunity to select PLSO is only available at service retirement. Please refer to your tier to determine your eligibility to select PLSO at retirement.

If you are eligible, you may select a PLSO distribution equal to 12, 24 or 36 months of a standard service retirement annuity. When you select the PLSO option by submitting a completed *Partial Lump Sum Option (PLSO) Election* form (TRS 30P), your monthly annuity will be actuarially reduced to reflect your selection.

Note: *If you select PLSO with an early-age (reduced) service retirement annuity, your PLSO distribution will be calculated as 12, 24 or 36 months of a standard service retirement annuity reduced for early-age retirement.*

Depending on which PLSO distribution you select, TRS will disburse your PLSO selection as follows:

- A lump sum amount equal to 12 months of a standard annuity will be disbursed at the same time as your first monthly annuity payment.
- A lump sum amount equal to 24 months will be disbursed in either one or two annual payments.
- A lump sum amount equal to 36 months will be disbursed in one, two or three annual payments.

If you select two or three annual payments, your initial payment will be disbursed at the same time as your first monthly annuity payment and you will have your second and third payments made on the anniversary date of your initial lump sum payment. No interest will be paid on any unpaid lump sum amounts.

If you select two or three annual lump sum payments and later wish to accelerate the remaining payments, you may do so by making an election on a form prescribed by TRS.

A PLSO distribution is taxable as income. You are also permitted to roll over the eligible portion of any lump sum payments to another eligible retirement plan. For more information, please refer to the *Special Tax Notice Regarding Rollover Options under TRS* included with your retirement forms. We encourage you to read this notice carefully and consult with a professional tax advisor if you have any questions.

The selection of a PLSO permanently reduces your monthly annuity. The reduced annuity plus the partial lump sum are the actuarial equivalent of the standard annuity benefit. If you are eligible for PLSO, the *MyTRS* online retirement estimate calculator on the TRS website (www.trs.texas.gov) will estimate your PLSO amounts.

Note: *If the Texas Legislature authorizes a post-retirement cost of living increase, it typically is based on the amount of the retiree's annuity. If you select PLSO, the amount of the post-retirement increase you would receive may be less because the increase typically is calculated on the reduced annuity amount.*