ERS

Employees Retirement System of Texas

Planning Your Retirement

ERS – Benefiting Texans since 1947

Check retirement eligibility online

It's easy to determine when you will be eligible to retire by going to the Retirement Eligibility page at **www.ers.state.tx.us/Employees/Retirement/View_Retirement_Eligibility**. The page shows how service and age requirements establish eligibility for an ERS retirement benefit. Just answer a few questions and the system displays your retirement options. The page doesn't use personal account information.

To create a personalized retirement estimate, sign in to your account at **www.ers.state.tx.us** and select "Retirement Estimate." You will receive an estimate that includes your:

· first retirement date;
· retirement payment options;
· partial lump sum options; and
· federal tax withholding.

ERS enhances the lives of our participants through the delivery of quality benefits at a reasonable cost.

Note: This booklet contains retirement information for state employees, Commissioned Peace Officers (CPOs), and Custodial Officers (COs) (see pages 16-21).

ERS
Employees Retirement System of Texas
www.ers.state.tx.us

Published March 2012

Are you attending an ERS presentation on planning your retirement?

Today's presentation from the Employees Retirement System of Texas (ERS) will cover topics to help you better understand and prepare for the transition into retirement. This booklet is intended to serve as a companion to today's presentation, and can provide answers to questions you may have during and after the presentation. Topics we will cover today include:

Retirement Eligibility Requirements

We will discuss the service and age requirements to establish eligibility for an ERS retirement benefit and what it means to be vested in the program. We will also discuss how service time is used to qualify for retirement, including unused sick and annual leave, waiting period, military service, Optional Retirement Program and Proportionate Retirement Program service, Teacher Retirement System service, and Texas Governmental Entity credit. You will also hear about Additional Service Credit, which can increase your retirement payment or annuity and possibly help you qualify for retirement earlier.

Calculating Retirement Benefits

We will illustrate how the formula for an ERS retirement benefit is used to calculate the retirement payment and discuss how ERS figures your final average salary and your percentage for service credit.

Additional Benefits at Retirement

There are many options to choose from at retirement. This presentation will cover payment options, including the Partial Lump Sum Payment Option and survivor options. We will also discuss service credit you need to be eligible for the State's health and dental insurance and other optional insurance coverage.

We hope you find this session informative. In addition to the information you have here, there are many resources to help you make retirement decisions. All of the information discussed here today is available to you on the ERS website, **www.ers.state.tx.us**. In addition, ERS provides calculators for you to estimate your standard retirement payment, and the cost of buying ASC. You may also wish to view websites of the Teacher Retirement System of Texas, other Texas retirement programs and associations, the Social Security Administration, and numerous retirement sites, which are listed on the ERS website. You can also call ERS to get more information about retirement.

Good luck in planning this important and exciting change in your life.

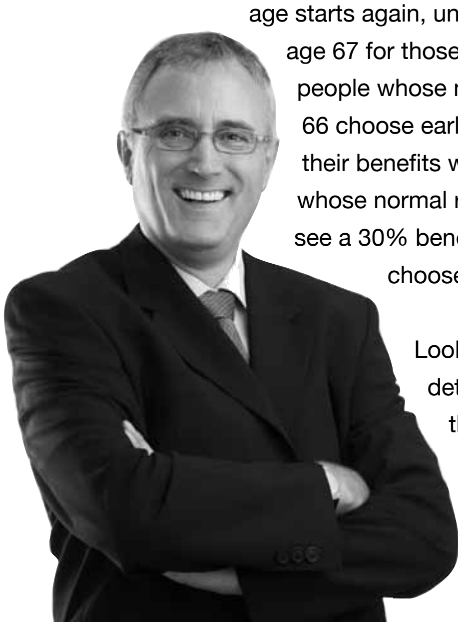
Employees Retirement System of Texas
March 2012

Social Security benefits do not affect your ERS retirement benefits.

Social Security and your retirement

As a state employee, you are covered by Social Security. The benefits you receive from Social Security do not affect any retirement benefits you receive from ERS.

The retirement age for full Social Security benefits is in the process of changing from 65 to 67. Starting with people born in 1938, the normal Social Security eligibility age (65) will rise by two months for each year, until it reaches age 66 for those born in 1943. It then stays at 66 for everyone born through the end of 1954. After that, the two-month-a-year climb in the retirement age starts again, until it is finally capped at age 67 for those born in 1960 or later. If people whose normal eligibility age is 66 choose early retirement at age 62, their benefits will be 25% lower. People whose normal retirement age is 67 will see a 30% benefit reduction if they choose to retire at age 62.



Look at the chart at right to determine where you fit into the schedule.

The eligibility age for Medicare is not affected by the Social Security changes and will remain at age 65. The Social Security Administration sends "Your Social Security Statement" automatically to workers 25 years of age and over who are not receiving benefits about two months before their birthdays. The letters tell people their eligibility ages for normal Social Security benefits and their benefit amounts if they choose earlier or later retirement. You may also request a statement at the Social Security website, **www.socialsecurity.gov**, or, call (800) 772-1213.

Social Security eligibility	
Birth Year	**Full Retirement Age**
1937	65
1938	65 & 2 months
1939	65 & 4 months
1940	65 & 6 months
1941	65 & 8 months
1942	65 & 10 months
1943-1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 & later	67

Your ERS retirement payment is paid to you for your lifetime.

Your ERS retirement program

This information describes benefits for you if you began work prior to September 1, 2009, and worked long enough to become an ERS member, or if you have prior state service and left your money on account with ERS.

If you began work on September 1, 2009 or after, your retirement benefits are slightly different. The New Employee Benefits Guide for Plan Year 2012 explains your retirement benefits.

Your retirement program is a defined benefit plan. It is qualified under Section 401(a) of the Internal Revenue Code. This type of plan provides a lifetime retirement income based on a formula authorized by the State Legislature. You will receive a monthly payment, called an annuity, when you retire. The amount of your annuity does not depend on the amount of money in your account; it is based on your salary and years of service credit. It also provides comprehensive disability coverage as well as benefits for survivors. In Texas, you can work for several systems in the State so that your service is combined to give you eligibility for retirement.

Beginning on the first of the month after your 90th day of employment with the State, 6.5% of your salary is deposited each month into an employee savings account as mandated by the Texas Legislature. (If you were hired between September 1, 1973 and August 31, 2003, your deposit began immediately.) Your agency deposits 6% of your salary into the State Accumulation account. These two sources of income create the Employee Retirement Fund, where investments are made to secure your retirement. These funds are not combined until you are ready to retire. Eligibility to retire with an ERS retirement benefit is determined by two factors: age and service credit.

When can you retire?

When you have five years or 60 months of service credit with the State, you are vested. This means you can qualify for a lifetime retirement annuity. Your annuity can begin at the age of 60 or at any time after that as long as you are no longer working for the State and you are a member of ERS; that means that you have not withdrawn your contributions.

You may retire after the age of 60 with five years of service; however, you will not be eligible for group insurance benefits until you have 10 years of service credit and are at least age 65.

You may also retire when you meet the requirements for the Rule of 80; this may allow you to retire before the age of 60. Your months and years of age and service credit must equal 80 with at least five years established service credit in the employee class. When you retire directly from state employment, you may also count your available sick and vacation hours towards retirement credit. Under the Rule of 80, with at least 10 years of service credit, you will be eligible for group insurance benefits.

What if you stop working for the State?

If you terminate from state employment and do not withdraw your retirement contributions, you can still qualify for retirement:

- at age 60 with at least five years of service credit; or
- when you meet the Rule of 80.

If you qualify for retirement under the Rule of 80 or at age 60 after you leave state employment, you will not be able to convert your unused annual and sick leave to service credit. You must retire directly from state employment to use your annual and sick leave. If you retire as a non-contributing member, you must wait 90 days before your group health insurance begins. You will not need to provide proof of good health, called evidence of insurability (EOI), for coverage.

Retirement with Group Insurance Benefit

You may receive the group insurance benefit at retirement if you have 10 years of service credit and meet retirement eligibility. See charts below.

Service Credit	5 years	10 years	Rule of 80
Age	60 or above	60 or above	Service Credit + Age = 80 or above Minimum of 5 years of service credit
Lifetime Payment	Yes	Yes	Yes
Health Insurance*	No	Yes Age 65 or above	Yes Minimum of 10 years of service credit

**Notice about Insurance—Health and other insurance benefits for employees and retirees are subject to change based on available state funding.The Texas Legislature determines the level of funding for such benefits and has no continuing obligation to provide those benefits beyond each fiscal year.*

RULE OF 80 EXAMPLES

Age	Total service credits	Eligible to retire?	With insurance?
53 yrs. 5 mos.	26 yrs. 7 mos	Yes	Yes
75 yrs. 6 mos.	4 yrs. 6 mos	No	No
49 yrs. 6 mos	30 yrs. 6 mos.	Yes	Yes
70 yrs. 2 mos.	9 yrs. 2 mos	Yes	No

If you started work for the State before September 2001, you can qualify for insurance benefits if for at least three of your 10 years you were an employee at a state agency or institution of higher education participating in the Texas Employees Group Benefits Program (GBP). (The University of Texas and Texas A&M University Systems and all public independent school districts don't participate.) If your service with the State began after September 2001, you must have 10 years of service credit with an agency or higher education institution participating in the GBP to receive retiree group health, dental, and optional insurance benefits.

Once you have at least five years of ERS service credit, you can use military service credit to:

- satisfy requirements for retirement, including the Rule of 80;
- increase the ERS annuity payment amount; and
- satisfy requirements for GBP insurance as a retiree.

If you wish to retire before the age of 65 and have 10 years of service but do not meet the Rule of 80, you will not be eligible for health insurance through the GBP until age 65. You would, however, be offered health coverage through the Consolidated Omnibus Budget Reconciliation Act of 1985, known as COBRA. You will be eligible at retirement to retain dental, Dependent Life, and Optional Life up to two times your salary.

You can enroll in COBRA to continue your health insurance for an 18-month period. You must sign up for health insurance to enroll in COBRA when you retire younger than 65. If you sign up for COBRA coverage, you will pay the full cost of health insurance premiums, plus a small administrative fee.

Short-term insurance coverage is available if you have exhausted your COBRA eligibility but have not yet reached age 65 to become eligible for regular health insurance. You (along with your dependents) are eligible for this GBP interim coverage until age 65 provided you:

1. Served in a position eligible to participate in the GBP as a state officer or employee on or before August 31, 2003; and
2. At the time of retirement meet the requirements for retiree health insurance as those requirements existed on August 31, 2003.

If you are eligible for GBP interim coverage, you will pay the total actuarial cost as determined by the ERS Board of Trustees. You are encouraged to utilize COBRA coverage first, if eligible, as the premiums for the interim coverage can be over $1,000 a month for retiree only health coverage. The premium rates for the interim coverage will be based on the estimated claims costs of the potential enrollees and will change based on the claims history of those enrolled. According to claims experience in HealthSelect, insurance participants between the ages of 60 and 65 have the highest cost to the plan.

Example: Jane is age 63 and has earned 11 years of service credit. She is eligible to retire and receive an annuity, but she won't be eligible for health insurance until she turns age 65. Jane can retire and enroll in the COBRA program to continue her health insurance for an 18-month period. The current cost to enroll in COBRA as a HealthSelect participant is $444.80, for which Jane pays the cost. At age 64 1/2, Jane loses eligibility for COBRA. She could enroll in GBP interim coverage until she turns age 65 and is eligible to enroll in the group program as a retiree. While the interim coverage will be significantly more expensive than COBRA, it does insure that she has access to continuous insurance coverage.

See page 12 for more information on insurance at retirement.

How is ERS service credit earned?

When a retirement contribution is deducted from your paycheck and deposited to ERS, you receive a full month's credit. Twelve months of service credit equals one year of service. You may not earn more than one month of service credit for any calendar month. Service credit toward your eligibility for an ERS retirement may be established in other ways. If you are eligible, you can retire earlier and/or increase your annuity by establishing added service credit.

Unused sick and annual leave

If you retire directly from state employment, you may earn service credit for both your unused sick and annual leave accounts, credited at the time of your retirement. These two accounts are figured separately. This service may be used to satisfy requirements for retirement, group insurance eligibility as a retiree, and to increase your annuity benefit. You may receive service credit for your annual leave even if you receive a lump sum payment for your balance upon retirement.

You may defer all or part of your annual leave lump sum payment into a Texa$aver account when you retire or leave state employment, and you won't pay income taxes on it until you withdraw it. Social Security and Medicare taxes (7.65%) will be deducted. You can only open a Texa$aver account while you are employed by the State. State agency employees can open an account in the 401(k) and/or 457 Plan. Texa$aver is not available to Community Supervision & Corrections Department (CSCD) employees, Windham School District employees, and the employees in the Texas County and District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS).

Inform your benefits coordinator, HR office, and/or Payroll office that you want to defer your annual leave to your Texa$aver account when you go through the exit process. (HHS Enterprise employees should contact *access*HR.) The maximum annual limit (including annual leave) for 2012 deferrals is $17,000 for employees under age 50 and $22,500 for those employees over age 50 using the Age 50 and Over Catch-Up Provision. You can contribute up to the maximums to the 401(k) and 457 Plan accounts.

If you are a contributing member of the Teacher Retirement System of Texas (TRS) and transfer your service to ERS at retirement, you are not eligible to convert your annual and sick leave to ERS credit as you would not be retiring from a position in an ERS agency. Your sick and annual leave credit can be used by your survivors to determine eligibility for the Death Benefit Plan in the event of your death.

Purchasing service

You may receive additional retirement credit by purchasing service credit for which you are eligible prior to applying for retirement. This may include withdrawn ERS service, unestablished service, waiting period service, military service, and Additional Service Credit (ASC). You may not purchase service after you retire.

You can purchase service credit for which you are eligible before you apply for retirement.

Depending on the type of service, purchasing service credit may be done through rollover from your Texa$aver Plan or other fund sources such as IRAs. Funds from a Texa$aver Program account or another qualified account can be rolled over to purchase credit, without tax consequences. You can also buy service with a lump sum payment. To be eligible to purchase service credit, you must be a member of ERS or the Judicial Retirement System of Texas Plans I or II. You can purchase withdrawn ERS service if you are working for an entity that participates in the Proportionate Retirement Program (PRP).

The cost to purchase any service credit will be calculated by ERS upon your request. In most cases, the cost will increase on September 1 of each fiscal year.

Payments for purchasing service credit must be received by the due date on the service purchase cost coupon to avoid an increase in the cost.

If you want to purchase service credit, you can request an estimate online. Go to **https://www.ers.state.tx.us/Employees/Retirement/Service_Credit/** and click "Request Service Purchase." The page asks you questions and guides you through the purchasing process. You can get an estimate of the cost of:

- Waiting period service;
- Withdrawn/refunded service;
- ASC; or
- Military Service Credit.

You may also transfer service credit between ERS and TRS upon retirement to enhance your annuity. If you are planning to transfer ERS service to TRS, you should contact TRS for the additional rules that may apply.

Withdrawn ERS service

You may buy back ERS service credit, which was previously earned by you but canceled because you chose to withdraw your contributions. Simply call ERS.

The cost to purchase withdrawn service consists of the withdrawn amount and 10% interest for each fiscal year from the withdrawal date to the purchase date. The penalty/interest portion paid by you will not increase your creditable service; it pays the interest portion of your original retirement investment that was lost while your money was not invested at ERS. To buy withdrawn ERS service, you must have membership with ERS or an entity that participates in the PRP. At least six months must have passed since the date of your withdrawal.

Waiting periods and service not previously established

When ERS was created by the Texas Legislature in 1947, a waiting period was required before state employees could become ERS members. This waiting period ended in August 1973. You may be able to purchase waiting period service prior to August 1973. Also, you may purchase service credit during any employment period when an ERS retirement contribution should have been deducted. The cost to purchase service not previously established includes the contributions due and 10% interest for each fiscal year from the date the service was performed to the purchase date.

If you were hired on or after September 1, 2003, you had a 90-day waiting period before you become an ERS member. You may purchase the waiting period service once it is completed if you are still a contributing member. The cost is based on actuarial cost factors such as your age and first retirement date. You must contact ERS for a cost estimate.

Military service

You may purchase up to 60 months of active duty United States military service credit. You must not be eligible for a military retirement based on 20 or more years of active military duty or its equivalent, and your military discharge must not be dishonorable. A copy of your military service record (such as your DD214 or NGB23) is required.

If you purchase this service during your first year of employment with the State, you will avoid paying penalty interest; however, this service will not be counted as service credit until you have worked for the State for five years. At that time, military service can be used to determine eligibility for service retirement or non-occupational disability retirement benefits. After your first year of employment, 10% interest will apply for each fiscal year from the date of employment to the purchase date. Purchased military service will be included in the calculation of an active employee's death benefit and in the calculation of an annuity for an occupational disability retirement.

If you have already purchased 60 months of military service but have been called to active duty again while working as a state employee, you may purchase additional military service credit for your military duty. If approved, the service can be purchased using the same cost and interest guidelines as described above.

If you are on "extended leave" during the time of your military duty, your agency may continue to pay you the difference between your military salary and your state salary—6.5% of your state paycheck will continue to be deducted for your retirement account, and you will be granted service credit for those months of active duty. This time may not be purchased as military service.

Additional Service Credit (ASC)

If you are an active employee, you may purchase Additional Service Credit (ASC) if you have at least 10 years of actual ERS service credit (not counting military service). ASC can advance your earliest retirement eligibility date and/or increase the value of your standard annuity upon retirement.

You must purchase all service for which you may be eligible, such as withdrawn ERS service, military service, etc., before you will be allowed to purchase ASC. Usually, ASC must be purchased in increments of one year; however, if you can use ASC to establish eligibility for an immediate retirement, you may purchase the necessary months rather than the full one-year increment. ASC is designed to be revenue neutral to the retirement system and as a result could be expensive to purchase. The cost of this service will change with an increase in your age, your salary, or your years of employment with the State.

The maximum amount of ASC you can purchase decreased from 60 months (five years) to 36 months (three years) on January 1, 2006. Following are examples of how this new limit works:

- If you purchased three years of ASC by December 31, 2005, you cannot buy more.
- If you purchased four or five years of ASC by December 31, 2005, you can keep all of it, but you cannot buy more.
- If you purchased two years of ASC by December 31, 2005, you can purchase one more year after January 1, 2006.

You may purchase ASC or other service credit through rollovers from your Texa$aver 401(k) or 457 Plans, rollovers from other qualified plans or IRAs, or personal check or money order.

For your convenience, we have provided a calculator on the ERS website to assist you in calculating an estimate of your ASC. You will need your current or average salary (whichever is greater), service credit and age. If you wish to purchase this service, call ERS and ask for a service purchase cost coupon. If you request a service purchase cost coupon from ERS during the period in which your salary is higher due to Benefit Replacement Pay or BRP (available to employees who began work for the State before September 1995), you will get a higher cost for ASC. You may wish to wait until BRP ends.

Optional Retirement Program service purchase eligibility

You may use Optional Retirement Program (ORP) service credit to help you retire sooner, but it will not increase your annuity. ORP members must return to state employment before buying refunded state service.

Proportionate Retirement Program service purchase eligibility

A member of any of the retirement systems participating in the PRP may purchase withdrawn ERS service without being re-employed by the State. If you are an ERS member, you may purchase canceled service from any of the retirement systems participating in the program. The PRP applies to the following participating retirement systems:

- Central Texas Community Health Centers (CTCH)—service must be certified by City of Austin Retirement System
- City of Austin Police Retirement System,
- City of Austin Retirement System,
- El Paso City Employees' Pension Fund,
- El Paso Firemen & Policemen's Pension Fund,
- ERS,
- Judicial Retirement System of Texas Plan I,
- Judicial Retirement System of Texas Plan II,
- Teacher Retirement System of Texas (TRS),
- Texas County and District Retirement System (TCDRS), and
- Texas Municipal Retirement System (TMRS)

You may belong to two or more of these systems to have proportionate retirement, and, if one of these systems is ERS, you may qualify for health insurance through ERS. You will get a monthly retirement payment from each system when you retire.

TRS and ERS service can work together

Upon retirement, you may transfer creditable service between ERS and TRS. You may also buy back TRS service to transfer to ERS at retirement and increase your annuity. Please note: Any PRP or TRS service credit you have will not be included in the personalized retirement estimate available through your online account at **www.ers.state.tx.us**.

ERS and TRS members can transfer service between the two systems. If you are an ERS member with at least three years of ERS service, you may establish former TRS service for the purpose of transfer without becoming a TRS member. Likewise, if you are a TRS member with at least three years of TRS service, you may establish former ERS service for the purpose of transfer without becoming an ERS member. (You may establish former service if you don't have three years of service, but it can only be used in the PRP.) Service established in either system for the purpose of transfer is subject to the TRS rules for determining how much service is actually creditable. TRS rules provide that service of less than 4 ½ months in a fiscal year is equal to zero credit for that fiscal year.

An ERS member with at least three years service credit in ERS may reinstate service credit in TRS that was previously canceled. To inquire about your withdrawn TRS service, go to **www.trs.state.tx.us** or call TRS toll-free at (800) 223-8778.

Texas Governmental Entity service

If you worked for an entity created by the Texas Legislature and do not have money in their retirement fund, you may have earned Texas Governmental Entity (TGE) service credit.

- You must have verified the service by December 31, 2005 to have up to 60 months of TGE service credit certified to help you meet the Rule of 80, regardless of when you will retire.
- To be eligible to use TGE service credit, you must have at least five years of ERS service credit, not including military service credit.
- If you want to use TGE credit to qualify for retirement under the Rule of 80, you must do so before age 60.
- Withdrawn ERS service credit cannot be used as TGE credit.
- The TGE service credit can only be used to help you meet the Rule of 80. It cannot be used to increase your annuity amount or to meet eligibility for retiree group insurance.

Your TGE credit, if certified no later than December 31, 2005, is included in your online account service credit totals and your Statement of Retirement Benefits.

Disability retirement available

Your retirement plan offers **occupational** and **nonoccupational** disability retirement. If you qualify, you could receive a monthly annuity and insurance benefits. You must meet certain conditions.

A qualifying example for **occupational** disability retirement is when a state trooper is shot in the line of duty, resulting in a permanently disabling injury. To apply for this benefit, you must have made a retirement contribution to ERS, and you must make application within two years from the date of injury. A qualifying example of a **nonoccupational** disability retirement is when an employee is diagnosed with a terminal illness and cannot continue employment with the State or any other employer in a comparable paying position. You must have 10 years of ERS service credit before you can apply for nonoccupational disability retirement, and you must make application within two years of the date you ceased making contributions to the retirement system. Annuity benefits for nonoccupational disability retirees are reduced based on your age at retirement.

ORP members cannot use ORP service to meet the 10 years of service credit required to qualify for a nonoccupational disability retirement annuity.

The ERS Medical Board must certify that your disability is likely to be permanent and prevents you from continuing your current employment or any other occupation.

ERS will send you a Statement of Retirement Benefits after your birthday each year. You can also request one online at www.ers.state.tx.us.

Your Retirement Annuity

When you retire with five or more years of ERS service credit, you will receive a lifetime monthly payment called an annuity. You may choose the standard annuity, a partial lump sum, and/or options that may continue payments to your designated beneficiary upon your death.

ERS will send you a Statement of Retirement Benefits after your birthday each year that shows your earliest retirement date, retirement age, and projected retirement payment amount. You can request this statement online at any time. The statement does not include PRP or TRS service credit.

How to calculate your standard annuity (State Employees)

The calculation of your standard annuity (the maximum monthly amount) begins with your final average salary. This is determined by:

1) Totaling your highest 36 months of salary, and
2) Dividing that sum by 36 to get your final average salary.

Your salary includes your monthly regular base pay, longevity pay, Benefit Replacement Pay (BRP), and hazardous duty pay.

Next, determine your service percentage, which is based on the amount of service credit. Your service percentage is based on 2.3% per each year of service. Use the chart on page 11 to find your percentage using the number of years and months you have worked. For example, if you qualify for retirement with 12 years and 3 months of service, your service percentage is 28.175. Remember: Withdrawn service does not count toward your service credit unless you have purchased it.

Finally, multiply your final average salary by your service percentage. This provides your standard annuity. Your standard annuity cannot be more than 100% of your final average salary or less than $150 per month. (A proprotionate retirement standard annuity can be less than $150 per month.)

Sample standard annuity calculation

You are a 56-year-old member with 24 years of creditable service. Your final average salary is $2,645 (average of highest 36 months salary).

Percentage Calculation: 24 years @ 2.3% =	55.200%
Total Percentage	55.200%
Standard Annuity Calculation:	
Final Average Salary:	$2,645.00
Percentage	x 55.200%
Total Monthly Standard Annuity	$1,460.04

Create A Personalized Retirement Estimate

Sign in to your account at **www.ers.state.tx.us** and select "Retirement Estimate" to create your personalized retirement estimate.

The estimate includes your:

· first retirement date;
· retirement payment options;
· partial lump sum options; and
· federal tax withholding.

Retirement estimates are not available to retirees or those who have already applied for retirement. They are only available to members with ERS retirement accounts

Benefit Replacement Pay (BRP) may affect your annuity amount

If you were hired before September 1, 1995, you receive BRP from the State, which replaces some of the employer's portion of Social Security taxes. Depending on your employer's policy, you can choose to "level" the BRP over the 12 months of a calendar year and receive equal amounts of the BRP added to your paycheck each month for the entire year. If you do not level the BRP, the appropriate amount will be paid on each check until the total benefit has been paid. Your annual salary is not affected by your decision to level BRP. However, your monthly salary can be affected during the year.

Because ERS uses a formula that takes into account a member's highest 36 months of salary, you may have a slightly higher final average salary if you choose not to level. If not leveled, the higher BRP compensation received during the first months of the year can give you a higher average salary. If you choose to have an actual cost for ASC during this time, your cost for ASC will be based on the higher salary you receive with non-level BRP compensation and may be higher than your final average salary. You may wish to wait until the full amount of replacement pay is received and your monthly salary is lower to request the ASC actual cost.

If you are planning to retire early in the year, a decision to not level will maximize the BRP you receive and may increase your standard annuity. It is important to know your agency's payroll policy surrounding BRP if you are planning to use the benefit to maximize your retirement annuity.

Other considerations before you retire

When you began working for the State, you designated a person or persons to receive your retirement contributions, life insurance benefits, and other benefits if you die.

You may request a change of your life insurance beneficiaries at any time by logging in to your account. Click Beneficiary Summary under My Insurance Information. It is important to make sure your beneficiaries are correct and have Social Security numbers for each one so that in the event of your death, payment of benefits will not be delayed or made to your estate instead of a named beneficiary. If you do not have internet access, you can call ERS for assistance.

If you participate in the State's Texa$aver 401(k) or 457 Plans, you must submit a Texa$aver beneficiary form designating who should receive your Texa$aver account funds in the event of your death. If you name more than one primary beneficiary, each will receive an equal amount unless you specify differently. Forms for the 401(k) and 457 Plans are available on the Texa$aver website, or you may contact Great-West Retirement Services (Great-West) at (800) 634-5091 for a beneficiary form. To check your current beneficiary, go to the Texa$aver website, **www.texasaver.com**, and look under "Personal Information" or call Great-West.

If you have 10 or more years of service credit, you should file a Death Benefit Plan (DBP) so that if you die before you retire, your beneficiary can have an annuity plan. If you had 10 years of service and filed a DBP by August 31, 2005, your beneficiary will be paid according to your DBP even if you leave state employment, as long as you don't take a refund. If you had 10 or more years of creditable service by August 31, 2005 but didn't file a DBP, a lump sum refund of your retirement account will go to your beneficiary if you leave state employment and do not withdraw your account.

If you didn't have 10 years of ERS service credit by August 31, 2005, you can still select a DBP at the 10-year mark, but it will be paid only if you are still employed by the State when you die (before retirement). If you leave state employment and do not take a refund, the only payout option for your beneficiary is a lump sum refund of the retirement account. A DBP allows you to make one of four selections for your beneficiary:

1. Beneficiary's choice (Your beneficiary can choose a life annuity, lump sum payment, or 10-year guaranteed annuity.)
2. Life annuity (Your beneficiary receives a monthly annuity check for the rest of his/her life. The amount is based on your years and months of unrefunded service credit and final average salary.)
3. Lump sum payment (Your beneficiary receives a refund of your retirement contributions in a lump sum payment, minus applicable taxes.)
4. 10-year guaranteed annuity (Your beneficiary is paid an annuity once a month for 10 years. The amount is based on your years and months of unrefunded service credit and final average salary, and will likely be different from the lifetime annuity amount.)

To file a DBP, log on to your account. Select Beneficiary Summary, then Active Account Death Benefit.

Retirement annuity payment options

When you retire, you may choose the standard annuity, which pays the highest amount. You may also choose to have a partial lump sum option, which will provide you with a lump sum payment the first month of your retirement along with a permanently reduced annuity. To protect your beneficiary in case of your death, you may choose from one of five survivor options that continue payments to a beneficiary after your death.

The Partial Lump Sum option

You may choose to receive a check for up to 36 months of your standard annuity as a lump sum at retirement. This option is available only once and only at retirement. It is not available to members retiring with a disability retirement; Commissioned Peace Officers (CPOs) or Custodial Officers (COs) who retire before age 50 at a reduced retirement; judges under age 60; or individuals retiring under the PRP (exception: age 60+ eligible for service retirement). If you choose this option, you will receive your partial lump sum payment five days after your first retirement check. The lump sum payment is subject to federal withholding taxes if the payment is not rolled over to a Texa$aver 401(k) or 457 Plan account, an eligible qualified retirement plan, or an IRA. You may have to pay an additional 10% penalty for early withdrawal.

By selecting the lump sum option, you permanently lower your monthly annuity payments. Your annuity payment is reduced by a factor that is determined in part by your age and the number of months you choose for your lump sum payment. You can choose any number of months from one to 36.

Options to protect your beneficiaries

These options may be chosen on their own or in conjunction with the Partial Lump Sum option. They will reduce your monthly payment. If taken with a Partial Lump Sum option, your annuity will be further reduced. Payments for Options 1, 2 and 5 are based on the age of your beneficiary.

Survivor option reduction factor tables are used when retiring employees choose a survivor option to continue payments to a beneficiary after their death. Some of these factors are based on the employee's age at retirement and the beneficiary's age. For more information on the reduction factors that would apply to you and your beneficiary, contact ERS Customer Service at (877) 275-4377 toll-free.

Monthly Retirement Annuity Options		
Option	**Retiree Payment**	**Survivor Payment**
Standard annuity	This is the highest monthly payment paid to you for life.	No monthly survivor payment. If there is money left in your account after your death, your survivor receives a one-time refund payment of your retirement account balance.
Survivor Payment Options These options lower your annuity, but continue to pay your beneficiary after you die.		
Option 1	This is a lower monthly payment paid to you for life.	After your death, your survivor gets 100% of your monthly payment for life.
Option 2	This is a lower monthly payment paid to you for life.	After your death, your survivor gets 50% of your monthly payment for life.
Option 3	This is a lower monthly payment paid to you for life.	If you die before you get 60 monthly payments, your survivor gets the rest of the 60 monthly payments. Then the monthly payment stops.
Option 4	This is a lower monthly payment paid to you for life.	If you die before you get 120 monthly payments, your survivor gets the rest of the 120 monthly payments. Then the monthly payment stops.
Option 5	This is a lower monthly payment paid to you for life.	After your death, your survivor gets 75% of your monthly payment for life.

Standard annuity, percentage value of Service Credit (for state employees)

To calculate what percentage of your final average salary you will earn in retirement, find the number for the years and months you have worked. If you plan to retire with 26 years and seven months of service, your standard annuity will be 61.142% of your final average salary.

	MONTHS											
YRS	0	1	2	3	4	5	6	7	8	9	10	11
0	0.000	0.192	0.383	0.575	0.767	0.958	1.150	1.342	1.533	1.725	1.917	2.108
1	2.300	2.492	2.683	2.875	3.067	3.258	3.450	3.642	3.833	4.025	4.217	4.408
2	4.600	4.792	4.983	5.175	5.367	5.558	5.750	5.942	6.133	6.325	6.517	6.708
3	6.900	7.092	7.283	7.475	7.667	7.858	8.050	8.242	8.433	8.625	8.817	9.008
4	9.200	9.392	9.583	9.775	9.967	10.158	10.350	10.542	10.733	10.925	11.117	11.308
5	11.500	11.692	11.883	12.075	12.267	12.458	12.650	12.842	13.033	13.225	13.417	13.608
6	13.800	13.992	14.183	14.375	14.567	14.758	14.950	15.142	15.333	15.525	15.717	15.908
7	16.100	16.292	16.483	16.675	16.867	17.058	17.250	17.442	17.633	17.825	18.017	18.208
8	18.400	18.592	18.783	18.975	19.167	19.358	19.550	19.742	19.933	20.125	20.317	20.508
9	20.700	20.892	21.083	21.275	21.467	21.658	21.850	22.042	22.233	22.425	22.617	22.808
10	23.000	23.192	23.383	23.575	23.767	23.958	24.150	24.342	24.533	24.725	24.917	25.108
11	25.300	25.492	25.683	25.875	26.067	26.258	26.450	26.642	26.833	27.025	27.217	27.408
12	27.600	27.792	27.983	28.175	28.367	28.558	28.750	28.942	29.133	29.325	29.517	29.708
13	29.900	30.092	30.283	30.475	30.667	30.858	31.050	31.242	31.433	31.625	31.817	32.008
14	32.200	32.392	32.583	32.775	32.967	33.158	33.350	33.542	33.733	33.925	34.117	34.308
15	34.500	34.692	34.883	35.075	35.267	35.458	35.650	35.842	36.033	36.225	36.417	36.608
16	36.800	36.992	37.183	37.375	37.567	37.758	37.950	38.142	38.333	38.525	38.717	38.908
17	39.100	39.292	39.483	39.675	39.867	40.058	40.250	40.442	40.633	40.825	41.017	41.208
18	41.400	41.592	41.783	41.975	42.167	42.358	42.550	42.742	42.933	43.125	43.317	43.508
19	43.700	43.892	44.083	44.275	44.467	44.658	44.850	45.042	45.233	45.425	45.617	45.808
20	46.000	46.192	46.383	46.575	46.767	46.958	47.150	47.342	47.533	47.725	47.917	48.108
21	48.300	48.492	48.683	48.875	49.067	49.258	49.450	49.642	49.833	50.025	50.217	50.408
22	50.600	50.792	50.983	51.175	51.367	51.558	51.750	51.942	52.133	52.325	52.517	52.708
23	52.900	53.092	53.283	53.475	53.667	53.858	54.050	54.242	54.433	54.625	54.817	55.008
24	55.200	55.392	55.583	55.775	55.967	56.158	56.350	56.542	56.733	56.925	57.117	57.308
25	57.500	57.692	57.883	58.075	58.267	58.458	58.650	58.842	59.033	59.225	59.417	59.608
26	59.800	59.992	60.183	60.375	60.567	60.758	60.950	61.142	61.333	61.525	61.717	61.908
27	62.100	62.292	62.483	62.675	62.867	63.058	63.250	63.442	63.633	63.825	64.017	64.208
28	64.400	64.592	64.783	64.975	65.167	65.358	65.550	65.742	65.933	66.125	66.317	66.508
29	66.700	66.892	67.083	67.275	67.467	67.658	67.850	68.042	68.233	68.425	68.617	68.808
30	69.000	69.192	69.383	69.575	69.767	69.958	70.150	70.342	70.533	70.725	70.917	71.108
31	71.300	71.492	71.683	71.875	72.067	72.258	72.450	72.642	72.833	73.025	73.217	73.408
32	73.600	73.792	73.983	74.175	74.367	74.558	74.750	74.942	75.133	75.325	75.517	75.708
33	75.900	76.092	76.283	76.475	76.667	76.858	77.050	77.242	77.433	77.625	77.817	78.008
34	78.200	78.392	78.583	78.775	78.967	79.158	79.350	79.542	79.733	79.925	80.117	80.308
35	80.500	80.692	80.883	81.075	81.267	81.458	81.650	81.842	82.033	82.225	82.417	82.608
36	82.800	82.992	83.183	83.375	83.567	83.758	83.950	84.142	84.333	84.525	84.717	84.908
37	85.100	85.292	85.483	85.675	85.867	86.058	86.250	86.442	86.633	86.825	87.017	87.208
38	87.400	87.592	87.783	87.975	88.167	88.358	88.550	88.742	88.933	89.125	89.317	89.508
39	89.700	89.892	90.083	90.275	90.467	90.658	90.850	91.042	91.233	91.425	91.617	91.808
40	92.000	92.192	92.383	92.575	92.767	92.958	93.150	93.342	93.533	93.725	93.917	94.108
41	94.300	94.492	94.683	94.875	95.067	95.258	95.450	95.642	95.833	96.025	96.217	96.408
42	96.600	96.792	96.983	97.175	97.367	97.558	97.750	97.942	98.133	98.325	98.517	98.708
43	98.900	99.092	99.283	99.475	99.667	99.858	100.000	100.000	100.000	100.000	100.000	100.000
44	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000
45	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000	100.000

Federal income tax on your annuity

ERS is required to deduct federal income tax from your monthly annuity unless you choose not to withhold tax. Retirement contributions made before January 1, 1988, and funds deposited to your account as the result of a service purchase, other than through a tax-free rollover, or transfer, are classified as "after-tax" dollars.

After-tax dollars in your account are paid to you tax-free on a prorated basis over your lifetime, as prescribed by federal tax laws. Therefore, if you retire with after-tax dollars in your account, a small portion of each monthly annuity payment is non-taxable. After you have been paid all non-taxable dollars in your account through this monthly-prorated method, your entire monthly payment becomes taxable.

When you retire, ERS will provide you a breakdown of your monthly annuity payments, including any non-taxable portion. The method used to calculate your non-taxable portion depends upon your retirement date and your age at retirement.

If you die before all of the non-taxable dollars are recovered, the remaining non-taxable dollars may be eligible to be claimed on your income tax return as a deduction in the year of your death.

Federal income tax laws are subject to change at any time. ERS cannot advise you about federal taxes. For more information about federal income tax and your pension, contact the IRS by calling (800) 829-1040 or visit the IRS website at **www.irs.gov**.

Retiree insurance coverage

To qualify for insurance benefits as a retiree, you must have at least 10 years of service at a state agency or institution of higher education participating in the GBP. (The University of Texas and Texas A&M University Systems and all public independent school districts do not participate in the program.) If you have 10 years of service, you can retire with the group insurance benefit at age 65 or when you meet the Rule of 80.

If your service and/or age in an agency or institution under the GBP qualifies you for eligibility, you may elect to participate in the insurance program at retirement for yourself and your dependents. If you are enrolled in the State's health plan as a retiree, you are covered by the State's Basic Term Life coverage of $2,500 at no cost to you. You may choose health or dental coverage for yourself and your eligible dependents, as well as Optional Term Life Insurance. This benefit is available to you whether you retire directly from state employment or if you are a non-contributing member with more than 10 years of eligible service and qualify for insurance benefits. If you retire as a non-contributing member, you must wait 90 days to receive the group insurance benefit but will not need evidence of insurability (EOI) for coverage.

You can have optional coverage (dental, Optional Term Life, Dependent Group Term Life, and Long-term Care Insurance) without having health coverage, as long as you are eligible for health coverage at a later date. You must be enrolled in a particular coverage (for example, dental coverage) in order to enroll your dependents in that coverage.

State agency and higher education employees who are part-time when they retire will receive the part-time contribution for health insurance premiums in retirement—50% for the retiree, 25% for eligible dependents. In order to be eligible for the full state contribution (100%) toward health insurance premiums at retirement, you must be eligible for insurance at retirement and classified as a full-time employee for the three consecutive months prior to retirement.

At retirement, you will have 30 days after your effective date of retirement to make decisions about your health and optional coverage. You may change health and dental insurance carriers from those you participated in as an employee and add dependents to your plan without EOI. You will also be able to apply through EOI for Optional Term Life and Dependent Term Life if you are not already enrolled in this coverage. You may choose your health and dental plans based either on the county of your

Health and other insurance benefits for employees and retirees are subject to change based on available State funding. The Texas Legislature detemines the level of funding for such benefits and has no continuing obligation to provide those benefits beyond each fiscal year.

state employment or your residence upon retirement. If you do not make changes during this 30-day period, enrollment restrictions will apply. You or your dependents may need to go through EOI to have coverage. You also have an annual opportunity to make coverage changes in July.

If you have 10 years of service credit and end your employment with the State, but leave your money in your ERS account, you will be eligible to retire and receive an annuity when you meet the Rule of 80 or reach age 60. You will not be eligible for the health insurance until you reach the Rule of 80 or until you reach age 65. Since you did not retire directly from state employment, you will have a 90-day waiting period before you and your dependents are eligible for health insurance through the GBP. Neither you nor your dependents will need EOI for health insurance. You are eligible at retirement to enroll in dental and apply through EOI for Dependent Life and $10,000 in Optional Term Life coverage.

Your survivors may continue insurance coverage

If you die as a retiree, your spouse and eligible dependent children may continue the health and dental coverage in which they were enrolled on the date of your death. They must pay the entire premium cost and continue to meet the residency requirements of the health and dental plans. Your spouse may continue coverage for life. Dependent children may continue coverage as long as they are eligible, regardless of whether your spouse continues coverage.

Call SSA to enroll in Medicare if you are retired and turn 65.

Your health coverage and Medicare

You become eligible for Medicare at age 65. Medicare Part A covers hospitalization and Medicare Part B covers doctor-related services. Most people do not have a cost for Medicare Part A; however, you pay a monthly premium for Medicare Part B.

If you are still employed with the State at age 65, you may delay participation in Medicare Part B until you retire or leave state employment. While you are employed, your health plan continues to be the primary coverage.

You should not enroll in Medicare Prescription Drug Coverage (also called Part D) in Plan Year 2012, because your prescription drug coverage under your ERS health plan is comparable to the coverage under Medicare. For more information, call ERS or go to **www.ers.state.tx.us**.

When you become eligible for Medicare coverage, Medicare becomes the primary payer of benefits in most cases. You receive maximum benefits when you enroll in Medicare Parts A and B. Once you retire and are age 65 or older, the State's traditional health carriers (HealthSelect or an HMO) pay secondary to Medicare benefits, regardless if you've actually enrolled in Medicare. This means they only pay 20% of allowable charges. If you don't enroll in Medicare Part B when you become eligible and retire, you will be considered the primary payer and will be responsible for any amounts Medicare would have paid. You will have to pay out-of-pocket 80% or more of medical and hospitalization expenses. (The amount varies according to your health plan—HealthSelect or an HMO.)

The Social Security Administration (SSA) handles your Medicare enrollment. You are automatically enrolled in Medicare Part A when you are eligible. You must call SSA to enroll in Medicare Part B when you turn age 65, are no longer working for the State, and are participating in the GBP. If you are retired when you become eligible for Medicare, your initial enrollment period is the seven-month period that includes the 90 days before and after your 65th birthday month. You could also become eligible for Medicare before you turn 65 if the SSA certifies you as disabled. If you don't sign up for Medicare when you are first eligible and not working for the State, you may be subject to a penalty and you will be responsible for paying the portion Medicare would have paid on Part A and B expenses until you enroll in Medicare. Contact SSA at (800) 772-1213 to enroll or for additional information.

After you are enrolled in Medicare Parts A and B, ERS will enroll you and your Medicare-enrolled dependents in the Humana Medicare Advantage Plan. Effective January 1, 2012, retirees, surviving spouses, and dependents enrolled in Medicare and eligible for the GBP will be enrolled in the Humana Medicare Advantage Plan. Medicare Advantage plans provide all of your coverage and take the place of Medicare and secondary coverage. You can opt out of Humana Medicare Advantage and enroll in other GBP coverage by calling ERS toll-free at (877) 275-4377.

Medicare and Medicare Advantage Plans only cover emergency services received outside the United States (except in Puerto Rico).

The Humana Medicare Advantage Plan has:

- No deductibles (the Humana Medicare Advantage Plan even covers the Medicare deductible for you).
- Most Medicare-eligible services covered at 100% in the United States.
- An open network. Although Humana has a provider network, you can see any doctor who accepts Medicare.
- No referral requirement. You do not need a primary care physician (PCP) or referrals to specialists.
- No Medicare paperwork. Humana handles all the claims paperwork for you.
- Lower premiums for dependents than HealthSelect and HMOs.
- Extra benefits, like health club memberships and meal delivery after you've been in the hospital.
- Prescription drug benefits provided through the HealthSelect prescription drug program, administered by Caremark. The regular $50 prescription drug deductible still applies.

Find out if your doctor accepts Medicare

- It's important to use providers who accept Medicare.
- Call Medicare toll-free at (800) 663-4227 to find health care providers or doctors who accept Medicare.
- Go to **www.humana.com/ersmedicareadvantage** to find doctors who accept Medicare in the Humana Medicare Advantage network.

For more information on the Humana Medicare Advantage Plan, call Humana Customer Care toll-free at (855) 377-0001. TTY users should call 711.

KelseyCare Medicare Advantage HMO for those who live in the Houston area

If you live in Harris, Fort Bend, Montgomery, or Galveston County, you have another Medicare Advantage option, with similar benefits to the Humana plan. You can enroll in the KelseyCare Medicare Advantage HMO Plan, which is available to retirees, surviving spouses, and dependents enrolled in Medicare. For more information, go to the ERS website, **www.ers.state.tx.us**, or call ERS.

Members enrolled in Medicare Advantage Plans must continue to pay their Medicare Part B premiums.

GBP enrollment

All Medicare-enrolled household members must be enrolled in the same GBP health coverage plan. For example, if you and your spouse are enrolled in Medicare, both of you must enroll in the same GBP health plan. The default coverage for those enrolled in Medicare is Humana Medicare Advantage.

Household members who are ineligible for Medicare retain their current GBP plan while the Medicare-enrolled retiree and/or dependents are enrolled in a Medicare Advantage Plan.

If you have other group health benefits, your GBP retiree benefits may pay last. If this applies to you, contact your other health plan.

HealthSelect coverage and Medicare

If you are age 65, retired, and enrolled in Medicare, and you opt-out of Humana Medicare Advantage and keep HealthSelect coverage, note that this coverage changes when you become eligible for Medicare. In addition to your benefits being coordinated with Medicare, you now have more traditional health coverage in which you can direct your own care. HealthSelect calls this "out-of-area" coverage. You no longer have a primary care physician (PCP) or referrals to get coverage through a network of providers. However, you should make sure that your doctor accepts Medicare.

To continue in-area coverage for your under age-65 dependents, contact HealthSelect Customer Service at (800) 252-8039. Once you notify them, your dependents' HealthSelect claims will be paid as in-area. Otherwise, they automatically have out-of-area coverage. In-area dependents must still use a PCP to direct their coverage within the network; however, they do not have deductibles. Dependents receive a separate ID card and their claims must be filed separately.

Lump sum death benefit

If you die as an ERS annuitant, a lump sum death benefit in the amount of $5,000 will be paid to your designated beneficiary or estate when a claim is submitted. The lump sum death benefit is at no cost to you and is in addition to any term life insurance or other survivor benefit for which your survivors may be eligible. You do not have to be enrolled in the state health insurance program to qualify for this benefit. If at the time of your death you are in the Proportionate Retirement Program with less than five years service credit from ERS, the payment will be reduced accordingly.

ERS prepares all your retirement paperwork for you. Just give us a call within 90 days of your retirement.

You should tell your human resources office that you are retiring. Your agency is not responsible for notifying ERS of your intent to retire. ERS maintains confidentiality of member records and does not tell your employer that you are retiring.

Applying for retirement

When you are ready to retire, you must call ERS not more than 90 days before your expected retirement date, which is always the last day of the month. You cannot apply for a retirement date in the past.

ERS will send you a Retirement Packet with information about your retirement, annuity, beneficiaries, taxes, and benefits. Sign the Retirement Acceptance form as instructed and have it notarized. Mail the completed original form and requested documentation (such as copies of birth certificates) before your retirement date. You will receive a confirmation when this form is accepted.

If you are taking the standard annuity, or naming someone other than your spouse as your beneficiary, your spouse needs to sign the Retirement Acceptance form and have their signature notarized.

In most cases, ERS will cancel your retirement if you are reported on a state payroll in the calendar month after your intended retirement date. You are still considered to be on state payroll if you are on paid leave. If you plan to use your annual leave before you retire, your retirement will not take effect until your annual leave has been exhausted.

If you retire from a different **class** or different **system** (such as TRS) and you return to work at an ERS agency, your retirement will not be cancelled if you are reported on the state payroll in the calendar month after your retirement date. You will contribute the employee portion of your monthly pay to an ERS retirement account. If you are a retiree from ERS or any other statewide retirement system, and you return to work at a non-ERS agency (such as a higher education institution), ask your benefits coordinator if you will be required to make retirement contributions.

If you retire from the employee class of ERS, a state agency cannot hire you in an employee class position until at least 90 days after your retirement date. A state agency that hires a return-to-work retiree who retired on or after September 1, 2009, pays ERS a surcharge. The surcharge is equal to the amount of the State's retirement contribution for an active employee.

The Law Enforcement and Custodial Officers Supplemental Retirement Fund

This section explains the additional benefits that the State of Texas provides in recognition of the career services performed by law enforcement such as Commissioned Peace Officers and Custodial Officers. The Texas Legislature created the Law Enforcement and Custodial Officers Supplemental Retirement Fund (LECOSRF) under the provisions of Subtitle 8, Title 8, Texas Government Code. The supplement rewards officers with 20 or more years of CPO/CO service. If you retire with less than 20 years of CPO/CO service, you do not qualify for supplemental benefits. Officers are also members of the state employee retirement program.

LECOSRF contribute 0.5% of their monthly salary pre-tax to the LECOSRF in addition to the 6.5% to the state employees retirement program.

LECOSRF membership

Three types of membership qualify for supplemental benefits under this program.

You are included in the Supplemental Retirement Program if you are one of the following:

- A “law enforcement officer” who has been commissioned by the Texas Department of Public Safety, Texas Alcoholic Beverage Commission, Texas Parks and Wildlife Department, or the Office of Inspector General at the Texas Youth Commission, and whose commission is recognized by the Texas Commission on Law Enforcement Officers Standards and Education.
- A “custodial officer” for the Texas Department of Criminal Justice – Institutional Division (TDCJ), certified as having normal duties that require you to have direct contact with inmates.
- A “parole officer or caseworker” employed and certified by the Board of Pardons and Paroles or the Texas Department of Criminal Justice (TDCJ).

Eligible credit

Service credit in the LECOSRF includes all service established in your regular retirement account that has been credited as CPO/CO service. Withdrawn service, service not previously established, and military service may be credited under the LECOSRF with the following provisions:

- As an active employee, your accumulated sick and/or annual leave may be converted into CPO/CO service credit at retirement if you retire from that CPO/CO position.
- Military service will be counted as CPO/CO service if you entered military service within 90 days after leaving CPO/CO employment and returned to CPO/CO employment within 90 days after completing active military duty. This service must be purchased to receive service credit.
- Additional Service Credit (ASC) can also be counted as CPO/CO service if you are contributing as a CPO/CO when the ASC is purchased. You must have 10 years of service credit in the LECOSRF or in combination with regular state service credit to purchase ASC.

Purchase your service as early as possible. You must purchase unestablished service before you apply for retirement.

The cost to purchase any creditable service will be calculated by ERS upon your request. In most cases, on September 1 of each fiscal year, penalty interest amounts increase on service purchases. Payments for creditable service must be received by ERS prior to the due date on the service purchase cost coupon to avoid additional penalty interest cost.

CPO/CO retirement eligibility

Two factors determine eligibility for retirement: your age and your years of service credit. Several combinations of those two factors could qualify you for retirement as a CPO/CO. Sick and/or annual leave may be used to qualify for eligibility, and they are calculated separately.

Retirement under Supplement Retirement Program

- Full CPO/CO benefits: 20 years CPO/CO service at or over age 50. Benefits are calculated with a multiplier of 2.8% for the Supplemental Retirement Program.
- Full CPO/CO benefits: Meeting the Rule of 80 with 20 years CPO/CO service at any age. Benefits are calculated with a multiplier of 2.8% for the Supplemental Retirement Program.
- Reduced CPO/CO benefits—early retirement: 20 years CPO/CO service before age 50 (annuity is reduced). Benefits are calculated with a multiplier of 2.8% for the Supplemental Retirement Program.

Insurance eligibility as a retiree

As a CPO/CO, you qualify for group insurance if you have 10 years of creditable CPO/CO service and retire at age 55, or 20 years of creditable CPO/CO service and retire at any age or meet the Rule of 80. If you began work before September 1, 2001, you may be eligible for group insurance benefits if you met retirement qualifications and had at least three years of coverage under the GBP. If you qualify for group insurance benefits, the State will continue to pay the full cost of health insurance premiums for you and half the premium cost for your eligible dependents.

The state employee program funds the largest portion of your annuity, and the LECOSRF increases your annuity.

With 20 or more years CPO/CO service at the time of your retirement, the Supplemental Retirement Program determines the minimum benefits payable for service as a CPO/CO. Benefits will be paid based on a coordination between the LECOSRF and the state employee program. The maximum and minimum percentages allowable under each program are applied so that you receive the highest benefit possible.

Reduction Percentages for Early Retirement

Age at Retirement	Percentage of Full Benefit
30	19.6%
31	21.2%
32	22.9%
33	24.8%
34	26.9%
35	29.1%
36	31.5%
37	34.1%
38	37.0%
39	40.1%
40	43.4%
41	47.1%
42	51.1%
43	55.5%
44	60.2%
45	65.5%
46	71.2%
47	77.4%
48	84.2%
49	91.7%
50	100.0%

How to calculate your CPO/CO annuity

Supplemental Retirement Program

If you have 20 or more years of service credit as a CPO/CO, you qualify for the Supplemental Retirement Program. CPO/COs with 20 or more years of CPO/CO service have a multiplier of 2.8%, .5% higher than the Regular Retirement Program. You must use this multiplier with your years and months of service and your final average salary to arrive at your standard annuity. Your standard annuity is reduced if you retire before age 50, select the partial lump sum option, or take one of the options to provide an annuity for your beneficiary after your death. You can determine your service percentage by using the chart below or by multiplying your years of service by 2.3% for the Regular Retirement Program and 2.8% for the Supplemental Retirement Program.

Benefits based on your creditable service other than CPO/CO service are payable under the Regular Retirement Program through ERS.

Standard CPO/CO annuity formula:

Final average salary times the percentage for service equals your standard CPO/CO annuity.

The final average salary is the average of your highest 36 months of salary of total state service. This salary includes longevity, BRP, and hazardous duty pay. It excludes overtime pay and clothing allowances. The percentage value for CPO/CO service credit is 2.8% per year (.233 per month) when you have 20 or more years of CPO/CO service. Your monthly standard annuity cannot be more than 100% of your final average salary.

Like regular retirees, you may use any of the five annuity options to provide ongoing benefits for your survivors after your death. You may also take advantage of the Partial Lump Sum Option at retirement if you are at least age 50. (See page 10.)

Other benefits of CPO/CO membership

Disability retirement under the Supplemental Retirement Program

If you are a qualified CPO/CO, you are also eligible for occupational disability retirement benefits under the Supplemental Retirement Program after becoming a member of ERS. Your disability must be a sudden and unexpected injury or disease that results solely from a specific act or occurrence determinable by a definite time and place and solely from an extremely dangerous risk of severe physical or mental trauma or disease that is not

CPO/CO Standard Annuity Multiplier Table

(Percentage Value of Service Credit)

Months

Years	0	1	2	3	4	5	6	7	8	9	10	11
20	56.000	56.233	56.467	56.700	56.933	57.167	57.400	57.633	57.867	58.100	58.333	58.567
21	58.800	59.033	59.267	59.500	59.733	59.967	60.200	60.433	60.667	60.900	61.133	61.367
22	61.600	61.833	62.067	62.300	62.533	62.767	63.000	63.233	63.467	63.700	63.933	64.167
23	64.400	64.633	64.867	65.100	65.333	65.567	65.800	66.033	66.267	66.500	66.733	66.967
24	67.200	67.433	67.667	67.900	68.133	68.367	68.600	68.833	69.067	69.300	69.533	69.767
25	70.000	70.233	70.467	70.700	70.933	71.167	71.400	71.633	71.867	72.100	72.333	72.567
26	72.800	73.033	73.267	73.500	73.733	73.967	74.200	74.433	74.667	74.900	75.133	75.367
27	75.600	75.833	76.067	76.300	76.533	76.767	77.000	77.233	77.467	77.700	77.933	78.167
28	78.400	78.633	78.867	79.100	79.333	79.567	79.800	80.033	80.267	80.500	80.733	80.967
29	81.200	81.433	81.667	81.900	82.133	82.367	82.600	82.833	83.067	83.300	83.533	83.767
30	84.000	84.233	84.467	84.700	84.933	85.167	85.400	85.633	85.867	86.100	86.333	86.567
31	86.800	87.033	87.267	87.500	87.733	87.967	88.200	88.433	88.667	88.900	89.133	89.367
32	89.600	89.833	90.067	90.300	90.533	90.767	91.000	91.233	91.467	91.700	91.933	92.167
33	92.400	92.633	92.867	93.100	93.333	93.567	93.800	94.033	94.267	94.500	94.733	94.967
34	95.200	95.433	95.667	95.900	96.133	96.367	96.600	96.833	97.067	97.300	97.533	97.767
35	98.000	98.233	98.467	98.700	98.933	99.167	99.400	99.633	99.867	100.00	100.00	100.00
36	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
37	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Published 3/18/02

common to the public at large and that is peculiar to and inherent in a dangerous duty that arises from the nature and in the course of your state employment. Your employing agency must certify that your disability prevents you from being reasonably accommodated in some other capacity. There are no age or length-of-service eligibility requirements for this benefit.

If you are a CPO or CO who meets the requirements for occupational disability and whose occupational disability directly results from a risk to which law enforcement or custodial officers are exposed because of the nature of their duties (e.g., violent altercation), the occupational disability retirement annuity may be not less than 50% of your average monthly compensation, regardless of the amount of your service credit. If you are a CPO/CO with more than 20 years commissioned service, your standard annuity will be calculated based solely on a 2.8% factor times the average of your 36 highest months of state employment compensation. If you provide evidence that you are 100% disabled under federal Social Security law and that your federal Social Security benefits are based solely on the injury caused by your state job, the benefit will be increased to 100% of the average of your 36 highest months of state employment compensation.

To apply for occupational disability, you must submit a written request to ERS including your effective date of retirement, your beneficiary's name and date of birth, your Social Security number, your address, and the date of your disabling injury or disease. **The onset date of the disabling injury or disease must be within two years of your application**. Your spouse, employer, or legal representative may apply on your behalf. You must file for occupational disability before your retirement date. You may apply as early as 90 days before your retirement date, or as late as the day of your requested retirement date, but the application must be postmarked before midnight. If approved, you will receive retroactive annuity payments as well as your retiree health insurance coverage. Optional Life And Dependent Life coverage may be continued.

Qualified CPOs/COs are also eligible for occupational disability retirement benefits after becoming a member of ERS.

There are no provisions under the Supplemental CPO/CO Retirement Program to provide nonoccupational disability benefits. If you qualify for nonoccupational disability, you are eligible for this benefit under the Regular Retirement Program for state employees.

Survivor benefits

Occupational death of a CPO/CO member

Regardless of your age or length of service, if you die as a result of a job-related injury or illness as a CPO/CO, your surviving spouse, or if there is no spouse, the guardian of your surviving dependent minor child(ren) will receive a lump sum payment in the amount of one year's salary. This payment is made in addition to other benefits, but only to a surviving spouse or guardian of dependent minor child(ren).

Death of a CPO/CO member

Regular Retirement Program

If you are a contributing or non-contributing member with at least 10 years but less than 20 years of service at the time of your death, a death benefit annuity would be payable to your beneficiary or estate under the Regular Retirement Program. You should file a Death Benefit Plan (DBP) so that if you die before you retire, your beneficiary can have an annuity plan. If you had 10 years of service and filed a DBP by August 31, 2005, your beneficiary will be paid according to your DBP even if you leave state employment, as long as you don't take a withdrawal. If you had 10 or more years of creditable service by August 31, 2005, but didn't file a DBP, a lump sum refund of your retirement account will go to your beneficiary if you leave state employment and do not withdraw your account.

Supplemental Retirement Program

If you are a contributing or non-contributing member with at least 20 years of CPO/CO service credit at the time of your death, a death benefit annuity would be payable to your beneficiary or estate under the Supplemental Retirement Program. You should file a DBP so that if you die before you retire, your beneficiary can have an annuity plan. If you had 20 years of service and filed a DBP by August 31, 2005, your beneficiary will be paid according to your DBP even if you leave state employment, as long as you don't take a withdrawal. If you had 20 or more years of creditable service by August 31, 2005 but didn't file a DBP, a lump sum refund of your retirement account will go to your beneficiary if you leave state employment and do not withdraw your account.

If you didn't have 10 years (for the Regular Retirement Program) or 20 years (for the Supplemental Retirement Program) of ERS service credit by August 31, 2005, you can still select a DBP when you reach these milestones, but it will be paid only if you are still employed by the State when you die (before retirement). If you leave state employment and do not take a withdrawal, the only payout option for your beneficiary is a lump sum refund of the retirement account. A DBP allows you to make one of four selections for your beneficiary:

1. Beneficiary's choice (Your beneficiary can choose a life annuity, lump sum payment, or 10-year guaranteed annuity.)
2. Life annuity (Your beneficiary receives a monthly annuity check for the rest of his/her life. The amount is based on your years and months of unrefunded service credit and final average salary.)
3. Lump sum payment (Your beneficiary receives a refund of your retirement contributions in a lump sum payment, minus applicable taxes.)
4. 10-year guaranteed annuity (Your beneficiary is paid an annuity once a month for 10 years. The amount is based on your years and months of unrefunded service credit and final average salary, and will likely be different from the lifetime annuity amount.)

To file a DBP, log in to your account. Select Beneficiary Summary, then Active Account Death Benefit.

Chapter 615 benefits

Additional benefits apply to CPOs/COs killed in the performance of duty under Chapter 615 of the Government Code of Texas. The program is funded by the State and is administered by ERS. For more information, visit the ERS website, **www.ers.state.tx.us.**

Sample CPO/CO retirement annuity calculations

Standard annuity for CPO/CO with 20 years of service

You are a 50-year-old CPO/CO with 20 years of CPO/CO service credit and a final average salary of $2,052.50 (highest 36 months salary).

Percentage Calculation:	
CPO/CO Service 20 years @ 2.8% =	56.00%
Total Percentage	**56.00%**
Standard Annuity Calculation:	
Final Average Salary:	$2,052.50
Percentage	x 56.00%
Total Monthly Standard Annuity	**$1,149.40**

Survivor option reduction factor tables are used when retiring employees choose a survivor option to continue payments to a beneficiary after their death. Some of these factors are based on the employee's age at retirement and the beneficiary's age. For more information on the reduction factors that would apply to you and your beneficiary, contact ERS Customer Service at (512) 867-7711 in Austin or (877) 275-4377 toll-free.

Reduced retirement for under-50 CPO/CO

You are a 44-year-old CPO/CO with 20 years, 4 months of CPO/CO service credit and a final average salary of $1,950.51 (highest 36 months salary).

Percentage Calculation:	
CPO/CO Service 20 years @ 2.8% =	56.00%
4 months @ 0.233 / month =	0.932%
Total Percentage	**56.932%**

Standard Annuity Calculation:	
Final Average Salary:	$1,950.51
Percentage	x 56.932%
Total Monthly Standard Annuity	**$1,110.46**

Since you are under age 50, you qualify for reduced retirement benefits. The standard monthly annuity will be reduced, based on the age at retirement. In this case, the benefit will be reduced to reflect your age of 44 at retirement. (Refer to page 17, Reduction Percentages for Early Retirement.)

Monthly Standard Annuity	$1,110.48
Percentage of Full Benefit for Age 44	x 60.2%
Early Retirement Total Monthly Standard Annuity	**$668.50**

If you want to provide a survivor with a monthly annuity, the early retirement monthly standard annuity would also be reduced according to the Retirement Option selected.

Sample CPO/CO retirement annuity calculations

Reduced retirement for under-50 CPO/CO w/SER service

You are a 45-year-old CPO/CO with 20 years, 10 months of CPO/CO service credit and 4 years of SER service credit and a final average salary of $2,300.00 (highest 36 months salary).

Percentage Calculation:	
CPO/CO Service 20 years @ 2.8% =	56.00%
10 months @ 0.233 / month =	2.333%
4 years @ 2.3% =	9.2%
Total Percentage	**67.533%**

Standard Annuity Calculation:	
Final Average Salary:	$2,300.00
Percentage	x 67.533%
Total Monthly Standard Annuity	**$1,553.26**

Since you are under age 50, you qualify for reduced retirement benefits. The standard monthly annuity will be reduced, based on the age at retirement. In this case, the benefit will be reduced to reflect your age of 45 at retirement. (Refer to page 17, Reduction Percentages for Early Retirement.)

Monthly Standard Annuity	$1,553.26
Percentage of Full Benefit for Age 45	x 65.5%
Early Retirement Total Monthly Standard Annuity	**$1,017.38**

If you want to provide a survivor with a monthly annuity, the early retirement monthly standard annuity would also be reduced according to the Retirement Option selected.

CPO/CO with added service credit

You are a 55-year-old CPO/CO with 25 years, 10 months of CPO/CO service credit, five years of purchased military service, and a final average salary of $2,050.50 (highest 36 months salary).

Percentage Calculation:

CPO/CO Service 25 years @ 2.8% =	70.000%
10 months @ 0.233 / month =	2.333%
Subtotal Percentage	**72.333%**

Military Service (Regular Retirement Program)

5 years @ 2.3% =	11.500%
Total Percentage	**83.833%**

Standard Annuity Calculation:

Final Average Salary	$2,050.50
Percentage	x 83.833%
Total Monthly Standard Annuity	**$1,719.00**

Please note: These are sample calculations. Your monthly benefit could be a higher or lower amount.

Use Texa$aver to prepare for retirement.

The Texa$aver Program

The Texa$aver 401(k) or 457 Program helps you get the additional income you may need in retirement. Texa$aver is a voluntary program and allows you to save a portion of your income on a pre- or post-tax basis

Planning for your retirement is essential; the average person spends 18 years in retirement and needs at least 70% of his or her pre-retirement income to continue the same quality of life during retirement. Along with your ERS pension plan and Social Security income, Texa$aver can help you save for retirement.

The Texa$aver 401(k) and 457 Plans are a long-term investment opportunity available to you as an employee of the State of Texas. To make it easy for you to save for retirement and help you meet your retirement goals, you can begin deferring in the Texa$aver Program from your first day of state employment, or anytime during the year.

The Texa$aver Program offers state agency employees the 401(k) Plan and the 457 Plan. You can contribute to both the 401(k) and 457 plans on a traditional pre-tax or Roth after-tax basis.

The Texa$aver Program is offered by ERS on behalf of the State of Texas. Great-West Retirement Services (Great-West) provides recordkeeping and administrative services as contracted and supervised by ERS. These duties include, but are not limited to, enrollment processing, loan processing, customer service, investment advice, education, and similar responsibilities.

State agency employees can enroll in either or both of the Texa$aver 401(k) and 457 Plans. Four-year higher education institution employees and community college employees can enroll in the 457 Plan or the Roth contribution option if their institution offers it. Check with your benefits coordinator. Texa$aver is not available to Community Supervision & Corrections Department (CSCD) employees, Windham School District employees, and the employees of the Texas County and District Retirement System (TCDRS) and the Texas Municipal Retirement System (TMRS).

Advantages of participation

It is never too early or too late to begin saving. As you can see in the chart below, the sooner you start saving, the more you will have when you retire. You can see the approximate accumulations from regular monthly deferrals, earning 8% interest. These rates are for illustration only and do not represent actual or guaranteed rates of return. When you are eligible for a distribution, taxes are withheld from traditional funds when you withdraw them; Roth funds and their capital gains are not taxed.

Watch your money grow

Monthly Deposits	5 Years	10 Years	20 Years	30 Years
$25	$1,836	$4,573	$14,725	$37,258
50	3,673	9,147	29,451	74,517
100	7,347	18,294	58,902	149,035
200	14,695	36,589	117,804	298,071
300	22,043	54,883	176,706	447,107
400	29,390	73,178	235,608	596,143
500	36,738	91,473	294,510	745,179

These are estimates based on regular monthly deposits earning 8% interest. These rates are for illustration only and do not represent actual or guaranteed rates of return.

Enrolling in Texa$aver

All new state agency employees are automatically enrolled in the Texa$aver 401(k) Plan at 1% of their monthly salary into a Wells Fargo Advantage Dow Jones Target Date Fund℠. You may stop participating in Texa$aver or increase your contribution at any time.

You can defer your annual leave lump sum payment to Texa$aver when you retire or leave state employment. See page 5 for details.

You can have both a 401(k) and 457 Plan, if you are a part-time or full-time state employee, and can enroll at any time. Enroll in Texa$aver by calling Texa$aver at (800) 634-5091. You can talk with a Customer Service Representative who will complete your enrollment, or use your personal identification number (PIN) to complete your enrollment through the Texa$aver automated phone system or through the Texa$aver website at **www.texasaver.com**. You received a PIN when you were hired, or you can call Texa$aver to get a PIN. Once you have enrolled, a confirmation is mailed to your address on record with ERS.

Your payroll deferrals are effective with the following month's pay period. For example, if you enroll on January 20, your deferrals begin with the February pay period and are reflected on your March 1 paycheck. As a participant in the Texa$aver Program, you receive a quarterly statement and newsletter from Great-West.

Enrollment limits

When you invest in the Texa$aver 401(K) Plan, you choose the percentage of your eligible pay you want to contribute monthly from 1% to 99%—1% per month is the minimum.

When you invest in the Texa$aver 457 Plan, you choose a dollar amount you want to contribute monthly. The minimum is $20 per month.

With both Plans, your deferrals must not exceed the yearly maximum set by the Internal Revenue Code. See chart below. You may enroll in both the 401(k) Plan and the 457 Plan, and you may defer the maximum amount to each plan. If you are age 50 and over, you may defer even more to each of these plans, in the Age 50 and Over Catch-up provision as shown in the chart.

2012 Retirement Savings Annual Limits* for each plan

401(k), 457 Plans	$17,000
****Age 50 and over**	$22,500

**These savings limits were established in the Economic Growth and Tax Relief Reconciliation Act of 2001.*
***This option cannot be used in your 457 Plan at the same time as the 457 Three-Year Catch-up.*

Tax treatment of deferrals

Each year you participate in Texa$aver, the compensation shown on your Form W-2 Wage and Tax Statement from the State is reduced by the amount of your pre-tax deferrals. The amount of pre-tax compensation you defer will not be included in the compensation reported to the Internal Revenue Service (IRS) for income tax purposes.

Texa$aver also offers a Roth contribution option in both the 401(k) and 457 Plans. Roth contributions allow participants to contribute to Texa$aver plans with after-tax dollars.

Designating Texa$aver account beneficiaries

It is important that your Texa$aver beneficiary information is up to date. Your Texa$aver beneficiary is different than your beneficiaries for your life insurance and your ERS pension. If you have a 401(k) account and 457 account, your beneficiaries may be the same or different for each account. A beneficiary form is on the Texa$aver website at **www.texasaver.com**. You may also request the beneficiary form by phone by calling (800) 634-5091. When you enroll, you should name a beneficiary as well. Fill out the form completely and mail it directly to Great-West. (The address is on the form.)

Making your Texa$aver investment choices

The Texa$aver fund options are the same for both plans and provide a wide variety of investment choices. You can choose from 11 Wells Fargo Target Date Funds℠, 10 core funds, and a Schwab Self Directed Brokerage account.

Diversification is an important key to successful investing. By diversifying your investments, you may minimize risk and increase your return. Because no investment performs well all the time, the rewards from one type of investment can help to offset the risks from another.

Target Date Funds

With the Wells Fargo Advantage Dow Jones Target Date Funds℠, you get a fund that is well-diversified across a range of asset classes and investment styles based on the fund's target date. The target date represents the year that you may likely begin withdrawing assets at retirement. The funds seek to gradually reduce market risk as the target date approaches and after it arrives by transitioning to less stock and more fixed investments. What's more, your Target Date Fund will automatically become more conservative as you move closer to retirement. The funds are based on the Dow Jones Target Date Indexes. The principal value is not guaranteed at any time, including at the target date.

Self-Directed Brokerage Account

The Schwab Personal Choice Retirement Account® (PCRA) is a self-directed brokerage (SDB) account offered through Charles Schwab & Co., Inc. (Member SIPC). It allows you to select from numerous load- and no-load mutual funds and many other types of securities, such as stocks and bonds. If you invest in PCRA, you may be charged additional fees for stock purchases and other types of securities.

Texa$aver products offer financial strength, management stability, consistency of fund objectives, and fees/expenses below the industry average. More complete information, including management fees, charges, and expenses for each product, is available at **www.texasaver.com**.

Managing your funds

No two investors are alike. That's why the Texa$aver Advisor Service offers three levels of help for all types of investors—Online Investment Guidance, Online Investment Advice, and Managed Account. See the chart below.

Financial advisors help you build a personalized profile with the core funds in the Texa$aver Program and a plan to help you meet your retirement goals. Contact the Texa$aver Advisor Service at (800) 634-5091or **www.texasaver.com**. Only licensed investment advisors can give investment advice. *There is no guarantee that participation in the Texa$aver Advisor Service will result in a profit or that your account will outperform a self-managed portfolio.*

You can check on your fund balances, transfer funds from one fund to another, change your deferral amount, stop your deferrals, request a loan, or make other investment decisions at **www.texasaver.com** or by calling (800) 634-5091, 8 a.m. to 7 p.m. CT, except on New York Stock Exchange holidays.

Texa$aver Advisor Service

Online Investment Guidance	Online Investment Advice	Managed Account
• Self-service • Generic asset allocation • Do-It-Myself Investor℠ • Personal retirement planning • Savings strategy • Available online • No additional fee	• Self-service • Fund-specific recommendations • Help-Do-It-Myself Investor℠ • Personal retirement planning • Savings strategy • Available online • No additional fee	• Full service • Fund-specific selection and management • Do-It-For-Me Investor℠ • Personal retirement planning • Savings strategy • Available online and by phone • Fees apply (see page 25)
Contact the Texa$aver Advisor Service for help. Call (800) 634-5091or visit **www.texasaver.com**		

Plan fees

Texa$aver charges low fees based on the money you have in the program. There is an additional monthly $5 flat fee per Plan to participate in the Roth contribution option.

Account Balance	Monthly Fee per Participant per Account fees are for both the Traditional and Roth balances	Annualized Fee per Participant per Account fees are for both the Traditional and Roth balances
$10.00 or less	No fees	No fees
Between $10.01 and $1,000.00	$1.18	$14.10
Between $1,000.01 and $16,000.00	$3.99	$47.90
Between $16,000.01 and $32,000.00	$6.32	$75.89
Between $32,000.01 and $48,000.00	$9.49	$113.83
Between $48,000.01 and $64,000.00	$12.65	$151.78
$64,000.01 or more	$15.81	$189.72
Monthly fees are rounded to the nearest cent.		

ERS has revenue sharing arrangements with some of the mutual funds that may reduce or eliminate the plan fee. If you invest in these funds, you will see your rebates appear as “Expense Adjustment” in the Account Activity Summary section of your quarterly statements or Transaction History section online.

Managed Account Fees

There is a monthly fee for the Managed Account service. The fees are structured according to your account balance.

<$100,000 = 0.0375%
Next $150,000 = 0.0292%
Next $150,000 = 0.0208%
>$400,000 = 0.0125%

For example, if your account balance is $50,000, the monthly fee will be 0.0375% of the account balance. If your account balance is $500,000, the first $100,000 will be subject to a monthly fee of 0.0375%; the next $150,000 will be subject to a monthly fee of 0.0292%; the next $150,000 will be subject to a monthly fee of 0.0208%; and any amounts over $400,000 will be subject to a monthly fee of 0.0125%.

Special Plan Features

Plan loans

The 401(k) and 457 Plans permit active state employees to borrow a portion of their account balance in the form of a plan loan. You must have an account balance of at least $1,050. When you receive a loan, you are required to repay this loan through payroll deduction. Each payment includes interest. The interest you pay goes back into your account, but you are not able to deduct this loan interest on your income tax form (even on real estate loans). Amounts borrowed through the loan program are not taxable and are not subject to federal withholding taxes.

As an active state employee, you may take loans from your plan funds. Each loan requires a $50 non-refundable loan application fee, plus a $2.08 monthly loan repayment maintenance fee paid from your Texa$aver account.

Outstanding loans at retirement

When you retire or terminate employment, your payroll deductions will stop. You can continue to pay your loan payments directly to Texa$aver. Contact Texa$aver for a payment coupon book at (800) 634-5091.

If you do not pay off your loan within 90 days, it goes into default status and your balance is considered a distribution. This distribution is reported as taxable income. In addition, with the 401(k), if you are under age 59 1/2, you may be subject to an additional 10% tax penalty for early withdrawal.

457 Plan three-year “Catch-up” provision

You may apply for a three-year “catch-up” arrangement when you are within three years of normal retirement age. “Normal retirement age” is defined as the earliest age at which an employee may retire under the TRS or ERS pension plan, without having an actuarially reduced early retirement. Tax laws provide that the maximum for the 457 Plan Three-year Catch-up is double that of the annual maximum set for 457 Plans. The amount you may contribute in the Three-year Catch-up depends on previous underutilized contributions to Texa$aver. This provision cannot be used simultaneously with the Age 50 and Over Catch-up.

Using Texa$aver funds to purchase state service

You may use funds from either your Texa$aver 401(k) or 457 Plan to make a service purchase with the State of Texas, including withdrawn ERS service, TRS service, military service, waiting period service, or ASC. Contact ERS to purchase service using the Texa$aver funds. **Note: Roth contributions may not be used to purchase state service.**

Distribution of your plan funds

When you retire, you can leave your funds in your Texa$aver Plan. A distribution is when you take money out of your account. If you are withdrawing money from a Tradtional 401(k) or 457 Plan, it is a taxable transaction. Distributions are taxed in the year when the money is paid to you or your beneficiary. No taxes are paid or withheld on a Roth 401(k) or 457 and their gains if all eligibility rules are met.

401(k) distributions

With the 401(k) Plan, you have several options regarding withdrawing or rolling over your funds. You may withdraw funds as a periodic payment, partial, or full withdrawal as early as 59 1/2 without penalty, whether or not you are working for the State. If you have left state employment and wish to use your funds before you turn 59 1/2, you will pay income tax on the Traditional 401(k) money (no taxes are paid on the Roth 401(k) withdrawal, if all eligibilities rules are met). A 10% early withdrawal penalty is imposed on both Traditional and Roth withdrawals made prior to age 59 1/2.

If you need to use your 401(k) funds before you turn 59 1/2 or separate from state employment, you may take a loan or financial hardship distribution. Unless you roll over your traditional eligible funds to another qualified plan or IRA, you will also have a mandatory 20% withholding taken from your funds at the time a distribution payment is made to you. You may choose a lump sum withdrawal, periodic payments (monthly, quarterly, semi-annually), a rollover to another plan (with no penalty and no tax), or a fixed immediate annuity payout, of which there are several options.

457 distributions

Upon separation from state employment, you can withdraw money from your 457 Plan as a periodic payment, partial, or full withdrawal or rollover without penalty, no matter what your age. The Traditional 457 funds are taxed as income. Traditional 457 Plan distributions with periodic payments scheduled for 10 years or longer are taxed based on withholding you select. You cannot withdraw your 457 funds while still employed by the State with the exception of a de minimis one-time withdrawal (where your fund balance is less than $5,000 and you have not deferred money for more than two years), or a financial hardship distribution. A de minimis withdrawal is subject to taxation.

After separating from state employment, your payment options include a lump sum withdrawal, or setup periodic payments (monthly, quarterly, semi-annually). You may also roll over 457 funds into another eligible plan or IRA. EGTRRA removed the need to set a distribution plan for 457 funds upon separation from state employment. The stipulation that a 457 distribution could only be postponed one time was also removed.

Age 70 1/2 is important

With both plans, your minimum required distribution must begin once you reach age 70 1/2 unless you are still employed. You will have penalties imposed by the IRS if you do not begin distribution in a timely manner.

Financial hardship distributions

Financial hardship distributions are available to you in both plans under certain unforeseeable circumstances. These distributions are only available when you have no other resources including plan loans.

To get a hardship distribution from your 401(k) Plan, you must have unreimbursed medically necessary expenses, purchase a primary residence, have tuition or funeral expenses, or need funds to prevent a foreclosure or eviction for yourself or a dependent. Your funds will be taxable and, in the case of 401(k) funds, you will be charged an additional 10% penalty fee for early withdrawal if you are younger than 59 1/2.

You may get an unforeseeable emergency distribution from your 457 funds for unreimbursed medically necessary expenses, or casualty loss for yourself or a dependent. Financial hardship distribution is available in the 457 Plan in the event of unexpected illness or accident not reimbursed by insurance, to prevent eviction from or foreclosure on your primary residence, or to pay funeral expenses.

Comparison of Texa$aver 401(k) and 457 Plans

Offered by the Employees Retirement System of Texas

For more information on each Plan, call toll-free at (800) 634-5091.

	401(k) Plan	457 Plan
Eligibility	Part-time and full-time state employees, upon date of hire or anytime thereafter. Excludes higher education employees.	Part-time and full-time state and higher education employees, upon date of hire, or anytime thereafter.[1]
Contribution options	You have the flexibility to designate all or a portion of your contributions as either traditional before-tax or Roth after-tax.	
Maximum annual deferral	99% of 401(k) eligible compensation or $17,000[2] per year, whichever is less. The 2012 annual contribution limit is $22,500 if you are 50 or older. You may put money in the 401(k), 457, or both as either before-tax, Roth, or both.	99% of 457 eligible compensation or $17,000[2] per year, whichever is less. The 2012 annual contribution limit is $22,500 if you are 50 or older. You may put money in the 401(k), 457, or both as either before-tax, Roth, or both.
Transfer of funds to purchase service	You may purchase military service, Additional Service Credit, or refunded or other eligible ERS service by transferring funds from your Texa$aver account while employed. Teacher Retirement System (TRS) of Texas service may be purchased when distribution eligibility is met. This is not a taxable distribution.	You may purchase military service, Additional Service Credit, or refunded or other eligible ERS/TRS service by transferring funds from your Texa$aver account while employed. This is not a taxable distribution.
Rollovers in	If eligible, you may roll funds into the Texa$aver 401(k)/457 Program from another eligible retirement plan or individual retirement account (IRA). Roth IRAs are not accepted.	
Special 457 Catch-up provision *Cannot be used with the Age 50 and Over Catch-up in the 457 Plan.*	Not available in the 401(k) Plan.	Subject to eligibility. If you have unused deferrals, the 457 Catch-up limit is $34,000 in 2012. You may participate only during the three years before the taxable year in which you attain normal retirement age.
Loans	Loans may be approved for $1,050 to $50,000 (subject to Plan and IRS provisions). You must have an account balance of at least $1,050, as there is a $50 loan application fee that is deducted from the loan proceeds. There is a $2.08 monthly maintenance fee assessed to your account.	
Financial hardship withdrawals[3] *Only allowed through approval when you have no other resources, including Plan loans.*	Reasons for hardship include purchase of primary residence, prevention of eviction or foreclosure from your primary residence, tuition expenses, non-reimbursed medical expenses, funeral expenses, or repair of damages to your principal residence.	Reasons for financial hardship include prevention of eviction or foreclosure from your primary residence, non-reimbursed medical expenses, funeral expenses, casualty loss, or similar extraordinary and unforeseeable circumstances.
Distributions while employed for before-tax contributions	You may take a distribution from your 401(k) Plan after age 59 1/2 while still employed without a 10% penalty; 20% will be withheld for federal income taxes unless the funds are rolled to a qualified plan.	If your 457 Plan account has less than $5,000 and has been inactive for two years, you may take it as a de minimis distribution; 20% may be withheld for federal income tax purposes. You can take a distribution if you are 70 1/2 and still employed.
Distributions after separation from employment for before-tax contributions	You can start taking distributions after separation from state employment. You may roll over funds into other types of employer-sponsored plans, IRAs, or other eligible options. Lump-sum distributions have 20% automatically withheld for federal taxes. Periodic distributions are allowed.	You can start taking distributions after separation from state or higher education employment. You may roll over funds into other types of employer-sponsored plans, IRAs, or other eligible options. Lump-sum distributions have 20% automatically withheld for federal taxes. Periodic distributions are allowed.
Distributions from Roth contributions	Roth money may be withdrawn tax-free no earlier than five years after your first Roth contribution and you reach the age of 59 1/2, separated from service with your employer, become disabled, or death. Otherwise, earnings on Roth contributions may be considered earned income and may be penalized when you take a distribution.	Roth money may be withdrawn tax-free no earlier than five years after your first Roth contribution, you reach the age of 59 1/2 and separate from service with your employer, become disabled, or death. Otherwise, earnings on Roth contributions may be considered earned income when you take a distribution.
Required minimum distributions (RMDs)	Must begin no later than April 1 following the year in which you turn 70 1/2, unless you are still employed.	
Tax penalties	A 10% federal penalty tax applies to distributions made before age 59 1/2. A 50% federal tax penalty applies if RMDs are not taken at age 70 1/2, unless you are still employed with the employer sponsoring the Plan.	No 10% federal penalty tax applies to distributions of 457 money made before age 59 1/2. A 50% federal tax penalty applies if RMDs are not taken at age 70 1/2, unless you are still employed with the employer sponsoring the Plan.

[1] Community college employees may enroll in the 457 Plan if their community college offers the Plan.
[2] Ceiling is adjusted each year per cost of living index. Amount shown is for 2012.
[3] Please refer to the IRS website for 457 information on hardship withdrawals.

Both Plans are governed by the provisions of the Internal Revenue Code. The State of Texas 401(k) Plan began in 1985 and the 457 Plan began in 1974.

Core securities, when offered, are offered through GWFS Equities, Inc. GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

My Texa$aver Program Enrollment Worksheet

Online: www.texasaver.com or Call: (800) 634-5091

Date of Enrollment ________________________________

How I enrolled:

__________ used PIN on Texa$aver website

__________ used PIN on Texa$aver automated phone system

__________ called a Texa$aver Customer Service Representative

__________ visited a Texa$aver Representative or Agency Coordinator

Type of account:

__________ 401(k): I am going to invest _______% of my salary. (This amount must be at least 1%.)

__________ 457: I am going to invest $________ of my salary. (This amount must be at least $20.)

My confirmation number for my deferral is _______________________________

My investment choices are:

Choose from the following investment choices by investing a percentage in one or more funds to total 100%.

__________ % BlackRock Liquidity Funds: TempFund (Institutional Shares)

__________ % BlackRock Bond Index Fund

__________ % Vanguard Wellington Fund

__________ % Davis New York Venture Fund

__________ % Vanguard Institutional Index Fund

__________ % Vanguard Growth Index Fund

__________ % First Eagle Fund of America

__________ % Munder Mid-Cap Core Growth Fund

__________ % Lord Abbett Small Cap Value Fund

__________ % Fidelity Diversified International Fund

__________ % A Self-Directed Brokerage Account through Charles Schwab

________ % Target Today Fund Target Retirement WOTDX

________ % Target 2010 Fund Target Date WFOAX

________ % Target 2015 Fund Target Date WFSCX

________ % Target 2020 Fund Target Date WFOBX

________ % Target 2025 Fund Target Date WFTYX

________ % Target 2030 Fund Target Date WFOOX

________ % Target 2035 Fund Target Date WFQRX

________ % Target 2040 Fund Target Date WFOSX

________ % Target 2045 Fund Target Date WFQPX

________ % Target 2050 Fund Target Date WFQFX

________ % Target 2055 Fund Target Date WFQUX

100 % Total

My confirmation number for my investments is ____________________________

Great-West will process enrollments completed before 3 p.m. (CT) on the last business day of each month.
Your deferral election will be effective for the next month's pay period, payable on the first of the following next month. Your Personal Identification Number (PIN) will be sent to you through the mail. Please commit the number to your memory. You may change your PIN number online if you wish. If you request a PIN reminder online or over the phone, it will be sent to you through the mail. To log on to the Texa$aver website, you will need your Social Security number as a "user ID" and your PIN.

My PIN is _____________________________

Keep this for your records

Retirement is a new phase of life that is filled with possibilities.

Adjusting to Retirement

(provided by the Department of Aging and Disability Services)

Retirement: The possibilities are endless

Retirement is more than financial planning. Much like moving away from home for the first time, getting married, having children, and having grandchildren, retirement signals a new phase of life that is filled with possibilities. Having a "successful" retirement simply means reaching your own personal goals for physical, social, and psychological well-being. As in all phases of life, it is important to stay informed, prepare yourself for what the future holds, and know the resources that are available in your community to assist you on your journey.

Take care of yourself

It is never too late to make changes that will have a positive impact on your health or, indeed, all aspects of your life. Poor health is not an inevitable consequence of aging. Healthy lifestyle behaviors such as smoking cessation, physical activity, and proper nutrition can improve health and functioning at any age. Many individuals find that retirement from a full-time work schedule provides the freedom to engage in routine physical fitness activities, to continue education for mental stimulation, to spend more social time with family and friends, and to engage in spiritual and volunteer activities that add meaning to life.

Ready to Save?

Use the Discount Purchase Program

Remember that you can use the Discount Purchase Program in retirement. Shop online and buy products and services such as computers, appliances, theme park tickets, and much more at discounted prices at **www.DiscountProgramERS.com**. There is no enrollment period or membership fee. Just start shopping and save.

Consider your options

As a retiree, you have a wealth of knowledge and expertise to perform a variety of tasks and may use these skills and talents volunteering in your community. Activities may include support and participation in formal clubs, or may be informal such as providing routine help to a neighbor or friend.

Remember that learning is a lifelong process that is a key to staying mentally alert, learning new life skills, and personal growth. You have many options for engaging in continuing education, for example, through tuition discounts to obtain formal college credit or degrees. Or, you may prefer to participate in the wide variety of informal classes offered throughout the community.

It is estimated that one out of every four individuals will provide care to a friend or loved one. Caregiving often includes assistance with managing bills, transportation, preparing meals, dressing, and other activities of daily life. The two-thirds of employees who are caregivers may continue their caregiving role in retirement while other retirees will become a caregiver for the first time. Most caregivers are spouses, friends, or other relatives, and some are grandparents who care for grandchildren when parents are unable to do so. Caregivers often benefit from ongoing education and information to make informed decisions and plan for the future. Knowing what to expect and how to obtain this information can reduce stress and frustration associated with these responsibilities.

Make plans

Just as you plan for your financial future, you may plan for other aspects of retirement life. Do you have the appropriate legal documents in place such as a will and power of attorney? Where are the nearest health care providers? If you needed a ride somewhere, how easy would it be to access public transportation? Do you know where to find work? Volunteer opportunities? Educational classes? Do you know where to find information and resources for caregivers?

Know your resources

In our state, the Department of Aging and Disability Services (DADS) and its local network of area agencies on aging administer a variety of support services including information, referral and assistance, volunteer opportunities, senior centers, benefits counseling and legal assistance, care coordination, transportation, health maintenance, nutrition, in-home assistance, nursing home ombudsman, and many others, as well as the opportunity to volunteer your time in a number of these areas. Call (800) 252-9240 for information about resources available in your community.

How much money will you need in retirement?

This worksheet provided by the American Savings Education Council (ASEC) will give you a basic idea of the savings you'll need when you retire. It simplifies several retirement planning issues. It also reflects today's dollars; you may want to recalculate your retirement needs annually and as your salary and circumstances change. You may also want to consider doing further analysis, either by yourself using a more detailed worksheet or computer software or with the assistance of a financial professional. If you are married, you and your spouse should each fill out your own worksheet, taking your marital status into account when entering your Social Security benefit in number 2 below.

1. How much annual income will you want in retirement?
   (Figure at least 70% of your current annual gross income just to maintain your current standard of living.) $ _______________

2. Subtract the income you expect to receive annually from
   - Social Security: If you make under $25,000, enter $8,000; between $25,000 - $40,000, enter $12,000; over $40,000,enter $14,500 (for married couples, the lower earning spouse should enter either their own benefit based on their income or 50% of the higher earning spouse's benefit, whichever is higher) -$ _______________
   - Your ERS retirement annuity: A plan that pays a set dollar amount for life, where the dollar amount depends on salary and years of service (in today's dollars) -$ _______________
   - Part-time income -$ _______________
   - Other -$ _______________

   This is how much additional income you will need for each retirement year: =$ _______________

Use the following formula to estimate how much savings you will need when you retire. It is assumed you will realize a constant real rate of return of 3% after inflation, you'll live to age 87, and you'll begin to receive income from Social Security at age 65.

3. To determine the amount you will need to save, multiply the amount you need to make up by the factor below. $ _______________

Age you expect to retire:		Your factor is:
	55	21.0
	60	18.9
	65	16.4
	70	13.6

4. If you expect to retire before age 65, multiply your Social Security benefit from line 2 by the factor below. +$ _______________

Age you expect to retire:		Your factor is:
	55	8.8
	60	4.7

5. Multiply your savings to date by the factor below (include money accumulated in a 401(k), IRA, or similar retirement plan). -$ _______________

If you want to retire in:		Your factor is:
	10 years	1.3
	15 years	1.6
	20 years	1.8
	25 years	2.1
	30 years	2.4
	35 years	2.8
	40 years	3.3

Total additional savings needed at retirement: _____________ =$

Continued on next page

Now, use the following formula to show you how much to save each year in order to reach your goal amount. The formula considers compounding interest, where the interest you earn on your money begins to earn interest.

6. To determine the annual amount you'll need to save, multiply the total amount by the factor below. = $ ______________

If you want to retire in:	10 years	Your factor is:	.085
	15 years		.052
	20 years		.036
	25 years		.027
	30 years		.020
	35 years		.016
	40 years		.013

Additional resources

Helpful publications

- News About Your Benefits employee e-newsletter
- Your ERS Connection retiree newsletter
- Retirement Benefits for Members of the Elected Class
- Retirement Benefits for Judicial Officers, Plans I & II

For copies, call ERS or go to **www.ers.state.tx.us**

www.ers.state.tx.us

- Detailed information about retirement and insurance benefits
- 24/7 access to your personal account information by going to the ERS website
- Service purchase estimator
- Registration for ERS events
- And much more!

To write:

Employees Retirement System of Texas
Customer Benefits Division
P.O. Box 13207
Austin, Texas 78711-3207

To visit in person:

Please make an appointment for retirement counseling so we can better serve you. Our lobby hours are 7:30 a.m. to 5 p.m. weekdays.

Employees Retirement System of Texas
200 E. 18th Street
Austin, Texas 78701

To call or fax:

(877) ASK-4-ERS (275-4377) toll-free
(512) 867-7438 fax

Customer Service is available 7:30 a.m. to 5:30 p.m. weekdays.

The ERS Interactive Voice Response System gives you 24/7 access to your personal account information, including your retirement account balance, projected retirement account and annuity, a list of your current benefits, and more.

To access the ERS Interactive Voice Response System:

(877) ASK-4-ERS (275-4377) toll-free

Other helpful numbers:

Social Security Administration
(800) 772-1213

Internal Revenue Service
(800) 829-1040

Teacher Retirement System of Texas
(800) 223-8778

Texas County and District Retirement System
(800) 823-7782

Texas Municipal Retirement System
(800) 924-8677

Retirement records of members and beneficiaries are confidential. ERS will not release certain information about your account without your written authorization.

ERS
Employees Retirement System of Texas

P.O. Box 13207
Austin, Texas 78711-3207
www.ers.state.tx.us