Teachers Retirement: Summer GAEL Update

Georgia Association of Educational Leaders
July 16, 2019
Basic Fund Facts

• Governed by Georgia Law (Title 47 – Chapters 1, 3 and 20)

• Defined Benefit Plan

• As of June 30, 2019:
  • $78.4 Billion in Assets Ranked 25th largest retirement fund by Pensions & Investments (02/19)
  • 238,000 Actively Contributing Member Accounts
  • 24,000 10.5% Eligible to Retire (Normal & Early Retirement)
  • 128,000 Retired Members

TRS Investment Mix

- Equities
- Fixed
- Cash

Maximum Plan Benefit = Years of Creditable Service x 2% Multiplier x Final Avg. Salary
Top Questions About TRS

- When can I retire?
- How much will my retirement benefit be?
- What about my insurance?
- Can I go back to work after retirement and what are the conditions?
- Future employer contribution rates?
- Return to work request approval?
- Sick leave verification, over reporting, & misunderstanding?
- Can you help me with a DCH/SHBP health insurance question?
- If I retire on June 1, when will I be eligible for my first COLA?
- What happens if the CPI drops? Will I still receive my COLA?
Sustainability and Funding

Contribution rates are determined by the Board of Trustees in accordance with Georgia law.

- **Employee Contributions - 6%**
  - O.C.G.A. § 47-3-41
  - 5% Minimum – 6% Maximum

- **Employer Contributions**
  - O.C.G.A. § 47-3-43 based on System’s liabilities as shown by actuarial valuation
    - FY 2020 – 21.14%
    - FY 2021 – 19.06%

- **Investment Earnings**
  - 7.25% Assumed Rate of Return (Effective FY 2021)
  - 12.50% FY 2017 Actual Earned Rate of Return
  - 8.94% FY 2018 Actual Earned Rate of Return
  - 6.79% FY 2019 Actual Earned Rate

Key to Georgia’s fund health has been the Governor & Legislature funding the Employee Contribution Rates every year...drawing positive mention in the State’s AAA bond rating.
Future Positive Funding Impacts

- Actively contributing membership numbers are increasing.
- Salary increases have been restored to public employees.
- The financial markets are showing signs of continued recovery.
- FY 2017 rate of return was 12.5%. 5.0% higher than the assumed 7.50%.
- FY 2018 rate of return was 8.94%. 1.44% higher than the assumed 7.5%.
- FY 2019 YTD 6.79%.
- Last Three year avg. 9.4%.
* Each annual actuarial valuation may result in either positive or negative adjustments based on factors impacting the valuation.
## Working After Retirement

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Return To Work</th>
<th>Regents USG</th>
<th>K12 Emp.</th>
<th>Employ Misc</th>
<th>State Agencies</th>
<th>TCSGA</th>
<th>Indp Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018</td>
<td>11652</td>
<td>1097</td>
<td>8880</td>
<td>555</td>
<td>17</td>
<td>250</td>
<td>853</td>
</tr>
<tr>
<td>FY 2017</td>
<td>11268</td>
<td>1096</td>
<td>8405</td>
<td>790</td>
<td>21</td>
<td>226</td>
<td>730</td>
</tr>
<tr>
<td>FY 2016</td>
<td>11935</td>
<td>1231</td>
<td>9479</td>
<td>106</td>
<td>11</td>
<td>307</td>
<td>801</td>
</tr>
<tr>
<td>FY 2015</td>
<td>11069</td>
<td>1060</td>
<td>9000</td>
<td>89</td>
<td>16</td>
<td>213</td>
<td>691</td>
</tr>
<tr>
<td>FY 2014</td>
<td>10762</td>
<td>1347</td>
<td>8482</td>
<td>139</td>
<td>18</td>
<td>226</td>
<td>550</td>
</tr>
<tr>
<td>FY 2013</td>
<td>10614</td>
<td>1138</td>
<td>8139</td>
<td>558</td>
<td>21</td>
<td>181</td>
<td>577</td>
</tr>
<tr>
<td>Totals</td>
<td>55648</td>
<td>5872</td>
<td>43505</td>
<td>1682</td>
<td>87</td>
<td>1153</td>
<td>3349</td>
</tr>
</tbody>
</table>

### TOTAL RETURN TO WORK

![Bar Chart showing total return to work for each fiscal year](chart.png)
TRS Earnable Compensation

- STRS earnable compensation includes the gross salary for regular working hours. Other compensation items that may be reported include:
  - Tax sheltered annuities, including those paid by the employer on behalf of an employee
  - Regular compensation paid to a member while on sick, personal or annual leave
  - Deferred summer compensation earned in a TRS covered position
  - Deferred summer compensation due to a deceased member's estate
  - The full, regular gross compensation payable to a member for all working time during the summer months in a TRS-covered position
  - Compensation received for employment under extended day or extended year written contracts
  - Coaching supplements that meet certain requirements
  - Automobile allowance (does not include payment for reimbursable expenses such as mileage or fuel and maintenance costs)
  - Group insurance - health, dental, vision and disability insurance premiums
  - Life insurance premiums (the employee must select the beneficiary, which must not be the employer)
  - F.I.C.A. taxes - Social Security and Medicare taxes paid on behalf of the employee (employee's portion only)
  - Housing allowance for university presidents
2019 Legislative Action

• House Bill 109 – Non Fiscal. Essentially was/is an effort at some moderate, but not severe, reforms. Sick leave, final average salary highest 2 to 5 with only 2 increases counted in 5 years, pensionable income cap, Not make out of Rules. Don’t misinterpret the lack of action for the lack of interest!

• SB 117 All new purchased time be done at Full Actuarial Value. Goes back to Senate for Vote in 2020.

• HB 196. Pension Trustee education bill. Passed

• HB 292. Repeal USG requirement to pay TRS for ORP members. Actuarial Review

• HB 320. Return to work FT for, Science, Technology, engineering, Arts, Math. Actuarial Review

• HB 336. Allow any retired teacher to return with employer paying TRS E & E Contribution. Actuarial Review

• HB 390. International Teaching Service. Actuarial Review

• SB 175. Employer pay E & E TRS contribution on part time retirees returning to work. Passed Senate but did not get out of House Retirement Committee

• HB 662. Would set a maximum ARR of 6.75%. Actuarial Review

• HB 667. Would reduce actuarial review to once every 3 years, Pay UAL off in 15 years rather than remaining 25. Actuarial Review

• SB 260 does same as HB 662 & 667 but also ties COLA to the CPI. Actuarial Review
• Increases in salaries mean increases in employer and employee contributions. These help the plan by putting more money in the system to invest.

• Possibly some members decide not to retire in order to maximize pensionable income? Working 1 to 3 years longer would increase pensionable income. Fewer retirements help the system....in the short term. Actual retirement numbers were approximately 5% fewer for FY 2019.

• Local districts are going to feel the “squeeze” in spreading these salary increases out across QBE earned positions AND those not earned.
Some Reminders

• Working after retirement
  • No pre-arranged agreements
  • One month break in service
  • Salary limitations

• Outreach
  • New member workshops
  • Mid-career workshops
  • Pre-retirement workshops and counseling
  • Employer Training
  • Like/follow us on Facebook!
Questions?