Teachers Retirement System of Georgia: Fiscal Year 2020 System Update
Georgia Association of Elementary School Principals

L. C. (Buster) Evans, Executive Director
November 5, 2019

Recognizing 75 Years of Retirement Security
The TRS “Final Milestone” Test!

• Employees contribute what percentage of their salary for their TRS contribution?
• A member is said to be “vested” after ____ years of service?
• Full service retirement is considered when a member completes 30 years of service or has 10 years of service and has reached the age of ____.
• You can purchase air time if you have at least ____ of service credit.
• Forfeited or unused sick leave can be counted toward retirement as long as a member has at least ____ unused days.
• A retiree can return to work as a substitute teachers without any limit on the amount of days they work each year. T or F?
• Georgia law requires that a retiree have a break in service of how long prior to returning to work in a state other than Georgia?
THE WHY?
The Value of the Defined Benefit Plan for Educational Policy

- **Recruitment**...into a most noble profession!
- **Retention**...to keep the best and experienced in the profession!
- **Retirement**...with dignity and honor!
Employers Served & 10 Largest

- K-12 Public Education
- University System of Georgia
- Technical Colleges
- County Extension Agents
- Library System Personnel (Some)
- Other State Agency Transfers
Governance and Facts

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

• Defined Benefit Plan

$$\text{Years of Creditable Service} \times 2\% \text{ Multiplier} \times 2\text{-Year Final Avg. Salary} = \text{Maximum Plan Benefit}$$

• As of July 1, 2019:
  • $78.4\text{ Billion in Assets Ranked 25}^{\text{th}}\text{ largest retirement fund by Pensions & Investments (02/19)}$
  • 238,000 Actively Contributing Member Accounts
  • 23,860 10.5% Eligible to Retire (Normal & Early Retirement)
  • 132,000 Retired Members
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?
Retiree Age Distribution

58 retirees are 100+. 1 is a man!
### Verifications by Employment Type

<table>
<thead>
<tr>
<th></th>
<th>Part Time</th>
<th>Full Time</th>
<th>Temporary</th>
<th>Substitute</th>
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<td><strong>FY 2019 Totals</strong></td>
<td>5091</td>
<td>129</td>
<td>648</td>
<td>5240</td>
<td>11108</td>
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### TOTAL RETURN TO WORK

<table>
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<tr>
<th>Year</th>
<th>Part Time</th>
<th>Full Time</th>
<th>Temporary</th>
<th>Substitute</th>
<th>Total</th>
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<tr>
<td>FY 2016</td>
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<td></td>
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<tr>
<td>FY 2017</td>
<td>12144</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>FY 2018</td>
<td>12659</td>
<td></td>
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<td></td>
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<td>FY 2019</td>
<td></td>
<td></td>
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</table>

#### Total Return To Work

- **FY 2019**: 11108
- **FY 2018**: 11268
- **FY 2017**: 12144
- **FY 2016**: 11268
- **FY 2015**: 11069

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### FY 2019

- **Part Time**: 5091
- **Full Time**: 129
- **Temporary**: 648
- **Substitute**: 5240
- **Total**: 11108

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### Bar Chart

- **Bar Chart Description**: Shows the total return to work for each year from FY 2015 to FY 2019.
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 Employer 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 6.8%.
- Last Three year avg. 9.4%.
Promoting Fund Sustainability

- 2010 - Adopted smoothed valuation interest rate method.
- 2012 - Eliminated 3% state tax offset increase on first $37,500 of benefits.
- 2014 - Adopted 30-year closed amortization schedule to pay off the unfunded liability.
- 2017 - Reviewed assumed rate of return. (No change)
- 2017 - Reviewed smoothed valuation interest rate method. (No change)
- 2017 & 2018 - Evaluated impact to system of retirees returning to work. (Legislation introduced in 2018 but not passed)
- 2018 - Senate Budget assigns study to Georgia Department of Audits.
  - Review ERS Reforms and impact
  - Review ERS 401(k) plan and competitiveness
  - Evaluate potential cost-effective reforms for TRS that would retain the competitive hiring benefit of having a defined benefit plan
- 2019 - Abandoned smoothed valuation interest rate methodology and lowered assumed rate of return from 7.5% to 7.25%.
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
### FY 2019 Performance Audit (Part 1)

#### Potential TRS Modifications & Impact on Employer Contributions

<table>
<thead>
<tr>
<th>Scenario (all in $ millions)</th>
<th>FY 2021</th>
<th>FY 2022</th>
<th>FY 2023</th>
<th>FY 2024</th>
<th>FY 2025</th>
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<tbody>
<tr>
<td>Baseline Forecast Employer Contribution</td>
<td>$2,317</td>
<td>$2,558</td>
<td>$2,460</td>
<td>$2,218</td>
<td>$2,370</td>
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<td><strong>Interest Crediting</strong></td>
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<tr>
<td>Scenario 1A: Lower Interest Crediting to 3%</td>
<td>-7</td>
<td>-6</td>
<td>-8</td>
<td>-9</td>
<td>-7</td>
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<tr>
<td>Scenario 1B: Lower interest crediting to 2%</td>
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<td>-12</td>
<td>-13</td>
<td>-13</td>
<td>-13</td>
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<tr>
<td>Scenario 2A: Change COLA from 1.5% twice per year to 3% one time per year</td>
<td>-17</td>
<td>-18</td>
<td>-21</td>
<td>-21</td>
<td>-22</td>
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<tr>
<td>Scenario 2B: Reduce COLA to 1.6% per year for all new hires and those hired after 7/1/1993</td>
<td>-446</td>
<td>-495</td>
<td>-529</td>
<td>-530</td>
<td>-553</td>
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<tr>
<td><strong>Cost of Living Adjustments</strong></td>
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<tr>
<td>Scenario 2C: Reduce COLA to 1.6% per year for new hires and those with less than 5 years of service</td>
<td>-130</td>
<td>-142</td>
<td>-150</td>
<td>-147</td>
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<tr>
<td>Scenario 2D: End COLA for new hires only</td>
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<td>Scenario 2E: Make COLA payable starting at age 65 for post 7/1/1993 hires</td>
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<td>Scenario 2F: Make COLA payable starting at age 70 for post 7/1/1993 hires</td>
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<td><strong>Age</strong></td>
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<tr>
<td>Scenario 3A: Increase retirement age by 2 years for new hires only</td>
<td>-50</td>
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<td><strong>Benefit Formula</strong></td>
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<td>Scenario 3B: Change benefit calculation to 5 year salary average from 2 year average for new hires</td>
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<tr>
<td>Scenario 3C: Move to a 1.9% benefit multiplier for new hires only</td>
<td>-40</td>
<td>-42</td>
<td>-45</td>
<td>-43</td>
<td>-44</td>
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</tbody>
</table>
Promoting Fund Sustainability

**TRS of Georgia Investment Rate of Return**

**TRS Average Rate of Return 2010-2019**
* Each annual actuarial valuation may result in either positive or negative adjustments based on factors impacting the valuation.
Contributions

Factors Impacting Rates

• Actuarial Assumption Changes
  • Price and Wage Inflation
  • Option Factors
  • Demographics: withdrawals, pre-retirement mortality, disability retirement, service retirement, post-retirement mortality, etc.

• Investment Earnings

• Investment Earnings Assumption Changes

• Increases/Decreases in Actively Contributing Members

• Increases/Decreases in Member Salaries
Pension Reform

• Broadly speaking, it can include anything that may increase revenues into the fund or decrease current or future benefit obligations of the fund, a combination of these actions, fund reporting, governance, or other changes to the existing plan.

• Additionally, it is widely held that retirement benefits are a contractual obligations to current employees and retirees.

• While the State’s ERS underwent reform in 2009 resulting in a hybrid plan, the TRS system has undergone minimal changes.

• The current administration and most members of the legislature have supported the TRS plan without pressing for significant changes and continuing to allocate funding to meet the employer contribution needs.

• Recent employer contribution rate increases have led to greater review of long term plan costs and benefits to the state and plan members.
Pension Reform

- Sick leave?
- Multiplier?
- Minimum age to retire?
- Earnings assumptions?
- Salary cap for calculation of benefit?
- Highest average salary?
- Employer & employee contribution rates?
- Actuarial methodologies?

- Funding the accrued liability?
- Vesting requirements?
- Working after retirement?
- Post-retirement adjustment of benefits?
- Investment Mix or Allocation?
- Hybrid Plan?
- DC Plan?
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. Did not make out of Rules.

- 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 336. Allow any retired teacher to return with employer paying TRS E & E Contribution. 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.

• Increases in wage growth may increase the Unfunded Accrued Liability (UAL).

• 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. It appears at present that our retirement numbers will be approximately 8% fewer this year.
Annual Economic Impact

Annual Benefit Payroll: $5,114,864,784
132,623 Retirees

$3.3 billion - Direct Impact
Initial expenditures made by retirees.

$2.26 billion - Indirect Impact
Additional goods and services purchased by businesses.

$1.81 billion - Induced Impact
Employees are hired as a result of the direct and indirect impacts.

$7.368 billion - Total Annual Economic Impact
Some Reminders

- Working after retirement
  - No pre-arranged agreements
  - One month break in service
  - Salary limitations
    - *Our Goal... ease and expedite the verification approval process!!!*

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