

# TRS - PROVIDING FOR YOUR FUTURE

*Mid-career Preparation*



Teachers  
Retirement  
System of  
Georgia

# Can You Guess?



- Who is the largest public retirement system in the state of Georgia?
  - The Teachers Retirement System of Georgia!
- What rank does TRS have nationally?
  - 25<sup>th</sup> largest retirement system in the nation
- What rank does TRS have worldwide?
  - 44<sup>th</sup> largest retirement system in the world

# Who is TRS?



- Established in 1943
- Largest public retirement system in Georgia
- Collects contributions and disburses funds to members and their beneficiaries at retirement, upon disability, or death
- Provides retirement security to education professionals like yourselves who dedicate their lives to educating Georgia's children

# Who is TRS?



- Governmental defined benefit plan
  - Investment risk borne fully by the employer
  - A retirement benefit that reflects your salary and length of service
- Lifetime benefits **guaranteed by Georgia law**
  - Cannot outlive your retirement benefit
  - Provides lifetime benefits to beneficiaries in survivorship plans

# Who is TRS?

## The Most Important Part of Your Retirement Security



- Plan to supplement your TRS benefit with:
  - Personal savings.
  - Social Security.
  - Defined contribution plans through employer.
- Together, all of these will enhance your retirement plan, but nothing can truly replace what TRS will provide you.

## ○ Defined Contribution (DC) Plans

- Voluntary participation
- 403(b), 401(k), Governmental 457
- You choose how much to contribute
- Your benefit is unknown since your account fluctuates in value based on the market
- Payroll deduction may be available
- Deductions are pre-tax
- Consider participating to ensure you save enough for retirement!

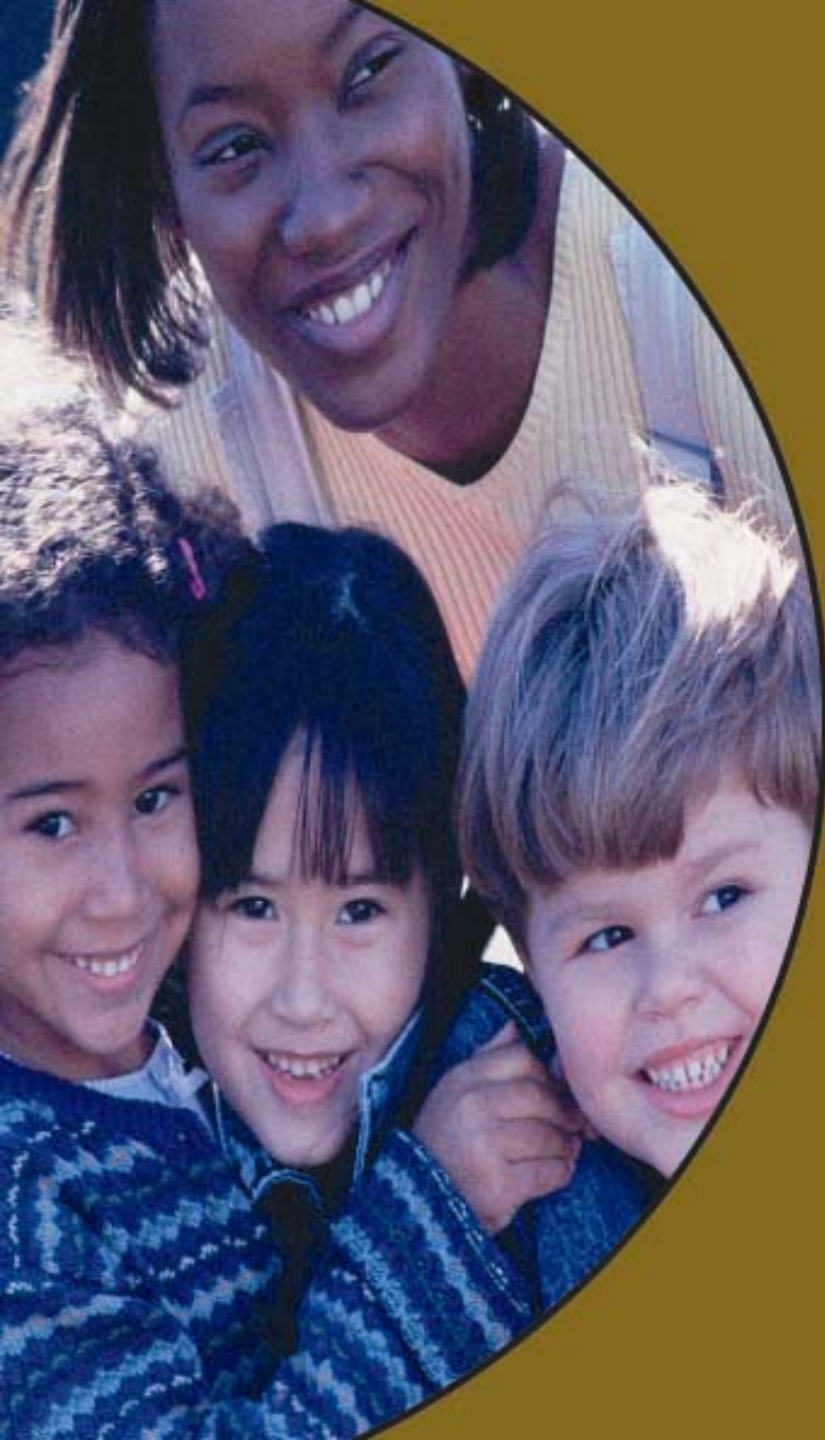
- Secure your future
  - Depend on yourself
  - Talk to licensed experts
  - Know how much you need to be comfortable
  - Consider concept of “replacement ratios”



# Retirement Facts

- Only 42% of Americans have calculated what they need to save for retirement.
- Only 25% of workers sign up for their employer's 401(k) plan and only 10% contribute the maximum amount allowed.
- 40% of people aged 55 or older have less than \$100,000 saved for their retirement.
- The average American spends 18 years in retirement, although many experts say 30 years is not out of the question.

*Statistics compiled from the Department of Labor and the 2004 Retirement Confidence Survey, Employee Benefit Research Institute*



# TRS STATISTICS



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# Membership

○ Active Members .....	<b>218,141</b>
○ Non-Contributing Members Entitled to Benefits .....	<b>69,317</b>
○ Retirees .....	<b>76,133</b>
○ Total .....	<b>363,591</b>

# Liabilities vs. Assets

## Funding status of TRS

- Total Liabilities .....  
**\$60.8 Billion**
- Total Assets .....  
**\$59.1 Billion**
- Difference is the Actuarial Accrued Liability ....  
**\$1.7 Billion**  
(Excess of Liabilities Over Assets)
- Funded Ratio .....  
**96.5%**

Based on actuarial valuation dated June 30, 2006

## ○ Benefits

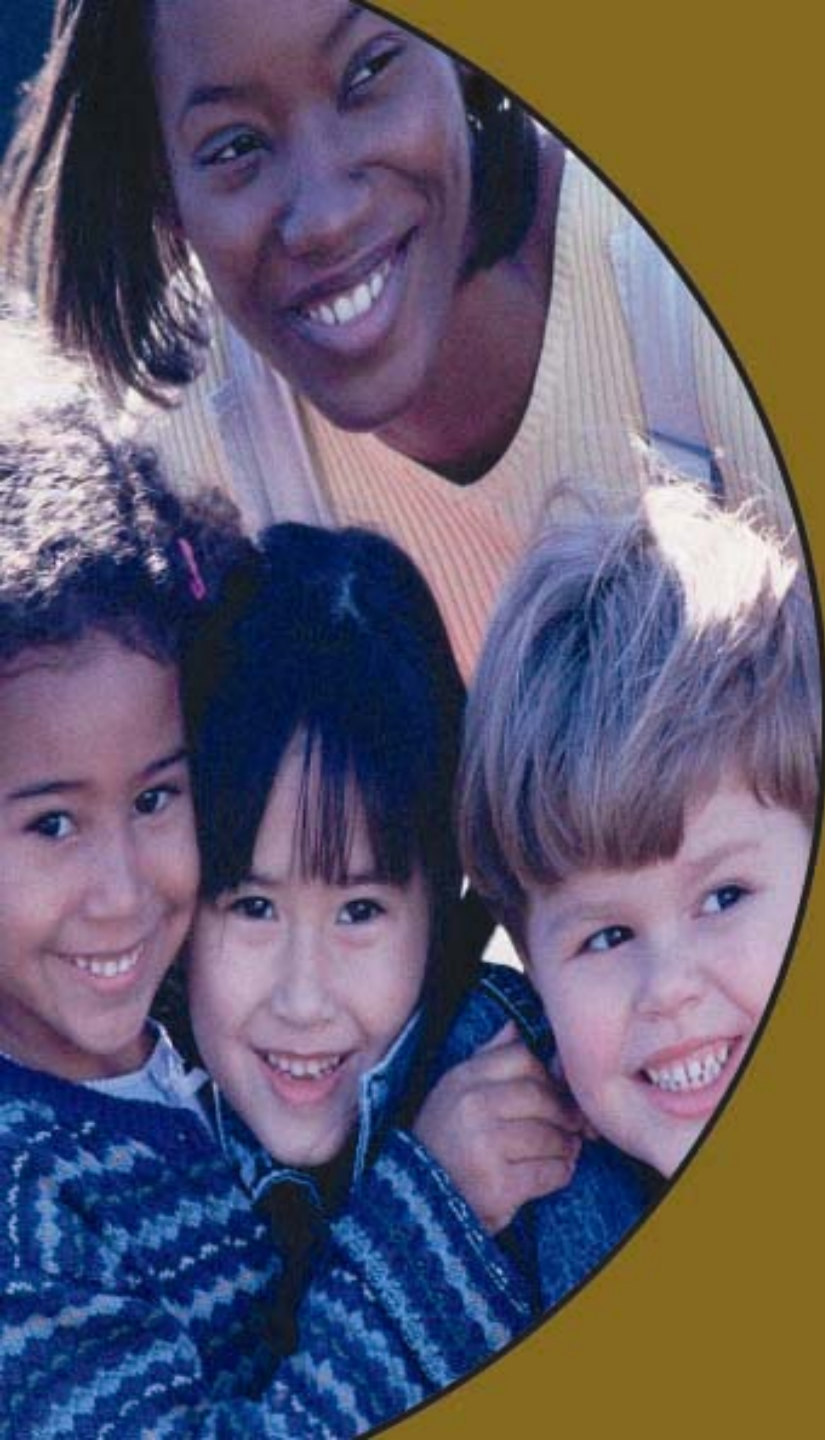
- Retiree payments = \$2 billion
- Average yearly benefit for all service retirees = \$32,736

## ○ Sources of Income

- Employee contributions (5%)
- Employer contributions (9.28%)
- Investment income

As of June 30, 2006





# CREDITABLE SERVICE



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# Creditable Service

- *Definition:* Time accumulated toward retirement through TRS-covered employment and through the purchase of other service as permitted under law
- All service purchases may be made by a rollover from another qualified plan
  - 401(k), 403(b), 457 Governmental Plan, 401(a), & IRAs
  - Roth IRAs may not be rolled over
  - Rollovers avoid immediate taxation and applicable penalties; however, custodial fees may apply
- Must purchase service prior to retirement
- Beneficiaries cannot purchase service

## ○ Membership Service

- For service as an active TRS member in Georgia
  - Permanent position
  - Must work or be on paid leave at least  $\frac{1}{2}$  of working days in month
- Awarded in one-month increments
- 9 months equals 1 year; 8 months equals 1 year for academic faculty in University System
- Only one year may be established in a fiscal year





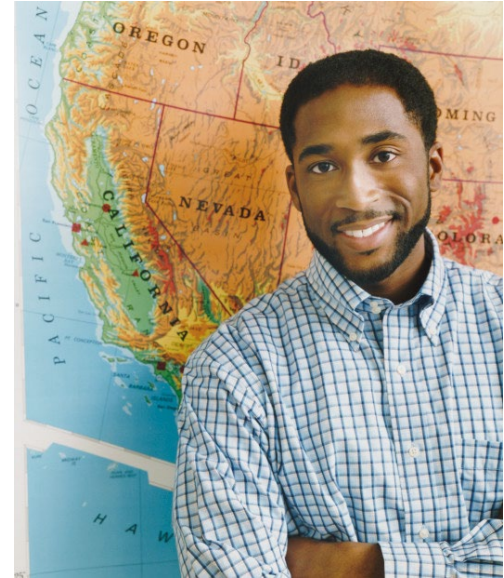
## ○ Withdrawn Service

- To reestablish Georgia teaching service if you left teaching and took out your contributions
- May purchase by repaying withdrawn amount plus interest, based on amount of withdrawn service in each fiscal year.
- Must work a minimum of three years under TRS before purchase is permitted
- Can estimate cost on TRS web site

# Creditable Service

## ○ Out-of-State Service

- For permanent, half-time or greater service at out-of-state public school, college, or university
- Counts only if out-of-state employment, had it been in Georgia, would have made you eligible for TRS membership
- Cannot purchase if you are or will receive retirement benefits from that out-of-state system
- Must work 6 years in Georgia to purchase 1 out-of-state year
  - For each year over 6, can purchase 1 more out-of-state year
  - 10-year maximum
- Cost is employee and employer contributions plus interest based on salary earned at out-of-state school
- Complete OS4 form, then mail to former employer(s)



- Employees Retirement System (ERS) Service
  - For state employees who become TRS members
  - If withdrew ERS funds
    - Can buy back ERS time after a minimum of three years under TRS
    - Cost is total employee contributions that would have been paid had you been in TRS, plus interest
  - If ERS funds not withdrawn
    - For full ERS credit, you must pay difference in employee contribution amounts, plus interest
    - You can establish partial ERS credit without paying extra
  - To initiate credit transfer, contact TRS in writing
  - ERS sick leave credit does not transfer to TRS

## ○ Air Time

- The purchase of non-teaching service
- 25-year service minimum
- Can purchase up to 3 years service in one-month increments
- Can be used to avoid penalty for early retirement
- Cost is full actuarial amount to fund additional benefit
- Cost can be calculated on website

# Creditable Service

- Military
- Private School Service
- Visiting Scholar
- Full-time Graduate Study Leave
- Public School Employees Retirement System (PERS) Credit
- Others



# To Buy or Not to Buy...

- To retire earlier
- To increase your retirement benefit
- To achieve vested status, thus eligible for disability or death-in-service benefits
- Purchase price increases each year
- Surviving beneficiaries cannot purchase service
- Consider your unused sick leave credit

# Unused Sick Leave Credit

- Counts as creditable service toward retirement, but cannot be used to vest
- 60-day minimum to receive any credit
- Each TRS-covered employer must certify sick leave as part of the retirement process
- Cannot be paid for unused sick leave and receive service credit
- Only applies to Georgia teaching service
- Maximum annual accumulation is 1¼ days per month of actual service

# Sick Leave Calculation – No Records

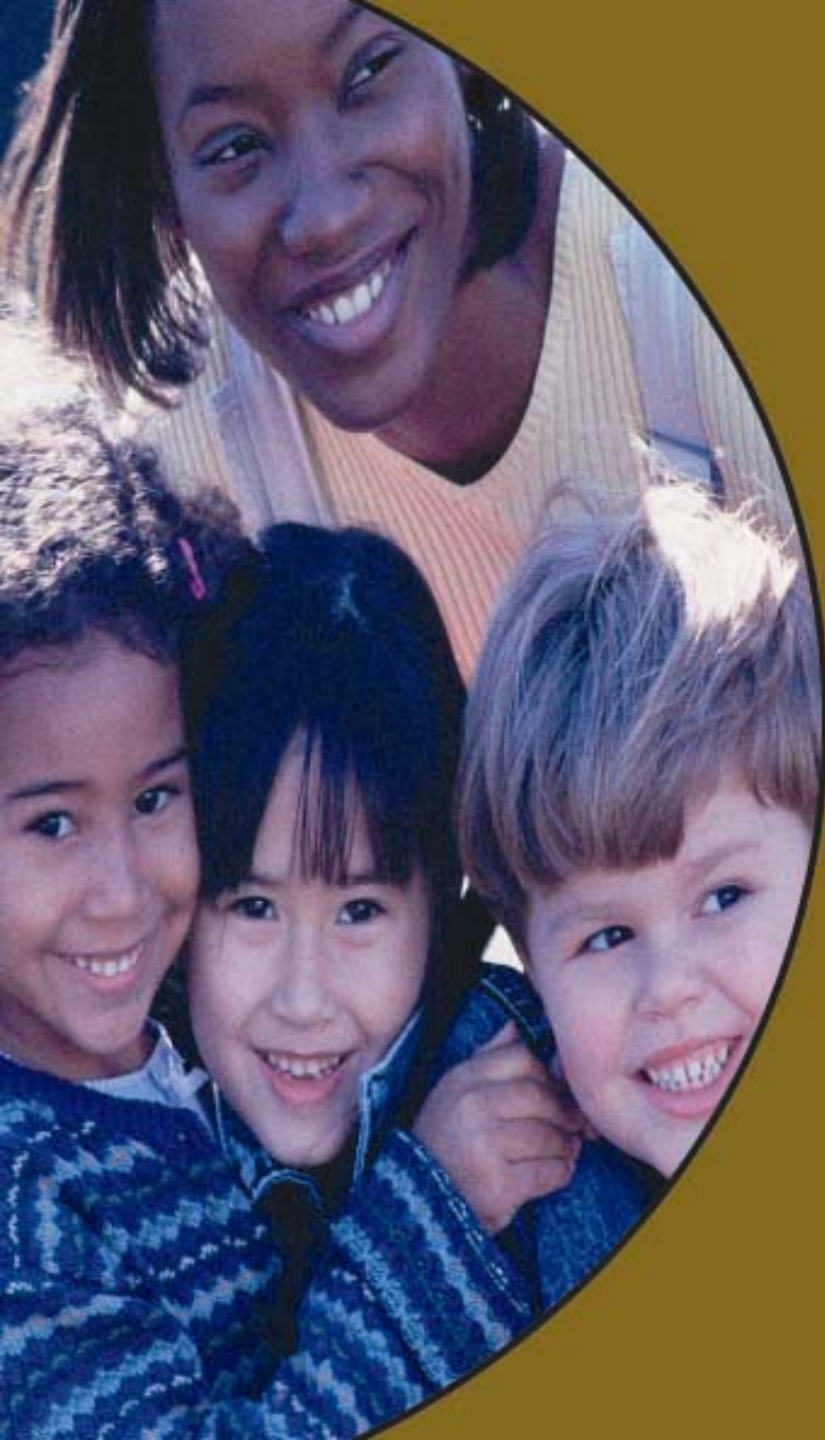
1. Unused sick days on record are divided by the number of years for which there are records
2. Yields an average number of days per year not used
3. Average for recorded days is multiplied by the number of years for which there are no records
4. Yields an estimated number of sick days
5. Estimated days are added to the recorded days to determine total days of sick leave





# Unused Sick Leave Chart

Days of Unused Sick Leave	Months of Creditable Service	Days of Unused Sick Leave	Months of Creditable Service
0 – 59	None	210 – 229	11
60 – 69	3	230 – 249	12
70 – 89	4	250 – 269	13
90 – 109	5	270 – 289	14
110 – 129	6	290 – 309	15
130 – 149	7	310 – 329	16
150 – 169	8	330 – 349	17
170 – 189	9	350 – 369	18
190 – 209	10	1) No maximum placed on creditable service 2) Credit based on 9-month yr for all contracts	



# YOUR RETIREMENT

*Pre-Retirement Planning*



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# Eligibility for Normal Retirement

## ○ Service retirement

- 30 years of creditable service regardless of age
- 10 years of creditable service and age 60

## ○ Disability retirement

- 9½ years of service and cannot perform job
- Disability status determined by panel of three physicians

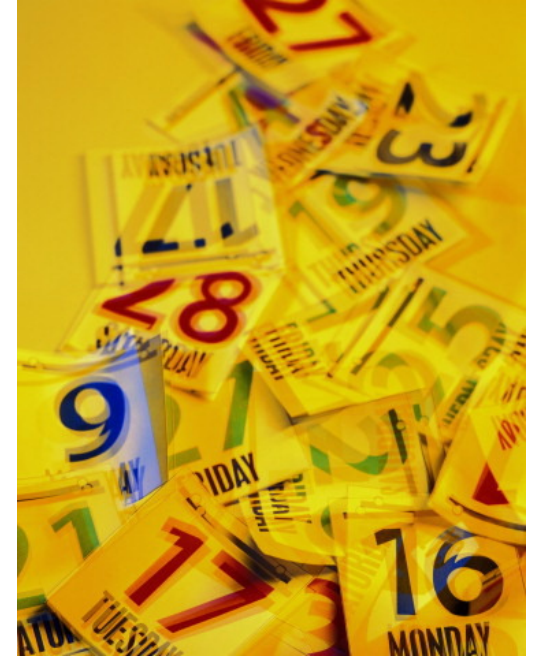


# Eligibility for Early Retirement

- For members who are:
  - Under age 60
  - Have at least 25 years of service, but
  - Have less than 30 years of service
- Monetary penalties apply - lesser of:
  - Benefit reduced by  $\frac{1}{12}$  of 7% for each month below age 60, or
  - Benefit reduced by 7% for each year or fraction of year below 30 years of service
- Not eligible for COLA until member reaches age 60 or would have attained 30 years of service

# COLAs

- COLAs are awarded every January and July
- The current COLA is 1½ % every six months
- If you retire January 1 through June 1, first COLA is the following January
- If you retire July 1 through December 1, first COLA is the following July



# Retirement Plans

**Plan A  
Maximum**

**Plan B  
Option 4**

**Plan B  
Option 1**

**Plan B  
Option 2  
Pop-up**

**Plan B  
Option 2**

**Plan B  
Option 3  
Pop-up**

**Plan B  
Option 3**



# Plan A - Maximum

- Largest monthly benefit available
- Benefits stop at retiree's death
- If death occurs before contributions and interest are paid, the balance is paid in a lump sum
- Contributions and interest typically depleted within 18 months of retirement
- Beneficiary may be changed after retirement
- If retiree has State Health Benefit Plan coverage and dies before spouse, spouse/dependents lose health coverage if spouse remarries

# Plan B - Option 1

- Small reduction from maximum benefit
- Benefits stop at retiree's death
- Extends time that retiree's contributions and interest are available to pay part of the monthly benefit
- Funds generally last 10 -14 years
- At death, any remaining contributions and interest are refunded in a lump sum to the beneficiary



# Survivorship Options

- You must designate a named individual or person to receive a monthly benefit.



# Plan B - Option 2

- Receive reduced monthly benefit based on member's age and beneficiary's age at the time of retirement
- Upon death, beneficiary receives same monthly benefit as the retiree received at the date of retirement, plus cost-of-living adjustments (COLAs)

# Plan B - Option 3

- Receive reduced monthly benefit based on member's age and beneficiary's age at the time of retirement
- Reduction in benefit is less than reduction in Option 2
- Upon death, beneficiary receives one-half the monthly benefit received by the retiree at the time of retirement, plus one-half the COLAs



# Plan B - Option 2 & 3 Pop-ups

- Receive slightly smaller monthly benefit than in regular version of respective option
- Can designate only one beneficiary
- If retiree dies before beneficiary, then beneficiary receives lifetime monthly benefit, plus COLAs, as described in regular version of respective option
- If beneficiary dies before retiree, monthly benefit for retiree will “pop-up” to the Maximum Plan, as if you had retired under the Maximum Plan

# Plan B - Option 4

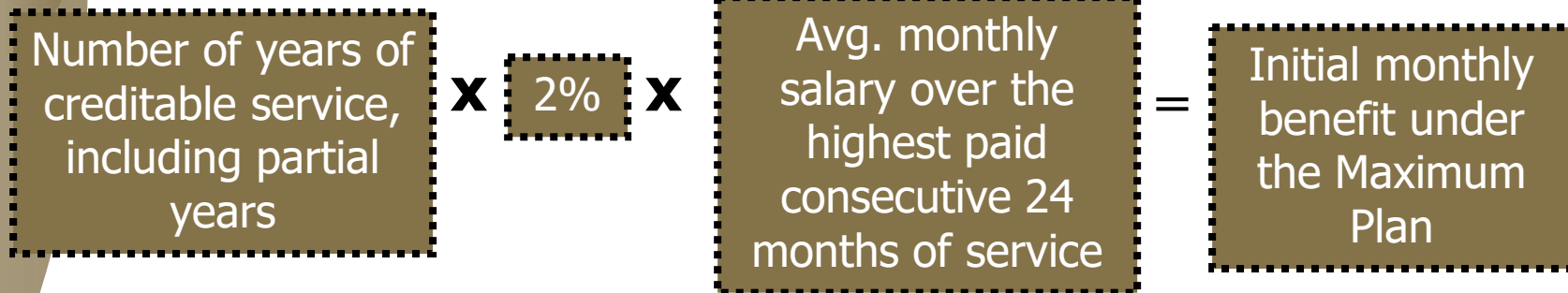
- Can specify any amount payable to a beneficiary at the member's death
  - Retiree's benefit must be at least 50% of the Maximum Plan
  - Benefit may be specified as a dollar amount or a percentage of the retiree's monthly amount
- COLAs based on beneficiary's benefit
- May consider as alternative to Maximum Plan so that spouse can keep SHBP coverage if he/she remarries after retiree's death

- PLOP” = partial lump-sum option plan
- Allows a retiring member to elect to receive a portion of his or her benefit in a lump-sum
- Lifetime monthly benefit is reduced based on amount of PLOP selected
- Can elect a PLOP with any retirement plan
- May elect from 1 to 36 months of pay in a lump-sum payable at time first monthly check is issued
- PLOP may be taken as a direct payment to you, taxes will apply to direct payments
- PLOP can be rolled over in whole or in part to another qualified retirement plan to defer taxes



# Retirement Benefit Formula

- 2% multiplier
  - 2% is multiplied by your years of creditable service
  - Maximum of 40
- Based on your average monthly salary for your highest consecutive 24 months of membership service
- Formula:



The following examples are gross amounts. Benefit subject to applicable taxes and deductions. Note: First \$30,000 is not subject to State tax for members at least 62 years old.

# Example

Maximum Plan			
Step 1:	\$58,000 (year 1)	+ \$60,000 (year 2)	= \$118,000 (24-month high)
Step 2:	118,000 salary for high 24 months	\$118,000 / 24 months	= \$4,916.67 avg. monthly salary
Step 3:	32 years service	X 2%	= 64%
Step 4:	64%	X \$4,916.67	= \$3,146.67 initial benefit



# Example

**Ages:**                      **Member: 59**                      **Beneficiary: 57**

Option 2 (100%)	\$3,146.67	X	.8843	=	\$2,782.60
Option 2 Pop-up	\$3,146.67	X	.8730	=	\$2,747.04
Option 3 (50%)	\$3,146.67	X	.9386	=	\$2,953.46
	Survivor's Benefit			=	\$1,476.73
Option 3 Pop-up	\$3,146.67	X	.9322	=	\$2,933.33
	Survivor's Benefit			=	\$1,466.66

# Can You Guess?

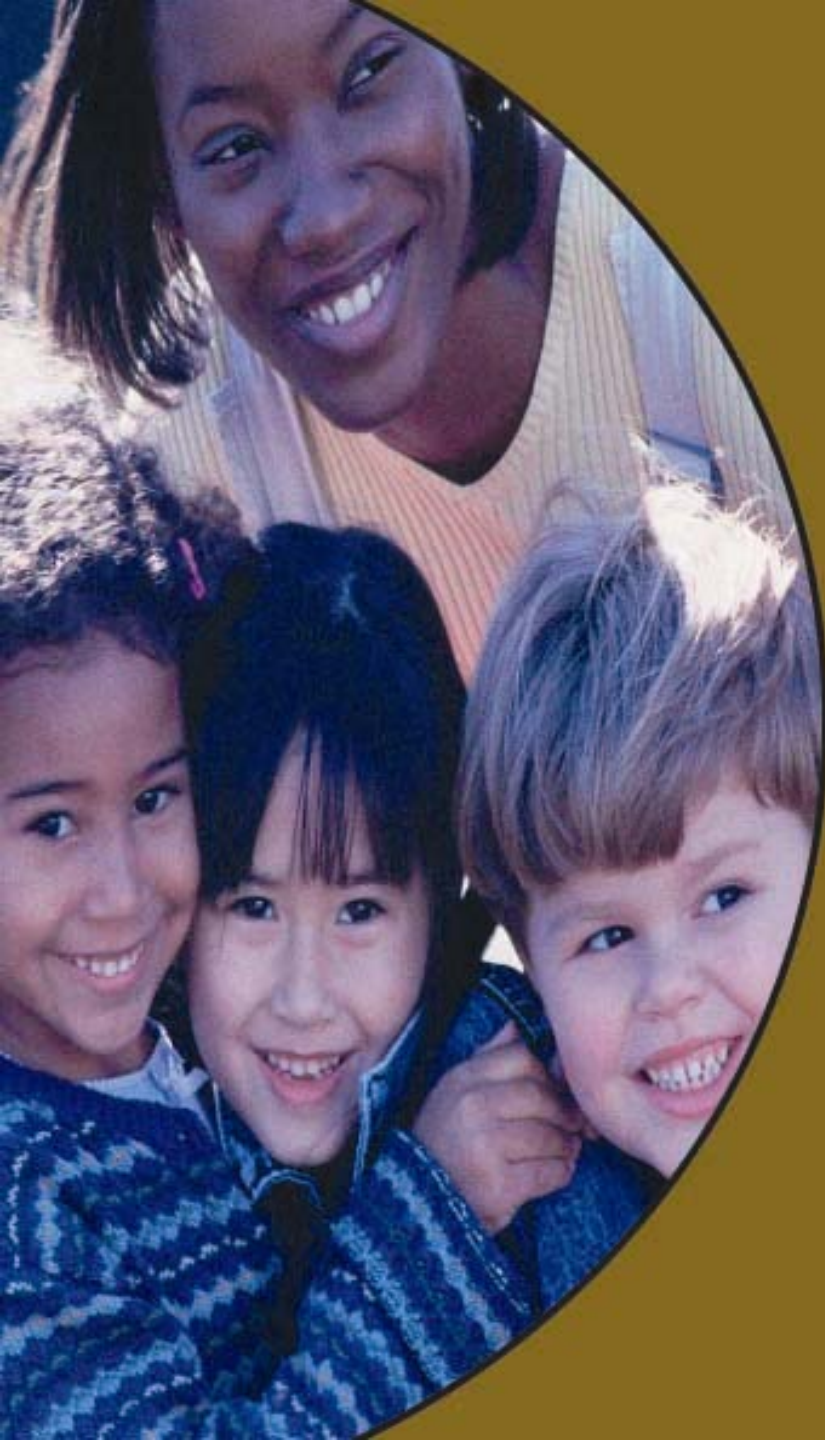
- TRS paid out the first monthly retirement benefit in 1946. How much was it?

**\$48**

## What Things Cost in 1946:

- Car: \$1,400
- Gasoline: \$.21/gal
- House: \$12,500
- Bread: \$.10/loaf
- Milk: \$.70/gal
- Postage Stamp: \$.03
- Stock Market: 177
- Average Annual Salary: \$3,150
- Minimum Wage: \$.40/per hour





## **LEAVING EMPLOYMENT & RESOURCES**



Teachers  
Retirement  
System of  
Georgia

# Leaving Employment

- Less than 10 years creditable service (not vested)
  - Leave funds in the system and collect interest for up to 4 years.
  - Withdraw funds
    - Lump-sum payment to you, which is subject to applicable taxes and possible IRS penalty tax, and/or
    - Rollover funds to another qualified plan, deferring taxes
  - May return to service and re-establish withdrawn service by repaying withdrawn amount plus interest

# Leaving Employment

- More than 10 years of creditable service (vested), but under retirement age
  - Leave funds in system and receive lifetime benefit starting at age 60
  - Withdraw funds
    - Lump-sum payment to you, which is subject to applicable taxes and possible IRS penalty tax, and/or
    - Rollover funds to another qualified plan, deferring taxes
  - May return to service and re-establish withdrawn service by repaying withdrawn amount plus interest

# Death In Active Service

- If vested member dies in service, beneficiary selects one of two settlement options
  - Lump-sum distribution of your contributions and interest, or
  - Monthly annuity for life
- If annuity selected, beneficiary receives payments under Plan B, Option 2 (100% survivorship option)
- If member is not vested, beneficiary receives lump-sum distribution of member's contributions and interest

# Death In Active Service

- If vested member designates an estate or institution, the beneficiary **CANNOT** receive a monthly benefit, only a lump-sum distribution of contributions and interest!
- Designate a person or persons so your beneficiary has the opportunity to receive a lifetime monthly benefit

# Retirement Preparation Checklist

- Consider using certified financial planners
- Purchase service, if desired
- Attend TRS Pre-retirement program within 5 years of retirement
- Use the pension calculator on the website to create benefit estimates
- Consider meeting with a TRS Retirement Planner 1 to 2 years prior to retirement





## ○ Call Center:

**800-352-0650**

**404-352-6500**

- Most questions answered without a transfer
- Open 8:00 am to 5:30 pm, Monday - Friday



## ○ Publications

- TRS Member's Guide; Brochures; Annual Reports; Retirement Handbook
- Annual Membership Statements

## ○ Your Benefit Coordinator in HR Department

## www.trsga.com

- Ask questions by email
- Download TRS forms
- View your demographics and account, calculate cost of withdrawn service, and change your beneficiaries
- Create your own benefit estimates using the pension calculator
- Locate and register for TRS workshops

