



Providing a future you can depend on

October 3, 2011

To: TRS Reporting Employers
House Retirement Committee Members
Senate Retirement Committee Members
All Interested Parties

From: Jeffrey L. Ezell
Executive Director

Re: Proposed Amendment of TRS Policy

In its meeting held September 28, 2011, the Administrative Procedures Committee of the TRS Board of Trustees voted to amend the following policy under the authority of O.C.G.A. § Section 47-3-26(b):

Administrative Rule 513-5-1-.52. - Interest Rate of Calculations and Contributions: The proposed amendment states that the interest rate used to calculate service purchases will be the System's long-term rate of return, currently 7.50%. The amendment further states that any changes to the interest rate charged for service purchases will be effective four months after the Board's adoption of an amended long-term rate of return. Current policy states that an interest rate of 4.50% is used on all service purchase calculations made on or after July 1, 1977.

When applying interest charges, previous rates will be used as applicable. Please refer to the attached example of an interest rate accrual.

The TRS Board of Trustees plans to vote on the adoption of the amended policy at their meeting on November 16, 2011. The meeting is scheduled to begin at 10:30 a.m. in the TRS Conference Room, 1st Floor, Beta Building, Two Northside 75, Atlanta, Georgia 30318.

All TRS reporting employers are required by law [O.C.G.A. 47-1-10(b)(1)] to post this notice on bulletin boards for your employees and take reasonable steps to assure that members of this System are apprised of the proposed change to TRS policy.

The current and proposed policies are attached. Objections to the proposed policy change must be submitted in writing and addressed to:

Board of Trustees
Teachers Retirement System of Georgia
Two Northside 75, Suite 100
Atlanta, GA 30318
Executive.Director@trsga.com

JLE/arr

Attachments

INTEREST RATE ON CALCULATIONS

The interest rate applied to service purchase calculations will be the System's current long-term discount rate of return. Interest rate changes will be effective the first of the month following a four-month period after the Board of Trustees adopts an amended long-term discount rate of return. [Adopted 04-27-77; Amended November 16, 2011]

Administrative Rule 513-5-1-.52.

INTEREST RATE OF CALCULATIONS AND CONTRIBUTIONS

Set the effective date of Senate Bill 101 (Act No. 351) as July 1, 1977 and use the increased interest rate of 4-1/2% only on calculations made July 1, 1977 or later. [Adopted 04-27-77]

Administrative Rule 513-5-1-.52.

Interest Rates on Calculations

When calculating interest for service purchases, TRS may use multiple interest rates. Interest is compounded and the rate(s) used will depend on the date of the service being purchased and the interest rate in use at that time.

The following example is not an actual calculation to establish TRS service. The example is provided solely to show how a calculation may contain different interest rates.

EXAMPLE: Mary Smith is eligible to establish one year of service for the 1971-72 school year. Effective July 1, 2012, the cost to establish this service will be the amount of contributions she would have contributed during 1971-72, plus accrued interest.

<u>Member Contributions</u>	<u>Interest Rate</u>	<u>Interest Amount</u>
\$400.00	3.50% from 07/1/1972 - 6/30/1977	\$ 76.38
	4.50% from 07/1/1977 - 03/30/2012	1,792.49
	7.50% from 04/01/2012 - 06/30/2012	<u>142.46</u>
	Total Interest	<u>\$ 2,011.33</u>
	Total Cost	<u>\$ 2,411.33</u>