

TRS—PROVIDING FOR YOUR FUTURE

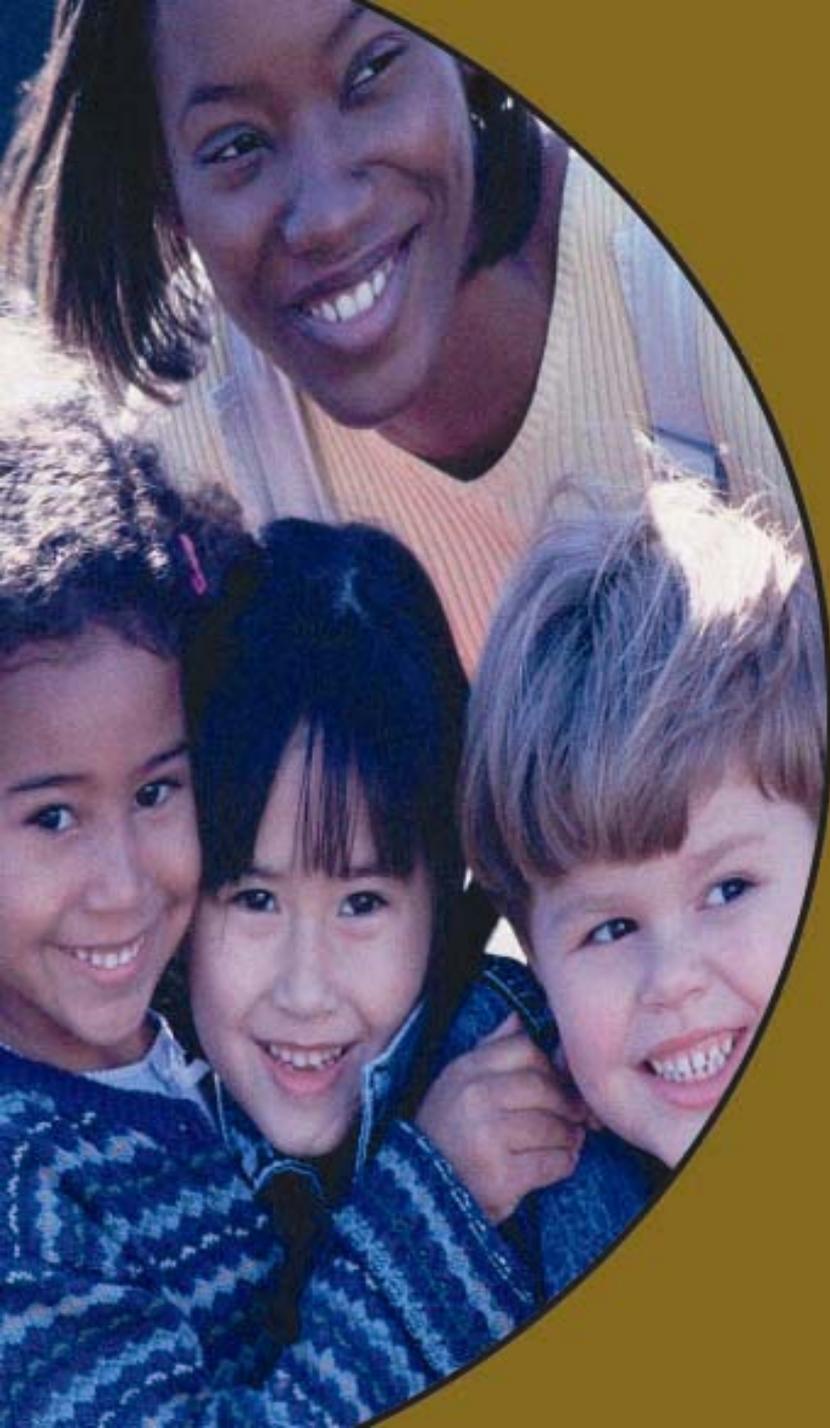
Pre-Retirement Planning



Who is TRS?



- Governmental defined benefit plan
 - Investment risk borne fully by the employer
 - A retirement benefit based on a formula that includes 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
- Works with your defined contribution plan, Social Security, and other savings.
- The most important part of your retirement security!



Eligibility & Plans

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

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

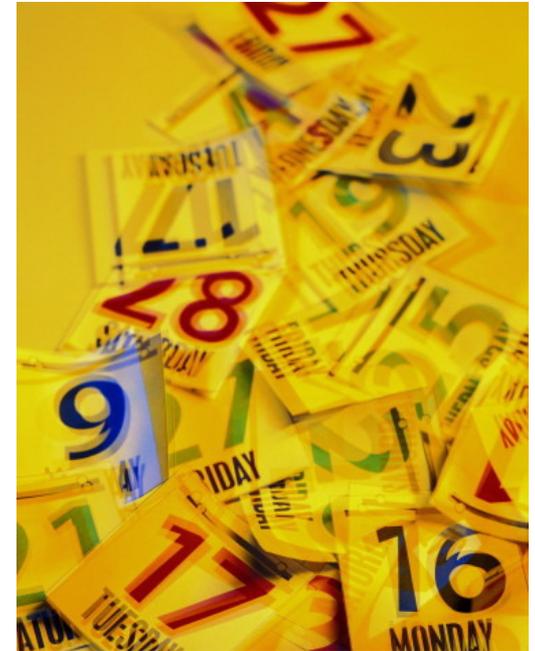


Eligibility for Early Retirement

- 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

Plan COLAs

- COLAs may be 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



Plan Selection Process

- Have you calculated how much you will need to be comfortable?
 - Do you want to maintain your standard of living?
 - Consider concept of “replacement ratios”
- How will you supplement your TRS benefit?
 - Personal savings
 - Social Security. Have you made an appointment?
 - Defined contribution plans through employer
- Have you secured your future?
 - Depend on yourself
 - Talk to licensed experts

Plan Selection Process

- Choice made within 6 months of retirement
- The more benefit you leave to others, the smaller your benefit becomes
- You may want to consider your family needs in making this decision
 - Would anyone suffer financial hardship if your TRS benefit stopped after your death?
 - Will your spouse receive his/her own pension and Social Security benefits?
 - Are your children already gainfully employed?
- You can always leave a benefit, but will your reduced TRS benefit be enough?

**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
- If retiree has State Health Benefit Plan coverage and dies before spouse, spouse/dependents lose health coverage if spouse remarries

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 2 Pop-Up

- Receive slightly smaller monthly benefit than in Option 2
- Can designate only one beneficiary
- If retiree dies before beneficiary, then beneficiary receives lifetime monthly benefit, plus COLAs, as described in Option 2
- 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 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 3 Pop-Up

- Receive slightly smaller monthly benefit than in Option 3
- Can designate only one beneficiary
- If retiree dies before beneficiary, then beneficiary receives lifetime monthly benefit, plus COLAs, as described Option 3
- 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
- Beneficiary receives normal COLAs
- May consider as alternative to Maximum Plan so that spouse can keep SHBP coverage if he/she remarries after retiree's death

PLOP

- “PLOP” stands for partial lump-sum option plan
- May elect to receive a portion of your 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
- PLOP can be a direct payment to you, taxes apply
- PLOP can be rolled over in whole or in part to another qualified retirement plan to defer taxes



PLOP – Facts to Consider

- Investing your PLOP involves risk
 - You assume risk of loss of investment money
 - You assume risk of a lower total income
 - Investments may not have a guaranteed return rate
- Your TRS benefit is guaranteed for life
- To replace the income lost from a PLOP, you would need an annual return of over 11%
(Assumes retirement at 60, 20-yr period, and 3% COLAs)
- You also lose COLAs on your lost monthly benefit payments

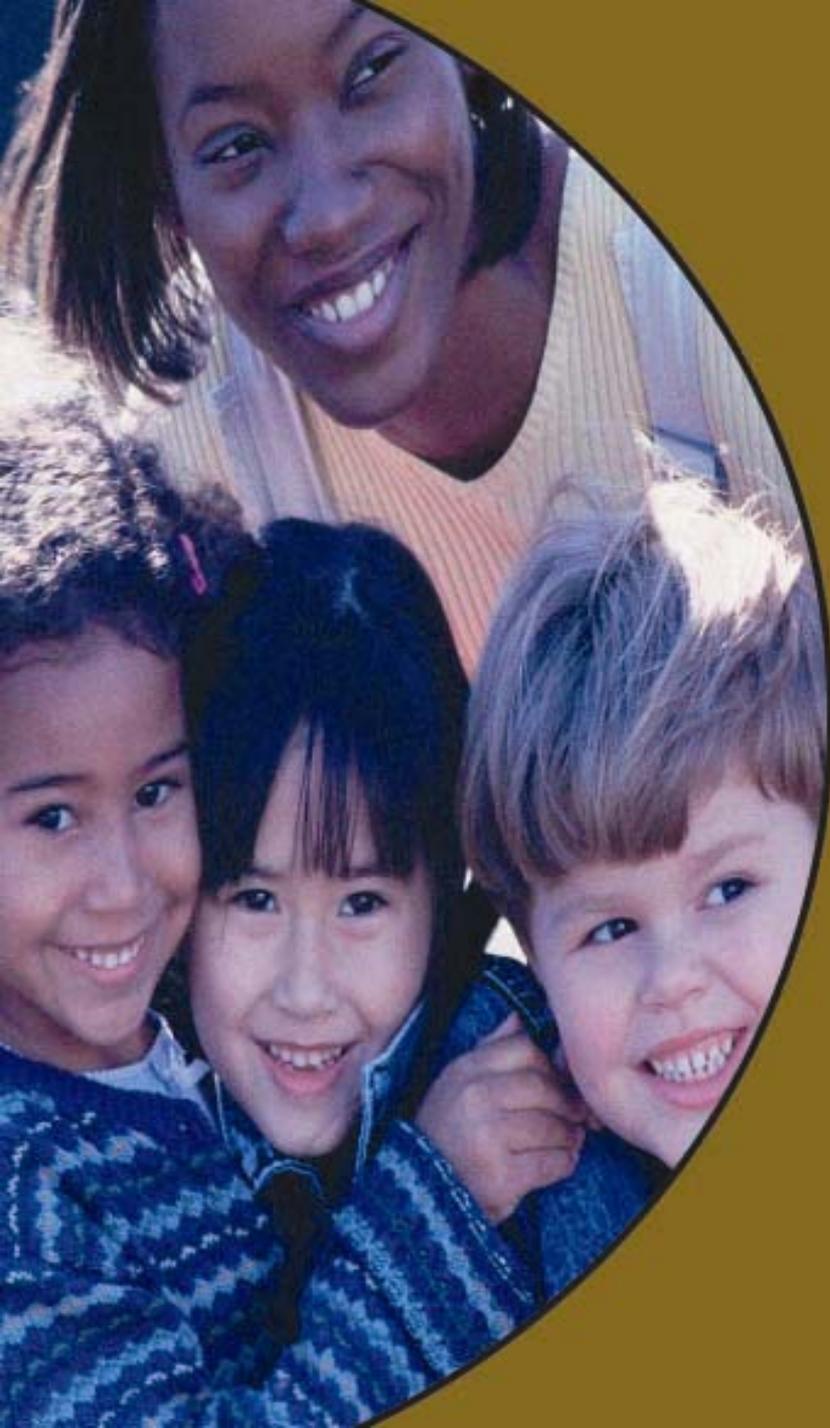
PLOP – Facts to Consider

- Can you maintain your quality of life with the reduced benefit?
- Since the cost of a PLOP can be substantial, consider using licensed financial advisors for facts and figures before taking a PLOP
- Example: A \$65,000 PLOP taken at age 60 will result in over a \$150,000 total reduction in monthly benefits over a 20-year period
- Your benefit estimates from TRS show lifetime monthly reduction amounts per \$1000 of PLOP

PLOP Reduced Benefit Table



Age	Monthly Benefit Reduction per \$1000 of PLOP	Age	Monthly Benefit Reduction per \$1000 of PLOP
50	\$6.54	59	\$7.26
51	\$6.60	60	\$7.38
52	\$6.67	61	\$7.50
53	\$6.73	62	\$7.63
54	\$6.81	63	\$7.77
55	\$6.89	64	\$7.93
56	\$6.97	65	\$8.09
57	\$7.06	75	\$10.68
58	\$7.16	1) Based on Maximum Plan of Retirement 2) Reduction varies if other Plan selected	



CREDITABLE SERVICE

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Creditable Service

- Part of the formula used to compute your benefit
- The more creditable service you have, the larger your TRS benefit, up to 40 years
- Includes:
 - Membership service for your work in a TRS covered position
 - Service that you may purchase if you are eligible
 - Unused sick leave credit

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 1 yr may be established in a fiscal yr



Service Purchases

- Service purchases may be made by check or 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
 - Rollover forms available on TRS web site
- Financing plans not available through TRS
- Must purchase service prior to retirement
- Surviving beneficiaries cannot purchase service

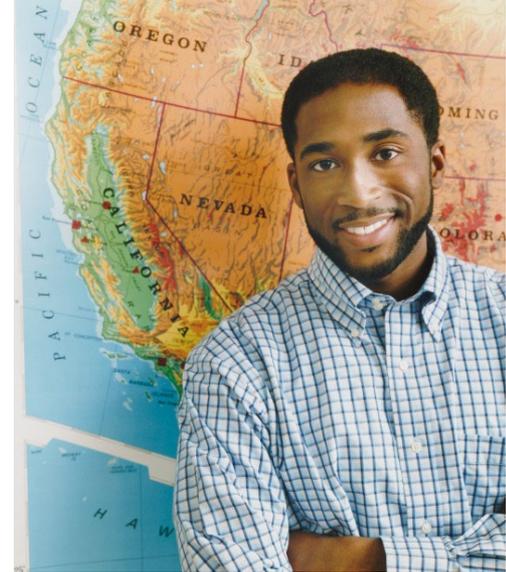
○ Withdrawn Service

- To re-establish 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
- Cost estimates are easy
 - On your own using TRS web site (for FY96 to present), or
 - Call TRS, updates to previous estimates also available

Service Purchases

○ Out-of-State Service

- For eligible service at out-of-state public school, college or university
- 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 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



Service Purchases

- Military Service
- Visiting Scholar
- Full-time Graduate Study Leave
- ERS Credit
- PSERS Credit
- Private School Service
- Airtime
- Others
- Review Members Guide



○ Process to purchase service

- Complete proper form(s) and supply supporting documents, if required, and mail as instructed on form
- Member is responsible for all paperwork
- TRS receives form and determines eligibility
- If eligible to purchase service, TRS sends you a cost calculation letter
- You may purchase service in blocks as small as one fiscal year

To Buy or Not to Buy...

- To retire earlier
- To avoid an early retirement penalty
- To increase your retirement benefit
- Purchase price increases each year
- You may want to consider using a CFP or other licensed professional to run a cost-benefit analysis

Unused Sick Leave Credit

- Only applies to Georgia TRS service.
- Each TRS-covered employer must certify sick leave as part of retirement application
- Cannot be paid for unused sick leave and get service credit
- Maximum annual accumulation is 1¼ days per month of actual service
 - 10-month contracts = 12.50 days/yr maximum
 - 12-month contracts = 15.00 days/yr maximum
- 60-day minimum for credit
- Credit is awarded retroactively after retirement

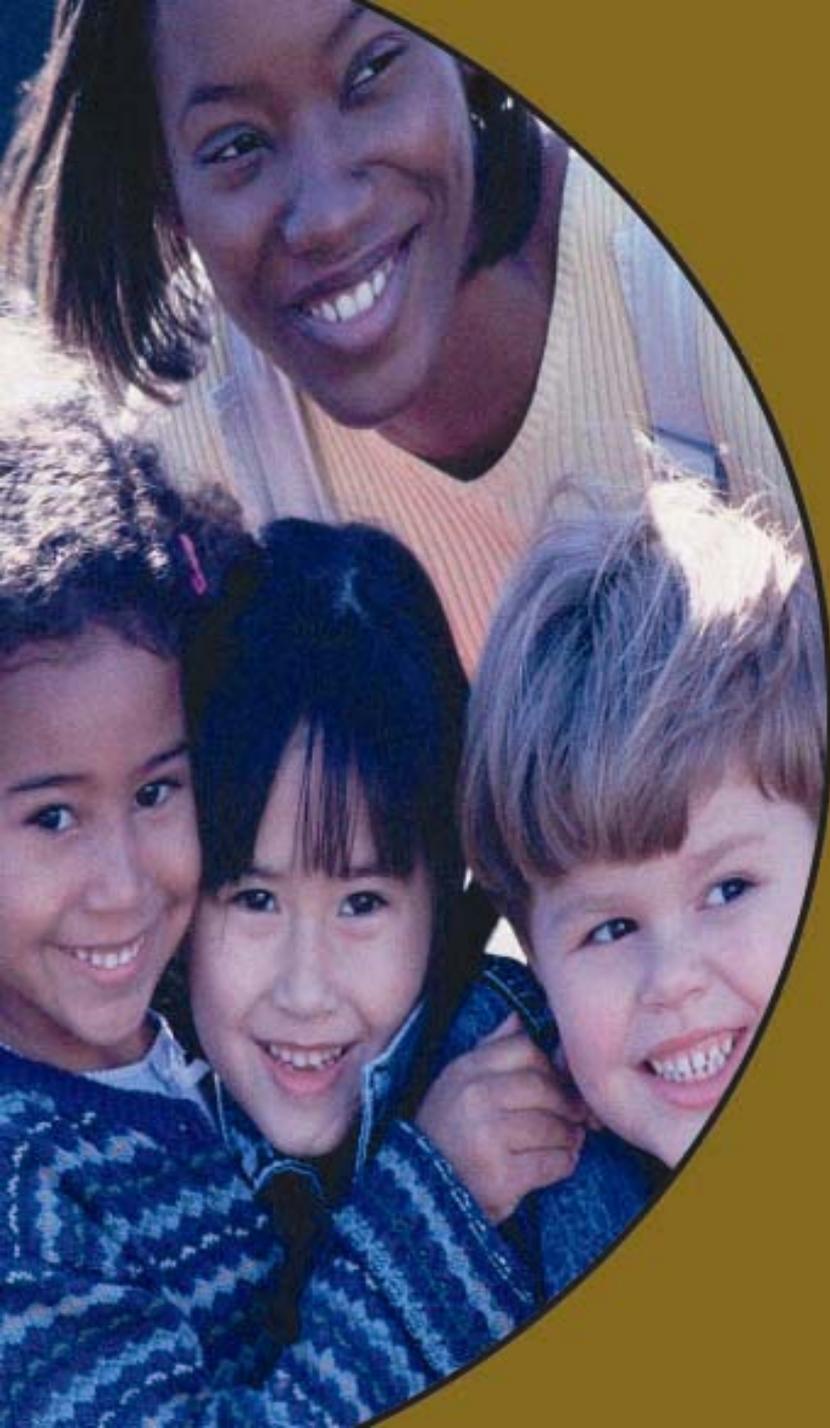
Sick Leave Calculation – No Records

1. Unused sick days as recorded on TRS forms by employer(s) are divided by the number of years for which there are such 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	



Formula & Examples

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Salary Used in Formula

- Only “earnable compensation” is included in the formula
- Earnable compensation is full regular gross compensation for full normal working time, including regular supplements ***in the member’s written contract.***
 - Exception: summer school pay for covered work is earnable compensation if no contract exists
 - Is your supplement for TRS-covered work?
 - Is your employer deducting 5% of the supplement?
- Check with your employer on how they classify components of your compensation.

Retirement Benefit Formula

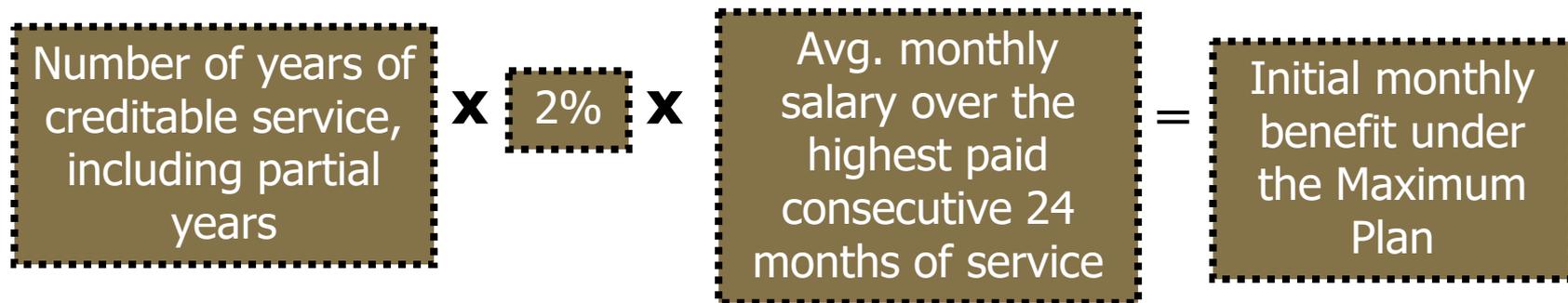
- Formula

1. Multiply your total years of service by 2%

- Include partial years in total service

- Maximum accrual is 40 years of service

2. Multiply total in step 1 by your high average salary to calculate your maximum benefit



Benefit subject to applicable taxes and deductions. Note that first \$35,000 is not subject to State tax for members at least 62 years old during tax year. Examples are gross amounts.

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

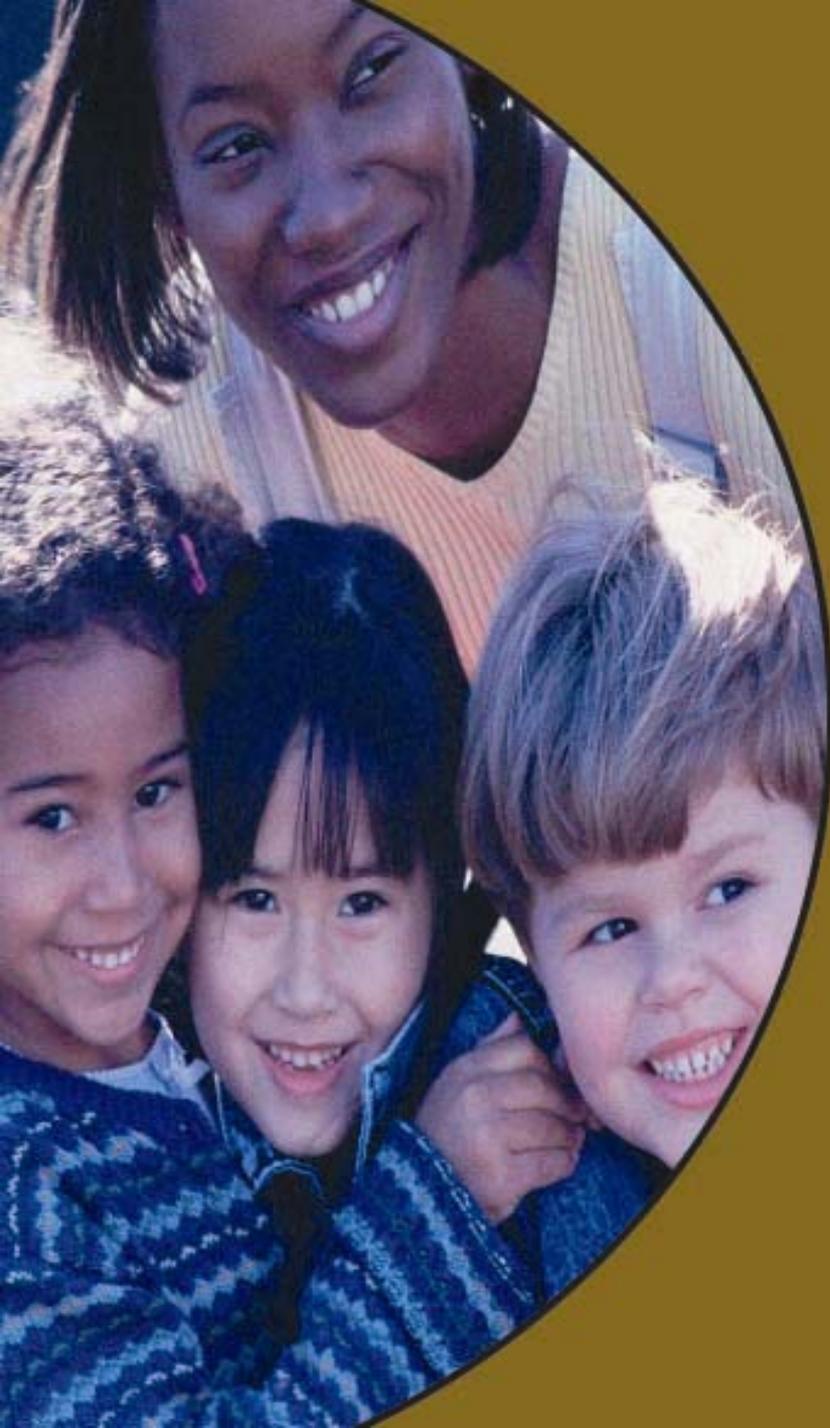
Option 2 (100%)	\$3,146.67	X	.8843	=	\$2,782.60
Option 2 Pop-up	\$3,146.67	X	.8730	=	\$2,747.04
Option 3 (50%)	\$3,146.67	X	.9386	=	\$2,953.46
	Survivor's Benefit			=	\$1,476.73
Option 3 Pop-up	\$3,146.67	X	.9322	=	\$2,933.33
	Survivor's Benefit			=	\$1,466.66

It's Easy! Do Your Own Estimate

www.trsga.com

- Register your online account if first time
- If within 5 years of retirement eligibility
 - Click **Active Members** tab
 - Click **Account Management** button
 - Create your own User ID and Password
 - Click on **Benefit Estimate**
- Use Pension Calculator if outside 5 years





Beneficiary Issues

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Death In Active Service – Not Vested

- If member is not vested, primary beneficiary receives lump-sum distribution of member's contributions and interest
- If primary beneficiary dies before you, lump-sum is paid to secondary beneficiary
- If primary and secondary die before you, lump-sum is paid to estate
- If no beneficiary is designated and you have a surviving spouse, lump-sum is paid to your surviving spouse

Death In Active Service - Vested

- If vested member dies in service, primary beneficiary selects one of two settlement options
 - Lump-sum distribution of your contributions and interest, or
 - Monthly annuity for life
- If annuity selected, primary beneficiary receives payments only under Option 2
- If there are no surviving primary beneficiaries, secondary beneficiaries may select a lump-sum or annuity

Death In Active Service - Vested

- If an estate or institution is designated, that 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 option to receive a lifetime monthly benefit

- If survivorship option selected with only one beneficiary:
 - If sole beneficiary dies before retiree, retiree can change beneficiary and/or plan, but not to Maximum Plan unless a pop-up option was selected
 - If spouse is sole beneficiary and divorce occurs, retiree can change beneficiary and/or plan, including a change to Maximum Plan
 - If retiree selects a new beneficiary or new survivorship plan, resulting benefit is always lower than original benefit

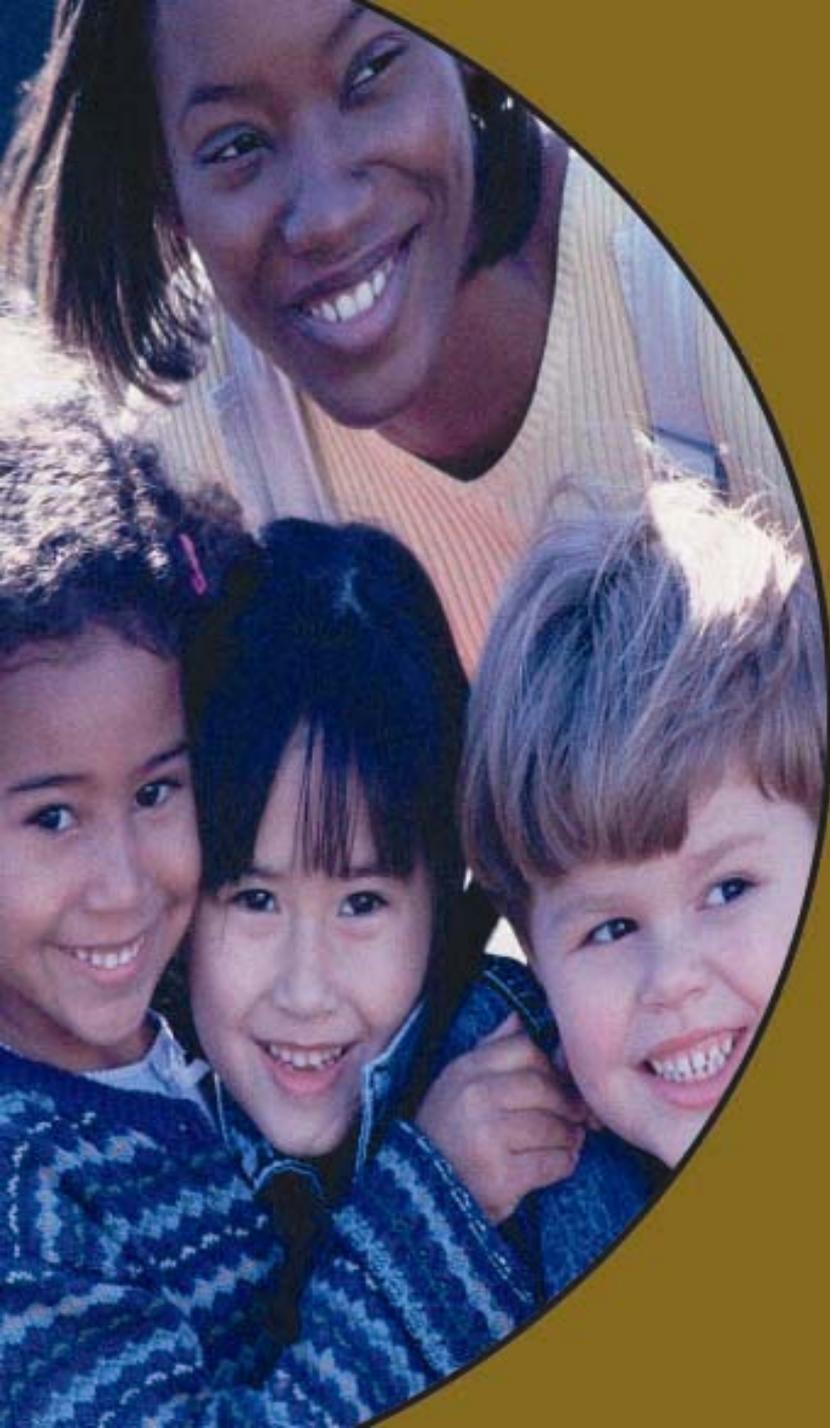
- If survivorship option selected with multiple beneficiaries:
 - If any beneficiary predeceases retiree
 - Retiree cannot change plan or remaining beneficiaries
 - Benefit percentages are not adjusted for remaining beneficiaries
 - If spouse and retiree divorce
 - Retiree may remove divorced spouse as beneficiary
 - If desired, retiree may reallocate benefit to remaining beneficiaries
 - Retiree's benefit will be recalculated

Other Beneficiary Facts

- If you retire and die within 30 days, your death is treated as an in-service death
- If you have an in-service death and no primary beneficiary survives the member by at least 32 days, survivor benefits are paid to the secondary beneficiary(ies)

Other Beneficiary Facts

- Determination of beneficiaries
 - Based on the beneficiary form on file at TRS
 - Wills, divorce decrees, remarriages, etc. do not determine your TRS settlement at death
- If your beneficiary is a minor child, designate the minor by his or her name. Guardianship papers are collected after your death.



Retirement Preparation & Return to Work

Pre-Retirement Planning



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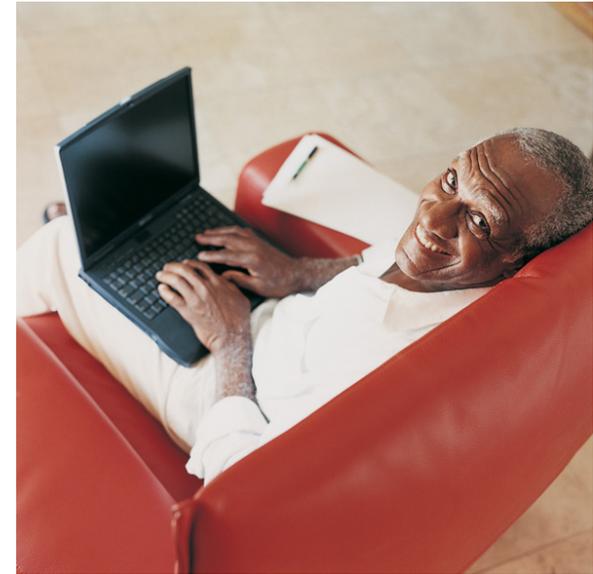
Retirement Preparation

- Purchase service, if desired
- Attend TRS seminar within 5 years of retirement
- You may request benefit estimates
 - Within 5 years of retirement
 - Use web site anytime desired
- Check the website for counseling in your area
- If desired, you may call or visit a TRS counselor in the Atlanta office
 - Recommended time is 1 to 2 years out
 - For visits, allow up to 3 months to reserve date



Retirement Preparation

- ❑ Apply for retirement
 - Apply up to 180 days before your retirement date
 - Apply at least 2 months before your retirement date to receive your first check in the month you retire
 - Deadline is last day of month in which you retire to receive retroactive benefits
 - Benefits are **not** retroactive if you apply after deadline



Retirement Preparation

- Forms your EMPLOYER completes for retirement
 - Retirement Certification Report
 - Sick Leave Certification (You and your employer complete)



- Forms YOU complete to apply for retirement
 - Application for Service Retirement
 - PLOP Rollover Election (if all or part of PLOP is rolled over)
 - Designation of Multiple Beneficiaries (if you have more than one primary or secondary beneficiary)
 - Federal Withholding Certificate for Pension or Annuities
 - State of Georgia Employee's Withholding Allowance Certificate

Forms are available online or in Retirement Handbook

Retirement Preparation

- Receive benefits!
 - First check is mailed to home, next checks by direct deposit
 - Benefit is available 1st business day of month for the current month
- Let us know if your address changes, or update it online
- Tell beneficiaries about your TRS plan



Working After Retirement

- No restrictions on jobs **not** covered under TRS
- Contact TRS if you are going back to work for a TRS-covered employer
- You must disclose to your employer that you are a TRS retiree
- One-month break required before returning to TRS position
- Less-than-half-time TRS employment is permitted



○ Hourly employees

- Less-than-half-time-employment varies each month based on the total business days for each month, less the generally observed holidays
- The number of hours permitted each month will be published by TRS
- Limited exceptions

○ Salaried employees

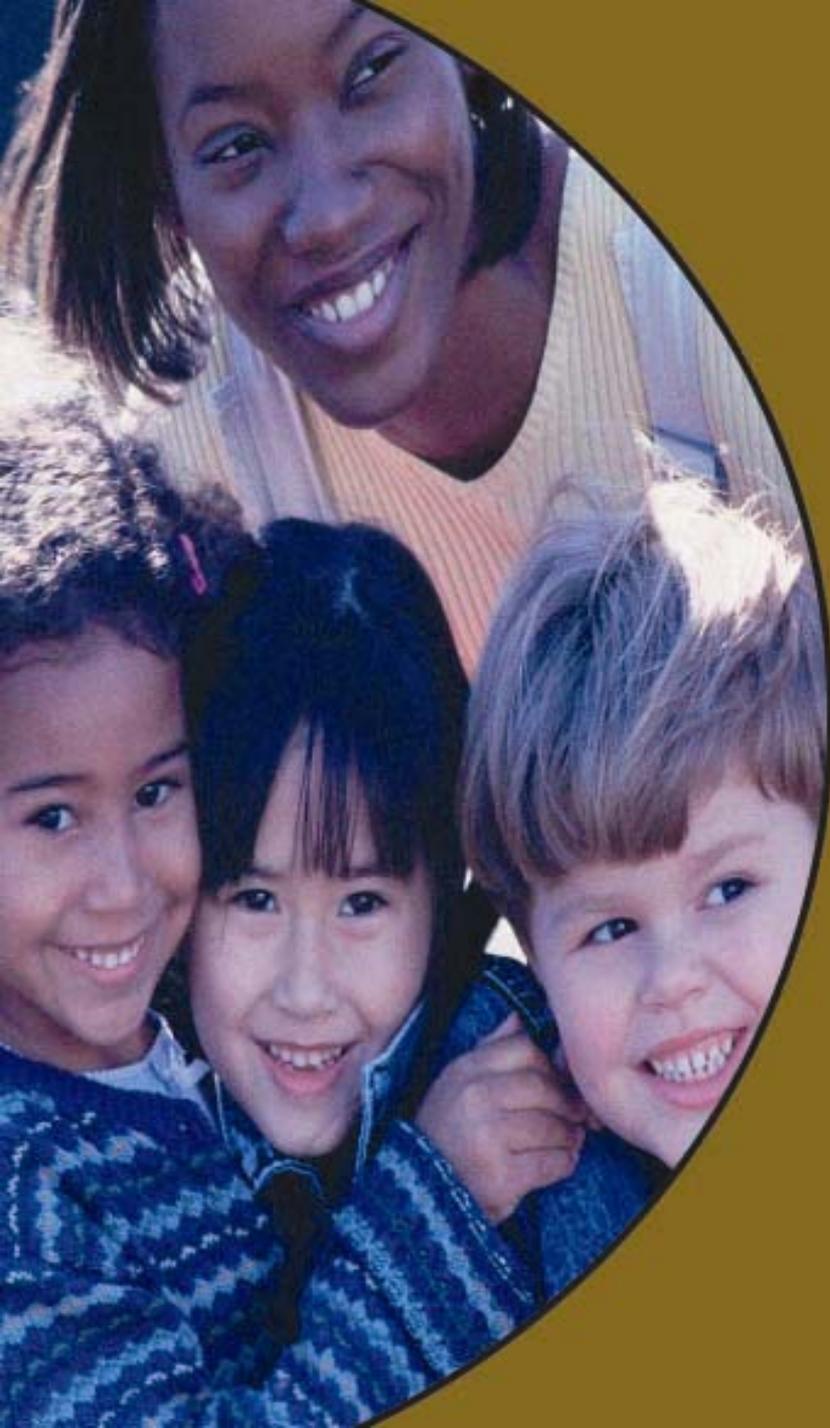
- Less-than-half-time employment cannot exceed working 49% of the time allowable for the position and earnings must be 49% or less of the normal salary.
- Employer sets normal time allowable and normal salary

○ Contact TRS for complete details.

Working After Retirement – SB 327



- Retiree can work full-time for local school system as a classroom teacher, media specialist, counselor, principal, or superintendent
- Teacher's **sole** responsibility is classroom instruction
- Also allowed: Improvement Specialist at a RESA
- Must have been retired for at least 12 months
- Must retire with a “normal service retirement”
- Employer pays employee and employer contributions
- Employer and retiree negotiate salary
- This bill does not impact return to work at 49%



Resources & Miscellaneous

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○ www.trsga.com

○ 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

○ Benefits

- Retiree payments = \$2.6 billion
- Average yearly benefit
 - \$34,704 for all service retirees
 - \$41,340 retirees w/25+ years

○ Sources of Income

- Employee contributions
- Employer contributions
- Investment income



Membership

○ Active Members	226,560
○ Non-Contributing Members Entitled to Benefits	77,968
○ Retirees	82,382
○ Total	386,910

Liabilities vs. Assets

Funding status of TRS

○ Liabilities

\$59.1 Billion

○ Assets

\$54.4 Billion

○ Unfunded Liability

\$4.8 Billion

(Excess of Liabilities over Assets)

○ Funded Ratio

91.9%

Can You Guess?

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

\$??

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

