

Assessing the Impacts of Proposed Changes to Georgia’s Teacher Pension System – House Bill 662



Objectives	Status Quo	Under HB662
<p>Keeping Promises</p> <p><i>Ensure the ability to pay 100% of the benefits earned and accrued by active workers and retirees</i></p>	<p>UNCERTAIN</p> <p>— TRS does not have all the funds it will need to pay promised benefits, but it is scheduled to pay that off within 30 years.</p>	<p>IMPROVED But UNCERTAINTY REMAINS</p> <p>— Establishes a lower ARR therefore creating a more realistic expectation of future returns.</p> <p>— These changes will increase contributions and reduce the risk of unfunded liabilities in the long-term.</p>
<p>Retirement Security</p> <p><i>Provide retirement security for all current and future employees</i></p>	<p>UNCERTAIN</p> <p>— Members who work less than 25 years may not have the level of security they need.</p>	<p>SOME</p> <p>—Ensures benefits are still available for future generations of teachers.</p> <p>—However, only 17% of members remain in TRS long enough to earn an unreduced benefit.</p>
<p>Predictability</p> <p><i>Stabilize contribution rates for the long-term</i></p>	<p>SOME</p> <p>— Rates are predictable in the short-term, but not in the long-run because the pension debt continues to grow.</p>	<p>IMPROVED But RISK REMAINS</p> <p>— Contribution rates depend on a lower 6.75% ARR meaning long-term rates are more stable.</p> <p>— However, the ARR might still be too high, because according to the predictions of market research firms, TRS is more likely to get 5-6% returns.</p>
<p>Risk Reduction</p> <p><i>Reduce pension system exposure to financial risk and market volatility</i></p>	<p>SOME</p> <p>— The current assumed return has only about a 50% probability of success.</p>	<p>YES</p> <p>— The reform reduces risk somewhat by lowering ARR.</p>

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<p>Affordability Reduce long-term costs for employers, employees</p>	<p>NO — Current contribution rates are creating fiscal pressures for employers.</p>	<p>SOME Long-Term — HB 662 will generate additional employer contributions but will reduce the chances of having to pay more pension debt in the future. — The full effectiveness of this reform will be missed if experience does not meet TRS’ actuarial assumptions.</p>
<p>Attractive Benefits Ensure the ability to recruit 21st Century employees</p>	<p>FOR SOME — Current retirement options are attractive to some, but not flexible enough to attract and keep many others.</p>	<p>FOR SOME — The reform does not address attraction or retention of teachers by providing more plan options for a wider variety of employees.</p>
<p>Good Governance Adopt best practices for board organization, investment management, and financial reporting</p>	<p>Yes — TRS generally is a well operated enterprise delivering high quality services.</p>	<p>N/A — Does not address the plan’s governing structure. — However, putting the plan on track to long-term solvency is in itself good governance.</p>