

Assessing the Impacts of Proposed Changes to Georgia’s Teacher Pension System – House Bill 667



Objectives	Status Quo	Under HB 667
<p>Keeping Promises <i>Ensure the ability to pay 100% of the benefits earned and accrued by active workers and retirees</i></p>	<p>UNCERTAIN <i>— 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.</i></p>	<p>IMPROVED BUT UNCERTAINTY REMAINS <i>— By putting the unfunded liability on a shorter amortization schedule, TRS pays out accumulated debt faster.</i> <i>— This means that it reaches fully funded status by year 2039 – the point at which all promises are kept.</i></p>
<p>Retirement Security <i>Provide retirement security for all current and future employees</i></p>	<p>UNCERTAIN <i>— Members who work less than 25 years may not have the level of security they need.</i></p>	<p>SOME <i>— While the bill does not expand or improve on the retirement choices or the security available to Georgia teachers, it is ensuring that benefits are still available for future generations of teachers.</i></p>
<p>Predictability <i>Stabilize contribution rates for the long-term</i></p>	<p>SOME <i>— Rates are predictable in the short-term, but not in the long-run because the pension debt continues to grow.</i></p>	<p>IMPROVED BUT RISK REMAINS <i>— Contribution rates continue to depend on a lower, but still unrealistic 7.25% ARR, meaning long-term rates are not as predictable as if more conservative assumptions were used for the new tier of pension benefits (which would avoid repeating the primary cause of today’s problems).</i></p>

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<p>Risk Reduction <i>Reduce pension system exposure to financial risk and market volatility</i></p>	<p>SOME <i>— The current assumed return has only about a 50% probability of success.</i></p>	<p>SOME <i>— The reform reduces the risk somewhat by lowering ARR. — However, as shown in the sensitivity analysis, unfunded liabilities can skyrocket if the ARR is not realized.</i></p>
<p>Affordability <i>Reduce long-term costs for employers, employees</i></p>	<p>NO <i>— Current contribution rates are creating fiscal pressures for employers.</i></p>	<p>SOME Long-Term <i>— Increases employer contributions in the short-run, but leads to lower amount paid out over the 30-year time span.</i></p>
<p>Attractive Benefits <i>Ensure the ability to recruit 21st Century employees</i></p>	<p>FOR SOME <i>— Current retirement options are attractive to some, but not flexible enough to attract and keep many others.</i></p>	<p>FOR SOME <i>— The reform does not address attraction or retention of teachers by providing more plan options for a wider variety of employees.</i></p>
<p>Good Governance <i>Adopt best practices for board organization, investment management, and financial reporting</i></p>	<p>Yes <i>— TRS generally is a well operated enterprise delivering high quality services.</i></p>	<p>Yes <i>— HB 667 does not address the plan’s governing structure. — However, putting the plan on solvency track is in itself good governance.</i></p>