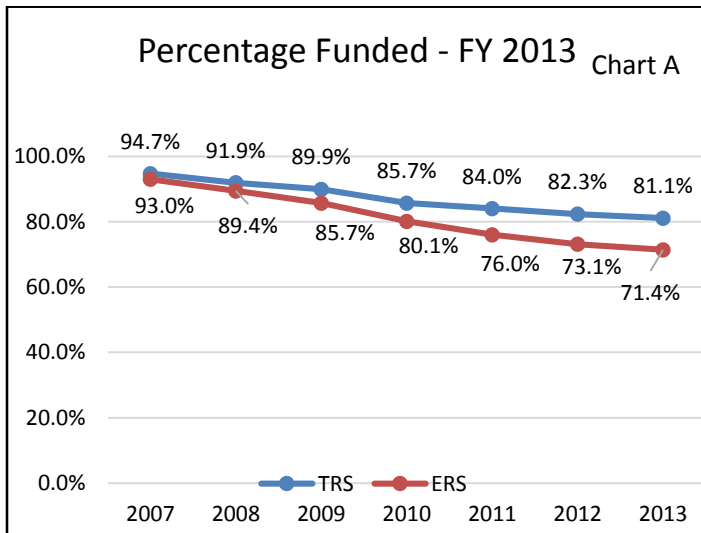


## Updated ERS and TRS Comparisons

The December 2013 GSRA newsletter presented several comparative charts showing the differences and similarities of the two major retirement systems—Teachers Retirement and Employees Retirement—in Georgia. Actuarial reports for June 30, 2013 for both systems have been reviewed to update selected information. The health (percentage of liability funding) of a retirement system is predicated on many factors. Among these factors, some of the most critical to the health of a defined benefit plan are benefit design, member and employer contributions, investment income, retirement benefit payments, and turnover and mortality rates.

Both TRS and ERS are within the accepted parameters of liability funding; however, the TRS has a higher funded percentage than the ERS. Chart A shows the comparison for the years 2007 through 2013.



### 2014 Annual Meeting - Save the Date!

**October 6-7**

**Macon, Georgia**

**Anderson Conference Center**

Eligibility for membership in TRS includes teachers in the local public schools, employees of the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in education-related work. Eligibility for membership in the ERS includes employees of the executive agencies of state government and specified authorities.

Benefit design for both systems is fairly comparable for members who were employed prior to January 2007. However, state employees who entered state government for the first time after January 2007 are eligible for a combination defined benefit and defined contribution plan<sup>1</sup> referred to as GSEPS.

Member contributions for each plan are set by law. The TRS members contribute 6% of pay toward the plan. ERS members contribute 1.25% of pay; however, state employees' contributions prior to 1982 were also 6% when the State leveraged a "pick-up" of retirement contributions (4.75% of pay) in lieu of a "salary increase." While this improved the "take-home" pay for employees who were "on-board" at the time, state employees' salaries have been

<sup>1</sup> See the ERS actuarial report on the ERS website for an explanation of the combination plan referred to as GSEPS (Georgia State Employees Pension and Savings Plan).

depressed by the 4.75% and its compounding effect since that time. TRS administrators and members chose to receive a salary increase rather than the retirement contribution “pick-up” at that time; however, the TRS member contribution has been increased from 5% to 6% over the last several years.

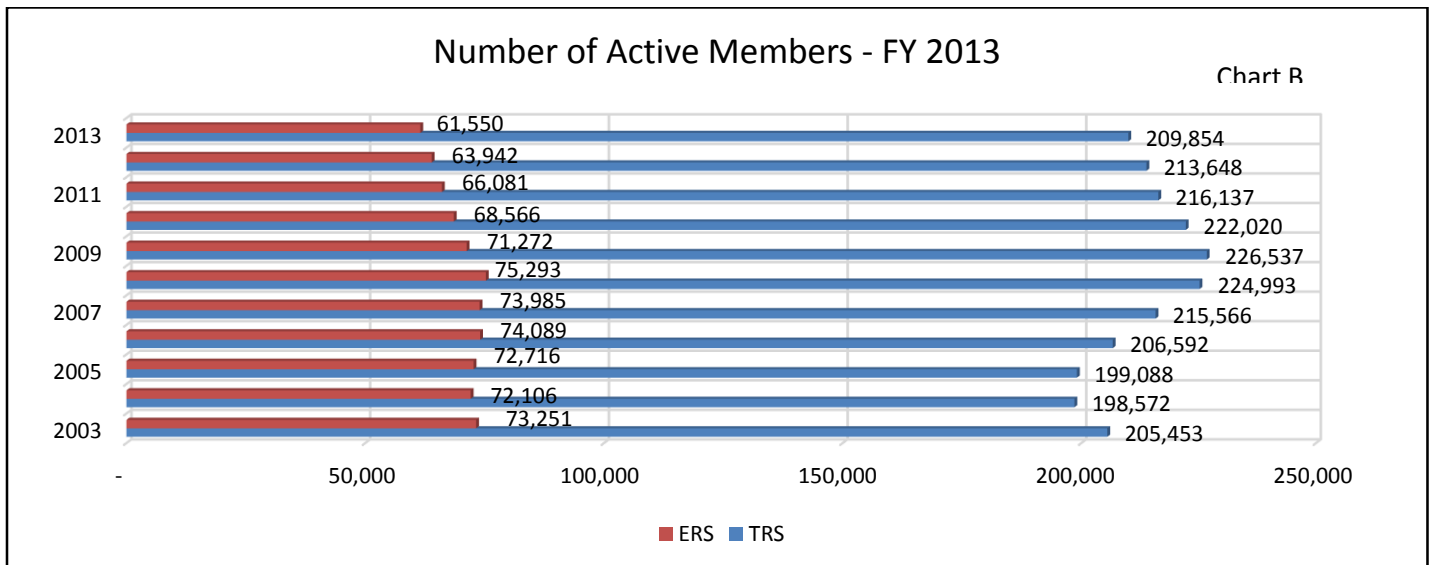
Employer contribution rates have been approved continuously and funds appropriated by the General Assembly for paying the employer Annual Required Contribution (ARC). The employer contribution rates were reduced for both systems in 2001-2002 and continued for 10 years (until 2012) although a greater reduction was suffered by ERS than TRS during this period. Apparently, state leadership believes it important to continue the ARC payments so that Georgia can continue its excellent bond rating for borrowing money. Much publicity has surrounded states that have swapped out their ARC payments for other budget priorities. Fortunately, for the most part, Georgia has not failed to contribute the ARC payments to the retirement systems. The actuarial reports show that FY 2016 will require another increase in the employer contribution rates for TRS and ERS.

Investments for both systems are handled by a joint investment staff with administrative cost prorated to each system with one exception. Georgia law was changed in 2012 to allow ERS to invest (on a graduated basis) up to 5% of assets in alternative investments for which ERS bears the

entire administrative cost. FY 2013 investment return percentages for both TRS and ERS were reported in the December GSRA newsletter at 13.3% (6.3% for the five year rate). In March 2014, ERS Executive Director Potvin filed a report on CY 2013 alternative investments. The report shows that investment policies, strategies and procedures have been finalized and that due diligence has been conducted on several investment opportunities. Potvin states that “the Fund made its first primary fund investment during the fourth quarter. The aggregate gain from alternative investments during CY 2013 was \$290,612.”

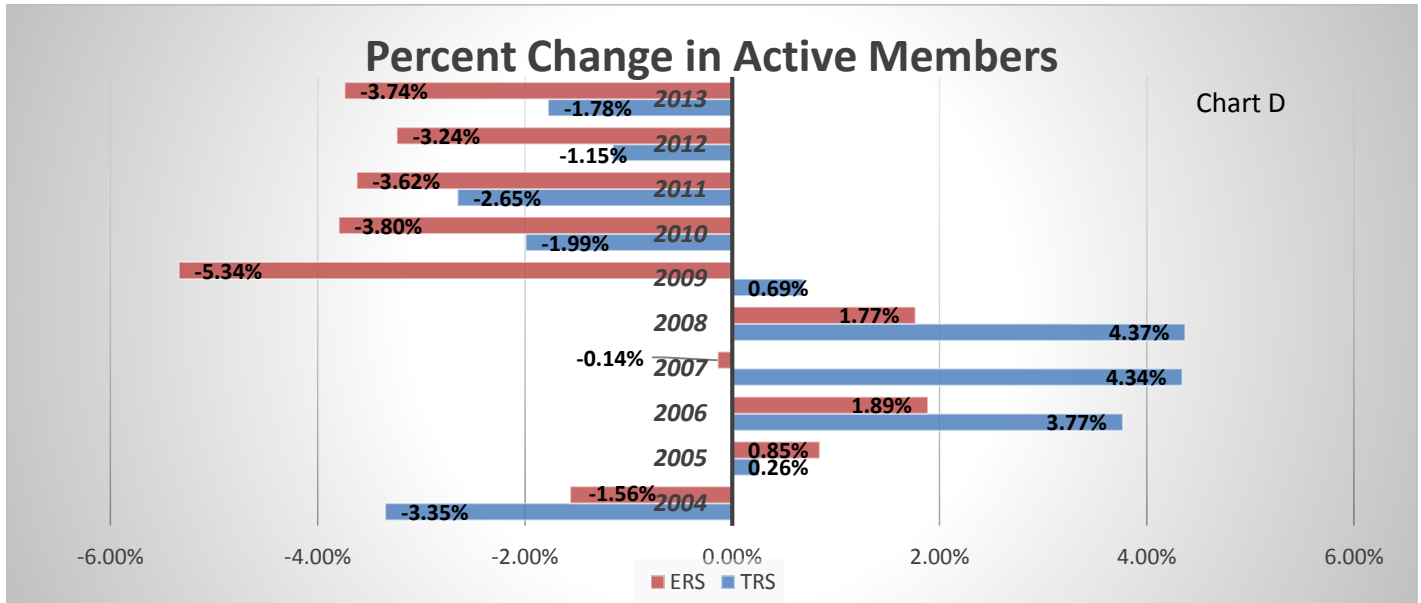
Actuarial assumptions, such as turnover, mortality, salary adjustments, etc., as approved by the respective board can be found in the respective actuarial reports for each system. These assumptions are based on the workforces’ historical factors as reviewed on a five-year cycle. The liabilities (funded and unfunded) as reflected in each actuarial report for each retirement system is based on the assumptions adopted by the respective board.

Workforces in school/college environments and state government have been impacted during the last decade—especially during and after the economic downturn in 2008-2009—by failure to refill jobs, furloughs, and stagnant pay increases. A comparison of the number of active members for each year is reflected in Chart B. Active members have been reduced in the TRS and ERS.

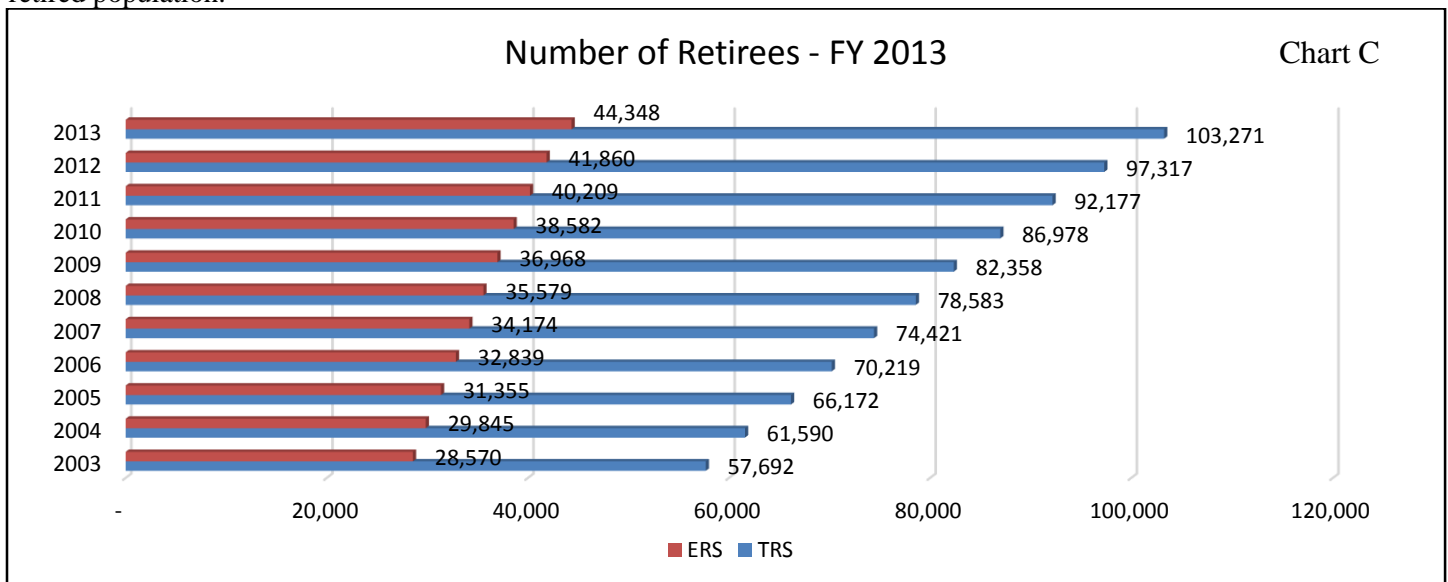


The percentage change in active members shows that the years following the economic downturn has wreaked havoc on public workforces. Chart D shows that although the number of active school personnel increased in 2005-2009,

decreases of nearly 2% each year has been experienced since 2009. Chart D also shows that state government has been in a major retrenchment at an average rate of nearly 4% each year since 2008.



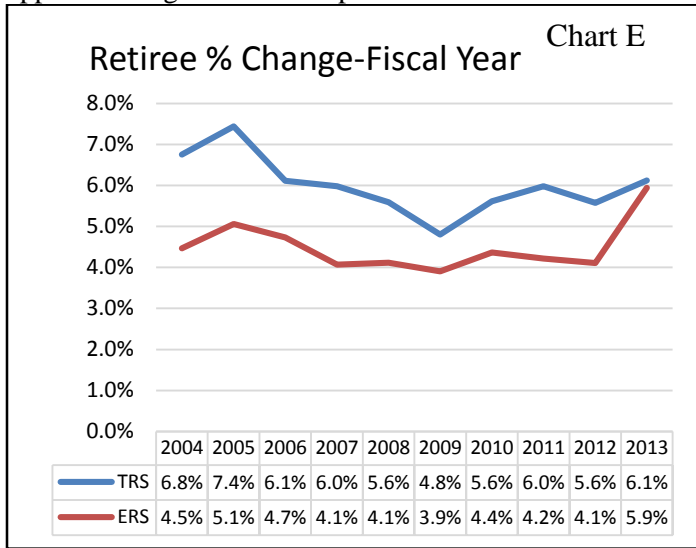
The number of retired members for TRS and ERS is reflected in Chart C. The chart shows substantial growth in the retired population.



As the active population decreased, the retired population increased. Operational funds were reduced and the workforces aged; therefore, many members of the school systems and state government chose to retire. Although

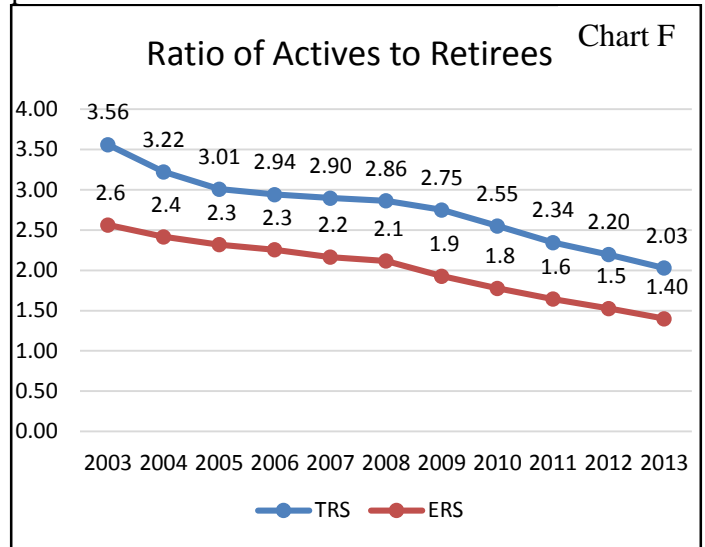
Chart C shows the retiree numbers, Chart E reflects the retiree percentage change during the last 10 years. Retirees of TRS have increased at an approximate rate of 6% each

year while retirees of the ERS have increased at a rate approximating 4.5% for the period.

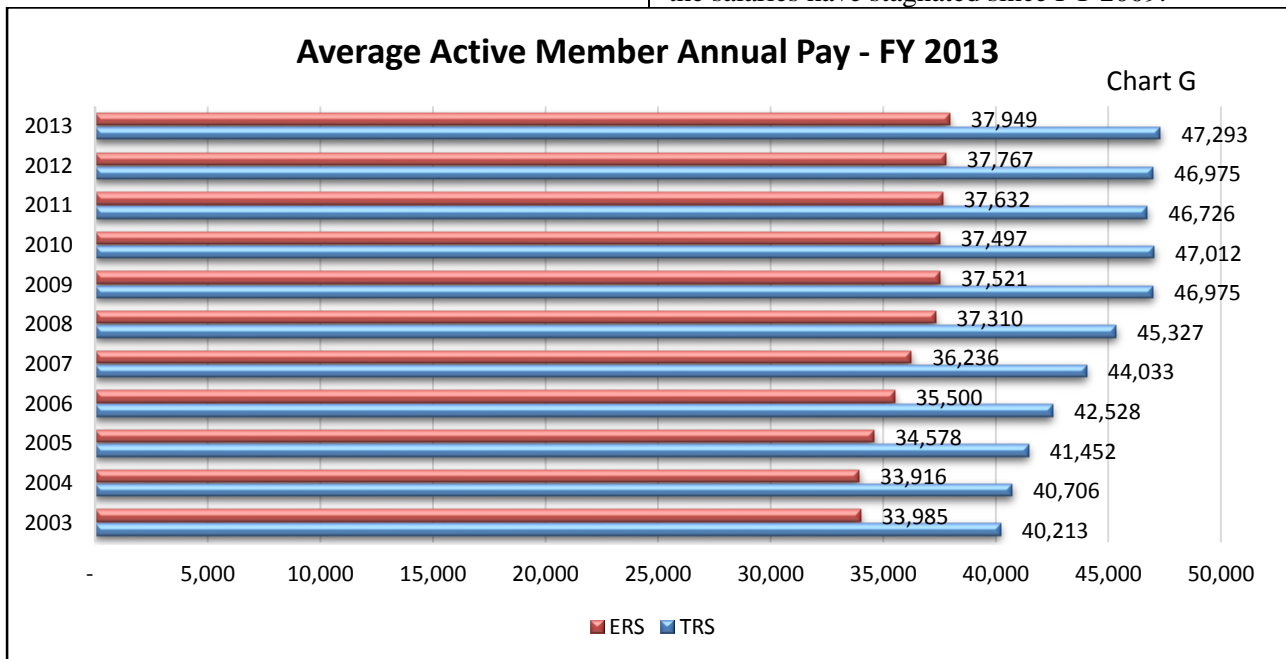


As the workforce matures, baby boomers reach retirement age, and resources for pay increases tighten, the

number of actives to retirees decrease. The ratio of actives of retirees as shown in Chart F has decreased from 3.56 to 2.03 for TRS and from 2.6 to 1.4 for ERS over the 11-year period.



Increasing numbers of retirees result in higher costs for the benefit payments but fewer active members on which the state is contributing to amortize the benefit liability. A declining workforce and stagnant pay increases causes the contribution rate to increase in order to produce the same or somewhat higher dollar contribution. Chart G shows how the salaries have stagnated since FY 2009.



In summary, there are many reasons that the funded liability for TRS decreased from 94.7% to 81.1% and that the funded liability for ERS decreased from 93.06% to 71.4% in the six years since 2007. The list of causes, although not exhaustive, includes investment losses in several years, reduction in active employees, increased number of retirees, limited salary increases for active workforces, and other workforce assumptions about turnover and mortality. Although not discussed in this

article, the new “funding policy” that each board of trustees has approved has or will have an impact on reported actuarial liabilities for future years. The new funding policy for ERS was reflected in the FY 2013 actuarial report; however, the TRS actuarial reports will be transitioned to its new policy in 2014. Each system’s actuarial report for 2013 restates the respective adopted funding policy.

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## **2014 Annual Meeting Takes Shape**

Based on the successful two day format of last year’s Annual Meeting, as well as feedback from members regarding location, facilities and programming, the GSRA Board and 2014 Annual Meeting Planning Committee have already been hard at work for several months planning this year’s exciting and highly informative Annual Meeting. While some Annual Meeting details are still in flux, some important items related to this year’s meeting have been finalized, as well as some important approaches regarding the ongoing Annual Meeting concept.

Attendees at the 2013 Annual Meeting in Athens universally liked the two day format held at a nicely appointed conference center, convenient to good hotels with reasonable rates and a range of dining choices, in an area with interesting attractions. In fact, the only downside mentioned to the Athens location was its distance from members in the southern half of the state. Based on that experience and feedback, the GSRA Board discussed and ultimately approved a policy ensuring that the Annual Meeting will be held in a central location in the state every other year, with the location varying around the state in the intervening years. Because at least two of the areas that would normally fall under consideration, Savannah and the Golden Isles, have their peak seasons and highest rates during the period including October, the GSRA Board is also currently considering a change in the by-laws to allow the Annual Meeting to occur in other months so these locations can be considered.

With the new location policy in place, this year’s Annual Meeting will be held in Macon, October 6-7, at the

Anderson Conference Center, ensuring a convenient, central location for members in every area of the state. The dates are about ten days earlier than past meetings due to the availability of the Anderson Conference Center.

The host hotel and alternative hotels are in the process of being lined up and after hours tours and attractions opportunities similar to last year’s are also being considered. There will be a welcome reception and opportunities to visit and socialize for all attendees, speakers, presenters and honored guests, just like last year’s highly popular reception, and registration will include lunch on the second day. While the general session program is still under development, it will be centered around the important upcoming state and federal elections and feature some of the candidates. The program will again include updated training for local chapter officers and breakout sessions featuring topics of interest to our members. The Annual Meeting Planning Committee welcomes suggestions from our members regarding those topics. Suggestions can be sent to [Help@mygsra.com](mailto:Help@mygsra.com). Just like previous years, vendors will be participating throughout the conference to provide information and services of interest to retirees and, in what has now become an Annual Meeting tradition, a drawing for great door prizes will close out the session.

Full details about the 2014 Annual Meeting will be shared with our members in subsequent newsletters and communications later this summer. In the meantime, please put October 6-7, 2014 on your calendar and make plans now to attend GSRA’s most important yearly event!

## Public Pension COLAs – Our Current Reality

As Georgia state retirees wait through another year of receiving no cost-of-living increase, GSRA continues to look for ways to garner support from state leaders and elected officials for restoring this important safeguard to our retirement benefit.

GSRA is also looking into other methods for getting this critically important benefit restored. To that end, the GSRA Board recently made an appeal to membership to provide any handbooks or other employee documentation that might mention COLAs. Such documentation could be very important in demonstrating that state retirees have a documented basis for expecting that the state would safeguard our purchasing power. As a result of the appeal, several members have sent in handbooks and other documentation. The board appreciates their efforts and asks members to continue to look for and provide any relevant Employees Retirement System and/or State Merit System (State Personnel Board) handbooks or documentation. The Board is still seeking employee handbooks (benefit books)

dated prior to 1977 and any SMS books in early 1980s. Please look through your old files, and if you find a booklet from these time periods, please let us know. You can forward the entire book to the GSRA address (P.O. Box 108, Bethlehem, GA 30620). If you are not sure if the booklet would be of value to us, scan a copy of the cover and forward the scan to [Help@mygsra.com](mailto:Help@mygsra.com).

The unfortunate reality regarding public pension COLAs currently, however, is that a number of public plan sponsor states have reduced, suspended or completely cut COLAs as a reaction to the financial crisis and economic downturn of the last several years, and in spite of numerous challenges by plan recipients, the states' actions have been upheld, for the most part, by the courts. Alicia H. Munnelli documents this unfortunate trend in an article entitled [States cut COLAs for Public Pensions](#) in the *Marketwatch.com* blog *Encore*. While the information contained in this article is not good news for Georgia state retirees, it is definitely a trend of which we should all be aware

## Local Chapter News



Golden Isles members enjoy fish-fry lunch meeting

### Golden Isles

Golden Isles local chapter held its spring "Social" meeting at Hickory Bluff Marina on the scenic Little Satilla River on May 8th. Approximately 35 folks attended the delicious

fish-fry lunch meeting, provided by the cooking committee and hosts Craig Brack, Margie James, and Vickie Hancock, with sides and "fixins" provided by other chapter members. Chapter president Barry Cooper shared information about the updated health insurance. He also led a discussion regarding the September 4th Membership meeting, including a challenge issued for each member to "bring a friend."

### Southwest Georgia

At the May 21st meeting, the Southwest Georgia local chapter members were briefed on the 2014 Legislative session by Representative Ed Rynders and Senator Freddie Powell Sims. The legislators discussed the budget, increases in state tax revenue, legislation and health insurance. The legislators also offered suggestions on how GSRA can improve its influence, responded to questions from the audience, encouraged them to stay involved and asked members to keep their legislators informed of their concerns.

### Get Your Motor Running

This summer, hit the road, or water, in a new recreational vehicle with a great low loan rate from APCU. For a limited time, if you finance your new or pre-owned recreational vehicle loan with APCU between April 1, 2014 through June 30, 2014 you can enjoy a 3.5% APR\* discount on our already low RV loan rates!

Applying is simple! Call 1-800-371-6917 to start your loan application. Not a member of APCU yet? Give our Membership Development Coordinator, Matt Baum, a call today at 404-684-8056 or email him at mbaum@apcu.com.

\*APR-Annual Percentage Rate



Membership in APCU is now open to all employees, retirees and family members of any agency, department, college or university, working for the State of Georgia.



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### Endorsed GSRA Benefits

The Georgia State Retirees Association (GSRA) makes many member only benefits available to its members. GSRA endorses the following member benefits:

- Long Term Care / Home Health Care Policy
- Life Insurance
- Medical Air Services Association (MASA)
- Travel Discounts
- Car Rental Discounts
- Tax-Deferred Annuity
- Cancer Treatment Policy
- Medicare Supplement Insurance
- Identity Theft Protection
- Hotel Discounts
- Computer Discounts

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### Questions About/Help with Anything GSRA

If you have questions about or need help with anything related to GSRA, contact