

2006 Legislative Update

The 2006 Georgia General Assembly has passed the crucial “crossover day”. To be considered for final passage into law this year, a bill must have passed one chamber (House or Senate) by this date. Legislation that has not passed at least one chamber on this date will not, as a general rule, become law. However, lawmakers may attempt to attach pieces of their legislation to another piece of legislation in a last minute effort to get their legislation passed. TRS bills which survived “crossover day” are:

House Bill 400

This bill would increase the monthly benefit payments to certain TRS retirees. Effective July 1, 2006, the increased benefit amounts will be based on the date of retirement as follows:

- Retirees who retired on or before June 30, 1974 - 10% increase
- Retirees who retired on or after July 1, 1974, but before July 1, 1982 - 6% increase
- Retirees who retired on or after July 1, 1982, but before July 1, 1987 - 2% increase.

The full percentage increase shall apply only to those retirees who had 20 or more years of service at the time of retirement. For those retirees who had at least 10 but less than 20 years of service at the time of retirement, the monthly benefit increase shall be reduced by 5% for each year less than 20 years of service.

First year cost is \$3,760,000 with a \$48,457,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.04%. Governor Perdue has provided funding for this legislation in his budget and we anticipate this bill becoming law effective July 1, 2006.

House Bill 483

This bill would allow a member to establish creditable service for prior service as a temporary full-time employee. The service had to be rendered prior to January 1, 1980 for an employer covered under the Employees’ Retirement System of Georgia (ERS). The member would be required to pay employee and employer contributions plus interest by December 31, 2006.

Current law only allows a member to establish creditable service for prior service for an employer covered under ERS if that service was established while the person was a member of ERS.

First year cost is \$20,000 with a \$244,000 increase in the unfunded accrued liability. There would be no increase in the employer contribution rate.

SPECIAL NOTE:

Senate Bill 177

This bill was originally written as a multiplier increase bill which would have increased the retirement multiplier to 2.5% for all current and future retirees. However, this bill was amended to completely delete this language and insert language regarding membership in the Employees’ Retirement System of Georgia. Therefore, while the bill number (SB 177) has passed the Senate, it no longer pertains to TRS.

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HB 125 (LC18-3930) Rep. Jamieson

This bill would allow the TRS Board of Trustees to set the employee contribution rate at not less than 3% and no greater than 6% of the member's compensation. The decision to adjust the employee contribution rate must be based upon the recommendation of the actuary, the actuarial soundness of the fund and other factors, as the Board of Trustees deems relevant.

Current law allows the TRS Board of Trustees to set the employee contribution rate at not less than 5% and no greater than 6%. This is a non-fiscal bill.

HB 126 (LC18-3933) Rep. Jamieson

This bill would allow a member who is in service and has attained the age of 60 years and has at least 5 years of membership service to be eligible for retirement (5-year vesting). Membership service is service accumulated by a member through employment with a TRS employer.

Current law allows a member in service that has attained the age of 60 years and has at least 10 years of creditable service to be eligible for retirement. Creditable service includes membership service and other eligible service that the member has established with TRS. This is a fiscal retirement bill.

First year cost to the State is \$2,820,000 with a \$9,508,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.03%.

HB 127 (LC21-8475S) Rep. Jamieson

This bill would increase the benefit formula multiplier to 2.5% contingent on State appropriations. The amount of funds that may be appropriated by the General Assembly will determine the amount of the increase in the multiplier from 2.0% to a maximum of 2.5%. This bill would only impact members who retire on or after the effective date of the additional State appropriations.

Current law sets the benefit formula at 2.0%. This is a fiscal retirement bill.

Increase multiplier to 2.5% - First year cost to the State is \$788,660,000 with a \$5,969,376,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 8.39%.

HB 129 (LC18-3928) Rep. Jamieson

This bill would allow a member with 29 years of creditable service to retire prior to attainment of age 60 without a penalty reduction. This bill further provides that a member who would attain 29 years of service as of December 31 of the ensuing school year is eligible to retire without a

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penalty effective on the first day of September nearest to the opening date of the ensuing school year on the basis of 29 years of creditable service. The member has to pay the full actuarial cost of the service needed to reach 29 years.

Current law requires that a member must have 30 years of creditable service. This is a fiscal retirement bill.

First year cost to the State is \$62,980,000 with a \$453,104,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.67%.

HB 253 (LC21-8485S) Reps. Forster, Watson, Bryant, Murphy, Sims & others

This bill would allow a member of a public retirement fund who was honorably discharged from active duty military service to establish up to 5 years of service credit. For each year of military service the member must pay employee contributions of 5%, plus interest, on the compensation first paid to the member upon becoming a teacher after the completion of the military service. Members would have to purchase the service by December 31, 2006, or within 30 days of the date they first or again becomes a member of the system, whichever date is later. This bill allows any person who is a member or who becomes a member, the option to establish military service under the current provisions of their retirement system, or this new provision. Any service obtained under these provisions cannot be used to vest in the member's respective retirement system.

Current law allows a member to establish creditable service for time served in the military for: periods of national emergencies (World War II, Korean Conflict and Vietnam Era), periods when a military draft was in effect, periods of ordered military duty (Operation Enduring Freedom, Desert Storm, etc), and periods of qualified military service after July 1, 1996. This is a fiscal retirement bill.

First year cost to the State is \$3,760,000 with a \$41,520,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.04%.

HB 314 (LC21-8486S) Rep. Porter

This bill would allow a member who is eligible to establish creditable service for private school service to pay only employee and employer contributions based on the member's salary comparable to his or her salary for such service, plus regular interest compounded annually. Current law requires payment of the full actuarial cost.

This bill would also require TRS to allow a retiree who retired between January 1, 2003 and June 30, 2006 to establish private school service. The retiree's benefit would be recalculated to

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include any eligible private school service credit as of July 1, 2006; however, the difference in the current benefit and the recalculated benefit would not be paid to the retiree until such time as the retiree actually purchases the service described above. There is no time limit for said retirees to purchase this additional service. TRS would have to accumulate the difference as of July 1, 2006 and pay it to the retiree with interest once the retiree actually purchases the service. Current law does not allow TRS members to establish service after they have retired.

This bill would also allow a TRS member to establish service while employed with programs relating to early childhood development during the period January 1, 1977, and December 31, 1980 by paying only employee and employer contributions based on the member's salary comparable to his or her salary for such service, plus regular interest compounded annually. The employment must have been with a county governing authority in a program wholly or partially funded by a state or federal grant whose purpose was that of facilitating early childhood development. The member must have held a four-year degree from an accredited college or university during the employment and must apply for this service no later than July 1, 2007. Georgia law previously allowed this service; however, the service must have been established by July 1, 2003. This is a fiscal retirement bill.

First year cost to the State is \$13,160,000 with a \$160,343,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.14%.

HB 400 (LC21-8630S) Reps. Coleman, Cummings and Bridges

This bill would increase the monthly benefit payments to certain TRS retirees. Effective July 1, 2006, the increased benefit amounts will be based on the date of retirement as follows:

- Retirees who retired on or before June 30, 1974 - 10% increase
- Retirees who retired on or after July 1, 1974, but before July 1, 1982 - 6% increase
- Retirees who retired on or after July 1, 1982, but before July 1, 1987 - 2% increase.

The full percentage increase shall apply only to those retirees who had 20 or more years of service at the time of retirement. For those retirees who had at least 10 but less than 20 years of service at the time of retirement, the monthly benefit increase shall be reduced by 5% for each year less than 20 years of service. This is a fiscal retirement bill.

First year cost to the State is \$3,760,000 with a \$48,457,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.04%.

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HB 483 (LC21-8153) Reps. Lane, Parrish and Burns

This bill would allow a member to establish creditable service for prior service as a temporary full-time employee. The service had to be rendered prior to January 1, 1980 for an employer covered under the Employees' Retirement System of Georgia (ERS). The member would be required to pay employee and employer contributions plus interest by December 31, 2006.

Current law only allows a member to establish creditable service for prior service for an employer covered under ERS if that service was established while the person was a member of ERS. This is a fiscal retirement bill.

First year cost to the State is \$20,000 with a \$244,000 increase in the unfunded accrued liability. There would be no increase in the employer contribution rate.

HB 529 (LC21-629S) Rep. Benton

This bill provides that any person convicted of a crime shall forfeit all rights and benefits under any public retirement system. Crime is defined as forgery in the first degree; computer crimes; making false statements and writings, concealing facts, and committing fraud; and conspiracy to defraud. This bill applies to any person who becomes a member of a public retirement system on or after July 1, 2006.

Current law states that any person employed on July 1, 1985 and convicted of a public employment related crime, forfeits membership in any retirement system and is entitled to only those benefits accrued as of the date of conviction. Any person employed after July 1, 1985 and convicted of a public employment related crime, forfeits all membership in any retirement system and any employee contributions are refunded to the person without interest. The rights and benefits of a person who is convicted after retirement are not forfeited. This is a non-fiscal bill.

HB 554 (LC21-8479S) Reps. Murphy and Golick

This bill would allow a member to establish creditable service for prior service as an employee of the Board of Regents during which time the member elected to participate in the Regents Retirement Plan. A member would have at least 10 years of creditable service in a TRS covered position and be a current employee of an employer other than the Board of Regents. The member would have to pay the full actuarial cost for such service.

Current law does not allow for the establishment of service credit for periods of time in which the member elected to participate in the Regents optional retirement plan. This is a fiscal retirement bill.

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Since the member is responsible for the full actuarial cost, there would be no cost to the System, no increase in the unfunded accrued liability and the employer contribution would not be increased.

HB 568 (LC21-8191) Reps. Coleman, Bridges, Jones, Casas and Maxwell

This bill would allow the State Board of Education to grant to certain qualified teachers up to one year of creditable service for teaching in an underperforming school for five consecutive years. The State Board of Education must notify TRS of these qualified teachers and pay the full actuarial cost for such service. This is a fiscal retirement bill.

Since the State Board of Education is responsible for the full actuarial cost, there would be no cost to the System, no increase in the unfunded accrued liability and the employer contribution would not be increased.

HB 626 (LC21-8477S) Reps. Jamieson, Coleman and Oliver

This bill would allow a member who retired on a service retirement to return to work and continue receiving retirement benefits. The retiree must have been retired prior to 12/31/2005. Local school systems or a regional educational service agency (RESA) would be allowed to employ a retiree on a full-time basis in any position covered by TRS. A member who retired as a principal cannot be re-employed as a principal at the same school where he or she was employed prior to retirement. Also, a member who retired as a superintendent cannot be re-employed as a superintendent for the school system in which he or she was employed prior to retirement. A school system or RESA employing a retiree must pay all employer contributions to TRS as if the retiree was an active member of TRS. These working-after-retirement provisions shall not be contractual and shall be subject to future legislation.

Current law allows local school systems to employ a retiree as a full-time classroom teacher, principal, superintendent, counselor or librarian. Current law also requires that the retiree must have been retired prior to 12/31/2003. All other provisions are the same. This is a fiscal retirement bill.

First year cost to the State is \$35,720,000 with a \$257,259,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.38%.

HB 777 (LC21-8474S) Reps. Jones, Morgan, Brooks and Sims

This bill would allow a person who is employed as a public school lunchroom worker, maintenance worker, transportation worker or warehouse worker the option to elect membership in TRS. Any person who was a member of PSERS on July 1, 2006 may elect to join TRS within 90 days of becoming vested with at least 10 years of service in PSERS. Any person who first or again becomes employed on or after July 1, 2006, may elect membership in either TRS or

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PSERS. In both cases, the election is irrevocable. The employee shall make the required employee contributions to TRS and the employer shall make the required employer contribution to TRS.

Current law allows only full-time public school lunchroom, maintenance, or warehouse managers or supervisors including those employed by postsecondary vocational-technical schools to be members of TRS. The State will only pay the required employer contributions for the greater of one person or 7-percent of the total number of employees in this category and the local school system must pay the remainder of the required employer contributions. This is a fiscal retirement bill.

There would be no cost to the System, no increase in the unfunded accrued liability and the employer contribution would not be increased.

SB 67 (LC21-8236S) Sens. Henson, Brown, Miles, Fort, Tate & others

This bill would allow a member who was on active duty in the armed forces of the United States at any time to establish service credit with TRS. The member must have been honorably discharged and creditable service may not exceed 5 years. The member must pay to TRS the amount of employee and employer contributions that would have been paid to TRS during the period for which the service is claimed based on the compensation of the member upon first becoming a teacher after the completion of the military service, plus applicable accrued regular interest.

Current law allows a member to establish creditable service for time served in the military under the following conditions: periods of national emergencies (World War II, Korean Conflict and Vietnam Era), periods when a military draft was in effect, periods of ordered military duty (Operation Enduring Freedom, Desert Storm, etc), and periods of qualified military service after July 1, 1996 (interruptions in TRS membership service to fulfill service in the uniformed services of the United States). This is a fiscal retirement bill.

First year cost to the State is \$2,820,000 with a \$28,427,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.03%.

SB 164 (LC21-8494S) Sens. Hamrick and Reed

This bill would allow a member who retired on a service retirement to return to work and continue receiving retirement benefits. The retiree must have been retired prior to 12/31/2004. Local school systems would be allowed to employ a retiree as a full-time classroom teacher, principal, superintendent, counselor or librarian. A member who retired as a principal cannot be re-employed as a principal at the same school where he or she was employed prior to retirement.

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Also, a member who retired as a superintendent cannot be re-employed as a superintendent for the school system in which he or she was employed prior to retirement. A school system employing a retiree must pay all employer contributions to TRS as if the retiree was an active member of TRS. These working-after-retirement provisions shall not be contractual and shall be subject to future legislation.

Current law requires that the retiree must have been retired prior to 12/31/2003. All other provisions are the same. This is a fiscal retirement bill.

First year cost to the State is \$22,560,000 with a \$167,275,000 increase in the unfunded accrued liability. The employer contribution would be increased an additional 0.24%.

SB 177 (LC21-8495S) Sens. Tate and Fort

SPECIAL NOTE: This bill was originally written as a multiplier increase bill which would have increased the retirement multiplier to 2.5% for all current and future retirees. However, this bill was amended to completely delete this language and insert language regarding membership in the Employees' Retirement System of Georgia. Therefore, while the bill number (SB 177) has passed the Senate, it no longer pertains to TRS.