



Jeffrey L. Ezell
Executive Director

Providing a future you can depend on

July 28, 2009

To: All Reporting Agencies

From: Jeffrey L. Ezell
Executive Director

Subject: FY 2011 Contribution Rates

The TRS Board of Trustees has adopted the following changes to the employer and employee contribution rates effective July 1, 2010:

<u>Fiscal Year 2011</u>	
Employer Rate	10.28%
Employee Rate	5.53%

The increase in contribution rates was determined by the results of our FY 2008 annual actuarial valuation. An actuarial valuation is designed to measure the adequacy of the System's funding progress and to determine the contribution rates required to meet both State law and generally accepted governmental accounting standards. The valuation measures the liability of the system and takes into account the differences between actual experience and assumed experience. Unfortunately, the gap between our liabilities and our assets continues to increase from a series of events:

- 1) The nation's economic and financial markets have not performed well in recent years. TRS uses a 7-year smoothing method, meaning the investment losses are spread over a 7-year period of time as opposed to being reflected all in one year. The System did not meet our expected rate of return (investment performance) for the years 2002, 2003, 2006 and 2008. Simply stated, the System's assets have not been keeping pace with the increases in our liabilities.
- 2) The 2008 actuarial valuation shows a) more members retired from the system than we anticipated, b) fewer members left the system by terminating their employment than we had anticipated, and c) on average, salary increases for fiscal year 2008 were higher than we had anticipated. These factors have caused the System's liabilities to increase.
- 3) TRS has accepted the ruling of the Georgia Court of Appeals relative to a class action lawsuit regarding the method used to calculate survivor benefits (*Plymel v. TRS*). TRS has made retroactive payments to affected retirees. The monthly benefit payments for these retirees have also been adjusted as a result of the Court's ruling. The retroactive payments reduced the System's assets and the adjusted monthly benefit payments increased the System's liabilities.

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It is important to note that the System remains well funded at 91.9% due to factors such as conservative assumptions (i.e. 7.5% assumed investment rate of return), the pre-funding of retiree cost-of-living adjustments, and most importantly due to the fact that our employers, including the State of Georgia, have always contributed the required contributions.

While TRS cannot predict the results of the actuarial valuation for FY 2009, remember the declines in the stock market experienced this past year could result in continued increases in contribution rates.

Should you or your members need additional information, please contact our office.

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