

Section 803.09

Teachers Retirement System

The Teachers Retirement System of Georgia was established by the General Assembly in 1945 and placed under the supervision of a Board of Trustees.

Following the July 1978 amendments, all regular half-time or better employees are required to participate in the retirement program and optional participation for those previously non-covered employees was extended.

The following paragraphs summarize major provisions of the retirement system. Further details are available in the booklet, "TRS Facts" produced annually by the retirement system and available in the Department of Human Resources.

1. Membership.

Upon securing employment, eligible employees are required to complete an application for membership which is forwarded to the retirement system by the Department of Human Resources.

Upon receipt, a membership number is issued, and the individual account is activated. Remittal of employee contributions is made to the retirement system and credited to the appropriate member number each month. The current employee contribution is 5% with the University matching in excess of 9%. Employee contributions are made on a pre-tax basis. These contributions are held by the retirement system until the employee retires or requests withdrawal upon termination of employment. The state contributions are never refunded to the employee but are maintained by the system to assure solvency of the fund.

a. Ineligible Employees. With the 1978 amendments covering virtually all half-time employees regardless of job classification, the following represents those who are not eligible for the program:

Student Employees - Those students employed in other than regular budgeted positions are not eligible for retirement benefits.

Temporary Employees - Those persons employed on a temporary basis not to exceed 90 days.

Part-time Employees - Those employed on a part-time basis of less than 20 hours weekly.

- b. Withdrawal of Member Contributions.** An employee who is leaving the University System may request a refund of contributions, plus interest accrued thereon, by completing the application for return of contributions. Normally processing on refunds requires six weeks but may be somewhat in excess of that during the June through September period. A significant tax penalty may be incurred on refunded accounts and employees are encouraged to review the tax implications prior to requesting a refund.
 - c. Service Credits.** Employees may establish credit for certain military service from service in employment covered by the Teachers Retirement System but subsequently withdrawn, or from service to non-state public supported educational institutions. Those employees who feel they are eligible to establish such service should contact the Department of Human Resources to ascertain the requirements for such purchases.
 - d. Vesting** An employee having ten years of creditable service is said to have "vested" interest in the Teachers Retirement System. Vested interest, simply put, is the guarantee of retirement income at the normal or permissible retirement age, regardless of the individual's employment status at that time.
- 2. Retirement Plans.** A member having vested interest in the retirement system, and having attained age 60, can elect benefits from any of the following retirement plans without penalty. Employees having 25 years of service and having attained age 55 are eligible for benefits with substantial penalties imposed. The maximum salary used in retirement salary calculation is \$170,000 per fiscal year.

- a. **Plan A** - This is the retirement option which yields the maximum income to the member with no continued benefits to a beneficiary upon death of the member. The maximum allowance is based on the following formula (years of creditable service X multiplier X highest average salary for twenty-four consecutive months). Upon the member's death, unused contributions, if any, are refunded to the designated beneficiary.
 - b. **Plan B** - This series of options makes certain guarantees to designated beneficiaries and is a reduced benefit, discounting the Plan A benefit.
 - i. **Option 1.** A reduced monthly benefit to the member with a refund of contributions and interest to the designated beneficiary upon death of the member, providing the benefits received do not exceed the annuity portion of the monthly benefit during the member's lifetime.
 - ii. **Option 2.** A reduced monthly benefit, based on the member and the beneficiary's age, payable as long as either is alive. Once retirement benefits have begun, the beneficiary cannot be changed.
 - iii. **Option 3.** A reduced monthly benefit based on the member and beneficiary's age, guaranteeing 50% of the member's benefit to the beneficiary upon death of the member. Once retirement benefits have begun, beneficiaries cannot be altered.
 - iv. **Option 4.** This option allows the member to take a reduced monthly benefit and guarantees a percentage of income to the beneficiary, other than the ones specifically provided in Options 2 and 3.
 - v. **Option 5.** "Pop Up Provision." Members electing Option 2 or 3 may take a further reduction of monthly benefits to allow a return to the Plan A Maximum in the event the beneficiary pre-deceases the member. The reduction is 3% or 2% monthly for those electing Option 2 or 3 respectively. Should the member die before the beneficiary, the monthly income to the beneficiary is that guaranteed by the option taken, less the reduction.
3. **Disability Retirement.** Any member having a minimum of 9 1/2 years of creditable service is eligible for disability retirement should such be medically documented and approved by the retirement system.

- 4. Tax Status of Retirement Contributions.** Effective July 1, 1987, contributions to the Teachers Retirement System have the effect of reducing salary subject to Federal income tax. This was made possible by legislative action and is in keeping with the Internal Revenue Code which allows an "employer pick up" of mandated retirement contributions. Retirement contributions became exempt from personal income tax in the State of Georgia in 1990.
- 5. Tax Status of Retirement Benefits.** Monthly retirement benefits are subject to Federal and State income taxes. For those who prepaid taxes on contributions prior to the change in law in July 1986, taxable income is computed on a pro-rata basis with a certain portion of each benefit being tax exempt. For members joining the system after July 1, 1987, all monthly retirement income will be taxable.