Does Georgia's Teacher Pension Reform (HB 109) Meet Objectives for Good Pension Reform?

Objective	Pre-Reform	HB 109
Keeping Promises *Ensure the ability to pay 100% of the benefits earned and accrued by active workers and retirees*	SOME	SOME with SLIGHT IMPROVEMENT
Retirement Security *Provide retirement security for all current and future employees*	SOME	SOME
Predictability *Stabilize contribution rates for the long-term*	SOME	SOME
Risk Reduction *Reduce pension system exposure to financial risk and market volatility*	SOME	SOME
Affordability *Reduce long-term costs for employers/taxpayers and employees*	NO	MAYBE
Attractive Benefits *Ensure the ability to recruit 21st Century employees*	FOR SOME	FOR SOME
Good Governance *Adopt best practices for board organization, investment management, and financial reporting*	N/A	N/A

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Objective	Pre-Reform	HB 109
Keeping Promises	TRS does not have all the funds it will need to pay promised benefits, but is on track to achieve that within 30 years.	Establishes a higher allowable employee contribution for new hires and does not cut any earned pension benefits for current hires. Also establishes reasonable limits to the benefit calculation for new hires. These changes will do very little in the short-term, but will increase contributions and reduce accrued liabilities in the long-term.
Retirement Security	Members who work less than 25 years may not have the level of security they need.	The bill does not expand or improve on the retirement choices or the security available to Georgia teachers.
Predictability	Rates are predictable in the short-term, but not in the long-run because the pension debt continues to grow.	Contribution rates continue to dependent on an unrealistic 7.5% assumed rate of return, 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).
Risk Reduction	The current assumed return has only about a 50% probability of success.	The reform does not address the plan's risk. The pension plan will continue to be exposed to market volatility and TRS' 7.5% assumed rate of return, which has less than a 50% probability of success.
Affordability	Current contribution rates are creating fiscal pressures for employers.	HB 109 will open up the ability for increased employee contributions from future workers, which would reduce future pension debt, and could help reduce employer contributions in the long-run. But the full effectiveness of this reform will be missed if experience does not meet TRS' actuarial assumptions. A lower return rate will prevent this plan from achieving more affordability in the long-run, and interest costs will continue to be a problem.
Attractive Benefits	Current retirement options are attractive to some, but not flexible enough to attract and keep many others.	The reform does not address attraction or retention of teachers by providing more plan options for a wider variety of employees.
Good Governance	TRS generally is a well operated enterprise delivering high quality services	HB 109 does not address the plan's governing structure.

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