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Providing a future you can depend on

### ***TRS Takes Steps to Maintain Financial Security, Stability and Sustainability***

The TRS Board of Trustees is committed to maintaining a stable and secure retirement system for all members - past, present and future. To fulfill this commitment, we are continuously reviewing the System's financial status and making changes as necessary to ensure TRS is maintained on an actuarial sound basis as required by Georgia law. One such change being made is the discretionary tax offset currently granted by the Board.

Until the late 1980s, many states did not tax the pensions of their state retirees; however, they did tax the pensions from federal retirees. The U.S. Supreme Court ruled in 1989 that every state must treat the taxation of federal and state retirement benefits in the same manner. As a result of this ruling, Georgia changed its tax code and no longer exempted the pensions of state retirees from state income tax.

The Georgia General Assembly gave public retirement system boards of trustees the authority in 1990 to increase benefits being paid to state retirees to offset the taxation of retirement benefits, provided that any increase in benefits would be consistent with maintaining the actuarial soundness of the retirement system. The TRS Board of Trustees began granting a 3% increase to offset state taxes to retirees. The adjustment was retroactive for retirees who retired prior to July 1, 1990 and was also granted to those retiring on or after July 1, 1990. The adjustment was limited by Georgia law and only applied to the first \$37,500 in yearly retirement benefits.

The General Assembly also enacted the retirement income exclusion in 1990. Retirement income from any source, up to \$8,000, was excluded from state income tax. The amount of the retirement income exclusion has gradually been increased over the years and is currently \$35,000 for retirees between the ages of 62 and 65, and \$65,000 for retirees 65 years and older. Simply stated, in 2013, when you complete your 2012 State of Georgia tax return, you will be allowed to exclude from the tax calculation the current retirement income exclusion amount.

The discretionary tax offset adjustment currently being granted by the Board when a member retires is no longer necessary, as retirees are now able to exclude up to \$65,000 of their retirement income from state income taxes. Based on the fact that TRS retirees are currently receiving both the tax offset and the tax exclusion simultaneously for the same retirement income, the Board is considering discontinuing the tax offset adjustment for members retiring on or after January 1, 2013. Georgia law requires the Board of Trustees to maintain an actuarial sound and financially stable retirement system. By taking such an action, the Board will be exercising its fiduciary responsibilities to the System and the State as required.

***The discontinuation of the discretionary tax offset does not impact the benefit calculation that is defined in Georgia law.*** Future retirees will continue to receive the benefit that is promised within the law based on the following formula:

$$\begin{array}{|c|} \hline \text{Years of} \\ \text{Creditable} \\ \text{Service} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{2\%} \\ \text{Multiplier} \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{2-Year} \\ \text{Final Avg.} \\ \text{Salary} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Maximum Plan} \\ \text{Benefit} \\ \hline \end{array}$$