Teachers Retirement System of Georgia
Providing a future you can depend on

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Subject: Relationship Between TRS and ORP Employer Contribution Rates

The Regents Retirement Plan Act (ORP) was passed in 1990 and became effective July 1, 1990. The Act required the University System of Georgia to contribute an amount equal to 4% of the participating employee's earnable compensation into their account (O.C.G.A. § 47-21-4(b)).

Over the next several years, the University System of Georgia as well as the ORP participants felt that the 4% employer contribution was not adequate, so they began lobbying the legislature to have the employer contribution amount increased. The basis of their request was that ORP participants should receive the same amount in any given year that is contributed on behalf of TRS members for that same year of service. In 1996, Georgia law was amended to require the University System of Georgia to contribute an amount equal to the normal cost contribution as determined by the TRS Board of Trustees in accordance with the provisions of O.C.G.A. § 47-3-48. Basically, the normal cost is the amount necessary to fund the benefits that TRS members will accrue during the upcoming year for an additional year of service credit. In other words, employer contributions made on behalf of ORP participants are exactly the same as employer contributions made on behalf of TRS members for the same year of service.

One reason the normal cost rate decreased from 10.03% for fiscal year 2004 to 9.65% for fiscal year 2005 is that the TRS Board of Trustees increased the System's assumed investment rate of return from 7.25% to 7.50 % in November 2003.

Two years ago the TRS Board reduced the assumed investment rate of return from 7.50% to 7.25%. This action was taken as a result of the poor performance of the equity markets at that time. The outlook for the economy is improving, job growth is accelerating and investor confidence is on the upswing all of which results in improved equity markets. Based on the recommendation of the System's actuary and staff, the Board increased the assumed investment rate of return to its previous rate of 7.50%.

Since IRS's assumed investment rate of return is higher, it reduces the amount required to be collected from its employers to fund the benefits that TRS members will accrue during the upcoming year for an additional year of service credit. Thus, less normal cost contributions are required.