

# EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

ERS Member News 2009

## 2009 ERS Legislative Update



Several pieces of legislation were passed and signed into law in the 2009 legislative session. Below is a summary of those bills:

### Senate Bill 177/Act 94 — Group Term Life Insurance (GTLI) Eligibility for Judges and Legislators

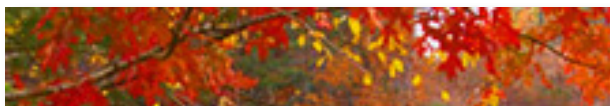
Effective January 1, 2009, all new hires in ERS were not eligible for membership in GTLI; however, GTLI membership continued for newly hired Appellate Judges covered under ERS, as well as JRS and LRS new hires. This bill eliminates GTLI coverage for any new Appellate Judge, JRS, or LRS members hired on or after July 1, 2009. **GTLI membership continues for ERS members hired prior to January 1, 2009 and Appellate Judges and JRS and LRS members hired prior to July 1, 2009.**

### House Bill 371/Act 44 — Equity Investments

This bill amends the retirement system's investment authority by allowing increases to the percentage of the pension funds that can be invested in the stock market, effective April 21, 2009. This percentage limit will be increased from the current maximum of 65% to a maximum of 75%, phased in over the next 2 years. These percentages are limits that allow the investment managers increased flexibility in investment strategy, however there is no requirement that a fund invest in the stock market at those levels. In addition, no fund is authorized to increase its assets in the stock market through purchase by more than 20% in any fiscal year. The bill also removes the 15% restriction on investments in corporations outside the United States or Canada.

### House Bill 452/Act 82 — No Pension Cost-of-Living Adjustments (COLA) for New Hires

This bill mandates that any employee newly hired on or after July 1, 2009 will be ineligible for a COLA after retirement. **This does not apply to current retirees or active members with a membership date prior to July 1, 2009.**



### House Bill 476/Act 83 — Pension Spiking

A critical bill for the 2009 legislative session was to eliminate abuse within the pension system. Prior law allowed agencies to increase a member's salary immediately prior to retirement in order to increase their pension benefit from the system. For example, a salary spike increased the liability to the pension system by \$750,000 for one individual. To protect the system for all current and future retirees, this bill provides two solutions:

- For any new hire on or after July 1, 2009, the pension system will not recognize any salary increase greater than 5% during the last year of employment.
- The bill authorizes ERS to invoice employers for the actuarial cost of augmented pension benefits due to salary increases greater than 5% in the final 12 months of service, beginning July 1, 2009. Employers are also responsible for the associated actuary fees for the calculation.

### House Bill 477/Act 84 — USERRA Compliance

The Uniformed Services Employment and Reemployment Rights Act is a federal law intended in part to ensure that persons who have served in the "uniformed services" are not disadvantaged in their civilian careers because of their service. Returning veterans have the opportunity to purchase retirement service credits for qualified military service. However, Georgia law previously required veterans to notify the retirement system of the desire to purchase service within six months of resuming employment. USERRA does not allow for this restriction. Effective April 30, 2009, Georgia law was brought into compliance with USERRA by removing the six month notification requirement. ERS was already administratively complying with the federal law.

### House Bill 202 - Pension Compliance

**House Bill 202/Act 75.** This bill updated the Georgia Statute to comply with all federal retirement plan laws, effective May 11, 2009. ERS currently complies with the federal requirements, but it was necessary to update Georgia law to mirror Internal Revenue Code Sections 401(a) and 414(d). Here is a summary of significant changes:

1. **Definition of employee expanded** [O.C.G.A. 47-2-1 (16.6)] to exclude independent contract employees and leased employees from ERS membership. Employees classified as independent contractors or leased employees are not eligible for membership in ERS.

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## **HB202 Pension Compliance (cont'd)**

2. **Normal Retirement Age defined** [O.C.G.A. 47-2-110 (a)(2)] as age 60 with 10 years of service, the age of an employee on the date he or she attains 30 years of service, or for those members employed in certain law enforcement positions, age 55 with 10 years of service. From a practical standpoint, this means anyone who takes an Early Retirement\* has *not* attained Normal Retirement Age.
3. **Requirement for rehiring Early Retirees** —  
A bona fide termination must exist for any retiree who takes Early Retirement\* (i.e. less than Normal Retirement Age) and wishes to return to active employment, as indicated below:
  - New retirees must remain out of service for at least two months, or the retirement application becomes null and void.
  - As part of the retirement process, employers must now, in addition to certifying the termination date, also certify that no agreement to allow the employee to return to service existed prior to retirement.

All rehired retirees are subject to the 1,040 hour work limitation; however, retirees who retired on or after Normal Retirement Age (i.e. did *not* take Early Retirement), are only required to have a one month break in service.

Retirees returning to active employment now includes:

- Service as or for an independent contractor. Such service may not be subject to the 1,040 hour work limitation if the state agency/employer certifies the following:
  - The contracting entity has multiple employees, and
  - the contracting entity has multiple contracts and contracts are not limited to State of Georgia employers, and
  - the contractual relationship with the State of Georgia employer(s) was not created to allow a retiree(s) to continue employment in a position similar to the position they held before retirement.
- Employment with the Board of Regents
- Employment with a local school system, if the rehired employee retired from that school system under ERS

Retirees who were already in a contract situation as of July 1, 2009 are not subject to the new restrictions regarding contract employees but will be subject to these restrictions once the current contract expires.

*\*Early Retirement – retirement with less than 30 years of service and less than age 60.*

## **Reminders about ERS Forms**

Any ERS form will not be considered filed with the Board of Trustees if it is not received by ERS. Forms turned in to any agency will not be valid until the date ERS receives it. This includes retirement applications, beneficiary designations, PLOP request forms, etc. It's the member's responsibility to ensure these forms are received by ERS.

### **Employees on Leave Without Pay**

To continue Group Term Life Insurance (GTLI) coverage while on Leave Without Pay, a GTLI Continuation While on Leave Without Pay form must be completed and received by ERS. If ERS does not have this completed form on file, you will have no GTLI coverage while on leave without pay. The form is available on the ERS website at [www.ersga.org](http://www.ersga.org). (GSEPS members do not have GTLI.)



## **Online Beneficiary Designations/ Updates available for all plan members**

Did you know that if you don't have a beneficiary on record with ERS at the time of your death, your benefit will be paid to your estate only? Designating your beneficiary and keeping that election up-to-date is an important responsibility as a member of ERS. To make this easier and more convenient for you, ERS has made this function available to you online.

You can now update your beneficiaries online by accessing your account on the web at [www.ersga.org](http://www.ersga.org). GSEPS members who have not designated their beneficiary should do so as soon as possible. ERS members hired prior to January 1, 2009 completed a Membership Application which included designation of beneficiaries for both the

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## **Beneficiary Designations** (cont'd)

pension plan and GTLI. In most cases, these designations (or redesignations subsequently submitted on a "Change of Beneficiary Form") do not appear in your on-line account access. By redesignating or updating this information via secure on-line account access, this information will then be available to you at any time.

In addition, account access allows you to do the following:

- View personal information
- View your account summary
- Calculate refund payback costs
- Generate retirement benefit estimates
- Maintain your home address (inactive members only)

To access your account, go to [www.ersga.org](http://www.ersga.org) and click on Member Account Access. You'll need to establish a user account, with password, after which you can log into your account and access your account information. Why not try it today?

## **Georgia State Employees' Pension and Savings Plan Members**

If you were hired on or after January 1, 2009, your ERS membership is through the Georgia State Employees' Pension and Savings Plan (GSEPS). (Some rehired employees may have maintained membership in the ERS "new" plan). GSEPS includes both a defined benefit pension plan component, and a match on contributions to the Peach State Reserves 401(k) plan. When you contribute 1% of your pay to the 401(k) plan, the state matches your contribution dollar for dollar. For a \$30,000 annual salary, that's your \$300 contribution plus an extra \$300 matching contribution in your 401(k) every year.

But did you know you get a 50¢ match when you contribute more than 1%, including contributions up to 5% of your pay? That means even more money is just waiting for you. For example, contributing 5% of a \$30,000 salary provides you a match of \$900 a year. Even at a 3% contribution rate, you'd get an extra \$600. That's free money. If you're saving less than 5%, you're basically saying you don't want the extra cash.



## **ERS Members hired prior to January 1, 2009 can transfer membership to GSEPS**

For ERS members not covered under GSEPS, you have the option to transfer your membership to the GSEPS plan. By transferring your membership to GSEPS, you lose all membership rights to your current ERS plan membership and the decision is irrevocable. The decision to transfer membership should be given careful consideration of the advantages and disadvantages and how they pertain to your particular situation. For more information about GSEPS, including a comparison of retirement plans, visit the GSEPS section of the ERS website. Only GSEPS members are eligible for matching contributions to the 401(k) plan. If you do not elect to transfer your membership to GSEPS, you can still participate in the Peach State Reserves 401(k) plan, but there are no matching contributions. For more information about the 401(k) plan, visit the plan website at <http://myGAspr.ingplans.com>.

## **Take Advantage of National Save For Retirement Week**

October 18th through October 24th is National Save for Retirement Week. Now is a good time to assess your prospects toward meeting your retirement savings goals.

Experts predict that you will need from 80 to 100 percent of your pre-retirement income to maintain your lifestyle after retirement. Yet surveys show that most Americans remain unprepared for retirement. As a member of the ERS pension plan, you can have a foundation for retirement, but that won't be enough. You will need to add your own retirement savings in order to live comfortably during your retirement years – to fulfill your dreams.

So it's important to begin saving today for retirement – or increase your savings if you aren't meeting your goals. There are many resources available on the Internet to provide you with the information you need to plan for retirement. In addition to the 401(k) website above, here are some sites to help you get started:

- [www.ssa.gov](http://www.ssa.gov) – Social Security Administration – You will find calculators to determine what your benefit will be, information on how to apply for benefits and other information about the government retirement system.
- [www.asec.org](http://www.asec.org) – American Savings Education Council – A calculator helps you estimate how much you need to save to meet your retirement goals as well as a number of savings tips and useful brochures.

Take advantage of National Save for Retirement Week. Save now - your retirement future starts *today*.

*In the event of any conflict between this publication and the laws, rules and regulations governing the plan, the laws, rules and regulations will have precedence.*