

Why did the TRS Board of Trustees lower the investment return assumption?

TRS is required by law to conduct an experience study at least once every five years. The purpose of an experience study is to determine if actual behavior, plan provisions, and investment returns have matched assumptions, or if adjustments are necessary. **Significant changes in the global economic outlook** over the last three years warranted examining TRS' experience sooner than the five-year deadline. The experience study determined that while most of the assumptions were accurate, the investment return assumption needed to be adjusted. At its July board meeting, the TRS Board of Trustees voted to lower the investment return assumption from **8.0% to 7.25%**. **This action will not change TRS' strategic asset allocation.**



But didn't the fund have strong returns in 2017?

While the pension trust fund returned over 12% in fiscal year 2017, the average market return over the last 20 years was around 7%. Some years TRS earns its targeted return and in other years returns are lower. Even if long-term return expectations are achieved, lower-than-expected returns in any given year could negatively impact total asset accumulation.



Will my monthly annuity payment be reduced if the rate is changed?

The TRS Board of Trustees does not have the authority to change annuity benefit payments for current and future retirees. **Only the Legislature can make annuity benefit changes.**



What happens next?

TRS will request a contribution rate increase of between 1.5%-2% in its budget request to the Legislature. Whether the increase will come from active members, the state, school districts, or some combination of these is a **decision for the Legislature**. The Legislature will consider the request during the next legislative session which begins in January 2019.



Will contribution rates change?

The TRS Board of Trustees does not have the authority to change contribution rates. **Only the Legislature has the authority to set contribution rates** for active members, the state, and school districts.



CURRENT CONTRIBUTION RATES



MEMBERS

7.7%



STATE

6.8%



SCHOOL DISTRICTS

1.5%

Actuarial assumptions DO NOT change annuity payments.



Economic Outlooks

TRS examined 11 different economic outlooks from nine independent investment advisors.

The data showed the average expected return ranged from 7.07% - 7.32%.