

EXECUTIVE DIRECTOR UPDATE
ATRS BOARD SETS 2019 INTEREST RATES
AND INCENTIVE RATE ADDITIONS FOR:

REGULAR T-DROP
POST 10 YEAR T-DROP
CASH BALANCE ACCOUNTS (CBAs)

RECAP OF 2018 INTEREST RATES

As a reminder, interest rates for June 30, 2018, are already set for T-DROP and Post 10 Year T-DROP. On June 30, 2018, regular T-DROP accounts will receive 5% interest and Post 10 Year T-DROP will receive 6% interest. In November of 2017, ATRS Board adopted a 1/2% interest rate increase for CBAs starting July 1, 2018, which brought the initial CBA interest rate of 2% to 2.5% with the maximum regular CBA reaching 4% after 6 years. In addition, the Board previously awarded a 1% CBA incentive rate that will add 1% to all CBA balances on deposit at ATRS on June 30, 2018.

EXCITING 2019 INTEREST RATES

In November 2017, the ATRS Board adopted a new benchmark 12 month period for awarding incentive rates on T-DROP, Post 10 Year T-DROP and CBA accounts. The previous benchmark used a March 31st return that would be applied to the following fiscal year. In order to give members information sooner and to ensure members had information on interest rates when considering whether to continue working or retire, the Board decided to provide interest information faster for the upcoming fiscal year. Now, the ATRS Board has already used the calendar year 2017 returns to set incentive rates on top of the regular rates. The rates are as follows:

Regular T-DROP

The combined T-DROP interest rate payable on June 30, 2019 is 6%. This consist of the standard fixed 3% rate and the maximum incentive rate of 3% due to the annualized return in fiscal year 2017 being estimated at 16.8%, more than double the ATRS actuarially assumed rate of return.

Post 10 Year T-DROP

The combined Post 10 Year T-DROP interest rate payable in fiscal year 2019 is 7%. This consisted of the formula based interest rate of 6% plus a 1% incentive rate for the

combined 7% rate. The incentive rate is also due to the 16.8% annualized return as of December 31, 2017.

2019 CBA Incentive Rate

In addition to the already improved CBA rates that were increased in November, 2017, the strong returns justified the ATRS Board in awarding a CBA incentive rate of 1% that will be paid on all CBA balances on deposit in ATRS on June 30, 2019.

A note on the recent market volatility

Markets going up and markets dropping are not new to ATRS during its 81 year history. The market disruption in the last week was not unusual or unexpected. ATRS has a diversified portfolio of assets that are designed to weather these market winds. ATRS had a strong fiscal year return in the 12% to 13% range prior to the market disruption in the past week. ATRS still has a strong return on the fiscal year that I estimate to be at between 8% and 9%. On Tuesday, the markets in the United States rebounded and had one of the best days in the past 2 years and on this Wednesday, markets remain generally in positive territory again. Since ATRS has reduced its actuarially assumed rate of return to 7.5%, these market downturns are even easier to withstand from an actuarial perspective. ATRS executive staff still estimates that the fiscal year return remains well above the assumed rate of return.

Important Note on Filing of Retirement and T-DROP Applications

ATRS has never had a "window" as to when a retirement or T-DROP application could be filed with ATRS. ATRS became aware that some members could, and would file well over a year before an intended retirement date. In order to keep retirement applications from falling through the cracks or having problems with retirement applications being filed early, ATRS has adopted a new rule that will be in effect February 16, 2018, that limits the window filing for retirement or T-DROP applications to four (4) months before the intended retirement date. For a July 1st retirement, the earliest date a retirement application may be filed will be March 1st of that fiscal year. For a January 1st retirement, the earliest the retirement application may be filed is September 1st.

Special note for July 1st Retirement applications and T-DROP applications: In a perfect world, the new application window rule would have become effective March 1, 2018. However, since it became effective in February, two (2) sets of Retirement and T-DROP applications will be affected. The first set is applications filed before February 16, 2018. Since all these applications were filed prior to the new retirement window rule becoming effective, ATRS will treat the applications already filed for a July 1, 2018, retirement as valid and fully effective without refiling or reaffirming the application.

There are approximately 170 applications that will be given this "valid as filed" treatment. That number may grow between now and February 16, 2018. For retirement applications filed from February 16, 2018 through February 28, 2018, ATRS plans to provide a 1 page affirmation process that the member will sign affirming that the specific application and all attachments are reaffirmed by the member as if refiled on or after March 1, 2018. After this initial implementation, the new rule will provide this four (4) month window which includes a three (3) month application deadline and the one (1) month set-up period. For example, all July 1st retirements must be received by ATRS on or before May 31, 2018. The month of June is a set up month for retirement and T-DROP applications. A member has three (3) months before the deadline to apply. In this example, the three (3) months are March, April and May.

School Hall Meetings

ATRS, through the executive director, continues to provide school hall meeting throughout the state. These meetings typically start after school and last approximately 2 hours or until information has been presented and all questions answered. Many at the school hall meetings will agree that these school hall meetings provide answers to many questions and dispose of several urban legends. Questions about "how benefits are calculated," "should I enter T-DROP and if so, when", "what happens to my contributions if I die," and "what is T-DROP" are just a few of the many questions asked and answered. The only thing preventing your school from having a school hall meeting is your school calling ATRS to schedule one. School hall meetings are intended to be a continued process from this point forward to help keep members informed.