INSIDE LINE By Tim Lee

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# The Final Bell

## Will TRS Investment Performance Assure Retirees a 13th Check?

TRS will close its books for fiscal year 2007 at the end of today. It is with the final bell ending the day on Wall Street that may determine the fate of the 13th check for education retirees.

Earlier this year, the State Legislature had an opportunity to guarantee a 13th check for retired public educators by increasing the State budget amount dedicated to the Teacher Retirement System (TRS). Had the Legislature taken that initiative, the 13th check would have been issued on September 1, but instead they opted for a different tact by appropriating less than necessary to guarantee either the fund's actuarial soundness or the 13th check.

Counting on a continued surge in the markets, the Legislature adopted a plan that put the onus on the TRS investments to not only meet but to exceed their established benchmarks and help subsidize the first benefit increase to retirees in over 6 years.<script>

The wait and see approach did put over $630 million more State budget dollars in the pension fund in the coming biennium, but fell short by about $80 million in guaranteeing the 13th check by September 1.

Since the Legislature adjourned and the Governor enacted SB 1846, the markets have been a up and down—one day they surge two or three hundred points, and then next they plunge by the same margins. Through July of this year, the DOW was in record setting territory surging to new highs, but between July 19 (the record setting day for the DOW) and August 16, the DOW was off that historic high by over 1,300 points.

The simple fact is that the Legislature authorized a 13th check, but made its issuance contingent on the TRS pension trust fund's actuarial condition as of August 31, 2007. So, retirees have watched as the markets have gained ground then retreated to gain ground and lose it all over again. No legislator or State official is willing to guess what the chances are that retirees will receive their much deserved and needed 13th check, so the wait continues.

Despite this being the last day of the fiscal year, TRS will not have an answer as to if or when the 13th check will be issued until mid-November. TRS actuaries will study all aspects of the fund's income and liabilities to make a determination if the 13th check will be issued.

TRS does have the authority to increase active educators' contribution to the pension fund from 6.4% to as much as 6.58%, but to only make that change if the increase allows the fund to be actuarially sound enough to provide retirees with the 13th check. That decision will also not be known until November.

TRTA will continue to follow this situation and is working with legislators and TRS officials to get this news to you as soon as possible, but this slow process will not likely yield any new information until later in the year. Many retirees have asked what can be done to move this situation forward, but this issue is out of our control or influence until TRS provides answers on the fund's ability to issue the 13th check. TRTA is looking at this issue from all angles and will be ready to respond as necessary whatever the outcome.

If you have questions, please contact Tim Lee at 1.800.880.1650 or by email to tim@trta.org. As always, thank you for your support of and dedication to the Texas Retired Teachers Association.