HR Tips: Repeal of 3% Tax Offset on TRS Benefits

Did you know that the State of Georgia now has legislation to let folks 62 - 65 years old exempt the first $35,000 of retirement income from state taxes, and folks 65 and older can exempt the first $65,000? As a result, effective January 1, 2013, the Teachers Retirement System of Georgia has decided to take away the extra 3% tax offset they have added to retirement benefits since 1990. What does this really mean? Here’s an example:

The formula to determine a TRS retiree's monthly benefit is:

\[(.02) \times (\text{# of years of service}) \times (\text{highest average 24 consecutive months salary}) = \text{Plan A monthly benefit}\]

For an employee with 30 years of service and an annual salary of $36,000 retiring on 12/01/2012 would look like this (assuming the $36,000 salary has been in place for over 2 years):

\[(.02) \times (30) \times ($36,000) = $21,600 \text{ per year or $1,800 per month}\]

Then TRS adds the extra 3% to determine the total retirement benefit amount:

\[21,600 + (21,600 \times .03) = \text{22,248 per year or 1854 per month}\]

This same person could retire one month later on 01/01/2013 and it would look like this:

\[(.02) \times (30.086) \times ($36,000) = \text{21,662 per year or 1805 per month}\]

To find out how this might affect your TRS retirement, make an appointment to meet with a UGA benefits consultant by calling Cindy Walker at 706-542-7359

HR Tips is brought to you by the Libraries’ Human Resources department and will be issued periodically. Suggestions for tips are welcome. Submit your tips, or any questions you might have, to libjobs@uga.edu. To view past HR Tips go to http://www.libs.uga.edu/humres/hrtips/index.html.

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