

FRAUD AWARENESS



Prevention, Protection, and Education



June 6, 2023
Welcome!



Welcome & Intros



Teachers
Retirement
System of
Georgia



SEC
Atlanta Regional Office

Before You Invest, **Investor.gov**

Employer Retirement Plans

Defined Benefit Plans

Defined Contribution Plans





Defined Benefit (DB) Plans

- Your TRS pension is a DB plan, based on a formula
- **All investment risk is carried by TRS**
- **TRS investment professionals make purchase recommendations**
- How much income will you need in retirement?

**Bottom Line:
No concerns
here with
fraud**

**TRS can be the
foundation to
a secure
retirement!**

Defined Contribution (DC) Plans

Consider joining your system's **403(b)** or **457 DC** plan to supplement your TRS pension

You define how much to contribute

- Pre-tax
- IRS limits

You decide where to invest your money

- Risk tolerance
- Advisor assistance

You assume all investment risk



Defined Contribution (DC) Plans

- Select vendor(s) offered by your school system
- Work with licensed reps who give advice based on your goals and risk tolerance
- Advisors have sophisticated software tools
- Bottom Line: Like your TRS pension, no material concern with fraud

**But are there
areas to be
concerned about?
YES**

Defined Contribution (DC) Plans

Areas of concern

**Vendor
fees**

**Surrender
charges**

**Choosing
the best
vendor(s)
your school
system
offers**

Defined Contribution (DC) Plans

Vendor fees

- Can vary greatly
- Fees can be assessed for a wide variety of services



Defined Contribution (DC) Plans

Surrender Charges

- What is a surrender charge?
- Charges can vary from vendor to vendor
 - Can range from 0% to 15%
 - Charge gradually goes down each year
 - Surrender period can be 5 to 15 years
 - Consider leaving funds with vendor until surrender period expires



Choosing Best Vendor(s) Your School System Offers

If your system offers multiple vendors, compare...

Fees, surrender charges, past investment performance
Company history, credentials, experience

Compare Vendor answers to these questions:



- What fees will I pay?
- Will I have to pay penalties if I change my investment choices?
If so, how much?
- Does the vendor make more money for selling me one product over another?

Defined Contribution (DC) Plans

Things you should be aware of

- The majority of systems do not use a formal vetting process
- Some use a Request For Proposal process, such as USG
- *Multiple vendors = higher fees*
- Single-vendor set ups provide advisors more time to build relationships rather than compete for sales
- Many Georgia systems do use multiple vendors

Defined Contribution (DC) Plans

Things you should be aware of (continued)

- Each school system chooses their vendors
- Plans not subject to ERISA = No set standards on monitoring vendors
- Utilize FINRA “Broker Check” web tool
<https://brokercheck.finra.org/>
Help Line: 800-289-9999



Other Forms of Retirement Income

**Investing on Your Own
Social Security**



Investing on Your Own

- More time required to do personal vetting
- Commissions vs. your financial well-being
- No pre-tax contributions outside of DC plan

**More freedom in choices = More exposure to fraud
Numerous scams exist. More from SEC.**

A Word on Social Security (SS)



A secure retirement resembles a “3-legged stool”

Employer pension (TRS)

Personal savings (DC plans, bank savings)

Social Security



But what if 3 legs are not enough?

4th leg = Continued employment

Do you want 4 legs under your stool?

A Word on Social Security (SS)

But what if your system does not deduct SS?

- Consider contributing at least 6%
- Under 10 years with SS = No benefit
- What if you participated 10+ years, but also have TRS years where you did not participate?



Take Action

A Word on Social Security (SS)

Be aware of WEP and GPO federal laws

- **WEP reduces benefit derived from YOUR employment**
 - Max reduction is \$557 per month
 - Penalty is reduced with 20 to 30 years of SS
- **GPO reduces or eliminates benefit derived from SPOUSE's employment**
 - Normally get $\frac{1}{2}$ of spouse's benefit
 - Every \$3 from TRS = \$2 less from SS



A Word on Social Security (SS)

How to become exempt from WEP and GPO

WEP

- Work 30 covered years
- Compensation at or above “substantial earnings”

GPO

- Work last 5 years under SS
- Must be with a TRS-covered employer

Exposure to fraud risk linked to your TRS benefit...

PLOP Distributions
Deceptive Sales Tactics



PLOP Distributions

When you elect a PLOP at retirement

What is a PLOP?

What impact does a PLOP have?

- Permanent reduction to lifetime benefit
- Reduced COLAs

Taxes on PLOP distributions

- If you take possession of funds
- If you want to defer taxes



**PARTIAL LUMP
SUM OPTION PLAN**

PLOP Distributions

Since benefit inception (FY'05)

- 13,078 members have taken a PLOP distribution
- Average distribution is \$48,661
- \$636.4 million has been dispersed

Since FY'21

- 1,850 members took a PLOP
- 1,420 (77%) took possession of full amount
- 430 (23%) did a full or partial rollover

PLOPs are an attractive monetary prize!



PLOP Distributions

What if you decide to invest PLOP funds?

- **Red Flag:** Investment salespeople encouraging you to take a PLOP
- Could I invest PLOP and make more?
- Same as investing outside of your DC plan



Deceptive Sales Tactics

Dishonest salespeople/firms representing themselves as TRS

- Fake emails appearing to be from TRS
- Marketing materials that appear to be from TRS
- Sales presentations using same slides TRS uses
- Their only concern = access to your money



Deceptive Sales Tactics

How to avoid being a victim

- Verify source of email
 - Check URL – TRS is: www.trsga.com
 - Call TRS – 800-352-0650; 8am – 5pm; Mon – Fri
- Ask your HR Department
- Look up data on TRS website



Fraud Prevention

Legitimate TRS Partnerships



Vetted DC Plan Vendors
Seminar Speakers
TRS-Covered Employers

Vetted DC Plan Vendor

- TRS partners with vetted DC Plan vendors
- Vendor must set up workshop through the school and then invite TRS
- “Piggybacking” on TRS events not permitted
- If you want a joint workshop, ask your HR department to set one up

Seminar Speakers

- TRS conducts statewide seminars for all members
- TRS contracts with qualified and reputable speakers on many topics
- Invitations based on age, length of service, and distance to the event.
- Recordings may be available on the TRS website



TRS-Covered Employers

- TRS works with over 400 reporting employers
- Contributions invested into stock and bond markets
- Investment returns represent 73% of total funding
- TRS is happy to arrange workshops directly with employers
 - Ask your HR rep to call us; or
 - HR can send request via TRS inbox.

QUESTIONS?

**LETS TAKE A BREAK
AND THEN HEAR
FROM THE SEC**

