

**PROPOSAL TO INCREASE STATE CONTRIBUTION
TO THE TEACHERS' RETIREMENT SYSTEM**

The current contribution rate paid by individual members is 7% of salary and beginning July 1, 2002, local school districts will contribute an additional 7.05% of employee pay. The state's contribution to fund the System is 3.54% of sales, use and income tax collections. The state's contribution represents approximately 4.7% of employees' pay. The state should increase its contribution to 7% of employees' pay. This increase would fund the System's obligations in 25 to 30 years.

To achieve 7% of employees' pay the state's dedicated revenue to the Teacher's Retirement System should be gradually increased to 5.25% of sales, use and income tax collections, or equivalent revenues from available state funds.

It is proposed the following schedule be enacted to increase the state's contribution to TRS

Year	Contribution Rate
July 1, 2003 to June 30, 2004	3.75% of sales, use and income tax (or equivalent)
July 1, 2004 to June 30, 2005	4.25% of sales, use and income tax (or equivalent)
July 1, 2005 to June 30, 2006	4.75% of sales, use and income tax (or equivalent)
July 1, 2006 to June 30, 2007 and thereafter	5.25% of sales, use and income tax (or equivalent)

Assuming a 4% growth in tax revenues to Teachers' Retirement System is projected as:

Year	Current Contribution Projection	Proposed Contribution Projection
Year ending 2002	\$145,600,000	\$145,600,000
Year ending 2003	\$151,424,000	\$151,424,000
Year ending 2004	\$157,481,000	\$166,823,000
Year ending 2005	\$163,780,200	\$196,628,600
Year ending 2006	\$170,331,400	\$228,552,000
Year ending 2007	\$177,144,600	\$262,715,300

THE GOAL IS 7 7 7

Seven percent from members,
Seven percent from local employers and
Seven percent from the State.

Adopted by TRS Board January 23, 2002