

Comprehensive Board Proposal

As passed by the PERA Board of Trustees on October 16, 2009

A motion was made by Howard Crane and seconded by Marcus Pennell that stated “the Board direct staff deliver to the General Assembly by November 1, 2009, a comprehensive package of recommendations that complies with the following principles: shared responsibility among members, retirees and employers, intergenerational equity, long-term sustainability, preservation of the defined benefit plan, and maintaining the same benefit structure for PERA's different divisions. In addition, the recommendations are designed to have little or no short-term impact on member behavior.

The package will provide for our best effort to place the PERA divisions on a 30-year amortization of all unfunded liabilities. The package of recommendations shall include:

- Contribution increases in the form of increasing the AED capped to 5 percent with the current escalation schedule continuing to reach the cap
- Contribution increases in the form of increasing the SAED capped to 5 percent with the current escalation schedule continuing to reach the cap
- Local Government Division and Judicial Division AED and SAED escalation shall be suspended at the statutory level in 2010
- Reduction of the Cost of Living Adjustment (COLA) for all PERA members and retirees to an amount equal to the CPI-W with a limit of 2 percent effective on the date the bill becomes law

The following benefit changes to be effective as of January 1, 2011:

- 5-year HAS with base year and 8 percent spike cap applicable to persons not eligible to draw a benefit on the effective date of the statute (no change to the unique statutory HAS for the Judicial Division)
- Imposition of a 5-year vesting schedule for receipt of a 50 percent match upon refund
- Imposition of a requirement for payment of employee contribution for all retiree payroll
- Imposition of a requirement that eligibility for an annual COLA occurs after benefits have been received for a full calendar year preceding the COLA effective date which will be adjusted to occur with the July benefit payment in 2010 or immediately upon the effective date of the bill
- Prevent the recalculation of a service retirement in the event of a suspension of a retirement
- Expand the application of the post January 1, 2007, provisions regarding retirement effective date and benefit indexing applicable to persons not eligible to draw a benefit on the effective date of the statute
- With regard to the age and service requirements for full service retirement and early retirement, staff shall revise the existing statutory charts in a manner which increases the applicable reduction factors for early retirement in a manner which ensures the early retirement benefits shall be not greater than the actuarial equivalent of a full service retirement at the earliest date and shall modify the age and service requirement for members not yet vested to the rule of 90 with a minimum retirement age of 60 while not negatively impacting retiree access to PERACare for current and future members. The age and service differential available to State Troopers shall be retained in the development of the charts. The charts developed for this provision shall be applicable to persons not eligible to draw a benefit on the effective date of the statute.

Finally, the recommendation shall include provisions for the statutory adjustment of AED and SAED in the event the funded ratio of a division goes below 90 percent or above 110 percent and that the limitation on annual COLA be statutorily adjusted in the event the funded ratio of the existing PERA divisions in aggregate exceeds 110 percent and if thereafter said funded ratio is below 90 percent the annual COLA limit shall statutorily adjust to the extent necessary to reach full funding but not to a level below 2 percent.”