

The package is known for short as “2/2/2 Plus” in reference to the three main elements:

- A 2 percent increase in the AED
- A 2 percent increase in the SAED
- A 2 percent cap on the Cost of Living Adjustment (COLA) for all retirees, members, and inactive members

“Plus” refers to the necessary additional provisions that supplement those three key elements guaranteeing amortization of the unfunded actuarial accrued liabilities and maintaining full funding.

### **Recommended Changes for PERA Retirees:**

- Reduce the Cost of Living Adjustment (COLA) to an amount equal to the CPI-W with a cap of 2 percent, effective on the date the bill becomes law. The COLA effective date would be changed to July for all members.
- Require retirees who return to work to make employee contributions at the same rate as all members working for that employer. Such contributions shall not accrue a benefit and shall not be deposited into the member account.
- Prevent retirees who suspend their benefit and return to work from increasing their highest average salary and building additional service credit into the original retirement benefit. Retirees working after retirement, who elect to suspend their benefit, shall be entitled to an additional benefit segment upon re-retirement based upon years worked and salary earned during the period of suspension, if greater than one year.

### **Recommended Changes for Active and Inactive PERA Members:**

- Continue to escalate the Supplemental Amortization Equalization Disbursement (SAED), beginning in 2014, for a total increase of up to 2 percent beyond the current rate schedule. Currently, the SAED is 1 percent and will increase by 0.5 percent per year through 2013, to the existing 3 percent cap. The total amount of the SAED in 2017 would equal 5 percent. The Local Government Division and Judicial Division SAED would be frozen at the 2010 level (1.5 percent). The SAED is, to the extent permitted by law, to be funded by monies otherwise available for employee wage increases.
- Change the current 3-year highest average salary (HAS), with a base year, to a 5-year HAS with a base year, including an 8 percent spike cap. This change is applicable to members not eligible to draw a benefit (full or reduced service retirement) on the effective date of the statute. There is no change to the unique statutory HAS for the Judicial Division.
- Require all members with a retirement effective date of January 1, 2011, or later to receive benefits for a full calendar year prior to being eligible to receive a COLA.
- Require members to earn 5 years of service credit prior to being eligible for the 50 percent match. Current members with less than 5 years of earned service credit will be considered vested for the 50 percent match on all contributions earned through the effective date of the statute, but must reach 5 years of earned service credit to be eligible for the 50 percent match on contributions earned after the effective date of the statute.
- Revise the existing early retirement reduction factors to reflect actuarial cost. This revision would ensure that the early retirement benefits shall not be greater than the actuarial equivalent of a full

service retirement at the earliest date of retirement eligibility. This change will apply to all persons not eligible to draw a benefit on the effective date of the statute.

- Modify the age and service credit requirements for members who do not have five years of service credit to a minimum retirement age of 60 with 30 years of service credit. This Rule of 90 would apply until age 65, at which time a member would be able to retire with any amount of service credit. Eligibility for reduced retirement will not change in order to avoid a negative impact on retiree access to PERACare (retiree health insurance). The age and service differential available to State Troopers compared to non-State Troopers will not change from the existing statutory provisions.
- Repeal the current statute providing that any members who began PERA membership on or before December 31, 2006, and who terminated PERA membership with at least 25 years of service credit, would have their retirement benefits increased by the COLA that would have been granted to the account if a retirement benefit had been paid since the date of termination of membership. This change would apply to members not eligible to draw a benefit on the effective date of the statute.
- Repeal the current statute providing that any inactive member who began PERA membership on or before December 31, 2006, will, upon his or her retirement, receive a payment of retirement benefits retroactive to the date on which he or she first reached age and service eligibility for retirement. Retirement benefits will be paid no earlier than the first day of the month in which the member reaches age and service eligibility and submits a written retirement application. This change would apply to members not eligible to draw a benefit on the effective date of the statute.
- Reduce the COLA to an amount equal to the CPI-W with a cap of 2 percent for all active and inactive members. Therefore, they would be impacted like all current retirees.

#### **Recommended Change for PERA Employers:**

- Continue to escalate the Amortization Equalization Disbursement (AED), beginning in 2013, for a total increase of up to 2 percent beyond the current rate schedule. Currently, the AED will increase by 0.4 percent per year through 2012, to the existing 3 percent cap. The total amount of the AED in 2017 would equal 5 percent. The Local Government Division and Judicial Division AED would be frozen at the 2010 level (2.2 percent).

#### **Future Adjustments Based on Funding Status:**

- Adjust the COLA cap automatically based upon the year-end actuarial funded status of the plan. Once the total fund reaches a funded status of 110 percent, the COLA cap will increase by a designated amount, and subsequently, if the funded ratio of the total fund falls below 90 percent, the COLA cap will decrease by a designated amount. These increases and decreases will occur each year that the total funded status of the plan reaches 110 percent or drops below 90 percent. The COLA cap will not decrease below 2 percent.
- Mandate an automatic decrease in AED and SAED contributions to a division when the division's year-end actuarial funded ratio reaches 110 percent, and subsequently, if the funded ratio of the division subsequently falls below 90 percent, the contributions will increase. These decreases and increases will occur each year that the division's funded status reaches 110 percent or drops below 90 percent. The AED and SAED contribution rates will not exceed 5 percent each.

