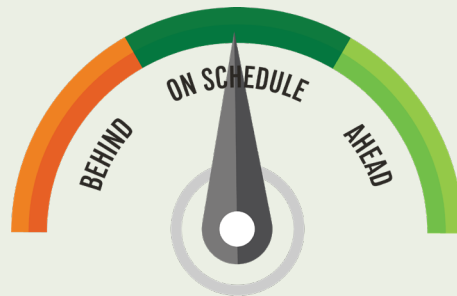


What is the **AUTOMATIC ADJUSTMENT** Provision?

The automatic adjustment provision is an innovative approach to pension funding that keeps PERA on a path to full funding. Under this approach, changes are included in statute that make automatic adjustments to four components: member contributions, employer contributions, the annual increase (AI) paid to retirees, and the direct distribution from the State. Every June, PERA reviews the progress toward its funding goal.

**PERA IS ON SCHEDULE
TO MEET ITS
FUNDING GOAL**



The automatic adjustment provision is reviewed on an annual basis to help ensure the long-term stability of benefits today and in the future.

As indicated in its 2019 financial report, PERA is on schedule to meet its funding goal. This means the automatic adjustment provision will not trigger any additional changes in 2021.

Current Provisions



Member contributions will not be affected by the automatic adjustment provision in July 2021. However, member contributions in some divisions will increase in July 2021 due to the regularly-scheduled increases built into legislation originally passed in 2018. See the PERA website for current member contribution rates.



Employer contributions will not be affected by the automatic adjustment provision in July 2021. However, additional payments (AED, SAED, and DC supplements) by employers in some divisions will increase in 2021 due to provisions already in place in PERA law. See the PERA website for current employer rates.



The AI paid to most eligible benefit recipients in July 2020 and July 2021 will be 1.25%.







Legislation enacted in 2020 suspended the direct distribution from the State for the 2020–21 fiscal year. This one-year suspension means PERA will not receive a direct distribution until the payment scheduled on July 1, 2021.

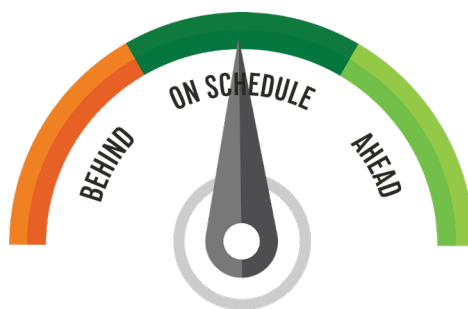
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How Does the Automatic Adjustment Keep PERA on Schedule?





IF PERA IS BEHIND SCHEDULE

-  Decrease AI percentage by up to 0.25% in one year, not to fall below 0.5%
-  Increase employer contributions by up to 0.5% in one year, not to exceed an additional 2%
-  Increase member contributions by up to 0.5% in one year, not to exceed an additional 2%
-  Increase the direct distribution from the State budget by up to \$20 million in one year, not to exceed \$225 million

PERA'S PROGRESS TOWARD FUNDING GOAL



IF PERA IS AHEAD OF SCHEDULE

-  Increase AI percentage by up to 0.25% in one year, not to exceed 2%
-  Decrease employer contributions by up to 0.5% in one year, not to fall below 2018 levels
-  Decrease member contributions by up to 0.5% in one year, not to fall below 2018 levels
-  Decrease the direct distribution from the State budget by up to \$20 million in one year

When Do Automatic Adjustment Provisions Take Effect?

PERA announces the progress toward its funding goal each year in June, along with any automatic adjustments to contributions or the AI, which would take effect the next July.

June 2020

PERA's 2019 financial report indicates PERA is on schedule and adjustments are not needed in 2021 to stay on track



June 2021

PERA's 2020 financial report is released and it will be determined whether adjustments are needed in 2022 to stay on track



Annually

Process occurs again

