

Updated Comparative Summary of Board-Approved Funding Plans (12-17-09)

	PERSⁱ	STRS	SERS	OP&F	HPRS
Contributions (Legislation required)	No proposed changes.	Employee rate increased from 10% to 12.5% beginning 7/1/2011 phased in by 0.5% per year. Employer rate increased from 14% to 16.5% beginning 7/1/2016 phased in by 0.5% per year.	No proposed changes.	Employee rate increased from 10% to 12% phased in by 0.5% increments from 2010 to 2013. Employer rate for police increased from 19.5% to 24% phased in by 0.5% in 2010, 2% in 2011 and 2% in 2012. Employer rate for police and fire increased from 24% to 25% (1/1/2013).	Employee rate increased from 10% to 11%. (Employer rate increased from 25.5% to 26.5% pursuant to board action effective 7/1/2009; H.B. 1 capped the employer rate at 26.5%.)
Retirement Eligibility (Legislation required)	Normal retirement increased from 65 to 67 with 5 YOS and from 30 to 32 YOS at age 55; Early retirement increased from 60 to 62 with 5 YOS and from 55 to 57 with 25 YOS, with actuarially-reduced benefits. ⁱⁱ	Normal retirement increased from 30 to 35 YOS at any age (retains age 65 with 5 YOS); 30 YOS at age 60. Early retirement increased from 25 to 30 YOS at age 55 (retains age 60 with 5 YOS), with actuarially-reduced benefits.	Normal retirement increased from 65 to 67 with 10 YOS and from 55 to 57 with 30 YOS. Early retirement retained at age 62 with 10 YOS and age 60 with 25 YOS, with actuarially-reduced benefits, and applied to members hired prior to S.B. 148 (eff. 5/14/08)	Normal retirement increased from 48 to 52 with 25 YOS for <i>new</i> hires only. Early retirement available at age 48 with 25 YOS, with actuarially-reduced benefits for <i>new</i> hires.	No proposed changes.
Benefit Accrual Rate (Legislation required)	Benefit formula changed to 2.2% for the first 35 YOS, plus 2.5% for YOS after 35 (instead of 30). Minimum benefit of \$86 per YOS eliminated.	Benefit formula changed to flat 2.2% for the first 30 YOS, plus flat 2.5% for YOS after 30. 35-year incentive of 88.5% of FAS eliminated. ⁱⁱⁱ	No proposed changes.	No proposed changes.	No proposed changes.
FAS (Legislation required)	FAS changed from average 3 to 5 years.	FAS changed from average 3 to 5 years.	No proposed changes.	FAS changed from average 3 to 5 years for members with < 15 YOS.	FAS changed from average 3 to 5 years.

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COLA (Legislation required)	Lesser of actual change in CPI-W or 3% for <i>future</i> retirees only.	COLA reduced from 3% to 2% for <i>current</i> retirees and to 1.5% for <i>future</i> retirees.	No proposed changes.	COLA deferred until age 55 for <i>current</i> and <i>future</i> retirees, except surviving beneficiaries (12 months after effective date of benefit).	COLA decreased from 3% to 2% for <i>current</i> and <i>future</i> retirees, except for retirees who are age 65 and receiving a pension of less than 185% of federal poverty level (\$26,000). COLA deferred until age 60 for benefit recipients (currently age 53). Board authority to increase COLA up to 3% when funds are available.
Allocation to Retiree Health Care Benefits (Board may determine amount allocated to retiree health care.)	Reduced from 7% to 5.5% in 2009 and, in 2010, to 4%.	No proposed changes.	Reduced from 4.16% to estimated 0.31%, <i>excluding</i> employer health care surcharge of 1.5%.	Reduced from 6.75% to 4.8%. (Ties health care premium subsidy to years of service for new retirees up to a maximum 75% of monthly premium.)	Reduced from 5.5% to an amount necessary to bring plan to a 30-year funding period (estimated 0.3% reduction)
Part-Time/Full-Time Service Credit (Legislation required)	Increased from \$250 to \$1,000 per month to earn one month of credit, indexed to wage inflation.	No proposed changes.	No proposed changes.	Not applicable	Not applicable
Purchased Service Credit (Legislation required)	Require member to pay 100% of liability resulting from purchase.	Require member to pay 100% of liability resulting from purchase.	Require member to pay 100% of liability resulting from purchase.	Require member to pay 100% of liability resulting from purchase.	Require member to pay 100% of liability resulting from purchase.
DROP Plans (Legislation required, <i>except Board may determine interest rate.</i>)	Not applicable	Not applicable	Not applicable	Interest reduced from 5% to 3%; minimum period (no penalty) increased from 3 to 5 years.	Additional 1% employee contribution paid to HPRS, not DROP account.

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Disability Modifications (Legislation required)	<p>Change from “own occupation” to “any occupation” standard after three years on disability (up to maximum five years if continued treatment though active case management).^{iv} Exclude disabilities that were the result of a voluntary commission of a felony or elective cosmetic surgery. Prohibit post-separation eligibility unless disability began during employment or is work-related. Mandate application for Social Security Disability and offset any benefits received from SSDI, except for those who maintained two jobs for at least five years prior to disability.^v Limit employer duty to reinstate member to former job to 3 years after disability, <i>except if member is on continued treatment, then up to maximum 5-year period.</i></p>	No proposed changes.	No proposed changes.	No proposed changes.	No proposed changes.

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Disability Modifications (Continued) (Legislation required)	Limit service credit while on disability to matching years of service based on the actual time member returned to covered public employment, with a minimum of 2 years and a maximum of 5 years. Make members ineligible for disability benefits who are working at their own job after approval of disability benefits, <i>except for members with modified duties or hours or with future-dated treatment that will create incapacity.</i>	No proposed changes.	No proposed changes.	No proposed changes.	No proposed changes.
Membership Determination (Legislation required)	Establish a five-year limit for individuals to initiate a request for membership determination in PERS.	No proposed changes.	No proposed changes.	No proposed changes.	No proposed changes.
Retroactive Benefits (Legislation required)	Limit retroactive benefit payments for inactive members to within 90 days of application (currently retroactive to date member first eligible for retirement)	No proposed changes.	No proposed changes.	No proposed changes.	No proposed changes.
Inter-System Transfers (Legislation required)	Actuarially-determined cost for inter-system transfers, with credit either prorated or purchased by member.	No proposed changes.	No proposed changes.	No proposed changes.	No proposed changes.

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Mitigating Rate for Participants in DC Plan (Legislation required)	Authorize the board rather than the actuary to determine the rate to mitigate any negative impact upon the DB plan as a result of participants electing the DC plan.	No proposed changes.	No proposed changes. (SERS Board has not yet established a DC Plan as required by statute.)	Not applicable	Not applicable

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- ⁱ The PERS Board recommended the following three group phase-in once legislation is enacted: Group A – Must be eligible to retire within five years after the effective date of the legislation – grandfathered in under the current plan, except for COLA provision; Group B – must have 20 or more years of service by the effective date of the legislation or be eligible to retire within 10 years after the effective date of the legislation – grandfathered in under the current plan, except for the COLA provision and the actuarial reduction factors for early retirement; and Group C – all others - all elements of the new plan design apply.
- ⁱⁱ The law enforcement and public safety divisions represent only 2.3% of the active members in PERS. PERS generally recommends increases in the age of retirement by two years, but suggests that the ORSC may wish to consider consistency with any proposed changes made in OP&F and HPRS retirement ages.
- ⁱⁱⁱ STRS members who have 30 years of service, who are age 55 with 25 years of service, or who are age 60 with 5 years of service as of July 1, 2015 would receive the greater of the following: The benefit as of July 1, 2015 under the current formula; OR the benefit upon retirement under the new formula.
- ^{iv} Definition of “any occupation” is that the employee is not capable of gainful employment that would replace 75% of FAS, that could reasonably be found in the employee’s regional job market, and for which the employee is qualified by experience, education and station in life.
- ^v Increase FAS by CPI in calculation of income before taking offset.