

**LEGISLATIVE EDUCATION STUDY COMMITTEE  
BILL ANALYSIS**

**Bill Number:** CS/HB 628a

**50th Legislature, 1st Session, 2011**

**Tracking Number:** .186115.1

**Short Title:** Contribution Rate Changes in Retirement Plans

**Sponsor(s):** Representative Donald E. Bratton

**Analyst:** Craig J. Johnson

**Date:** March 30, 2011

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**AS AMENDED**

The Senate Finance Committee amendments add temporary provisions:

- **directing the Educational Retirement Board (ERB) and the Public Employees Retirement Association (PERA) to conduct actuarial studies to determine any negative impact to the funds due to the employer/employee contribution shifts and to request supplemental appropriations to address the effects in the 2014 session;**
- **clarifying how employee salaries are determined for the \$20,000 salary threshold; and**
- **extending the 1.75 percent shift into FY 13 if:**
  - **General Fund revenues in FY 12 will be less than \$100 million more than the General Fund revenue forecast reflected in the FY 12 budget; and**
  - **at the end of FY 12, the total amount in the state reserve funds will be less than 5.0 percent.**

**Original Bill Summary:**

CS/HB 628 amends the *Public Employees Retirement Act* and the *Educational Retirement Act* (ERA) to make changes to pension contribution rates.

Among its provisions, CS/HB 628:

- extends the 1.5 percent contribution shift from the employer to the employee for two more years (FY 12 and FY 13);
- implements an additional 1.75 percent contribution shift for employees making over \$20,000 for FY 12; and
- for ERA, delays the two remaining 0.75 percent employer increases set for FY 12 and FY 13 to FY 14 and FY 15.

CS/HB 628 affects ERA and the following plans under the PERA:

- State General Member Plan 3 (applicable to most state employees);
- State Police Member and Adult Correctional Officer Member Plan 1;
- State Hazardous Duty Member Plan 2;
- Judicial Retirement Act (JRA); and
- Magistrate Retirement Act (MRA).

**Fiscal Impact:**

The Legislative Finance Committee estimates the total FY 12 General Fund savings to be approximately \$111 million as follows:

- extend 1.5 percent contribution shift: \$42.2 million;
- FY 12 1.75 percent contribution shift: \$49.2 million;
- delay ERA employer increase: \$19.3 million;
- **FY 12 TOTAL Impact:** \$110.7 million.

**Fiscal Issues:**

CS/HB 628 would align all contribution rates for FY 12 at the levels assumed and funded in the current version of the *General Appropriation Act of 2011* (GAA).

As currently structured, the GAA:

- does not fund the additional 1.5 percent increase in employer contributions that would result from the expiration of the existing 1.5 percent swap in June 30, 2011;
- assumes an additional 1.75 percent contribution shift from the employer to the employee, contingent on passage of legislation; and
- does not include funding for the scheduled 0.75 percent increase in ERA employer contributions for FY 12.

The tables below show the contribution rate changes in CS/HB 628 compared to current law.

	A	B	C	D	E	F	G	H	I	J
	<b>TABLE 1: HB 628 and ERB Contributions</b>					<b>Table 2: HB 628 and PERA contributions</b>				
1	<b>ERA Employer Contribution</b>					<b>PERA Employer Contribution</b>				
2		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>
3	FY11	10.9%	0.0%	10.9%	0.0%	FY11	15.09%	0.0%	15.09%	0.0%
4	FY12	13.15%	2.25%	9.15%	-1.75%	FY12	16.59%	1.50%	13.34%	-1.75%
5	FY13	13.9%	0.75%	10.9%	1.75%	FY13	16.59%	0.00%	15.09%	1.75%
6										
7	<b>ERA Employee Contribution</b>					<b>PERA Employee Contribution</b>				
8		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>
9	FY11	9.4%	0.0%	9.4%	0.0%	FY11	8.92%	0.0%	8.92%	0.0%
10	FY12	7.9%	-1.5%	11.15%	1.75%	FY12	7.42%	-1.50%	10.67%	1.75%
11	FY13	7.9%	0.0%	9.4%	-1.75%	FY13	7.42%	0.00%	8.92%	-1.75%
12										
13	<b>ERA Total Contribution</b>					<b>PERA Total Contribution</b>				
14		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>		<b>Current Law</b>	<b>Change</b>	<b>HB 628</b>	<b>Change</b>
15	FY11	20.3%	0.0%	20.3%	0.0%	FY11	24.01%	0.00%	24.01%	0.00%
16	FY12	21.05%	0.75%	20.3%	0.0%	FY12	24.01%	0.00%	24.01%	0.00%
17	FY13	21.8%	0.75%	20.3%	0.0%	FY13	24.01%	0.00%	24.01%	0.00%

NOTE: Contribution rates are for employees making more than \$20,000 annually.

## **Substantive Issues:**

The ERB analysis of similar legislation notes that:

- there could be a smaller negative actuarial impact as a result of shifting contributions from employers to employees because employer contributions are not refundable, but employee contributions are refundable;
- that an actuarial study would have to be performed to determine the effect of the cumulative shift on the Educational Retirement Fund; and
- negative actuarial impacts would be measured by the increase in the unfunded actuarial accrued liability, decrease in the funded ratio or an increase in the funding period.

The PERA analysis of similar legislation also maintains that additional employee-employer contribution swaps would have a negative impact on its funds. Any further reduction in employer contributions will negatively impact the PERA, MRA, and JRA funds.

PERA notes that:

- If the total contributions are kept the same, but some of the contributions are shifted from employer to employee, the amortization period for that plan will increase because employer contributions are nonrefundable and remain with the respective retirement funds.
- PERA actuaries state that every \$100 increase in employee contributions will decrease employer contributions by approximately \$95.00. The reason there is not a 1-to-1 relationship is that employee contributions are refundable upon termination, where as the employer contributions are not.
- Under the PERA, JRA, and MRA, the actual relationship will vary from group to group depending on the rates of terminations. The higher the rates of termination, the farther from a 1-to-1 relationship the group will be. As a result, PERA will experience a net loss to its retirement funds to the benefit of the General Fund.
- There will be some minimal cost associated with modifying its computer pension administration system.

*AFSCME Council 18 et. al. vs. State of New Mexico, et. al. Case No. CV-2009-7148*

- The PERA analysis noted that without an actuarial determination that a change to the existing statutory contribution rates is required to enhance or benefit the actuarial soundness of the retirement fund, reallocating contribution rates between the employee and employers may violate the Constitution of New Mexico.
- The ERB analysis advises that the additional contribution shift contemplated by CS/HB 628 could be challenged under the New Mexico constitution as a “taking.” Article XX, Section 22 of the constitution states that the Legislature “shall not enact any law that increase the benefits paid by the system in any manner or change the funding formula for a retirement plan unless adequate funding is provided.” The section also states that nothing in it “shall be construed to prohibit modification to retirement plans that enhance or preserve the actuarial soundness” of an effected trust fund or plan.

- The Attorney General analysis provides more insight into the issue by adding, “There is a pending lawsuit stemming from the passage in 2009 of HB 854, which introduced the first 1.5% contribution shift. The State district court presiding over the case has dismissed nearly all of the claims raised by the plaintiffs, but the plaintiff’s takings claim has survived. Importantly, if the plaintiffs are successful on that claim, they would be entitled to the payment of damages as compensation for the taking.”

**Background:**

- Laws 2005, Chapter 273, increased the ERB employer contribution rate 0.75 percent annually from FY 06 through FY 12 to a final 13.9 percent.
- Laws 2009, Chapter 127, initiated a two-year 1.5 percent contributions shift from both the ERB and PERA employer to the employee as a solvency measure to produce a balanced state budget.
- Then, Laws 2010, Chapter 67 (SB 91), delayed the 0.75 percent ERB employer increase scheduled for FY 11 to FY 12 and the final 0.75 percent employer increase to FY 13. Thus, the culmination of this legislation, if left intact, produces a 2.25 percent increase in the employer ERB contribution and a 1.5 percent increase in the employer PERA contribution effective July 1, 2011.

Also in 2010, a 25-member task force implemented by Laws 2009, Chapter 288, studied solvency issues relating to PERA, ERB, and the Retiree Health Care Authority. This task force recommended three bills to the Investment Oversight Committee:

- delaying the two 0.75 percent ERB employer contribution increases due in FY 12 and FY 13 to spread over six years to FY 17;
- reinstating the \$15,000 salary exemption for the PERA return-to-work program; and
- moving the contribution formula for PERA’s judicial and magistrate plans from docket fees to the General Fund.

Attached to the bill analysis are:

- a matrix of retirement related legislation; and
- a comparison of ERA and PERA plans.

**Related Bills:**

CS/HB 2aaa et al. *General Appropriation Act of 2011*  
 HB 57 *Public Employees Returning to Work*  
 HB 58aa *Judicial Retirement Contributions*  
 HB 129a *Returning Educational Retiree Payments*  
 HB 133 *Delay Educational Retirement Contributions*  
 HB 142 *Public Retirees Returning to Work*  
 HB 251 *Amend Certain Retirement Acts*  
 HB 272 *Public Employee & Education Retirement Acts*  
 SB 87 *Public Employee Retirement Contribution*  
 SB 88 *Judicial Employee Retirement Contribution*  
 SB 268 *Public Employee Retirement Plan Changes*

**RETIREMENT PLAN LEGISLATION**

Attachment 1

Bill Number	Title	Sponsor	Referrals			Retirement System
			1	2	3	
*HB 18	<b>INCREASE LEGISLATIVE RETIREMENT CONTRIBUTIONS</b> House Bill 18 (HB18) increases the annual member contribution rate for State Legislator Member Coverage Plan 2 from \$500 for each year of credited service to \$600. HB 18 contains an emergency clause and that would affect the 2011 annual contribution rate. (LFC FIR)	Dennis J. Kintigh	HHGAC/D P	HAFC		PERA
HB 57	<b>PUBLIC EMPLOYEES RETURNING TO WORK</b> HB 57 amends the Public Employees Retirement Act to change the requirements for returning to public employment after retirement.	Mimi Stewart	HLC/DP	HHGAC/ DP		PERA
HB 58a	<b>JUDICIAL RETIREMENT CONTRIBUTIONS</b> House Bill 58 appropriates \$3,051,000 from the general fund to the Department of Finance and Administration for expenditure in fiscal year 2012 for distribution to the Supreme Court, Court of Appeals, District Courts, BCMC and the AOC to pay increased employer contributions to the judicial and magistrate retirement funds.  House Bill 58 would, beginning in FY12, fund judicial retirement funds from employer and employee contributions as a percentage of salary. The current statutory scheme relies in part on collection of docket fees, in the amount of about \$3,000,000 per year.(LFC FIR)	Mimi Stewart	HJC/DP a	HAFC		PERA
HB 129a	<b>RETURNING EDUCATIONAL RETIREE PAYMENTS</b> HB 129 amends the <i>Educational Retirement Act</i> to require a retired member who returns to employment at a local administrative unit prior to January 1, 2022 to pay to the Educational Retirement Fund (ERF) an amount equal to the contributions that would be required if the employee were still an active member. Current statute requires the local administrative unit to pay both the employee's and the employer's share of the required contributions.	Luciano "Lucky" Varela	HEC/DP a	HAFC		ERB
HB 131	<b>PUBLIC EMPLOYEE RETIREMENT INFO DISCLOSURE</b> House Bill 131 amends the PERA Act to authorize PERA to provide the names and addresses of PERA members and retired members to nonprofit retirement organizations if PERA withholds dues deduction for that nonprofit. The information released must be used exclusively by the nonprofit and not be distributed or used for commercial purposes. (LFC FIR)	Luciano "Lucky" Varela	HLC/DP	HHGAC		PERA

Bill Number	Title	Sponsor	Referrals			Retirement System
			1	2	3	
HB 133	<p><b>DELAY EDUCATIONAL RETIREMENT CONTRIBUTIONS</b> HB 133 amends the Educational Retirement Act to:</p> <ul style="list-style-type: none"> <li>• delay the increases in the employer’s contribution to the Educational Retirement Fund that are scheduled to begin July 1, 2011; and</li> <li>• increase the employer contributions incrementally, by 0.5 percent annually, until FY 17 when the employer contribution will be 13.9 percent of an employee’s salary.</li> </ul> <p>The effective date of HB 133 is July 1, 2011. (LESC Analysis)</p>	Mimi Stewart	HLC/DP	HEC		ERB
HB 142	<p><b>PUBLIC RETIREES RETURNING TO WORK</b> House Bill 142 amends the PERA Act to allow retirees return to work (RTW) to fill the following employment positions with PERA-affiliated employers without suspending their pensions:</p> <ul style="list-style-type: none"> <li>• Undersheriffs and executive secretaries to sheriffs pursuant to Section 4-41-5 NMSA 1978;</li> <li>• School crossing guards; and</li> <li>• Precinct board members for elections. (LFC FIR)</li> </ul>	Ben Luján	HLC/DP	HHGAC		PERA
HB 146 <i>Identical to SB 119</i>	<p><b>RETIREMENT BENEFICIARY DESIGNATION OF SPOUSE</b> Effective July 1, 2011, HB 146 amends both the <i>Public Employees Retirement Act</i> and the <i>Educational Retirement Act</i> to allow a retired member, upon remarriage, to exercise a one-time irrevocable option to designate a new spouse as the survivor beneficiary under certain conditions. (LESC Analysis)</p>	James Roger Madalena	HCPAC/DP	HHGAC		PERA & ERB
HB 251	<p><b>AMEND CERTAIN RETIREMENT ACTS</b> HB 251 amends the <i>Public Employees Retirement Act</i> and the <i>Educational Retirement Act</i> to reduce cost-of-living adjustments and increase age and service requirements for certain legislators and employees.</p>	Mimi Stewart & Stuart Ingle	HLC	HHGAC		PERA & ERB
HB 265 <i>Identical to SB 217</i>	<p><b>MILITARY RETIREMENT INCOME TAX EXEMPTION</b> HB 265 provides an income tax exemption for 100.0 percent of military retirement or retainer pay includable in net income.</p>	Terry H. McMillan	HHGAC/DP	HTRC		Not Applicable

Bill Number	Title	Sponsor	Referrals			Retirement System
			1	2	3	
HB 272	<b>PUBLIC EMPLOYEE &amp; EDUCATION RETIREMENT ACTS</b> HB 272 amends the <i>Public Employees Retirement Act</i> and the <i>Educational Retirement Act</i> to require the two retirement boards to provide actuarial and other solvency-related reports upon request to the Legislature and to interim committees of the Legislature.	Mimi Stewart	HLC/DP	HEC		PERA & ERB
HB 468	<b>PUBLIC EMPLOYEE RETIREMENT CONTRIBUTIONS</b> changes the employer and employee contribution rates in certain retirement plans; provides that, from July 1, 2011 through June 30, 2013, the employer contributes 12.4 percent of the annual salary of each member employed by the local administrative unit whose annual salary is \$20,000 or less, and 10.9 percent of the annual salary of each member employed by the local administrative unit whose annual salary is greater than \$20,000; and applies the schedule to any member who is an educational assistant, licensed by the Public Education Department and working in a grade level from pre-kindergarten through grade twelve, or a teacher.	Donald E. Bratton	HLC	HAFC		PERA & ERB
SB 87	<b>PUBLIC EMPLOYEE RETIREMENT CONTRIBUTION</b> Senate Bill 87 amends the <i>Public Employees Retirement Act</i> to increase the employer and employee contribution rates for State General Plan 3 (SG3) and several municipal plans by 8 percent over four years. (LFC FIR)	George K. Muñoz	SPAC	SFC		PERA
SB 88	<b>JUDICIAL EMPLOYEE RETIREMENT CONTRIBUTION</b> Senate Bill 88 amends both the <i>Judicial Retirement Act (JRA)</i> and the <i>Magistrate Retirement Act (MRA)</i> to increase the statutory contribution rates to address actuarial concerns regarding plan solvency. (LFC FIR)	George K. Muñoz	SJC/DP	SFC		JRA & MRA
SB 119 <i>Identical to HB 146</i>	<b>RETIREMENT BENEFICIARY DESIGNATION OF SPOUSE</b> Effective July 1, 2011, SB 119 amends both the <i>Public Employees Retirement Act</i> and the <i>Educational Retirement Act</i> to allow a retired member, upon remarriage, to exercise a one-time irrevocable option to designate a new spouse as the survivor beneficiary under certain conditions. (LESC Analysis)	John M. Sapien & Jim R. Trujillo	SEC/DP	SPAC	SFC	PERA & ERB

Bill Number	Title	Sponsor	Referrals			Retirement System
			1	2	3	
SB 186	<b>MUNICIPAL CONTRIBUTIONS TO RETIREMENT PLANS</b> SB 186 amends the <i>Public Employees Retirement Act</i> to prohibit a municipal affiliated public employer from electing to be responsible for any portion of an employee's member contribution to any coverage plan created on or after July 1, 2011.	Carroll H. Leavell	SPAC	SFC		PERA
SB 204	<b>REDUCE PERA COST-OF-LIVING ADJUSTMENTS</b> Senate Bill 204 amends the PERA Act to base the cost-of-living adjustment (COLA) on 3/4s the Consumer Price Index (CPI), with a floor of 0 percent and a cap of 3 percent. The current COLA is a flat 3 percent regardless of inflation or age, starting two full calendar years after retirement, and compounds annually.	John A. Smith	SPAC	SJC	SFC	PERA
SB 217 <i>Identical to HB 265</i>	<b>MILITARY RETIREMENT PAY TAX EXEMPTION</b> SB 217 provides an income tax exemption for 100.0 percent of military retirement or retainer pay includable in net income.	William E. Sharer	SCORC	SFC		Not Applicable
SB 247	<b>FORFEITURE OF RETIREMENT FOR CERTAIN CRIMES</b> SB 247 provides for the forfeiture of pensions and other retirement benefits of active and retired members who are convicted of a felony arising out of the misuse of public money related to the member's public employment. (LESC Analysis)	Sue Wilson Beffort	SEC/DP	SJC	SFC	PERA, ERB, MRA, JRA
SB 248	<b>CHANGE PUBLIC RETIREE CONTRIBUTIONS</b> SB 248 changes the employer and employee contribution rates in certain retirement plans. SB 248 increases the employee contribution rate for both Education Retirement Board retirement plans as some Public Employee Retirement Association Plans for FY12, from July 1, 2011 to June 30, 2012. SB 248 swaps employee/employer contribution rates by an additional 1.75 percent, in addition to the 1.5 percent swap in place since July 1, 2009.	Stewart Ingle	SPAC	SFC		ERB, PERA, State Police, State Hazardous Duty, JRA, MRA
SB 265	<b>EDUCATIONAL RETIREMENT CONTRIBUTIONS</b> SB 265 amends the <i>Educational Retirement Act</i> to increase employee contributions over a four-year period to 8.4 percent for employees making \$20,000 or less annually and to 9.9 percent for employees making more than \$20,000 annually. SB 265 also extends the phase-in period for the increase in the employer's contributions.	Vernon D. Asbill	SEC/DP	SFC		ERB



Bill Number	Title	Sponsor	Referrals			Retirement System
			1	2	3	
SB 268	<p><b>PUBLIC EMPLOYEE RETIREMENT PLAN CHANGES</b>            SB 268 amends the <i>Public Employees Retirement Act</i>:</p> <ul style="list-style-type: none"> <li>to create retirement plans and amend cost-of-living adjustments for uniformed and non-uniformed state and municipal employees hired on or after July 1, 2011 and to close eligibility for existing retirement plans to employees hired on or after July 1, 2011;</li> <li>to add new retirement plans to the categories of enhanced plans in the retiree health care act; and</li> <li>to repeal and reconcile various sections of law.</li> </ul>	Steven P. Neville	SPAC/DP	SFC		PERA
SB 269	<p><b>EDUCATIONAL RETIREMENT BOARD BANK &amp; ATTORNEYS</b>            SB 269 amends the Educational Retirement Act to permit the Educational Retirement Board to select and contract for the services of one or more custodial banks and to contract for legal services for litigation matters on a contingent fee basis, subject to the provisions of the <i>Procurement Code</i>.</p>	John M. Sapien	SEC	SJC	SFC	ERB
SB 303	<p><b>IDENTICAL BENEFITS FOR SOME PUBLIC EMPLOYEES</b>            SB 303 amends the <i>Public Employees Retirement Act</i> and the <i>Educational Retirement Act</i> to provide that, for members beginning employment after December 31, 2013, certain members under PERA and all members under ERA will have:</p> <ul style="list-style-type: none"> <li>identical retirement eligibility requirements;</li> <li>identical contribution rates;</li> <li>identical cost-of-living adjustments; and</li> <li>identical methods for calculating final average salaries.</li> </ul> <p>SB 303 also requires each retirement board to conduct actuarial studies to determine retirement benefits for those new employees.</p>	Cynthia Nava	SEC	SPAC	SFC	PERA & ERB

## COMPARISON OF ERA AND PERA BENEFITS

Category	ERA	PERA – State General Member Plan 3
Membership Eligibility	<ul style="list-style-type: none"> <li>• <b>Regular/Defined Benefit Plan<sup>1</sup></b> – All public school and university employees working more than 0.25 of Full Time Equivalent (FTE) are eligible for membership in ERB;</li> <li>• <b>Alternative Retirement Plan (ARP)</b> – Certain two- and four-year community college, university faculty, professional employees, persons who perform research, and other services pursuant to a contract between a local administrative unit (LAU) and the federal government may choose within the first 90 days of employment to join the ARP, a <b>defined contribution plan<sup>2</sup></b>; after seven years (84 months) of contributing to the ARP, participants may elect to switch to the defined benefit plan as new members; service credit may be purchased for ARP service; and educationally certified employees in certain state agencies with an educational component may choose either ERB or PERA plan, unless they possess a current teaching certificate.</li> </ul>	<p>All employees of PERA affiliates must be members of PERA <u>excluding</u> the following:</p> <ul style="list-style-type: none"> <li>• seasonal and temporary employees;</li> <li>• part-time employees working less than 20 hours in a 40-hour pay period or less than 40 hours in an 80-hour pay period;</li> <li>• student employees;</li> <li>• elected officials;</li> <li>• retired legislative workers; and</li> <li>• retired members from ERB.</li> </ul>
Retirement Eligibility	<p><u>Initial membership prior to July 1, 2010:</u></p> <ul style="list-style-type: none"> <li>• 25 years of service, regardless of age;</li> <li>• Rule of 75: age + service = 75; or</li> <li>• age 65 with 5 years of service.</li> </ul> <p><u>Initial membership after July 1, 2010:</u></p> <ul style="list-style-type: none"> <li>• 30 years of service, regardless of age;</li> <li>• Rule of 80: age + service = 80; or</li> <li>• age 67 with 5 years of service.</li> </ul>	<ul style="list-style-type: none"> <li>• 25 years of service, regardless of age;</li> <li>• age 65, with 5 years of service;</li> <li>• age 64 with 8 years of service;</li> <li>• age 63 with 11 years of service;</li> <li>• age 62 with 14 years of service;</li> <li>• age 61 with 17 years of service; or</li> <li>• age 60 with 14 years of service.</li> </ul>
Contributions  <i>Contribution percentages through June 30, 2011.</i>	<p><u>Over \$20k</u></p> <ul style="list-style-type: none"> <li>• Member: 9.4% of salary</li> <li>• Employer: 10.9% of salary</li> <li>• Total: 20.3%</li> </ul> <p><u>Under \$20k</u></p> <ul style="list-style-type: none"> <li>• Member: 7.9% of salary</li> <li>• Employer: 12.4% of salary</li> <li>• Total: 20.3%</li> </ul>	<p><u>Over \$20k</u></p> <ul style="list-style-type: none"> <li>• Member: 8.92% of salary</li> <li>• Employer: 15.09% of salary</li> <li>• Total: 24.01%</li> </ul> <p><u>Under \$20k</u></p> <ul style="list-style-type: none"> <li>• Member: 7.42% of salary</li> <li>• Employer: 16.59% of salary</li> <li>• Total: 24.01%</li> </ul>

<sup>1</sup> A defined benefit plan provides retired employees with a fixed monthly annuity based primarily on the employee's salary history and years of service. Under this plan, the employer bears the investment risk.

<sup>2</sup> A defined contribution plan guarantees that an employer makes a predetermined fixed contribution into an account established by the employer for the employee. An employee may then elect or be required to also contribute some of his compensation. In a defined contribution plan, the employee bears the investment risk of meeting the employee's retirement income goals.

Category	ERA	PERA – State General Member Plan 3
Cost-of-Living Adjustment (COLA)	<ul style="list-style-type: none"> <li>• ½ the Consumer Price Index (CPI) beginning at age 65 capped @ 4%;</li> <li>• if CPI is less than 2%, then equals CPI; and</li> <li>• minimum @ 0%.</li> </ul>	<ul style="list-style-type: none"> <li>• 3%; implementation depends on retirement date with a minimum of approximately 2.5 calendar years after retirement.</li> </ul>
Withdrawn Service Credit and Forfeited Service Credit	<p style="text-align: center;"><u>Withdrawn Service Credit</u></p> <ul style="list-style-type: none"> <li>• Upon terminating employment, a member may withdraw his or her contribution plus interest (the interest rate is determined annually by the Board).</li> <li>• The cost to purchase withdrawn service is 8% from the date of withdrawal to the date of purchase.</li> </ul>	<p style="text-align: center;"><u>Forfeited Service Credit</u></p> <ul style="list-style-type: none"> <li>• Service credit for which a member withdrew – or forfeited – employee contributions and interest in the past can be purchased by paying the total of the amount withdrawn plus interest from the date the contributions were withdrawn to the date of purchase.</li> </ul> <p>5.25% - Interest prior to 12/31/83 10.0% - Interest: 1/1/84 - 12/31/01 8.0% - Interest: 1/1/02 to present</p>
Allowed Time and Air Time	<p style="text-align: center;"><u>Allowed Time</u> (no provision for air time)</p> <ul style="list-style-type: none"> <li>• Members can purchase up to five years of service from private educational service or public educational service in another state.</li> <li>• Cost is actuarial. For example, a 50-year old with 20 years of earned service making \$40,000 would pay \$26,459 for one year of allowed service.</li> </ul>	<p style="text-align: center;"><u>Air Time</u><sup>3</sup></p> <ul style="list-style-type: none"> <li>• Members must be vested with five years of earned service credit to be eligible to purchase up to 12 months of “air time” permissive service credit.</li> <li>• Cost is full actuarial value. A 50-year old with 20 years of earned service making \$40,000 would pay an estimated \$18,222 for one year of air time.</li> </ul>
Military Service Credit	<ul style="list-style-type: none"> <li>• Members vested with five years of earned service credit can purchase up to five years of non-intervening military service credit at any time.</li> <li>• Cost is a total of the employee and employer contribution rate (20.3% in FY 10), multiplied by the average of the highest 60 consecutive months of salary for each month of military service credit purchased.</li> </ul>	<ul style="list-style-type: none"> <li>• Members vested with five years of earned service credit can purchase up to five years of non-intervening military service credit at any time.</li> <li>• Cost is a total of the employee and employer contribution rate (24.01% for State General Member Plan 3), multiplied by the average of the highest 36 consecutive months of salary for each month of military service credit purchased.</li> </ul>
Miscellaneous Service Credit	<ul style="list-style-type: none"> <li>• ERB does not allow the purchase of any service credit other than the allowed time, military service, and withdrawn service discussed above.</li> </ul>	<p>PERA provides for purchasing the following additional service credit:</p> <ul style="list-style-type: none"> <li>• service prior to affiliating with PERA;</li> <li>• civilian prisoner of war;</li> <li>• cooperative work study programs; and</li> <li>• employment with a utility company, library, museum, transit company, or by a nonprofit organization taken over by a PERA-affiliated public employer.</li> </ul>

<sup>3</sup> Air time is service credit that is not tied to employment with a PERA affiliate.

Category	ERA	PERA – State General Member Plan 3
Retirees Returning to Work	<ul style="list-style-type: none"> <li>• 12-month layout period prior to applying for the return-to-work program. Retirees may <u>not</u> work for, contract with, or volunteer in a typically paid position for an ERB employer during the 12 month layout period;</li> <li>• employers make employer and employee contributions (FY 10 only);</li> <li>• members who retired before 1/1/2001 may return to work without a layout;</li> <li>• members who retired before 1/1/2001 but suspend their pensions must layout for 90 days;</li> <li>• a retiree may earn the greater of \$15,000 or 0.25 FTE with an ERB employer and maintain his or her pension; and</li> <li>• retirees may work as independent contractors but must follow IRS code.</li> </ul>	<p>Effective July 1, 2010, a retiree is eligible to return to work for a PERA affiliate as long as the following conditions have been met:</p> <ul style="list-style-type: none"> <li>• the retiree must complete a 12-month break in service from the date of retirement;</li> <li>• the retiree cannot be retained as an independent contractor with the employer from which he or she retired during the 12-month break in service; and</li> <li>• no contributions are made by the employee or employer when a retiree suspends his or her pension and returns to work.</li> </ul> <p><u>Retirees re-employed before July 1, 2010</u></p> <ul style="list-style-type: none"> <li>• retirees who were re-employed by a PERA affiliate before July 1, 2010 were grandfathered in under the laws in place when they were re-employed;</li> <li>• re-employed retirees who were grandfathered in must begin paying the employee contribution portion on their salary;</li> <li>• the employer will continue to pay the employer contribution amount on behalf of the employee; and</li> <li>• employee contributions made during reemployment are nonrefundable and stay in the PERA fund.</li> </ul>
Benefit Calculation	<p>Final average salary of highest five consecutive years of service  X  Years of service  X  .0235</p> <p>No maximum benefit. 80% benefit is reached after 34 years of service.</p>	<p>Final average salary of highest three consecutive years of service  X  Years of service  X  .03</p> <p>Benefit maximizes at 80% with 26 years and eight months of service.</p>