MINUTES
of the
THIRD MEETING
of the
RETIREMENT SYSTEMS SOLVENCY TASK FORCE

September 8, 2009
Room 307, State Capitol
Santa Fe

The third meeting of the retirement systems solvency task force was called to order by Mr. Tito Chavez, co-chairman, on September 8, 2009 at 10:15 a.m. in Room 307, State Capitol.

Present were:
Mr. Tito Chavez, co-chairman
Rep. Mimi Stewart, co-chairwoman
Mr. Diego Arencon
Mr. Oscar Arevalo
Rep. Richard J. Berry
Mr. Charles Bowyer
Mr. Bill Fulginiti
Ms. Jan Goodwin
Rep. John A. Heaton
Mr. David Heshley
Ms. Emily Kane
Ms. Alexis Lotero
Mr. Andrew Padilla
Mr. Wayne Propst
Mr. Terry Slattery
Ms. Christine Trujillo
Mr. Jeff Varela

Absent were:
Sen. Pete Campos
Ms. Michelle Lewis
Mr. Bruce Malott
Sen. Steven P. Neville
Mr. Ronald Sanchez
Sen. John Arthur Smith
Rep. Luciano "Lucky" Varela

Staff:
Raul Burciaga, Jonelle Maison, Tom Pollard and Josh Sanchez, Legislative Council Service
Michelle Aubel, Legislative Finance Committee

Guests: The guest list is in the meeting file

Copies of all presentations and handouts are in the meeting file.

Tuesday, September 8

Overview of Other States' Initiatives on Retirement Systems — Mr. Ronald Snell, National Conference of State Legislatures

Mr. Snell briefly described defined benefit (DB) and defined contribution (DC) plans and provided a handout on the plans of those few states that have DC plans.

During the last five years, at least 18 states have enacted legislation to strengthen the funding streams and reduce the long-term costs of their public retirement systems. Alaska and Georgia replaced their DB plans with alternative plans. Alaska has a DC plan for public employees and teachers; Georgia has a hybrid plan that combines DB with a 401(k) in which all new employees are automatically enrolled. In 2009, several states offered early retirement incentives as a way to reduce the size of their work forces.

Mr. Snell noted that there are significant restraints on state governments' power to revise public pension plans in ways that adversely affect current members. Most states would be required to create new plans, for new employees, to increase age and service requirements or reduce the benefit formula; in some states, new plans would be required to increase the employee contribution. State actions for revising pension plans between 2005 and 2009 have included: (1) increases in employee contributions; (2) extending the period over which salary is calculated for the purpose of determining retirement benefits; (3) increases in age or service requirements; (4) anti-spiking provisions; (5) reduction in or greater controls over post-retirement cost-of-living adjustments (COLAs); and (6) early retirement incentives. Attachment 7 of the handout details the revisions by category.

Currently, DC plans comprise the only basic state retirement system for state employees in Michigan, public employees and teachers in Alaska and state employees in Nebraska. Nebraska uses a variant of a cash balance plan. The District of Columbia also has a DC plan as its primary pension coverage. West Virginia closed its DC plan to new members in 2005. Some states provide voluntary alternative plans. Mr. Snell described the components of the Alaska, Georgia, Kansas, Kentucky, Nevada and Rhode Island plans.

The vesting period nationwide is usually between five and 10 years; over the last 20 years, there has been a move to decrease rather than increase the vesting period. Most systematic changes have not been in vesting periods but in age and service requirements. In the 1980s and 1990s, it was common for states to reduce age and service requirements, but the trend stopped at the turn of the century. Spiking is the practice of increasing an employee's salary, usually dramatically, for the last year of service. Mr. Snell observed that spiking occurs more frequently in public school systems than state employee systems. In Louisiana and Texas, if an employer increases a soon-to-be-retiree's salary more than a specified percentage, the employer has to cover the full actuarial cost over what the employee would have received in retirement. On questions from Mr. Chavez and Mr. Fulginiti, Mr. Snell said that there are protections for new positions and for increased responsibilities in the same job.

In reply to questions by Ms. Trujillo, Mr. Snell said that states are reducing the COLA calculations by capping or lowering the percentage allowed for COLAs. Early retirement incentives provide a way for states to reduce work force expenses. Most states have early retirement with reduced benefits, but special incentives might include cash payments. In Connecticut, proposals have included adding one or two years to the service requirement or a bump in benefits. Illinois substantially reduced its work force costs through incentives.

Representative Berry requested information on the average years of service nationwide. Mr. Snell said the normal range across the country is between 25 and 30 years of service, with a range of 55 to 62 years of age. Representative Berry asked about recruitment and retention problems in states with extraordinary measures, such as Georgia. Mr. Snell replied that he had not seen any hard evidence as yet. He advised that most changes are fairly recent and it will be hard to single out why people do not take or stay in state jobs; however, research seems to indicate that health care coverage is more important than retirement benefits for younger workers. Mr. Snell said fears over recruitment and retention of teachers and public safety workers are being raised in Alaska. In Michigan, which has had a required DC plan since 1997, there has been no evidence one way or the other, though the state's high unemployment rate may be more determinative than retirement benefits.

Mr. Bowyer asked about the effect of increasing the vesting period instead of changing age or years of service. Mr. Snell said any response would be speculative, but a shorter vesting period would likely have very little effect on the cost to a retirement system. Kansas decreased its vesting period, mostly as an equity issue. Most states, but not all, allow the employee to withdraw contributions if leaving before vesting.

Representative Stewart said she wanted information on how much any of the discussed changes matter to the solvency of a system. In response to Mr. Snell's point about spiking, she reminded the task force that New Mexico funds public education differently than most states; school districts do not have the money to spike salaries. She asked Mr. Slattery to provide New Mexico data on spiking in the public employees retirement association (PERA) system. After a discussion between Representatives Stewart and Heaton over the anti-spiking provisions in House Bill 573, Mr. Snell said spiking as a problem is probably more in the eye of the beholder; some salary increases simply look inequitable. The real issue is equity, he said, and the need to prevent people from gaming the system for their own benefit. In Massachusetts, a legislator switched jobs to a university presidency and used his car and housing allowance as part of his salary for retirement benefit calculations. There was a similar case in New Jersey. Mr. Snell said that spiking is not an enormous cost to the system, but it is the perception of unfairness in the examples that make people angry.

In response to Representative Heaton, Mr. Snell said that incentives are aimed explicitly at reducing the number of employees. In Vermont and Maine, voluntary retirees receive cash payments, which are paid for from savings to the state from their retirement. Their benefits were not changed. In Connecticut, voluntary retirees receive three years' additional retirement credit. In the District of Columbia, voluntary retirees are eligible for cash payments, with a strict accounting of union and nonunion participants. Representative Heaton advised that while states are reluctant to lay off employees during the economic downturn, the next big unemployment numbers will be coming from state governments.

On questions from Mr. Padilla, Mr. Snell said that increased contributions take pressure off the system. Retirement systems work under very long time frames, over 60, 70 and 80 years, and post-retirement benefits such as COLAs can have a substantial effect. He noted that public employees and teachers tend to be the healthier part of the population.

Mr. Varela noted that retirement benefits are a major component of the state's overall compensation plan. He then asked about Attachment 6, Rhode Island's plan changes and why states are making the kinds of changes they are. Mr. Snell pointed out that Rhode Island has been one of the hardest hit states in the recession, but it also has long-term structural economic problems because it has been losing population and jobs. Its retirement changes are in response to those drastic long-term problems. When Alaska shifted from a DB to a DC plan in 2005, it was in response to strong concerns about unfunded liabilities as well as a strong ideological predilection for DC. It is too soon to talk about the effect of the shift, and it must be noted that the shift did not change the unfunded liability for DB beneficiaries; accounting rules require essentially "mortgage" payments for the DB unfunded liability. In all the DC plans, there is a shift in philosophy from employer responsibility to employee responsibility for retirement. There are more DC plans in local government than state government. In 1991, West Virginia closed its DB plan for teachers and moved to a DC plan. However, what it found was that teachers did not know how to invest their money and were too conservative; over time, that meant not enough income on which to retire. The state has now closed its DC plan and moved back to DB. Nebraska has had a DC plan since 1967, but employees do not handle their own investments. Now, the DC plan allows for consolidated investment with a guaranteed return.

Mr. Snell said the evidence of these states merits consideration. While he is not one to discourage "quickness", he said, the legislature should consider that pension plans exist over several generations. The investment framework does not stretch that far, but there is the luxury of time. Investment shocks are a lot less serious over time, and the management and investment perspective is long term. He noted retirement system changes in most states took several years. For example, it took the legislature five years in Rhode Island and two to three years in Kansas. He cautioned the task force to take the time it requires to develop changes that will be beneficial for the state and its employees. There are very few changes that will fix short-term problems; there are no immediate effects. An increase in contributions really only affects the long term; age/service changes do not have substantial effects on the short term, either. The legislature has time to consider changes because there is nothing that can suddenly make a big difference.

Mr. Bowyer commented on the development of a tiered system in Rhode Island and how New Mexico may benefit from a similar carrot-and-stick approach.

Mr. Snell responded to a question by Representative Heaton by saying that the internal revenue service does not allow DB contributions to be shifted to a DC plan.

Referring to a *New York Times* article from the past weekend, Mr. Propst asked if states are considering purchasing life insurance to erase state liability. Mr. Snell replied in the negative. There are some retirement funding bonds still around, e.g., in Illinois, but he is not aware of states doing other bonds.

Ms. Trujillo asked how Alaska's nonparticipation in social security adds to the problems inherent in a DC plan. Mr. Snell said that the issue remains politically contentious in Alaska. If state governments have opted out of social security, they should provide DB plans; if retirees are entirely dependent on DC, the income may not be sufficient for retirement. Ms. Trujillo asked how many states are not covered by social security. Mr. Snell said that, off the top of his head, Alaska is the only DC state not covered by social security.

Mr. Bowyer pointed out that DC states must also look at the cost in 20 or 30 years from retirees with inadequate retirement savings; they should factor in the long-term costs associated with greater numbers of their retirees living in poverty.

Representative Stewart invited Mr. Snell to opine on which changes, in his estimation, of those taken by other states would provide the biggest bang for the buck, versus the smallest. Mr. Snell said he was reluctant to offer an opinion. He noted that the American population is now older and healthier than previous generations and that this trend will continue. The question of when someone can receive a lifetime benefit becomes crucial. Is such a benefit needed as early as many states now provide? Is it reasonable to ask employees to work longer? The biggest bang may be the reversal of the policy that makes it easier to retire earlier. As life expectancy grows, this becomes a critical question. A woman who is 65 years of age now can expect to live 21 years more; a man of 65 can expect to live 18 years more. The trend will continue upward.

Discussing the solvency trouble most states are having, Representative Heaton asked if there is any move to join forces to develop an econometric model that each state could use to determine the effects of potential changes. Mr. Snell said that he had heard no such discussions, as states are tackling their problems individually. He noted that even the 18 states that have made changes are acting on the margins and most changes are moving in the same direction. He offered that actuarial work is more valuable to individual states than a national econometric model.

Mr. Varela asked if California is considering changes to its retirement systems. Mr. Snell replied that he has heard that the governor has proposed some changes and there has been some talk of a petition, but there have been no significant proposals.

Discussion on Strategic Asset Allocation — Marcia Beard, RV Kuhns & Associates, Inc. (RVK)

Ms. Beard opened her presentation with the maxim, "greater return equals greater risk". The presentation reported data from the 2009 *Wilshire Report on State Retirement Systems: Funding Levels and Asset Allocation.* Wilshire estimates that the ratio of pension assets-to-liabilities, or funding ratio, for 125 state pension plans was 84% in 2008, down sharply from an estimated 96% in 2007. For the 59 state retirement systems that reported actuarial data for 2008, the funding ratio was 77% in 2008 (as of June 30), down from 88% for the same plans in 2007. Of those systems, 93% have a market value of assets less than pension liabilities and are underfunded. The average underfunded plan has a ratio of assets-to-liabilities equal to 73%. Actuarial value funding ratio decreases are much less sharp as a result of smoothing of actuarial values. A smoothing method is often employed to reduce the impact of market fluctuations when determining pension fund contributions. The actuarial funded ratio of PERA was 92% during the year ended June 30, 2008. PERA needs to decide on a strategic asset allocation that balances how conservative the board wants to be to protect assets versus how conservative it can afford to be given that if investment return falls short of the actuarial benchmark, additional contributions must fill the gap.

At the request of RVK, PERA's actuary, Gabriel Roeder Smith & Company (GRS), put together a brief actuarial analysis to estimate the impact of future returns on contribution rates. The analysis included the following:

(1) accrued liabilities are assumed to grow at a 6.35% rate;

(2) projected results are based on the June 30, 2008 PERA valuation unless noted;

(3) market value of assets projected from March 31, 2009 was $8.3 billion;

(4) liabilities, payroll and benefit payments were projected based on recent PERA experience;

(5) future contributions are assumed to remain at current statutory rates plus $8 million per year for service purchases;

(6) the analysis does not include the effect of the board's contribution policy, if any, on rates; and

(7) investment return scenarios are selected by RVK.

In the four scenarios run by RVK, the results showed that PERA needs increased contributions to maintain a 30-year amortization. For the PERA general plan, the current contribution rate is 24.01%. Using March 31, 2009 data and the year 2013, the need for increased contribution rates ranged from the most pessimistic of 37.14% to the most optimistic of 30.30%. Ms. Beard did note that the March fund value of $8.3 billion has risen to $9.9 billion at the end of August.

Ms. Beard presented portfolio assumptions based on asset class that showed return assumptions, risk assumptions, index, longest historical time frame, annualized return and annualized risk. The models showed asset classes, current allocation, policy target and conservative mix and the return risk (one-year holding period) and the return (compound) risk for three-, five-, seven- and 10-year holding periods. Ms. Beard noted that RVK may be more conservative in its assumptions than other analysts. The Frontier 1 model showed the one-year return risk policy target at 7.88%, which is below the current 8%. Representative Heaton asked if the state should be targeting something other than 8%. Ms. Beard said that this is the question: should PERA be more conservative and have less investment in equities? Mr. Varela asked if the asset classes shown on page 10 of the handout are indexed. Ms. Beard answered not completely; 31% of domestic equity was indexed.

In the Frontier 2 model, it was loosened up to add a higher alternative investment mix. Alternative investments began around the end of 2006 after the legislature had changed to the prudent investor standard for PERA and educational retirement board (ERB) investments. The policy target is the same, at 7.88%, and the conservative mix allows only 7.41% return, while the higher alternative mix gives 8.01%. The higher alternative mix includes hedge funds, but using a multistrategy, multimanager approach. The actuarial implications of the modeling using the GRS analysis of the next five years, the gap between PERA's actuarial hurdle and the expected returns from the different investment approaches, RVK estimated the likely range for total PERA contribution rates 10 years from today. With the higher alternatives mix, estimated contribution rates are 31% to 33%; policy target is 34% to 36%; conservative mix is 37% to 39%; and with the current allocation, the estimated contribution rate is 40% to 44%. The estimate was based on the state of the March 2009 fund.

Mr. Varela noted that risky, alternative investments have benefits and it is important for policymakers to understand portfolio diversification. Mr. Slattery explained that these investments are alternatives to publicly traded securities. Alternatives level out the risk and that makes them attractive.

Representative Heaton initiated a discussion of how decisions were made as to the mix of assets. Ms. Beard said they were made by managers based on history and experience. There are both active and passive managers. The lesson learned in 2008 was liquidity, leverage and correlation.

On a question from Mr. Padilla, Ms. Beard explained that the contribution rates shown were totals for both employers and employees.

Representative Heaton called the task force's attention to the +10% gap between current contributions and needed contributions and remarked that the state has to figure out how to close that gap. Ms. Beard cautioned that these were merely estimates and the analysts would have a clearer picture in November of how fast liabilities are growing. There were a lot of assumptions made, and the task force should take the information with a grain of salt. Mr. Slattery said that in a normal year, he would agree with Representative Heaton; however, this has not been a normal year. For example, with the hiring freeze, PERA does not know where its liabilities are. Ms. Beard remarked that the actuary had been very hesitant to give estimates and the numbers were not quotable.

Representative Stewart agreed that the task force should not quote the estimates, and she noted that they were based on March fund and market conditions, which have changed. She suggested the task force monitor the funds and wait for the actuarial study.

Staff Report — Mr. Raul Burciaga

In response to requests to review issues raised by the task force, Mr. Burciaga reviewed documents provided in the task force members' files and commented on some of the issues.

Retiree Health Care Authority (RHCA)

In response to whether the use of medicare advantage plans were helpful, whether they contained costs and whether they would continue under any health care reform efforts, Mr. Burciaga provided the task force with two health policy briefs from health affairs and the Robert Wood Johnson foundation, one regarding payments for medicare advantage plans and the other regarding competitive bidding, as well as a fact sheet from the Kaiser family foundation.

With respect to the impact of rewarding good behavior or lifestyle with lower premiums or controlling health care costs and the impact of prevention and wellness programs, Mr. Burciaga referenced several handouts that discuss lifestyle, prevention, wellness and disease management. Additionally, a copy of the *Wall Street Journal* article by Steven Burd, C.E.O. of Safeway, inc., was provided to the task force; this program had been mentioned during discussions about RHCA. The handout included Mr. Burd's perspective on health care but also discusses Safeway's healthy measures program. A copy of RHCA's wellness, disease management and disease detection benefits matrix was included.

Although the average RHCA premiums increased by about 8%, the actual decreases and increases were more disparate. A handout was provided that listed the premiums for RHCA. An August 21 letter from RHCA to Mr. Bowyer addressed issues regarding comparisons with other states.

Whether there are benefits to remaining self-insured (self-funded) or purchasing risk insurance (fully insured) is probably more of an actuarial question, one that would require looking at RHCA's experience as well as projecting into the future. Similarly, the use of a stop-loss could be considered to help with outlier cases.

Mr. Burciaga indicated that the federal Employee Retirement Income Security Act of 1974 should not have any adverse impact on RHCA's ability to be more innovative. An article from health affairs was provided, which discusses the need for reforming federal law, particularly with respect to federal preemption as congress tackles health care reform in general. However, the preemption applies to states telling employers what to do or not do; it would not apply to the state itself as an employer.

In response to RHCA's participation as part of a larger pool (i.e., state employees health care plan, public school insurance authority (PSIA) health care plan, Albuquerque public schools (APS) health care plan, also known as IBAC — interagency benefits advisory committee), the task force would need to look at the Health Care Purchasing Act (HCPA) to see if revisions should be made. It is a policy question for this task force and the legislature in general to consider. The HCPA was enacted in 1997 and requires the RHCA, PSIA, APS and risk management division (RMD) of the general services department (state employees health plan) to bid together. However, there are advantages and disadvantages to that process. Mr. Propst had previously mentioned that there are times when it would be helpful for RHCA to bid on its own. There is also the issue of beneficiaries and what they have in common, e.g., RHCA retirees in their late 40s and 50s that more closely resemble some of the PSIA, APS and RMD employees versus RHCA retirees of medicare age. There have been various legislative and executive efforts to consolidate administratively the four groups, but the initiatives have all been unsuccessful, especially the governor's plan in 2004 to create one administrative body. Subsequent efforts for a health care authority to do the same thing have also met with resistance. Mr. Burciaga again reiterated that this is a policy issue for the task force and legislature to consider.

In response to what percent of health care costs are attributable to lifestyle choices (i.e., is it really 70?), it appears that more research would be needed on this. Part of the problem is that savings are not realized immediately. Lifestyle changes take time, often years. Employers and insurers are sometimes reluctant to invest in wellness and prevention because the employees may leave or the insurer may change.

PERA and ERB

Impact of return-to-work (RTW)

ERB's actuaries have determined that ERB's RTW program is neutral on an actuarial basis to the fund. ERB's RTW program has a mandatory one-year layout, and its sunset was pushed out to 2022 as part of HB 573 in the 2009 session. PERA provided a copy of its August 24, 2009 letter to Representative Dennis J. Kintigh from Mr. Slattery addressing RTW issues. House Bill 616, which dealt with RTW issues, was vetoed by governor. The legislation would not have affected ERB, but the PERA board's position on the legislation was provided in a handout.

Economic assumptions used for actuarial analyses

Mr. Burciaga indicated that ERB's actuary would be presenting an updated experience study to ERB's board on September 11, so no information was available at the moment. At its June 2009 meeting, the PERA board voted to maintain its assumed investment return at 8% and the rate of wage inflation at 4.5%. These rates will be used by the actuary for PERA's June 30, 2009 valuation study.

Appropriateness of DC over DB for portability reasons

From an employee perspective, portability would be the main reason to select a DC plan instead of a DB plan. Since all contributions, including employer contributions, would vest after a minimal amount of service time, a non-career employee would find it advantageous to take these funds and roll them over into a new plan upon termination. In the DB plan, such an employee might only receive employee contributions plus interest. The employer dollars could remain in the plan to help fund the entire system. It would be assumed that there would be a significant negative impact on the funding of the DB plan if there is a substantial move to DC because the funding of the DB plan is based on an expected number of active members in the fund making contributions. If this employee base is reduced, contribution rates for those remaining in the plan would most likely have to be increased.

Retirement based on highest three-year average salary

Mr. Burciaga reported that ERB already has a five-year rule for determining pension benefits. PERA's actuary has determined that there is no abuse to determining final average salary by using an average of the highest 36 consecutive months of salary. Currently, an employee's final average salary is based on the highest salary the employee received for any consecutive 36-month period. Salary spiking is not a problem under PERA. In some states, employers increase pension benefits by giving employees lump-sum payouts in their final year of employment, which inflates the final average salary and thus the pension. The PERA Act already has a very restrictive definition of salary, which precludes windfalls in the form of lump-sum payouts for accrued leave and overtime prior to retirement. Unlike other retirement systems, PERA calculates final average salaries over a 36-month period, which serves to reduce the impact of any salary "spikes" during the last year of employment. Conversely, both the Judicial Retirement Act and Magistrate Retirement Act calculate the amount of pension using the salary received during the last year of office prior to retirement. The only real avenue for spiking available to PERA members is for those employees who work part time (the statute requires employees who work half time or more to be PERA members) for the majority of their careers, but decide to work full time for a three-year period in order to base their pension off this higher salary. This scenario would rarely occur. A question for the task force might be whether part-time employees should be entitled to full-time-equivalent pension benefits.

Multiple-year smoothing

ERB uses a five-year smoothing, and its actuary believes this to be the most appropriate time period. While this may be an issue for the investments oversight committee, PERA values its assets according to a method that fully recognizes expected investment return and averages unanticipated market return over a four-year period. This method meets the parameters established by governmental accounting standards board statement number 25.

Corrections officer plans

Adult correctional officers are in state police and adult correctional officer coverage plan 1. This is a 25-year plan in which their service credit is enhanced by 20%. Juvenile correctional officers are in state hazardous duty coverage plan 2, which is a 25-year plan.

Revisions that are permissible via statute that do not raise constitutional questions

Mr. Burciaga indicated that while the courts would be the ultimate arbiter on statutory or constitutional issues, it could be argued that a statutory change that is prospective and does not impair the vested rights of existing PERA members is permissible. For example, any statutory change affecting new members after a certain date is permissible. Any statutory change that diminishes the pension benefits of existing vested members may be unconstitutional. Statutory changes made are subject to judicial scrutiny regarding their constitutionality on a case-by-case basis. Arbitrary changes to diminish pension benefits made without actuarial necessity are probably legally suspect.

Minimum retirement age and multiplier

Whether or not the state should consider a minimum retirement age is a political and actuarial question, as well as a legislative policy decision. The same applies to a multiplier.

Spiking

With respect to ERB, HB 573 removed one area of possible abuse. Beginning July 1, 2010, ERB employees will no longer be able to take into account payouts of either accumulated sick or annual leave for calculation of salary. Another possible area of abuse is working part time for 20 years and for last five years working full time. This could be addressed by having higher required amounts of service for service credit to be granted. This appears to be a very rare problem. PERA does not allow lump-sum payments — such as lump sums of annual or sick leave — or other periodic payments to be included for computing final average salary.

Contribution rates or increases for both employer and employee

Whether contribution increases are required may be a question for an actuary. No contribution increases for either employee or employer are needed at this time, according to PERA's actuary.

COLA

ERB's COLA is only given to retired members upon reaching age 65. The COLA is determined on an annual basis: one-half of the lesser of the percentage change in the consumer price index (CPI) or 4%. The annual adjustment shall be no less than 2% unless the CPI is less than 2%. In this case, the COLA will be the same as the percent change in CPI. Members retiring under a disability retirement are eligible for a COLA on July 1 of the third full year following their disability retirement. For PERA, reducing the COLA would be a cost savings to the plans.

Enhanced plans

ERB has no enhanced plans. PERA has some enhanced plans. The task force may want to talk with the law enforcement groups or their union representatives and discuss the 20-year retirement plans and back-to-work provision. Questions about enhanced plans are continually raised. However, there is no way to compare PERA's 31 different retirement plans with ERB's one plan.

Ms. Trujillo moved that staff review the need for actuarial analyses of some of the measures discussed by Mr. Burciaga. The motion was seconded by Representative Stewart. During discussion of the motion, Mr. Varela asked what is the point of the need for actuarial analyses. Mr. Burciaga said the idea is to determine how much it would cost for an actuarial analysis of changes of interest to the task force, such as changing the vesting period and increasing age or service. Representative Heaton said Ms. Aubel had a laundry list of possible changes. After further discussion, the motion passed unanimously.

Mr. Varela asked staff to study and report on the effect on the PERA and ERB funds of the governor's proposal to suspend the general fund's 2010 contributions. Representative Heaton said the ERB cut was $18 million, which was not an insignificant amount. He observed the move might be penny wise and pound foolish.

The task force adjourned at 3:15 p.m.