

Pension Reform : SB 1609

General

- Results-based reforms for the public safety retirement system
- Maintains excellent benefits for employees while strengthening the funded status of the plans, thereby preserving future benefits
- Respects the Constitutional mandate to not diminish benefits

Specifics on SB 1609

COLA

- Reforms the cost-of-living-adjustment (benefit increase) mechanism to insulate the Plan from volatile market performance. The current mechanism takes off the top in good years, but doesn't protect against the bad. The new mechanism:
 - ✓ Increases the threshold for payment of an increase
 - ✓ Takes into consideration the funded status of the Plan before a payout can occur, and
 - ✓ Prevents the accumulation of a balance in the excess earnings account.

These three changes will ensure that during good times, excess earnings are made available to retirees, but during challenging times, the Plans are better equipped to persevere.

Employee Contribution Rates

- Asks employees to contribute more for their retirement benefits, but directs these additional funds to the underlying Plan, NOT to the benefit of employer rates.

Criminals Getting Pensions

- Prohibits a person convicted of a felony involving the person's official duties from being able to collect a pension.

DROP

- Eliminates the DROP program for new-hires, complimenting the change to a 25-year retirement. DROP reforms are implemented for employees that are not eligible to enter the program until next year.

Elected Officials' Pensions

- Series of comprehensive reforms are made to the Elected Officials Retirement Plan. Twenty-year retirement is replaced with age requirements, multiplier is reduced (from 4% to 3%) and the amount of the pension is capped at a lower rate (75%) of the final average compensation.
- EORP members see the highest contribute rate increase, 6% over the course of 3 years.

Double Dipping

- Prevents losses to the system by someone returning to work after retirement. The employer must pay into the system at an alternate rate to offset the loss of a new employee in that position.

Symmetry between ASRS and PSPRS

- No employer refund: Last year, the Legislature prohibited state employees from being entitled to the employer-portion of retirement payments upon separation. This will be extended to the PSPRS plans through SB 1609.
- Service purchase restrictions (10 year service required, cap of 5 years for purchase).
- Return to work policies that prohibit the system from taking a loss when a retired individual returns to work (payment of alternate contribution rate).