

Summary Of Primary PERS Legislative Proposals

Retiree Increase

PERS is proposing that retirees of PERS and the Highway Patrol would get a single lump payment equal to 50% of their monthly retirement benefit in either January of 2006 or January of 2007 if the market rate of return for the previous years actuary report is 11.2% or greater. This payment would occur in only one year during the biennium if returns are sufficient.

3% Increase in Final Average Salary

PERS is proposing that all active members of the PERS and Highway Patrol systems on August 1, 2005 would have their final average salary adjusted by 3% in computing their retirement benefit. The purpose of this proposal is to recognize that many members did not get a general salary increase in the 2003-2005 biennium and consequently their retirement benefit did not grow as expected. This change would adjust for the loss of a general salary increase and continue a normal progression in the retirement benefit.

Increase the Retiree Health Benefit and the Retiree Health Contribution

PERS is proposing to increase the retiree health benefit from \$4.50 to \$5 and to increase the employer contribution from 1% to 1.45%. This proposal recognizes that the health credit has not increased since 1991 while the cost of the premedicare and Medicare family premiums has increased. The result is less and less support as shown in the following table.

Retiree Health Credit Challenge – Support for retiree premiums

Year	Credit	Credit with 20 Years of Service	NonMedicare Family Premium	%	Medicare Family Premium	%
1989	\$3.00	\$60.00	\$360.07	17%	\$190.50	31%
1991	\$4.00	\$80.00	\$321.00	25%	\$230.00	35%
1993	\$4.50	\$90.00	\$368.00	24%	\$230.00	39%
1995	\$4.50	\$90.00	\$390.00	23%	\$239.00	38%
1997	\$4.50	\$90.00	\$438.48	21%	\$264.98	34%
1999	\$4.50	\$90.00	\$500.38	18%	\$308.62	29%
2001	\$4.50	\$90.00	\$570.00	16%	\$339.30	27%
2003	\$4.50	\$90.00	\$702.47	13%	\$415.18	22%
2005	\$4.50	\$90.00	\$835	11 %	\$502	18%

The above proposal will allow an immediate increase in the credit and the increased contributions will allow the system to continue to increase the credit in the upcoming years (every 2 to 4 years) if returns each average over 9%. The estimated cost to PERS participating employers is:

\$5.00 Credit / 1.25% Contr.	Monthly	Annual	Biennium	Biennium	General		
Employees	Salary	Salary	Salary	Cost	Fund	Other	
State Employees	7,571	\$21,576,786	\$258,921,432	\$517,842,864	\$1,294,607	\$674,620	\$619,987
Higher Education	2,593	\$5,131,222	\$61,574,664	\$123,149,328	\$307,873		\$307,873
Political Subdivisions	7,765	\$15,439,685	\$185,276,220	\$370,552,440	\$926,381		\$926,381
	17,929	42,147,693	\$505,772,316	\$1,011,544,632	\$2,528,862	\$674,620	\$1,854,242

\$5.00 Credit / 1.35% Contr.	Monthly	Annual	Biennium	Biennium	General		
Employees	Salary	Salary	Salary	Cost	Fund	Other	
State Employees	7,571	\$21,576,786	\$258,921,432	\$517,842,864	\$1,812,450	\$944,468	\$867,982
Higher Education	2,593	\$5,131,222	\$61,574,664	\$123,149,328	\$431,023		\$431,023
Political Subdivisions	7,765	\$15,439,685	\$185,276,220	\$370,552,440	\$1,296,934		\$1,296,934
	17,929	42,147,693	\$505,772,316	\$1,011,544,632	\$3,540,406	\$944,468	\$2,595,939

\$5.00 Credit / 1.45% Contr.	Monthly	Annual	Biennium	Biennium	General		
Employees	Salary	Salary	Salary	Cost	Fund	Other	
State Employees	7,571	\$21,576,786	\$258,921,432	\$517,842,864	\$2,330,293	\$1,214,316	\$1,115,977
Higher Education	2,593	\$5,131,222	\$61,574,664	\$123,149,328	\$554,172		\$554,172
Political Subdivisions	7,765	\$15,439,685	\$185,276,220	\$370,552,440	\$1,667,486		\$1,667,486
	17,929	42,147,693	\$505,772,316	\$1,011,544,632	\$4,551,951	\$1,214,316	\$3,337,635

Veterans Reemployment

PERS is proposing a change to the veteran's reemployment provisions of the PERS Hybrid Plan, PERS Defined Contribution Plan and the Highway Patrol Plan which will allow an employer to pay the employee portion of the retirement contribution for a returning veteran who qualifies pursuant to USERRA. Present law requires the returning veteran to pay the employee portion. The proposal also allows employers to make payment for past service if they so elect.

Temporary employee participation in the Defined Contribution Plan

PERS is proposing that members of the defined contribution plan who are no longer full time employees but rather temporary employees be allowed to continue participation in the defined contribution plan. Under existing law they would have to join the PERS hybrid plan and they are not able to maintain the continuity of participation in a single retirement plan.

Defined Contribution Plan Elections

PERS is proposing that surviving spouses and beneficiaries have similar options as members of the PERS hybrid plan. Specifically surviving spouses could continue to elect a lump sum or a periodic payment. Non spouse beneficiaries would be limited to taking a lump sum withdrawal.

Law Enforcement Plan Eligibility Change

PERS is proposing changing the definition of eligibility for the Law Enforcement Plan from 20 hours per week to 32 hours per week. Also members of the Law Enforcement Plan could not be participating concurrently in another PERS plan. This change is to prevent adverse actuarial costs to the plan and to insure that the law enforcement plan is for full time law enforcement officers.

Change Definition of Final Average Salary

PERS is proposing to change the definition of final average salary for the PERS Plan and the Highway Patrol plan. This change would make the final average salary computation the average of the high non consecutive 36 months out of the last 180 months. Present law is the high 36 months out of the last 120 months. This change would be effective in 2009.

Additional Benefit Withdrawal Options.

PERS is proposing to add the following additional benefit withdrawal options to the PERS Plan and the Highway Patrol Plan:

1. Allow a member to take a partial lump sum benefit at retirement equal to one years retirement benefit. The monthly retirement annuity would be actuarially reduced to recognize this up front payment.
2. Add a 20 year term certain benefit to the plan and eliminate the 5 year term certain option.

In addition for the PERS plan level social security option a joint survivor benefit option would be added.

Change Definition of Disability and Allow Employer Payment of Sick Leave in the Highway Patrol Retirement Plan

PERS is proposing that the definition of disability for highway patrol officer be changed to provide that they would be disabled if they could no longer perform their duties as an officer. In addition PERS is proposing that the Highway Patrol be allowed to purchase sick leave for its retiring officers in the same manner as PERS employers.

Change Highway Patrol Confidentiality Provisions

PERS is proposing to standardize the confidentiality provisions of PERS and the Highway Patrol by providing that PERS could share information between beneficiaries and seek lost members by publishing their names.

Health Plan Operational Changes

PERS is proposing the following changes to the health plan statutes:

To allow PERS to accept and expend funds from other sources in addition to contributions. This change is proposed as a result of the new Medicare Rx law that may provide funds directly to health plans to assist with providing an Rx benefit to its members.

1. To allow PERS to negotiate with potential carrier on price and specifications. Present law only allows PERS to negotiate on price.
2. To allow PERS to self administer the health plan. The purpose of this change is to provide the PERS board additional options that may make it more competitive in the market. Additional competition could result in a better pricing for the plan.
3. To allow PERS to set up an independent provider network. PERS presently has a provider network but it is not portable. By allowing PERS to have a portable provider network it would create a more competitive environment for providing services to the PERS plan and could reduce premiums.