Pension Reform Fact Sheet

No reductions for retirees. There will be no reductions in the pension checks going out to current retirees. The proposal merely slows the rate of the growth of the cost-of-living adjustments, with more modest slowing for lower-earning, longer-serving employees.

Eliminates unfunded liability. The State will adopt an actuarially sound funding schedule that requires level payments and achieves 100% funding no later than the end of FY 2044.

Funding guarantee. A retirement system will have the right to go to court if the state fails to make the required payment to the pension fund.

1% contribution reduction for active employees. The amount of money employees pay into his or her pensions will be reduced by one percent. If an employee currently pays 4 percent of his or her salary into his or her pension, that will drop to 3 percent.

Cost of Living Adjustment (COLA) adjustments. COLA adjustments from current 3% annual compounding increases:

- These changes minimize the impact on lower-earning, longer-serving employees.
- Lesser of 3% compounded COLA or 3% of target annuity of $1,000 per year of service ($800 per year of service for those who also receive Social Security.) That target amount grows relative to the Consumer Price Index (CPI).
- No COLA above the "base annuity."

COLA pauses for active employees only. Pauses will happen every other year upon retirement. Number of one-year pauses to be determined by current age:

- 50 and older — 1 one-year pause over first 2 years of retirement
- 47 - 49 — 3 one-year pauses over first 6 years of retirement
- 44 – 46 — 4 one-year pauses over first 8 years of retirement
- Under 44 — 5 one-year pauses over first 10 years of retirement

Pensionable salary cap. Pensionable salary capped at the greater of the Tier 2 salary cap ($109,971 for 2013), the employee's current salary or the employee's salary at the end of an existing collective bargaining agreement.

Graduated increases in retirement age based on age. Applies only to employees 45 years of age and under, with a maximum increase capped at 5 years. 4 month increase in the retirement age for each year an employee is under the age of 46.

Changes not subject to collective bargaining. Existing collective bargaining agreements are grandfathered in under the pensionable salary cap.

Optional defined contribution plan. Employees who would rather have a 401K-type defined contribution plan will be able to choose such a plan. This option will be available to up to 5% of system members for TRS and SERS. The plan must be revenue neutral and employee contributions will be equal to those for the defined benefit plan.

Disability and survivor pensions (which are generally lower than retiree pensions) are unaffected.