



SB 811 State Hospital employees upgraded to P&F benefit level for PERS

Senate Workforce – Jody Wisner – 3.6.2017

The benefits for P&F employees assume a shorter work life and longer retirement period, and therefore higher payments from employers throughout the employees work life. To suddenly add a group of employees to P&F classification, without years of investments by the employer, in this case the state, means that you are adding to the PERS unfunded liability.

When one has a hole, you shouldn't dig deeper.

However, there is a partial solution. Rather than adding this group of employees as immediately eligible, use a blended benefits plan, wherein the benefit reflects the years worked under each category.

Under this blended benefits plan, a Tier 2 employee at the state hospital who upon retirement has worked 20 years as a regular employee and 10 years after the effective date of this bill as a P&F employee would be eligible 2/3 for their benefits under the regular classification and 1/3 under P&F. For example, in calculating their full retirement age:

$$\begin{aligned} 20\text{yrs} \times \text{age } 60 &= 1200 \text{ and } 10\text{yrs} \times \text{age } 50 = 500 \\ 1200+500 \text{ divided by } 30\text{yrs} &= \text{full retirement at age } 56.7 \end{aligned}$$

If you pass this bill, and you don't blend, suddenly employees will be eligible for full retirement at age 50 with 25 years of service, a dramatic change from age 60 or 30 years. PERS has not been receiving payments in the expectation of this sudden change in benefits.

We remind you, PERS hasn't the resources to fully cover its liability for these hospital workers even without this change. The change, as proposed, will expand the unfunded liability for PERS even further.