



HB 454 Summary of Legislative Changes

Sponsor: Rep. Bill McChesney
Title: Increase Contributions and Funding for PERS, Revise GABA
Effective: July 1, 2013

The primary goal of HB 454 was to return the system to a position of actuarially sound funding. It included a severability clause. If any part of the bill was determined to be invalid, all parts that were severable remained in effect.

Funding of PERS through natural resources (Section 1 and 2)

- On July 1 of each year PERS will receive from the unallocated portion of coal tax severance collections approximately \$15 million beginning in FY 2014 and growing approximately 2% per year thereafter.
- On July 1 of each year PERS will receive up to \$21 million of interest income from the coal tax permanent fund until July 1, 2019. Beginning FY 2020, interest income contributions are capped at \$24 million.

PERS - Covered employee contributions temporarily increased (Section 3)

- All members will contribute 7.9% of compensation. An increase of 1% for members hired prior to July 1, 2011.
- Member contributions will be decreased to 6.9% on January 1 following actuary valuation results showing the amortization period has dropped below 25 years and remains below 25 years following the reduction of both the employer (2.27%) and member (1%) contribution rates.

PERS - Covered employer contributions temporarily increased (Section 4)

- Employer contributions for all members will increase 1.27% on July 1, 2013.
- State contributes .27% for school districts and .1% for local governments.
- Beginning July 1, 2014, employer contributions will increase 0.1% a year over 10 years, through FY 2024, bringing the total additional contribution rate to 2.27% at this time.
- The employer additional contribution rate terminates on January 1 following the actuary valuation results showing the amortization period has dropped below 25 years following the reduction of both the employer (2.27%) and member (1%) contribution rates.

GABA revised for all members including current and future retirees (Section 5)

- GABA is 1.5% for all current and future retirees for each year PERS is funded at or above 90%.
- The 1.5% GABA is reduced 0.1% for each 2% PERS is funded below 90%.
- GABA is 0% for all current and future retirees whenever PERS's amortization period is 40 years or more.

*** A subsequent court ruling on March 4, 2015 determined that the GABA reduction for all current and future retirees was a substantial impairment to their contractual rights.

PERS - DCRP allocation of Employer contribution increases (Section 6)

- 1% of the increase in employer contributions is allocated to the Defined Benefit Retirement Plan's unfunded liabilities.
- .27% of the increase in employer contributions, as well as the 0.1% annual additional increases beginning July 1, 2014 are allocated first to the DCRP Plan Choice Rate, and then the DCRP long-term disability fund.

Board Report Required (Section 7)

- After each actuarial valuation is conducted in October, the Board shall present the results of the valuation to the Legislative Finance Committee and the State Administration and Veterans' Affairs interim committee.
- This report must provide a trend analysis of the PERS system's progress toward 100% funding.

Employer Supplemental Contributions

In addition to the normal employer contribution rate, HB 454 requires each employer to contribute a supplemental amount to PERS equal to a specified percentage of total earned compensation of each member.

- FY 2014: 1.27%
- FY 2014-2024: increases by 0.1% each year
- FY 2025 and forward: 2.27%
- The PERS Board may decrease the employer supplemental contribution rate if certain conditions are met.

Supplemental Contribution Rate Triggers

The supplemental contribution rates may decrease when the following criteria are met:

- The Board may decrease the employee and employer supplemental rates for PERS on January 1 following actuary valuation results showing the amortization period has dropped below 25 years and remains below 25 years following the reduction of both the employer (2.27%) and member (1%) supplemental contribution rates.

State Supplemental Contributions

- On July 1 of each year PERS will receive from the unallocated portion of coal tax severance collections approximately \$15 million beginning in FY 2014 and growing approximately 2% per year thereafter.
- On July 1 of each year PERS will receive up to \$21 million of interest income from the coal tax permanent fund until July 1, 2019. Beginning FY 2020, interest income contributions are capped at \$24 million.