PUBLIC EMPLOYEES
RETIREMENT ASSOCIATION

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The purpose of this document is to respond to your request for stakeholders to provide the 911 Telecommunicator Work Group with their positions regarding providing enhanced pension benefits for 911 telecommunicators.

PERA's Board has developed, and recently revised, several long-term board positions. Three of the long-term positions have relevance to the proposed changes summarized in a memo dated August 27, 2021 from Dar Pankonie to Members of the 911 Telecommunicator Pension Benefits Working Group titled "*Handout on enhanced benefits for 911 telecommunicators*". Among other changes, the memo outlines a proposal that would increase the benefit multiplier from 1.7% to 1.9% and reduce the age for unreduced retirement from 66 to 55. The changes would apply to past service and future service.

The most generally applicable long-term position is:

> **Legislation Pertaining to Individuals or Groups Benefit Eligibility**
> *The PERA Board of Trustees generally opposes legislation that provides an exception with respect to the benefits made available to one or a group of individuals, but may review such legislation on a case-by-case basis.*

A more specifically applicable long-term position is:

> **Expanding Classification of Employees Included in the Correctional Plan**
> *Absent a purpose statement or any clear criteria defining the types of positions intended to be covered by the Local Government Correctional Service Retirement Plan, the PERA Board of Trustees defers to the Legislature the policy determinations as to which local government correctional employee groups should be included in the Plan.*
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> *PERA asks that the Legislature ensure that any groups approved for participation in the Plan either come into the Plan as new members at contribution rates sufficient to fully fund the higher level of benefits, or if members enter the plan with past service credit, the merging group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability of the merging group.*

PERA staff has estimated that the present value of accrued benefits (PVAB) to grant past service credit for approximately 1,200 members transferring from the General Employees Retirement Plan to the Local Government Correctional Service Retirement Plan is about $80M. This amount is a good estimate of the actual past service cost, but is not the same as the actuarial accrued liability (AAL), which likely would approach or exceed $100M. The AAL is the standard to maintain a plan's funding status and must be fully funded for the normal cost to be the correct cost for future service credits.

Prior to being able to support the transfer of past service credits, PERA would need assurance that a full scope actuarial study be performed to better estimate the cost. A full scope study would need to consider potential changes in employee behaviors that would impact actuarial assumptions. In particular, the impact of disability benefit changes would need to be carefully analyzed. As this actuarial study does not benefit all the members of PERA, the actuarial study cost would need to be accounted for elsewhere.

In additional to concerns about the amount needed to achieve full funding, there would be logistical concerns to determine which groups are responsible for the funding (the legislature, employers, and/or employees) and over what period of time. In particular, assessing costs to employees is particularly challenging given the vast difference between benefit value and expected working lifetimes within the member group. If the transition is not carefully designed, there could be adverse consequences that could affect both retention and recruiting (i.e. a significant increase in early retirements that shift costs to new hires).

A third additional long term position is more general, but also applicable:

> **Groups/Individuals Entering or Leaving PERA**
> *The PERA Board of Trustees opposes providing benefits that add to the actuarial accrued liability for individuals or groups requesting membership in a PERA fund unless the merging group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability of the merging group.*
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> *The PERA Board of Trustees opposes the discontinuation of membership for an individual or group in a PERA fund unless the departing individual or group's sponsoring entity agrees to a payment or series of payments sufficient to fully fund the associated unfunded actuarial accrued liability for the departing group.*

This long-term position addresses the potential adverse impact to the General Employees Retirement Plan due to the departure of a group of members. The departure of members would result in the burden of fully funding the plan being placed on those members that remain in the Plan. This is similar to assessing a withdrawal liability to the membership group. Measuring this cost also would require actuarial work that should not be paid by members that do not benefit from the potential change.

In conclusion, the transfer of past service credit for members transferring from the General Plan to the Correctional Plan is costly, potentially inequitable, and complex. The Board would need assurance that any proposed change addresses the concerns expressed in their long term positions.