

Benefit Plan Design Changes – DRAFT



This table is a draft summary of the defined benefit plan design changes approved by the ERB board on November 8, 2010. The board’s actuarial goals are to achieve 80% funding for the ERB plan and amortize the unfunded liabilities within 30 years. These recommendations are needed to ensure the long term solvency of the ERB fund. The combination of these proposals exceeds ERB’s actuarial goals and as a result some proposals may be scaled back. The board is in the process of fine-tuning the proposal and will vote on a final set of recommendations at the December 10, 2010 board meeting.

PLAN ELEMENTS	TIER 1¹	TIER 2²	PROPOSED PLAN REDESIGN – WOULD APPLY TO ALL ACTIVE MEMBERS³
Multiplier	2.35%	2.35%	2.35%
Member Contributions (including current shift)	7.9% - Salary \$20,000 or less; 9.4% - Salary greater than \$20,000	7.9% - Salary \$20,000 or less; 9.4% - Salary greater than \$20,000	8.4% - Salary \$20,000 or less; 9.9% - Salary greater than \$20,000
Final Ave. Salary	Highest consecutive 5 years	Highest consecutive 5 years	Highest consecutive 7 years
Years of Service Retirement	25 years – any age, no Benefit Reduction	30 years – any age, no Benefit Reduction	35 years – any age, no Benefit Reduction
Age + Service Retirement	Rule of 75 (Age + Earned Service Credit = 75)	Rule of 80 (Age + Earned Service Credit = 80)	Age 60 + 30 years (30 years Earned Service Credit required; no benefits with less than 30 years)
Benefit Reduction	Benefit reduction: Age 55 to 60 - 2.4% per year (0.6% each ¼ year after 55 & before 60); Prior to Age 55 – 7.2% per year (1.8% each ¼ year prior to age 60);	Benefit Reduction: Age 60 to 65 - 2.4% per year (0.6% each ¼ year after 60 & before 65); Prior to Age 60 – 7.2% per year (1.8% ¼ year prior to 60)	Benefit Reduction: Below Age 60 + 30 years’ service - 2.4% per year (0.6% each ¼ year below age 60); No provision for retirement before age 60 with fewer than 30 years
Age + 5 yrs service⁴	65 + 5 years Earned Service Credit	67 + 5 years Earned Service Credit	67 + 5 years Earned Service Credit
Safe Harbor	N/A	N/A	22 yrs. service as of effective date of Plan change, grandfathered to Tier 1 requirements
Employer Contribution	Increases per Section 22-11-21 to 13.9%	Increases per Section 22-11-21 to 13.9%	Increases per Section 22-11-21 to 13.9%

¹ Tier 1 – Member on or before June 30, 2010; have not withdrawn all member contributions.

² Tier 2 – New member on or after July 1, 2010 (effective retroactively July 1, 2011); includes individuals who previously were members but who withdrew all member contributions prior to July 1, 2010 and did not repurchase service credit.

³ Nov. 8, 2010 Proposed Plan Redesign would apply to all Tier 1 and Tier 2 current active members; it would not apply to retirees.

⁴ Members may retire upon completion of five years of earned service credit and upon becoming the stated age.