



House Bill 6258, Rep Elaine Nekritz – Introduced December 5, 2012

For all SERS members, HB 6258 proposes to reduce and delay the automatic annual increases, increase the retirement age for all members 45 and under, increase the employee contribution rates by 2%, and “cap” the amount of compensation that can be used in the calculation of the final average salary. The bill also provides funding language that makes it more difficult for the State to eliminate or reduce the annual required contribution.

Frequently Asked Questions

Who is affected by the proposed changes?

All active employees, retirees and inactive members of SERS with a membership date prior to January 1, 2011 (Tier 1 members). Tier 2 members of SERS would not be affected.

What are the proposed changes?

Automatic Annual Increases Limits

The bill delays the automatic annual increase until the January 1st following the attainment of age 67 or the January 1st following the 5th anniversary of retirement, whichever occurs earlier. Current retirees would retain automatic annual increases already received, but would not receive additional increases until reaching the new eligibility requirements.

The automatic annual increase would remain 3%, but would only be applied to the first \$20,000 of pension for coordinated retirees and the first \$25,000 of pension for non-coordinated retirees.

Normal Retirement Age Increases

For employees who are at least age 45 on the date the law takes effect, HB 6258 makes no changes in the normal retirement age or the Rule of 85. For employees who are under age 45 on that date, the bill increases the normal retirement age as follows:

	Regular Formula	Alternative Formula
At least 40 to 44	Age 61 w/ 8 years or Rule of 87	Age 51 w/ 25 years or age 56 w/ 20 years
At least 35 to 39	Age 63 w/ 8 years or Rule of 91	Age 53 w/ 25 years or age 58 w/ 20 years
Under 35	Age 65 w/ 8 years or Rule of 95	Age 55 w/ 25 years or age 60 w/ 20 years

These new retirement ages would apply to anyone retiring after July 1, 2013.

Salary Limitations

For both contributions and pensionable earnings, HB 6258 caps earnings at the Social Security wage base. This limitation does not apply to earnings that are determined under an employment contract or collective bargaining agreement in effect on the effective date, that has not been amended or renewed.

Employee Contribution Increase

The bill requires all active employees to contribute an additional 1% of salary in FY 2014 and an additional 2% of salary in FY 2015 and thereafter.

When would the proposed changes take effect?

The effective date of the changes will be July 1, 2013.

Does the proposal address the financial condition of SERS?

The current statutory funding plan provides for employer contributions to SERS in an annual amount that will provide for a 90% funded ratio by FY 2045. HB 6258 provides for increasing the annual employer contributions to SERS so the funded ratio will reach 100% by the end of FY 2043.