### EMPLOYER / STATE COST VS. MEMBER CONTRIBUTIONS / BENEFIT REFORMS

For about $2.1 billion of employer contributions and direct state funding over the next 30 years, the 2018 Omnibus Pension Bill includes about $6.1 billion in additional employee contributions and cost savings.

- **Total present value of savings** from member contribution increases/benefit reforms:
  - $6.1 billion

- **Total present value of costs attributable to employer contribution increases and state funding**:
  - $2.1 billion

- **Ratio of employee to employer share of solution**:
  - 3 to 1

- **Savings recognized immediately**:
  - ~ $3.4 billion
2018 Omnibus Pension Bill - SF2620 / HF3053  
Provisions Related to TRA

**Cost of living adjustment (COLA) for retirees**
- currently set at 2.0% each January 1
- Next five years: 1/1/2019 – 1/1/2023 = 1.0%
- 1/1/2024 = 1.1%
- 1/1/2025 = 1.2%
- 1/1/2026 = 1.3%
- 1/1/2027 = 1.4%
- 1/1/2028 and thereafter = 1.5%

**COLA Eligibility** - beginning 7/1/2024, eligibility for receipt of first COLA would be changed to normal retirement age (age 65-66, depending on date of birth). Exempt: members who retire under rule of 90, and members who retire at least age 62 with at least 30 years of service credit.

**COLA Trigger**: the COLA trigger in current law would be eliminated. The trigger would increase the COLA to 2.5% if the pension fund is at least 90% funded for two consecutive years.

<table>
<thead>
<tr>
<th>Contribution rates</th>
<th>Employer</th>
<th>Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>current contribution rate</td>
<td>7.50%</td>
<td>7.50%</td>
</tr>
<tr>
<td>beginning 7/1/2018</td>
<td>7.71%</td>
<td></td>
</tr>
<tr>
<td>beginning 7/1/2019</td>
<td>7.92%</td>
<td></td>
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<tr>
<td>beginning 7/1/2020</td>
<td>8.13%</td>
<td></td>
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<tr>
<td>beginning 7/1/2021</td>
<td>8.34%</td>
<td></td>
</tr>
<tr>
<td>beginning 7/1/2022</td>
<td>8.55%</td>
<td></td>
</tr>
<tr>
<td>beginning 7/1/2023 and after</td>
<td>8.75%</td>
<td>7.75%</td>
</tr>
</tbody>
</table>

The bill provides state funding for the higher employer contribution through a pension adjustment in the school aid formula.

**Early retirement benefits**
Augmentation currently in the early retirement reduction factors will be phased out over a five-year period beginning 7/1/2019, completed by 6/30/2024. (This reduces early retirement benefits.) Exempt: members who retire at least age 62 with at least 30 years of service credit.

**Deferred benefits** – Augmentation on deferred benefits will be reduced to 0% beginning 7/1/2019. (This reduces deferred benefits.)

**Interest payable on refunds to members** – will be reduced from 4% to 3% effective 7/1/2018

**Interest due on payments & purchases from members, employers** – reduced from 8.5% to 7.5%, effective 7/1/2018.

**Other plan provisions**
- **Investment return assumption** – lowered from 8.5% to 7.5%. (No effect on benefits)
- **Amortization period** – amortization date for the unfunded liability is currently set at 6/30/2039 and would be re-set to 6/30/2048. (No effect on benefits.)
- **Contribution stabilizer** – The mechanism currently in place that provides some authority for the TRA board to set contribution rates will be eliminated.

**Financial & Actuarial Impact**
The changes affecting TRA will immediately reduce liabilities by $2.0 billion, increase the funded ratio to 75% (from 70%), and put the plan on a trajectory to be 92% funded in 30 years.