

Does SB 200 (Senate Reengrossed) Meet Objectives for Good Pension Reform?



Objective	Status Quo	Proposed SB 200 (Senate Reengrossed)
Keeping Promises <i>Ensure the ability to pay 100% of the benefits earned and accrued by active workers and retirees</i>	SOME	NO
Retirement Security <i>Provide retirement security for all current and future employees</i>	SOME	YES
Predictability <i>Stabilize contribution rates for the long-term</i>	SOME	SOME with SLIGHT IMPROVEMENT
Risk Reduction <i>Reduce pension system exposure to financial risk and market volatility</i>	SOME but SIGNIFICANT RISKS	SOME with SLIGHT IMPROVEMENT
Affordability <i>Reduce long-term costs for employers/taxpayers and employees</i>	NO	SHORT-TERM: NO LONG-TERM: NO
Attractive Benefits <i>Ensure the ability to recruit 21st Century employees</i>	FOR SOME	YES
Good Governance <i>Adopt best practices for board organization, investment management, and financial reporting</i>	YES	YES

Analysis by Pension Integrity Project at Reason Foundation

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Objective	Status Quo	Proposed Reform: SB 200 (Senate Reengrossed)
Keeping Promises	Some divisions are projected to run out of cash by the 2040s.	Creates a better mechanism for increased contributions, offers a reasonable adjustment to the supplementary Annual Increase, and does not cut any earned pension benefit. But there is no clear path to sustainability without additional contributions, such as the employer contributions in the introduced version of SB 200.
Retirement Security	Members who work less than 20 years may not have retirement security with their pension.	Expanding PERAChoice to all PERA divisions will mean expanding the availability of retirement security for all that enter public employment. The PERAChoice Defined Contribution (DC) Retirement Plan has a generous employer match that provides a path to retirement income security. The back-loaded pension plan works best for full-career workers, and it remains available to all future hires.
Predictability	Rates are predictable in the short-term, but not in the long-run because contributions have not been enough to keep up with debt.	DC Retirement Plan rates are wholly predictable, and there will be more members with these predictable contribution rates. However, continuing to use fixed contribution rates in statute that are dependent on an unrealistic 7.25% assumed rate of return means that long-term rates (the mistake of SB1) are not as predictable as if more conservative assumptions were used for the new tier of pension benefits (which would avoid repeating the primary cause of today's problems).
Risk Reduction	The current assumed return has only about a 50% probability of success.	Expansion of DC Retirement Plan option will reduce PERA's overall exposure to market risk and volatility. However, the pension plan will continue to be exposed to market volatility and PERA's 7.25% assumed rate of return, which has only about a 50% probability of success.
Affordability	Current contribution rates are creating fiscal pressures for employers.	SB 200 as passed by the state senate <i>does not</i> have enough additional contributions to ensure there is a path to pay down the unfunded liability in a reasonable time and lower the total amount paid into PERA in the long-run by avoiding interest costs.
Attractive Benefits	Current pension and DC options can both be attractive for career workers, but the option for DC benefits is not available to all.	Expansion of the Defined Contribution Retirement Plan option gives more divisions access to a competitive and attractive retirement plan for 21 st Century employees.
Good Governance	PERA generally is a well operated enterprise delivering high quality services	Establishes a new Public Pension Legislative Oversight Committee to create a more robust framework for legislative oversight of PERA to ensure greater transparency, accountability, and the long-term sustainability of a secure and affordable retirement system.