

SHARED RESPONSIBILITY PLAN

CERS

Changes for Current Tier 3 Classified Employees

1. Allow Tier 3 classified employees the option of remaining in their current plan or choosing a new tier prospectively

New Tier For Classified Employees

- Applies to new hires on or after July 1, 2018
- Mandatory defined benefit and voluntary defined contribution tier
- Limits employer cost to a fixed contribution
- As with existing plan, the state has no obligation for any unfunded liability in CERS

1. Defined Benefit Component

- 1.1 Employee contribution 6% of pay
- 1.2 Employer contribution 19.18% of pay
- 1.3 Retirement Eligibility
 - Normal retirement threshold will be rule of 85 (service plus age)
 - Annuity and disability benefits vest with 5 years
 - Eligible for retirement with reduced benefits at rule of 70 (service plus age); benefit reduced by 2% per increment between rule of 70 and rule of 85
- 1.4 Retirement annuity factors
 - 1.5 until 20 years of service
 - 2.0 for all years of service once 20 years achieved
- 1.5 The high-five salaries are used to determine final average salary
 - Anti-spiking rules apply
 - Sick leave and other lump sum payments are not included (boards of education are still permitted to pay a lump sum for accrued sick leave)
- 1.6 Employee contribution and accrued plan earnings (loss) are portable
- 1.7 Disability retirement based on accrued service
- 1.8 Death Benefit (\$5,000 retired; \$2,000 active)

2. Voluntary Defined Contribution Component

- 2.1 Employee may elect to participate in a tax deferred qualified plan
 - Employee contributions are voluntary
 - Employer contributions are voluntary
 - Lump-sum payouts, such as sick leave, may be contributed to the plan pretax within guidelines
 - Investment options include use of low-cost, diversified equity and bond index funds managed by CERS for self-directed investing
 - CERS will offer participants financial education

3. Risk Controls for a newly established separate CERS board

- 3.1 An annual actuarial valuation establishes the employee contribution rate and unfunded liabilities (if any) of the annuity component
- 3.2 If funding is below 95%, the following adjustments are available to be utilized by the Board of Trustees to maintain the annuity trust funding generally in the following order:
 - Employee contributions may increase by up to an additional 2% of pay
 - Concurrent local employer/school district contributions will match additional employee contributions up to 2% of pay
 - Reduce future service retirement factor
 - Increase retirement rule of 85
- 3.3 Establish a separate CERS Board with elected representatives reflective of CERS membership.