Public Employees Retirement System
Budget 192
House Bill No. 1257; Senate Bill Nos. 2025, 2071

	FTE Positions	General Fund	Other Funds	Total
1999-2001 legislative appropriation	26.00		$3,399,952	$3,399,952
1997-99 legislative appropriation	22.80		2,787,854	2,787,854
1999-2001 appropriation increase (decrease) to 1997-99 appropriation	3.20	$0	$612,098	$612,098

NOTE: The 1999-2001 appropriation includes $40,517 of other funds for the agency's share of the $5.4 million funding pool appropriated to the Office of Management and Budget (OMB) for special market equity adjustments for classified employees and $2,526 of other funds for the agency's share of the $1.4 million funding pool appropriated to OMB for assisting agencies in providing $35 per month minimum salary increases in July 1999 and July 2000.

Item Description	Status/Result
Portability enhancement provision (PEP) benefit - Section 9 of 1999 Senate Bill No. 2071, effective January 1, 2000, allows a member of the public employees retirement system to vest in the employer's share of retirement contributions made on behalf of the member. A member's account balance, which previously included only the member's retirement contributions, will now include employer contributions equal to the amount the member contributed to an approved deferred compensation retirement plan. The deferred compensation plan allows an employee to defer state and federal taxes on a portion of their salary until the money and accumulated interest is withdrawn from the plan.	The PEP benefit was implemented in January 1, 2000, as anticipated. Primarily as a result of the enactment of Senate Bill No. 2071 and the incentive provided to participate in the deferred compensation plan, the Public Employees Retirement System has experienced an increase in the number of employees participating in the deferred compensation plan. Prior to January 1, 2000, 2,371 employees participated in the deferred compensation plan. As of January 1, 2000, 4,158 employees were participating, an increase of 1,787 employees or 75 percent.
Defined contribution retirement plan - House Bill No. 1257 (1999) established a defined contribution retirement plan for nonclassified state employees previously covered under the state's defined benefit plan. Under a defined contribution plan, an employee's retirement benefits are dependent upon the employee's account balance at retirement, which is determined by the contributions made prior to retirement and realized investment returns. Under a defined benefit plan, an employee's retirement benefits are determined by a statutory formula based upon years of service and salary.	Approximately 38 percent of the eligible employees elected to transfer to the defined contribution plan, resulting in the transfer of approximately $8.5 million from the assets of the defined benefit plan. Due to the small number of employees affected (for the main retirement system, 593 out of 16,254 employees were eligible to transfer to the defined contribution plan), there was no actuarial impact to the main retirement plan.
Multiplier and postretirement adjustments - The following bills provide benefit adjustments for retirees: • House Bill No. 1071 - This bill provides annual two percent increases in retirement benefits for Supreme Court and district court judges through January 1, 2001. This bill also provides payment options for the surviving spouse of a Supreme or district court judge and increases disability retirement benefits for judges (effective March 25, 1999).	The benefit adjustments were implemented as provided in each bill on the respective effective dates.

- House Bill No. 1072 - This bill increases the benefit multiplier for benefits paid under the Highway Patrolmen's retirement system (effective August 1, 1999).
- Senate Bill No. 2071 - This bill increases the benefit multiplier for benefits under the main public employees retirement plan from 1.77 to 1.89 percent, reduces the vesting requirement from five to three years, and provides postretirement and prior service retiree adjustments of eight percent (effective July 1, 1999, except for Section 9 relating to the PEP benefit, which was effective January 1, 2000).