State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: S.F. 286 (Betzold, by request); H.F. 1755 (Smith): PERA-General; Coordinated Member Employee and Employer Contribution Rate Increases; Creating an Automatic System for Revising Future Contribution Rates

DATE: March 15, 2005

Summary of S.F. 286 (Betzold, by request); H.F. 1755 (Smith)

S.F. 286 (Betzold, by request); H.F. 1755 (Smith) revises the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) coordinated member employee and employer contribution rate as follows:

- from 5.1 percent to 5.5 percent of pay on January 1, 2006; to
- 5.75 percent of pay a year later; and to
- 6.0 percent of pay on January 1, 2008.

The employer additional contribution rate for coordinated members is increased as follows:

- from 0.43 percent to 0.5 percent of pay on January 1, 2006; and if the July 1, 2008 or 2009, actuarial report indicates a contribution deficiency, then the employer additional contribution rate will be further increased; to
- 0.75 percent of pay on January 1, 2009; and to
- 1.0 percent of pay on January 1, 2010.

A new subdivision is created establishing a mechanism to further revise the regular coordinated member employee and employer contribution rates after July 1, 2010, if the official actuarial reports (those provided by the actuary jointly retained by the pension funds under Section 356.214) indicate a contribution deficiency greater than 0.5 percent of pay in two consecutive years. In that event, the PERA executive director must adjust contribution rates incrementally over one or more years, as needed, to be effective the following July 1 and not to exceed 0.25 percent of pay in any one year, such that a contribution sufficiency not to exceed 0.25 percent of pay is created. A new adjustment under this mechanism may not occur until at least two years after a prior adjustment under this subdivision is fully implemented.

If the actuarial reports indicate contribution sufficiencies greater than 0.5 percent of pay in two consecutive years, the above mechanism would work in reverse, with a mandated reduction in regular employee and employer contribution rates, leaving a contribution sufficiency of no more than 0.25 percent of pay.

Background Information on PERA-General

PERA-General is governed by Minnesota Statutes, Chapter 353, and various other provisions of law. It is a defined benefit retirement plan that provides disability coverage, survivor benefits, and retirement coverage to over 140,000 public employees throughout the state, other than public safety employees. PERA-General provides coverage to public employees who work for the counties, cities, and in non-teaching positions in school districts. PERA currently has over 44,000 retirees and 32,000 deferred retirees. PERA-General assets exceed $11 billion, but liabilities exceed $13.7 billion, creating a funding ratio of 81 percent. Currently, under law the employee contribution rate to PERA-General for a coordinated member is 4.75 percent of pay, while the required employer contribution rate is 5.61 percent of pay.

Being a defined benefit plan means that the retirement benefit is specified by a formula in law. Under these formulas, the average of salary close to retirement (the average of the five consecutive years that provides the highest average salary) is multiplied by a factor or factors referred to as accrual rates. An accrual rate is the percentage of the high-five salary that the individual receives per year of service. This result is then multiplied by the number of years of service to determine the benefit. For a PERA-General member who started covered service in one of the larger Minnesota public plans before 1989, the normal retirement age is 65. That is the age at which an individual, following termination of covered service, can receive an annuity without any penalty due to early commencement of the benefit. Under law, a terminated employee may begin drawing an annuity as early as age 55, but with a reduction due to early retirement. If a PERA member starts drawing an annuity at the normal retirement age, the accrual rate in law is 1.7 percent (assuming a coordinated member, which means a member who is also covered by the Social Security Old Age, Survivor, and Disability Program for the covered employment). If the high-five average salary happened to be $40,000 and the individual had 30 years of service, the annual benefit would be $40,000 x 1.7 percent x 30 years = $20,400.

PERA also has some basic members, 145 according to a recent valuation. These are individuals who first became covered by PERA decades ago, and who later elected not to coordinate with Social Security. These individuals do not contribute to Social Security (except for the Medicare portion) due to the covered PERA employment, and it is assumed that they will not receive a Social Security retirement benefit (at least on their own account) during retirement. Because it is assumed that the PERA pension may be the only income source during retirement, the PERA benefit is higher than the benefits of corresponding coordinated PERA members, and the contribution rates are also higher. For a PERA basic member who retires at age 65, the accrual rate is 2.7 percent rather than 1.7 percent. If the high-five average salary happened to be $40,000 and the individual had 30 years of service, the annual benefit would be $40,000 x 2.7 percent x 30 years = $32,400.

PERA-General is a defined benefit plan. Defined benefit plans rely upon pooled funding to meet the retirement liabilities of the group. Every year the retained actuary reviews the plan assets and contribution rates, and determines whether the assets and future contribution stream will be adequate to cover the plan's liabilities, given the salaries of the covered group, the demographics of the group, and the package of benefits offered under the plan. While there is an effort to keep the assets for the group in line with group liabilities, that is not true for any specific individual within the group. In other words, there is no reason to believe that the employee and employer contributions for a specific employee, plus investment earnings on those contributions over time, will equal the liability determined by the formula used to compute the individual's annuity at retirement. That is rarely if ever the case. Within the pension fund of any defined benefit plan there is considerable cross funding and subsidies. Some individuals receive a benefit that is less than the accumulated value of the contributions made on their behalf. Others receive considerably more. This contrasts with the nature of a defined contribution plan. In a defined contribution plan, each individual has a separate account to which the applicable employee's contributions are added. The value of the account at retirement (the sum of accumulated contributions plus all investment earnings on the account) determined the value of the annuity.

Background Information on the PERA-General Contribution Deficiency

S.F. 286 (Betzold, by request); H.F. 1755 (Smith) is an effort to address PERA-General's contribution deficiencies. The deficiencies in this fund have persisted for a considerable period, although they have not been severe. There have been past actions to at least reduce the amount of these deficiencies. In one case, the action was later partially undone due to opposition to the costs imposed on local units of government. In another case, contributions were increased and state aid was provided to assist in covering the added employer cost. But due in part to a need to revise actuarial assumptions to better match the behavior the PERA-covered group, a deficiency reemerged.

1. Recent History of PERA-General Contribution Sufficiency/Deficiency. Attached to this memo is a chart summarizing the PERA-General actuarial reports from 1991 through 2004. The 1991 to 1997 reports all indicated slight contribution deficiencies, less than one percent of payroll. There were slight sufficiencies in 1998 and 1999, 0.19 percent of pay in 1998 and 0.57 percent of pay in 1999. These modest sufficiencies were due to actions taken in 1997, discussed further below, to increase contribution rates to this plan, coupled with state aid to help local units of government cover that added cost. Since 1999, the plan has again displayed contribution deficiencies, although all have been less than two percent of pay.

2. Actions Taken in 1997. In 1997, the pension plans (the Minnesota State Retirement System (MSRS) plans and PERA plans, including the public safety plans in those organizations, the Teachers Retirement Association (TRA), and the first class city teacher plans) sought and received benefit increases. Under these law changes (Laws 1997, Chapter 233), higher accrual rates are used to compute retirement benefits. At least for the MSRS, PERA, and TRA plans, in part these increases were financed by a change in the State Board of Investment Post Fund interest rate, which was revised from five percent to six percent. Less actuarial reserves are needed to finance any given level of benefits if the reserves are assumed to earn six percent prior to retirement rather than five percent. The impact of that change on the Post Fund is that post-retirement increases will be one percent per year less on average than would be the case under the old Post Fund. In part, higher benefits at the time of retirement were traded for lower increases during retirement.

   These benefit changes had cost impacts on the pension funds, and PERA-General was one of the funds, along with first class city teacher fund associations, that were expected to be harmed financially by these changes. For PERA, this was addressed in 1997 by increasing contribution rates and creating state aid to help the employers cover the additional cost. The employee contribution rate for basic members was increased from 8.23 percent of salary to 8.75 percent of salary while the employee contribution rate for coordinated members was increased from 4.23 percent to 4.75 percent. The employer additional contribution rate was increased from 2.5 to 2.68 percent for basic members and from 0.25 to 0.43 percent of salary for coordinated members. To assist PERA employers in covering these costs, state aid was created to provide aid of 0.35 percent of PERA-covered payroll in fiscal 1998, and 0.70 percent thereafter, but amounts in dollar terms are capped at the fiscal year

1999 aid amount. The financing for this aid was created by shifting resources from MSRS-General and TRA. Contribution rates in those plans were reduced, and appropriation reductions to MSRS and TRA employers in the amount of employer contribution reductions were used in part to shift funding to PERA employers.

3. PERA-General Actuarial Assumption Changes. Based on the results of a 1996 experience study, on February 22, 2000, the Commission approved various changes in demographic actuarial assumptions which had been recommended by the actuary to better match the plan's actual experience. These changes were:

Assumption	Analysis Observation/Conclusion	Recommendation
Interest	Experience has been consistently favorable, averaging 12.3 percent annually.	Given long-term perspectives and considerations, no assumption change is recommended.
Salary Increases	Actual individual salary increases have been below the expected rates.	Recommended utilization of a two-part assumption, with a base salary increase rate and a "select and ultimate age-related" table as a longevity and merit increase rate.
Payroll Growth	Actual increases have been greater than expected.	Recommended no change.
Retirement Age	Single age assumption does not reflect actual experience and assumption needs to differentiate more based on "Rule of 90" early normal retirement eligibility.	Recommended using graded retirement rates beginning at age 55, with a different set of rates if the member will become eligible under the "Rule of 90."
Optional Annuity Selection	Marriage percentage is likely greater in Basic Program than in Coordinated Program.	No change recommended.
Disablement	Actual disability rates are well below experience.	Recommended age-related and gender-related rates which are lower than current, especially for females.
Separation	Withdrawal experience has been significantly lower than expected, at all age and gender cells. Withdrawal is strongly correlated with both age and service.	Recommended age and service "select and ultimate" tables, with ultimate rates generally lower than prior assumption.
Annuitant Mortality	Annuitant mortality is slightly below expected.	Recommended greater setback (strengthening) in mortality assumption.
Disabled Mortality	Disparity between actual to expected, with significant age variation.	Recommended age-graded tables, with strengthened assumption.
Active Mortality	Actual experience to expected rate differs.	Recommended greater setback (strengthening) in mortality assumption.

Of all the demographic assumption changes, the single revision that may have had the greatest impact is the revised separation assumption. Fewer turnovers means that the fund has a lesser amount of turnover gain and higher liabilities because individuals are remaining in covered service. Another enacted change, not shown above, was to revise the way the actuarial value of assets is computed. This change applied to all the defined benefit plans in MSRS, PERA, TRA, the first class city teacher plans, and the Minneapolis Employees Retirement Fund (MERF).

For PERA, the combined impact of all of these changes is reflected in the change between the plan's actuarial condition on July 1, 2000, compared to the earlier July 1, 1999, report. Despite the higher contribution rates enacted in 1997 and the corresponding state aid to the employers, the funding ratio fell from 89.89 percent to 86 percent, the amortization requirement increased, and there was a large increase in the plan normal cost, from 7.49 percent of payroll to 9.33 percent of payroll. The plan went from a contribution sufficiency of 0.57 percent of payroll to a contribution deficiency of 1.96 percent of payroll.

The actuary also provided some information indicating the impact that would have occurred in the 1998 valuation if the revised assumptions had been in place at that time. Rather than a 0.19 percent of payroll sufficiency, there would have been a 2.21 percent of payroll deficiency. Commission staff estimated the impact on the 1999 valuation, and estimated that there would have been a 1.19 percent contribution deficiency rather than a 0.57 percent sufficiency. These revised 1998 and 1999 estimates did not include the impact of the revised actuarial value of assets methodology, which was predicted to lower the computed asset value and thus increase the computed contribution deficiency.

4. Interim Discussion, 2000. The chair of the Legislative Commission on Pensions and Retirement, former Representative Harry Mares, designated a review of PERA-General's funding condition as a topic to be studied during the Legislative Interim in 2000. The Commission had an initial consideration of the issue on June 27, 2000. A staff memo was reviewed, followed by testimony from the actuary retained by the Commission, Tom Custis of Milliman USA, and PERA's Executive Director, Mary Most Vanek. No further actions occurred until the 2001 Legislative Session.

5. 2001 Legislative Session. Two bills, similar but not identical, were heard by the Commission on March 5, 2001, and March 19, 2001. The bills, S.F. 810 (Pogemiller) and H.F. 855 (Mares), addressed PERA funding through a combination of contribution rate increases, benefit revisions, and coverage changes. The bills proposed expanding PERA membership by removing the $425 per month earnings threshold for membership, making the plan more similar to MSRS-General and TRA, which have no earnings threshold. This low wage group typically has high turnover, which would assist PERA by providing turnover gain. Service credit would be prorated for those who work less than half-time. Employee and employer contribution rates were to be increased by 0.375 percent of payroll, with another 0.25 percent of pay increase in 2004 if contributions remained inadequate. The full funding date was to be increased from 2020 to 2030 to reduce the annual amortization requirement. The vesting requirement would increase from three years to five years for new employees. Terminated individuals would be offered enhanced refunds to encourage them to take refunds rather than deferred annuities. For those who terminate before age 55, the refund would be increased by 25 percent of the accumulated employer contributions plus interest, and for those who terminate after age 55, by 50 percent of the employer contributions, plus interest. Deferred annuities augmentation would be decreased from five percent after age 55 to three percent. In S.F. 810 (Pogemiller) only, the PERA employers would have an additional charge of 0.75 percent of payroll, to be covered by proposed state aid.

   Portions of these bills were enacted in 2001. The salary threshold was removed, service credit was prorated for less than half-time employees, employee and regular employer contribution rates were increased from 8.75 percent of pay to 9.1 percent of pay for basic members, and rates for coordinated members increased from 4.75 percent of pay to 5.1 percent. The amortization date was extended to 2031.

6. 2002 Legislative Session. In 2002, the Legislature partially reversed the actions taken in 2001, by reinstating the $425 per month salary threshold, due to complaints from local units of government about the added cost of including that group.

Discussion and Analysis

S.F. 286 (Betzold, by request); H.F. 1755 (Smith) raises the PERA-General coordinated member employee and employer contribution rate and raises the employer additional contribution rate for coordinated members in steps over several years.

The bill raises various pension and related public policy issues, as follows:

1. Current Need to Address. The issue is whether there is sufficient need, and sufficient resources, to address PERA's contribution deficiency at this time. While the problem has been persistent, it is not severe. The employee increases will be resisted and the employing units are likely to oppose any effort to increase employer contributions unless there is a corresponding increase in state aid. The Commission may conclude that other matters, such as the funding problem of the Minneapolis Teachers Retirement Fund Association (MTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA) are more urgent.

2. Cost. The issue is the cost of the increase that local units of government would need to cover. Given the current total PERA-General covered payroll of $4.220 billion, if all of the increases proposed in the bill occur, the total employer contributions (employer regular contribution plus the employer additional contribution) will increase by $41.8 million in fiscal year 2006, $55.9 million in fiscal year 2007, $75.3 million in fiscal year 2008, $93.6 million in fiscal year 2009, and $113.2 million in fiscal year 2010, and will escalate thereafter by the percentage growth in payroll. There will also be some pressure to increase wages by amounts sufficient to cover the increased employee contributions.

3. Requested Increase May Be Excessive. The issue is the size of contribution increases necessary to eliminate contribution deficiencies. From 1991 through 2004, the contribution deficiency has varied but has never risen to two percent cent of payroll. The contribution deficiency according to the most recent actuarial report is 1.6 percent of pay. In part, that contribution deficiency exists because current assets (the actuarial value of assets) are depressed by several years of weak investment returns. Returns in the early 2000s were negative, and the five-year average (annualized) return for the State Board of Investment Combined Fund was only 2.2 percent for the period ended June 30, 2004, which is well below the 8.5 percent annual return assumed on pension assets. If the last several years had provided average returns of 8.5 percent rather than 2.2 percent, there would be a lesser

amount of unfunded liability in PERA-General. A very rough estimate by Commission staff is that PERA's contribution requirements would be about one percent less if average investment returns had occurred, and rather than having a contribution deficiency of 1.6 percent of payroll in 2004, the deficiency would be about 0.6 percent. This is of some importance, because it indicates that if future investment returns improve and there are a few years with above-average returns, the investment markets may take care of a good part of PERA's contribution deficiency.

Even without assuming any above-average investment years in the near future, the Commission may wish to have PERA justify the size of the requested contribution rate increases compared to the deficiencies. The 2004 valuation report indicates a 1.6 percent of pay deficiency. Sections 1 and 2 of the bill would increase the employee and employer regular contributions by 0.9 percent each by 2008, for a total of 1.8 percent of pay, exceeding the 2004 contribution deficiency by 0.2 percent of pay. Another half percent increase (one-quarter percent employee and one-quarter percent employer) would occur in 2007 under Sections 1 and 2. Section 3 would increase the employer additional contribution by another 0.57 percent of pay. Finally, Section 4 would further increase contributions, if needed in the future, and would give the PERA executive director some discretion to set the amount of the increase. Given the current level of the contribution deficiency, the Commission may wish to consider whether there is any need for Sections 3 and 4 of the bill, or for some of the increases scheduled under Section 2. Alternatively, the Commission may conclude that there should be some increase in the employer additional contribution under Section 3, with a corresponding reduction in the contribution increases in the regular employee and employer contribution rates in Sections 1 and 2 of the bill.

4. Phase-In Issues. The issue is the phase-in of increases over a multi-year period, with the first increase to occur on January 1, 2006, and the last to occur on January 1, 2008, under Sections 1 and 2, and further phasing-in under Section 3 ending on January 1, 2010. Assuming an increase is justified, phasing it in may help local units of government budget for the change, but a phase-in delays fully addressing the problem and results in additional unfunded liability, which increases the total cost of eliminating the deficiency. A shorter phase-in period will lower the total cost; a longer phase-in period will increase it.

5. Nature of Contribution Increases to Address the Unfunded Liability. The Commission's Principles of Pension Policy state that for general employee plans, the employees and employers should share equally in covering the normal cost and expenses, and both may be required to share some financial responsibility for the amortization requirement. The Commission may wish to consider whether it supports the sharing that would occur under this bill. The employee contribution and the employer regular contribution would each increase to six percent under the bill, for a total of 12 percent by January 1, 2008. The normal cost and expenses for the plan, according to the 2004 actuarial valuation, is about 8.0 percent of pay. These contributions alone would almost be adequate to cover the entire contribution requirement. Thus, the employees would make a significant contribution to retire the unfunded liability.

6. Automatic Adjustment Issues. There are several issues related to the new proposed automatic adjustment provision (Section 4 of the bill), as follows:

   a. Given the contribution deficiencies that this plan has had to date, there seems to be no need for this provision. The contribution rate increases elsewhere in the bill seem more than sufficient to address the deficiency problem. If the Commission becomes convinced that more is needed, it may wish to consider simply increasing the employee and employer contribution rates in Sections 1 and 2 (or 3). For example, the Commission could add an additional increase of an additional 0.25 percent in Sections 1 and 2, to be effective January 1, 2009. If it is found in 2006 or 2007 that this is not needed, the 2009 increase could be stricken from the law.

   b. Including this automatic contribution increase provision implies a lack of faith that the Legislature would be willing to consider a need for further increases at a future date. If the Commission and the Legislature are willing to readdress PERA's contribution needs in the future, Section 4 can be stricken.

   c. The Commission may be concerned about delegating any authority to PERA's board or executive director to determine, even within narrow limits, the timing and amount of any contribution increases. Higher employer contributions may require increases in local taxes. These decisions may be best left in the hands of the Legislature, elected by the taxpayers of this state, rather than to PERA and its board, which is largely composed of appointed individuals and individuals elected by portions of PERA's membership. Any time there is a contribution increase under this provision, the Legislature will need to deal with the fallout of that action, including complaints by PERA-covered members and by PERA employee groups and requests by local units of government for additional aid. If the Legislature will have to deal with all of the issues that arise as a result of an increase, the Legislature may wish to consider also retaining its discretion to

decide when increases will occur, the amount of the increases, and the way any given increase is to be shared between employees and employers.

d. The Commission may be concerned that contribution rate revisions that will automatically occur under this section of the bill are based on results of actuarial reports by an actuary that is not retained by the Commission. As part of budget-saving efforts last year, the Commission no longer retains its own actuary. The official actuarial reports are now provided by an actuary jointly retained by the retirement fund administrations.

e. The Commission may choose to consider that an automatic adjustment provision creates new policy for any of the State Board of Investment-invested plans. None of the MSRS, PERA, or TRA plans have any automatic rate adjustment provisions, nor do any of the first class city teacher plans.

7. Trigger for Automatic Adjustments. The issue is the trigger to be used determine when increases (or decreases) in contribution rates will occur under Section 4. As drafted, an increase will occur if two consecutive actuarial valuations indicate a contribution deficiency of at least 0.5 percent of payroll. Given the variability from one actuarial valuation to another (as indicated by the contribution deficiency/sufficiency amounts in the 1998 through 2004 valuations, for example), the Commission may wish to consider whether the trigger amount of the deficiency should be higher, perhaps requiring a deficiency of one percent of pay or more. The Commission may also wish to consider that, as drafted, this provision would operate at times when it should not. The trigger is based solely on the level of past deficiencies or sufficiencies, and fails to recognize that the Commission and the Legislature may have taken other actions to reset contribution rates to eliminate deficiencies. For example, a standard practice with benefit increase bills is to also revise the contribution rate provisions as necessary to cover the added cost and to eliminate deficiencies. If the plan had two prior deficiencies, this automatic contribution increase provision would also kick in, leading to an unwanted overadjustment.

8. Aid Issues. As noted, any adjustment in rates triggered automatically by Section 4, or by any other sections in this bill, will lead to requests for aid to local governments at a time when the Legislature may be unwilling or financially unable to provide that assistance. The Legislature may wish to retain control over when and if a contribution rate adjustment will occur by striking Section 4, by possibly modifying contribution increases created under other sections.

9. Position of Local Public Employers and Employee Groups. The Commission may wish to have testimony by the groups impacted by this legislation to hear their concerns and to determine the level of their support.

10. Uniformity Problems. The bill creates uniformity problems. Plans are truly comparable when similar employees have the same benefit provisions and pay the same amount for that pension plan coverage. PERA-General provides benefits comparable to MSRS-General and TRA but under this bill, PERA-General members will pay far more for a comparable plan. The Commission may wish to consider other long-term options, such as merging comparable plans to create a system where similar individuals are paying the same percentage of pay for their pension coverage.

11. Experience Study. The Commission may wish to delay any action on PERA-General contribution rate issues until after the next experience study for this plan is performed. That study may result in several recommended assumption changes which can impact plan funding, positively or negatively, and in general will provide a more current indicator of the financial needs of the plan.

Potential Amendments for Commission Consideration

Amendment LCPR05-092 removes Section 4 from the bill, the section which allows PERA to automatically reset contribution rates to eliminate any deficiencies or sufficiencies greater than 0.5 percent after July 1, 2010.

Amendment LCPR05-093 retains Section 4 as drafted, except for the trigger amount used to initiate the contribution decrease or increase. The amendment strikes 0.5 percent as the trigger to be used to initiate contribution increases or decreases if there is a deficiency/sufficiency in two consecutive valuations, and replaces it with an amount to be determined.

Amendment LCPR05-094 could be used with LCPR05-093 or independently. LCPR05-094 removes the discretion of the PERA executive director to set the amount of the contribution increases or decreases. If the official PERA actuarial reports indicate a contribution deficiency/sufficiency exceeding 0.5 percent of payroll (or as otherwise set by the Commission under LCPR05-093) in two consecutive years, employee and employer contribution rates will be increased or decreased as applicable, each year, by an amount to be determined by the Commission, until the deficiency or excess sufficiency is removed. The

Commission may wish to consider increases/decreases of 0.125 percent of payroll in the employee and employer contribution rates, or some other amount.

Amendment LCPR05-095 eliminates some of the contribution rate increases that would occur under Sections 1 and 2 of the bill, the proposed increases in the employee and employer regular contribution rates. This amendment strikes the proposed 2008 increases.

Amendment LCPR05-096 is alternative to LCPR05-095. It is comparable to LCPR05-095, but it eliminates both the 2007 and 2008 increases.

Amendment LCPR05-097 would eliminate the proposed employer additional contribution increases scheduled to take effect on January 1, 2009 and 2010.

Amendment LCPR05-098 is comparable to LCPR05-097, but it also increases the employer additional contribution rate effective January 1, 2006, from the proposed 0.5 percent of payroll to an amount to be determined. The Commission could choose a lower amount than 0.5 percent, or the Commission could choose to increase the rate above 0.5 percent, placing more of the burden of paying the amortization requirement on the employer rather than on the employees.

Amendment LCPR05-099 could be used to reset the date that Section 4 would become operable. Currently, the section appears to be effective no earlier than July 1, 2011, after all the other contribution rate increases proposed in the bill have been phased in. If the Commission decides to retain Section 4 and eliminate some of the phased-in increases under other sections of the bill, then the Commission may choose to move the effective date of Section 4 forward, to a date earlier than July 1, 2011. The Commission might also chose to ignore this amendment leave the date in Section 4 as drafted, even if other sections are revised, to allow some time to pass to determine the impact of the other contribution rate increases on the plan's funding.

Amendment LCPR05-100 can be used if Section 4 remains in the bill. The amendment adds language specifying that the automatic adjustments required by this section do not apply if the Legislature has already taken action to revise PERA contribution rates or the amortization date during the applicable period.