

Example of Privatization Bill Impact on an Employer

	Pre Privatization	Privatization Under Existing Statutes	Privatization Under Proposed Statutes
PERA Employee Contribution Rate	6.5%	0.0%	0.0%
PERA Employer Contribution Rate	7.5% (\$1,100,000/year)	0.0%	~ 0.3% for 10 years (\$50,000/year)
Employer money available for Employee Benefits via new plan	N/A	7.5% (\$1,100,000/year)	~7.2% (\$1,050,000/year)
Net Pension Liability / Withdrawal Liability	\$6,800,000 (Net Pension Liability)	\$0	\$366,000 (Withdrawal Liability)
Costs Transferred to Remaining PERA Members and Employers	N/A	\$366,000	\$0

The proposed legislative change would allocate the cost of unfunded member benefits to their privatizing employer, rather than to remaining members and employers. The withdrawal liability in this example would be \$366,000 if paid in a lump sum. If amortized over 10 years using 7% interest, the annual payment is \$49,000/year which is approximately 0.3% of payroll.

