# MAJOR COMPONENTS OF RECENT MPSERS LEGISLATION

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The structure of the current retirement plan selection process for all new hires remains essentially unchanged. The individual has a set amount of time to choose between a defined contribution (DC) and defined benefit (DB) plan. However, if no selection is made within this timeframe, the proposal would change the default selection to the DC plan. (SB 401)

## New Defined Benefit (Hybrid) Plan

Key components

- Pension formula: 1.5% x Final Average Compensation x Years of Service **
- Regular retirement age of 60
- Graduated employee contribution rates as income rises, averaging 5%**
- No cost of living increases**
- Investment rate of return assumption equal to 6%
- Additional DC benefit with a 50% employer match capped at 1% of employee compensation**

- Requires a 50/50 cost share between the employee and employer, including the costs of future unfunded liabilities. Essentially, if the new DB plan is ever funded at less than 100%, a portion of the employee's take home pay will be used to make up that difference. These liabilities would be amortized on a 10-year level-dollar schedule.
- Creates a trigger under which the new hybrid plan would be closed to new employees if the actuarial funded ratio falls below 85% for two consecutive years. This trigger would not apply if the ratio fell due to a failure of the employer or state to make a required contribution or if the state appropriates sufficient funds to being the ratio above 85%.
- This plan is open to new hires after February 1, 2018.

***These factors are unchanged from the current DB/Hybrid system.*

### DB Plan Cost Changes:

**ORS estimates the employer normal cost for new hybrid would be ~6.2% (an increase from the current hybrid's ~3.1%)**

**Employee contributions would increase from approximately 5% to 6.2%**

## New Defined Contribution (401k) Plan

- Employer contributes 4% of the employee's salary into a 401(k) or 401(k)-style plan and matches the employee's contributions dollar-for-dollar, up to another 3% of salary. The automatic 4% contribution would begin with the first pay period after October 1, 2017, and the increased employer match would begin on February 1, 2018.
- The employer's matching 3% is reimbursed by the School Aid Fund.
- Participants would vest employer contributions into their DC plan based on the existing statutory schedule: 50% after 2 years, 75% after 3 years, and 100% after 4 years.
- This plan is the default option going forward.
- All employees who are currently in the DC plan will get moved into the new DC structure.

### DC Plan Cost Changes:

**Employers would see an increase in costs equal to 1% of payroll for participants in the old DC moving into the new DC**

**SAF is responsible for the matching contribution up to 3%**

Other Changes

- Establish a "floor" for employer's contribution rates as a percentage of payroll, beginning with fiscal year 2018-19
- Require a school district's payroll on which the UAAL rate is applied to be adjusted by the change in the district's current operating expenditures, and require that the adjusted payroll become the basis on which the UAAL contribution rate is determined
- Eliminate the purchase of service credit (other than credit for active duty in the armed forces or the repayment of refunds) in the Basic and Member Investment Plans for employees hired prior to July 1, 2010, unless the purchase is initiated by September 29, 2017