Public Pension Stabilization Plan

GOAL:

- **Maintains a defined benefit plan**
- **100% funding for pension systems by 2042**
- **Funding: 30-year "closed" ARC (Actuarially Required Contribution)**
  - The 30-year closed ARC, endorsed by the Governmental Accounting Standards Board, will result in 100% funded status for the pensions systems by 2042, eliminating the $83 billion unfunded liability, based on current actuarial assumptions. The current statutory funding plan, adopted by the General Assembly in 1995, reaches 90% funded status by 2045. At the end of 2045, a $32 billion unfunded liability will remain.

PLAN:

- **Benefit Changes for Active and Inactive Members**
  - 3% increase in employee contributions
  - Reduce COLA (cost of living adjustment) to lesser of 3% or ½ of CPI, simple interest
  - Delay COLA to earlier of age 67 or 5 years after retirement
  - Increase retirement age to 67 (to be phased in over several years)
  - Establish 30-year closed ARC (actuarially required contribution) funding schedule
  - Public sector pensions limited to public sector employment
- **Employer Responsibilities**
  - State makes required payment each year
  - Employers take responsibility for their normal costs. State's current responsibility for local school districts, community colleges and public universities will phase out over next several years.

CONSIDERATION:

- **Employees' pay increases will continue to be counted in the calculation of their pensions**
- **Employees will receive a subsidy for their health care in retirement**

SAVINGS: **Reduces future contributions by $65-85 billion through 2045, based on current actuarial assumptions.**