

PERS Dilemma:

Enhanced Retirement Benefit vs. Gainsharing

At the 2007 legislative session lawmakers enacted benefits to the PERS 2 and 3 plans but also eliminated the gainsharing benefit from the PERS 3 plan.

Some years ago, the state offered Gainsharing as a benefit to PERS 3 participants to share in extraordinary gains in their retirement fund investments. If funds earned an average of more than 10% a year for four straight years, the amount above 10% is split evenly between the employees and the state. PERS 2 employees were offered the ability to transfer to PERS 3 in order to participate in gainsharing.

Unfortunately, just a few years after instituting gainsharing, lawmakers realized that the cost to the state over a 25-year projection could rise above \$6.7 billion.

Realizing those mounting costs, the legislature approved EHB 2391 this year to repeal the gainsharing benefit and replace it with other pension enhancements. The new benefits allows PERS 2 and 3 participants with 30 years of service to retire three years earlier, at age 62, with no penalty; and boosts the cost-of-living adjustment for PERS 1 retirees.

Additionally, the legislation also provided that if the courts reinstate gain sharing; the new pension benefits would be eliminated.

There are currently three unions who have initiated legal action to save gainsharing. They have not defined a clear unified response to date. Though Local 17 is not directly involved in any lawsuit at this time, often one group or another will take the lead on an issue and then be joined by others.

Local 17 members should clearly understand that this issue is complicated by the fact that a gainsharing correction for PERS3 employees would result in elimination of the recent enhancements for PERS 2 and 3 members explained above.

Given the parameters of the legislation, any resolution will affect all state employees members regardless of our participation in any lawsuit.

IFPTE Local 17 is following the progress on the legal action and will respond as appropriate for our membership. Stay tuned.