

Currently, pensions are calculated by taking a member's final average salary, multiplying it by the number of years worked and dividing it by 55. Changing 55 to 60 in that formula would result in an 8.88% **decrease** in new employees' pensions.

Q: How would changing the calculation of final average salary (FAS) from three years to five years affect new employees?

Currently, FAS is calculated by averaging a member's three highest salary years. This bill would change that to five years for new employees. The exact impact would be different for each member, but preliminary estimates indicate it would **decrease** pensions by about 2% on average.

Q: How would the "one job for a pension" rule affect new employees?

Some school employees hold more than one part-time position instead of a single full-time position. Those employees would only be able to collect a pension for one of those jobs, denying them the ability to earn the equivalent of a full-time pension for working the equivalent of a full-time job.

Q: What is the impact of repealing the "non-forfeitable right" to pensions for new employees?

The "non-forfeitable right" comes from a law which ensures that once an employee participates in the pension system for five years, his or her pension benefits cannot be reduced. Changing the law would pose a serious threat to new employees' pensions because the state would be able to change those pensions at any time in the future.

Q: What is the impact of allowing new members and members with fewer than 10 years in the pension system to opt in to the defined contribution retirement plan (DCRP)?

This change would be harmful to both current and future members of TPAF and PERS, and potentially very harmful to those employees who choose not to participate in PERS or TPAF. If a number of newer employees elect to go into the DCRP, it would further weaken TPAF and PERS, as less money would be coming in to pay required benefits. Also, those employees who choose the DCRP would not be eligible for post-retirement health benefits. Additionally, they would have no protection if the value of their investments dropped.

Q: What is the impact of mandatory state funding of the pension systems?

Theoretically, mandating that the state fully fund the pension systems is a good idea which would significantly strengthen those systems. In practice, however, the state is *already* required to fully fund the systems, but regularly ignores that requirement. It is unclear why that would change with a new law. Further, the law would allow the state to phase in funding very slowly, over seven years. That means there would be at least six more years of underfunding by the state, which would make the current funding situation even worse.