

PERS and PSERS Dual Membership

Issue

Should dual membership rules allow members of plans with different retirement ages to receive unreduced retirement from one plan when they're eligible for normal retirement from the other?

Background

Dual membership rules allow members to combine their service credit in more than one system for the purposes of retirement eligibility. However, they receive a separate benefit from each system.

A member of two plans with different retirement ages (such as the Public Employees' Retirement System [PERS] and the Public Safety Employees' Retirement System [PSERS]), may not be able to retire from both at the same time without a reduction in benefits from one of the plans.

When a dual PERS/PSERS member reaches age 60, they have at least three options:

- ❖ Retire from both plans.
 - ◇ The PERS portion will be actuarially reduced. At age 60, the current reduction factor (0.611) would reduce the PERS portion by 38.9 percent.
 - ◇ However, if the member has at least 30 years of total service, the reduction factor would be smaller (as little as 5 percent at age 60, depending on several criteria).
- ❖ Retire from PSERS, and delay PERS retirement until age 65.
 - ◇ In this case the member stops working but does not receive full benefits for five years.
- ❖ Continue working until age 65.
 - ◇ This would provide members with larger benefits, but requires the member to work an additional five years.

Highlights

- ❖ PSERS was created for employees in dangerous positions who do not qualify for the Law Enforcement Officers' and Fire Fighters' Plan 2, and provides a lower retirement age than the Plans 2/3. Most PSERS jobs were originally PERS jobs.
- ❖ Dual membership rules were created to provide portability between the state's retirement systems.

- ❖ Dual membership has a cost when members use their highest average final compensation when calculating benefits.
- ❖ Policy makers may want to consider whether or not there are ways to address stakeholder concerns outside the retirement system.
- ❖ The Select Committee on Pension Policy has heard several different issues and proposals related to PSERS in recent years and may want to consider how this issue fits with the others.
 - ◇ E.g., death and disability benefits, and what types of jobs should be eligible for membership in the plan.

Committee Activity

The Committee received an educational briefing on this issue at the December 2019 meeting. No action was taken.

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