

THREE: APPENDICES

MISCELLANEOUS ASSUMPTIONS

continued

Early Retirement Factor (ERF) Selection

What is the ERF Selection Assumption and How Do We Use it?

Members of PERS, TRS, and SERS Plans 2/3 who were hired before May 1, 2013, meet specific eligibility requirements, and retire early have the choice of retiring under the 2000 Early Retirement Factors (ERFs) or the 2008 ERFs.

- ❖ The 2000 ERFs reduce a member's pension by 3 percent for each year that they retire prior to age 65, but they allow the member to return to work in an eligible position prior to age 65 and still receive their full pension, subject to certain restrictions.
- ❖ The 2008 ERFs reduce a member's pension by a specified percentage for each year that they retire prior to age 62. This pension reduction is less than the reduction under the 2000 ERFs. However, the 2008 ERFs generally prohibit a member from receiving their full pension if they return to work before age 65.

The ERF Selection assumption assigns the probability that a member who retires before age 65 from PERS, TRS, or SERS Plans 2/3 will elect the 2000 ERFs rather than the 2008 ERFs. This assumption allows us to more accurately project the pension benefits of members who retire early from these plans.

High Level Takeaways

We currently assume that no members will elect the 2000 ERFs, since these ERFs reduce a member's pension benefit by a greater amount than the 2008 ERFs. However, we recognize that some members have selected the 2000 ERFs in the past.

To this end, we studied ERF selection data from DRS for Fiscal Years 2009 through 2016. We observed that the percentage of retirees who selected the 2008 ERFs in PERS, TRS, and SERS Plans 2/3 was 98 percent, 95 percent, and 94 percent, respectively.

We also looked at the impacts of [E2SHB 1139](#) which passed during the 2019 Legislative Session. This bill allows TRS and SERS Plans 2/3 members who retire under the 2008 ERFs to work in certain positions up to 867 hours per year while under age 65 without a suspension of benefits. These conditions now mirror the conditions from the 2000 ERFs. Therefore, we believe this bill will result in all TRS and SERS members selecting the 2008 ERFs over the 2000 ERFs in the future.

Given this information, we find our current ERF Selection assumption to be reasonable, and we are not making any change to this assumption. We do not plan to revisit this assumption in the future unless plan or legislation changes merit it.