

# What is the **AUTOMATIC ADJUSTMENT** Provision?

The automatic adjustment provision is an innovative approach to pension funding that keeps PERA on a path to full funding in 30 years. This new approach writes in statute the automatic changes, which helps ensure the long-term stability of benefits today and in the future. The provision requires changes in member and employer contribution rates, the annual increase (AI) percentage, as well as the direct distribution from the State, which are all intended to ensure PERA achieves the goal of paying off the unfunded liability in 30 years.

## What are the Components of the Automatic Adjustment Provision?

EMPLOYER  
CONTRIBUTIONS

MEMBER  
CONTRIBUTIONS

ANNUAL  
INCREASE (AI)

DIRECT  
DISTRIBUTION

## How Does the Automatic Adjustment Keep PERA on Schedule?

### IF PERA IS BEHIND SCHEDULE

- ↓ Decrease AI percentage by up to 0.25% in one year, not to fall below 0.5%
- ↑ Increase employer contributions by up to 0.5% in one year, not to exceed an additional 2%
- ↑ Increase member contributions by up to 0.5% in one year, not to exceed an additional 2%
- ↑ Increase the direct distribution from the State budget by up to \$20 million in one year, not to exceed \$225 million

### CLOSED 30-YEAR FUNDING PERIOD



### IF PERA IS AHEAD OF SCHEDULE

- ↑ Increase AI percentage by up to 0.25% in one year, not to exceed 2%
- ↓ Decrease employer contributions by up to 0.5% in one year, not to fall below 2018 levels
- ↓ Decrease member contributions by up to 0.5% in one year, not to fall below 2018 levels
- ↓ Decrease the direct distribution from the State budget by up to \$20 million in one year

## When Would These Changes Take Effect?

PERA will announce the progress toward the funding goal each year in June, along with any automatic adjustments to contributions or the AI.

Report on Actuarially Determined  
Contribution in *Comprehensive Annual  
Financial Report*



June 2019

Determination of any adjustment  
needed to stay on track



First eligible year for any  
adjustments needed



July 1, 2020