

Teachers' Fund for Retirement Summary of 2007 Legislative Proposal

The TFFR Board has submitted a bill draft to the Legislative Employee Benefits Programs Committee for study. The legislative proposal includes contribution and benefit changes, which along with positive investment returns, should improve TFFR's funding level and overall financial health without impairing legally protected contractual pension benefits for current active, inactive, and retired teachers and administrators. The proposal being studied:

- **Increases employer retirement contributions beginning July 1, 2007.**
 - Employer contributions would be 8.75% of active member's salary, instead of 7.75%.
 - Employer contributions of 16.50% of reemployed retiree's salary would be required under the general rule and critical shortage options. Employer contributions would be reduced to 8.75% when retiree exceeds annual hour limit under general rule and member contributions become due.

- **Creates new tier of reduced member benefits for new TFFR members (and returning refunded members) employed on or after July 1, 2007.**

Tier 1 Members include all current active, inactive, or retired members who have TFFR service credit on July 1, 2007. Tier 1 members who do not refund their service credit would maintain the current TFFR benefit structure and member contribution rates.

Tier 2 Members include all new members and returning refunded members who are employed on or after July 1, 2007. Tier 2 members would have the following benefit changes:

- Rule of 90, instead of Rule of 85
 - 5-year vesting, instead of 3-year vesting
 - Early (reduced) retirement eligibility would be age 55 and 5 years of service (instead of age 55 and 3 years)
 - Normal (unreduced) retirement eligibility would be age 65 and 5 years of service (instead of age 65 and 3 years)
 - Final average salary would be computed as a 5-year average, rather than as a 3-year average
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- **Removes automatic refund requirement and reenacts various other provisions to comply with IRS qualification requirements.**

Note: Bill draft is available on RIO website, or contact administrative office.
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