

Effect of Updated Actuarial Factors on Member Benefits

Summary

New actuarial equivalency factors (AEFs) will apply to retirements with an effective date on or after January 1, 2012. The new AEFs will result in a benefit that is approximately 0.6 percent lower per month for a Money Match calculation and 0.3 percent lower for a Formula Plus Annuity calculation. Go to the [Benefit Estimate Calculator](#) to see which method will produce your highest benefit, and then deduct these percentages accordingly to see how these changes will affect you. More detail is provided below.

Supplemental information

The table below shows the change to an Option 1 monthly benefit. These examples show the effect of the new factors on the Money Match benefit based on the member account balance (matched by the employer) and do not include any other adjustments:

		Monthly Money Match Examples per \$100,000 Member Account Balance with \$100,000 Employer Match		
Age at retirement	Percent Change	Using Current AEFs	Using New AEFs	Dollar Change
50	-0.4%	\$1,414	\$1,408	-\$6
55	-0.4%	\$1,476	\$1,470	-\$6
60	-0.6%	\$1,570	\$1,560	-\$10
65	-0.8%	\$1,706	\$1,692	-\$14
70	-0.9%	\$1,902	\$1,884	-\$18

The table below shows the difference in the initial Option 1 monthly benefit under the new factors in effect January 1, 2012 and then the effect of retiring under the new factors 1, 2, or 3 months later (assuming the member's account is credited with the assumed rate of 8 percent from January 1, 2012 until retirement).

Difference in Money Match Monthly Benefit Using New AEFs (per \$100,000 Member Account Balance with \$100,000 Employer Match)				
Age on January 1, 2012	January 1, 2012 Retirement (+0 months)	February 1, 2012 Retirement (+1 month)	March 1, 2012 Retirement (+2 months)	April 1, 2012 Retirement (+3 months)
50	-\$6	\$5	+\$14	+\$25
55	-\$6	\$5	+\$15	+\$27
60	-\$10	\$2	+\$14	+\$26
65	-\$14	-\$1	+\$14	+\$27
70	-\$18	-\$2	+\$14	+\$31

The PERS Board must adopt AEFs every two years which, by law, “must use the best actuarial information on mortality available at the time.” At its September 30, 2011 meeting, the Board adopted new AEFs. These AEFs will apply to retirements with an effective date on or after January 1, 2012. Retirements on December 1, 2011 or before will use the AEFs currently in place.

The new AEFs will result in a smaller monthly benefit based on the Money Match calculation method because the present value of the account is projected to be paid longer, based on the changed mortality method. For affected members to receive a higher benefit amount (if the Money Match calculation provides the highest benefit), they would need to delay retirement by one to two months.