

Replacement Ratio Study (1990-2011 retirements)

Exclusions and Assumptions

2/7/12

The Replacement Ratio Study population of 75,179 retirements was drawn from 92,456 retirements from January 1990 through December 2011, and covers retired members who selected comparable monthly benefit options. The techniques used in the 2012 PERS Replacement Ratio Study are consistent with the techniques used in previous studies.

The calculations do not include any federal Social Security benefits that a retiree may be eligible for based on the retiree's work history. The calculations also do not include the effects of the post-retirement *Strunk/Eugene* benefit adjustments, which generally impacted retirements occurring in 2000-2004 and would reduce the reported replacement ratios for those periods by several percentage points.

EXCLUSIONS:

Job Class Exclusions

The study is limited to retirees in the General Service and Police & Fire job classes from January 1990 through December 2011.

Job class 1 (General Service) includes 69,402 members, and includes job class 9 (school teachers); job class 2 (Police & Fire) includes 5,777 members. Excluded job classes are:

- Job class 3, Police/Fire Unit (able to buy service units)
- Job class 4, TIAA/CREF
- Job class 5, Judge Member
- Job class 6, Legislators
- Job class 7, TRFA
- Job class 8, Elected/Appointed Officials
- Job class A, A-Election

Beneficiaries and alternate payees were also excluded, as the inclusion of these populations would skew the results due to the wide range of payout scenarios related to death and divorce benefits.

Retirement Option Exclusions

Within job classes 1 and 2, additional records were excluded based upon retirement option. All lump sum benefit types were excluded due to the distorting effect of significant payouts at one time on replacement ratio results. These excluded retirement option codes are:

- L1 – Lump Sum Option 1: Refund of Account plus life annuity
- L2 – Lump Sum Option 2: Refund of Account Balance plus 100% J/S
- L3 – Lump Sum Option 3: Refund of Account Balance plus 50% J/S
- L7 – Total Lump Sum: Refund of employee and employer dollars
- L2A – Lump Sum Option 2A: Refund of Account Balance plus Pop-up or 100% J/S
- L3A – Lump Sum Option 3A: Refund of Account Balance plus Pop-up or 50% J/S

Other Exclusions

- Any record that fell outside the January 1990 - December 2011 range
- Any record that had a greater than one-year gap between end contribution date and retirement date

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ASSUMPTIONS:

For the purposes of this study the following assumptions were used:

- Any account with a variable balance at the date of retirement was considered a variable account member.
- For final average salary (FAS), we use the average salary of the three high calendar years of a member's career. This definition of FAS may not match the definition on which the member's actual benefit was calculated.
- Monthly gross benefit includes HB3349 benefits for qualifying retirees.

SPECIAL NOTES:

The averages and percentages displayed on the Replacement Ratio sheets are based upon the respective actual source data. The calculations on each Replacement Ratio sheet are not directly derived from one another. For instance, if the Average Monthly Gross benefit column is divided by the Average Monthly Salary column, it will not equal the Average Replacement Ratio column because the Average Replacement Ratio is derived from the average of replacement ratios in the source data. This method avoids distortions resulting from averaging averages. This is also the case with all of the median calculations. This method of analyzing the data provides a more accurate picture of the actual dataset being used.

Records of members who retired in previous years and then returned to work only to retire again later, will be counted in the year of original retirement and again in the year of the second retirement. Adjusting the historical record would distort the year to year results.

Records for members who have retired with both Class 1 (General Service) and Class 2 (Police and Fire) job segments had the General Service job segment removed. Removing these records avoids double counting salaries and members.