

OPTION C STUDY EYED

OCTOBER 5, 2007: Members who retired prior to July 1, 2004 and chose an Option C pension remain outraged over the issue of the outdated mortality used to calculate their pension. Legislation moved forward this week that could bring about a resolution to the issue.

In the fall of 2004, it was discovered that Option C calculations, for those who retired prior to July 1 of that year, had been based on a 1928 mortality table. As a result, some Option C retirees are receiving pension benefits that had been improperly reduced by up to 20%. Naturally, our Association immediately called for an adjustment of the pension's of pre-July 2004 Option C retirees. Despite interest within the Legislature to address the issue, legislation had been slow to move forward in the process due to cost concerns. Under the bill released by the Joint Committee on Public Service, a special commission would be created to devise a means by which Option C pensions could be adjusted to reflect the new mortality tables. The key component of the study will be an actuarial valuation of pre-July 2004 Option C retirees. Conducted by the Public Employee Retirement Administration Commission (PERAC), the valuation would identify the number of Option C retirees impacted by the change, along with establishing an official cost estimate for the potential adjustment of pension benefits. "We are far from resolving the Option C issue, but this is a huge step in the right direction. Without accurate numbers, we will not be able to successfully move a bill forward," explained Association Legislative Liaison Shawn Duhamel. "The study should be complete early in 2008. At that point we'll have a better handle on what can be done to resolve this issue."