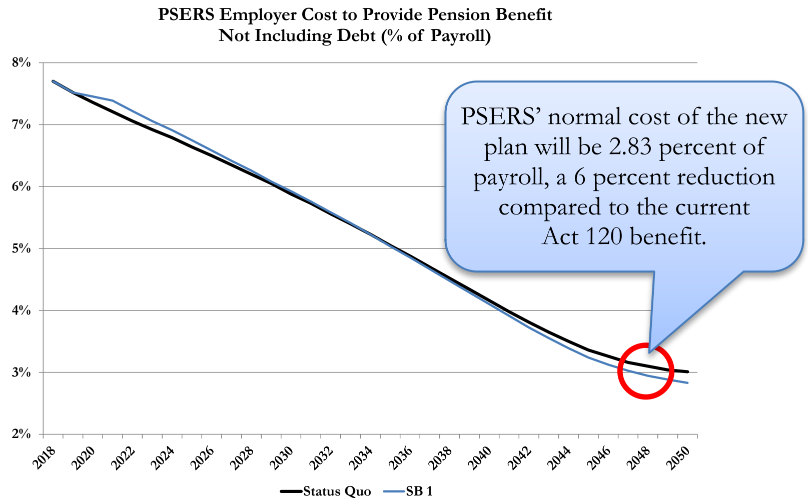
Performance Metric | **Chart** | UPDATED JUNE 6, 2017

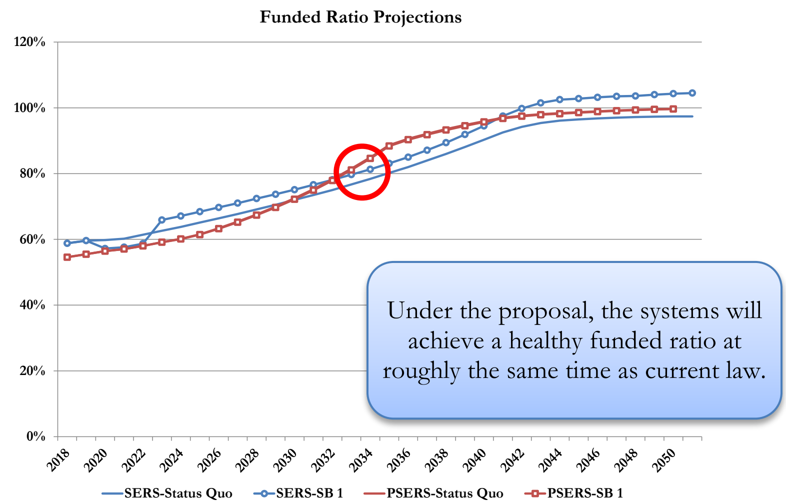
The **employer cost** to provide pension benefits is calculated by actuaries and is the cost today to provide an earned pension benefit in the future. Also called the "employer normal cost".

Currently the cost for PSERS' employers and the school districts to provide a pension benefit for its employees (i.e. the normal cost), is approximately 3 percent (3.01 percent). The proposed hybrid plan cost to provide a benefit will be 2.83 percent, which is a cost reduction of 6 percent.



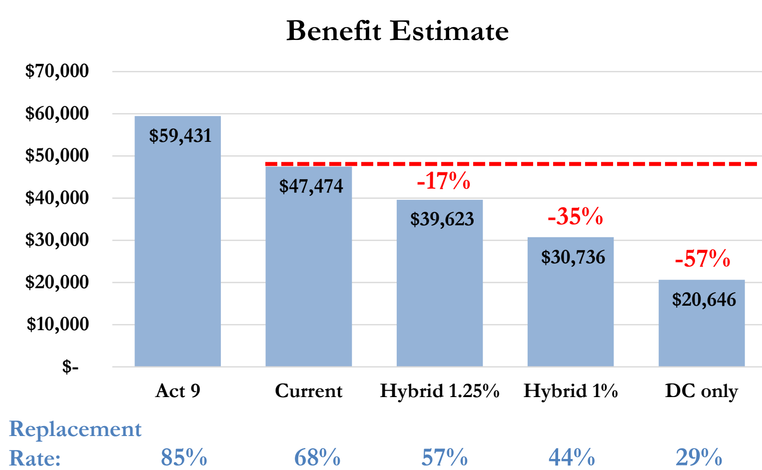
Expressed as a percentage of a system's liabilities, the **funded ratio** is calculated by dividing assets by its liabilities. A ratio above 80 percent is considered "healthy" for state government pension plans which operate in perpetuity. Compared to private companies (which can be dissolved at any time) that have pension plans, ERISA requires any shortfall be paid off in 7 years.

As is shown in the chart to the right, both systems will achieve an 80 percent funded ratio at the same time with or without the proposal.



The **estimated benefit** provides a calculated estimate of what a typical employee benefit will be under the proposal relative to a comparable benefit being currently earned.

The **replacement rate** is a term that is used to provide a number to help individuals plan for retirement and is expressed as a percentage that is calculated by dividing the estimated pension benefit by their pre-retirement income. A target replacement rate is roughly between 75-80 percent. The replacement rates shown do not include Social Security.



Example: PSERS member with 35 years of service and a final average salary of $70,000.