

# Selected Approved Changes to State Public Pensions to Restore or Preserve Plan Sustainability



| System                                 | Contributions  | Benefits  | Early Retirement   | Actuarial Methods/Processes | Study Commission | Notes                           |
|--|--|---|--|-----------------------------|------------------|---------------------------------|
| <b>Retirement Systems of Alabama</b>   | <p>Raised contribution rates for current and future employees, as follows:</p> <ul style="list-style-type: none"> <li>• general state employees and teachers, from 5% to 7.5%;</li> <li>• firefighters, law enforcement officers and correctional officers, from 6% to 8.25% and 8.5%</li> </ul> <p>Employer rates will be reduced commensurate with the increase in employee rates.</p> |   |  |                             |                  |                                 |
| <b>Arizona State Retirement System</b> | <p>Employee and employer contributions are matched and adjusted annually based on actuarial results; they rose on 7/1/10 from 9.0% to 9.6%; this includes the retiree health insurance benefit.</p>  | <p>For new hires:</p> <ul style="list-style-type: none"> <li>• Change from Rule of 80 to Rule of 85</li> <li>• Change FAS from high 3 years to high 5</li> <li>• Eliminate access to ER contributions for terminating participants</li> </ul> <p>Also,</p> <ul style="list-style-type: none"> <li>• Made service purchases cost-neutral</li> <li>• Decreased interest rate paid on refunds</li> <li>• Requiring ERs to pay ASRS for early retirement incentives</li> <li>• Rescinded modified DROP Program</li> </ul> | <p>Early retirement provisions revised commensurate with change in normal retirement eligibility</p> |                             |                  | <p>Changes approved in 2010</p> |

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| <b>Arizona statewide plans</b> | Increased employee contributions for participants in the Public Safety Personnel Retirement System (firefighters and police officers), rising gradually from current level of 7.65% to 11.65%. Also, requires employers to make contributions for retirees who return to work. | Changed terms of the investment-performance-based COLA for participants in the Correctional Officers, Public Safety Personnel, and Elected Officials plans. A COLA may be paid only if the funds' total return exceeds 10.5 percent, and the amount of the COLA is linked to the plans' funding condition.   |                  |                             |                  | Changes approved in 2011   |
| <b>California PERF</b>         | State employee contributions, which for most workers are set in labor contracts, are rising by 2% to 5% of pay for most employees, depending on bargaining unit and employee classification.   | For new hires: <ul style="list-style-type: none"> <li>• Increased final average salary period from one year to three</li> <li>• For general state employees, higher normal retirement age, from 55 to 60</li> <li>• For state public safety employees, lower retirement multiplier, from 3.0% to 2.5% or 2.5% to 2.0%; and higher retirement age, from 50 to 55, depending on employee classification</li> </ul> |                  |                             |                  | Changes approved in 2010. PERF is an agent plan with many state and local employers. The changes shown here affect state employees; other employers have also made changes to benefits and/or contributions. |

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| <b>Colorado PERA</b>             | Employee and employer contribution rates will rise incrementally for several years. Additionally, the legislature approved temporary increases in contribution rates for state employees by 2.5%, for FY 2012 only, and reduced employer rates by a commensurate amount. | <ul style="list-style-type: none"> <li>• Lower auto-COLA for existing retirees, to lesser of CPI-W or 2.0%</li> <li>• Require future retirees to be retired for 1 year before receiving a COLA</li> <li>• 5-year service credit required on 50% employer match on contribution refunds, effective 1/1/11</li> </ul>  | Increased actuarial reduction for early retirement  |                             | Changes were preceded by a statewide listening tour | Changes approved in 2010 and 2011.  |
| <b>Delaware PERS</b>             | Increased employee contribution rates from 3% to 5% on salaries above \$6,000, effective 1/1/12.   | For new hires as of 1/1/12: <ul style="list-style-type: none"> <li>• 10-year vesting period, from 5;</li> <li>• Raised normal retirement eligibility to 65 years of age with 10 years of service, 60/20, or any/30, up from 62/5, 60/15, or any/30</li> <li>• Overtime will be excluded from final average salary calculation</li> </ul>   | Increased actuarial reduction for early retirement. |                             |   | Changes approved in 2011.   |
| <b>Florida Retirement System</b> | FRS, which previously was a non-contributory plan, will require participants to contribute 3% of pay beginning 7/1/11.   | For new hires as of 7/1/11: <ul style="list-style-type: none"> <li>• 8-year vesting period, from 6</li> <li>• 8-year final average salary period, from 5</li> <li>• Raised normal retirement age, from 62 to 65, and 55 to 60 for public safety workers</li> <li>• Longer final avg salary period, from 5 highest years to 8</li> </ul> Also, eliminates COLA for all service earned after 6/30/11 |   |                             |   | Changes approved in 2011. FRS participants maintain option to select a DB or DC plan as their primary retirement benefit. |

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| <b>Hawaii ERS</b>   | Increased EE contribution rates for those hired after 6/30/12, as follows:<br>general EEs and teachers, from 7.8% to 9.8%, and public safety personnel, from 12.2% to 14.2%.<br>Higher ER rates will be phased in over several years, from 15% to 17% for general EEs and 19.7% to 25% for public safety. |  |   |                             |                  |  |
| <b>Illinois statewide plans (except judges and legislators)</b> |   | For new hires as of 1/1/11: <ul style="list-style-type: none"> <li>• Normal retirement age increases to 67, from 60</li> <li>• Minimum retirement age set at 62</li> <li>• FAS basis is now highest 8 of last 10 years, up from final 4</li> <li>• Limits pension benefit to 75% of FAS or \$106,800, indexed to the lesser of 3% or half of CPI</li> <li>• COLAs will be lesser of 3% or half of CPI, non-compounded, from current auto 3% compounded</li> <li>• COLAs begin at age 67</li> </ul> | Early retirement provisions revised commensurate with change in normal retirement eligibility |                             |                  | Changes approved in 2010. Suspends pension benefits for those who return-to-work for another public employer in the state. |
| <b>Iowa PERS</b>  | Contribution rates will rise incrementally, from 4.7% to 5.3% for EEs and 7.25% to 8.15% for ERs. Thereafter, the board has authority to adjust the total rate by up to 1%.   | <ul style="list-style-type: none"> <li>• Vesting period for those not vested (currently 4 years) on 7/1/12 will increase to 7 years.</li> <li>• Increased FAS period from 3 years to 5</li> </ul>  | Increased actuarial reduction for early retirement  |                             |                  | Changes approved in 2010.  |

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| <b>Kansas PERS</b>  | Cap on permissible annual increase in employer rates will rise gradually from 0.6% to 1.2% by 2017. Participants employed before 1/1/09 may choose to keep the 4% contribution rate with a lower future benefit accrual, or opt for 6% rate and keep the same benefit accrual rate. | See KPERS Contributions column entry. Also, those employed after 12/31/08 will be permitted to choose to retain their 1.75% multiplier and forfeit accrual of their COLA (for all service), or to retain their COLA and reduce future accrual rate from 1.75% to 1.4%. All changes would become effective in 2014.   |  |                             | Established a commission to study alternative plan designs and recommend a plan for System sustainability. Commission report due Jan 2012. Recommendations must be voted on in the 2012 Legislature for the other parts of the bill to take effect. | Changes approved May 2011. The legislation also directs that 80% of proceeds from excess real estate property sales will be used to pay down KPERS' unfunded liability. |
| <b>Kentucky TRS</b> |   | For new hires after 6/30/08: <ul style="list-style-type: none"> <li>Increased normal retirement eligibility from 55/5 to 55/10; retained 60/27</li> <li>Established graduated retirement factor schedule that is lower for those who accrue less than 30 years of service, beginning with 1.7% for 10 years and less</li> </ul>  | Increased actuarial reduction for early retirement |                             |   | Changes were approved in 2008.  |
| <b>Maine PERS</b>   |   | <ul style="list-style-type: none"> <li>Increased age when most new hires and those with less than 5 years of service on 7/1/11 are eligible to retire, from 62 to 65. Members may be able to purchase other types of service to remain in the Age 62 plan.</li> <li>The retiree COLA will be frozen for 3 years, then based on CPI up to 3%. Retirees will receive a COLA only on their first \$20,000 of benefits, indexed</li> </ul> |  |                             |   | Changes approved June 2011.   |

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|   |  | <p>each year by the CPI.</p> <ul style="list-style-type: none"> <li>State employees or teachers who are 1) normal retirement age; 2) retire after 7/11, and, 3) return to work in a position covered by the State/Teacher plan may work no more than 5 years and only at a salary not more than 75% of that established for the position.</li> </ul>  |  |                             |                  |                                |
| <b>Maryland State Retirement Agency</b> | For existing state workers and teachers not yet paying 7%, raised contribution rate to that level. Establishes 7% employee contribution rate for all new hires as of 7/1/11. | <p>For new state workers and teachers as of 7/1/11:</p> <ul style="list-style-type: none"> <li>Increased vesting period from 5 years to 10</li> <li>Increased FAS period from 3 years to 5</li> <li>Increased normal retirement eligibility to Rule of 90 or 65/10</li> </ul> <p>For existing state workers and teachers and new hires as of 7/1/11, reduced auto-COLA to CPI up to 2.5% when assumed investment return is achieved; 1% when it's not. Also, approved changes to DROP and other benefit provisions affecting state and local police and corrections officers.</p> | For new state workers and teachers as of 7/1/11, increased early retirement eligibility to age 60 or 15 years of service |                             |                  | Changes were approved in 2011. |
| <b>Michigan Public School ERS</b>       | New hires on or after 7/1/10 participate in a hybrid plan featuring higher EE contributions to the DB plan and mandatory participation in the DC plan.                       | New school system hires have a hybrid plan instead of the current DB plan. Hybrid plan features the same multiplier as the legacy DB plan, but requires higher EE contributions and mandatory participation in DC plan.   |  |                             |                  | Changes approved in 2010.      |

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| <b>Minnesota PERA</b>     | Employer contribution rates increased from 7.0% to 7.25% and employee contributions increased from 6.0% to 6.25%, on 1/1/11.  | <ul style="list-style-type: none"> <li>Reduction in COLA for existing retirees from 2.5% to 1.0%, until funding ratio=90%</li> <li>Reduction in interest paid on inactive and terminating accounts.</li> <li>Increase in vesting period, from 3 years to 5</li> </ul>               |                  |   | Directors of the 3 statewide systems were directed to conduct study of cost, benefits, and feasibility of DB, DC, and other plans, and report back by 6/11. | Changes approved in 2010.          |
| <b>Minnesota SRS</b>      |   | <ul style="list-style-type: none"> <li>Reduction in COLA for existing retirees from 2.5% to 2.0%, until funding ratio=90%</li> <li>Reduction in interest paid on inactive and terminating accounts.</li> <li>Increase in vesting period, from 3 years to 5</li> </ul>               |                  | Extended amortization period from 2020 to 2040. | Directors of the 3 statewide systems were directed to conduct study of cost, benefits, and feasibility of DB, DC, and other plans, and report back by 6/11. | Changes approved in 2010.          |
| <b>Minnesota Teachers</b> | Employer and employee contributions will rise by 0.5% each year, from 5.5% each to 7.5%, phased over 4 years. After the phase-in, the TRA board has authority to adjust future rates (within limits) should the system have a contribution deficiency or sufficiency. | <ul style="list-style-type: none"> <li>For existing retirees, 2-yr suspension of COLA followed by permanent reduction in COLA from 2.5% to 2.0%, until funding ratio=90%</li> <li>Reduction in interest paid on inactive and terminating accounts.</li> </ul>                       |                  |   | Directors of the 3 statewide systems were directed to conduct study of cost, benefits, and feasibility of DB, DC, and other plans, and report back by 6/11. | Changes approved in 2010.          |
| <b>Mississippi PERS</b>   | Raised contribution rates for all employees by 1.75%.   | <p>For new hires after 7/1/11:</p> <ul style="list-style-type: none"> <li>Retirement eligibility raised to 30 years of service or age 65.</li> <li>Effective 7/1/11, ERs will be required to pay contributions on any re-employed retiree, and a 90-day break in service</li> </ul> |                  |   |   | Changes approved in 2010 and 2011. |

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|                           |  | <p>will be required (up from 45, with an emergency provision).</p> <ul style="list-style-type: none"> <li>Increased age when COLA begins compounding, from 55 to 60.</li> </ul>                               |  |                             |                  |   |
| <b>Missouri State ERS</b> | New hires as of 1/1/11 will be required to contribute 4% of pay; plan currently is non-contributory.   | <p>For new hires as of 1/1/11:</p> <ul style="list-style-type: none"> <li>10-year vesting (from 5)</li> <li>Normal retirement at age 67 or Rule of 90 at age 55 (from 62 or Rule of 80 at any age)</li> </ul> | <p>For new hires as of 1/1/11:</p> <ul style="list-style-type: none"> <li>Age 62 with 10 yrs of service (from 57/5)</li> </ul> |                             |                  | Changes were approved in 2010.  |
| <b>Montana PERA</b>       | New hires as of 7/1/11 will contribute 7.9% rather than 6.9%.  |   |  |                             |                  | Changes were approved in 2011.  |
| <b>Nebraska PERS</b>      | Rates for teachers and other school employees will rise from 8.28% to 9.78%, phased in over 2 years beginning 9/1/11. Rates are scheduled to return to 7.28% in 2017. The state contribution of 1%, up from 0.7%, to teacher plans is extended to 2017. Also, state patrol employee and employer rates are increased from 16% to 19% for a 2-year period beginning 7/1/11. |   |  |                             |                  |   |
| <b>Nevada PERS</b>        |  | <p>For new hires as of 1/1/10:</p> <ul style="list-style-type: none"> <li>New minimum retirement age</li> <li>Lower multiplier</li> <li>Anti-spiking provision</li> </ul>                                     | Increased actuarial reduction for early retirement   |                             |                  | Changes were approved in '09 and reflected a consensus among affected groups. |

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| <b>New Hampshire Retirement System</b>             | Rates for general employees and teachers will rise from 5% to 7%; for police, from 9.3% to 11.55%; and firefighters, from 9.3% to 11.8%.  | For new hires as of 7/1/11, normal retirement eligibility for firefighters and police will change from age 45 with 20 years of service to age 50 with 25 years of service.   |   |                             |                  | Changes were approved in June 2011. Also placed limits on return-to-work. |
| <b>New Jersey Division of Pension and Benefits</b> | For general employees and teachers, raises employee contribution rates from 5.5% to 6.5%, then phases in to 7.5% over 7 years. For public safety officers, increases employee rate from 8.5% to 10.0%. The state police rate will rise from 7.5% to 9.0%. | <ul style="list-style-type: none"> <li>• Future COLAs are suspended for all existing and future retirees until plans reach a funding level of 80%.</li> <li>• For new hires after 6/29/11, a new tier is established with a retirement age of 65.</li> </ul> | For new hires after 6/28/11, early retirement eligibility with 30 years at any age, with a 3% reduction in benefit for each year of age under 65. |                             |                  | Changes approved in 2011.   |
| <b>New Mexico Educational Retirement Board</b>     | For EEs earning \$20k and more, increased EE contribution rate by 1.5% and reduced ER rate by same amount.  | For new hires after 6/30/09: <ul style="list-style-type: none"> <li>• Increased normal retirement eligibility from any age w/25 years of service to any/30, from Rule of 75 to Rule of 80, and 65/5 to 67/5</li> </ul>                                       |   |                             |                  | Changes approved in 2009.   |
| <b>New Mexico PERA</b>                             | Increased EE contribution rate by 1.5% and reduced ER rate by same amount.  | For new hires after 6/30/10: <ul style="list-style-type: none"> <li>• Increased normal retirement eligibility from any age w/25 years of service to any/30. Retained retirement eligibility of Rule of 80 and 67/5</li> </ul>                                |   |                             |                  | Changes approved in 2009.   |
| <b>New York State &amp; Local RS</b>               | Most new hires must now make contributions of 3% their entire career, instead of only first 10 yrs  | For new hires as of 1/1/10: <ul style="list-style-type: none"> <li>• 10-year vesting, from 5</li> <li>• Limit on use of OT in benefit calculation</li> </ul>   | Increased actuarial reduction for early retirement  |                             |                  | Changes approved in 2009.   |

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| <b>New York State TRS</b>       | New hires must now make contributions of 3.5% their entire career, instead of only first 10 years.   | For new hires as of 1/1/10: <ul style="list-style-type: none"> <li>• 10-year vesting, from 5</li> <li>• Full retirement factor of 2.0% after 25 years of service, up from 20</li> <li>• Normal retirement at age 57 with 30 years of service, up from age 55</li> <li>• Limit on use of OT in benefit calculation</li> </ul> | Increased actuarial reduction for early retirement |                             |                  | Changes approved in 2009.  |
| <b>North Dakota PERS</b>        | Increased employee and employer rates by 2% over 2 years beginning 1/1/12. Employee rates will rise to 12.3% and employer rates will reach 18.7%.  |  |  |                             |                  |  |
| <b>North Dakota Teachers</b>    | Increased employee rates by 4%, from 7.75% to 11.75%, in 2 increments of 2% each, effective 7/1/12 and 7/1/14. Increased employer rates in the same manner, from 8.75% to 12.75%. EE and ER rates will return to 7.75% when funding level reaches 90%. |  |  |                             |                  |  |
| <b>Oklahoma statewide plans</b> |  | Raised normal retirement eligibility criteria for teachers and state employees. Also, requires provision of a funding source to fund future COLAs.   |  |                             |                  | Changes approved in 2011. Required COLA funding provision is estimated to reduce OK PERS |

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|  |   |   |                  |   |                  | and TRS unfunded liabilities by roughly 30%.  |
| <b>Pennsylvania Public Schools ERS</b> | For new hires as of 7/1/11, reform bill establishes a “shared-risk” provision that could result in higher future employee contribution rates, depending on fund investment performance, and creates a floor for employee rates at their present levels. Also, creates cap on amount employer rates may increase in any year.      | For new hires as of 7/1/11: <ul style="list-style-type: none"> <li>• Reduced retirement multiplier, from 2.5% to 2.0%</li> <li>• Permits option to retain 2.5% multiplier with employee contribution rate of 10.3%, rather than 7.5% current rate.</li> <li>• 10-year vesting, up from 5</li> <li>• Replaces retirement provision of any age with 65 years of age and 3 years of service (from 60/30, 62/3 or any/35); or 35 years of svc with Rule of 92, i.e., age and years of service must total 92</li> </ul>  |                  | Increases asset smoothing period from five years to 10 and increases amortization period to 24 years. |                  | Changes were approved in 2010. Reform bill prohibits future use of pension obligation bonds to pay down unfunded pension liabilities. |
| <b>Pennsylvania State ERS</b>          | For new hires as of 1/1/11, reform bill establishes a “shared-risk” provision that could result in higher future employee contribution rates, depending on fund investment performance, and creates a floor for employee rates at their present levels. Also, creates cap on amount that employer rates may increase in any year. | For new hires as of 1/1/11: <ul style="list-style-type: none"> <li>• Reduced retirement multiplier, from 2.5% to 2.0%</li> <li>• Permits option to retain 2.5% multiplier with employee contribution rate of 9.3%, rather than 6.25% current rate</li> <li>• 10-year vesting, up from 5</li> <li>• Raises normal retirement age to 65 from 60, and to 55 from 50, depending on class</li> <li>• Replaces retirement provision of any age w/ 35 years of svc with Rule of 92, i.e., age and years of service must total 92</li> <li>• Prohibits payment of lump-sum withdrawals with interest for</li> </ul> |                  | Restarts amortization period to 30 years.   |                  | Changes were approved in 2010. Reform bill prohibits future use of pension obligation bonds to pay down unfunded pension liabilities. |

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|                        |  | those who qualify for an annuity.  |                  |                             |                  |   |
| <b>Rhode Island</b>    | As part of new hybrid plan for most current participants, employee contributions will be split between the DB and DC components. | New hybrid effective 7/1/12 for current active members features a retirement multiplier of 1.0 percent, with 5% employee contributions and 1% employer made to a DC plan. For teachers without Social Security, an additional 2% employee and 2% employer contribution. Also, revoked automatic COLA up to 3%, in lieu of risk-adjusted COLA targeting 2%, calculated as a 5-year smoothed investment return less 5.50% with a 0% floor and 4% cap, applied to first \$25,000 of benefit, indexed. COLA delayed until later of SS NRA or 3 years after retirement. |                  |                             |                  | Changes were approved in 2011, effective 7/1/12.  |
| <b>Rhode Island</b>    |  | Reduced benefits for state EEs, teachers and judges not eligible to retire on or before 9/30/09, by increasing retirement age to 62 with a methodology that proportionally changes age requirement based on years of service, so the closer one is to retirement, the less the impact. Also, increased FAS period from 3 years to 5 and reduced COLA to lesser of CPI or 3.0%.   |                  |                             |                  | Changes were approved in 2009. A group of public employee unions has filed suit against the benefit reductions. |
| <b>South Dakota RS</b> |  | <ul style="list-style-type: none"> <li>• New COLA format, affecting existing retirees, based on plan funding level</li> <li>• Eliminate first-year pro-rated COLAs</li> <li>• Reduce refunds of ER</li> </ul>  |                  |                             |                  | Changes were approved in 2010. New limits on return-to-work   |

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|                    |   | contributions   |   |                             |   |  |
| <b>Texas ERS</b>   |   | For new hires, retirement eligibility increases to age 65 with 10 years of service, from 60/5.  |   |                             |   | Changes were approved in 2009.   |
| <b>Utah RS</b>     | Plan currently is non-contributory. New hybrid plan is projected to cost 7.5%. ERs will fund first 10% of the hybrid or DC plan. Difference between the cost of the hybrid and 10% is deposited into EEs' DC account. If cost of the hybrid exceeds 10%, EEs will pay the difference. | New hires as of 7/1/11 will have their choice of DC or hybrid, and employers will fund the first 10% of either.   |   |                             | State will be studying projected costs of approved changes and may make additional changes. | Changes were approved in 2010. Employer liabilities for new hires as of 7/1/11 are effectively capped at 10% of pay.     |
| <b>Vermont TRS</b> | Raises contributions for current employees from 3.54% to 5.0%.  | For current teachers 5 years or more from normal retirement eligibility: <ul style="list-style-type: none"> <li>raises normal retirement to 65 or Rule of 90, from 62 or any/30</li> <li>increases max benefit to 60% of FAS, from 50%</li> <li>increases multiplier for those w/20 years of service, to 2.0 from 1.67</li> </ul> | Increases penalties for early retirement  |                             |   | Changes were approved in 2010. Also increases limits on maximum permissible benefit and includes anti-spiking provision. |
| <b>Virginia RS</b> | New hires as of 7/1/10 are required to make contributions, of 5%  | For new hires as of 7/1/10: <ul style="list-style-type: none"> <li>Normal retirement age tied to Social Security retirement age, from 65</li> <li>Lower auto-COLA</li> <li>Final average salary period of 5 years, up from 3</li> </ul>   | Early retirement provisions revised commensurate with change in normal retirement eligibility |                             |   | Changes were approved in 2010. Will continue as non-contributory for existing employees.                                 |