

Defined Benefit Plan Changes

[2012](#) – [2011](#) – [2010](#) – [2009](#) – [2008](#) – [2007](#) – [2006](#) – [2005](#) – [2004](#) – [2003](#) – [2002](#) – [2001](#) – [2000](#)

2012

Alabama. Act 377 of 2012 (Senate Bill 388), creates a new tier of membership for the Employees' Retirement System (ERS), the Teachers' Retirement System (TRS), and the ERS plan for state police, effective for those first joining one of the plans on or after January 1, 2013. It reduces future benefits by lengthening the period over which final average salary is calculated and by increasing retirement ages.

For all members, the base for final average salary is changed from the highest three of the last 10 years of service to the highest five. Tier II members will be unable to convert unused sick leave to creditable service, as Tier I members may.

The Tier I provision for retirement in any of the plans after 25 years of service will not apply to Tier II. Age and service requirements for normal retirement for TRS members and general state and local government employees are changed from age 60 with 10 years of service (the vesting requirement) to age 62 with 10 years of service.

For state police, the change is from 52/10 to 56/10. For other state and local law enforcement members and firefighters, the change is from the former provisions of 25-and-out or 60/10 to 56/10.

The service multiplier for TRS and ERS members (including firefighters and law enforcement members other than state police) was reduced from 2.0125% of FAS for Tier I members to 1.65% of FAS for Tier II members, with benefits for Tier II members capped at 80% of final average salary. The multiplier for state police members was reduced from 2.875% to 2.375%.

Idaho. Chapter 31, Laws of 2012 (House Bill 418), specifies that salary for the purposes of calculating retirement benefits does not include employer reimbursements for employee expenses related to travel.

Kansas. Chapter 171, Laws of 2012 (House Bill 2333), provides changes in various contribution and benefit provisions for current members of Tier 1 and Tier 2 of the Kansas Public Employees' Retirement System. See Part 1 of this report for details on the contribution changes. The legislation makes substantial additional changes in the existing KPERS plan, including closing Tier 2 to new membership as of December 31, 2014 (except for certain state correctional officers), and providing a cash balance plan (described in Part 5) for state, school and local public employees (other than certain state correctional officers) hired after that date.

Louisiana. Act 483 of the 2012 Regular Session (House Bill 61), provides for a cash balance retirement plan for certain members of the Louisiana State Employees' Retirement System (LASERS), and all members of the Teachers Retirement System of Louisiana (TRSL) and the Louisiana School Employees' Retirement System (LSERS), whose first employment making them eligible for state system membership begins on or after July 1, 2013. See Part 5 of this report for details.

Louisiana. Chapter 524, Laws of 2012 (Senate Bill 7), affects the Municipal Employees' Retirement System and changes the period over which final average compensation (FAC) will be calculated. The changes affect only the members of MERS who joined the retirement system on or before June 30, 2006. The legislation provides that FAC will be based on 60 months' compensation rather than 36 as has been law.

The change in the FAC period will be phased in. FAC for members who retire on or before December 31, 2012 will be based on 36 months. FAC for members who retire on or after January 1, 2013 but before December 31, 2014 will be based on 36 months plus the number of whole months after January 1, 2013. In no event will the final average compensation amount

for a member who retires on or after January 1, 2013 be less than his FAC calculated on January 1, 2013.

The legislative actuary notes that the changes are potentially subject to legal challenge.

Maryland. Chapter 485, Laws of 2012 (Senate Bill 335), instituted a five-year vesting requirement for Judicial Retirement System (JRS) members hired on or after July 1, 2011. Before this legislation there was no vesting requirement for JRS members.

New York. Chapter 18, Laws of 2012 (Senate Bill 6735), establishes Tier VI retirement plans affecting most new members of the state and New York City retirement plans as of April 1, 2012. The changes include a new contribution schedule in which the required employee contribution varies with compensation; an increase in the normal retirement age; a reduction of the retirement multiplier; a change in the computation of final average salary to base the average of five years instead of three; various anti-spiking measures; a cap on the total amount of salary that can be included in final average salary; an optional DC plan for highly-compensated employees; and a requirement that the state fund any benefit enhancements to prevent costs from being transferred to local governments.

The governor's office estimates that the state will save \$874 million over 10 years; New York City will save \$1.8 billion, and that other member governments and authorities will cumulatively save \$5 billion, for a total of about \$5.9 billion over 10 years.

The changes affect the State Teachers' Retirement System, the State and Local Employees' Retirement System [which includes options for different categories of members and options for local governments to choose for their employees]; and five New York City plans. Most provisions do not apply to New York City police and fire employees. This report summarizes changes for general members of the State and Local Government plan and the state plan for teachers.

[Chapter 18 and an explanatory fiscal note](#) were available as of March 20, 2012.

As it relates to new members of the New York State Teachers' Retirement System and the New York State and Local Retirement System, the legislation:

- Increases the retirement age for an unreduced benefit to 63. Members who retire between age 55 and age 63 are subject to a reduction of 6.5% for each year that retirement precedes age 63. [Tier V for teachers and ERS: Normal retirement at age 62/10 or later, or at 57/30. 55/10 was the minimum for retirement with a benefit reduction].
- Mandates a 5-year final average salary (FAS) calculation using regular compensation for determining retirement benefits. [Tier V for teachers and ERS: highest three years.]
- Excludes from the FAS calculation wages exceeding the average of the previous four years by more than 10%. [Tier 5 for both teachers and ERS used the previous two years' base to calculate the 10% cap.]
- Caps salary allowable in a FAS calculation at the New York State governor's salary [currently \$179,000, this cap also is a cap on the amount of compensation subject to contributions after April 1, 2013. The cap will change when the governor's salary is changed.]
- Changes the pension multiplier for years of service to the following:

| Service Credit | Multiplier (also known as Pension Factor) |
|-------------------------------------|---|
| Less than 20 years of service | 1.67% for all service |
| 20 years of service | 1.75% for all service |
| Years exceeding 20 years of service | 2% only for years exceeding 20 |

[The following multipliers are in effect for Tier V for teachers and the state and local employees' system:

| Service Credit | Multiplier (also known as Pension Factor) |
|-------------------------------|--|
| Less than 25 years of service | 1.67% for all service |
| 25 to 30 years of service | 2% for all service |
| 30 or more years of service | 60% of FAS plus 1.5% for each year over 30 |

[Comparison of Initial benefits. Supposing a person retires with allowable compensation of \$46,000, \$47,000, \$48,000, \$49,000 and \$50,000 for the last five years of service and a total of 30 years of service:

- Tier V provides an initial annual benefit of \$29,400
- Tier VI provides an initial annual benefit of \$26,400.
- Requires 10 years of service credit to vest. [for teachers and ERS, no change from Tier V]
- Requires a 6% contribution to purchase military and prior service.
- Allows non-unionized employees earning \$75,000 or more hired after June 30, 2013 the option of a defined contribution plan rather than the NYSTRS defined benefit plan. For these employees, employers will contribute 8% of salary to the State University of New York Optional Retirement Plan. Employees will contribute at the same sliding scale rates as those in the defined benefit plan.

South Carolina. Act 278, Laws of 2012 (House Bill 4967), makes various changes affecting South Carolina Retirement System benefits for new general members and members of the Police Officers' Retirement System.

- *Vesting.* For new general and Police Officer members as of July 1, 2012, the vesting requirement will increase from five years to eight years for eligibility for service retirement benefits, disability benefits based upon non-work-related injuries, in-service death benefits, the ability to purchase non-qualified service credit (i.e., "air time").
- *Final Average Compensation.* For new general and Police Officer members as of that date, final average compensation will be based on the member's five highest years of earned compensation instead of the three highest years.
- *Retirement Eligibility.* Under existing law, general members may retire after 28 years of service to be eligible for full benefits and are eligible for reduced benefits at age 55 with at least 25 years of service. For new non-Police members as of July 1, 2012, full benefits will be available at age 65 with eight years of earned service credit or under the Rule of 90. Reduced benefits will be available at 60, with eight years of service. The benefit reduction will be 5% for each year the member is below the age of 65.
- Under existing law, Police Officer members may retire with full benefits after 25 years of service. New members' eligibility for full retirement benefits will be after 27 years of service or at age 55 with eight years of earned service credit.
- *Compensation Base for FAS.* Also for new general and Police Officer members, payments for up to 45 days of unused annual leave will no longer be included in the calculation of final average salary (average final compensation) and no service credit will be awarded for unused days of sick leave (current law allows the use of up to 90 such days).
- For all members, including current and new members of the Police Officers' Retirement System, the legislation terminates the accrual of interest on inactive accounts as of July 1, 2012. Inactive members will retain interest credited to their accounts before that date.

Virginia. Act 702 of 2012 (HB 1130/Senate Bill 498) makes changes in existing defined benefit plans (Plan 1 and Plan 2) of the Virginia Retirement System and also establishes Plan 3, a hybrid plan applicable to most new state and local

government employees hired on or after January 1, 2014. The hybrid plan is described in Part 5 of this report. The following summarizes changes affecting Plan 1 and Plan 2 members.

- *Final Average Compensation.* For Plan 1 members who are not vested as of January 1, 2013, final average compensation will be based on the average of the employee's highest consecutive 60 months instead of the highest consecutive 36 months. The changes applies to general state and local government employees, school division employees, state police, members of the Law Enforcement Officers' System, hazardous-duty employees and judges. This provision already applies to Plan 2 members.
- *Multiplier.* For the most of same categories of members, the multiplier for future service earned or granted on and after January 1, 2013, will be reduced from 1.7% to 1.65%. The reduction in the multiplier will not apply to state and local police or to hazardous duty employees.
- *Age of Retirement for Full Benefits.* For general state and local government employees and school division employees who are not vested on January 1, 2013, the age of retirement for full benefits will be normal Social Security age with at least five years of service credit or the Rule Of 90. Early retirement with reduced benefits will be available at age 60 with at least five years of service credit. These provisions will not apply to state and local police or to hazardous duty employees, or to judges. These provisions already apply to Plan 2 members.
- *Cost-of-Living Adjustments.* Future COLAs will be capped at 3% for all non-vested Plan 1 members and all Plan 2 members, vested or non-vested, including all law enforcement, hazardous duty and judicial members. For all vested and non-vested Plan 1 and Plan 2 members who retire in the future under reduced-benefit provisions with less than 20 years of service credit, COLAs will go into effect on the July 1 that is at least one year after the date of the person's actual retirement. The latter provision will not affect members who will be within five years of eligibility for early retirement on January 1, 2013.

Washington. Chapter 7, Laws of 2012 (Senate Bill 6378), changes early retirement provisions for members of the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), which provides retirement benefits for certificated instructional staff of public schools, and the School Employees' Retirement System (SERS), which covers classified school employees. It affects members of Plans 2 and 3 of each of the three systems. In each system, Plan 2 is a defined benefit plan and Plan 3 is a hybrid plan with a DB and a defined contribution component. In each system, new members choose between the plans when they enter system membership. In each case, Plan 3 is the default applicable to those who do not make an explicit choice.

Plans 2 and 3 offer early retirement with an actuarially-reduced benefit to members who have 20 years of service but fewer than 30. This program is not affected by SB 6378.

An alternative early retirement option was enacted in 2000 for members who have 30 years of service but who have not reached the systems' normal retirement age of 65. The alternative plan reduced normal benefits by 3 percent for each year the retiree's age was short of 65. The alternative was made more attractive by 2007 legislation that allowed members with 30 years of service to retire at 62 without a benefit reduction, and somewhat reduced the reduction factors for other circumstances.

SB 6378 provides that those who establish membership in PERS, TRS and SERS after April 30, 2013, will be ineligible for the alternative early retirement options. Such members will be eligible for early retirement at age 55 with 30 years of service. The retirement allowance for such members will be reduced by 5 percent for each year of difference between the person's age at retirement and 65.

Wyoming. Chapter 108, Laws of 2012 (Senate Bill 97), increases age requirements and changes benefit provisions for

normal and early retirement for members of the Wyoming Retirement System (WRS) whose service begins after August 31, 2012, as well as for previous members who return to covered service but who withdrew their contributions when they left covered service earlier, or who left with fewer than four years of service (certain exceptions apply).

- *Final average salary.* The calculation of final average salary will be based on the member's highest paid five years of continuous service (formerly, three highest continuous years);
- *Retirement eligibility.* Normal retirement eligibility will be at age 65 with four years of service (formerly 60/4) or in accord with the Rule of 85 as in existing law;
- Early retirement will be available at age 55 with four years of service or before age 55 with 25 years of service, in both cases with an actuarial reduction in benefits as set by the Board of the WRS (formerly, 50/4 or any age with 25 years of service and a 5% per year reduction);
- *Multipliers.* The multiplier for calculating benefits is set at 2% (formerly 2.125% for the first 15 years of service and 2.25% for additional years of service).
- The multiplier for firefighters will remain at 2.5% as in existing law.

[Back to top](#)

2011

Arizona. Chapter 26, Laws of 2011 (Senate Bill 1614) provides that a new state employee hired after the effective date of the bill who is regularly scheduled to work must wait at least six months before being eligible for and enrolled in the Arizona State Retirement System.

Arizona. Chapter 357, Laws of 2011 (Senate Bill 1609) makes numerous changes in state retirement plan provisions. Some of the changes are summarized under other topic headings in this report. The bill removes the Rule of 85 for calculating age and service requirements for normal retirement for all members of the Arizona State Retirement System. The bill leaves in place the Rule of 80 for members hired before July 1, 2011. For those hired after the effective date of the legislation, retirement options will be 55/30; 60/25; 62/10 and age 65.

The legislation makes a number of changes in plans for elected state officials, summarized under that heading.

The legislation also makes changes to the structure of the Public Safety Personnel Retirement System and the Correctional Officers' Retirement Plan by implementing a new tier for new hires. The new tier (known as the 2nd Tier) combines the requirement for 25 years of service to achieve normal retirement with five year "salary smoothing" to determine the pension benefit.

Connecticut. Negotiations with public-sector unions, subject to ratification by the General Assembly provide for numerous changes in state retirement plans. The changes are part of a broader agreement that includes extensive health-plan changes and other wage and salary concessions in return for a promise of no layoffs for members of unions that approved the agreement.

For all current members the agreement on pension policies provides:

- A higher benefit reduction factor for early retirement, effective for retirements occurring after Oct. 1, 2011. The reduction factor will increase from 3 percent to 6 percent.
- An increase in age and service requirements for eligibility for normal retirement, effective for current employees, other than hazardous duty employees, who retire after July 1, 2022 (sic).
 - o From age 60 and 25 years of service to 63/25, or
 - o From 62/10 to 65/10

- For retirements after October 1, the minimum cost of living adjustments will be reduced from 2.5 percent to 2 percent; maximum remains at 7.5 percent.

The agreement provides for creation of a new retirement plan tier, Tier III, for employees hired on or after July 1, 2011, with these provisions:

- Age and service requirements for new members will change to the requirements listed above for current members who retire after July 1, 2022.
- Early retirement for non-hazardous duty employees will be available at age 58 with 10 years of service, up from age 55 with 10 years of service.
- Normal retirement for hazardous duty employees will be at the earlier of age 50 with 20 years of service or 25 years of service, up from 20 years of service.
- Retirement benefits will be based on the average of the final five years of compensation instead of the final three years.
- Eligibility for a vested deferred retirement benefit will require 10 years of benefit service, as opposed to five years for current state employees (currently at 10 years for teachers in Connecticut).

Source: ["Revised SEBAC 2011 Agreement Between State of Connecticut and State Employees Bargaining Agent Coalition \(SEBAC\)," August 2011](#)

Delaware. Chapter 14, Laws of 2011 (House Bill 81) changes the normal retirement age for employees hired on or after January 1, 2012. Under current law, employees are eligible to retire at age 62 with five years of service, at age 60 with 15 years of service, or at any age with 30 years of service. Under this act, post-2011 employees will be eligible to retire at age 65 with 10 years of service, at age 60 with 20 years of service, and at any age with 30 years of service.

The act increases the early retirement reduction factor for employees who retire prior to normal retirement age. Under current law, an employee may retire at age 55 with 15 years of service with a benefit reduction of 2/10th of one percent for each month the employee is under the age of 60. Under this act, the employee's pension would be reduced by 4/10th of one percent for each month the employee is under the age of 60.

The act increases the vesting requirement for employees hired on or after January 1, 2012 from five years to 10 years. The act excludes overtime payments from the definition of final average compensation" for employees hired on or after January 1, 2012. Section 8 of the Bill declares the intent of the General Assembly to prevent the limited abuse of the State Employee's Pension Plan when employees voluntarily work overtime in order to inflate their final pension calculation, and recognizes that to protect the health and safety of employees and the citizens they serve, agency management should limit the assignment of mandatory overtime. This section requires each cabinet secretary to devise a written policy by June 30, 2012 to limit the use of mandatory and voluntary overtime.

Florida. Chapter 68, Laws of 2011 (Senate Bill 2100) changes vesting requirements and age and service requirements for normal retirement for employees initially enrolled in the pension plan on or after July 1, 2011. Such members will vest in 100 percent of employer contributions upon completion of 8 years of creditable service. For existing employees, vesting will remain at 6 years of creditable service. The base for computing final average compensation will increase from the five highest years to the eight highest years, for new employees.

For employees initially enrolled on or after July 1, 2011, the legislation increases the normal retirement age and years of service requirements, as follows:

- For Special Risk Class: Increases the age from 55 to 60 years of age; and increases the years of creditable service from 25 to 30.
- For all other classes: Increases the age from 62 to 65 years of age; and increases the years of creditable service from 30 to 33 years.

Hawaii. Act 29 of 2011 (House Bill 1035) prohibits any retirement benefit enhancements, including any reduction of retirement age, until the actuarial value of the system's assets is 100 percent of its actuarial accrued liability.

Hawaii. Act 163 of 2011 (House Bill 1038) changes age, service and vesting requirements for new members of the Employees' Retirement System as of July 1, 2012.

Current provisions allow employees hired between June 30, 1984 and June 30, 2006, to retire at 62 with at least 10 years of service, or at 55 with 30 years of service. Employees hired after June 30, 2006 can retire at 62 with five years of service, or at 55 after 30 years of service.

Under this legislation, eligibility for normal retirement benefits will be at age 60 with 10 years of service or age 55 with 25 years of service. Police and firefighters will continue to be eligible for normal retirement after 25 years of service. The legislation increases the vesting requirement from five years to 10 years, and changes the calculation of final average compensation from the highest three to the highest five. For new employees, the retirement multiplier will be reduced from 2 percent to 1.75 percent.

Kansas. Chapter 98, Laws of 2011 (House Bill 2194), increases employee and employer contributions to the Kansas Public Employees' Retirement System (KPERs), contingent upon each chamber's voting on recommendations a study commission has been instructed to submit to the Legislature on January 6, 2012 (See Kansas under "Studies" for details of this requirement). [This summary is copied from Section 1," Contribution Rates and Funding Issues" because of the way contribution and other policy decisions are intertwined.]

The legislation makes adjustments in employee contribution adjustments, contingent upon the 2012 legislative votes mentioned previously. These add two options applicable to all active KPERs Tier 1 members. [Tier 1 members are those who joined KPERs before July 1, 2009.]

- Tier 1 members as the default option would have an employee contribution increase from 4 percent to 6 percent and also would be given an increase in multiplier from 1.75 percent to 1.85 percent for future years of service; or if an election is permitted by the IRS, they could choose an alternative option: Freeze the employee contribution rate at 4 percent and reduce their future multiplier from 1.75 percent to 1.4 percent.

Additional employee contribution adjustments, that would be triggered by the 2012 Session dual votes, include adding two options that would apply to all active KPERs Tier 2 members.

- The default option would freeze the employee contribution rate at 6 percent and eliminate future cost-of-living adjustments. If the IRS permits the election of an alternative option, Tier 2 members could freeze the employee contribution at 6 percent and reduce their multiplier from 1.75 percent to 1.4 percent in order to retain their COLA.

Inactive KPERs members upon return to covered employment will be offered an election for alternative options in their respective tier before July 1, 2013. After that date, or if there were no election approved, inactive members would be given the default option in their tier upon returning to covered employment.

Maine. Chapter 380, Public Laws of 2011 (L.D. 1043, the Biennial Budget Bill for fiscal years 2012 and 2013) enacts changes affecting state retirement plans. It changes the normal retirement age for most participants with less than five years of service on July 1, 2011 from 62 to age 65. This provision applies to retirement plans for Teachers, State Employees, Legislators and Judges but not to the members of the local government plan that the state administers nor to public safety personnel. It also changes provisions for post-retirement benefit increases and establishes new provisions for return to covered service after retirement (discussed in those sections of this report.)

Maryland. Chapter 397, Laws of 2011 (House Bill 72, the Budget Reconciliation and Financing Act), included extensive changes to Maryland retirement plans. The legislation increases employee contribution requirements for most current and future members of state plans.

Current Members

- All plans except Employees' Pension System (EPS) and Teachers' Pension System (TPS):
 - For service credit earned after June 30, 2011, the COLA earned for retirement is contingent on achieving 7.75 percent investment return. For years in which investment return is not achieved, COLA is capped at 1 percent; for years in which the investment return achieves 7.75 percent, the cap increases to 2.5 percent.
- Employees' Pension System (EPS) and Teachers' Pension System (TPS):
 - Increase member contribution from 5 percent to 7 percent;
 - Maintain 1.8 percent multiplier and all retirement eligibility and vesting criteria.
- Law Enforcement Officers' Pension System (LEOPS):
 - Increase member contribution from 4 percent to 6 percent in FY 2012 and to 7 percent in FY 2013 and thereafter;
 - Maintain 2.0 percent multiplier
- Judges: no change

Future Members (as of July 1, 2011)

- All plans (except Legislators and Judges):
 - Average final compensation (AFC) is calculated based on highest five consecutive years instead of highest three consecutive years, except that for the correctional officers' and state police officers' plans the five highest years need not be consecutive;
 - Vesting increases from five to 10 years;
 - Contingent COLA based on achieving 7.75 percent investment return. For years in which investment return is not achieved, COLA is capped at 1 percent; for years in which the investment return achieves 7.75 percent, the cap increases to 2.5 percent.
- Employees' Pension System (EPS) and Teachers' Pension System (TPS):
 - Member contribution is 7 percent;
 - Multiplier is 1.5 percent;
 - Normal service retirement eligibility is age 65 with 10 years (up from 62 with 5 years) or Rule of 90;
 - Early service retirement eligibility is age 60 with 15 years (up from age 55 with 15 years), with 0.5 percent reduction for every month before age 65.
- Law Enforcement Officers Pension System (LEOPS) and State Police:
 - LEOPS member contribution is 6 percent in FY 2012 (up from 4 percent) and 7 percent in FY 2013 and thereafter;
 - State Police normal service retirement eligibility is age 50 or 25 years of service (up from 22);
 - Any new DROP account started after July 1, 2011 (including one started by current members) earns 4 percent annual compound interest (instead of 6 percent monthly compound interest).

Funding Provisions

In FY 2012 and 2013, reinvest all but \$120 million of the savings generated by the reforms into the pension fund (the \$120 million goes to budget relief); beginning in FY 2014, reinvest up to \$300 million of the savings generated by the reforms, with the remainder going to budget relief.

Massachusetts. Chapter 176, Acts of 2011 (Senate Bill 2065 in its final version) enacts substantial changes to retirement plans for state employees, including law enforcement personnel, teachers and members of municipal and county plans in the state. Most of the changes affect those who become members of the plans on or after April 2, 2012. Provisions that affect current members are itemized as such below.

For members other than public safety members, the minimum age for retirement will increase from 55 to 60. Massachusetts provides a range of multipliers for calculating benefits, governed by age and length of service. For those with less than 30 years of creditable service, the old range provided a benefit factor of 1.5% of FAS at age 55, up to 2.5% of FAS at age 65 or older. For that class, the new range is 1.45% of FAS at age 60 up to 2.5% of FAS at age 67 or older. For those with

30 or more years of creditable service, the bottom of the range provides a factor of 1.625% of FAS at age 60 graduated by year to the same top multiplier. The changes are intended to encourage longer active service before retirement.

Similar benefit changes were enacted for Group 2 members (generally law enforcement and correctional-facility employees but not including state police) and Group 4 members (other hazardous occupations). Group 3, state police, is not included in these changes. For Group 2 members, the minimum retirement age remains 55 but the benefit factor falls from 2% to 1.45%. For Group 4 members, the minimum retirement age increases from 45 with a 1.5% factor to 50 with a 1.45% factor.

For Groups 1, 2 and 4, the calculation of final average compensation was extended from three highest consecutive years to five highest consecutive years, which need not be the member's final years of service. The member's last five years of creditable service, whether or not consecutive, can be substituted for the previous formula if the latter provides a higher average. As in existing law, benefits are capped at 80% of FAS.

For all who retire on or after April 2, 2012, new language includes an anti-spiking provision. FAS calculations cannot include amounts of compensation that exceed the average of the two preceding years by more than 10%, with exceptions allowed for a number of situations such as changes in position or number of hours worked.

For all current, new and retired members, future post-retirement benefit increases will be based on the first \$13,000 of annual benefits instead of \$12,000. As of April 2, 2012, the minimum annual pension for those with 25 years of service will increase from \$10,000 to \$15,000. Minimum benefits for surviving spouses of those who died in active service have also been increased.

For State Police, the age of mandatory retirement was increased from 55 to 65; the new law retains a provision that allows a State Police member to serve 20 years even if that length of service runs beyond the mandatory retirement age. Incapacitated members can be forced to retire. For State Police members whose membership began before April 2, 2012, the benefit formula remains 60% of the member's compensation in his or her last 12 months of creditable service, and the benefit increases by 3% for each year of service in excess of 20 by age 55. For those who become members after April 2, 2012, the benefit at 20 years will be 50% of salary, to be increased by 2.5% for each additional year of service, to a maximum of 75% of compensation in the last 12 months of service.

Michigan. Public Act 264 of 2011 (House Bill 4701) makes significant changes to the Michigan State Employees' Retirement System defined benefit (DB), defined contribution (DC), and retiree health plans. DC plan members have individual 401(k) or 457 accounts.

The legislation is complicated, and this summary does not include all provisions and options. [Public Act 264 and detailed summaries of Public Laws 264 and 265](#) are available from the Michigan House and Senate Fiscal Agencies.

The SERS DB plan was, before this legislation, a noncontributory plan that was closed to new members in 1997. SERS-eligible employees entering the system since that time have been enrolled in a DC plan.

- This legislation requires employees currently in the DB pension plan to choose between remaining in the plan and contributing 4% of compensation toward pension costs beginning April 1, 2012, or freezing the service credit they have earned in the DB plan and converting to the DC plan for future service. Those who fail to make an explicit choice will be enrolled in the DC plan.
- Those who elect the contributory alternative face a second decision. They may choose to continue their contribution and stay in the DB plan until retirement, or choose to stay in it only until they complete 30 years of service, whereupon DB plan benefits would be frozen and the employee would transfer to the DC plan for any remaining employment. Choices are to be made by March 2, 2012 and may be reconsidered until that date.
- At the FY2012 rate, the new contribution would generate \$56 million a year in employee contributions if all members of the DB plan elected to stay in the plan and make the contribution. The actual receipts will be less

because the new plan will not be in effect for 12 months in 2012, and membership in the plan is expected to fall because of retirements in the future.

- For both groups of employees who transfer into the DC plan, either as of April 1, 2012, or as of their attainment date, their years of service would be used toward the 401(k) vesting schedule. They would be vested immediately in their own contributions and would be 100% vested in employer contributions as long as they had accrued more than 4 years of service, which (the legislative analysis notes) is likely to include all employees in the DB pension plan.
- Former employees who return to covered service will become members of the DC plan, whether or not vested in the DB plan. For such employees who were vested earlier and non-vested employees who return before 2014, service credits are frozen and the DC plan will cover future service. Non-vested employees who return after Jan 2014 will be covered by the DC plan for future service.
- Public Act 264 changes contribution provisions for the SERS DC plan. The DC plan does not mandate employee contributions. The employer makes a 4 percent contribution to each member's account, and will make additional contributions to match, dollar for dollar, employee contributions up to 3 percent of salary, for a potential total employer contribution of 7 percent.
- Public Act 264 will enroll DC members at a 3 percent contribution level, to leverage the maximum employer contribution under present law, and at an additional 2 percent employee contribution (a total of 5 percent) to leverage the maximum employer contribution in lieu of retiree health care, as described below. Employees may change contribution levels or opt out of them, at the cost of forfeiting employer matches.

The legislation provides that employer contributions for the unfunded accrued liability of the closed DB plan will be spread across all defined contribution plan members as well as DB plan members in the future. For FY 2012, the UAAL requires a 27 percent contribution based on salaries on DB plan members. Expanding the base to all employees will reduce the contribution rate to 13 percent. Although the change produces neither net costs or savings, it smoothes the effect of the contribution on department payrolls. Legislative staff point out that the provision is intended to distribute retirement costs more fairly across all departments so that those with more senior staff aren't penalized with higher DB costs.

The legislation also makes fundamental changes to retiree health care coverage and funding for that coverage. The legislation:

- Eliminates employer-funded contributions for retiree health insurance for employees hired on or after January 1, 2012, and replaces it with an employer-funded contribution to an employee's 401(k) or 457 plan of up to 2 percent of salary. The contribution will be a match to employee contributions to those plans.
- Employees will be automatically enrolled at the level of employee contribution that will maximize the employer match, but employees may choose a different level of contribution or decline to make a contribution, which would result in a lower employer match or none.
- Repeals the 2010 requirement of a 3 percent employee contribution for retiree health care. Contributions under that requirement have been held in escrow because of a legal challenge, and will be refunded with interest. Members will be allowed to deposit the refunds in their 401(k) or 457 plan if they wish.
- Such employees will receive a lump sum payment of \$1,000 or \$2,000 upon retirement (depending on age and length of service), which will be deposited in a Health Reimbursement Account (HRA) established at that time for the employee, under the provisions of Public Act 265 (House Bill 4702). Although current federal law does not permit individuals to make voluntary deposits to an HRA, Public Act 265 permits them should federal law be amended to allow them in the future.
- Employees will be offered the option to purchase retiree health care from the state of Michigan upon separation from employment or retirement.
- Employees hired before March 31, 1997 (when the defined contribution retirement plan went into operation) are not affected by the change in retiree health care coverage provisions.
- State employees hired between March 31, 1997 and January 1, 2012 are members of the defined contribution retirement plan. They are covered by a graded health care subsidy plan that currently provides 30 percent premium coverage after 10 years of service, with an additional 3 percent premium coverage for each additional year of

service, capped at 90 percent premium coverage (after 30 years of service).

- Public Act 264 allows those who became members of the DC pension plan before January 1, 2012, at their option, to continue under the graded health care subsidy plan for the remainder of their employment career, or to change to the provisions described above. Should they take the latter option, their service credit under the graded plan will be monetized and contributed to their 401(k) or 457 plan.
- The act includes a formula to govern the calculation of the monetary value of a member's earned retiree health care benefit. Certain service guidelines may affect individual's account value, and also will apply to DC plan members who have left covered service and later return to it. The monetized amounts contributed to the member accounts will not be restricted to the purchase of retiree health care from the state. They will be available for any purpose allowed under Federal rules for the accounts.

Mississippi. Chapter 469, Laws of 2011 (Senate Bill 2439) changes eligibility for retirement benefits and the formula for them. For people who become members of the Mississippi Public Employees Retirement System on or after July 1, 2011:

- Age and service requirements for benefits will be age 60 with 8 years of service (unchanged from 2007 legislation) or 30 years of service (25 years in 2007 legislation).
- Those who retire after age 60 without 30 years of service will be entitled to a benefit with an actuarial reduction for each year of service below 30 years or the number of years in age that the member is below age 65, whichever is less.
- A new benefit formula will provide a benefit of 2 percent of average compensation for the first 30 years of service and 2.5 percent for each additional year of service (2 percent for first 25 years and 2.5 percent for additional years in previous law). Average compensation is the average of the four years during which the member's compensation was the highest.

Montana. Chapter 369, Laws of 2011 (House Bill 122) changes various provisions of the Montana Public Employee Retirement System for people hired on or after July 1, 2011. The employee contribution rate for such members will be 7.9 percent of compensation and will remain at 6.9 percent for those hired before that date. Also for people hired after that date:

- Highest average compensation will be based on the highest average of 60 consecutive months of employment (36 months for members before that date);
- Eligibility for normal retirement will be at age 65 with five years of service or age 70 (for members before that date, unchanged at 60/5, 65 or 30 years of service);
- Eligibility for early retirement will be at age 55 with five years of service (for members before that date unchanged at 50/5 or 25 years of service); and
- Calculation of retirement benefits will be as follows:
 - o If less than 10 years of membership service, 1.5 percent of highest average compensation multiplied by the years of total service credit;
 - o If 10 or more years but less than 30 years of membership service, 1.7857 or 1/56 of highest average compensation multiplied by the years of total service credit;
 - o If 30 or more years of membership service, 2.0 percent of highest average compensation multiplied by the years of total service credit;
 - o In each instance above, the minimum benefit will be the actuarial equivalent of double the member's accumulated contributions; and
 - o The formula for prior members with less than 25 years of service is a multiplier of 1/56 and for those with more than 25 years of service a multiplier of 2 percent.

Chapter 154, Laws of 2011 (House Bill 134) alters the formula for computing the final average salary of game wardens from the highest consecutive 36 months to 60 months for members hired on or after July 1, 2011. Chapter 155 (House Bill 135) makes a similar change for the sheriffs' retirement system.

Nebraska. Legislative Bill 509 (approved by the governor April 14, 2011) increases the 7 percent annual salary cap in the School Employees Retirement Plan to 9 percent beginning July 1, 2012 and eliminates the current salary cap exemptions for purposes of calculating benefits on annual compensation during each of the last five years of employment prior to actual retirement. The cap is further reduced to 8 percent beginning July 1, 2013. Current exemptions include:

- Members who experience a substantial change in employment position (job or duty change);
- Excess compensation occurred as the result of a collective bargaining agreement between the employer and a recognized collective bargaining unit or category of school employee;
- Excess compensation occurred as the result of a district wide permanent benefit change made by the employer for a category of school employee.

New Hampshire. Chapter 224, Laws of 2011 (House Bill 2, the Budget Trailer Bill) makes numerous changes to provisions of the New Hampshire Retirement Plan. Changes in contribution rates are reported in that section of this report.

- For members vested before July 1, 2012, the definition of average annual compensation (the base for benefit calculation) remains at the three highest years of creditable service. However, new language provides that the amount of pay for special or extra duty service included in each of the three highest years cannot exceed the average for the last seven years of service.
- For members who are not vested on July 1, 2012 or who began service after July 1, 2011, average annual compensation will be the average of the highest five years. The amount of compensation in addition to base compensation for each of the last five years cannot annually exceed the average of all creditable service years other than the five highest years.
- For members who are not vested on July 1, 2012 or who began service after July 1, 2011, retirement benefits cannot exceed the lesser of 85 percent of average annual compensation or \$120,000. The \$120,000 limit is in existing law.
- Normal retirement age for Group I members (state and local government general employees and teachers) is increased from 60 to 65 for those who begin service after July 1, 2011. Early retirement is available at age 60 with 30 years of service with a benefit reduction of 0.25 percent for each month the applicant is under the age of 65. The benefit factors remain unchanged from existing law.
- Normal retirement age for Group II members (police and firefighters) is increased from 50 to 52.5 for those who begin service after July 1, 2011. Early retirement is available at age 50 with 25 years of creditable service with a benefit reduction of 0.25 percent for each month the applicant is under the age of 52.5.
- For Group II members who begin service on or after July 1, 2011, the multiplier for calculating a retirement benefit is reduced to 2 percent (from 2.5 percent for those who vested before Jan. 1, 2012). The legislation provides a transitional schedule of multipliers for those who will have at least four years of service but less than the 10 years it requires to vest as of Jan. 1, 2012. For such members, age and service requirements for normal retirement and the multiplier are less for members who will have longer service records on January 2, 2012.
- The age at which non-active vested members whose service begins after July 1, 2011, can receive a benefit is set at 65 with a reduced benefit available after age 60, if the person has 30 years of credited service. For Group II members, the comparable provisions are age 52.5 and 50 with 25 years of service.

New Jersey. Chapter 78, Laws of 2011 (Senate Bill 2937), makes various changes to the manner in which the Teachers' Pension and Annuity Fund (TPAF), the Judicial Retirement System (JRS), the Public Employees' Retirement System (PERS), the Police and Firemen's Retirement System (PFRS), and the State Police Retirement System (SPRS) operate and to the benefit provisions of those systems.

New members of TPAF and PERS will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1 percent for each month that the member is under age 65. TPAF and PERS members enrolled before November 1, 2008 are eligible for a service retirement benefit at age 60 and members enrolled on or after that date are eligible at age 62. New members will be eligible for a service retirement benefit at age 65.

A new PFRS member's special retirement benefit will be 60 percent of final compensation, plus 1 percent of final compensation multiplied by the number of years of creditable service over 25 but not over 30, instead of the current benefit of 65 percent of final compensation plus 1 percent for each year of service over 25 but not over 30.

North Carolina. Chapter 232, Laws of 2011 (House Bill 1134) increases vesting requirements for people who become members of the North Carolina Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System on or after August 1, 2011. It does not affect those who became members before that date. The vesting requirement is increased from five years to 10 years.

North Dakota. Chapter 135, Laws of 2011 (House Bill 1134) increased age and service requirements for members of the Teachers' Fund for Retirement. The new provisions will not affect Tier 1 employees who are vested (3 years of service credit) and who are at least 55 years of age OR who have a total of age plus years of service that equal 65 as of June 30, 2013. Current retirement eligibility requirements continue to apply to them. Those are the Rule of 85 for Tier I members. For other Tier 1 members and all Tier 2 member (now subject to the Rule of 90), eligibility requirements for normal retirement are amended. The new requirement for members of both tiers will be the Rule of 90 with a minimum age of 60, or a minimum age of 65 for those who do not meet the Rule of 90. The reduction factor for early retirement, available according to the earlier of age 60 and Rule of 90 or age 65 will increase from 6 percent to 8 percent per year.

Oklahoma. Chapter 203, Laws of 2011 (Senate Bill 377) increases age and service requirements for normal retirement for members of the Teachers Retirement System (TRS). For those whose membership began before November 1, 2011, the requirements remain age 62 or the Rule of 90 with no minimum age. For new employees on or after November 1, the bill increases requirements to age 65 or the Rule of 90 with a minimum age of 60. The bill provides a schedule of percentages of benefit reductions for such new members who take early retirement (available at age 60), which provides for a benefit reduction to 65 percent of normal benefits at age 60 ranging up year by year to 93 percent at age 64.

Chapter 206, Laws of 2011 (Senate Bill 794) similarly changes age and service requirements for retirement for members of the Oklahoma Public Employee Retirement System (OPERS) for those who are new members as of Nov. 1, 2011, from 62 or the Rule of 90 to 65 or the Rule of 90 with a minimum age of 60.

Chapter 206 also increases normal retirement requirements for elected officials who first serve in elective office on or after November 1, 2011, from age 62 to age 65 or age 62 with 10 years of service in an elective office (age 60 or the Rule of 80 previously). Elected officials with 10 years of service may choose early retirement at age 60 with reduced benefits. The schedule of reductions is increased from the previous schedule. Vesting for elected officials is increased from six years to eight years of service. Contribution requirements for elected officials are changed from a choice tied to different benefit packages to the same 3.5 percent that is required of other members of OPERS. The benefit provisions were changed from the variety of choices open to current members to 2 percent of final average compensation times years of service.

Chapter 190, Laws of 2011 (House Bill 1010) increases the age and service requirements for retirement for members of the Uniform Retirement System for Justices and Judges whose initial service as a member of the system is on or after Jan. 1, 2012. For previous members, eligibility requirements for normal retirement are 65/8, 60/10 or the Rule of 80 with eight years of service. The new requirements are 67/8 or 62/10. The Rule of 80 was not continued.

Rhode Island. Chapter 408, Laws of 2011 (Senate Bill 1111) revised the state defined benefit plan for state employees, teachers, and covered municipal employees to reduce employee required contributions and benefits for members as of July 1, 2012 and to add a defined contribution component for members of the plan.

Some features of the legislation will affect judges and public safety members of the state plan, but they will remain entirely covered by a defined benefit plan. The hybrid plan has, however, been extended to public safety employees of municipalities that are part of the state plan for municipal employees. The changes in this legislation do not affect separately administered municipal retirement plans in the state.

The specific changes for the defined benefit component of the plan are as follows:

- Benefits accrued through July 1, 2012, remain unchanged. From that date forward, the benefit accrual rate will be 1% per year.
- From that date forward, benefits will be based on the average of a member's highest five-year compensation rather than the present high three. The legislation provides that no member's benefit at retirement will be less than the accrued benefit as of July 1, 2012 (that is to say, the five-year base will not be applied retroactively).
- Changes in contribution rates:
 - o The state employee contribution to the DB plan will be reduced from 8.75% of salary to 3.75% and for teachers from 9.75% to 3.75%. For municipal employee members, the rate changes from 6% to 1%, or from 7% to 2% for those who elect the cost-of-living option.
 - o The three groups of employees listed above will all participate in a mandatory defined contribution plan. Employees will contribute 5% of salary and employers will contribute 1% of salary to the DC plan.
 - o For teachers who are not covered by Social Security, the contribution amounts will be 7% from employees and 3% from employers.
 - o For municipal police and firefighters who are not covered by Social Security, the contribution amounts will be 8% from employees and 4% from local government employers.
 - o Employee contributions to DC accounts vest immediately. Employer contributions vest after three years.
- Vesting for DB benefits has been reduced from 10 years to five years.
- Age and service requirements:
 - o For normal retirement, increased to normal Social Security age with five years of service for state employees, teachers and general Municipal System members. These provisions affect all current members who do not have five years of service as of June 30, 2012.
 - o Legislation in 2009 set normal retirement at age 62 with 10 years of service.

The 2011 legislation, like the 2009 legislation, provides transitional rules affecting all members presently qualifying for retirement under the new vesting period of five years. These rules provide that the more service credit a vested member has presently, the less that member's age of retirement will be delayed despite the applicability of new retirement age requirements. However, such members would have to work for three years following July 1, 2012, to gain the employer's share of contributions to their DC accounts.

- The hybrid plan does not apply to correctional officers covered in the state employee plan. Their benefit accrual rate has been modified. Current law provides higher accrual rates for service in excess of 30 years. The accrual rate for the first 30 years is 2% per year. For year 31, current law provides a rate of 6%, down to 3% for year 34. This law flattens those rates to 2% per year, except for current members with at least 25 years of service. The maximum benefit for correctional officers has been reduced from 80% of final average compensation to 75%.
- Correctional officers' normal retirement provisions remain age 55 with 25 years of service, but those who do not attain 25 years of service cannot receive benefits until they reach Social Security age.
- Municipalities whose employees are covered in the state system have had either a 20 year and out or a 25 and out plan for police and firefighters. This legislation removes the 20 year and out option. Transitional rules will permit qualified members to retire at 52, but the normal retirement age will be 25 years of service or 55/10.
- For state police, current law allows them to retire when their retirement benefit equals 50% of three-year average compensation, and mandates retirement at age 62 or when the benefit equals 65% of average compensation. It also provides that those who have not earned a benefit of 50% at age 62 may continue to work until they do so and then must retire. This legislation reduces the benefit accrual rate from 2.5% to 2% with a maximum benefit of 65%, and therefore permits members to work to 33 years (up from limits of 25 years for those hired before July 1, 2007 and from 30 years for those hired since then).
- Judges will not participate in the DC plan, but contribution requirements have been increased from 8.75% to 12% except for sitting Supreme Court justices because of constitutional protections for them.

Texas. Senate Bill 1664 (signed by the governor June 17, 2011), § 10, changes the provision for retirement under the Rule of 80 for members of the Employee Retirement System hired on or after September 1, 2009. This change increases the minimum service requirement for such employees from five years to 10. The alternative provision, age 64 with 10 years of service, was not changed.

Washington. Chapter 5, Laws of the First Special Session of 2011 (House Bill 2070) provides that pensions from specified Washington retirement systems based on salaries earned during the 2011-13 biennium will not be reduced by compensation forgone by a member due to reduced work hours, mandatory leave without pay, temporary layoffs, or reductions to current pay if the measures are an integral part of a state or local government employer's expenditure reduction efforts.

The bill applies this change to the Law Enforcement Officers' and Fire Fighters' Retirement System, the School Employees' Retirement System, the Washington State Patrol Retirement System, the Teachers' Retirement System, the Public Safety Employees' Retirement System, and the Public Employees' Retirement System.

West Virginia. Act 150 of 2011 (HOUSE BILL 2939) provides that for people who join the Public Employees Retirement System on or after July 1, 2011, the existing provision for retirement when a person meets the Rule of 80 is amended to require five or more years of contributory service. The bill also redefines final average compensation to exclude such lump-sum payments as attendance or performance bonuses, one-time flat fee or lump sum payments, payments paid as a result of excess budget, or employee recognition payments.

Wisconsin. Act 32 of 2011 (Assembly Bill 40, the budget act for state fiscal years 2012 and 2013), establishes a vesting period for public employees hired after the date of the act to receive retirement benefits. Previous law provided for immediate vesting. New employees will be required to earn five years of creditable service to be entitled to a benefit. [The requirement as enacted demonstrates the Wisconsin governor's uniquely powerful item veto. The language the Legislature sent the governor established a scale of vesting by which employees would be entitled to reduced pension benefits according to a scale that would have provided 50 percent of benefits (as calculated by the usual formula) to those with less than one year of service, 100 percent of benefits to those with five years, and proportionate shares for intermediate years of service. The governor used his veto authority to strike letters and numerals to change this language:

If the participant has at least 4 years of creditable service, but less than 5 years of creditable service, the annuity amount under par. (e) shall be reduced by 10 percent.

To this language:

If the participant has less than 5 years of creditable service, the annuity amount under par. (e) shall be 0 percent.
See Section 40.23 of Assembly Bill 40.

[Back to top](#)

2010

Arizona. Chapter 50, Laws of 2010, (HB 2389), makes numerous changes to retirement provisions for the Arizona State Retirement system, affecting employees who join the system on or after July 1, 2011. The changes are in response to calculations from ASRA that present provisions will require a 0.5% annual increase in contributions for each of the next five years. The act:

- Modifies the average monthly compensation used in a retiring member's retirement benefit calculation from the average of the highest consecutive 36 months in the last 120 months to the average of the highest consecutive 60 months in the last 120 months.
- Changes the provision permitting normal retirement under the rule of 80 to normal retirement under the rule of 85. Eliminates employer contribution refunds for a member hired on or after July 1, 2011 except for a member who was terminated due to an employer reduction in force or position elimination in which case the member will receive the current refund vesting schedule.

- Reclassifies early retirement for members joining after July 1, 2011 to require a 3% decrease in benefits for each point or fraction of a point less than 85 but equal to or greater than 82 points.

California. Legislation submitted to the governor for signature reverses retirement benefit changes enacted in SB 400 in 1999. This action affects members of the California Public Employees Retirement System hired after November 10, 2010. For most employees, the new formula provides a benefit of 2% of FAS at age 60 and 2.148% at age 63 or higher (before this legislation, 2% at age 55 and 2.5% at age 63 or higher). For state safety employees the new formula multiplier is 2% at age 55 or older (formerly 2.5% at age 55). For state peace officers and firefighters, California State University, and the Legislature and Judicial branch plans, the new formula is 2.5% at age 55 (formerly 3% at age 50.) The legislation also provides that for employees hired after November 10, retirement benefits will be based on the highest consecutive three-year average salary instead of the single highest year.

Colorado. Chapter 2, Laws of 2010 (SB 1), makes numerous changes in the provisions of the retirement benefits the Public Employee Retirement Association (PERA) offers teachers and state and local government employees. The bill modifies contributions to and benefits paid from the Public Employees' Retirement Association (PERA). Among other things, it changes the amounts to be contributed by both employers and employees, places a cap on cost of living adjustments for retirees, modifies benefit calculations and eligibility, and creates new contributions and guidelines for working retirees. The act:

- Creates higher age and service requirements for members' normal retirement. For members with less than five years of service credit as of January 1, 2011, normal retirement will be under the Rule of 85. Those who begin employment on or after that date but before January 1, 2017, retirement will be under the Rule of 88 with a minimum age of 58. For those who begin employment on or after January 1, 2017, normal retirement will be under the Rule of 90 with a minimum age of 60.
- Increases employer contributions in PERA's state, school and Denver Public Schools divisions, but not in the local government and judicial divisions.
- Increases employee contributions through a mechanism of diverting funds that otherwise would be used for increases in salary and wages for current employees in state and school divisions of PERA. This is applicable to all active members of the affected divisions of PERA.
- Imposes an 8% cap on the amount of salary increases from one year to the next that will be counted toward the calculation of highest average salary. This applies to vested members who will not be eligible for retirement on January 1, 2011 and to nonvested members.
- Revises reduction factors for early retirement to reflect an actuarial reduction. This applies to vested members who will not be eligible for retirement on January 1, 2011 and to nonvested members. PERA advises that the change will mean a reduction in benefits for most who are affected by it.
- Specifies conditions for receiving the 50% employer matching contribution for members who receive a refund of their PERA account. The condition is five years of service, and it applies to members who are vested but not eligible for retirement on January 1, 2011, unless they have five years of service credit, and applies to non-vested members.
- Requires PERA to provide written notice to current and inactive members about the possibility of a future actuarial necessity, and that the General Assembly can modify the benefits allowed to members in the defined benefit plan.
- Requires a retiree who returns to work for a PERA employer to make a contribution to PERA equal to the member contribution, and specifies that working retiree contributions are not credited to the retiree's member contribution account (applicable to present and future retirees);

- Specifies conditions where increases in work limits are allowed for certain retirees; prevents working retirees who suspend their retirement benefit and return to work for a PERA employer from adding to their service credit, and requires that each period of service for a PERA employer following retirement be calculated as a separate benefit segment under the benefit structure in place at the time of retirement.

The bill also requires PERA to calculate the actuarial funding status of PERA as a whole prior to calculating the funding status of a division separately, and submit a report concerning the plan's funding status to the General Assembly on January 1, 2016, and every 5 years thereafter.

Illinois. Public Act 96-0889 (SB 1946) affects most statewide pension plans. The bill's provisions include the Chicago Teachers' Pension Fund, Metropolitan Water Reclamation District, Cook County employees, Chicago municipal employees, Cook County Forest Preserve, Chicago Park District, Judges Retirement System, General Assembly Retirement System, State Employees Retirement System, Illinois Municipal Retirement Fund, Teachers Retirement System, Chicago laborers, and the State Universities Retirement System. Excluded from the bill are the Chicago Transit Authority, Chicago fire or police, downstate and suburban fire and police plans, and those covered by the sheriff's formula in the Illinois Municipal Retirement Fund. Provisions apply to those who become members of plans on or after January 1, 2011.

No changes are made to benefits of those who are currently members of any state or local system. No changes are made in current or future employee contributions.

The legislation sets normal retirement age at 67 with 10 years of service. For members of the General Assembly plan and for judges, the service requirement is eight years. An "Alternative Plan" that applies to state police, firefighters, and certain prison system employees allows retirement at 60/20. Current requirements vary by plan. In State Employees (SERS) requirements are 60 with 8 years of service or the Rule of 85. In the teachers' plan (TRS) requirements are 62/5/ 60/10/ 55/35. [A legislative staff summary points out that currently almost one-third of state workers are covered by the existing Alternative Plan, which allows retirement as early as age 50.]

- Early retirement benefits are available at age 62 with 10 years of service with a reduction in the benefit of ½ of 1% for each month the person is under age 65.
- The legislation provides that final average salary (FAS) will be the average of the highest consecutive 96 months of the last 120 (that is, the highest eight years of the last 10). Currently for SERS and TRS FAS is the four highest consecutive of the last 10.
- FAS cannot exceed \$106,800, to be annually increased by the lesser of 3% or 50% of CPI. For members of the General Assembly plan and judges, the annual adjustment will be CPI [A legislative staff summary points out that the indexed salary limit is currently \$245,000.]
- The benefit formula was not changed otherwise.
- Post-retirement increases will be available one year after a beneficiary begins receiving benefits or reaches the age of 67, whichever is later. The increase will be 3% or 50% of CPI, whichever is less, but not less than zero. The increases will apply only to the base annuity, and will not be compounded. Current law provides an annual 3% increase for SERS and TRS, compounded. For members of the General Assembly plan and judges, the annual post-retirement increase will be at full CPI.
- The maximum benefit for members of the General Assembly plan and judges is capped at 60% of FAS in the legislation. Current law provides a cap of 85% of FAS for those members.
- Survivors' benefits are set at 66 2/3% of a deceased member's benefit. Under current law, survivor's benefits range from 50% to 65%, except for police and fire members, whose survivors' benefit is 100% of the deceased member's benefit.

Sources: Senate Republican Staff analysis; SB 1946.

Illinois. Public Act 96-0961 (HB 4644) allows members of the state employees' retirement system to establish up to 24 days' service credit for voluntary or involuntary furloughs taken during FY 2010 and FY 2011. Employees are required to pay employee contributions plus the employer's normal cost plus interest to establish the credit.

Illinois. Public Act 96-1495 (Senate Bill 3538), revises retirement provisions of Illinois law affecting Downstate Police, Downstate Fire, Chicago Police, and Chicago Fire Articles of the Code, as well as provisions in the Illinois Municipal Retirement Fund, and, is designed to stabilize pension systems for police officers, sheriffs' employees and firefighters. The new law makes changes to pension requirements for individuals hired on or after Jan. 1, 2011.

Some reforms under the law include: a normal retirement age of 55 with 10 or more years of service; and an early retirement age of 50 with 10 or more years of service and with a 0.5 percent reduction for each month the pensioner's age is under 55. Other changes include: the maximum pension of 75 percent of an individual's average salary; the pensionable salary maximum will be capped at \$106,800, with annual increases as outlined in the law; and monthly cost-of-living adjustments will begin at age 60 for retirees and survivors, and will be either 3 percent or one-half of the urban consumer price index, whichever is less.

Iowa. House File 2518 (signed by governor April 23, 2010) revises various provisions of the Iowa Public Employees Retirement System (IPERS) as well as increasing contribution rates (see above).

Sections 19, 21, 22, and 30 – The bill makes the following changes effective July 1, 2012:

- Increases the vesting requirement from four years to seven years; changes vesting regardless of years of service from employment at age 55 to age 65. Affects all employees who are not vested by 7/1/2012.
- Calculates retirement benefits using a member's high five years of salary instead of the current three years. This provision affects members who are vested before July 1, 2012. The act provides as a transitional calculation that such members' FAS will be the higher of a three-year average based on service before July 1, 2012, and the average of the member's five highest years of service.
- Implements a 6% per year reduction in retirement benefits for each year the member receives a retirement allowance before age 65 when a member retires prior to normal retirement age. The added reduction will apply only to service earned after July 1, 2012. The current reduction of 0.25% per month, or 3% per year, calculated not to age 65 but to the normal retirement age for that employee, which could be as early as 55.

Source: IPERS, Proposed IPERS Changes, March 19, 2010

Louisiana. Act 992 of 2010 (HB 1337) generally makes changes to the organizational structures, requirements for contributions and benefit provisions of the four state retirement systems: the State Employees' Retirement System (LASERS), the Teachers' Retirement System (TRSL), the School Employees' Retirement System (LSERS), and the State Police Pension and Retirement System (LSPRS), for persons whose first employment making them eligible for membership in any state retirement system occurs on or after Jan. 1, 2011.

Under existing law, LASERS includes a variety of plans for hazardous-duty and non-hazardous duty employees, and TRSL includes three plans for various public school employees. HB 1337 consolidates the provisions of the LASERS plans into one hazardous-duty plan and one non-hazardous duty plan. It moves some employees whose current jobs involve hazardous duty from the category of general employees to the category of hazardous duty. The bill also consolidates the provisions of the three TRSL plans into one set of provisions. In all cases the consolidations affect employees first eligible for membership in a state plan on or after January 1, 2011.

Along with the structural consolidation, the changes conform contribution and benefit provisions for classes of employees that in the past have had differing provisions. The following discussion reports some of the changes made by HB 1337, but because of the number of affected systems and plans, it is not possible to provide a full discussion here. The bill text, summaries, and actuarial studies are available on the website of the [Louisiana Legislature](#). Search for HB 1337. On the page for HB 1337, “notes” refers to actuarial analyses, and “digest” refers to bill summaries.

- Employee contribution rates. The consolidation of smaller plans into broader plans provides for contribution changes for some employees, both increases and decreases, but for the great majority of covered employees—general state employees and teachers statewide—the employee contribution remains at 8% of salary. See above for the effect on other employees.
- Final average compensation. Currently, final average compensation is calculated on a base of a person's three or five highest consecutive years, depending on system and plan. For all state system members hired after January 1, 2011, the base will be the five highest consecutive years. That is presently the rule for general state employees and LSERS members. It will be extended to teachers statewide, hazardous duty personnel, and other categories now at three years. A 15% anti-spiking cap will apply to all new members.
- Age and service requirements for normal retirement. For some employee categories, present requirements have been relaxed. The legislation simplifies the range of options, which vary substantially among classes of employees. All employees in non-hazardous occupations will be eligible for normal retirement at age 60 with five years of service, or for an actuarially reduced benefit at any age with 20 years of service. The current rule for normal retirement for state employees hired on or after July 1, 2006, is age 60 with 10 years of service; the new rule (of 60/5 or 20/any age, actuarially reduced) will be applied to those current employees hired on or after July 1, 2006, allowing them to attain deferred vested status five years sooner than under existing law.
- The current rule for normal retirement for general state employees is age 60 with 10 years of service; the new rule will apply to current employees. Teachers currently have the 60/5 provision as one of several options including 55/25 and any age with 30 years of service. Those two options have been eliminated. Judges also have had a variety of options that have been simplified to the 60/5 rule or an actuarially-reduced benefit after 20 years of service with no age restriction. The new options for hazardous-duty personal will be any age with 25 years of service, 55/12 or an actuarially-reduced benefit with 20 years of service.
- Benefit accrual rates. Present law provides a 2.5% annual accrual rate (multiplier) for most members of the four state systems other than judges and hazardous-duty employees, whose rate generally has been 3.33%. Some general employees have been at 3.5% and some hazardous employees, who were outside the hazardous-duty systems, were at 2.5%. HB 1337 provides a 2.5% rate for all non-hazardous duty personnel hired after January 1, 2011, and a 3.33% rate for all hazardous-duty personnel. For judges, the factor remains 3.5% per year of service as a judge.
- The legislation also makes extensive changes to disability retirement and to the programs of survivors' benefits.

Michigan. Act 75 of 2010 (SB 1227) makes numerous changes affecting the Michigan Public School Employees' Retirement System (MPSERS). The legislation:

- Creates an early retirement incentive for members who meet certain eligibility requirements and who retire before September 1, 2010 (see below under Early Retirement Incentives for details).
- Enrolls all newly hired school employees after July 1, 2010 in a hybrid pension and defined contribution system (see below under Defined Contribution & Hybrid Plans for details).

- Requires all MPSERS members to contribute 3 percent of compensation in the irrevocable trust that is expected to be created in HB 4073, the Public Employee Retirement Health Care Funding Act, to pay for retirement health care benefits for retirees and their eligible dependents. Employees who earn less than \$18,000 would have to contribute 1.5% for FY 2010-11 but would contribute 3.0% in subsequent years.
- Restricts benefits for retired members who return to covered service (see below under Re-employment After Retirement for details)

The benefits changes are expected to yield a savings of \$3.1 billion over 10 years, net of the retiree health care and benefits costs of the early retirement incentive package. The savings would be local and would be experienced by the employers in MPSERS, which include public school districts, intermediate school districts, participating universities, community colleges, public school academies, and certain libraries.

Minnesota. Chapter 359, Laws of 2010 (Senate File 2918 and House File 3281), enacts numerous changes in Minnesota state retirement plans. Provisions include:

- Increasing contribution rates for a number of state and local government plans. See above, "Contribution Rates and Funding Issues" for details.
- Providing for post-retirement increase rate reductions or suspensions. See above, "Cost of Living Adjustments," for details. [According to the Minneapolis-St. Paul *Star-Tribune*, May 17, 2010, retired public employees immediately filed suit to overturn this provision on the grounds of breach of a contract.]
- Decreasing the compound interest during the deferred period on deferred retirement annuities. For the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA), the current rates are 3% before age 55 and 5% after age 54 for people hired before 2005 or 2006 (date varies by plan), and 2.5% at any age for people hired since. Rates are reduced, varying by plan, to 2%, 1% or none. [Details](#) are available.
- Increasing the vesting requirements for newly enrolled members:
 - MSRS general plan and State Patrol Plan: increases from three years to five years of credited service for people hired after June 30, 2010. For MSRA Correctional Plan, from three years to 10 years, with partial vesting after five years.
 - PERA general plan: vesting increases from three years to five years of credited service for people hired after June 30, 2010. For PERA police and fire and for PERA-Correctional, vesting is shifted from three-year cliff vesting to gradual vesting—50% with five years to service to 100% vesting with 10 years of service.
 - Duluth Teachers Plan: increases from three years to five years of credited service for people hired after June 30, 2010.
- Increasing the early retirement reduction factor. The amount a retirement annuity is reduced upon early retirement for each year that a person is short of normal retirement age is increased from 1.2% to 2.4% for members of the State Patrol Retirement Plan newly hired after June 30, 2010, and from 2.4% to 5% for members of MSRS-Correctional if employed before July 1, 2010, and retiring after June 30, 2015, or if employed after June 30, 2010.
- Eliminating the 6 percent interest earned on the escrow accounts of reemployed retirees who exceed PERA's earning limits beginning January 1, 2011
- Transfer the administration of the Minneapolis Employees Retirement Fund to PERA. MERF members, Minneapolis and other MERF employers, and the state would remain responsible for all funding of the plan.

Source: Minnesota Legislative Commission on Pensions and Retirement

Mississippi. Chapter 389, Laws of 2010 (SB 3078), increases the service requirement for normal retirement in the Public Employee Retirement System from 30 to 33 years, for those who enter the system on or after July 1, 2011.

Missouri. HB 1 of the First Extraordinary Session of 2010, (signed by the governor on July 19, 2010), enacted new contributory tiers for those who become members of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS), the Missouri State Employees' Retirement System and the retirement plan for judges on or after January 1, 2011. The employee contribution will be 4% of salary on a pre-tax basis. It is applicable to all the categories of employees mentioned below.

- To be eligible for normal retirement under this plan, employees will be required to reach age 67 and have at least 10 years of service or reach age 55 with the sum of the member's age and service equaling at least 90 (previously 62 with five years of service or the Rule of 80 with a minimum age of 48).
- Uniformed members of the Highway Patrol will be required to reach age 60 or reach age 55 with 10 years credited service. (previously age 60 or the Rule of 80 with a minimum age of 48). The mandatory retirement age for uniformed members is age 60.
- Members of the General Assembly will be eligible for normal retirement at age 62 after having served in three biennial assemblies, or the Rule of 90 with a minimum age of 55 (previously 55 after having served in three biennial assemblies, or the Rule of 80 with a minimum age of 50).
- Elected officials will be eligible for normal retirement at age 62 with one four-year term of office or the Rule of 90 with a minimum age of 55 (previously age 55 after having served one term of office, or the Rule of 80 with a minimum age of 50).
- Employees, except for uniformed members of the highway patrol, are eligible for early retirement with reduced benefits at age 62 with 10 years of service.
- Employees must work for the state for 10 years to vest (previous law: five years).
- Members will not be able to purchase credit in the retirement plan for their past non-federal full-time public employment, their military service, or transfer credit from other public retirement plans.
- The employee contribution rate, the benefits under the year 2000 plan, and any other provision of the year 2000 plan may be altered, amended, increased, decreased, or repealed, but such change will only apply to service or interest credits after the effective date of the change.
- Employees under this plan shall not be eligible for the Backdrop option, which provides a lump sum payment (and a reduced annual annuity) at retirement for those working at least two years beyond normal retirement eligibility.

Missouri. HB 1 of the First Extraordinary Session of 2010, transmitted to the governor on July 14, 2010, enacted new contributory tiers for those who become members of the Missouri Department of Transportation and Highway Patrol Employees' Retirement System (MPERS), the Missouri State Employees' Retirement System and the retirement plan for judges on or after January 1, 2011. The employee contribution will be 4% of salary on a pre-tax basis. It is applicable to all the categories of employees mentioned below.

- To be eligible for normal retirement under this plan, employees will be required to reach age 67 and have at least 10 years of service or reach age 55 with the sum of the member's age and service equaling at least 90 (previously 62 with five years of service or the Rule of 80 with a minimum age of 48).
- Uniformed members of the Highway Patrol will be required to reach age 60 or reach age 55 with 10 years credited service. (previously age 60 or the Rule of 80 with a minimum age of 48). The mandatory retirement age for uniformed members is age 60.

- Members of the General Assembly will be eligible for normal retirement at age 62 after having served in three biennial assemblies, or the Rule of 90 with a minimum age of 55 (previously 55 after having served in three biennial assemblies, or the Rule of 80 with a minimum age of 50).
- Elected officials will be eligible for normal retirement at age 62 with one term of office or the Rule of 90 with a minimum age of 55 (previously age 55 after having served one term of office, or the Rule of 80 with a minimum age of 50).
- Employees, except for uniformed members of the highway patrol, are eligible for early retirement at age sixty-two with ten years of service.
- Employees must work for the state for ten years to vest (previous law: five years).
- Members will not be able to purchase credit in the retirement plan for their past non-federal full-time public employment, their military service, or transfer credit from other public retirement plans.
- The employee contribution rate, the benefits under the year 2000 plan, and any other provision of the year 2000 plan may be altered, amended, increased, decreased, or repealed, but such change will only apply to service or interest credits after the effective date of the change.
- Employees under this plan shall not be eligible for the Backdrop option, which provides a lump sum payment at retirement for those working at least two years beyond normal retirement eligibility.

The plan for judges was changed in comparable ways.

- Judges hired for the first time after January 1, 2011, will be required to reach age 67 and have at least 12 years of service or reach age 62 and have 20 years of service before they are eligible for normal retirement (previously 62/12, or 60/15, or 55/20). Mandatory retirement for judges, per the Constitution, is age 70.
- Early retirement with reduced benefits will be available to judges at age 67 with less than 12 years of service, or age 62 with less than 20 years of service (previously 60 <15 and 62 <12).
- Judges will not be able to purchase credit in the retirement plan for their past non-federal full-time public employment or their military service.
- Judges under this plan who continue to work after their normal retirement date will not have cost-of-living increases added to their retirement compensation for the period of time between their eligibility for retirement and their actual retirement date.
- When a retired judge under this plan dies, their beneficiary will not receive an amount equal to fifty percent of the judge's retirement compensation. Instead, judges will make a choice at retirement among the benefit payment options that includes options for the amount received by the beneficiary.
- The employee contribution rate, the benefits under the judicial retirement plan, and any other provision of the judicial retirement plan may be altered, amended, increased, decreased, or repealed, but such change will only apply to service or interest credits after the effective date of the change.
- This act prohibits a retired judge who becomes employed after January 1, 2011, as an employee eligible to participate in the MOSERS retirement plan, from receiving their judicial retirement benefits while they are employed. Any judge who serves as a judge while he or she is receiving their judicial retirement is prohibited from receiving their judicial retirement while serving as a judge. A judge who serves as a senior judge or senior commissioner while receiving judicial retirement will continue to receive judicial retirement and additional credit and salary for their service.

New Jersey. Public Law 1 of 2010 (SB 2) made numerous changes to the state-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the enrollment waiver, the prosecutor's part of the Public Employees' Retirement System (PERS), special retirement under the Police and Firemen's Retirement System (PFRS) and employer contributions to the pension systems.

Specifically, the bill provides that:

1) New members in the Teachers' Pension and Annuity Fund (TPAF) and the PERS will be eligible only if their hours of work are 35 or more per week for State employees and 32 or more per week for political subdivision employees. Persons not eligible for TPAF or PERS because the hours of work are fewer than required may be eligible for enrollment in the Defined Contribution Retirement Program (DCRP). The membership compensation threshold for the DCRP is increased to \$5,000 from \$1,500.

2) The multiplier for retirement calculation purposes, other than for veterans' and disability benefits, for new PERS and TPAF members will be changed from 1/55 to 1/60, the pre-2001 level.

3) Maximum compensation upon which contributions will be made for PFRS and State Police Retirement System (SPRS) purposes for new police officers, firefighters, and State Police officers who become members of those systems will be the amount of base salary equivalent to the annual maximum wage contribution base for Social Security, pursuant to the Federal Insurance Contributions Act, with a member becoming a participant of the DCRP with regard to any amount over the maximum. [This change was previously enacted for other plans.]

4) The retirement allowance for a new member of the TPAF or PERS will be calculated using the average annual compensation for the highest five years of service (increased from the three highest years of service), and for a new member of the PFRS and SPRS will be calculated using the average annual compensation for the three highest years of service as opposed to compensation in the final year of service.

5) A person will be eligible for membership in the PERS or TPAF based upon only one position of several that may be held concurrently. The retirement system will designate the position providing the highest compensation as the basis for membership, contributions, and pensions calculations.

6) New members of the TPAF, the Judicial Retirement System (JRS), the Prison Officers' Pension Fund, the PERS, the Consolidated Police and Firemen's Pension Fund, the PFRS, and the SPRS will not have a non-forfeitable right to receive benefits upon the attainment of five years of service credit.

7) The state, beginning July 1, 2011, is to make in full the annual employer's contribution, as computed by the actuaries, to the TPAF, the JRS, the Prison Officers' Pension Fund, the PERS, the Consolidated Police and Firemen's Pension Fund, the PFRS, and the SPRS. The State would be in compliance with this requirement provided the State makes a payment, to each State-administered retirement system or fund, of at least 1/7th of the full contribution, as computed by the actuaries, in the State fiscal year commencing July 1, 2011 and makes a payment in each subsequent fiscal year that increases by at least an additional 1/7th until payment of the full contribution is made in the eighth fiscal year and thereafter.

The cumulative state and local savings from FY 2013 to FY 2026 are projected to total \$1.6 billion and \$1.16 billion, respectively, excluding the provision requiring phasing-in of full actuarial contributions. The Department of the Treasury indicates that the provision of this bill requiring the State to make its full annual pension contribution, phased-in over seven years, will result in a payment by the State of at least \$540.3 million in FY 2012, \$1.156 billion in FY 2013, and \$1.884 billion in FY 2014. The State's full contributions for these fiscal years are estimated to be \$3.477 billion for FY 2012, \$3.705 billion in FY 2013, and \$3.923 billion in FY 2014.

The final version of the bill omitted a provision passed by the Senate that would have allowed new employees covered by any of the state systems or a person already enrolled but with less than 10 years of service credit, to choose either to be enrolled in the relevant retirement system, enrolled in the defined contribution plan, or to withdraw entirely from enrollment in any State-administered retirement system.

Pennsylvania. HB 2497 (to governor Nov. 15, 2010) makes numerous changes affecting the Public School Employees' Retirement System (PSERS) and the State Employees' Retirement System (SERS).

The legislation will affect those who become members of PSERS on or after July 1, 2011 and those who become members of SERS on January 1, 2011, except for state legislators, for whom the changes are effective on December 1, 2010. Members of the judiciary are not included in the changes described here, and benefit changes for certain state public safety officials will become effective only after the expiration of their collective bargaining agreements.

For both PSERS and SERS, the legislation:

- Increases the vesting requirement from 5 years to 10 years.
- Eliminates the lump-sum payout option
- Replaces the provision for retirement at any age with 35 years of service with the Rule of 92 with at least 35 years of service
- Requires that any purchase of service credit other than military service covered by USERRA be at full actuarial cost.

For PSERS, the legislation establishes a new membership class (T-E) for all new members. Employees in this class will make an employee contribution of 7.5% of compensation, the same amount as most current employees pay and have an annual benefit accrual rate of 2%, as compared to 2.5% for most current employees. The legislation also establishes an optional new class (T-F) of PSERS membership that provides an annual benefit accrual rate of 2.5%, but requires an employee contribution requirement of 10.3% of compensation. An employee will be required to select this option within 45 days of becoming a member of PSERS.

Members who are covered by the new provisions will belong to a Shared Risk Defined Benefit Plans as described above in the section on Contribution Rates and Funding Issues.

Also for PSERS, the legislation:

- Increases the retirement age from 62 with one year of service to 65 with three years of service
- Caps retirement benefits at not more than 100% of final average salary (a provision in existing law for SERS)
- Prohibits the purchase of non-qualifying part-time service after a one-year window.

For SERS, the legislation establishes a new membership class (A-3) for all new members, including members of the General Assembly. Employees in this class will have an annual benefit accrual rate of 2%, as compared to 2.5% for most current employees and an employee contribution requirement of 6.25% of compensation, the same amount as most current employees pay. As for PSERS, the legislation establishes an optional new class (A-4) of SERS membership that provides an annual benefit accrual rate of 2.5%, but requires an employee contribution requirement of 9.3% of compensation. An employee would be required to select this option within 45 days of becoming a member of SERS.

Also for SERS, the legislation increases the retirement age by 5 years, which for most members is equivalent to a retirement age of 65 rather than 60. For those currently eligible to retire at 50, the new retirement age will be 55.

Vermont. Act 74 of 2010 (HB 764) changes retirement provisions for the Teachers Retirement System. For current members who are more than five years away from eligibility for normal retirement (less than 25 years of service or less than age 57), normal retirement will be 65 or rule of 90 (combination of years of service and age), instead of 62 years old or with 30 years of service at any age. Early retirement will stay at 55, but the reduction will be an actuarial calculation instead of a percentage reduction. Employees more than five years from normal retirement eligibility will be eligible for a maximum benefit of 60% AFC, instead of the current 50% AFC, with a higher (2%, instead of 1.67%) multiplier upon completion of 20 years of service. Employees within five years of normal retirement eligibility will be eligible for a maximum benefit up to 53.34% of AFC instead of current 50% maximum, using the 1.67% multiplier, in recognition of years earned after July 1, 2010.

The bill also increases the employee contribution rate for all members of the Teachers Retirement System from 3.54% of compensation to 5%. The legislation requires the state to fund the full actuarial requirement annually, after taking into account the changes made by HB 764 in terms of reduced costs as well as increased employee contributions.

The bill caps compensation growth for the purposes of calculating FAS at 10% per year for the period of FAS determination.
Source: Office of the State Treasurer, Vermont

Virginia. Chapter 737, Laws of 2010 (HB 1189/SB 232), modifies for new employees the defined benefit retirement plans administered by the Virginia Retirement System ("VRS"), as follows:

- Requires employees to contribute five percent of creditable compensation (only local employers would be allowed to pick up this contribution);
- Increases the number of months used to calculate average final compensation from 36 to 60;
- Increases the cost, and decreases the time in which employees may purchase certain prior service credits, and;
- Reduces the portion of the increase in the Consumer Price Index used for determining annual retirement allowance supplements ("COLA") from three percent plus one-half of the next four percent to two percent plus one-half of the next eight percent;
- Decreases the Commonwealth's contribution for employees in institutions of higher education participating in an optional retirement plans from 10.4 percent to 8.5 percent of creditable compensation. However, institutions of higher education may provide an additional contribution up to 0.4 percent each year at their own cost. New employees of institutions of higher education would also be required to contribute 5 percent of salary;
- For new state and local employees covered under the main defined benefit plan, (i.e. excluding the separate plans for state and local law enforcement employees and judges), the bill changes the requirements for unreduced early retirement benefits from the Rule of 80 to the Rule of 90 or a person's normal retirement age for federal social security with five years of service.
- Allows reduced early retirement to be taken only by those persons who have attained the age of 60 with at least five years of creditable service;
- For judges appointed or elected to an original term commencing on or after July 1, 2010, service as a judge would be multiplied by the weighted years of service factor of (i) 1.5 if the person was less than 45 at the time of such original term, (ii) 2.0 if the person was at least 45 but less than 55 at the time of such original term, and (iii) 2.5 if the person was at least 55 at the time of such original term.

Chapter 758, Laws of 2010 (HB 892), requires a member of the Virginia Retirement System to be vested before being eligible to withdraw that portion of his accumulated contributions made by his employer on his behalf subsequent to July 1, 2010.

[Back to top](#)

2009

Arkansas. Act 657 of 2009 (SB140) provides that for retirement purposes in the Public Employee Retirement System (PERS), a member must be terminated from employment for a period of 180 days. However, if a member was participating in the PERS DROP on January 1, 2009 and/or retired between the period of January 2009 and June 2009, this is waived and they may return to employment otherwise covered by PERS no sooner than 30 days.

Act 742 (SB163) allows current non-contributory members a six-month window to elect coverage under the new contributory plan (effective July 1, 2005) that will be effective on January 1, 2010.

Act 1242 of 2009 (SB 138) combines the State Police Retirement System (SPRS) with the Public Employees Retirement System (PERS) to the extent that the funds of the SPRS are to be commingled with those of PERS for investment purposes. The act reduced the size of the SPRS Board of Trustees from 12 to seven members, and repealed its authority to direct investment of its trust fund. The Board is prohibited from making any recommendations for benefit enhancements that would prolong the actuarial funding of the unfunded liability beyond 30 years. The act also created a new DROP for SPRS members.

Colorado. SB 282 (signed) provides for merger of the Denver Public Schools Retirement System (DPS) with the Public Employees' Retirement Association (PERA); creates a separate Denver public schools division and trust fund within PERA; incorporates the provisions of the existing DPS plan into statute; requires the PERA board to administer the provisions of the plan for DPS members; allows benefits to be portable between the Denver public schools division and the other divisions of PERA; allows for disability benefits. The employer contribution rate for the DPS division of PERA will be 13.75% from 1/1/2010 until 12/31/2012 and 14.15% thereafter. The employee contribution rate will be 8%.

Minnesota. Legislation to authorize the consolidation of the Minneapolis Employees Retirement Fund general employees retirement plan with the Minnesota Public Employees Retirement Association died in committee in 2009.

Chapter 169, Laws of 2009 (S 191) creates a phased retirement plan for members of the Public Employee Retirement Association (PERA), which includes local-government sponsors of retirement plans as well as state employees.

Employers have full discretion over granting phased retirement to any PERA member. The initial offer must not exceed one year, but it can be renewed for periods of up to a year for a total of five years. An employer is under no obligation to renew a Phased Retirement agreement.

If mutually agreeable between the member and his or her employer, the member may begin collecting a PERA benefit without the normally required 30-day break in service and prohibition against having any agreement to return to work with the current employer. Participants are also exempt from PERA's earnings limits that apply prior to full Social Security retirement age. In addition, neither the member nor the employer is required to make any further contributions to PERA. Since the member is now receiving a pension, he or she will cease to earn service credits and there will be no future adjustment to the high-five average salary.

Upon the completion of the phased retirement, a member must meet the requirements normally applied to someone who is terminating public service, including the prohibition of any future employment agreement, and the minimum 30-day break in public service. If the retiree later returns to PERA-covered employment, the earnings limits would apply.

A current retiree cannot participate in the program. The option is set to sunset June 30, 2011. To qualify, a member must meet all other requirements for a pension from PERA; be at least 62 years of age; have worked at least half time in a PERA-covered position for a minimum of five years immediately prior to beginning Phased Retirement; and not be eligible for the State Employee Postretirement Option program (for PERA members who are state employees).

In addition, the member must also agree to a reduction of hours worked of at least 25 percent, not to exceed 1,044 hours per year--essentially half time or less. To participate, the member and employer must file a Phased Retirement Agreement form with PERA.

New Mexico. Chapter 288, Laws of 2009 (HB 573), creates new retirement plans for state and municipal general members of the Public Employee Retirement Association (PERA) other than peace officers. Retirement eligibility under the new plans is any age and 30 or more years of service credit, age 67 or older and five or more years of service credit or the "rule of 80". The bill also contains a new retirement plan for members of the Education Retirement Board (ERB). Retirement eligibility under the new ERB plan is the same as under the new PERA plans, except benefits are reduced for a member retiring under the rule of 80 if the member is under 60 years old. The new retirement plans are effective July 1, 2011 and will apply to employees hired on or after July 1, 2010. The bill extends the period during which a retired member under the ERB may return to work; changes the provisions for acquiring service credit for military time under the ERB; and requires annual training for PERA and ERB board members.

[Back to top](#)

2008

Alaska. Chapter 13 (SB 125) transforms the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, sets the employer contribution rate for PERS employers at 22% of PERS system payroll, provides for additional state contributions to the PERS system sufficient to make up the difference between 22% and the higher actuarially

required rate, sets the Teachers' Retirement System (TRS) contribution rate at 12.56% of TRS payroll, provides for additional state contributions to the TRS system sufficient to make up the difference between 12.56% and the higher actuarially required rate, and provides for a past service rate surcharge on Defined Contribution Retiree (DCR) payrolls equal to the difference between the actuarial required contribution rate and the employer contribution rate established in this bill for both PERS and TRS consistent with language passed last session in SB 123.

Georgia. Act 757 (SB 328) creates the "Georgia State Employees' Pension and Savings Plan" (GSEPS), which provides a hybrid defined benefit plan (DB) and 401(k) plan for new hires on and after January 1, 2009 and an opt in to members of ERS as of December 31, 2008. For details, see below, Defined Contribution and Hybrid Plans.

Kentucky. HB 1 of the 2008 Special Session made extensive changes to Kentucky state retirement plans for state and local employees including teachers, employees in hazardous positions and general employees. A section-by-section summary is available from the Kentucky Legislative Research Commission at 502-564-8100.

- Requires that actuarial analyses display the effects of changes in law for a 20 year (rather than a 10 year) period; explicitly state each assumption used in the analysis; be done at the cost of the retirement systems.
- Reduces COLAs in the Legislative Plan from CPI capped at 5% to 1.5% for current and future retirees; increases employee contributions for legislators joining the system after 9/1/08 from 5% to 6% of contributory base. Makes similar changes to the Judicial Retirement Plan.
- For the state police plan and for employees of other plans in hazardous positions, who enter service 9/1/08 or later: reduces the multiplier for annual service from a flat 2.5% (2.49% in plans other than state police) to a scale that ranges from 1.3% for 10 years of service or less to 2.5% for those with 25 years or more. The applicable multiplier will affect all service.
- Removes lump-sum compensation from the base used to calculate benefits and requires that the final high-3 must consist of complete fiscal years, each of 12 months. Regular retirement is set at 25 years of service or 60/5 (up from 20-and-out or 55/5). Purchased service may not be used for eligibility for a reduced benefit at 50/15. Actuary shall determine penalty for retiring with a reduced benefit. Caps use of sick leave for calculating benefits at 12 months (currently no cap) and prohibits use of accumulated sick leave for determining retirement eligibility. All these provisions affect only those hired on or after 9/1/08.
- For state employees hired on or after 9/1/08: Removes lump-sum compensation from calculation of final compensation; requires high-5 years to be the five 12-month fiscal years immediately preceding retirement (as opposed to 48 months in current law); limits use of sick leave as set out in previous paragraph; provides eligibility for normal retirement at 65/5 or Rule of 87 with a minimum age of 57 or 60/10 (currently any age with 27 years or 65/4). Prohibits the use of purchased service in determining eligibility for benefits.
- Establishes a sliding scale of multipliers for calculating benefits for state employees and county employees hired on or after 9/1/08, ranging from 1.1% for 10 years service or less to 2% for those with 30 years or service or more. Currently the multiplier is a flat 1.97% for state employees and 2% for county employees.
- Caps the interest paid on members' contributions when members withdraw early from a system at 2.5%. Presently it varies according to retirement board decisions, but cannot be less than 2.5% for state police, or less than 2% for state employees.
- Makes changes to the County Employee Retirement System that are generally comparable to those for state employees.

- Expresses the intent of the General Assembly to move gradually to annual full funding of the actuarial required employer contribution to the state retirement systems. Its intent is to provide 100% of the contribution for the State Police system by 2020, for other hazardous employees by 2019, and for the state employee system by 2025.
- Terminates the Partial Lump Sum Option for those who retire after 1/1/09.
- For state, county and state police system members, requires a 3-month break in service before returning to covered employment (with exceptions for hazardous employees). No employee can earn a second benefit. Employers must resume employer contributions for retirement and health insurance for re-employed members.
- For state, county and state police members hired after 9/1/2008, requires a 1% employee contribution (a new requirement) to the Insurance Trust Fund for medical benefits. Increases the vesting requirement for retiree medical benefits from 10 to 15 years and sets an eligibility for retirement medical benefits at the Rule of 87 or minimum age of 60 with 15 years of service. Annual medical benefit adjustment changed from CPI-U to 1.5%.
- For teachers and school employees hired on or after 7/1/08: Changes are generally comparable in intent to those for state employees. Limits sick leave used for retirement purposes to 100 days. Remove lump-sum compensatory and termination payments from computation of final average salary. Sets interest on member accounts for purpose of withdrawal at 2.5%, down from existing 3%. Provides that FMLA leave must be purchased at full actuarial cost. Prohibits purchase of air time except for employees with more than 26 years service to purchase up to 10 months to make up full retirement eligibility. Increases requirement for reduced early benefit from 5 to 10 years of service and sets the annual penalty at 1% for each year short of 27 years or age 60. Changes multipliers for public school and university faculty from flat rates to a scale based upon length of service, for public schools from 1.7% to 3% for years over 30, and for faculty from 1.5% to 2% for years over 27 (multipliers are reduced from previous law for shorter periods of service). Allows teachers returning to service after retirement to waive their retirement benefit and have it recalculated on the basis of additional service upon termination of the reemployment. Increases vesting for medical benefits to 15 years and increase the employee contribution by 1 percentage point.
- For the Ken. Ret. System and the Teachers Ret. Sys. Boards of trustees, limits elected trustees to 3 terms, applicable to terms beginning after July 1, 2008. Establishes formal trustee education programs, provides for enforcement, and establishes various board reporting requirements.

Nebraska. LB 1147 of 2008 (enacted) provides for an early retirement provision for members of the Judicial Retirement Plan.

Wyoming. Chapter 21, Laws of 2008 (SF 68), made changes to the Judicial Pension Plan. This bill changes the required employer contribution for judicial retirement from 8.78% to 14.5%. For the 9.22% "employee contribution," (previously required to be paid by the employer) the bill authorizes the employer to pay up to the amount paid by the state for state employees. The Supreme Court is required to request in its budget the amount authorized as an employer paid "employee contribution. The bill also amends retirement eligibility criteria for judges by reducing various combinations of age and length of service requirements and by specifying the amount of reduction for "early retirement" (set at 5% for each year of retirement prior to age 65 for those with less than the minimum combination of age and length of service for "full retirement). The bill contains a general fund appropriation of \$761,900 for the additional liability of the judicial retirement system under the act. It also contains a general fund appropriation of \$410,846 for additional required or authorized under the bill.

Chapter 122 (SF 62) created a defined benefit pension plan for emergency medical technicians, employees of local governments and special districts, which will have its own board but be administered by the Wyoming Retirement System director.

Chapter 112 (SF 84) increases the formula benefit and contribution levels for Plan B Paid Firefighters, who requested the changes because they are ineligible for Social Security. plan currently provides a benefit for a paid firefighter at age 50 of 2.5% of salary for each year of service for the first 25 years and 1% for each year after 25 years up to 32.5 years. This caps the benefit at 70% of the firefighter's salary. The contributions currently paid for this benefit are set at 6% of the paid firefighter's salary and 12% for the employer. This act raises the 2.5% multiplier for each year of service for the first 25 years of service to 2.8% The employee contribution is increased from 6 % to 8.5%.

[Back to top](#)

2007

Arkansas. Act 177, Laws of 2007 (SB 90), transferred the powers and plan liabilities of the District Judge Retirement System to the Public Employees Retirement System. For active members, benefits and contribution requirements will remain unchanged unless an actuary determines that a different rate of retired contribution should be applied. The current rates are 5% employee, 18% employer. District judges who join the system after the effective date of the act, July 1, 2007, will receive benefits under its provisions for elected officials. The current contribution rates for PERS are 5% employee and 12.54% employer.

Connecticut. Public Law 211, Laws of 2007 (HB 6988), increases the age, from 65 to the eligibility age for full Social Security retirement benefits, after which a Tier I state retiree no longer receives the additional temporary retirement benefit. Under federal law, the full normal Social Security retirement eligibility age is increasing each year by two-month increments until it reaches age 66 in 2008 (if someone turns 65 in 2007, he or she would not be eligible for full federal benefits until reaching age 65 and 10 months). It will stay at age 66 for 11 years, then gradually increase again until reaching age 67 in 2025. Current state retirement law provides the additional temporary benefit until the retiree reaches age 65.

Kansas. Chapter 164, Laws of 2007 (SB 362), creates a new retirement plan for state, school and local employees hired on or after July 1, 2009. It provides certain retirement enhancements for those who joined or will join the system before that date. The new plan provides:

- First day membership (as opposed to the present 6-month delay for state government employees under current law; first-day membership will apply to all current and new employees after the date the bill is effective).
- Five-year vesting (as opposed to 10-year vesting in current law; this applies to employees hired before July 1, 2009 as well those hired on or after that date).
- 1.75% defined benefit multiplier: same as current plan.
- Final highest salary based on five highest years (as opposed to three highest years in current plan).
- Normal retirement at age 65 with five years of service or age 60 with 30 years of service (current plan provides for 65/1; 62/10; or the Rule of 85).
- Early retirement at age 55 with 10 years of service, the same as the current plan, with actuarially reduced benefits.
- An annual 2% cost of living adjustment at age 65 (current plan provides only for ad hoc cost of living adjustments).
- Employee contribution rate of 6% (current plan's contribution rate is 4%).
- Employer contribution rate at the actuarially-required amount, but not less than the employee contribution (current plan does not establish a floor for the employer contribution).
- Future cost increases will be equally shared by employees and employers (a new provision).

A summary and a fiscal note on the act are available at <http://www.kslegislature.org/supplemental/2008/CCRB362.pdf> and <http://www.kslegislature.org/fiscalnotes/2008/362.pdf>

Mississippi. Chapter 407, Laws of 2007 (HB 1016) increased vesting requirements and requirements for eligibility for benefits for people who join the Public Employees' Retirement System on or after July 1, 2007. The vesting requirement was changed from four years of membership to eight years. The previous benefit eligibility requirements were age 60 with four years of membership or 25 years of membership. The new requirement is age 60 with eight years of membership. The act also extended the new vesting requirement to various other system benefits, such as receipt of up to four years of credit for military service, eligibility for a partial lump sum withdrawal upon retirement, purchase of non-covered or retroactive or out-of-state service and so forth.

Nebraska. LB 328 gives state and county employees who participate in the defined contribution retirement plan a second opportunity to choose a cash balance benefit option. Initially, the option was given to state and county plan members in 2002, at which time they were required to make a permanent choice of retirement plan options. The cash balance benefit option is designed to provide a more stable rate of return on contributions. Under the bill, employees will have from Nov. 1, 2007, to Jan. 1, 2008, to make their choice.

New Jersey. Chapter 92, Laws of 2007 (SB 17, AB 21), §20, effective January 1, 2008, prohibits a person performing professional services for a political subdivision of this State or of a board of education, or of any agency, authority or instrumentality thereof, under a professional services contract from becoming a member of the PERS. In addition, the bill provides that a person who performs professional services will not be eligible, on the basis of performance of those professional services, for membership in the PERS, if the person meets the definition of independent contractor as set forth in regulation or policy of the federal Internal Revenue Service for the purposes of the Internal Revenue Code. While a person performing professional services will continue to accrue service credit during the term of any current contract, the person will no accrue service credit for the performance of those services after the contract expires.

§21 requires the Division of Pensions and Benefits to investigate increases in compensation reported for credit in the various State-administered retirement systems, which is a codification of a current regulation.

§§42 to 46 limit, at the local government and school district level, the payment of supplemental compensation to \$15,000 at the time of retirement for unused sick leave for elected and certain appointed officials. Those who have accrued supplemental compensation based upon unused sick leave at the time the bill is enacted, at the expiration of a contract in effect at that time, or upon becoming such an elected or appointed official will be eligible to receive the amount so accumulated or not more than \$15,000, whichever is greater. The carry-forward of unused vacation leave is also limited for these same local government and school district officials, to one successive year.

North Dakota. Chapter 157, Laws of 2007 (SB 2046) created a new tier in the Teachers' Fund for Retirement. Tier 2 Members include all new members and returning refunded members who are employed on or after July 1, 2008. Tier 2 members would have the following benefit changes:

- Rule of 90, instead of Rule of 85
- 5-year vesting, instead of 3-year vesting
- Early (reduced) retirement eligibility would be age 55 and 5 years of service (instead of age 55 and 3 years).

Normal (unreduced) retirement eligibility would be age 65 and 5 years of service (instead of age 65 and 3 years). Final average salary would be computed as a 5-year average, rather than as a 3-year average.

West Virginia. HB 2717 creates a new retirement system under the Consolidated Public Retirement Board for Emergency Medical Services (EMS) officers. Modeled after the Deputy Sheriff retirement system, the new system becomes effective Jan. 1, 2008, if, by Dec. 31, 2007, at least 70 percent of all eligible EMS officers and at least 85 percent of the eligible EMS officers who are currently active members of the Public Employees Retirement System elect to participate in this plan.

Membership will be required of new state hires and those returning to state employment after passage of the plan. Current EMS Officers in the retirement system who elect to do so will transfer their service credits and assets into the new system. Members of local plans may join upon the vote of their county commission. Employee contributions are set at 8.5 percent but may be raised to 10.5 percent if the plan isn't 70 percent funded by July 1, 2012. Local government contributions are 10.5 percent. No benefits except disability may be paid until 2011. Failure of the requisite number of EMS Officer's to elect to join by the end of 2007 voids the statute.

[Back to top](#)

2006

Nebraska. LB 366 provides that state and county employees will begin participation in their respective retirement plans immediately upon permanent full-time employment rather than waiting 12 months. Full-time elected county officials will also begin immediate participation upon taking office.

Permanently employed part-time state and county employees who have attained the age of 20 may exercise the option to begin immediate participation in the retirement plan. All part-time elected county officials may exercise the option to begin immediate participation upon taking office. Changes vesting language to reflect immediate plan participation. Prior language stipulated three years to vest, which included the 12 months of eligibility and 24 months of plan participation. New language clarifies vesting as three years of plan participation.

Washington. Chapter 189, Laws of 2006 (HB 2691), allows current judges in PERS Plans 1 and 2 to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of average final salary. Judges in PERS Plan 3 can elect a 1.6 % of pay per year of service benefit, capped at 37.5% of average final salary.

Chapter 350, Laws of 2006 (HB 2688), removes the current retirement benefit cap of 60 percent of a member's final average salary for members of LEOFF Plan 1 enrolled on or after February 19, 1974.

Chapter 309, Laws of 2006 (HB 2685) replaces the list of job classes in the statutes governing eligibility requirements for the Public Safety Employees' Retirement System (PSERS), established in 2004, with a duty-based set of membership criteria. To be eligible for membership, employees must work full-time and hold a position that requires completion of a certified criminal justice training course and which has the authority to arrest, investigate crimes, enforce the law, and carry a firearm; in which the primary duty is to ensure the custody and security of incarcerated individuals as a probation officer, corrections officer or jailer; that is a limited authority Washington Peace Officer; or in which the primary responsibility is to supervise employees who are eligible for membership under one of the previously listed membership criteria.

West Virginia. The Consolidated Public Retirement Board reported on April 3, 2006, that 12,747 (56.1%) of the 22,707 teachers eligible to vote on consolidating the teachers' defined contribution plan with the teachers' defined benefit plan had cast valid ballots. Of those voting, 61.4% voted in favor of the consolidation (7,821-4,926). Under West Virginia law, the vote is valid and the consolidation was scheduled to occur on July 1, 2006. A legal challenge to the consolidation has brought a postponement of the merger; the hearing on the challenge is scheduled for July 28, 2006.

[Back to top](#)

2005

Delaware. SB 189 removes the integration of Social Security benefits from the calculation of pension benefits under the County and Municipal General Employees' pension plan and adjusts the pensions for those employees that have previously retired and are still in payment status. SB 191 does the same for the County and Municipal Police/Firefighters pension plan.

Illinois. P.L. 94-0004 (SB 27) eliminates the money purchase formula for people who become members of the State Universities Retirement Plan or the Teachers' Retirement System after July 1, 2005.

Missouri. SB 202 terminates the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires. Effective April 26, 2005, new administrative law judges and legal advisors will participate in the Missouri State Employees' Plan (MSEP) or Missouri State Employees' Plan 2000 (MSEP 2000), whichever is applicable.

The ALJLAP will no longer be available to those employees who are hired for the first time as an administrative law judge or legal advisor on or after April 26, 2005 or who have not previously participated in the ALJLAP. Any administrative law judge or legal advisor employed prior to April 26, 2005 will continue to participate in the ALJLAP. The act will not affect the past, present, or future benefits of members who participated in the ALJLAP before the effective date of the bill.

Missouri. HB 443 officially changed the name of the Non-Teacher School Employee Retirement System (NTRS) to the Public Education Employee Retirement System (PEERS) effective August 28, 2005. The name change was designed to better represent members of the non-teacher system with a positive name that identifies who they are, rather than who they are not.

New Mexico. House Bill 205 amends the Public Employees Retirement Association Act to create a new retirement benefit structure for judges (district court, metropolitan court or court of appeals) and justices (Supreme Court) who first become members on or after July 1, 2005. The new plan provides for a moderate decrease in normal retirement eligibility by providing a minimum age (55) and years of service (16), and provides a straight 3.75% pension factor for all years of service.

North Dakota. HB 1069 added the option of a partial lump sum distribution (PLSO) to the state public employee retirement plan. The PLSO may be equal to 12 monthly payments of a single life/normal retirement benefit. Subsequent monthly benefits will be actuarially reduced.

West Virginia. Chapter 201, Acts of 2005 (HB 2984) re-opens the Teachers Retirement System, a defined benefit plan, to new employees as of July 1, 2005. The act closes the Teachers' Defined Contribution Plan (TDC) to new employees as of July 1, 2005 and requires new employees to join the Teachers' Retirement System, which had been closed to new members since 1991.

The law also requires a vote of existing members of TDC on merging it with the TRS. For the merger to occur, at least 50% of the TDC members must vote, and at least 50% of those voting must approve the proposed merger. The election will be held in March 2006 after an educational program conducted by the WV Consolidated Retirement Board. All TDC members will be bound by the results of the election. If the merger is approved, TDC will cease to exist on July 1, 2006. If the merger is not approved, current members will continue in TDC and it will be closed to new members. The law makes no provision for individual choice.

If members approve the merger, TDC assets will be transferred to TRS. Transferred members will be given an opportunity to increase their TRS assets by making payments to the TRS fund. The payments will be determined by individual members' salary history and accumulated service in TDC. The law provides for loans to TRS members to assist them in making such payments, through June 30, 2007.

TRS employee contribution rates are set at 6% of gross salary rather than of earnable compensation as in previous law. Gross salary is defined to exclude any lump-sum payments. Employer contribution rates are set at 7.5% for employees who become members for the first time on or after July 1, 2005 and for any person who becomes a member of TRS as a result of the merger proposed for 2006.

[Back to top](#)

2004

California. AB 1852 removes an age requirement for electing a partial lump sum payment option at retirement for members of the State Teachers' Retirement System (Calstrs). In order to maintain no net actuarial effect on CALSTRS, the act requires that a lump sum payment be adjusted by a factor adopted by the governing board to account for possible adverse selection.

Colorado. Chapter 392, Laws of 2004 (SB 257) separates the state and school employee division of the Public Employee Retirement Association into separate divisions with different employer contribution requirements to take into account the creation of two new optional defined contribution plans for state employees. The separation protects the School Division from any actuarial losses stemming from the new DC plans. See "Contribution rates and funding issues," above.

Iowa. HF 2262 provides that the retirement age for sheriffs and deputy sheriffs with 22 or more years of eligible service to qualify for a full retirement benefit will be reduced from 55 to 50 over a period of five years. The increased cost will be met by increasing the share of contributions to the system that comes from employee salaries as well as increasing contributions overall.

Georgia. Act 248 and Act No. 547 allow a reduced retirement benefit together with a partial lump sum distribution for teachers and public employees. The amount of the lump sum may not exceed the sum of 36 months of the monthly retirement allowance that would have been received if the lump sum option had not been elected.

New Mexico. SB 426 provides that any elected official may gain exemption from membership in the Public Employee Retirement Association within 24 months of taking office. The exemption cannot be retroactive.

Washington. HB 2538 (Chapter 85, Laws of 2004) establishes a \$1,000 minimum monthly benefit for PERS Plan 1 members and TRS Plan 1 members who have at least twenty-five years of service and who have been retired at least twenty years.

[Back to top](#)

2003

Alaska. HB 254 changes the number of years for calculation of average monthly compensation for peace officers and fire fighters from five years to three years.

Maryland. Chapter 229, Laws of 2003, allows retired members of the Employees' and the Teachers' Retirement and Pensions Systems eligible for a vested retirement allowance to convert it to a lump sum payment if the monthly vested allowance is less than \$50.

Missouri. HB 346 provides for a partial lump sum option for members of the Public School Retirement System (PSRS) and the Non-Teacher Employee Retirement System (NTRS) who have either 33 years of creditable service or whose age and service total 86 or more. Members may choose a lump-sum of either 1, 2 or 3 times the annual retirement allowance. Lifetime benefit is actuarially reduced accordingly, providing cost neutrality.

HCS for HB 347 and 348 provides a partial lump sum option for members of the Local Government Employees Retirement System eligible for normal retirement at age 60 in the amount equal to 24 months of the member's monthly annuity. Election of this option reduces the lifetime monthly annuity by 16%. Chapter 108, P.L. 2003, provides for an increase to the special retirement benefit for members of the Police and Firemen's Retirement System (PFRS) beginning with the fiscal year following the adopted valuation report for the retirement system which indicates a funded level in excess of 104%. PFRS members who have 25 or more years of service are currently eligible for a pension of 65% of final compensation, plus 1% of final compensation multiplied by the number of years of creditable service over 25 but not over 30 (70% maximum). This

law will increase that benefit to a pension of 70% of final compensation, plus 1% of final compensation for each year of creditable service over 25 but not over 30 (75% maximum) once the funded level exceeds 104%.

New Jersey. The law also provides for the establishment in PFRS of a benefit enhancement fund to which will be credited an amount of excess valuation assets for the valuation period beginning with the valuation report which indicates a funded level of 104%. The amount of excess valuation assets credited to the benefit enhancement fund will not exceed the present value of the expected additional normal and accrued liability contributions attributable to the increase in the PFRS special retirement benefits payable on behalf of the active PFRS members. No additional excess valuation assets will be credited to the benefit enhancement fund after the maximum amount is attained. The normal and accrued liability contributions for this increase in PFRS benefits for active employees will be paid from the benefit enhancement fund. If fund assets are insufficient to pay those contributions for a valuation period, the retirement system will pay the amount not covered by assets from the benefit enhancement fund.

New York. Chapter 167, Laws of 2003, allows retiring members to elect a lump-sum benefit payment in lieu of a maximum service retirement pension that would total \$2,400 per year or less. Previously, only members who would have a maximum pension of \$1,000 per year or less had this option. Enables certain current service retirees, as well as certain beneficiaries currently receiving a lifetime benefit (other than a Tier 3 or 4 accidental death benefit), to "cash out" their benefit entitlements if their annual benefit is no more than \$2,400 per year.

North Dakota. SB 2057 creates a partial lump sum distribution option (PLSO) for members of the Teachers' Fund for Retirement eligible for an unreduced retirement annuity to provide a lump sum cash payment in exchange for a permanent monthly benefit reduction.

- Member makes a one-time election at retirement to receive a lump sum payment equal to 12 times the amount of the Single Life Annuity payable at the same time the monthly retirement annuity begins.
- The monthly retirement option selected is actuarially reduced to reflect the partial lump sum payment.
- This option is not available to members who select the level income option, members receiving disability benefits, or to beneficiaries of deceased members.

Oklahoma. SB Bill 643 allows for most members of the Oklahoma Public Employees Retirement System (OPERS) to make an election to increase or "step-up" the computation factor for all future service from 2% to 2 1/2%, effective January 1, 2004. The step-up election is irrevocable and is binding for all future employment under OPERS, even if there has been a break in service. This step-up election is available for all state, county and local government employees, except for elected officials and specified public safety categories of employees. After January 1, 2004, the election can be made at any time and will be effective the first day of the month following the election. Those making the election will also pay a higher or stepped-up contribution rate, currently an additional 2.91%.

HB 1440 provides a partial lump sum option for Teachers Retirement System members, permitting a payment equal to 12, 24 or 36 months' benefit with a commensurately reduced lifetime benefit. Only members with 30 or more years of credited service are eligible for the option.

Oregon. HB 2001, 2003 and 3020 provide that Tier One regular member accounts may not be credited earnings in coming years until the deficit reserve account has been eliminated. Accounts may not be credited with a level of earnings that would create a new deficit reserve. Tier One regular accounts may be credited in excess of the assumed rate only after the deficit reserve account has been eliminated and the Tier One assumed rate reserve account is fully funded in each of three previous calendar years.

The limit on earnings crediting does not apply to any Tier One member who retires before April 1, 2004 or to judges (who are judge members on June 30, 2003). Only earnings on Tier One regular accounts may be used to eliminate the deficit account. The measures also eliminated the five-year limitation on a deficit reserve account.

Each Tier One member will have a minimum account balance guarantee if they retire on or after April 1, 2004. At the time of retirement, the regular account may be no less than what it would have been if it had been credited with the assumed interest rate (currently 8%) in every year the account existed. PERS must make an adjustment to the member's regular account if the account balance does not meet this test.

HB2003, 2020 and 3020 provided that Tier One and Tier Two members may not contribute or transfer funds to the Variable Annuity Account after January 1, 2004. Those accounts will continue to gain or lose interest earnings on existing balances. Also starting January 1, 2004, the six percent employee contribution for Tier One and Tier Two members may not be made to a member's PERS account. Active members must instead make payments equaling six percent of their salary to the individual account program (IAP) portion of the Oregon Public Service Retirement Plan (set up for new hires per HB 2020). Each member will have a separate account that will be credited with earnings and losses over the lifetime of the account. [Tier One, closed in 1996, provides member accounts to which member and employer contributions were credited. They were credited with interest earnings, in recent years guaranteed at 8 percent annually. When a member retired, the member's benefit calculation was based on accumulated contributions in member and employer accounts plus earnings and alternatively as a benefit based salary and years of service. The member received a benefit based on the higher result. In the recent past, the 8 percent earnings guarantee so far exceeded actual investment earnings as to create a very large accrued actuarial deficit that exhausted the deficit reserve (accumulated from investment earnings in excess of guarantees) and created a negative reserve. This legislation is part of an effort to bring the plan back into balance. It is currently challenged in the courts -- 10/03.]

[Back to top](#)

2002

Alaska. H.B. 254 (2002 *Alaska Session Laws*, Chap. 59) changes the number of years for calculation of average monthly compensation for peace officers and fire fighters from five years to three years; allows a disabled peace officer or fire fighter to elect the higher of their disability benefit or their normal retirement benefit upon reaching normal retirement age. Currently, they are automatically converted to a normal retirement benefit, which often has the effect of reducing their pension benefit; and increases the death benefit for survivors of peace officers or fire fighters who die on the job from 40 percent of final salary to the higher of 50 percent of final salary or 75% of the normal retirement benefit the officer would have earned had the officer survived to normal retirement.

Hawaii. 2002 *Hawaii Sess. Laws*, Act # 128, changed the formula for calculating final average salary to the highest three calendar years, the highest three school contract years, or the last 36 credited months.

Illinois. H.B. 250 (*Public Act 92-0014*) increased the retirement benefits formula for alternative plan members (i.e., police and other public safety state employees) to a flat rate of 2.5% for each year of service for coordinated employees, and 3.0% for noncoordinated employees. The maximum allowable pension increases from 75 to 80% of final average compensation. The new formula also applies to alternative formula members who retired on January 1, 2001 to the present. Members who retire within four months after the date the Governor signs this bill will also receive their first 3% yearly pension increase on January 1, 2002 if they are 55 or older.

Iowa. H.F. 2532 provides that the salary used to calculate a judge's retirement is the highest salary, or highest three years of salary, and not the salary the judge received just prior to retirement or the last three years of the judge's salary. It also provides that a judge who was a member of the Iowa Public Employees Retirement System can make contributions to the judicial retirement system and receive service credit under the system for the judge's service under IPERS. The cost of the purchase of service is the actuarial cost of the service purchase.

Kansas. S.B. 509 provides that any officer or employee of the state whose compensation is reduced by law or furlough, or voluntarily, and who retires between the effective date of the bill and June 30, 2007, will receive compensation credit under the Kansas Public Employee Retirement System as though there had been no reduction in pay.

Kentucky. H.B. 309 created the Partial Lump Sum Option (PLSO) retirement benefit for members of the Kentucky Retirement Systems. A retiree may choose a lump-sum payment of 12, 24 or 36 times the monthly benefit, with or without a survivor's option. Subsequent monthly benefit payments are reduced to reflect the impact of the lump-sum payment on the lifetime benefit of the retiree.

Nebraska. L.B. 407 made numerous changes to the five major state plans. Changes are detailed in a summary published by the Nebraska Public Employees Retirement Systems. The changes included the addition of a cash-balance plan as an optional retirement plan for state and county employees: see Nebraska under the heading "Deferred Compensation Plans/Optional Retirement Plans."

School Plan membership was made mandatory for permanent employees who work 15 hours or more per week; service credit will be earned on a monthly basis with 1,000 hours of service equivalent to one year of credited service. Salaried employees receive pro-rated service credit according to their FTE percentage. The definition of final average compensation was changed to the three highest 12-month periods rather than fiscal years.

Ohio. S.B. 247 created a partial lump sum option for members of the Ohio Public Employees, Teachers, and School Employees retirement systems. Details vary among the three plans but in general allow a retiring member of a defined benefit plan to request a lump sum withdrawal at the time of retirement, with subsequent annuity payments reduced to make the total benefit over time the actuarial equivalent of the amount an annuity without a lump sum benefit would have produced. The lump sum benefit must be equal to at least six times and not more than 36 times what the retiree's unreduced monthly annuity would have been. The lump sum must be calculated so that it does not reduce the monthly benefit by more than 50 percent. The act also allows the surviving spouse or dependent beneficiary of a member who dies before electing a plan of retirement benefits, to choose a lump-sum option for the survivor benefits.

Oklahoma. S.B. 1223 modified the eligibility requirements for normal retirement for members of the Uniform Retirement System for Justices & Judges (URSJJ). Justices or judges who serve for 8 years or more are eligible at age 65 rather than 70 for full benefits, and those with 10 years or more are eligible at age 60 rather than 65. Senate Bill 1223 also changes the maximum percentage of average monthly salary a justice or judge may receive in a retirement benefit from 70% to 72 1/2% for members retiring on or after July 1, 2002.

South Dakota. H.B. 1033 increased the multiplier in benefit formulas for members of the South Dakota Retirement System (for Class A credited service) for service after July 1, 2002, by 0.25 percent.

[Back to top](#)

2001

Arkansas. The multiplier for service accrued by active members of the non-contributory Public Employees Retirement System through July 1, 2001 was increased from the existing 1.72 percent to 1.75 percent. For service after that date the multiplier will be 1.72 percent. *Act 355.*

Arizona. Allows a member of Arizona State Retirement System to receive at the time of retirement a lump sum payment equal to not more than 36 months of the member's retirement benefit, beginning July 1, 2002; specifies that the member's benefit will be actuarially reduced based on the lump sum payment; any benefit increase granted to a lump sum member will be based on the actuarially reduced retirement benefit, if the benefit increase is a percentage increase of the member's retirement benefit; COLA increases shall be calculated without regard to the lump sum payment. *SB 1295.*

Arizona. Legislation established a graduated retirement multiplier:

- Less than 20 years of credited service: 2.1 percent.
- At least 20 but less than 25 years: 2.15 percent.
- At least 25 but less than 30 years: 2.2 percent.
- At least 30 years: 2.3 percent.

SB 1295.

California. New legislation Provides three additional retirement formulas that local contracting agencies of the California Public Employees' Retirement System (CalPERS) may provide their local miscellaneous members. They include a 3% at age 60 formula, a 2.5% at age 55 formula, and a 2.7% at age 55 formula. The same optional formula would be provided to county retirement systems under the County Employees Retirement Act of 1937 ('37 Act). The new formulas must be negotiated with bargaining units. *AB 616 (Chapter 782, Statutes of 2001).*

Connecticut. The Legislature improved the benefit package for member of the Municipal Employees' Retirement Fund B (MERF) with legislation that:

1. reduces the vesting period from 10 to five continuous years;
2. increases the monthly MERF benefit beginning January 1, 2002, for employees eligible to receive Social Security;
3. allows employees who take voluntary retirement to begin receiving a cost of living adjustment (COLA) on the first July 1 after their retirement instead of after turning age 65;
4. changes the COLA percentage and formula for those retiring on or after January 1, 2002 and gives a temporary COLA to those who retire before January 1, 2002 and are not 65 years of age;
5. allows municipalities to pay employee contributions on a pre-tax basis beginning January 1, 2002; and
6. allows towns to participate, by contract, in the state's deferred compensation program under terms and conditions the comptroller sets. *Public Act 01-80*

Delaware. The multiplier was increased from 1.8 of final average salary to 2.0% for years of credited service prior to January 1, 1997 and to 1.85% for years of credited service after December 31, 1996. This follows an increase from 1.66 percent to 1.8 percent enacted in 2000. *S.B. 256* According to the Delaware Office of Pensions, "The legislation was developed to reduce the overfunded position in the State Employees' Pension Plan by granting benefit improvements to active and retired members. This was done in a manner that would protect the Plan and maintain a surplus cushion, share excess returns among all members, and focus on enhancements with a one-time or past service impact on benefits."

Illinois. Retirement coverage for employees of the Teachers Retirement System (TRS) has been provided by TRS and the State Employees Retirement System depending on the classification of the employee. New legislation provides TRS coverage for new employees hired after the effective date of the act. *H.B. 2157*

Kentucky. The definition of final compensation was changed for employees of the Kentucky Employee Retirement System and the County Employee Retirement System to the three fiscal years with the highest average monthly salaries (changed from five years) for retirement between August 1, 2001 and January 1, 2009, with a minimum 27 years of service and with age plus years of service totaling at least 75. [This definition previously applied only to employees in hazardous occupations.] *HB 278.*

Missouri. The Legislature provided a multiplier of 2.55 percent of final average salary for members of the Public School Retirement System with 31 or more years of service who retire between July 1, 2001 and June 30, 2008. For members of

the Non-Teacher Employee Retirement System, the multiplier was increased from 1.51 percent to 1.61 percent of final average salary. For members of the St. Louis Public School Retirement System, the multiplier was increased from 1.25 percent to 2 percent, with an accompanying increase in the member contribution rate from 4 percent to 5 percent.

Montana. The multiplier for members of the Public Employees' Retirement System who retire with 25 years or more of service was increased from 1.785 percent to 2 percent. The increase is applicable for all years of service. *SB 306*
The multiplier for members of the Game Wardens' and Peace Officers' Retirement System (GWPORS) increased from 2 percent to 2.5 percent, accompanied by an increase in the employee contribution to 10.56 percent to pay the cost of the enhanced retirement benefit. *HB 74*.

Nebraska. The Legislature increased retirement benefits for members and beneficiaries of the school employees, judges, and State Patrol retirement systems. The maximum annual cost-of-living (COLA) increase for members of all three retirement systems was increased from 2 to 2.5 percent. The COLA will be increased 2.5 percent or the inflation rate, whichever is less.

The formula annuity factor for the school employees retirement system was increased from 1.9 to 2.0 percent for future retirees. *LB 711*

Nevada. The benefit multiplier for the Public Employees Retirement System and the police and firefighters' fund was increased from 2.5 percent to 2.67 percent for service earned after July 1, 2001; service earned before that date remains at 2.5 percent. *SB 349*.

Legislation also provided for 25-and-out for members of the Police and Firemen's Retirement Fund. *SB 349*.

New Jersey. The Legislature increased the formula for calculation of retirement benefits for state and local employee members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS). The benefit increases apply to current and retired members of both systems. For Class B service, which has been the type of membership for TPAF and PERS since the mid 1950s, the benefit increase is from 1/60 of final average salary per year to 1/55 of FAS per year [equivalent to a multiplier increase from 1.667 percent to 1.818 percent]. The legislation also provides for the recalculation of benefits of retirees' beneficiaries. The legislation also reduces from 60 to 55 the minimum age for certain benefits for TPAF and PERS members with 35 or more years of service. [See Contributions; Funding Issues.] *P.L. 2001, chapter 133*.

North Dakota. The multiplier for Public Employees Retirement System and the Teachers Fund for Retirement benefits increased from 1.89 and 1.88 (for teachers) to 2.0; the multiplier for members of the Highway Patrolmen's Retirement System was increased from 3.40 to 3.60 percent of final average salary for the first 25 years of service; provided a post-retirement increase in the benefit multiplier from 3.40 to 3.60 percent of final average salary for highway patrolmen. *SB 2082, SB 2084; HB 1102*.

Pennsylvania. Legislation created new classes of defined benefit retirement options electively available to most current state employees (the judiciary and state police officers are *not* affected by the new legislation), teachers and other school employees and legislators. The new classes are mandatory for most new state employees and new school employees hired after June 30, 2001.

- The multiplier for the State Employees Retirement System (including legislators) and the School Employees Retirement System (which includes teachers) will increase from 2.0 percent to 2.5 percent for the new classes of membership.
- If current members elect to join the new class, the higher benefit formula will apply to their previous service.
- The deadline for transferring to the new classes is December 31, 2001. Current members may also purchase uncredited service for service credit in the new plans.

- Employee contribution rates will increase for those who transfer into the new classes. Vesting has been reduced to five years for all systems.

See "[Contribution rates](#)," above; "[Vesting](#)", below. *Act 2001-9 (HB 26)*.

Current and future members of the Legislature may elect a new class of membership, with some exceptions for legislators elected before March 1, 1974.

- Transfer to the new class is at a legislator's discretion.
- The law provides that any state service credit legislators earned in non-legislative employment will be transferred as credit in the new class.
- The benefit multiplier for legislators in the new class will be 3 percent. The member contribution rate will increase from 5 percent to 7.5 percent in the new class. *Act 2001-9 (HB 26)*.

State Employees Retirement System members who work beyond the age of 70 are guaranteed a new "actuarial increase factor" in the member's eventual annuity for each year the member works past the age of 70, as a kind of counterpart to the actuarial reduction of the benefits of members who begin receiving an annuity before normal retirement age. *Act 2001-9 (HB 26)*.

Texas. Legislation increased the Teachers Retirement System multiplier from 2.2 to 2.3 percent effective September 1, 2001. *SB 273*.

The multiplier for state employees was increased from 2.25 percent to 2.3 percent. *SB 292*.

Utah. Legislative directors may, on request, be exempted from membership in the state defined benefit retirement program. *HB 36 (2001 General Session)*

The retirement formula multiplier for service occurring before July 1, 1967, was increased from 1.1 percent per year to 1.25 percent per year of service credit for current and future retirees, effective July 1, 2001. *SB 171 (2001 General Session)*.

Virginia. Legislation extends the supplement payable to members of the State Police Officers' Retirement System and local law enforcement officers, sheriffs and firefighters (LEOS/FIRE) to the age that they become eligible for unreduced Social Security benefits, instead of age 65 (does not apply to VaLORS). The bill also increases the multiplier used to calculate the monthly retirement benefit, from 1.7 percent to 2.0 percent, for all newly enrolled members of VaLORS. It repeals the current supplement for these new employees. All current VaLORS members are provided an option of electing the higher multiplier, in lieu of the current multiplier and supplement, by October 31, 2001. *SB 2081*.

Wyoming. Legislation increased the multiplier for active members of the Wyoming Retirement System from 2 percent to 2.125 percent for up to 15 years of service and to 2.25 percent for years after 15. *HB 0074*

Other legislation provided COLAs and benefit formula increases for various specific categories of public employees, including volunteer firefighters, regular firefighters and law enforcement personnel. *HB 0014, HB 0071, HB 0075, HB 0076*.

[Back to top](#)

2000

Arizona. HB 2238 changed eligibility for COLAs to allow any retiree or beneficiary who has been receiving benefits by July 31 of the previous calendar year to receive a benefit increase regardless of age. Previous law required beneficiaries to be 55 to be eligible for a COLA.

Georgia. The General Assembly appropriated funding to allow monthly benefits for retired public school employees to increase from \$10.50 to \$12 per year of service, under existing law.

Idaho. H.B. 760 provides changes to the judicial retirement system. These changes include new retirement eligibility and compensation criteria based on age and years of service, an increase in the maximum retirement compensation that may be earned by a judge, new provisions for converting the payout of retirement compensation into optional annuity allowances, an option to increase retirement compensation in exchange for a commitment to provide 35 days of pro tem service annually for a period of five years without compensation, and a provision which provides a full surviving spouse benefit without a reduction in the retirement compensation earned by the judge. This bill also provides a retiring judge with a credit equal to .0065 of unused accumulated sick leave earned after July 1, 2000, towards the cost of state insurance benefits.

Kansas. H.B. 2624 provided that legislators and elected local officials may retire from a second Kansas Public Employees Retirement System (KPERS) employer and continue service in office (in which the person is also covered by KPERS) without having to resign from office in order to retire. Benefits will be recalculated when a legislator retires from the Legislature. Officials under these provisions will be subjected to an annual \$15,000 earnings limitation, which will be effective for legislators on January 8, 2001.

Maine. L.D. 2510 provided for retirement with unreduced benefits after 25 years of service for members of the State Police, replacing a regular 25/55 rule that allowed for retirement before age 55 with reduced benefits.

Maryland. H.B. 605 changed contribution and benefit provisions for members of the Law Enforcement Officers' Pension System (LEOPS) to increase benefits. Employee contributions changed from no contribution on the Social Security base and 5% above that to a flat 4% contribution rate; employer contributions will rise from approximately 23% to approximately 32%. annuity benefits will increase from 1% of final average compensation to the Social Security integration rate plus 1.7% above that rate for each year of service to 2% for each year of service. For 25 years of service, this will mean a benefit that increases from 30% of final average compensation to 50%. H.B. 605 extended membership in LEOPS to a number of additional law enforcement personnel.

Massachusetts. Chapter 114 of the Acts of 2000 (H.B. 5116), "An Act Improving Teacher Retirement, Retention and Retirement," created an alternative enhanced retirement benefit for current teachers with 30 or more years of service. The new provisions will be mandatory for all teachers hired after July 1, 2001. Benefits for participants will be based on current law plus an additional 2% for each full year of creditable service in excess of 24 years of service, which can produce eventual benefits increases between 12% and 32% above the amounts the existing program will provide. Participants, including all new members after July 1, 2001, will contribute 11% of salary. Eligibility requirements include making the 11% payment for at least five years (with a provision for payment even if the member does not teach for the full five years) and a requirement of at least 30 years of service, including at least 20 years of teaching service. No retirement under the program can commence before July 1, 2001.

Also, this law allows for the buyback of service for certain maternity leave (prior to 1975) and allows retirees to return to work two years after retirement without limitation.

Mississippi. H.B. 1281 increased retirement benefits for state legislators.

New York. Assembly Bill 11418/Senate Bill 8142 provides one month of additional service credit for each year of credited service up to a total of two years of additional service credit for Tier 1 and Tier 2 members of the Teachers' Retirement System as of June 1, 2000; allows benefits to exceed the maximum of 75% of final salary now in law; eligibility includes active service from April 1 2000 through the end of the 1999-2000 school year. The additional service credit also applies to members of the State and Local Employees Retirement Systems with the condition of active service from April 1 through October 1, 2000.

South Carolina. Act 567 reduced the years of service required for retirement without reduction in benefits for members of the South Carolina Retirement System from 30 to 28.

[Back to top](#)