



Significant Reforms in State Retirement Systems

Since the Great Recession, nearly every state has taken steps to modify their public pension plans. The issue briefs described below document recent changes in cost-of-living adjustments, employee contributions and plan design, and a compendium provides detailed descriptions of these and other recently approved legislative enactments to state retirement plans.

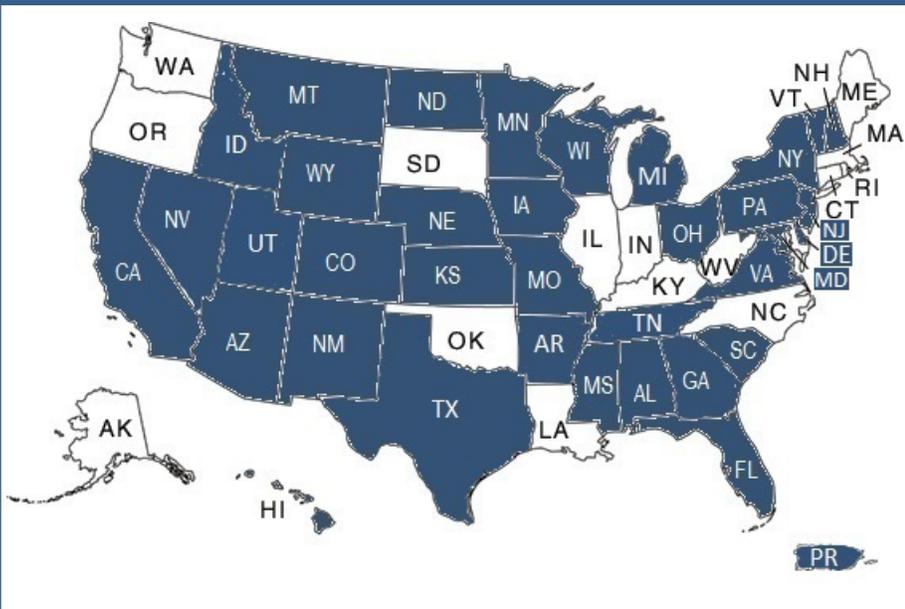
States that have modified COLAs 2009-2012



Public pension cost-of-living adjustments (COLAs) have received increased attention as many states look to reduce the cost of benefits amid challenging fiscal conditions and the current low-inflation environment. Since 2009, a majority of states has modified COLAs affecting retired members, current employees, and/or future employees.

www.NASRA.org/COLAbrief

States that have increased employee contributions since 2009



Nearly all employees of state and local government are required to share in the cost of their retirement benefits. Thirty-five states (and Puerto Rico) recently have increased employee contribution rates. While some changes affect new hires only, many states have required current employees to contribute more.

www.NASRA.org/Contributionsbrief



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States that administer CB or DB+DC plans as mandatory or optional primary retirement benefit for general or K-12 educational employees



Most public pension plans are hybrid in nature, in that some degree of risk is borne either formally or de facto by both employers and their employees.

www.NASRA.org/sharedriskbrief

Although cash balance and combination DB/DC plans—two specific types of hybrid plans—have been in existence in the public sector for decades, these plan designs also recently have been adopted in a number of states.

www.NASRA.org/Hybridbrief

In recent years, nearly every state has made meaningful changes to their pension benefit structures, financing arrangements or both. Detailed descriptions of recent legislative pension enactments by subject, and those made specifically to restore or preserve state plan sustainability, can be found at:

www.NASRA.org/reform.

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



System	Contributions	Benefits	Eligibility	Notes
Retirement Systems of Alabama	Decreased contribution rates for new employees as follows: <ul style="list-style-type: none"> general state employees and teachers, from 7.5% to 6%; law enforcement (excluding state police) and fire, from 8.5% to 7% 	For new hires: <ul style="list-style-type: none"> Final average salary period of highest five years of the last 10, up from highest three years of the last 10 Service multiplier for general employees, teachers, law enforcement officers (other than state police) and firefighters reduced from 2.0125% to 1.65%, with benefits capped at 80% of final average salary Service multiplier for state police members reduced from 2.875% to 2.375% 	Normal retirement eligibility for new (Tier II) hires: <ul style="list-style-type: none"> General employees eligible to retire at age 62 with 10 years of service, up from 60/10 or any/25 State police eligible to retire at age 56 with 10 years of service, up from 52/10 Other law enforcement and firefighters eligible to retire at age 56 with 10 years of service, from any/25 or 60/10 	Changes approved in 2012
	Raised contribution rates for current and future employees, as follows: <ul style="list-style-type: none"> general state employees and teachers, from 5% to 7.5%; firefighters, law enforcement officers and correctional officers, from 6% to 8.25% and 8.5% Employer rates will be reduced commensurate with the increase in employee rates.			
Arizona Public Safety Personnel Retirement System	Increased employee contributions for participants in the Public Safety Personnel Retirement System (firefighters and police officers), rising gradually from current level of 7.65% to 11.65%. Also, requires employers to contribute for retirees who return to work.			Changes approved in 2011
Arizona State Retirement System	Employee and employer contributions are matched and adjusted annually based on actuarial results; they rose on 7/1/10 from 9.0% to 9.6%; this includes the retiree health insurance benefit.	For new hires: <ul style="list-style-type: none"> Change FAS from high 3 years to high 5 Eliminate access to ER contributions for terminating participants Also, <ul style="list-style-type: none"> Made service purchases cost-neutral 	For new hires: <ul style="list-style-type: none"> Change from Rule of 80 to Rule of 85 	Changes approved in 2010

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For More Information

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