



WISCONSIN LEGISLATIVE COUNCIL

2008 COMPARATIVE STUDY OF MAJOR PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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PART II

NORMAL AND EARLY RETIREMENT PROVISIONS

A. INTRODUCTION

Chart 2, on pages 14 and 15, shows the normal and early retirement provisions for each of the plans covered in the report. All but four of the plans covered in this report are “defined benefit plans” in which retirement benefits are calculated by a formula that takes into account years of service and final average salary. Two of the exceptions are “money purchase” plans in which retirement benefits are calculated by the amount of money in the person's account and the age of the person at the time he or she retires. Benefits are calculated as the total value of the employer and employee contributions plus investment earnings at the time of retirement. The other two exceptions are “defined contribution plans” that have been converted from defined benefit plans (both in Alaska). Benefits are calculated for defined contribution plans as the total value of the employer and employee contributions plus investment earnings at the time of retirement.

Note that some of the defined benefit plans also contain elements of money purchase plans, generally an option under which an employee may elect to have some of his or her contribution to the retirement plan placed in a money purchase account. These “money purchase options” are not reflected in Chart 2, which describes the features of each plan that are standard and that apply to employees generally.

B. NORMAL RETIREMENT

“Normal retirement” refers to the age, number of years of service, or both, that a person must attain in order to qualify for full retirement benefits without an actuarial reduction in his or her annuity for early retirement. Most plans in this report have adopted multiple combinations of age and service under which a person may qualify for normal retirement. These are shown in the column entitled “Normal Retirement” in Chart 2.

Some retirement plans integrate normal retirement with the age under which a person is entitled to receive retirement benefits under the Social Security system. Age 65 is the age at which a person is entitled to receive full Social Security benefits, but this age is scheduled to increase to 66 and then to 67 over time.

Age 62 is the earliest age at which a person can receive Social Security retirement benefits, although the amount of the benefits are reduced to reflect the longer payout period. Chart 2 shows that 84 of the 87 plans allow normal retirement at age 62 or earlier, for persons with many years of service. In addition, Chart 2 shows that 57 of the 87 plans permit normal retirement at age 62 or earlier, with 10 or less years of service. Only two of the plans in this report restrict normal retirement to persons who are at least 65.

Some plans that permit persons to retire earlier than age 62 also allow them to elect to increase their annuity prior to age 62 to reflect the amount of Social Security benefits it is estimated that they will receive at that time. The amount of the annuity paid after age 62 is then adjusted to compensate for the earlier payments.

Many of the plans in this report have adopted “**X years and out**” provisions, which allow employees to retire at any age (or at a minimum age) with normal retirement benefits after “X” years of service. The most common provision is 30 years of service combined with a minimum age of 55. The following table shows the number of plans that, in 2008, had in effect X years and out provisions and compares these with the number of plans that had in effect X years and out provisions in the 2000 Report:

	<u>2006</u>	<u>2008</u>
35 years of service/age 55 or older	7 plans	8 plans
30 years of service/age 55 or older	28 plans	29 plans
28 years of service/age 55 or older	4 plans	4 plans
27 years of service/age 55 or older	2 plans	3 plans
25 years of service/age 55 or older	11 plans	11 plans
20 years of service/age 55 or older	4 plans	8 plans
TOTAL	56 plans	63 plans

See Figure 3, *2008 Normal Retirement “X Years and Out” Provisions*, for a graphical representation of the 2008 “X years and out” provisions.

In addition to the “X years and out” provisions, some plans have adopted “**Rule of Y**” provisions under which a person can retire with normal retirement benefits when that person's number of years of service, plus his or her age, equals a specified number. The following table shows the number of plans that, in 2008, had Rule of Y provisions and compares these with the number of plans that had Rule of Y provisions in 2006:

	<u>2006</u>	<u>2008</u>
Rule of 90	3 plans	4 plans
Rule of 88	1 plan	1 plan
Rule of 85	5 plans	9 plans
Rule of 80	5 plans	7 plans
Rule of 75	1 plan	2 plans
TOTAL	15 plans	23 plans

See Figure 4, *Normal Retirement “Rule of Y” Provisions (Of 23 Plans Incorporating “Rule of Y” Provisions)*, for a graphical representation.

C. EARLY RETIREMENT

Seventy-five of the 87 plans covered in the 2008 Report permit “early retirement” before the normal age and service requirements of the plans have been met. The annuity of a person who elects early retirement is reduced from the amount that would have been received if the person had reached the normal retirement requirements. The early retirement provisions of each of the plans are shown in the column entitled “Early Retirement” in Chart 2. The most common minimum age for early retirement is age 55, with some minimum years of service. The second most common minimum age for early retirement is age 50.

Fifty-four of the 87 plans in the 2008 Report allow early retirement at a minimum age of 55 or more. Thirteen of the 87 plans in the report allow early retirement at a minimum age of less than

55. Ten of the 87 plans in the report do not allow early retirement. The remainder of the plans are either money purchase plans or allow early retirement after a certain number of years of service, without specifying any minimum age (see Figure 5, *2008 Early Retirement Provisions*).

The annuity of a person who elects to retire before reaching the minimum age and years of service required for normal retirement is subject to a reduction that is commonly referred to as an “**actuarial discount**.” The amount of the reduction for each of the plans is shown in the column entitled “Reduction for Early Retirement” in Chart 2. In many cases, the column in Chart 2 is not able to show all of the complexity of how the amount of the reduction is actually computed, because this amount is frequently different for employees at different ages or with different numbers of years of service or for various classifications of employees. However, the column does show the most common percentage reduction for each of the plans in the report.

D. TRENDS

The 2008 Report indicates the return to a trend noted in previous reports that permits retirement at earlier ages. Between the 2000 and 2004 Reports, the plans reduced their normal retirement provisions by reducing the minimum age or the number of years of service required, or both. Between the 2004 and 2006 Reports, only two plans did so. Between the 2006 and 2008 Reports, an additional seven plans reduced their normal retirement provisions.

In addition, between the 2000 and 2004 Reports, 10 plans reduced their early retirement provisions by reducing the minimum age or the number of years of service required, or both. Between the 2004 and 2006 Reports, only two plans did so. Between the 2006 and 2008 Reports, an additional eight plans reduced their early retirement provisions.

E. THE WRS

The normal retirement requirement for general employees in the WRS is 65 years of age. However, general employees who are at least 57 years of age and who have at least 30 years of service can retire without an actuarial discount. General employees in the WRS may retire at 55 years of age with an actuarial discount. The amount of actuarial discount for early retirement for general employees in the WRS varies according to the employee's number of years of service.

CHART II
NORMAL AND EARLY RETIREMENT REQUIREMENTS

	<u>State</u>	<u>Fund Name</u>	<u>Coverage*</u>	<u>Normal Retirement (Age/Years)</u>	<u>Early Retirement (Age/Years)</u>	<u>Reduction for Early Retirement</u>
1	Alabama	ERS	S, L	60/10; any/25	None	
2	Alabama	TRS	T	60/10; any/25	None	
3	Alaska	PERS	S, L	59-1/2*	None	
4	Alaska	TRS	T	59-1/2*	None	
5	Arizona	SRS	S, L, T	65; 62/10; R80	50/5	Table
6	Arkansas	PERS	S, L	65/5; any/28	55/5; any/25	6% a yr
7	Arkansas	TRS	T	60/5; any/28	Any/25	Lesser of 5% for each yr less than 28 yrs of service or 5% for each yr prior to age 60
8	California	PERS	S, L	55/5	50/5	Multiplier varies
9	California	TRS	T	60/5	55/5; 50/30	3% to 6% a yr
10	Colorado	PERA	S, L, T	65/5; 50/30; 55/R85; any/35	50/25; 55/20; 60/5	Table
11	Connecticut	SERS	S	62/10; 60/25	55/10	3% a yr
12	Connecticut	TRS	T	60/20; any/35	Any/25; 55/20; 60/10	3% a yr
13	Delaware	SEPP	S, T	62/5; 60/15; any/30	55/15; any/25	2.4% a yr
14	Florida	FRS	S, L, T	62/6; any/30	Any/6	5% a yr
15	Georgia	ERS	S	65/10; any/30	60/10; any/25	7% a yr; max 35%
16	Georgia	TRS	T	60/10; any/30	Any/25	7% a yr
17	Hawaii	ERS	S, L, T	62/5; 55/30	55/20	5% a yr
18	Idaho	PERS	S, L, T	65/5; R90	55/5	3% a yr for 1st 5 yrs; 5.75% a yr thereafter
19	Illinois	SERS	S	60/8; R85	55/25	6% a yr
20	Illinois	TRS	T	62/5; 60/10; 55/35	55/20	6% a yr
21	Illinois	MRF	L	60/8; 55/35	55/8	3% a yr
22	Indiana	PERF	S, L	65/10; 60/15; 55/R85	50/15	Table
23	Indiana	TRF	T	65/10; 60/15; 55/R85	50/15	5% a yr to 60; 1.2% a yr age 60 to 65
24	Iowa	PERS	S, L, T	65; 62/20; R88	55/4	3% a yr
25	Kansas	PERS	S, L, T	65/1; 62/10; R85	55/10	2.4%/7.20% a yr
26	Kentucky	ERS	S	65/4; any/27	55/5; any/25	5%/4% a yr
27	Kentucky	CERS	L	65/4; any/27	55/5; any/25	5%/4% a yr
28	Kentucky	TRS	T	60/5; any/27	55/5	5% a yr
29	Louisiana	SERS	S	60/10	Any/20	Table
30	Louisiana	TRSL	T	60/5; 55/25; any/30	Any/20	Multiplier varies
31	Maine	PERS	S, L, T	62/5	Any/25	6% a yr
32	Maryland	SRPS	S, L, T	60/5; any/30	Any/25	6% a yr; max 42%
33	Massachusetts	SERS	S, L	55/10; any/20	None	
34	Massachusetts	TRS	T	55/10; any/20	None	
35	Michigan	SERS	S	60/10; 55/30	55/15	6% a yr
36	Michigan	MERS	L	Varies by plan	Varies by plan	Varies by plan
37	Michigan	PSERS	T	60/5; any/30	55/15	6% a yr
38	Minnesota	MSRS	S	62; 60/6; any/30; R90	55/3	Table
39	Minnesota	PERA	L	65/1; any/30; R90	55/3	Table
40	Minnesota	TRA	T	65/1; 62/30; any/30; R90	55/3	Table

41	Mississippi	PERA	S, L, T	60/8; any/25	None	
42	Missouri	SERS	S	65/5; 65/4 active; 62/5; 60/15; 48/R80	57/5; 55/10	6% a yr
43	Missouri	LAGERS	L	60/5; R80 option	55/5	6% a yr
44	Missouri	PSRS	T	60/5; R80; any/30	55/5; any/25	Table
45	Montana	PERS	S, L	65/any; 60/5; any/30	50/5; any/25	Table
46	Montana	TRS	T	60/5; any/25	50/5	6%; 3.6% a yr
47	Nebraska	SERS	S	55		Money purchase
48	Nebraska	CERS	L	55		Money purchase
49	Nebraska	SPP	T	65; 55/R85	60/5; any/35	3% a yr
50	Nevada	PERS	S, L, T	65/5; 60/10; any/30	Any/5	4% a yr
51	New Hampshire	NHRS	S, L, T	60/any	50/10; R70/20	1.5%; 3%; 4%; 6.67% a yr
52	New Jersey	PERS	S, L	62/any	Any/25	3% a yr
53	New Jersey	TRS	T	60/any	Any/25	3% a yr
54	New Mexico	PERA	S, L	65/5 to 60/20; any/25	None	
55	New Mexico	ERA	T	65/5; any/25; 60/R75	R75	Table
56	New York	ERS	S, L	62/5; 55/30	55/5	6%/3% a yr
57	New York	TRS	T	62/5; 55/30	55/5	6%/3% a yr
58	North Carolina	TSERS	S, T	65/5; 60/25; any/30	60/5; 50/20	3% a yr
59	North Carolina	LGERS	L	65/5; 60/25; any/30	60/5; 50/20	3% a yr
60	North Dakota	PERS	S, L	65/any; R85	55/3	6% a yr
61	North Dakota	TRF	T	65/5; R90	55/5	6% a yr
62	Ohio	PERS	S, L	60/5; any/30	55/25	3% a yr
63	Ohio	STRS	T	65; any/30	60/5; 55/25	3% a yr
64	Oklahoma	PERS	S, L	62/6; R90	55/10	Table
65	Oklahoma	TRS	T	62/5; R90	55/5; any 30	Table
66	Oregon	PERS	S, L, T	65/any; 60/any; 58/30	55; any 30	Full actuarial reduction
67	Pennsylvania	SERS	S	60/3; any/35	Any/5	3% to 6% per yr average
68	Pennsylvania	PSERS	T	62; 60/30; any/35	55/25	3% a yr
69	Rhode Island	ERS	S, T	60/10; any/28	55/20	Table
70	South Carolina	SCRS	S, L, T	65/any; any/28	60; 55/25	5% a yr for each yr under age 65; 4% a yr for each yr under age 28
71	South Dakota	SRS	S, L, T	65/3; 55/R85	55/3	Table
72	Tennessee	CRS	S, L, T	60/5; any/30	55/10; any/25	4.8% a yr
73	Texas	ERS	S	60/5; R80	None	
74	Texas	TRS	T	65/5; 60/20; R80	55/5; any/30	Table
75	Texas	MRS	L	60/5; 60/10; any/20 or 25 option	None	
76	Utah	SRS	S, L, T	65/4; any/30	Any/25; 60/20; 62/10	3% a yr; full actuarial reduction for each yr before age 60
77	Vermont	SRS	S	62/any; any/30	55/5	6% a yr
78	Vermont	TRS	T	62/any; any/30	55/5	6% a yr
79	Virginia	SRS	S, L, T	65/5; 50/30	50/10; 55/5	6%; 4.8% a yr
80	Washington	PERS	S, L	65/5; 65/10	55/20; 55/10	3% a yr or table
81	Washington	TRS	T	65/5; 65/10	55/20; 55/10	3% a yr or table
82	West Virginia	PERS	S, L	60/5; 55/R80	55/10	Full actuarial reduction
83	West Virginia	TRS	T	60/5; 55/30; any/35	Any/30	Full actuarial reduction
84	Wyoming	WRS	S, L, T	60/4; R85	50/4; any/25	5% a yr
85	Milwaukee	City	L	60/any; 55/30	55/15	Table
86	Milwaukee	County	L	60/any; R75	55/15	5% a yr
87	Wisconsin	WRS	S, L, T	65/any; 57/30	55	Varies by amt of service

Coverage: S = State; L = Local; T = Teachers; x/y = Age/Service.

*Defined contribution plan: taxes and penalties may apply if contributions are withdrawn prior to age 59-1/2

Figure 3. 2008 Normal Retirement "X Years and Out" Provisions

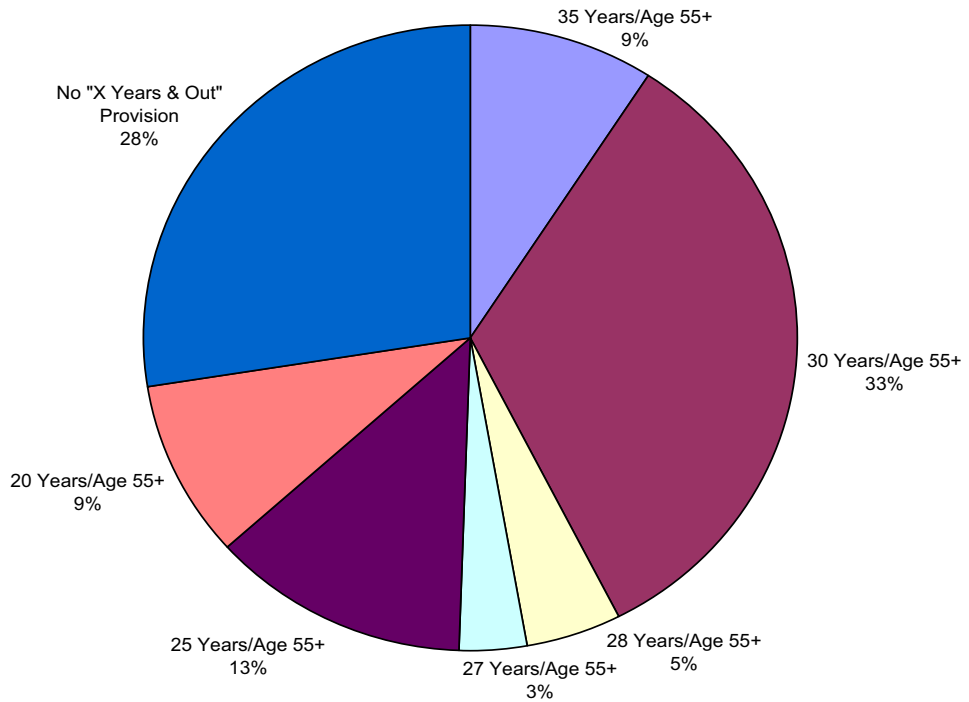


Figure 4. Normal Retirement "Rule of Y" Provisions (Of 23 Plans Incorporating "Rule of Y" Provisions)

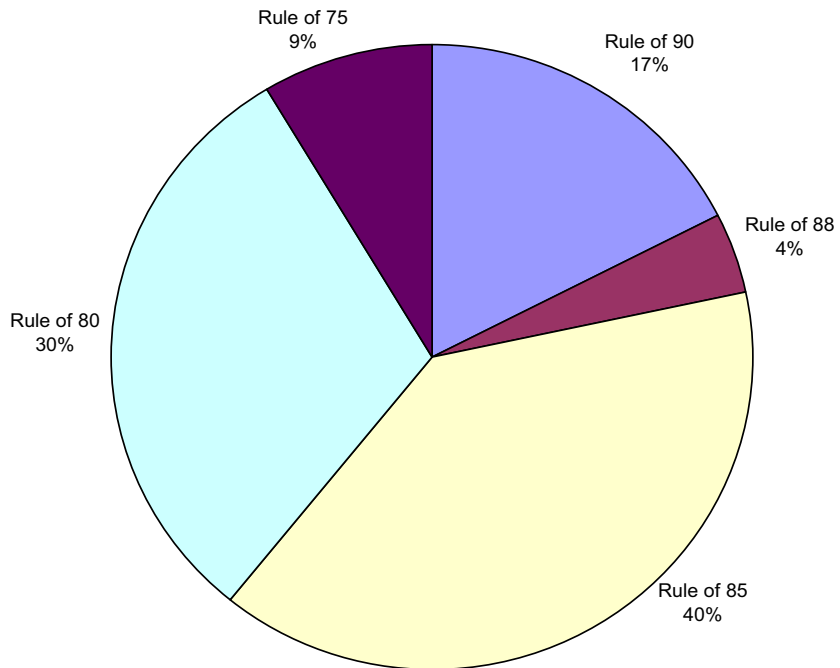
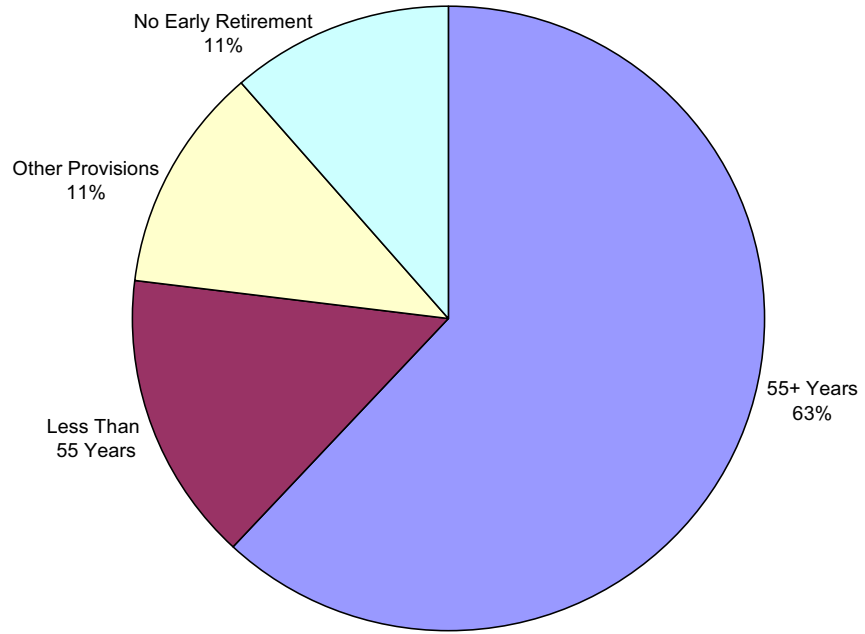


Figure 5. 2008 Early Retirement Provisions



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Normal Retirement Conditions: General Employees Compared to Hazardous Occupations

State	General Employee	EE Contribution	Hazardous Occupation	EE Contribution	Definition of Hazardous Occupation
NC	65/5, 60/25, any/30	6.0%	55/5, any/30	6.0%	Law enforcement
AK	60/5, any/30	6.75%		7.5%	Police, Firefighters
AL	any/25, 60/10	5.0%	any/25, 52/10	6.0% (10.0% Police)	Law enforcement, Firefighters, Correctional officers
AZ	65/any, 62/10, Rule of 80; Rule of 85 for new hires after 6/30/11	9.0%	62/15, any/20	7.65% (different system)	Public safety, Corrections
CA	60/5	5.0%	50/5 or 55/5	8.0%	Police, Firefighters
CT	62/5, 60/25	n/c	any/20	5.0%	Police, Firefighters
DC	62/5, 60/20, 55/30	8.0%	55/5, any/25	8.0%	Police, Firefighters
FL	62/6, any/30	n/c	55/6, any/25	n/c	Law enforcement officers, Firefighters, Correctional officers, Emergency medical technicians, Paramedics
GA	60/10, any/30	1.25%	55/10, any/30	1.25%	Law enforcement officers
ID	65/5	6.23%	60/5	7.65%	Police, Firefighters
KY	65/any, any/27	5.0%	55/any, any/20	8.0%	Police, Firefighters, Corrections officers, Paramedics (as approved by BOT)
LA	any/30, 60/10, 55/25	7.5%		9.0%	Correctional Officers
MA	65/10, any/20	9.0% plus 2.0% of pay above \$30,000	60/10, any/20	12% plus 2% above \$30,000	Police, Firefighters, Emergency medical technicians

ME	60/5, 62/5, 62/10	7.65%	any/25	8.65%	State Police
MI	60/10, 55/30	n/c			
NH	60/any	5.0%	45/20, 60/any	9.3%	Police, Firefighters
NJ	60/10; 62/10 for those hired after 2007	5.5%	55/10	8.5%	Police, Firefighters
NV	65/5, 60/10, any/30; for new hires after 6/30/10: 62/10	10.5%	55/10, 50/20, any/25; for new hires after 6/30/10: 60/10	18.86%	Police, Firefighters
NY City	62/5	3.0%	Any/20	Varies, about 7%	Police (plan described is NYPD). Fire & Corrections also have separate provisions.
NY State & Local	62/5, 55/30	3.0%	62/5, 55/30	0.0%	Police, Firefighters
OH	60/5, 55/25, any/30	10.0%	48/25, 62/15	10.1%	Law enforcement, Public safety
San Diego County	60/10, any/30, 70/any; 62/10, 55/30 for those hired after 8/27/09	9.19% to 9.97%	50/10	11.94%	Law enforcement
San Francisco City & County	50/20, 60/10	7.5%	50/5	7.5%	Police, Firefighters
SC	65/5, any/28	6.5%	55/5, any/25	6.5%	Police
TN	60/5, any/30	n/c (Teachers: 5.0%)	Do not appear to be different		
TX	60/5, Rule of 80; for those hired after 2009, 65/10	6.0%			

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VA	SSNRA or Rule of 90 for new EEs	5.0%	60/5, 50/25	5.0%	Law enforcement, corrections
WA	60/5, 55/25, any/30 (65/5 for Plans 2 and 3)	6.0% for Plans 1 and 2, (Plan 3 is DC only)			
WI	65/any	5.0%	55/any	5.1%	Law enforcement personnel, Corrections officers, Firefighters
WV	60/5, Rule of 80 at age 55 or higher	4.50%			
WY	60/4, Rule of 85	5.68%	50/25	8.6%	Law enforcement

Gathered in Sept 2010 by NC Retirement Systems Staff for use by North Carolina Future of Retirement Study Commission.

Early Retirement Factors under Current TSERS/LGERS Provisions

A reduction factor is applied to the benefit as follows. The reduction factor is the 100% minus the lesser of:

- A. 5% per year of service less than 30
- B. 3% per year of age between age 60 and 65, plus 5% per year of age before age 60

If unreduced retirement was no longer allowed at 30 years of service, then presumably part A of the calculation above would be removed. Part B of the calculation would result in the following reduction factors:

Age	Factor
65	100%
64	97%
63	94%
62	91%
61	88%
60	85%
59	80%
58	75%
57	70%
56	65%
55	60%
54	55%
53	50%
52	45%
51	40%
50	35%