



WISCONSIN LEGISLATIVE COUNCIL

2008 COMPARATIVE STUDY OF MAJOR PUBLIC EMPLOYEE RETIREMENT SYSTEMS

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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

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

CHART III
CONTRIBUTION AND VESTING REQUIREMENTS

<u>State</u>	<u>Fund Name</u>	<u>Social Security</u>	<u>Employee Contribution</u>	<u>Employer Normal Cost or Statutory Contribution</u>	<u>Vesting Period</u>
1 Alabama	ERS	Yes	5.00%	4.90%	10 years
2 Alabama	TRS	Yes	5.00%	6.39%	10 years
3 Alaska	PERS	No	8.00%	5.00%*	5 years
4 Alaska	TRS	No	8.00%	7.00%*	5 years
5 Arizona	SRS	Yes	9.00%	6.45%	Immediate
6 Arkansas	PERS	Yes	5.00%	12.54%	5 years
7 Arkansas	TRS	Yes	6.00%	12.87%	5 years
8 California	PERS	Yes	5.00% or 6.00%	10.55%	5 years
9 California	TRS	No	8.00%	8.25%	5 years
10 Colorado	PERA	No	8.00%	10.22%	5 years
11 Connecticut	SERS	Yes	2.00%	4.70%	5 years
12 Connecticut	TRS	No	6.00%	4.40%	10 years
13 Delaware	SEPP	Yes	3.00% above \$6,000	6.85%	5 years
14 Florida	FRS	Yes	Non-contributory	8.69%	6 years
15 Georgia	ERS	Yes	1.25%	6.80%	10 years
16 Georgia	TRS	Yes	5.00%	7.96%	10 years
17 Hawaii	ERS	Yes	6.00%	5.85%	5 years
18 Idaho	PERS	Yes	6.23%	10.39%	5 years
19 Illinois	SERS	Yes	4.00%	16.56%	8 years
20 Illinois	TRS	No	9.40%	9.15%	5 years
21 Illinois	MRF	Yes	4.50%	7.58%	8 years
22 Indiana	PERF	Yes	3.00%	6.26%	10 years
23 Indiana	TRF	Yes	3.00%	4.97%	10 years
24 Iowa	PERS	Yes	3.90%	6.05%	4 years
25 Kansas	PERS	Yes	4.00%	7.39%	10 years
26 Kentucky	ERS	Yes	5.00%	3.55%	5 years
27 Kentucky	CRS	Yes	5.00%	3.85%	5 years
28 Kentucky	TRS	No	9.86%	9.86%	5 years
29 Louisiana	SERS	No	7.80%	7.31%	10 years
30 Louisiana	TRSL	No	8.00%	15.5% min	5 years
31 Maine	SRS	No	7.65%	17.01%	5 years
32 Maryland	SRS	Yes	2.00%	8.86%	5 years
33 Massachusetts	SERS	No	9.00%	3.80%	10 years
34 Massachusetts	TRS	No	11.00%	1.96%	10 years
35 Michigan	SERS	Yes	Non-contributory	8.30%	10 years
36 Michigan	MERS	Yes	Varies by plan	Varies by plan	6, 8, or 10 yrs
37 Michigan	PSERS	Yes	3.00% to 4.30%	5.60%	10 years
38 Minnesota	MSRS	Yes	4.50%	4.50%	3 years
39 Minnesota	PERA	Yes	6.00%	6.50%	3 years
40 Minnesota	TRA	Yes	5.50%	5.50%	3 years
41 Mississippi	PERS	Yes	7.25%	11.85%	8 years
42 Missouri	SERS	Yes	Non-contributory	12.75%	5 years
43 Missouri	LAGERS	Yes	0%-4.00%	Varies by plan	5 years
44 Missouri	PSRS	No	10.86%	10.86%	5 years
45 Montana	PERS	Yes	6.90%	6.94%	5 years

46	Montana	TRS	Yes	7.15%	7.47%	5 years
47	Nebraska	SERS	Yes	4.80%	156% of mbr contr	3 years
48	Nebraska	CERS	Yes	4.50%	150% of mbr contr	3 years
49	Nebraska	SPP	Yes	7.28%	101% of mbr contr	5 years
50	Nevada	PERS	No	11.25%	11.25%	5 years
51	New Hampshire	NHRS	Yes	5.00%	4.67%	10 years
52	New Jersey	PERS	Yes	5.50%	4.80% state; 3.44% local	10 years
53	New Jersey	TPAF	Yes	5.50%	1.8 billion (total varies)	10 years
54	New Mexico	PERA	Yes	7.42%	16.59%	5 years
55	New Mexico	ERB	Yes	7.90%	5.66%	5 years
56	New York	ERS	Yes	3.00%	9.60%**	5 years
57	New York	TRS	Yes	3.00%	7.63%	5 years
58	North Carolina	TSERS	Yes	6.00%	3.36%	5 years
59	North Carolina	LGERS	Yes	6.00%	4.80%	5 years
60	North Dakota	PERS	Yes	4.00%	4.12%	3 years
61	North Dakota	TRF	Yes	7.75%	8.25%	5 years
62	Ohio	PERS	No	10.00%	14.00%	5 years
63	Ohio	STRS	No	10.00%	14.00%	5 years
64	Oklahoma	PERS	Yes	3.00% to 3.50%	12.46%	8 years
65	Oklahoma	TRS	Yes	7.00%	9.00%	5 years
66	Oregon	PERS	Yes	6.00%	7.50%	5 years
67	Pennsylvania	SERS	Yes	6.25%	9.51%	5 years
68	Pennsylvania	PSERS	Yes	7.32% (average)	4.00%	5 years
69	Rhode Island	ERS	Yes	8.75% (9.50% teachers)	1.64% (2.33% teachers)	10 years
70	South Carolina	SCRS	Yes	6.50%	9.24%	5 years
71	South Dakota	SRS	Yes	6.00%	6.00%	3 years
72	Tennessee	CRS	Yes	Non-contributory	13.58%	5 years
73	Texas	ERS	Yes	6.00%	6.45%	5 years
74	Texas	TRS	No	6.40%	6.58%	5 years
75	Texas	MRS	Yes	5.00%, 6.00%, or 7.00%	5.00% to 14.00%	5 years
76	Utah	SRS	Yes	Non-contributory	11.62% to 14.22%	4 years
77	Vermont	SRS	Yes	5.10%	5.93%	5 years
78	Vermont	TRS	Yes	3.40%	3.54%	5 years
79	Virginia	SRS	Yes	5.00%	6.15%	5 years
80	Washington	PERS	Yes	4.61%; non-contributory	4.72%	5 yrs; 10 yrs
81	Washington	TRS	Yes	4.93%; non-contributory	5.70%	5 yrs; 10 yrs
82	West Virginia	PERS	Yes	4.50%	10.50%	5 years
83	West Virginia	TRS	Yes	6.00%	7.50%	5 years
84	Wyoming	WRS	Yes	5.57%	5.68%	4 years
85	Milwaukee	City	Yes	5.50%	11.22% (due in 2010)	4 years
86	Milwaukee	County	Yes	Non-contributory	\$34,981,095	5 years
87	Wisconsin	WRS	Yes	5.00%	4.80%	Immediate

*Alaska PERS and TRS converted to a defined contribution plan on July 1, 2006

**Average rate for 2008

C. "COORDINATED" PLANS IN WHICH EMPLOYEES ARE COVERED BY SOCIAL SECURITY

Seventy of the 87 plans in this report are "coordinated" with the Social Security system, meaning that employees earn Social Security benefits for their employment. There are a wide range of formula multipliers in effect for these 70 plans, which sometimes vary by number of years of service, by date of employment, or by age at retirement. For 2008, the average formula multiplier for the coordinated plans that are not money purchase plans, defined contribution plans, or plans in which the employer determines the formula multiplier is approximately 1.94%. This number may be somewhat misleadingly low because a number of plans increase their multiplier rates following a certain number of years of service; generally 15, 25, or 30 years. Since the 2006 Report, four of the plans coordinated with Social Security have increased their formula multiplier.

The formula benefits for 2008, as shown in Chart 4, are summarized and compared with the data found in the 2006 Report in the following table:

<u>Formula Multiplier</u>	<u>2006</u>	<u>2008</u>
1.1% to 1.3%	0 plans	0 plans
Over 1.3% to 1.5%	2 plans	2 plans
Over 1.5% to 1.7%	12 plans	15 plans
Over 1.7% to 1.9%	14 plans	13 plans
Over 1.9% to 2.1%	24 plans	25 plans
Over 2.1%	8 plans	6 plans
Employer determines formula multiplier	2 plans	2 plans
Formula benefit plus money purchase	4 plans	3 plans
Money purchase plan	2 plans	2 plans
Defined contribution plan	0 plans	2 plans
TOTAL	68 plans	70 plans

See Figure 8, *2008 Formula Multipliers*, for a graphical representation.

D. FINAL AVERAGE SALARY

Defined benefit plans base the amount of a retirement annuity on the employee's "final average salary." The final average salary is generally the employee's highest earnings over a specified number of years or months, which are sometimes required to be consecutive years or months. Generally, an employee's highest salary will be the amount of salary he or she earned immediately prior to retirement.

Since the 2006 Report, there has been little change in how any of the plans calculate final average salary. The most common method is to use a three-year average, which may be required to be consecutive years or may be required to be years that fall within a given period. (For example, the three highest years within a 10-year period.) Fifty-five of the 87 plans in the report use a three-year final average salary. The next most prevalent calculation of final average salary is a five-year period--18 of the 87 plans used a five-year period in 2008. See Figure 9, *2008 Final Average Salary Period*, for a graphical representation.

CHART IV
FINAL AVERAGE SALARY PERIODS-FORMULAS-LIMITATIONS

	<u>State</u>	<u>Fund Name</u>	<u>FAS Period</u>	<u>Formula Multiplier</u>	<u>Limitation</u>
1	Alabama	ERS	3 H/10	2.0125%	None
2	Alabama	TRS	3 H/10	2.0125%	None
3	Alaska	PERS	N/A	N/A; defined contribution plan	None
4	Alaska	TRS	N/A	N/A; defined contribution plan	None
5	Arizona	SRS	3 HC	2.1% (1st 20 yrs); 2.15% (next 5 yrs); 2.2% (next 5 yrs); 2.3% over 30 yrs	80% FAS
6	Arkansas	PERS	3 H	2%	100% FAS
7	Arkansas	TRS	3 H	2.15%	None
8	California	PERS	3 H	2% at 55; 2.5% at 63 or older	65 yrs max
9	California	TRS	1 H	2% at 60; 2.4% at 63	100% FAS
10	Colorado	PERA	3 H	2.5%	100% FAS
11	Connecticut	SERS	3 H (130% cap)	1.33% + .5% over \$48,800; 1.625% yrs over 35	None
12	Connecticut	TRS	3 H	2%	75% FAS
13	Delaware	SEPP	3 H	1.85%	None
14	Florida	FRS	5 H	1.6% to 1.68% (age & yrs of service)	100% FAS
15	Georgia	ERS	2 HC	2%	90% high yr
16	Georgia	TRS	2 HC (cap)	2%	40 yrs max
17	Hawaii	ERS	3 H	2%	None
18	Idaho	PERS	3 1/2 HC	2%	100% FAS
19	Illinois	SERS	4 HC/10	1.67%	75% FAS
20	Illinois	TRS	4 HC/10 (cap)	2.2%	75% FAS
21	Illinois	MRF	4 HC/10 (cap)	1.67% (1st 15 yrs); 2% (added yrs)	75% FAS
22	Indiana	PERF	5 H	1.1% + money purchase annuity	None
23	Indiana	TRF	5 H	1.1% + money purchase annuity	None
24	Iowa	PERS	3 H	2% (1st 30 yrs); 1% (next 5 yrs)	65% FAS
25	Kansas	PERS	3 H	1.75%	None
26	Kentucky	ERS	5 H	1.97%	None
27	Kentucky	CERS	5 H	2%	None
28	Kentucky	TRS	3 H	2.5% for up to 30 yrs; 3% for over 30 yrs	100% FAS,
29	Louisiana	SERS	3 HC	3.33%	100% FAS
30	Louisiana	TRSL	3 HC + (cap)	2.5%	100% FAS
31	Maine	SRS	3 H	2%	None
32	Maryland	SRS	3 HC	1.82%	100% FAS
33	Massachusetts	SERS	3 HC	.5% to 2.5% (age-related)	80% FAS
34	Massachusetts	TRS	3 HC	.1% to 2.5% (age-related) + 2% for each yr over 24	80% FAS
35	Michigan	SERS	3 HC	1.5%	None
36	Michigan	MERS	5/3 HC	1.3% to 2.5% (employer option)	80% FAS for multipliers of 2.25% and over
37	Michigan	PSERS	3 HC	1.5%	None
38	Minnesota	MSRS	5 HC	1.7%	None
39	Minnesota	PERA	5 HC	1.7%	None
40	Minnesota	TRA	5 HC	1.9%	None

41	Mississippi	PERS	4 HC (cap)	2% (1st 25 yrs); 2.5% (added yrs)	100% FAS
42	Missouri	SERS	3 HC	1.7% (and .8% to age 62 if R80 met)	None
43	Missouri	LAGERS	5/3 HC	1% to 8% (varies by employer option)	None
44	Missouri	PSRS	3 HC	2.5%; 2.55% with 31 or more yrs of service	100% FAS
45	Montana	PERS	3 HC	1.785%; 2% with at least 25 yrs of service	None
46	Montana	TRS	3 HC	1.67%	None
47	Nebraska	SERS		Money purchase	None
48	Nebraska	CERS		Money purchase	None
49	Nebraska	SPP	3 HC	2%	None
50	Nevada	PERS	3 HC	2.67%	75% FAS
51	New Hampshire	NHRS	3 H (cap)	1.67% to 65; 1.515% after 65	100% FAS
52	New Jersey	PERS	3 H	1.82%	None
53	New Jersey	TPAF	3 H	1.82%	None
54	New Mexico	PERS	3 HC	3%	80% FAS
55	New Mexico	ERA	5 HC	2.35%	None
56	New York	ERS	3 HC (cap)	1.67% (under 20 yrs); 2% (over 20 yrs); 3.5% (over 30 yrs)	None
57	New York	TRS	3 HC (cap)	Same as New York's ERS	None
58	North Carolina	TSERS	4 HC	1.82%	None
59	North Carolina	LGERS	4 HC	1.85%	None
60	North Dakota	PERS	3 H/10	2%	None
61	North Dakota	TRF	5H	2%	None
62	Ohio	PERS	3 H	2.2% (1st 30 yrs); 2.5% (added yrs)	100% FAS
63	Ohio	STRS	3 H	2.2% (1st 35 yrs); 2.5% (35 or more yrs)	100% FAS
64	Oklahoma	PERS	3 H/10	2%	None
65	Oklahoma	TRS	5 HC	2%	None
66	Oregon	PERS	3 H	1.67%	None
67	Pennsylvania	SERS	3 H	2.5%	100% high yr
68	Pennsylvania	PSERS	3 H	2.5%	None
69	Rhode Island	ERS	3 HC	1.7% (1st 10 yrs); 1.9% (2nd 10 yrs); 3% (21-34 yrs); 2% (35+)	80% FAS
70	South Carolina	SCRS	3 HC	1.82%	None
71	South Dakota	SRS	3 HC/10	1.7%	None
72	Tennessee	CRS	5 HC	1.5% + .25% FAS over SSIL	94.5% FAS
73	Texas	ERS	3 H	2.3%	100% FAS
74	Texas	TRS	5 H	2.3%	None
75	Texas	MRS		Money purchase options	None
76	Utah	SRS	3 H	2%	None
77	Vermont	SRS	3 HC	1.67%	50% FAS
78	Vermont	TRS	3 HC	1.67%	50% FAS
79	Virginia	SRS	3 HC	1.7%	100% FAS
80	Washington	PERS	5 HC	2%; 1% + .25% per yr after 20 yrs (non-contributory)	None
81	Washington	TRS	5 HC	2%; 1% + .25% per yr after 20 yrs (non-contributory)	None
82	West Virginia	PERS	3 HC/10	2%	None
83	West Virginia	TRS	5 H/15	2%	None
84	Wyoming	WRS	3 H	2.125% (1st 15 yrs); 2.25% (added yrs)	None
85	Milwaukee	City	3 H	2%	70% FAS
86	Milwaukee	County	3 HC	2%	80% FAS
87	Wisconsin	WRS	3 H	1.6%	70% FAS

portion of Social Security benefits and nine states have no personal income tax or a very limited personal income tax that does not affect Social Security payments.

C. POST-RETIREMENT ANNUITY COST-OF-LIVING ADJUSTMENTS

Most of the plans in this report have provisions for post-retirement annuity adjustments to protect the purchasing power of annuities against inflation. The provisions of each of the plans are described in the fourth column of Chart 5. The following table summarizes and compares the post-retirement annuity adjustment provisions found in the 2006 Report against those found in the 2008 Report:

	<u>2006</u>	<u>2008</u>
Adjustments indexed to CPI	38 plans	35 plans
Automatic percentage increase	23 plans	26 plans
Investment surplus	4 plans	5 plans
Ad hoc (any increase must be authorized by Legislature or a decision-making board) or money purchase	20 plans	19 plans
No increase	0 plans	2 plans
TOTAL	85 plans	87 plans

Note that, as shown in Chart 5, many of the plans in which post-retirement annuity increases are indexed to the CPI also include a cap on the total percentage adjustment that may be made within any given year. Also, many of the plans in which post-retirement annuity increases are indexed to the CPI or are automatic also include provisions for additional annuity adjustments if there are investment surpluses in the retirement fund. Nineteen of the 87 plans are either money purchase plans or provide post-retirement annuity increases only on an "ad hoc" basis, where either the Legislature or a decision-making board determines whether, and when, a post-retirement annuity increase is granted. See Figure 11, *2008 Cost of Living Adjustments (COLA)*, for a graphical representation.

D. STATE INCOME TAXATION OF ANNUITIES

The last column of Chart 5 shows the treatment of pension benefits under each of the plans by the state income tax laws in effect in that state. In 23 of the 87 plans, pension benefits are subject to state income taxation and no specific amount of retirement benefits is tax exempt. In 21 of the 87 plans, pension benefits are totally exempt from state income taxation. Eleven of the plans are in states with no income taxation.

Caution must be used in interpreting the information in the last column of Chart 5. In many of the states in which pension income is fully taxable, other provisions of state income tax laws may ameliorate or completely eliminate the effect of the state income tax laws on retirees. For example, some state income tax laws have a level of exemptions, deductions, or tax credits that substantially reduce or eliminate state income taxation for persons at certain income levels. In addition, some of these exemptions, deductions, or tax credits may be increased for taxpayers who have reached a certain age. In these states, the level of income taxation on retirees may be equal to or less than that in states where public employee pension income is exempt from state income taxation.

CHART V
POST-RETIREMENT INCREASES AND STATE TAX PROVISIONS

<u>State</u>	<u>Fund Name</u>	<u>Social Security</u>	<u>Annual Post-Retirement Increases</u>	<u>State Taxation of PERS Benefits</u>
1 Alabama	ERS	Yes	Ad hoc only	Benefits exempt
2 Alabama	TRS	Yes	Ad hoc only	Benefits exempt
3 Alaska	PERS	No	N/A: acct balance + invest earnings	No income tax law
4 Alaska	TRS	No	N/A: acct balance + invest earnings	No income tax law
5 Arizona	SRS	Yes	Excess earnings - 4% cap	Exempt to \$2,500
6 Arkansas	PERS	Yes	3%	Exempt to \$6,000
7 Arkansas	TRS	Yes	3%	Exempt to \$6,000
8 California	PERS	Yes	2%	Benefits taxable
9 California	TRS	No	2%	Benefits taxable
10 Colorado	PERA	No	3% or actual CPI	Exempt to \$20,000/\$24,000
11 Connecticut	SERS	Yes	60% of CPI up to 6%, 2.5% minimum	Benefits taxable
12 Connecticut	TRS	No	Excess earnings - 1.5% or 6% cap	Benefits taxable
13 Delaware	SEPP	Yes	Ad hoc only	Exempt to \$12,500
14 Florida	FRS	Yes	3%	No state income tax
15 Georgia	ERS	Yes	CPI - 1.5% semi-annual cap	Exempt to \$35,000
16 Georgia	TRS	Yes	CPI - 1.5% semi-annual cap	Exempt to \$35,000
17 Hawaii	ERS	Yes	2.5%	Benefits exempt
18 Idaho	PERS	Yes	CPI - 1% minimum to 6% max (conditional)	Benefits taxable
19 Illinois	SERS	Yes	3%	Benefits exempt
20 Illinois	TRS	No	3%	Benefits exempt
21 Illinois	MRF	Yes	3%	Benefits exempt
22 Indiana	PERF	Yes	Ad hoc only (1.5% presumed)	Benefits taxable
23 Indiana	TRF	Yes	Ad hoc only (1.5% presumed)	Benefits taxable
24 Iowa	PERS	Yes	Excess earnings - CPI; 3% cap	Exempt to \$6,000, \$12,000 married
25 Kansas	PERS	Yes	Ad hoc only	Benefits exempt
26 Kentucky	ERS	Yes	1.5%	Exempt to \$41,110
27 Kentucky	CERS	Yes	1.5%	Exempt to \$41,110
28 Kentucky	TRS	No	1.5%	Exempt to \$41,110
29 Louisiana	SERS	No	Excess earnings; CPI; 3% cap	Benefits exempt
30 Louisiana	TRSL	No	CPI - 3% cap	Benefits exempt
31 Maine	SRS	No	CPI - 4% cap	Exempt to \$6,000
32 Maryland	SRS	Yes	CPI - 3% cap	Exempt to \$23,600
33 Massachusetts	SERS	No	CPI - on 1st \$12,000-conditional, 3% cap	Benefits exempt
34 Massachusetts	TRS	No	CPI - on 1st \$12,000-conditional, 3% cap	Benefits exempt
35 Michigan	SERS	Yes	3% (\$300 annual cap)	Benefits exempt
36 Michigan	MERS	Yes	3 plans - depending on employer agreement (generally 2.5%)	Benefits exempt
37 Michigan	PSERS	Yes	3%	Benefits exempt
38 Minnesota	MSRS	Yes	CPI - 2.5% cap plus investment surplus	Benefits taxable
39 Minnesota	PERA	Yes	CPI - 2.5% cap plus investment surplus	Benefits taxable
40 Minnesota	TRA	Yes	CPI - 2.5% cap plus investment surplus	Benefits taxable

41	Mississippi	PERS	Yes	3%	Benefits exempt
42	Missouri	SERS	Yes	80% CPI - 5% cap	Exempt to \$6,000/\$12,000
43	Missouri	LAGERS	Yes	CPI - 4% cap	Exempt to \$6,000/\$12,000
44	Missouri	PSRS	No	CPI - 5% cap; 80% of original benefits lifetime cap	Exempt to \$6,000/\$12,000
45	Montana	PERS	Yes	3%	Exempt to \$3,600
46	Montana	TRS	Yes	1.5%	Exempt to \$3,600
47	Nebraska	SERS	Yes	Money purchase	Benefits taxable
48	Nebraska	CERS	Yes	Money purchase	Benefits taxable
49	Nebraska	SPP	Yes	CPI - 2.5% cap	Benefits taxable
50	Nevada	PERS	No	2% to 5% (varies)	No income tax law
51	New Hampshire	NHRS	Yes	Ad hoc	Benefits exempt
52	New Jersey	PERS	Yes	60% of CPI	Exempt to \$15,000/\$20,000
53	New Jersey	TPAF	Yes	60% of CPI	Exempt to \$15,000/\$20,000
54	New Mexico	PERA	Yes	3%	Benefits taxable
55	New Mexico	ERA	Yes	50% of CPI - 2% min; 4% cap	Benefits taxable
56	New York	ERS	Yes	50% of CPI, max 3% on 1st \$18,000	Benefits exempt
57	New York	TRS	Yes	50% of CPI, max 3% on 1st \$18,000	Benefits exempt
58	North Carolina	TSERS	Yes	Ad hoc	Exempt to \$4,000/\$8,000
59	North Carolina	LGERS	Yes	Ad hoc	Exempt to \$4,000/\$8,000
60	North Dakota	PERS	Yes	Ad hoc	Benefits taxable
61	North Dakota	TRF	Yes	Ad hoc	Benefits taxable
62	Ohio	PERS	No	3% cap	Benefits taxable
63	Ohio	STRS	No	3% cap	Benefits taxable
64	Oklahoma	PERS	Yes	Ad hoc	Exempt to \$10,000
65	Oklahoma	TRS	Yes	Ad hoc	Exempt to \$10,000
66	Oregon	PERS	Yes	CPI - 2% cap	Benefits taxable
67	Pennsylvania	SERS	Yes	Ad hoc	Benefits exempt
68	Pennsylvania	PSERS	Yes	Ad hoc	Benefits exempt
69	Rhode Island	ERS	Yes	3%	Benefits taxable
70	South Carolina	SCRS	Yes	CPI - 4% cap	\$15,000 deduction
71	South Dakota	SRS	Yes	3.1%	No income tax law
72	Tennessee	CRS	Yes	CPI - 3% cap	Benefits exempt
73	Texas	ERS	Yes	Ad hoc	No income tax law
74	Texas	TRS	No	Ad hoc	No income tax law
75	Texas	MRS	Yes	Up to 70% of CPI (employer option)	No income tax law
76	Utah	SRS	Yes	CPI - 4% cap	Exempt to \$7,500/\$15,000
77	Vermont	SRS	Yes	50% of CPI - 5% cap	Benefits taxable
78	Vermont	TRS	Yes	50% of CPI - 5% cap	Benefits taxable
79	Virginia	SRS	Yes	CPI - 5% cap	Exempt to \$12,000
80	Washington	PERS	Yes	CPI - 3% cap	No income tax law
81	Washington	TRS	Yes	CPI - 3% cap	No income tax law
82	West Virginia	PERS	Yes	No	Exempt to \$2,000
83	West Virginia	TRS	Yes	No	Exempt to \$2,000
84	Wyoming	WRS	Yes	CPI - 3% cap	No income tax law
85	Milwaukee	City	Yes	1.5% yrs 1-4; 2% thereafter	Exempt for some
86	Milwaukee	County	Yes	2%	Exempt for some
87	Wisconsin	WRS	Yes	Investment earnings; reductions possible	Exempt for some