

Pension Study Task Force

Ald. Michael Murphy, Chair

Public Safety Pension System Comparison

December 15, 2011

- The following information provides summaries of several retirement plans for police and firefighters throughout the country.
 - Milwaukee
 - Milwaukee County
 - State of Wisconsin
 - 15 selected plans
- For a comparison, the information on each system is broken into the following categories
 - Multiplier
 - Normal Retirement Age
 - Final Average Salary (FAS)
 - Cost of Living Adjustments (COLA)
 - Limitations on benefits
 - Early Retirement Provisions
 - Employee Contribution Percentage

System Name	Milwaukee's Employee Retirement System
Multiplier	2.5%
Normal Retirement Age	<p>Police:</p> <ul style="list-style-type: none"> • Age 57 and any years of service • Any age and 25 years of service <p>Fire:</p> <ul style="list-style-type: none"> • Age 57 and any years of service • Age 49 with 22 years of service
FAS	Highest year
COLA	3% or CPI (after first year)
Limitations	95% of FAS
Early Retirement	Age 55 with 15 years of service
Employee Contribution Percentage	<p>Pickup of member contribution</p> <ul style="list-style-type: none"> • 7% contribution. All but \$1 is paid by the City. • New employees pay entire 7%

System Name	Employees Retirement System of Milwaukee County
Multiplier	2.5%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 57 with any years of service • Age 55 with 15 years of service • Rule of 75 (if hired before 1995)
FAS	5 highest
COLA	2%
Limitations	80% of FAS
Early Retirement	Age 55 with 15 years
Employee Contribution Percentage	<ul style="list-style-type: none"> • 6.59% for protective services • 0% for fire fighters

System Name	Wisconsin Retirement System
Multiplier	2.66% 2.5% if hired after 1999
Normal Retirement Age	<ul style="list-style-type: none"> • Age 54 • Age 53 with 25 years of service
FAS	3 highest
COLA	Based upon performance of the fund
Limitations	85% of FAS
Early Retirement	0.4% per month prior to normal retirement age
Employee Contribution Percentage	0%

System Name	Pension Fund for Firefighters and Police Offices in the City of Tampa
Multiplier	3.15%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 46 with 10 years of service • Any Age with 20 years of service
FAS	Based upon an average of annual earnings
COLA	Annually based upon CPI
Limitations	100% of average salary
Early Retirement	N/A
Employee Contribution Percentage	14.7%

System Name	Lexington (KY) Police and Firefighters Retirement Fund
Multiplier	2.5%
Normal Retirement Age	<ul style="list-style-type: none">• Any age with 20 years of service
FAS	3 highest consecutive
COLA	2%
Limitations	75% of FAS
Early Retirement	None
Employee Contribution Percentage	10.5% employee contribution paid on behalf of members

System Name	Ohio Police and Fire Pension Fund
Multiplier	60% of salary at retirement (averages to 2.4%)
Normal Retirement Age	<ul style="list-style-type: none"> • Age 48 with 25 years of service
FAS	3 highest
COLA	3% annually
Limitations	72% after 33 years of service
Early Retirement	<ul style="list-style-type: none"> • Retirement with 15 years of service if age 48 and 25 years since date of hire • Retirement at age 62 with 15 years of service
Employee Contribution Percentage	10%

System Name	Public Employees Retirement Association of Minnesota
Multiplier	3%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 55 with 3 years of service (Age 55 with 10 years of service for new hires) • Age 65 with 1 year of service • Rule of 90 (hired before July 1989) • Vested after 10 years
FAS	5 highest consecutive
COLA	<ul style="list-style-type: none"> • CPI with a 1.5% cap • 2.5% cap when the fund exceeds 90% funding
Limitations	None
Early Retirement	<ul style="list-style-type: none"> • Age 50 with 3 years of service (5 years of service is hired after 6/10) • Any age with 30 years of service • 1.2% per year reduction for each year prior to 55 (2.4% for new hires)
Employee Contribution Percentage	9.6%

System Name	Fire and Police Pension Association of Colorado
Multiplier	<ul style="list-style-type: none"> • 2% first 10 years • 2.5% thereafter
Normal Retirement Age	<ul style="list-style-type: none"> • Age 55 with 5 years of service
FAS	<ul style="list-style-type: none"> • 3 highest
COLA	<ul style="list-style-type: none"> • Greater of 3% or CPI • Begins after 12 full months of retirement
Limitations	<ul style="list-style-type: none"> • None
Early Retirement	<ul style="list-style-type: none"> • 30 years of service or age 50 with
Employee Contribution Percentage	<ul style="list-style-type: none"> • 8%

System Name	Dallas Police and Fire Pension System
Multiplier	<ul style="list-style-type: none"> • 3% for retirement at 50-5 • For 20 and out based upon age (2% at age 45 to 2.75 at age 49) • For new members – 2% for first 20 years, 2.5% 20-25 years, 3% over 25 years
Normal Retirement Age	<ul style="list-style-type: none"> • Age 50 with 5 years of service • Any age with 20 years of service • Age 55 with 20 years of service for new members
FAS	<ul style="list-style-type: none"> • 3 highest consecutive • 5 highest consecutive for new members
COLA	<ul style="list-style-type: none"> • 4% of original monthly pension benefit (not compounded) • Ad-hoc for new members (4% cap)
Limitations	90% of FAS for new members
Early Retirement	Age 45 with 5 years of service (reduced pension)
Employee Contribution Percentage	8.5%

System Name	Kansas Police and Firemen's Retirement System
Multiplier	2.5%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 50 with 25 years of service • Age 55 with 20 years of service • Age 55 with 20 years of service or Any age with 32 years if hired before 1989 • Age 60 with 15 years of service for those hired after 1989
FAS	3 highest of last 5 years
COLA	None
Limitations	80% of FAS
Early Retirement	Age 50 with 20 years of service (0.4% reduction for each month under age 55 at retirement)
Employee Contribution Percentage	7%

System Name	State of New Jersey Police and Firemen's Retirement System
Multiplier	<ul style="list-style-type: none"> • 2% under 20 years of service • 50% of FAS if retire with between 20-25 years of service • 50% of FAS if retire at 65 with 20 years of service plus 3% for each year between 20-25 (enrolled before 2000) • 2% for 30 years of service plus 1% for each additional year of service
Normal Retirement Age	<ul style="list-style-type: none"> • Mandatory at age 65 (if hired before 1987 may work until age 68 or 25 years of service) • Age 55 with any length of service • Any age with 20 years of service (if hired before 2000)
FAS	<ul style="list-style-type: none"> • Highest year • 3 highest for new members
COLA	Annual COLA's ended in 2011
Limitations	70% of FAS
Early Retirement	N/A
Employee Contribution Percentage	10%

System Name	Iowa Public Employees Retirement System
Multiplier	<ul style="list-style-type: none"> • Based upon years of service • 10.9% of salary with 4 years of service up to 72% with 30+ years of service
Normal Retirement Age	<ul style="list-style-type: none"> • Age 55 with 4 years of service
FAS	3 highest
COLA	Ad-hoc
Limitations	72% of FAS
Early Retirement	Age 45 with 5 years of service
Employee Contribution Percentage	6.65%

System Name	Arkansas Local Police and Fire Retirement System
Multiplier	2.94%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 55 with 20 years of service • Any age with 28 years of service • Age 60 with 5 years of service
FAS	3 highest consecutive (in last 10 years)
COLA	3% annually
Limitations	N/A
Early Retirement	<ul style="list-style-type: none"> • Age 50 with 20 years of service • Any age with 25 years of service • Reduction of 0.5% for each month younger than 55
Employee Contribution Percentage	8.5%

System Name	Indiana Police Officers and Firefighters Pension Fund
Multiplier	<ul style="list-style-type: none"> • 50% of final year salary with additional 1% for each year over 20 years of service
Normal Retirement Age	<ul style="list-style-type: none"> • Age 52 with 20 years of service
FAS	Final Year
COLA	CPI with a 3% Cap
Limitations	74%
Early Retirement	<ul style="list-style-type: none"> • Age 50 with 20 years of service (14% reduction) • Age 51 with 20 years of service (7% reduction)
Employee Contribution Percentage	6%

System Name	Washington State Law Enforcement Officers' and Fire Fighters' Retirement System
Multiplier	2%
Normal Retirement Age	<ul style="list-style-type: none">• Age 53 with 5 years of service
FAS	5 highest
COLA	CPI with a 3% max
Limitations	None
Early Retirement	<ul style="list-style-type: none">• Age 50 with 20 years of service (reduced 3% each year before retirement)
Employee Contribution Percentage	8.46%

System Name	City of Detroit Police and Fire Retirement System
Multiplier	<ul style="list-style-type: none"> •2.5% in years 1-25 •2.1% after
Normal Retirement Age	<ul style="list-style-type: none"> • Any age with 25 years of service • Some may qualify with 20 years of service
FAS	Maximum rate of pay for ranks held during last five years of service
COLA	2.25% of original retirement allowance
Limitations	83.5% of FAS
Early Retirement	Options for an early, reduced pension benefit
Employee Contribution Percentage	5%

System Name	California Public Employees Retirement System
Multiplier	<ul style="list-style-type: none"> • 2 or 3% if retire at age 50 • 2, 2.5, or 3% if retire at age 55
Normal Retirement Age	<ul style="list-style-type: none"> • Age 50 with 5 years of service
FAS	Highest year
COLA	<ul style="list-style-type: none"> • Lower of 2% or CPI. • Some contracts allow for upwards of 5%
Limitations	90% FAS
Early Retirement	N/A
Employee Contribution Percentage	<ul style="list-style-type: none"> • Varies by contract • Between 5-9%

System Name	Nevada Public Employees Retirement System
Multiplier	2.5%
Normal Retirement Age	<ul style="list-style-type: none"> • Age 65 with 5 years of service • Age 55 with 10 years of service • Age 50 with 20 years of service • Any age with 25 years of service (30 years for new hires)
FAS	3 highest
COLA	<ul style="list-style-type: none"> •2% in years 4-6 •3% in years 7-9 •3.5% in years 10-12 •4% in years 13-14 •5% thereafter •Limited by the average 3 years preceding CPI
Limitations	N/A
Early Retirement	4% reduction for each full year of early retirement (6% for new hires)
Employee Contribution Percentage	0%

ERS Normal Costs

- Police and fire make up an estimated 66% of the ERS liability for current, covered City employees.
 - These 2 groups make up about 43% of the covered current City employees in ERS
- The normal costs as a % of covered wages for police = 23.2%
- The normal costs as a % of covered wages for firefighters = 25%
- Collectively, police and fire make up about 75% of the annual normal costs

Comparison with Wisconsin Retirement System (WRS) protective service employees (w/o social security)

- For 2011, the “current service” (i.e., normal costs) employer contribution rate for protective service employees is 12.2% of covered wages
- The ERS normal cost is almost *twice* that rate