

STATE OF WISCONSIN

RETIREMENT RESEARCH COMMITTEE

STAFF REPORT NO. 74

1984 COMPARATIVE SURVEY OF
MAJOR PUBLIC PENSION PLANS

Prepared by RRC Staff
Blair Testin, Director
August 20, 1984

110 East Main Street
Madison, WI 53703

STATE OF WISCONSIN
RETIREMENT RESEARCH COMMITTEE
MEMBERSHIP ROSTER

LEGISLATIVE MEMBERS (6)

**Senator Carl Otte (Senate Co-Chairperson)
 1440 South 22nd Street; Sheboygan, WI 53081 1/1/85

**Representative Vernon Holschbach (Assembly Co-Chairperson)
 1313 South 11th Street; Manitowoc, WI 54220 1/1/85

**Vacancy 1/1/85

**Representative Joseph Andrea
 2405 - 45th Street; Kenosha, WI 53140 1/1/85

**Senator Scott McCallum
 165 Sixth Street; Fond du Lac, WI 53140 1/1/85

**Representative Patricia Goodrich
 159 Oak Street; Berlin, WI 54923 1/1/85

TAXPAYER REPRESENTATIVES (4)

***Attorney Richard Olson; P.O. Box 927; Madison, WI 53701 7/1/87

*Mr. Delmar DeLong; Route 2, Clinton, WI 53525 7/1/85

*Attorney James Dillman; 815 New York Ave.; Sheboygan, WI 53081 7/1/87

*Albert Skinner; 1310 Island Drive; Cumberland, WI 54829 7/1/85

EMPLOYER REPRESENTATIVE

*Ms. Florence Whalen; 406 West 3rd Street; Oconomowoc, WI 53066 7/1/87

STATE EMPLOYEE REPRESENTATIVE

*Ms. Sally Worzella; 1608 Wyatt Avenue; Stevens Point, WI 54481 7/1/85

TEACHER REPRESENTATIVE NOT FROM MILWAUKEE

*Mr. Ronald W. Hicks; 604 E. 3rd Street; Superior, WI 54880 7/1/85

TEACHER REPRESENTATIVE FROM MILWAUKEE

*Mr. William KiENZLE; 7306 Devonshire Ave.; Greendale, WI 53129 7/1/87

ASSISTANT ATTORNEY GENERAL APPOINTED BY THE ATTORNEY GENERAL

**Attorney Warren M. Schmidt; 123 W. Washington Ave.; Madison, WI 53703

EXPERIENCED ACTUARY APPOINTED BY THE INSURANCE COMMISSIONER

**Mr. Marvin Van Cleave; 123 W. Washington Ave.; Madison, WI 53703

SECRETARY OF THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

**Mr. Gary Gates; 201 E. Washington Ave.; Madison, WI 53703

SECRETARY OF THE DEPARTMENT OF EMPLOYMENT RELATIONS OR DESIGNEE

Mr. Eric Stanchfield, 149 E. Wilson Street; Madison, WI 53703

* Appointed by the Governor

**Member of the Joint Survey Committee on Retirement Systems

TABLE OF CONTENTS

<u>I. SURVEY OF STATEWIDE PUBLIC EMPLOYEE RETIREMENT SYSTEMS</u>	
A. Pension System Descriptions	Pages 1 & 2
B. Pension Plan Charts	Pages 3 & 4
<u>II. NORMAL AND EARLY RETIREMENT PROVISIONS</u>	
A. Requirement Descriptions	Pages 5 & 6
B. Charts	Pages 7 & 8
<u>III. VESTING AND CONTRIBUTION RATES</u>	
A. Provision Descriptions	Pages 9 & 10
B. Charts	Pages 11 & 12
<u>IV. AFTER RETIREMENT ADJUSTMENTS AND TAXES</u>	
A. After Retirement Provisions	Pages 13 & 14
B. Charts	Pages 15 & 16
<u>V. RETIREMENT BENEFIT CALCULATIONS</u>	
A. Formula Provisions	Pages 17 & 18
B. Charts	Pages 19 & 20
<u>VI. SUMMARY OF WRS COMPARISONS</u>	Pages 21 & 22

CHART I

PUBLIC RETIREMENT SYSTEMS SURVEYED

No.	State	Fund	Employee Coverage	Actives	Retirees	Soc. Sec. Coverage	Soc. Sec. Integration
1.	Alab.	ERS	S,L	46,824	11,084	Yes	None
2.	Alab.	TRS	T	89,597	17,780	Yes	None
3.	Alas.	PERS	S,L	24,756	3,478	No	-
4.	Alas.	TRS	T	8,221	1,596	No	-
5.	Ariz.	SRS	S,L,T	103,174	21,116	Yes	None
6.	Arka.	PERS	S,L	33,090	6,444	Yes	Benefit Offset
7.	Arka.	TRS	T	35,166	8,972	Yes	None
8.	Calif.	PERS	S,L	483,384	205,982	Yes	FAS Offset
9.	Calif.	TRS	T	255,737	94,983	No	-
10.	Colo.	PERA	S,L,T	97,141	21,719	No	-
11.	Conn.	SERS	S	46,400	17,050	Yes	Step-up Formula
12.	Conn.	TRS	T	42,026	9,200	No	-
13.	Dela.	SEPP	S,T	25,180	7,469	Yes	Maximum Offset
14.	Flor.	FRS	S,L,T	392,344	64,916	Yes	None
15.	Geor.	ERS	S	53,208	9,993	Yes	None
16.	Geor.	TRS	T	110,000	18,852	Yes	None
17.	Hawaii	ERS	S,L,T	44,243	13,787	Yes	None
18.	Idaho	PERS	S,L,T	40,495	12,766	Yes	None
19.	Ill.	SERS	S	73,050	28,296	Yes	None
20.	Ill.	TRS	T	101,000	37,505	No	-
21.	Ill.	MRF	L	104,842	29,417	Yes	None
22.	Ind.	PERF	S,L	127,035	22,496	Yes	None
23.	Ind.	TRF	T	62,760	23,632	Yes	None
24.	Iowa	PERS	S,L,T	136,300	35,715	Yes	None
25.	Kans.	PERS	S,L,T	88,647	24,681	Yes	None
26.	Kent.	ERS *	S,L	76,930	17,469	Yes	None
27.	Kent.	TRS	T	42,570	16,278	No	-
28.	Louis.	SERS	S	69,200	16,028	No	-
29.	Louis.	TRS	T	87,031	19,279	No	-
30.	Maine	SRS	S,L,T	43,496	17,629	No	-
31.	Mary.	SRS *	S,L,T	91,350	31,397	Yes	Step-Up Formula
32.	Mass.	SERS	S	80,230	29,763	No	-
33.	Mass.	TRS	T	70,000	20,762	No	-
34.	Mich.	SERS	S	62,963	18,529	Yes	None
35.	Mich.	MERS	L	28,896	7,175	Yes	Step-Up Formula
36.	Mich.	PSERS	T	305,000	51,000	Yes	None
37.	Minn.	MSRS *	S	43,191	9,799	Yes	None
38.	Minn.	PERA *	L	93,000	12,000	Yes	None
39.	Minn.	TRA *	T	57,831	11,862	Yes	None
40.	Miss.	PERS	S,L,T	118,748	23,411	Yes	None
41.	Mou.	SERS	S	34,468	8,436	Yes	None
42.	Mou.	LAGERS	L	15,562	30,37	Yes	Optional Addition
43.	Mou.	PSRS	T	54,627	13,306	No	-
44.	Mont.	PERS	S,L	35,559	6,792	Yes	None
45.	Mont.	TRS	T	14,852	4,869	Yes	None

PUBLIC RETIREMENT SYSTEMS SURVEYED

No.	State	Fund	Employee Coverage	Actives	Retirees	Soc. Sec. Coverage	Soc. Sec. Integration
46.	Nebra.	SERS	S	6,728	2,022	Yes	Step-up M.P. Plan
47.	Nebra.	TRS	T	31,410	5,238	Yes	None
48.	Nevada	PERS	S,L,T	43,003	7,105	No	-
49.	N.H.	NHRS	S,L,T	29,870	6,207	Yes	Age 65 Offset
50.	N.J.	PERS	S,L	220,055	41,655	Yes	None
51.	N.J.	TRS	T	111,118	26,484	Yes	None
52.	N.M.	PERA	S,L	28,063	4,917	Yes	None
53.	N.M.	ERA	T	43,471	8,082	Yes	None
54.	N.Y.	ERS *	S,L	595,174	176,406	Yes	PIA Offset
55.	N.Y.	TRS *	T	184,586	50,760	Yes	PIA Offset
56.	N.C.	TSERS	S,T	235,823	46,002	Yes	None
57.	N.C.	LGERS	L	66,962	9,080	Yes	None
58.	N.D.	PERS	S,L,T	12,300	692	Yes	None
59.	N.D.	TRF	T	10,540	3,473	Yes	None
60.	Ohio	PERS	S,L	255,097	77,391	No	-
61.	Ohio	STRS	T	162,360	52,070	No	-
62.	Okla.	PERS	S,L	40,093	8,841	Yes	None
63.	Okla.	TRS	T	42,442	17,566	Yes	None
64.	Oreg.	PERS	S,L,T	110,993	37,533	Yes	None
65.	Penns.	SERS	S	117,488	58,427	Yes	None
66.	Penns.	PSERS	T	209,210	71,245	Yes	None
67.	R.I.	ERS	S,T	25,757	8,206	Yes	None
68.	S.C.	SCRS *	S,L,T	164,000	28,907	Yes	Step-Up Formula
69.	S.D.	SRS	S,L,T	26,469	6,312	Yes	Benefit Offset
70.	Tenn.	CRS	S,L,T	136,376	39,611	Yes	Step-Up Formula
71.	Texas	ERS	S	94,140	17,035	Yes	None
72.	Texas	TRS	T	441,822	84,007	Yes	None
73.	Texas	MRS	L	65,770	5,593	Yes	None
74.	Utah	SRS	S,L,T	67,379	12,085	Yes	Maximum Limit
75.	Verm.	SRS	S	7,780	1,654	Yes	None
76.	Vert.	TRS	T	7,584	1,941	Yes	None
77.	Virg.	SRS	S,L,T	212,701	39,400	Yes	FAS Offset
78.	Wash.	PERS	S,L	113,202		Yes	None
79.	Wash.	TRS	T	47,064	> 58,341	Yes	None
80.	W.V.	PERS	S,L	32,768	11,004	Yes	None
81.	W.V.	TRS	T	49,747	17,263	Yes	None
82.	Wyom.	WRS	S,L,T	35,000	6,200	Yes	None
83.	Milw.	City	L	13,095	5,206	Yes	Maximum Offset
84.	Milw.	County	L	10,071	4,154	Yes	None
85.	Wis.	WRS	S,L,T	189,933	62,735	Yes	None
TOTALS =				8,347,568	2,266,600		

(Note: * = more than one plan or tier)

II. NORMAL AND EARLY RETIREMENT PROVISIONS

A. Requirement Descriptions

Normal Retirement. Most PERS require age and/or years of service minimums in order to qualify for retirement benefits without actuarial discount. Actually, most statewide PERS have adopted multiple combinations of age and years of service that will qualify for normal retirement. The provisions for the 82 out-state PERS surveyed and the WRS are summarized on pages 7 and 8 of this report.

Age 62 Normal. Most of the discussion in Wisconsin concerning normal retirement has been relative to establishing an age 62 normal retirement which coincides with the earliest age to receive reduced retirement benefits under social security. Previous RRC surveys have noted the number of PERS in other states which permit normal retirement at age 62 with 10 years, 20 years, 30 years, and 35 years of service. The results of the current survey compared with earlier surveys is as follows:

	<u>S.R. #26</u> <u>(1974)</u>	<u>S.R. #34</u> <u>(1976)</u>	<u>S.R. #53</u> <u>(1980)</u>	<u>S.R. #60</u> <u>(1982)</u>	<u>S.R. #74</u> <u>(1984)</u>
Systems permitting N.R. at 62 & 10 years	-	-	51%	52%	54%
Systems permitting N.R. at 62 & 20 years	58%	65%	67%	65%	67%
Systems permitting N.R. at 62 & 30 years	74%	80%	82%	82%	83%
Systems permitting N.R. at 62 & 35 years	78%	85%	86%	86%	85%

The above table clearly indicates that the majority of statewide PERS across the country permit normal retirement at age 62 with 10 years of service, and that 85% would permit retirement at that age with 35 years of service. Only 15% of the systems surveyed would require an actuarial discount at age 62 regardless of the years of service.

X Years and Out. A number of public retirement systems have adopted "X years and out" provisions in which participants may retire at any age after X number of years of service. Of the 82 PERS surveyed in this report, 35 (43% of the total) have adopted an "X years plan" as follows:

- 35 years/any age -- 9 plans
- 30 years/any age -- 23 plans
- 25 years/any age -- 2 plans
- 20 years/any age -- 1 plan

Age + Years. Also of interest, a few of the PERS surveyed have adopted rules which permit retirement when age plus years equal a specific figure. The three Minnesota funds are operating under a temporary Rule of 85, and two plans have a Rule of 90 and one other has a Rule of 95.

Early Retirement. The charts on pages 7 and 8 indicate that nearly all of the PERS surveyed permit retirement before the normal retirement age with actuarial discount. The majority of plans have established age 55 as the earliest retirement age possible, but some have adopted age 50 or 60. Only six of the plans surveyed do not permit early retirement with discount.

Actuarial Discounts. The actuarial discount applied for early retirement is to compensate for the longer pay-out period. A number of funds use a reduction table which reflects the "actuarial equivalent" adjustment required so that there is no loss to the pension system for early retirement. A few systems use a different multiplier in the formula for retirement at ages other than normal retirement. The majority of systems, however, have established a specific percentage of benefit reduction which is applied for each year that retirement occurs before the normal age.

The actuarial discounts noted on pages 7 and 8 may be summarized as follows:

- Funds using actuarial table - 28%
- Funds using varying multipliers - 6%
- Funds using % discounts of 2% or less - 17%
- Funds using discounts of 3% to 6% - 16%
- Funds using discounts of 6% or more - 26%
- Funds that do not permit early retire. - 7%

Wisconsin. Prior to the 1983 session, the WRS provided a normal retirement age of 65 regardless of the length of service, and an early retirement age of 55 with discount. The discount was 6% for years between 60 and 65 and 4.8% for years under 60.

1983 Wisconsin Act 141 newly provides for a normal retirement at age 62 if the participant has 30 years of service or more. Also, this Act establishes a uniform actuarial discount for early retirement at 4.8% per year under the normal age. For general employees and teachers with less than 30 years, age 65 remains the normal. In addition, there is a temporary employer early retirement option that may be exercised by employers of teachers until August, 1987. This election permits normal retirement at age 62 without any specific number of years of service, but with an employer obligation to pay the resulting actuarial equivalent.

With the 1983 legislative session changes, the WRS is following the trend of most other public retirement systems of allowing normal retirement at age 62 with a specified service career. On the other hand, over 50% of the systems surveyed permit normal retirement at age 62 with only 10 years of service or less. In fact, many systems in the public sector allow normal retirement below age 62 under a "X years and out provision" or a rule of age plus service provision.

CHART II

NORMAL AND EARLY RETIREMENT REQUIREMENTS

No.	State	Fund	Employee Coverage	Normal Retirement Provisions (Age/Yrs.)	Early Retirement Provisions	Actuarial Discount
1.	Alab.	ERS	S,L	60/10y; any/30y	None	-
2.	Alab.	TRS	T	60/10y; any/30y	None	-
3.	Alas.	PERS	S,L	55/5y; any/30y	50/5y	Table
4.	Alas.	TRS	T	55/8y; any/20y	50/8y	Table
5.	Ariz.	SRS	S,L,T	65/any; 60/25y; 62/10y	50/5y	3%
6.	Arkan.	PERS	S,L	65/10y; 55/35y	55/10y	6%
7.	Arkan.	TRS	T	60/10y; any/35y	any/25y	6%
8.	Calif.	PERS	S,L	60/5y	50/5y	Table & Mult.*
9.	Calif.	TRS	T	60/5y	55/5y or 50/30y	6% & Mult.*
10.	Colo.	PERA	S,L,T	65/5y; 60/20y; 55/30y	55/20y; 60/5y	7%
11.	Conn.	SERS	S	65/10y	55/10y	6%
12.	Conn.	TRS	T	60/20y; any/35y	Any/25y; 55/20y; 60/10y	6%-4%
13.	Dela.	SEPP	S,T	65/5y; 60/15y; any/30y	Any/25y; 55/15y	3.6%
14.	Flor.	FRS	S,L,T	62/10y; any/30y	Any/10y	5%
15.	Geor.	ERS	S	65 or any/30y	60/5y	5%
16.	Geor.	TRS	T	62/10y; any/30y	60/10y	3%
17.	Hawaii	ERS	S,L,T	55/5y	Any/25y	5%-4%
18.	Idaho	ERS	S,L,T	65/5y; Rule of 90	55/5y	3%-8%
19.	Ill.	SERS	S	60/8y; any/35y	55/30y	6%
20.	Ill.	TRS	T	62/5y; 60/10y; 55/35y	55/20y	6%
21.	Ill.	MRF	L	60/8y; any/35y	55/8y	6%
22.	Ind.	PERF	S,L	65/10y	50/15y	1.2%-5%
23.	Ind.	TRF	T	65/10y	50/15y	1.2%-5%
24.	Iowa	PERS	S,L,T	65	55/4y	3%-6%
25.	Kans.	PERS	S,L,T	65	60/10y	3.6%
26.	Kent.	ERS	S,L	any/30y; 65/4y	55/5y	4%-5%
27.	Kent.	TRS	T	60/5y; any/30y	55/5y	Table
28.	Louis.	SERS	S	60/10y; 55/25y; any/30y	None	-
29.	Louis	TRS	T	65/20y; 55/25y; any/30y	60/10y; Any/20y	Multiplier *
30.	Maine	SRS	S,L,T	60/any	25y	Table
31.	Mary.	SRS	S,L,T	65/2y; 62/5y; any/30y	55/15y	6%
32.	Mass.	SERS	S,L	65	55/10y; Any/20y	Multiplier *
33.	Mass.	TRS	T	65	55 or any/20y	Multiplier *
34.	Mich.	SERS	S	60/10y; 55/30y	55/15y	6%
35.	Mich.	ERS	L	60/10y	55/15y	6%
36.	Mich.	PSERS	T	60/10y; 55/30y	55/15y	6%
37.	Minn.	MSRS	S	65/1y; 62/30y, Rule of 85	55/10y	Table
38.	Minn.	PERA	L	65/1y; 62/30y, Rule of 85	55/10y	Table
39.	Minn.	TRA	T	65/1y; 62/30y, Rule of 85	55/10y	6%-3%
40.	Miss.	PERS	S,L,T	65/any; any/30y	60/10y	3%
41.	Mou.	SERS	S	65/4y; 60/15y	55/15y	7.2%
42.	Mou.	LAGERS	L	60/5y	55/5y	6%
43.	Mou.	PSRS	T	Any/30y; 60/5y	Any/25y	Table
44.	Mont.	PERS	S,L	65/any; 60/5y; any/30y	50/5y; Any/25y	Table
45.	Mont.	TRS	T	60/5y; any/25y	50/5y	6%

NORMAL AND EARLY RETIREMENT REQUIREMENTS

No.	State	Fund	Employee Coverage	Normal Retirement Provisions (Age/Yrs.)	Early Retirement Provisions	Actuarial Discount
46.	Nebr.	SERS	S	65	60	Table
47.	Nebr.	TRS	T	65/5y; any/35y	60/5y	Table
48.	Nevada	PERS	S,L,T	60/10y; 55/30y	Any/10y	6%
49.	N.H.	NHRS	S,L,T	60/any	50/10y	6 2/3%
50.	N.J.	PERS	S,L	60/any; 55/25y	Any/25y	3%
51.	N.J.	TRS	T	60/any; 55/25y	55/any; any/25y	3%
52.	N.M.	PERA	S,L	65/5y; 63/11y; 61/17y; 60/20y; any/25y	None	-
53.	N.M.	ERA	T	60/5y; any/30y	Rule of 75	2.4%-7.2%
54.	N.Y.	ERS	S,L	62/20y	55/10y	Table
55.	N.Y.	TRS	T	62/20y; 70/5y	55/10y	Table
56.	N.C.	TSERS	S,T	65/5y; any/30y	50/20y; 60/5y	3%-6%
57.	N.C.	LGERS	L	65/5y; any/30y	50/20y; 60/5y	3%-6%
58.	N.D.	PERS	S,L,T	65	55/10y	6%
59.	N.D.	TFR	T	65/10y or Rule of 90	55/10y	6%
60.	Ohio	PERS	S,L	65 or 30y	55/25y; 60/5y	3%
61.	Ohio	STRS	T	65/5y; any/30y	60/5y; 55/25y	3%-5%
62.	Okla.	PERS	S,L	62/any; 55/30y	55/10y	Table
63.	Okla.	TRS	T	62/10y; 55/30y	Any/30y; 55/10y	Table
64.	Oreg.	PERS	S,L,T	58/any; 55/30y	55/any	8%
65.	Penn.	SERS	S	60/3y; Any/35y	Any/10y	Table
66.	Penn.	PSERS	T	62/any; 60/30y; any/35y	Any/10y	Table
67.	R.I.	ERS	S,T	60/10y; 55/30y; any/35y	Any/30y	Table
68.	S.C.	SCRS	S,L,T	65/any; any/30y	60	5%
69.	S.D.	SRS	S,L,T	65/5y	55/5y	3%
70.	Tenn.	CRS	S,L,T	60/any; any/30y	55/10y	3.6%
71.	Texas	ERS	S	60/10y; 55/30y	55/25y; 50/30y	Table
72.	Texas	TRS	T	65/10y; 60/20y; Rule of 95	55/10y; Any/30y	Table
73.	Texas	MRS	L	60/10y; 50/25y	None	-
74.	Utah	SRS	S,L,T	65/4y; any/30y	62/10y; 60/20y	3%
75.	Vert.	SRS	S	65/any; 62/20y	55/10y; any/30y	Table
76.	Vert.	TRS	T	65/any; any/30y	55/10y	Table
77.	Virg.	SRS	S,L,T	65/any; 60/30y	55/5y	6%-4.8%
78.	Wash.	PERS	S,L	65/5y	55/20y	7%
79.	Wash.	TRS	T	65/5y	55/20y	7%
80.	W.V.	PERS	S,L	60/5y	55/20y	Table
81.	W.V.	TRS	T	60/5y; 55/30y; Any/35y	None	-
82.	Wyom.	WRS	S,L,T	60/4y	50/4y; Any/25y	Table
83.	Milw.	City	L	60	None	-
84.	Milw.	County	L	60/any; 55/30y	55/15y	5%
85.	Wis.	WRS	S,L,T	65/any; 62/30y	55	4.8%

(* System uses a different multiplier for retirement at specified ages in lieu of, or in addition to, an actuarial discount.)

III. VESTING AND CONTRIBUTION RATES

A. Provision Descriptions

Vesting. The term "vesting" is defined as an employee's right after meeting the years of service requirements for the plan to receive a pension benefit regardless of whether the employee remains in covered employment. The vesting requirements for the PERS surveyed in other states are reflected in charts on pages 11 and 12 and can be summarized as follows:

<u>Vesting Requirement</u>	<u># of Funds</u>	<u>% of Total</u>
Vesting after 4 years	2 plans	2.4%
Vesting after 5 years	29 plans	35.4%
Vesting after 8 years	3 plans	3.7%
Vesting after 10 years	46 plans	56.1%
Vesting after 20 years	1 plan	1.2%
No vesting before retirement	1 plan	1.2%
	<u>82 plans</u>	<u>100.0%</u>

Wisconsin's WRS is unique among all of the plans surveyed in that WRS participants vest immediately. Literally, this means that if an employee terminates with even one year of service that the employee has a vested right to a pension benefit payable at normal or early retirement. In contrast, well over one-half of the plans surveyed require 10 or more years of service to vest, and the Milwaukee City and County Plans require four and six years, respectively.

Soc. Sec. Rates. Except for the self-employed, the OASDHI program is usually financed by equal contributions from employees and employers involved. An exception is the contribution rates for 1984 which presently require a tax rate of 6.7% for employees and a 7% rate for employers on a wage basis of \$37,800. Both the rates of contribution and the salary to which that rate is applied have been increasing over time, which is partially reflected in the following table:

<u>Year</u>	<u>Employee Rate</u>	<u>Employer Rate</u>	<u>Wage Base</u>
1978	6.05%	6.05%	\$17,700
1980	6.13%	6.13%	25,900
1982	6.70%	6.70%	32,400
1984	6.7%	7.0%	37,800
1986	7.15%	7.15%	?
1988	7.51%	7.51%	?
1990	7.65%	7.65%	?

The earnings base is increased each year as average earnings in the country increase. Although often discussed, public employers rarely "pick up" the required employee contributions to social security because any such pick-up is deemed to be additions to gross wages, resulting in little or no advantage to the employees or employers involved.

Employee Rates. Although most private sector pension plans are non-contributory, most public retirement systems require employee contributions. The employee rate information found on pages 11 and 12 may be summarized as follows:

<u>Employee Contributions</u>	<u>Number</u>	<u>% of Total</u>
Employee rate of 0 - 5%	31 plans	37.8%
Employee rate over 5%	40 plans	48.8%
Rate variable by age	2 plans	2.4%
Noncontributory	9 plans	11.0%
	<u>82 plans</u>	<u>100.0%</u>

Of the 82 out-state PERS surveyed, eight (9.8%) permit the employer to pick-up part or all of the required employee contributions. Five systems have a split employee contribution rate applying to different levels of salary. Also, two systems require employee contributions up to a specified maximum salary of \$20,000 and \$25,000, respectively.

Wisconsin's WRS requires 5% contributions for general employees and teachers, but this rate will increase on January 1, 1986, to 6% of payroll. Under the WRS, employers may pick-up part or all of the required employee contribution, and most employers are paying all of the required contribution rates for general employees and teachers.

Employer Rates. The information contained on pages 11 and 12 relative to employer contributions is perhaps less reliable than other provisions surveyed in this report. Often, employer contributions noted in annual reports are stated in dollars instead of as a percent of payroll. Also, employer costs often vary from year to year, depending upon periodic actuarial valuations. Also, employer costs may be divided into several categories including normal cost, amortization costs, and administrative costs, and lastly, such amounts may come from different sources. The information from Chart III can be summarized as follows:

<u>Employer Contributions</u>	<u>Number</u>	<u>% of Total</u>
Employer rates of 0-5%	4 plans	4.9%
Employer rates of 5%-10%	36 plans	43.9%
Employer rates over 10%	24 plans	29.3%
Employer rates unknown	13 plans	15.9%
Employer rates are variable	2 plans	2.4%
Employer rate = pay-as-you-go	3 plans	3.7%

Wisconsin's WRS employer rate is determined each year by the DETF Board based upon current actuarial analysis. The current employer rate for normal cost and amortization averages 6.5% of payroll, but the employer normal cost for general employees and teachers is scheduled to increase 0.2% of payroll effective 1/1/86. Even with this increase, the WRS reflects an employer cost less than the majority of other PERS surveyed. Also, it is significantly less than the Milwaukee City and County Plans which have a 12.89% and 18.8% employer cost, respectively.

CHART III

CONTRIBUTION & VESTING REQUIREMENTS

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Soc. Sec.</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Vesting Period</u>
1.	Alab.	ERS	Yes	5%	7.59%	10 yrs.
2.	Alab.	TRS	Yes	5%	13.73%	10 yrs.
3.	Alas.	PERS	No	4 1/4%	13.62%	5 yrs.
4.	Alas.	TRS	No	7%	17.96%	8 yrs.
5.	Ariz.	SRS	Yes	7%	7%	5 yrs.
6.	Arka.	PERS	Yes	Noncontributory	10%-12%	10 yrs.
7.	Arka.	TRS	Yes	6%	12.29%	10 yrs.
8.	Cali.	PERS	Yes	5%-9%	16% to 21%	5 yrs.
9.	Cali.	TRS	No	8%	8% + state	5 yrs.
10.	Colo.	PERA	No	8%	10.2%-12.5%	5 yrs.
11.	Conn.	SERS	Yes	Noncontributory	?	10 yrs.
12.	Conn.	TRS	No	6%	?	10 yrs.
13.	Dela.	SEPP	Yes	3%/5% (split)	14.4%	10 yrs.
14.	Flor.	FRS	Yes	Noncontributory	10.93%	10 yrs.
15.	Geor.	ERS	Yes	3%/5% (split)*	7.75%	10 yrs.
16.	Geor.	TRS	Yes	6%	12.55%-12.67%	10 yrs.
17.	Hawaii	ERS	Yes	7.8% total	23.47%	5 yrs.
18.	Idaho	ERS	Yes	5.30%	8.82%	5 yrs.
19.	Ill.	SERS	Yes	4%*	13.29% Actuarial	8 yrs.
20.	Ill.	TRS	No	8%	?	5 yrs.
21.	Ill.	MRF	Yes	4.5%	Actuarial Per Er.	8 yrs.
22.	Ind.	PERF	Yes	3%	7.5%	10 yrs.
23.	Ind.	TRF	Yes	3%	Pay-as-you-go	10 yrs.
24.	Iowa	PERS	Yes	3.75%-\$20,000 max. wa.	5.75%-up to \$20,000	4 yrs.
25.	Kans.	PERS	Yes	4%	4.8% average	10 yrs.
26.	Kent.	ERS	Yes	4%	6 1/4%-7 1/4%	5 yrs.
27.	Kent.	TRS	No	7.45%-8.931%	10.65%-12.18%	5 yrs.
28.	Louis.	SERS	No	7%	9.2%	10 yrs.
29.	Louis.	TRS	No	7%	9.3%	10 yrs.
30.	Maine	SRS	No	6.5%	15.47% to 15.9%	10 yrs.
31.	Mary.	SRS	Yes	5% over S.S. base	4.6%-6.25%	5 yrs.
32.	Mass.	SERS	No	7%	Pay-as-you-go	10 yrs.
33.	Mass.	TRS	No	7%	Pay-as-you-go	10 yrs.
34.	Mich.	SERS	Yes	Noncontributory	8.85%	10 yrs.
35.	Mich.	MERS	Yes	0 to 10%	Variable Plans	10 yrs.
36.	Mich.	PSERS	Yes	Noncontributory	5% + State Appr.	10 yrs.
37.	Minn.	MSRS	Yes	3.73%*	3.9%	10 yrs.
38.	Minn.	PERA	Yes	4%	5.5%	10 yrs.
39.	Minn.	TRA	Yes	4.5%	7.55%	10 yrs.
40.	Miss.	PERS	Yes	6%	8 3/4%	10 yrs.
41.	Mou.	SERS	Yes	Noncontributory	12%	10 yrs.
42.	Mou.	LAGERS	Yes	4%*	5% to 9%	5 yrs.
43.	Mou.	PSRS	No	9.5%	9.5%	10 yrs.
44.	Mont.	PERS	Yes	6%	6.417%	5 yrs.
45.	Mont.	TRS	Yes	7.044%	7.320%	5 yrs.

CONTRIBUTION & VESTING REQUIREMENTS

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Soc. Sec.</u>	<u>Employee Contribution</u>	<u>Employer Contribution</u>	<u>Vesting Period</u>
46.	Nebra.	SERS	Yes	3/6%/4.8% (split)	156% of EE rate	5 yr/9.2 y
47.	Nebra.	TERS	Yes	3 1/2%	?	5 yrs.
48.	Neva.	PERS	No	Noncontributory	15%	10 yrs.
49.	N.H.	NHRS	Yes	4.6%/9.2% (split)	?	10 yrs.
50.	N.J.	PERS	Yes	4.96% to 8.73% (age)	?	10 yrs.
51.	N.J.	TRS	Yes	Variable by age	?	10 yrs.
52.	N.M.	PERA	Yes	7.85%	7% to 7.85%	5 yrs.
53.	N.M.	ERA	Yes	6.8%	6.8%	5 yrs.
54.	N.Y.	ERS	Yes	3%	9.2%	10 yrs.
55.	N.Y.	TRS	Yes	3%	?	10 yrs.
56.	N.C.	TSERS	Yes	6%	10.03%	5 yrs.
57.	N.C.	LGERS	Yes	6%	7% average	5 yrs.
58.	N.D.	PERS	Yes	4%	5.12%	10 yrs.
59.	N.D.	TRF	Yes	6.25%	6.2%	10 yrs.
60.	Ohio	PERS	No	8.5%	13.71% to 13.95%	5 yrs.
61.	Ohio	STRS	No	8.75%	14%	5 yrs.
62.	Okla.	PERS	Yes	4%	14%	10 yrs.
63.	Okla.	TRS	Yes	5% (\$25,000 max. wa.)	?	10 yrs.
64.	Oreg.	PERS	Yes	6%*	11.01% to 11.67%	5 yrs.
65.	Penns.	SERS	Yes	6 1/4%	15.77%	10 yrs.
66.	Penns.	PSERS	Yes	6 1/4%	18.06%	10 yrs.
67.	R.I.	ERS	Yes	6% to 7%	10.4% to 6.6%	10 yrs.
68.	S.C.	SCRS	Yes	4%/6% (split)	7%	5 yrs.
69.	S.D.	SRS	Yes	5%	5%	5 yrs.
70.	Tenn.	CRS	Yes	5% * or none	11.07% to 15.01%	10 yrs.
71.	Texas	ERS	Yes	6%	8%	10 yrs.
72.	Texas	TRS	Yes	6.65%	8.5%	10 yrs.
73.	Texas	MRS	Yes	5% *	5% to 10%	10 or 20
74.	Utah	SRS	Yes	8.95% *	8.95%	-
75.	Vert.	SRS	Yes	5%	10.26%	10 yrs.
76.	Vert.	TRS	Yes	5.5%	8.74%	10 yrs.
77.	Virg.	SRS	Yes	5%	6.15% to 8.86%	5 yrs.
78.	Wash.	PERS	Yes	6%	?	5 yrs.
79.	Wash.	TRS	Yes	6%	?	5 yrs.
80.	W.V.	PERS	Yes	4 1/2%	9 1/2% to 10 1/2%	5 yrs.
81.	W.V.	TRS	Yes	6%	6%	20 yrs.
82.	Wyom.	WRS	Yes	5.57%	5.68%	4 yrs.
83.	Milw.	City	Yes	5 1/2% (ER picked up)	12.89%	4 yrs.
84.	Milw.	County	Yes	Noncontributory	18.8%	6 yrs.
85.	Wis.	WRS	Yes	5% *	6.5% average	Immediat

(*Employee contributions may be "picked-up" by employer)

IV. AFTER RETIREMENT ADJUSTMENTS AND TAXES

A. After Retirement Provisions

Soc. Sec. Beginning in 1975, social security benefits have been automatically adjusted according to changes in the Consumer Price Index (CPI). If the CPI for a particular base quarter increases by at least 3% from what it was in the previous base quarter, the benefits are then increased by the percent rise effective in the January 1 check. The automatic adjustments in the most recent five-year period are as follows:

<u>Year</u>	<u>Percent</u>	<u>Payable</u>
1979	9.9%	7/1/79
1980	14.3%	7/1/80
1981	11.2%	7/1/81
1982	7.4%	7/1/82
1983/84	3.5%	1/1/84*

(* - change in effective date)

Hence, to the degree that the OASDHI program is part of total retirement planning for a particular system, at least that part keeps pace with inflation. Although social security benefits were previously tax free, up to 50% of such benefits will newly be subject to Federal taxation if income during retirement exceeds a specified level--\$25,000/single and \$32,000/joint.

COLA Plans. During the 1970 decade, inflation caused most public pension plans to view protection of annuity purchasing power as their number one problem. Most public plans adopted various automatic adjustment plans in order to keep pace with inflation. The types of post-retirement increase plans are noted on pages 15 and 16, and that information can be summarized and compared with the 82 survey as follows:

<u>COLA Plans</u>	<u>1982 Survey</u>	<u>1984 Survey</u>
CPI Plan Plus/Minus Cap	42.5%	43.9%
Automatic Annual Increase	12.5%	14.6%
Investment Experience	3.7%	3.7%
Board/Employer Option	2.5%	1.2%
Ad Hoc Increases Only	38.8%	36.6%

Wisconsin's WRS has adopted the so-called "dividend process" which relies upon investment experience to provide post-retirement increases. Under this process, assets are transferred at the time of retirement to the annuity reserves, assuming interest earnings of 5%. If such assets earn in excess of this level, the "surpluses" are used to provide dividend increases. In recent years, this process has provided increases of about 5% per year, compounded. As such, the increases for WRS retirees is greater than most other public PERS which are covered by a CPI plan with a cap or an automatic annual increase plan.

State Taxes. When planning the income replacement goals for a retirement system, the desired replacement level is partially dependent upon the tax status of retirement benefits under Federal and state law. At the Federal level, retirement benefits essentially are taxable once the employee's contributions (upon which taxes have already been paid) have been returned to the annuitant.

Concerning taxability at the state level, most states either have no income tax law or grant an exemption (totally or partially) to benefits payable from the public retirement systems of that state. The tax status for each plan surveyed in this report and noted on pages 15 and 16 may be summarized as follows:

<u>Tax Status</u>	<u># of Plans</u>	<u>% of Total</u>
No state income tax law	15 plans	18.3%
Benefits totally exempt	46 plans	56.1%
Benefits partially exempt	11 plans	13.4%
Benefits are taxable	10 plans	12.2%
	<u>82 plans</u>	<u>100.0%</u>

Hence, this survey indicates that nearly 75% of other public PERS either have no state income tax law or totally exempt PERS benefits from state income taxes.

Wisconsin Tax Laws. Section 71.03 (2)(d) of Wisconsin Statutes provides an exemption for some participants under the public retirement systems of this state, but no exemption for others. This section of law provides that persons who were participants (either active or retired) under the Milwaukee pension funds or the State Teachers Retirement System (STRS) on December 31, 1963, shall have their benefits excluded from state income tax considerations.

All other persons who are participants under other public retirement systems of the state or who were hired after December 31, 1963, under the Milwaukee funds and STRS have no tax exemption status. Hence, those that are covered by the "grandfather clause" have a significant advantage over other public employees of the state even though there is no difference in the formulas upon which benefits are calculated to reflect this advantage.

CHART IV

POST-RETIREMENT INCREASES & STATE TAX PROVISIONS

No.	State	Fund	Soc. Sec.	Post-Retirement Increases	State Taxes
1.	Alab.	ERS	Yes	Ad Hoc increases only	Benefits exempt
2.	Alab.	TRS	Yes	Ad Hoc increases only	Benefits exempt
3.	Alas.	PERS	No	CPI adjustments-4% cap	No income tax law
4.	Alas.	TRS	No	CPI adjustments-4% cap	No income tax law
5.	Ariz.	SRS	Yes	Ad Hoc increases only	Benefits exempt
6.	Arka.	PERS	Yes	Automatic 3% annual adjustment	Benefits exempt
7.	Arka.	TRS	Yes	CPI adjustments-3% cap	Benefits exempt
8.	Calif.	PERS	Yes	Automatic 2% annual adjustment	Benefits exempt
9.	Calif.	TRS	No	Automatic 2% annual adjustment	Benefits exempt
10.	Colo.	PERA	No	CPI adjustments-3% cap	Exempt to \$20,000
11.	Conn.	SERS	Yes	Automatic 3% annual adjustment	No income tax law
12.	Conn.	TRS	No	CPI adjustments-5% cap	No income tax law
13.	Dela.	SEPP	Yes	Ad Hoc increases only	Exempt to \$2,000
14.	Flor.	FRS	Yes	CPI adjustments-3% cap	No income tax law
15.	Geor.	ERS	Yes	CPI adjustments-2% cap semi-annual	Benefits exempt
16.	Geor.	TRS	Yes	CPI adjustments-1 1/2% cap semi-ann.	Benefits exempt
17.	Hawaii	ERS	Yes	Automatic 2 1/2% annual increase	Benefits exempt
18.	Idaho	PERS	Yes	CPI 1%-6% adjust.-Board discretion	Benefits taxable
19.	Ill.	SERS	Yes	Automatic 3% annual increase	Benefits exempt
20.	Ill.	TRS	No	Automatic 3% annual increase	Benefits exempt
21.	Ill.	MRF	Yes	Automatic 2% annual increase	Benefits exempt
22.	Ind.	PERF	Yes	Ad Hoc increases only	Benefits taxable
23.	Ind.	TRF	Yes	Ad Hoc increases only	Benefits taxable
24.	Iowa	PERS	Yes	Ad Hoc increases only	Benefits exempt
25.	Kans.	PERS	Yes	Ad Hoc increases only	Benefits exempt
26.	Kent.	ERS	Yes	Ad Hoc increases only	Benefits exempt
27.	Kent.	TRS	No	Automatic 1% annual increase	Benefits exempt
28.	Louis.	SERS	No	CPI adjustments-3% cap	Benefits exempt
29.	Louis.	TRS	No	CPI adjustments-3% cap	Benefits exempt
30.	Maine	SRS	No	CPI adjustments-4% cap	Benefits taxable
31.	Mary.	SRS	Yes	CPI adjustments-3% cap	Exempt to \$6,400
32.	Mass.	SERS	No	CPI adjust.-3% cap (legislated)	Benefits exempt
33.	Mass.	TRS	No	CPI adjust.-3% cap (legislated)	Benefits exempt
34.	Mich.	SERS	Yes	Ad Hoc increases only	Benefits exempt
35.	Mich.	MERS	Yes	CPI adjustments-2.5% cap	Benefits exempt
36.	Mich.	PSERS	Yes	Employer option	Benefits exempt
37.	Minn.	MSRS	Yes	Investment return increases	Exempt to \$11,000
38.	Minn.	PERA	Yes	Investment return increases	Exempt to \$11,000
39.	Minn.	TRA	Yes	Investment return increases	Exempt to \$11,000
40.	Miss.	PERS	Yes	1/2 CPI adjustments-2 1/2% cap	Benefits exempt
41.	Mou.	SERS	Yes	Automatic 4% to 5% annual increases	Benefits exempt
42.	Mou.	LAGERS	Yes	CPI adjustments-2% cap	Benefits exempt
43.	Mou.	PSRS	No	CPI adjustments-4% cap	Benefits exempt
44.	Mont.	PERS	Yes	Ad Hoc increases only	Benefits exempt
45.	Mont.	TRS	Yes	Ad Hoc increases only	Benefits exempt

POST-RETIREMENT INCREASES & STATE TAX PROVISIONS

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Soc. Sec.</u>	<u>Post-Retirement Increases</u>	<u>State Taxes</u>
46.	Nebr.	SERS	Yes	Ad Hoc increases only	Benefits taxable
47.	Nebr.	TRS	Yes	Ad Hoc increases only	Benefits taxable
48.	Neva.	PERS	No	Automatic 2% annual increase	No income tax law
49.	N.H.	NHRS	Yes	Ad Hoc increases only	No income tax law
50.	N.J.	PERS	Yes	60% of CPI adjustments	Exempt to \$10,000-jt.
51.	N.J.	TRS	Yes	60% of CPI adjustments	Exempt to \$10,000-jt.
52.	N.M.	PERA	Yes	CPI adjustments-3% cap	Benefits exempt
53.	N.M.	ERA	Yes	CPI adjustments-2% cap	Benefits exempt
54.	N.Y.	ERS	Yes	CPI adjustments-3% cap	Benefits exempt
55.	N.Y.	TRS	Yes	CPI adjustments-3% cap	Benefits exempt
56.	N.C.	TSERS	Yes	CPI adjustments-4% cap	Benefits exempt
57.	N.C.	LGERS	Yes	Ad Hoc increases only	Benefits exempt
58.	N.D.	PERS	Yes	Ad Hoc increases only	Benefits taxable
59.	N.D.	TRF	Yes	Ad Hoc increases only	Benefits taxable
60.	Ohio	PERS	No	CPI adjustments-3% cap	Exempt to \$4,000
61.	Ohio	STRS	No	CPI adjustments-3% cap	Exempt to \$4,000
62.	Okla.	PERS	Yes	Ad Hoc increases only	Benefits exempt
63.	Okla.	TRS	Yes	Ad Hoc increases only	Benefits exempt
64.	Oreg.	PERS	Yes	CPI adjustments-2% cap	Benefits exempt
65.	Penns.	SERS	Yes	Ad Hoc increases only	Benefits exempt
66.	Penns.	PSERS	Yes	Ad Hoc increases only	Benefits exempt
67.	R.I.	ERS	Yes	Automatic 3% annual increase	Benefits taxable
68.	S.C.	SCRS	Yes	CPI adjustments-4% cap	Benefits exempt
69.	S.D.	SRS	Yes	50% of CPI adjustments-3% cap	No income tax law
70.	Tenn.	CRS	Yes	CPI adjustments-3% cap	No income tax law
71.	Texas	ERS	Yes	Ad Hoc increases only	No income tax law
72.	Texas	TRS	Yes	Ad Hoc increases only	No income tax law
73.	Texas	MRS	Yes	Ad Hoc increases only	No income tax law
74.	Utah	SRS	Yes	CPI adjustments-4% cap	Benefits exempt
75.	Vert.	SRS	Yes	CPI adjustments-5% cap	Benefits taxable
76.	Vert.	TRS	Yes	CPI adjustments-5% cap	Benefits taxable
77.	Virg.	SRS	Yes	CPI adjustments-5% cap	Benefits exempt
78.	Wash.	PERS	Yes	Ad Hoc increases only	No income tax law
79.	Wash.	TRS	Yes	Ad Hoc increases only	No income tax law
80.	W.V.	PERS	Yes	Ad Hoc increases only	Benefits exempt
81.	W.V.	TRS	Yes	Ad Hoc increases only	Benefits exempt
82.	Wyom.	WRS	Yes	Ad Hoc increases only	No income tax law
83.	Milw.	City	Yes	Ad Hoc only	Exempt for some
84.	Milw.	County	Yes	Automatic 2% annual increase	Exempt for some
85.	Wis.	WRS	Yes	Investment return increases	Exempt for some

V. RETIREMENT BENEFIT CALCULATIONS

A. Formula Provisions

Benefit Formulas. Several of the PERS included in this survey administer multiple plans or tiers which apply to different groups of employees depending upon their date of employment--New York is an example. Other systems provide different formula multipliers based upon specific calendar dates reflecting improvements that were applied prospectively only. Also, some plans give different recognition to service credit granted before the start-up of the pension system, etc.

The chart on pages 19 and 20 of this report reflects only the current benefit formulas for the PERS surveyed. As noted, all but two (money purchase plans) of the 82 surveyed funds are defined benefit plans in which benefits are calculated by one or more formulas of:

- multiplier \times years of service \times FAS -

Sixteen of the surveyed PERS (those with a * before the formula) do not provide social security coverage for their membership and, hence, presumably have a higher benefit multiplier to compensate for that lack. Most of the 16 plans without social security provide a multiplier of 2.5% per year of service.

Because Wisconsin's WRS does provide social security coverage, most of the RRC comparisons have been with those systems which similarly provide social security coverage--in this survey, 66 funds. When the 1982 comparative survey was completed (S.R. #60), the WRS provided a multiplier of 1.3% per year of service, and that report noted that the Wisconsin system was in the lowest 10% of surveyed funds with social security.

During the 1983 session, the benefit multiplier for general employees and teachers under Wisconsin's WRS was increased from 1.3% to 1.6% per year of service. The benefit formulas noted on pages 19 and 20 indicate the following WRS comparisons relative to the 66 systems with social security:

- 33 or 50% provide a higher multiplier than WRS's 1.6%
- 33 or 50% provide similar or lower benefits than the WRS, depending upon length of service, salary, inflation, etc.

Hence, this current survey clearly indicates that the 1983 legislative session changes brought the WRS benefit structure up to the median of benefits provided by similar statewide public retirement systems across the nation.

Final Average Salary. Most public pension plans provide that benefits shall be based upon a "final average salary" (FAS) reflecting the highest earnings over a specified number of years. During inflationary periods, FAS plans provide protection against inflation at least during the working career--the shorter the FAS period, the greater the protection. The FAS periods used by the various PERS surveyed as reflected in the charts on pages 19 and 20 may be summarized as follows:

<u>FAS Period</u>	<u># of Plans</u>	<u>% of Total</u>
2-year FAS period	2 plans	2.45%
3-year FAS period	45 plans	51.2 %
4-year FAS period	5 plans	6.1 %
5-year FAS period	31 plans	37.8 %
Money purchase plans	2 plans	2.45%
	<u>82 plans</u>	<u>100.0%</u>

Wisconsin's WRS uses a three high year average without any requirement that such years be consecutive or within an "X" year period. As noted from the survey, this places the WRS within the majority group (51.2%) of the PERS surveyed relative to the FAS period.

Benefit Limitations. The charts on pages 19 and 20 also reflect that some plans establish maximum limits on benefits that may be payable from the system. Such limits may be based upon an offset because of social security, a maximum expressed as a percent of FAS, a maximum number of creditable years of service, or a maximum salary level that may be included in formula calculations. On the other hand, the majority of PERS surveyed reflect no maximum limitations as may be noted from the following summary:

<u>Limitation</u>	<u># of Plans</u>	<u>% of Total</u>
No benefit limitations	51 plans	62.2%
FAS limitation	20 plans	24.4%
Salary maximum	2 plans	2.4%
Service credit maximum	9 plans	11.0%
	<u>82 plans</u>	<u>100.0%</u>

Wisconsin's WRS provides that benefits may not exceed 65% of FAS. Benefits payable under the OASDHI programs are not included in this 65% limitation. Prior to the benefit improvements of the 1983 legislative session, the maximum limitation under the WRS was 85% of FAS, including the primary social security benefit.

CHART V

FINAL AVERAGE PERIODS - FORMULAS - LIMITATIONS

No.	State	Fund	FAS Period	Benefit Formula	Limitation
1.	Alab.	ERS	3 H/10	2.0125% x yrs. x FAS	None
2.	Alab.	TRS	3 H/10	2.0125% x yrs. x FAS	None
3.	Alas.	PERS	3 HC	* 2% x yrs. x FAS	None
4.	Alas.	TRS	3 H	* 2% x yrs. x FAS	None
5.	Ariz.	SRS	5 HC	2.0% x yrs. x FAS	None
6.	Arka.	PERS	5 HC/10	1.625% x yrs. x (FAS - partial S.S.)	None
7.	Arka.	TRS	5 H	1.59% x yrs. x FAS	None
8.	Cali.	PERS	3 HC*	2.418% x yrs. x FAS (at age 63)	None
9.	Cali.	TRS	3 HC	* 2% x yrs. x FAS	None
10.	Colo.	PERA	3 H*	* 2.5% x 20 yrs. ⊕ 1% x addit. yrs.	70% FAS
11.	Conn.	SERS	3 H*	1.33% x FAS ⊕ 0.5% x (FAS over \$12,000)	75% FAS
12.	Conn.	TRS	3 H	* 2% x FAS x yrs.	75% FAS
13.	Dela.	SEPP	5 HC	1.66% x yrs. x FAS	75% FAS with PIA
14.	Flor.	FRS	5 H	1.68% x yrs. x FAS (at age 65)	None
15.	Geor.	ERS	2 H	1.5% x yrs. x FAS	None
16.	Geor.	TRS	2 HC	2% x yrs. x FAS	40 yrs.
17.	Hawaii	ERS	3 H	2% x yrs. x FAS	None
18.	Idaho	ERS	5 HC	1.67% x yrs. x FAS	None
19.	Ill.	SERS	4 HC	1% x 1st 10 yrs. ⊕ 1.5% x yrs. over 30	75% FAS
20.	Ill.	TRS	4 HC	* 1.66% x 1st 10 yrs. ⊕ 2.3% x yrs. over 30	75% FAS
21.	Ill.	MRF	4 HC/10	1.66% x 1st 15 yrs. ⊕ 2% x yrs. over 15	75% FAS
22.	Ind.	PERF	5 H	1.1% x FAS x yrs. ⊕ "ee" M.P. annuity	45 yrs. maximum
23.	Ind.	TRF	5 H	1.1% x FAS x yrs. ⊕ "ee" M.P. annuity	None
24.	Iowa	PERS	5 H*	1.66% x yrs. x FAS	30 yrs; \$20,000 FAS
25.	Kans.	PERS	5 H	1.40% x yrs. X FAS	None
26.	Kent.	ERS	5 H	1.6% x yrs. x FAS	None
27.	Kent.	TRS	5 H	* 2 1/2% x yrs. x FAS	None
28.	Louis.	SERS	3 HC	* 2.5% x yrs. x FAS	100% FAS (40 yrs.)
29.	Louis.	TRS	3 HC	* 2.5% x yrs. x FAS	100% FAS
30.	Maine	SRS	3 H	* 2% x yrs. x FAS	None
31.	Mary.	SRS	3 HC	(.8% x aver. S.S. base ⊕ 1.5% x excess) x yrs.	None
32.	Mass.	SERS	3 HC	* 2.5% x yrs. x FAS (at 65)	80% of FAS
33.	Mass.	TRS	3 HC	* 2.5% x yrs. x FAS (at 65)	80% of FAS
34.	Mich.	SERS	5 HC	1.5% x yrs. x FAS	None
35.	Mich.	MERS	5 HC	ER cafeteria options system	None
36.	Mich.	PSERS	5 HC	1.5% x yrs. x FAS	None
37.	Minn.	MSRS	5 HC	1% x 1st 10 yrs. ⊕ 1.5% x added yrs. x FAS	40 yrs.
38.	Minn.	PERA	5 HC	1% x 1st 10 yrs. ⊕ 1.5% x added yrs. X FAS	40 yrs.
39.	Minn.	TRA	5 HC	1% x 1st 10 yrs. ⊕ 1.5% x added yrs. X FAS	40 yrs.
40.	Miss.	PERS	5 HC	1.625% x 1st 20 yrs. ⊕ 1.75% x next 10 yr.	None
41.	Mou.	SERS	3 HC	1.25% x yrs. x FAS	None
42.	Mou.	LAGERS	3 HC	ER cafeteria options systems	None
43.	Mou.	PSRS	5 HC	* 2% x yrs. x FAS	80% of FAS
44.	Mont.	PERS	3 HC	1.667% x yrs. x FAS	None
45.	Mont.	TRS	3 HC	1.667% x yrs. FAS	None

(*- No Soc. Sec.)

FINAL AVERAGE PERIODS - FORMULAS - LIMITATIONS

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>FAS Period</u>	<u>Benefit Formula</u>	<u>Limitation</u>
46.	Nebr.	SERS	-	Money purchase system	None
47.	Nebr.	TERS	3 H	1.25% x yrs. x FAS	None
48.	Neva.	PERS	3 H	* 2.5% x yrs. x FAS	75% of FAS
49.	N.H.	NHRS	3 H	1.667% x yrs. x (FAS - S.S. offset)	None
50.	N.J.	PERS	3 H	1.667% x yrs. x FAS	None
51.	N.J.	TRS	3 H	1.667% x yrs. x FAS	None
52.	N.M.	PERA	3 H	2% x yrs. x FAS	60% of FAS
53.	N.M.	ERA	5 HC	2% x yrs. x FAS	None
54.	N.Y.	ERS	3 HC	(2% x yrs. x FAS)- 1/2 PIA	None
55.	N.Y.	TRS	3 HC	(2% x yrs. x FAS)- 1/2 PIA	None
56.	N.C.	TSERS	4 HC	1.57% x yrs. x FAS	None
57.	N.C.	LGERS	4 HC	1.57% x yrs. x FAS	None
58.	N.D.	PERS	5 H/10	1.2% x yrs. x FAS	None
59.	N.D.	TRF	3 H/10	1.05% x yrs. x FAS	None
60.	Ohio	PERS	3 H	* 2% x yrs. x FAS	90% of FAS
61.	Ohio	STRS	3 H	* 2% x yrs. x FAS	90% of FAS
62.	Okla.	PERS	5 H/10	2% x yrs. x FAS	\$25,000 max. FAS
63.	Okla.	TRS	5 H	2% x yrs. x FAS	None
64.	Oreg.	PERS	3 H/10	1.67% x yrs. x FAS	None
65.	Penn.	SERS	3 HC	2% x yrs. x FAS	None
66.	Penn.	PSERS	3 H	2% x yrs. x FAS	None
67.	R.I.	ERS	3 HC	1.7% x 1st 10 yrs. to 2.43% x yrs. over 20	38 yrs. max.
68.	S.C.	SCRS	3 HC	1.25% x \$4,800 + 1.65% x excess FAS	None
69.	S.D.	SRS	3 HC/10	1.1% x FAS x yrs. or 2% - PIA	None
70.	Tenn.	CRS	5 HC	1.5% x FAS + 0.25% x FAS over S.S. level	75% of FAS
71.	Texas	ERS	3 H/5	1.5% x 1st 10 yrs. + 2.0% x added yrs.	80% of FAS
72.	Texas	TRS	3 H	2% x yrs. x FAS	None
73.	Texas	MRS	-	Money purchase plans	None
74.	Utah	SRS	5 H	2% x yrs. x FAS	100% FAS with S.S.
75.	Vert.	SRS	5 HC	1.667% x yrs. x FAS	30 yrs.
76.	Vert.	TRS	5 HC	1.667% x yrs. x FAS	30 yrs.
77.	Virg.	SRS	3 HC	1.65% x yrs. x (FAS - \$1,200)	None
78.	Wash.	PERS	5 HC	2% x yrs. x FAS	60% FAS
79.	Wash.	TRS	5 HC	2% x yrs. x FAS	60% FAS
80.	W.V.	PERS	3 H/10	2% x yrs. x FAS	None
81.	W.V.	TRS	5 H/15	2% x yrs. x FAS	None
82.	Wyom.	WRS	3 HC	2% x yrs. x FAS	None
83.	Milw.	City	3 H	2% x yrs. x FAS	85% FAS with S.S.
84.	Milw.	County	5 HC	1.5% x yrs. x FAS	80% FAS
85.	Wis.	WRS	3 H	1.6% x yrs. x FAS	65% FAS

(*-No Soc. Sec.)

VI. SUMMARY OF WRS COMPARISONS

1984 Survey. The purpose of this staff report is to provide a tool to measure the adequacy of retirement benefit goals under Wisconsin's WRS. Those goals are to replace between 50% and 80% of the net takehome pay at the time of retirement, when social security primary benefits are included. The emphasis of this comparative survey is on benefits for general employees and teachers, representing 93% of all participants under the WRS.

Favorable Comparisons. This survey indicates that Wisconsin's WRS compares favorably with PERS in other states as follows:

1. Consolidation. The WRS provides coverage for 90% of all public employees within the state including state, local, and teacher participants. This consolidation permits a high degree of portability, reciprocity, and uniformity in benefit rights.
2. Vesting. The WRS vests immediately for retirement benefit purposes. Other PERS surveyed vest only after four or more years of service--most often after 10 years.
3. Social Security. Nearly all participants under the WRS are also covered by the OASDHI program. The only exceptions are firefighters and a few "separate" teachers. Twenty percent of the PERS surveyed do not provide social security coverage, and in a number of other systems social security coverage is by local employer option.
4. FAS Period. The WRS provides a final average salary period of three years, without any requirement that such years be consecutive or within an "X" year period. The majority of other PERS surveyed also provide a three-year average, although 44% do require a longer period.
5. Formula. The WRS has a formula multiplier of 1.6% per year of service for general employees. This report indicates that 50% of the systems surveyed furnish higher benefits, while the other 50% furnish similar or lower benefits, depending upon working career specifics.
6. Actuarial Discount. The WRS requires a 4.8% actuarial discount for each year that retirement occurs before the normal retirement age. This discount is within the norm required by other PERS surveyed.

7. Funding. The WRS is about 80% funded for active and retired participants. As such, the WRS is more actuarially sound than most other public pension plans in the country.
8. Employee Contributions. The WRS requires 5% contributions for general employees and teachers, but this will be raised to 6% on 1/1/86. Accordingly, the WRS is in about the middle of the range of employee contributions required by other PERS surveyed.
9. Pick-Up. WRS statutes allow employers to pick-up part or all of the required employee contributions. Only eight of the other PERS surveyed permit such pick-up.
10. Employer Contributions. The WRS employer contributions for general employees and teachers averages 6.5% of payroll, but this will be increased by 0.2% of payroll on 1/1/86. This survey indicates that the WRS requires smaller employer contributions than most other PERS surveyed.
11. COLA Adjustments. The WRS has adopted the dividend process of providing post-retirement increases based upon investment returns. This process in recent years has been providing 5% annual increases, compounded. As such, the WRS is providing higher post-retirement increases than most other PERS surveyed.

Unfavorable Comparisons. The WRS compares unfavorably with other PERS surveyed as follows:

1. Normal Retirement. The WRS now provides age 62 normal retirement for participants with 30 years or more of service, and age 65 normal retirement for participants with less service. This survey indicates that the majority of other PERS surveyed permit retirement at age 62 (or earlier) with 10 years of service or less.
2. State Taxes. Most participants under the WRS will have their benefits included in taxable income under Wisconsin statutes. This survey indicates that most other states either have no income tax law or provide a tax exemption for benefits payable from the state public retirement system.
3. Limitations. The WRS provides that retirement benefits may not exceed 65% of final average salary. The majority of other PERS surveyed provide for no benefit limitations.

Conclusion. With the benefit changes contained in 1983 Wisconsin Act 141, the WRS now provides a total benefit package that is very competitive with other public employee retirement systems, and provides that program at comparatively favorable costs to WRS employees and employers.

