

STATE OF WISCONSIN

RETIREMENT RESEARCH COMMITTEE

STAFF REPORT NO. 77

1986 COMPARATIVE SURVEY OF
MAJOR PUBLIC PENSION PLANS

Prepared by RRC Staff
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STATE OF WISCONSIN
RETIREMENT RESEARCH COMMITTEE
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Mr. Howard Fuller, 149 E. Wilson Street, Madison, WI 53703	
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* Appointed by the Governor

**Member of the Joint Survey Committee on Retirement Systems

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I. SURVEY OF STATEWIDE PERS

A. Pension System Descriptions

Surveys. About every two years the Retirement Research Committee (RRC) staff prepares a comparative survey of major state-wide public employee retirement systems (PERS) across the country. These surveys emphasize retirement programs for general employees and teachers. The last survey was completed in 1984--Staff Report #74.

The current study (S.R. #77 - 1986) compares 82 major PERS found in other states with the Wisconsin Retirement System (WRS) which is administered by the State Department of Employee Trust Funds (DETF). In addition, comparative information has been tabulated for the two other public pension plans within Wisconsin--the Milwaukee City ERS and the Milwaukee County ERS. These are the same PERS as found in the 1984 survey.

Data. The RRC Staff maintains files on major out-state PERS containing annual reports, employee handbooks, statutes, actuarial reports, etc. For most of the PERS in this survey, information is current through 1985. Where information in our files is not current, the data in this report was obtained from other national surveys published by the National Association of State Retirement Administrators (NASRA-1984) and the National Education Association (NEA-1984).

Coverage. The type of employees covered by the surveyed PERS is designated on the charts found on pages 3 and 4 of this report as "S"=state, "L"=local, and "T"=teachers. Of the 82 out-state PERS surveyed, the following coverage is noted:

<u>Employee Coverage</u>	<u>Systems</u>
State employees only	11 funds
Teachers only	27 funds
Local employees only	6 funds
State & Local	15 funds
State & Teacher	3 funds
State, Local & Teacher	<u>20 funds</u>
TOTAL	82 funds

Wisconsin's WRS provides coverage for state, local (municipal and county) and teacher participants, reflecting the merger of three state-administered pension plans which became effective on 1/1/82. There are approximately 52,365 state and 135,000 municipal and teacher employees for a total of 187,265 active WRS participants.

Participation. The 82 out-state PERS and the three Wisconsin pension funds reflect pension coverage for 8.3 million active employees and 2.4 million annuitants. These numbers are very similar to those found in the 1984 survey which reflected 8.4 million actives and 2.3 million annuitants. The systems in this survey range in size from Vermont's 7,580 to New York's 518,086. Wisconsin's merged system is larger than 80% of the systems included in this survey which reflect the following membership:

<u>Active Employees</u>	<u>1986 Survey</u>	<u>1984 Survey</u>
Less than 50,000	34 funds	36 funds
50,000 - 100,000	20 funds	20 funds
100,000 - 150,000	14 funds	12 funds
150,000 - 200,000	3 funds	3 funds
Over 200,000	<u>11 funds</u>	<u>11 funds</u>
TOTAL	82 funds	82 funds

Social Security. Coverage under the Federal OASDHI program was once elective for public employee pension plans, but now it is essentially frozen for those systems which have heretofore elected such coverage. Of the 82 out-state pension plans surveyed, social security coverage is as follows:

<u>Coverage</u>	<u>Systems</u>
Funds with coverage	<u>66 funds</u>
Funds without coverage	<u>16 funds</u>
TOTAL	82 funds

Of the 16 funds without Soc. Sec., 9 apply to pension plans covering teachers. The above figures for S.S. coverage are the same as found in the 1984 comparative survey. Nearly all of the participants of Wisconsin's WRS and the two Milwaukee funds are covered by the OASDHI program with minor exceptions for firefighters, separate teachers, etc.

Integration. Integration relates to the recognition of Soc. Sec. benefits in the design of private and public pension plans. Integration is very common in the private sector, but is much less common in the public sector. Of the 66 out-state PERS included in the 1984 and 1986 surveys, the degree and type of integration is as follows:

	<u>1986 Survey</u>	<u>1984 Survey</u>
- No integration	53 funds	50 funds
- Step-up formula	6 funds	7 funds
- Formula offset	4 funds	7 funds
- Combined <u>maximum</u>	<u>3 funds</u>	<u>2 funds</u>
TOTAL	66 funds	66 funds

Step-up formulas reflect different multipliers or contribution rates applied to varying salary levels. Formula offset plans provide that the benefit formula is offset in some manner by part or all of the Soc. Sec. benefit. Combined maximum plans reflect a limitation on benefits including part or all of the Soc. Sec. benefit--often relating to a percentage of final average salary (FAS).

Wisconsin's WRS provides no integration with Soc. Sec. in its benefit plan under current law. Prior to 1/1/82, the WRS had a combined maximum of 85% of FAS.

Trends. Chart I found on pages 3 and 4 reflects that the active and retired participation of the systems surveyed is relatively stable in membership and coverage under Soc. Sec. On the other hand, there appears to be a trend away from an explicit recognition of Soc. Sec. coverage in the calculation of retirement benefits.

CHART I

PUBLIC RETIREMENT SYSTEMS SURVEYED

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Employee Coverage</u>	<u>Actives</u>	<u>Retireds</u>	<u>S.S. Coverage</u>	<u>S.S. Integration</u>
1.	Alab.	ERS	S,L	54,079	12,652	Yes	None
2.	Alab.	TRS	T	95,915	20,905	Yes	None
3.	Alas.	PERS	S,L	27,183	4,317	No	-
4.	Alas.	TRS	T	8,684	2,022	No	-
5.	Ariz.	SRS	S,L,T	107,695	25,885	Yes	None
6.	Arka.	PERS	S,L	34,774	7,068	Yes	Benefit Offset
7.	Arka.	TRS	T	33,071	9,776	Yes	None
8.	Calif.	PERS	S,L	500,294	226,107	Yes	None
9.	Calif.	TRS	T	255,733	89,595	No	-
10.	Colo.	PERA	S,L,T	99,024	23,457	No	-
11.	Conn.	SERS	S	48,200	18,196	Yes	Step-up Formula
12.	Conn.	TRS	T	39,085	11,411	No	-
13.	Dela.	SEPP	S,T	24,908	8,002	Yes	Maximum cap
14.	Flor.	FRS	S,L,T	418,905	80,806	Yes	None
15.	Geor.	ERS	S	51,442	11,220	Yes	None
16.	Geor.	TRS	T	105,618	19,475	Yes	None
17.	Hawaii	ERS	S,L,T	44,731	14,755	Yes	None
18.	Idaho	PERS	S,L,T	42,626	13,955	Yes	None
19.	Ill.	SERS	S	71,647	29,119	Yes	None
	Ill.	TRS	T	97,000	40,113	No	-
21.	Ill.	MRF	L	104,842	29,417	Yes	None
22.	Ind.	PERF	S,L	108,498	21,932	Yes	None
23.	Ind.	TRF	T	62,822	24,507	Yes	None
24.	Iowa	PERS	S,L,T	136,300	35,715	Yes	None
25.	Kans.	PERS	S,L,T	90,129	31,648	Yes	None
26.	Kent.	ERS*	S,L	101,553	18,572	Yes	None
27.	Kent.	TRS	T	42,846	16,876	No	-
28.	Louis.	SERS	S	69,087	18,706	No	-
29.	Louis.	TRS	T	95,612	24,686	No	-
30.	Maine	SRS	S,L,T	42,176	18,938	No	-
31.	Mary.	SRS*	S,L,T	126,776	30,610	Yes	Step-up Formula
32.	Mass.	SERS	S	82,260	33,074	No	-
33.	Mass.	TRS	T	70,000	20,700	No	-
34.	Mich.	SERS	S	57,362	19,423	Yes	None
35.	Mich.	MERS	L	29,095	7,554	Yes	Step-up Formul
36.	Mich.	PSERS	T	267,508	57,854	Yes	None
37.	Minn.	MSRS*	S	45,597	11,681	Yes	None
38.	Minn.	PERA	L	91,272	22,756	Yes	None
39.	Minn.	TRA	T	58,533	12,798	Yes	None
40.	Miss.	PERS	S,L,T	125,585	25,295	Yes	None
41.	Mou.	SERS	S	35,575	9,254	Yes	None
42.	Mou.	LAGERS	L	15,984	3,817	Yes	Optional Pre-6
43.	Mou.	PSRS	T	57,468	15,915	No	-
44.	Mont.	PERS	S,L	27,160	8,045	Yes	None
	Mont.	TRS	T	14,243	5,172	Yes	None

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

PUBLIC RETIREMENT SYSTEMS SURVEYED

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Employee Coverage</u>	<u>Actives</u>	<u>Retirees</u>	<u>S.S. Coverage</u>	<u>S.S. Integration</u>
46.	Nebra.	SERS*	S,L	10,937	2,242	Yes	Step-Up M.P.
47.	Nebra.	TRS	T	30,663	5,739	Yes	None
48.	Nevada	PERS	S,L,T	42,186	8,842	No	-
49.	N.H.	NHRS	S,L,T	31,527	7,502	Yes	Age 65 Offset
50.	N.J.	PERS	S,L	227,649	47,838	Yes	None
51.	N.J.	TRS	T	107,702	28,169	Yes	None
52.	N.M.	PERA	S,L	27,530	4,662	Yes	None
53.	N.M.	ERA	T	44,261	8,621	Yes	None
54.	N.Y.	ERS*	S,L	518,086	201,964	Yes	None
55.	N.Y.	TRS*	T	178,516	57,366	Yes	None
56.	N.C.	TSERS	S,T	205,626	48,810	Yes	None
57.	N.C.	LGERS	L	59,532	10,488	Yes	None
58.	N.D.	PERS	S,L,T	13,289	1,931	Yes	None
59.	N.D.	TRF	T	9,077	3,643	Yes	None
60.	Ohio	PERS	S,L	248,307	85,594	No	-
61.	Ohio	STRS	T	162,792	58,776	No	-
62.	Okla.	PERS	S,L	33,833	10,115	Yes	None
63.	Okla.	TRS	T	56,909	19,152	Yes	None
64.	Oreg.	PERS	S,L,T	108,701	38,251	Yes	None
65.	Penns.	SERS	S	119,905	58,461	Yes	None
66.	Penns.	PSERS	T	201,083	79,716	Yes	None
67.	R.I.	ERS	S,T	25,800	9,154	Yes	None
68.	S.C.	SCRS*	S,L,T	145,795	30,977	Yes	Step-Up Formula
69.	S.D.	SRS	S,L,T	26,533	7,404	Yes	PIA Offset
70.	Tenn.	CRS	S,L,T	144,621	44,944	Yes	Step-Up Formula
71.	Texas	ERS	S	106,116	20,035	Yes	None
72.	Texas	TRS	T	464,502	93,874	Yes	None
73.	Texas	MRS	L	69,670	6,539	Yes	None
74.	Utah.	SRS	S,L,T	63,598	13,916	Yes	Combined Cap
75.	Verm.	SRS	S	8,105	2,129	Yes	None
76.	Verm.	TRS	T	7,588	2,208	Yes	None
77.	Virg.	SRS	S,L,T	213,460	44,961	Yes	FAS Offset
78.	Wash.	PERS*	S,L	114,074	41,264	Yes	None
79.	Wash.	TRS*	T	46,108	20,400	Yes	None
80.	W.V.	PERS	S,L	31,680	11,677	Yes	None
81.	W.V.	TRS	T	49,130	17,543	Yes	None
82.	Wyom.	WRS	S,L,T	30,744	6,359	Yes	None
83.	Milw.	City	L	12,998	5,802	Yes	Combined Cap
84.	Milw.	County	L	10,030	4,493	Yes	None
85.	Wis.	WRS	S,L,T	187,283	60,302	Yes	None

1986 TOTALS 8,285,133 2,414,448

II. NORMAL AND EARLY RETIREMENT PROVISIONS

A. Requirement Descriptions

Normal Retirement. Most PERS require a minimum age and/or years of service in order to qualify for normal retirement benefits--i.e., 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 & the WRS are summarized on pgs. 7 and 8 of this report.

Age 62 Normal. Much of the discussion in Wisconsin concerning normal retirement has been relative to establishing a normal retirement at age 62 which coincides with the earliest possible age to receive benefits under Soc. Sec. Previous RRC surveys have noted a gradually increasing number of systems which permit normal retirement at age 62 with a minimum of 10 years of service. In the 1984 survey, 42 systems out of the 82 permitted normal retirement at age 62/10 years.

The current 1986 survey reflects 43 out of the 82 out-state systems now permit normal retirement at 62/10 years. Wisconsin's WRS currently has a normal retirement of age 65 with any years of service, or age 62 with 30 years of service. The 62/30 normal retirement provision became effective in March, 1984.

X Years and Out. A growing number of public retirement systems have adopted "X years and out" provisions in which participants may retire at any age (or a minimum age of 55) after X years of service. Of the 82 out-state PERS surveyed in the current report, 50 permit retirement at any age or at age 55 with X years as follows:

- 35 years/55 or any age	--	8 plans
- 30 years/55 or any age	--	33 plans
- 28 years/55 or any age	--	1 plan
- 25 years/55 or any age	--	7 plans
- 20 years/55 or any age	--	<u>1 plan</u>

TOTAL 50 plans

Age & Yr. Rules. In addition, a number of the PERS surveyed have adopted "rules" which permit normal retirement when age plus years equal a specified number. The 1984 comparative study noted that six of the 82 systems had adopted such rules, while the current (1986) report reflects that 10 systems have adopted rules as follows:

Rule of 95	--	1 plan
Rule of 90	--	4 plans
Rule of 85	--	3 plans
Rule of 80	--	<u>2 plans</u>

TOTAL 10 plans

Of the 10 "rule" plans noted above, four are temporary in nature, and will "sunset" at future dates unless extended by the state legislature.

Actuarial Discounts. The actuarial discount applied for early retirement is to compensate for the longer payout period. Some of the systems use a reduction table which reflects the "actuarial equivalent" adjustment that is required to fully compensate the system for early retirement. A few systems use a different multiplier in the formula for calculating retirement benefits at ages other than normal retirement.

The majority of systems, however, establish a specific percentage of benefit reduction which is applied for each year that retirement occurs before the normal retirement age. Wisconsin's WRS provides an actuarial discount of 4.8% for each year that retirement occurs before the normal retirement age. The actuarial discount information noted on pages 7 and 8 may be summarized as follows:

- Funds using actuarial table	-- 13 funds
- Funds using varying multipliers	-- 4 funds
- Funds using % discounts of 2% or less	-- 4 funds
- Funds using discounts of 3% to 6%	-- 25 funds
- Funds using discount of 6% or more	-- 25 funds
- Funds that do not permit early retire.	-- 9 funds
- Funds that are money purchase	-- <u>2 funds</u>

TOTAL

82 funds

Trends. The current survey indicates that the trend continues towards permitting normal retirement at earlier ages--particularly when accompanied with long service. This survey indicates that more plans have adopted age 62 normal, X years and out provisions, and rule (age and service) combinations during the last two years. This is in spite of Congress's efforts to raise the normal retirement for social security benefits to ages above 65. On the other hand, a few of the current early retirement provisions appear to be temporary in nature, and will terminate unless extended by statute.

It should also be noted that many of the surveyed PERS "subsidize" early retirement by applying reduction factors that are less than the full actuarial equivalent. Prior to March, 1984, Wisconsin's WRS required a 6% reduction for each year between 60 and 65, and a 4.8% reduction for years between 55 and 59. These reductions were close to actuarial equivalents. 1983 Wis. Act 141 enacted a uniform 4.8% reduction for each year under the normal age.

CHART II

NORMAL AND EARLY RETIREMENT REQUIREMENTS

No.	State	Fund	Employee Coverage	Normal Retirement (Age/Yrs.)	Early Retirement (Age/Yrs.)	Actuarial Discount
1.	Alab.	ERS	S,L	60/10; A/30	None	-
2.	Alab.	TRS	T	60/10; A/30	None	-
3.	Alas.	PERS	S,L	55/5; A/30	50/5	Table
4.	Alas.	TRS	T	55/8; A/20	50/8	6% @ year
5.	Ariz.	SRS	S,L,T	65/A; 62/10; 60/25	50/5	3%-5%
6.	Arkan.	PERS	S,L	65/10; 60/20; 55/35	55/10	6% @ year
7.	Arkan.	TRS	T	60/10; A/30	A/25	1% @ year
8.	Calif.	PERS	S,L	65/5	50/5	Mult. Varies
9.	Calif.	TRS	T	60/5	55/5; 50/30	3%-6%
10.	Colo.	PERA	S,L,T	65/5; 60/20; 55/30	55/20; 60/5	7% @ year
11.	Conn.	SERS	S	65/10	55/10	6% @ year
12.	Conn.	TRS	T	60/20; A/35	55/20; A/25	Table
13.	Dela.	SEPP	S,T	65/5; 60/15; A/30	55/15; A/25	4.8% @ year
14.	Flor.	FRS	S,L,T	62/10; A/30	A/10	5% @ year
15.	Geor.	ERS	S	65/10; A/30	60/10	5% @ year
16.	Geor.	TRS	T	62/10; A/30	60/10	3% @ year
17.	Hawaii	ERS	S,L,T	55/5	A/25	5%-4%
18.	Idaho	ERS	S,L,T	65/5; R-90*	55/5	3%-8%
19.	Ill.	SERS	S	60/8; A/35	55/30	6% @ year
20.	Ill.	TRS	T	62/5; 60/10; 55/35	55/20	6% @ year
21.	Ill.	MRF	L	60/8; A/35	55/8	6% @ year
22.	Ind.	PERF	S,L	65/10	50/15	1.2%-5%
23.	Ind.	TRF	T	65/10	50/15	1.2%-5%
24.	Iowa	PERS	S,L,T	65	55/4	3%-6%
25.	Kans.	PERS	S,L,T	65/A	60/10	3.6% @ year
26.	Kent.	ERS	S,L	65; A/30	55/5	4%-5%
27.	Kent.	TRS	T	60/5; A/30	55/5	5% @ year
28.	Louis.	SERS	S	60/10; 55/25/ A/30	None	-
29.	Louis.	TRS	T	65/20; 55/25/ A/30	60/10; A/20	Mult. Varies
30.	Maine	SRS	S,L,T	60/A	A/25	Table
31.	Mary.	SRS	S,L,T	65/2; 62/5; A/30	55/15	6% @ year
32.	Mass.	SERS	S,L	65	55/10; A/20	Mult. Varies
33.	Mass.	TRS	T	65	55/10; A/20	Mult. Varies
34.	Mich.	SERS	S	60/10; A/30	55/15	6% @ year
35.	Mich.	MERS	L	60/10	55/15; 50/25	6% @ year
36.	Mich.	PSERS	T	60/10; 55/30; R-80**	55/15	6% @ year
37.	Minn.	MSRS	S	65/A; 62/30; R-85**	55/10; A/30	Table
38.	Minn.	PERA	L	65/A; R-90; R-85**	55/10; A/30	3% @ year
39.	Minn.	TRA	T	65/A; 62/30; R-85**	55/10; A/30	3% @ year
40.	Miss.	PERS	S,L,T	65/A; A/30	60/4	3% @ year
41.	Mou.	SERS	S	65/4; 60/15; 55/30	55/10	7.2% @ year
42.	Mou.	LAGERS	L	60/5	55/5	6% @ year
43.	Mou.	PSRS	T	60/5; A/30	A/25	Table
44.	Mont.	PERS	S,L	65/A; 60/5; A/30	50/5; A/25	6%-3%
45.	Mont.	TRS	T	60/5; A/25	50/5	6%-3.6%

(*Rule of Age & Service)

(** Temporary Rule)

NORMAL AND EARLY RETIREMENT REQUIREMENTS

<u>No.</u>	<u>State</u>	<u>Fund</u>	<u>Employee Coverage</u>	<u>Normal Retirement (Age/Yrs.)</u>	<u>Early Retirement (Age/Yrs.)</u>	<u>Actuarial Discount</u>
46.	Nebr.	SERS	S	65/A	55/5	M.P.
47.	Nebr.	TRS	T	65/5; A/35	60/5	M.P.
48.	Nevada	PERS	S,L,T	60/10; 55/30	A/10	6% @ year
49.	N.H.	NHRS	S,L,T	60/A	50/10	6 2/3% @ year
50.	N.J.	PERS	S,L	60/A; 55/25	A/25	3% @ year
51.	N.J.	TRS	T	60/A; 55/25	A/25	3% @ year
52.	N.M.	PERA	S,L	65/5; 63/11; 60/20/; A/25	None	-
53.	N.M.	ERA	T	65/5; A/25	A/5; R-75*	2.4%-7.2%
54.	N.Y.	ERS	S,L	62/10; 55/30	None	-
55.	N.Y.	TRS	T	62/10; 55/30	None	-
56.	N.C.	TSERS	S,T	65/5/ 60/25; A/30	50/20; 60/5	Table
57.	N.C.	LGERS	L	65/5; A/30	50/20; 60/5	3% @ year
58.	N.D.	PERS	S,L,T	65/A; R-90*if 60 year	55/10	6% @ year
59.	N.D.	TRF	T	65/10; R-90*	A/10	6% @ year
60.	Ohio	PERS	S,L	60/5; A/30	55/25	3% @ year
61.	Ohio	STRS	T	65/5; A/30	55/25; 60/5	3% @ year
62.	Okla.	PERS	S,L	62/A; 55/30	55/10	6.7% @ year
63.	Okla.	TRS	T	62/10; R-80*	55/10	Table
64.	Oreg.	PERS	S,L,T	58/A; 55/30	55/A	8% @ year
65.	Penn.	SERS	S	60/3; A/35	A/10	Table
66.	Penn.	PSERS	T	62/1; 60/30; A/35	55/25	3% @ year
67.	R.I.	ERS	S,T	60/10; A/30	None	-
68.	S.C.	SCRS	S,L,T	65/A; A/30	60/A	5% @ year
69.	S.D.	SRS	S,L,T	65/5	55/5	3% @ year
70.	Tenn.	CRS	S,L,T	60/10; A/30	55/10; A/25	4.8% @ year
71.	Texas	ERS	S	60/10; 55/30	55/25; 50/30	Table
72.	Texas	TRS	T	65/10; 60/20; R-95*	55/10; A/30	Table
73.	Texas	MRS	L	60/15; A/28	None	-
74.	Utah	SRS	S,L,T	65/4; A/30	62/10; 60/20	7%-3%
75.	Vert.	SRS	S	65/A; 62/10	55/10	6% @ year
76.	Vert.	TRS	T	65/A; A/30	55/10	Table
77.	Virg.	SRS	S,L,T	65/A; 60/30; R-90*	55/5	6%-4.8%
78.	Wash.	PERS	S,L	65/5	55/20	7% @ year
79.	Wash.	TRS	T	65/5	55/20	7% @ year
80.	W.V.	PERS	S,L	60/5	55/10; A/30	Table
81.	W.V.	TRS	T	60/5; 55/30; A/35	None	-
82.	Wyom.	WRS	S,L,T	60/4	50/4; A/25	Table
83.	Milw.	City	L	60	None	-
84.	Milw.	County	L	60/A	55/15	5% @ year
85.	Wis.	WRS	S,L,T	65/A; 62/30	55/A	4.8% @ year

(*Rule of age & Service)

III. VESTING AND CONTRIBUTION RATES.

A. Provision Descriptions.

Vesting. The term "vesting" refers to an employee's right after satisfying some service requirement to receive a pension benefit regardless of whether the employee remains in covered employment. The current vesting requirements for the PERS surveyed are reflected in charts on pages 11 and 12, and the requirements can be summarized and compared with the 1984 survey as follows:

<u>Vesting Requirement</u>	<u>1986 Survey</u>	<u>1984 Survey</u>
Vesting after 4 years	3 plans	2 plans
Vesting after 5 years	29 plans	29 plans
Vesting after 8 years	3 plans	3 plans
Vesting after 10 years	45 plans	46 plans
Vesting after 20 years	1 plan	1 plan
No vesting before retirement	1 plan	1 plan
	<u>82 plans</u>	<u>82 plans</u>

As noted, there is very little change in vesting requirements over the two-year period between surveys.

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, 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 ten or more years of service to vest, and the Milwaukee City and County plans require four and ten years respectively for vesting.

Employee Rates. Most private sector pension plans are non-contributory relative to their primary pension plan, but provide for employee contributions with some employer matching to the secondary profit-sharing or savings plan. In contrast, most public employee retirement systems require employee contributions for the primary pension plan, and the 457 deferred compensation (savings) plans must be funded only from employee contribution sources.

The current employee contribution information is found on pages 11 and 12, and the requirements may be summarized and compared with the 1984 survey as follows:

<u>Employee Contributions</u>	<u>1986 Survey</u>	<u>1984 Survey</u>
Employee rate of 0 - 5%	29 plans	31 plans
Employee rate over 5%	40 plans	40 plans
Rate variable by age	2 plans	2 plans
Non-contributory	11 plans	9 plans
	<u>82 plans</u>	<u>82 plans</u>

The previous table reflects a slight increase in PERS that are non-contributory -- whereby the plan is designed for the employer to pay the full benefit cost, similar to the private sector.

Employer Pick-Up. One of the strongest trends noted in the current survey of PERS is the adoption of "employer pick-up" provisions as authorized by Internal Revenue Code. The 1984 study reflected that only eight of the 82 out-state PERS had adopted "pick-up" provisions for the required employee contributions. The current survey reflects that 35 of the 82 out-state PERS now permit or require participating employers to pick-up the required employee contributions. This rapid adoption in the public sector reflects the tax and cost advantages to both the employer and employee involved in such arrangements.

Wisconsin's WRS requires 5% regular contributions for general employees and teachers and an additional 1% (for benefit improvements) which became effective on January 1, 1986. WRS law allows employers to pick-up part or all of the required employee contributions, and nearly all employers (both state and local) are picking up the regular 5% contribution. In addition, many local employers and the state for its bargaining units are already picking up the 1% additional contribution for benefit improvements contained in 1983 Wis. Act 141.

Employer Rates. The information contained on pages 11 and 12 relative to employer contributions is less reliable than other PERS provisions surveyed in this report. Employer contributions are often stated in annual reports as dollars instead of as a percent of payroll. Also, employer costs often vary from year to year depending upon periodic actuarial valuations. In addition, employer costs may be paid from several sources, and may be divided into several categories including normal cost, amortization, and administrative costs.

Wisconsin's WRS employer rate is determined each Fall by the DETF Board based upon current actuarial analysis and with an effective date as of the next January 1. The current employer normal cost for general employees is 5.4%, and the average unfunded accrued liability cost for employers is 1.1%, reflecting an average total employer cost of 6.5%. In addition, employee contributions which may be paid in part or total by the employer add another 6%. Hence, the total support rate for the WRS program is now 12.5% of payroll. It appears from this survey that WRS benefit costs are less than the majority of other PERS surveyed.

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%	6.55% - 5.01%	10 years
2.	Alab.	TRS	Yes	*5%	7.5%	10 years
3.	Alas.	PERS	No	4.25%	13.84%	5 years
4.	Alas.	TRS	No	7%	16.68%	8 years
5.	Ariz.	SRS	Yes	5.53%	5.53%	5 years
6.	Arka.	PERS	Yes	Non-Contrib.	11.4% Average	10 years
7.	Arka.	TRS	Yes	Non-Contrib.	13.86%	10 years
8.	Calif.	PERS	Yes	Non-Contrib.	?	10 years
9.	Calif.	TRS	No	8%	17.64%	5 years
10.	Colo.	PERA	No	*8%	12.2% - 10.2%	5 years
11.	Conn.	SERS	Yes	Non-Contrib.	?	10 years
12.	Conn.	TRS	No	6%	18%	10 years
13.	Dela.	SEPP	Yes	3%/5% (split)	12.74%	10 years
14.	Flor.	FRS	Yes	Non-Contrib.	12.24%	10 years
15.	Geor.	ERS	Yes	*3%/5% (split)	11.75%	10 years
16.	Geor.	TRS	Yes	6%	13.23% - 12.71%	10 years
17.	Hawaii	ERS	Yes	7.8%	23.68%	5 years
18.	Idaho	ERS	Yes	*5.34%	8.89%	5 years
19.	Ill.	SERS	Yes	*4%	5.8% + Supplement	8 years
20.	Ill.	TRS	No	8%	10.3%	5 years
21.	Ill.	MRF	Yes	Varies	Varies per Er	8 years
22.	Ind.	PERF	Yes	3%	8.1% - 6.9%	10 years
23.	Ind.	TRF	Yes	*3%	Pay-as-you-go	10 years
24.	Iowa	PERS	Yes	3.75% (20,000)	5.75% (20,000)	4 years
25.	Kans.	PERS	Yes	*4%	4.00% - 4.3%	10 years
26.	Kent.	ERS	Yes	*4%	6 1/4% - 7 1/4%	5 years
27.	Kent.	TRS	No	7.45%-8.93%	Matching + 3.25%	5 years
28.	Louis.	SERS	No	*7%	9%	10 years
29.	Louis.	TRS	No	*7%	9.3%	10 years
30.	Maine	SRS	No	6.5%	14.23%	10 years
31.	Mary.	SRS	Yes	5% over SS Base	9.83% - 7.38%	5 years
32.	Mass.	SERS	No	7%	?	10 years
33.	Mass.	TRS	No	7%	?	10 years
34.	Mich.	SERS	Yes	Non-Contrib.	9.52%	10 years
35.	Mich.	MERS	Yes	*Varies per plan	Variable plans	10 years
36.	Mich.	PSERS	Yes	4% (EE option)	5%	10 years
37.	Minn.	MSRS	Yes	*3.73%	3.9%	10 years
38.	Minn.	PERA	Yes	*4%	4 1/4%	10 years
39.	Minn.	TRA	Yes	*4.5%	8.98%	10 years
40.	Miss.	PERS	Yes	*6%	8 3/4%	4 years
41.	Mou.	SERS	Yes	Non-Contrib.	12%	5 years
42.	Mou.	LAGERS	Yes	*4%	Varies per Er	5 years
43.	Mou.	PSRS	No	9.5%	9.5%	10 years
44.	Mont.	PERS	Yes	6%	6.417%	5 years
4	Mont.	TRS	Yes	7.044%	7.32%	5 years

(*Employer pick-up permitted or required)

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 years
47.	Nebra.	TRS	Yes	4.8%	101% of EE rate	5 years
48.	Nebra.	PERS	No	Non-Contributory	16%	10 years
49.	N.H.	NHRS	Yes	*4.6% - 9.2% (split)	?	10 years
50.	N.J.	PERS	Yes	4.96% - 8.73% (age)	?	10 years
51.	N.J.	TRS	Yes	5.05% - 9.09% (age)	?	10 years
52.	N.M.	PERA	Yes	7 - 7.85%	7% - 7.85%	5 years
53.	N.M.	ERA	Yes	*7.6%	7.6%	5 years
54.	N.Y.	ERS	Yes	3%	9.4%	10 years
55.	N.Y.	TRS	Yes	3%	?	10 years
56.	N.C.	TSERS	Yes	*6%	10.25%	5 years
57.	N.C.	LGERS	Yes	6%	4.63% + Amortiz.	5 years
58.	N.D.	PERS	Yes	*4%	5.18%	10 years
59.	N.D.	TRF	Yes	*6.25%	6.25%	10 years
60.	Ohio	PERS	No	*8.5%	13.71% - 13.95%	5 years
61.	Ohio	STRS	No	*8.75%	14%	5 years
62.	Okla.	PERS	Yes	4%	14%	10 years
63.	Okla.	TRS	Yes	*5% of \$25,000	?	10 years
64.	Oreg.	PERS	Yes	*6%	10.57% - 10.29%	5 years
65.	Penns.	SERS	Yes	*6 1/4%	15.77%	10 years
66.	Penns.	PSERS	Yes	6 1/4%	9.16%	10 years
67.	R.I.	ERS	Yes	*6% - 7%	1.4% - 6.6%	10 years
68.	S.C.	SCRS	Yes	*4% - 6% (split)	7.3% - 6.45%	5 years
69.	S.D.	SRS	Yes	*5%	5%	5 years
70.	Tenn.	CRS	Yes	Non-Contrib.	11.05% - 15.03%	10 years
71.	Texas	ERS	Yes	6%	7.4%	10 years
72.	Texas	TRS	Yes	6.4%	8.0%	10 years
73.	Texas	MRS	Yes	*5%	5% - 10%	Var. plans
74.	Utah	SRS	Yes	Non-Contrib.	11.82%	-
75.	Vert.	SRS	Yes	Non-Contrib.	10.01%	10 years
76.	Vert.	TRS	Yes	5.5%	8.74%	10 years
77.	Virg.	SRS	Yes	*5%	7.84% - 11.20%	5 years
78.	Wash.	PERS	Yes	*5.11%	?	5 years
79.	Wash.	TRS	Yes	*6.45%	?	5 years
80.	W.V.	PERS	Yes	4.5%	9.5% - 10.5%	5 years
81.	W.V.	TRS	Yes	6%	6%	20 years
82.	Wyom.	WRS	Yes	*5.5%	5.68%	4 years
83.	Milw.	City	Yes	*5.5%	12.26%	4 years
84.	Milw.	County	Yes	Non-Contrib.	11.4%	10 years
85.	Wis.	WRS	Yes	*5 + 1%	6.5% ave.	Immediate

(*Employer pick-up permitted or required)

IV. AFTER RETIREMENT ADJUSTMENTS AND TAXES

A. After Retirement Provisions

Soc. Sec. Beginning in 1975, the 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 years are as follows:

<u>CPI Year</u>	<u>Percent Increase</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	3.5%	1/1/84
1984	3.5%	1/1/85
1985	3.1%	1/1/86

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 are now 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 post-retirement adjustment plans to keep pace with inflation. The types of post-retirement adjustment plans are noted on pages 15 and 16, and that information can be summarized and compared with the 84 survey as follows:

<u>COLA Plans</u>	<u>1986 Survey</u>	<u>1984 Survey</u>
CPI Plan Plus/Minus Cap	36 plans	37 plans
Automatic Annual Increase	12 plans	12 plans
Investment Experience	3 plans	3 plans
Ad Hoc Increases Only	<u>31 plans</u>	<u>30 plans</u>
TOTAL	82 plans	82 plans

The above table reflects little change in the type and number of post-retirement adjustment plans in effect. On the other hand, three plans increased the maximum cap for annual CPI adjustments, and three actually reduced the maximum CPI payable, reflecting some retrenchment. In total, the lack of change over the two-year period presumably reflects that inflation is not presently a major problem in pension planning.

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 5% to 6% per year, compounded. As such, the increases for WRS retirees is greater than most other public PERS which have adopted a CPI plan 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>1986 Survey</u>	<u>1984 Survey</u>
No state income tax law	15 plans	15 plans
Benefits totally exempt	46 plans	46 plans
Benefits partially exempt	11 plans	11 plans
Benefits are taxable	10 plans	10 plans

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. The same results were also found in the 1984 survey.

Wisconsin Tax Laws. Section 71.03 (2)(d) of the 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 AND 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>
1.	Alab.	ERS	Yes	Ad Hoc only	Benefits exempt
2.	Alab.	TRS	Yes	Ad Hoc only	Benefits exempt
3.	Alas.	PERS	No	CPI adjustment - 4% cap	No income tax law
4.	Alas.	TRS	No	CPI adjustment - 4% cap	No income tax law
5.	Ariz.	SRS	Yes	Ad Hoc only	Benefits exempt
6.	Arka.	PERS	Yes	Automatic 3% annual increase	Benefits exempt
7.	Arka.	TRS	Yes	CPI adjustment - 3% cap	Benefits exempt
8.	Calif.	PERS	Yes	Automatic 3% annual increase	Benefits exempt
9.	Calif.	TRS	No	Automatic 3% annual increase	Benefits exempt
10.	Colo.	PERA	No	CPI adjustment - 3% cap	Exempt to \$20,000
11.	Conn.	SERS	Yes	Automatic 3% annual increase	No income tax law
12.	Conn.	TRS	No	CPI-3% minimum/5% maximum	No income tax law
13.	Dela.	SEPP	Yes	Ad Hoc only	Exempt to \$3,000
14.	Flor.	FRS	Yes	CPI adjustment - 3% cap	No income tax law
15.	Geor.	ERS	Yes	CPI adjustment - 3% cap	Benefits exempt
16.	Geor.	TRS	Yes	CPI adjustment - 3% cap	Benefits exempt
17.	Hawaii	ERS	Yes	Automatic 2 1/2 annual increase	Benefits exempt
18.	Idaho	PERS	Yes	CPI 1% - 6% at 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 Only	Benefits taxable
23.	Ind.	TRF	Yes	Ad Hoc Only	Benefits taxable
24.	Iowa	PERS	Yes	Ad Hoc Only	Benefits exempt
25.	Kans.	PERS	Yes	Ad Hoc Only	Benefits exempt
26.	Kent.	ERS	Yes	Ad Hoc Only	Benefits exempt
27.	Kent.	TRS	No	Automatic 1% annual increase	Benefits exempt
28.	Louis.	SERS	No	CPI adjustment - 3% cap	Benefits exempt
29.	Louis.	TRS	No	CPI adjustment - 3% cap	Benefits exempt
30.	Maine	SRS	No	CPI adjustment - 4% cap	Benefits taxable
31.	Mary.	SRS	Yes	CPI adjustment - 3% cap	Exempt to \$6,400
32.	Mass.	SERS	No	CPI-3% maximum if enacted	Benefits exempt
33.	Mass.	TRS	No	CPI-3% maximum if enacted	Benefits exempt
34.	Mich.	SERS	Yes	Ad Hoc + 13th check	Benefits exempt
35.	Mich.	MERS	Yes	CPI-2.5% cap (employer election)	Benefits exempt
36.	Mich.	PSERS	Yes	Automatic 3% annual increase	Benefits exempt
37.	Minn.	MSRS	Yes	Investment experience increase	Exempt to \$11,000
38.	Minn.	PERA	Yes	Investment experience increase	Exempt to \$11,000
39.	Minn.	TRA	Yes	Investment experience increase	Exempt to \$11,000
40.	Miss.	PERS	Yes	1/2 CPI adjustment-2 1/2% cap	Benefits exempt
41.	Mou.	SERS	Yes	80% of CPI-4% minimum/5% maximum	Benefits exempt
42.	Mou.	LAGERS	Yes	CPI adjustment-2% cap	Benefits exempt
43.	Mou.	PSRS	No	CPI adjustment-4% cap	Benefits exempt
44.	Mont.	PERS	Yes	Ad Hoc Only	Benefits exempt
45.	Mont.	TRS	Yes	Ad Hoc Only	Benefits exempt

POST-RETIREMENT INCREASES AND 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 Only	Benefits taxable
47.	Nebr.	TRS	Yes	Ad Hoc Only	Benefits taxable
48.	Nevada	PERS	No	Automatic 2% annual increase	No income tax law
49.	N.H.	NHRS	Yes	Ad Hoc Only	No income tax law
50.	N.J.	PERS	Yes	60% of CPI adjustment	Exempt to \$10,000
51.	N.J.	TRS	Yes	60% of CPI adjustment	Exempt to \$10,000
52.	N.M.	PERA	Yes	CPI adjustment-3% cap	Benefits Exempt
53.	N.M.	ERA	Yes	1/2 of CPI-4% cap	Benefits Exempt
54.	N.Y.	ERS	Yes	Ad Hoc only	Benefits Exempt
55.	N.Y.	TRS	Yes	Ad Hoc only	Benefits Exempt
56.	N.C.	TSERS	Yes	CPI adjustment-4% cap	Benefits Exempt
57.	N.C.	LGERS	Yes	CPI-if surpluses allow	Benefits Exempt
58.	N.D.	PERS	Yes	Ad Hoc Only	Benefits taxable
59.	N.D.	TRF	Yes	Ad Hoc Only	Benefits taxable
60.	Ohio	PERS	No	CPI adjustment-3% cap	Partial exemption
61.	Ohio	STRS	No	CPI adjustment-3% cap	Partial exemption
62.	Okla.	PERS	Yes	Ad Hoc Only	Benefits exempt
63.	Okla.	TRS	Yes	Ad Hoc Only	Benefits exempt
64.	Oreg.	PERS	Yes	CPI adjustment-2% cap	Benefits exempt
65.	Penns.	SERS	Yes	Ad Hoc Only	Benefits exempt
66.	Penns.	PSERS	Yes	Ad Hoc Only	Benefits exempt
67.	R.I.	ERS	Yes	Automatic 3% annual increase	Benefits taxable
68.	S.C.	SCRS	Yes	CPI adjustment-4% cap	Benefits exempt
69.	S.D.	SRS	Yes	1/2 of CPI-3% cap	No income tax law
70.	Tenn.	CRS	Yes	CPI adjustment-3% cap	No income tax law
71.	Texas	ERS	Yes	Ad Hoc Only	No income tax law
72.	Texas	TRS	Yes	Ad Hoc Only	No income tax law
73.	Texas	MRS	Yes	Ad Hoc Only	No income tax law
74.	Utah	SRS	Yes	CPI adjustment-4% cap	Benefits exempt
75.	Vert.	SRS	Yes	1/2 of CPI-5% cap	Benefits taxable
76.	Vert.	TRS	Yes	CPI adjustment-5% cap	Benefits taxable
77.	Virg.	SRS	Yes	CPI to 3% + 1/2 CPI over 3	Benefits exempt
78.	Wash.	PERS	Yes	Ad Hoc Only	No income tax law
79.	Wash.	TRS	Yes	Ad Hoc Only	No income tax law
80.	W.V.	PERS	Yes	Ad Hoc Only	Benefits exempt
81.	W.V.	TRS	Yes	Ad Hoc Only	Benefits exempt
82.	Wyom.	WRS	Yes	Ad Hoc 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 experience increase	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 most 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 x years of service x FAS -

Sixteen of the PERS in this survey (those with a * before the formula on pages 19 and 20) do not provide social security coverage for their membership. Such systems presumably have a higher benefit multiplier to compensate for the lack of social security benefits, and most of the sixteen plans without social security have a multiplier of 2.5% per year of service. Because Wisconsin's WRS does provide social security coverage, most of the staff's comparisons have been limited to those out-state systems which also provide social security coverage (66 of the 82 total).

At the time of the 1982 comparative survey (Staff Report 60), the WRS provided a multiplier of 1.3% per year of service. The 1982 report noted that the WRS was at that time among the lowest 10% of similar PERS with social security. During the 1983 legislative session, the WRS multiplier was increased to 1.6%. The 1984 survey reflected this improvement and noted that the WRS benefit structure had been brought up to the median of benefits provided by similar statewide PERS across the nation.

The current comparative survey (1986) reflects that the WRS continues to provide benefits at about the median level of similar PERS across the country. The benefit formulas noted on pages 19 and 20 indicate the following:

- 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.

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>1986</u>	<u>1984</u>
2-year FAS period	2 plans	2 plans
3-year FAS period	46 plans	45 plans
4-year FAS period	6 plans	5 plans
5-year FAS period	26 plans	31 plans
Money purchase plans	<u>2 plans</u>	<u>2 plans</u>
TOTAL	82 plans	82 plans

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 of the PERS surveyed relative to the FAS period. It should also be noted that 10 of the 82 systems place some limitation or cap upon the FAS calculation relative to maximum salary or maximum increases during 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>1986</u>	<u>1984</u>
No benefit limitations	53 plans	51 plans
FAS limitation	22 plans	20 plans
Salary maximum	3 plans	2 plans
Service credit maximum	<u>5 plans</u>	<u>9 plans</u>
TOTAL	83 plans *	82 plans

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.

(* One system has two limitation devices)

CHART V

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>
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	3 HC/10	2% x yrs. x FAS	None
6.	Arka.	PERS	5 HC/10	(1.625% x yr. x FAS)-partial PIA	100% FAS with PIA
7.	Arka.	TRS	5 H	1.0% x yrs. x FAS	None
8.	Calif.	PERS	3 H	1.25% x yrs. x FAS (at 65)	None
9.	Calif.	TRS	3 HC	*2% x yrs. x FAS	None
10.	Colo.	PERA	3 H-with cap	*2.5% x 20 yrs. ⊕ 12 x added years	70% FAS
11.	Conn.	SERS	3 H with cap	1.33% x yrs. x FAS ⊕ 0.5% x 13,500+	None
12.	Conn.	TRS	3 H	*2% x yrs. x FAS	75% FAS
13.	Dela.	SEPP	5 H	1.67% x yrs. x FAS	75% FAS with PIA
14.	Flor.	FRS	5 H	1.68% x yrs. x FAS (at 65)	None
15.	Geor.	ERS	2 HC-with cap	1.5% x yrs. x FAS	None
16.	Geor.	TRS	2 HC-with cap	2% x yrs. x FAS	40 years
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 yr. ⊕ 1.5% x yr. over 30	75% FAS
19.	Ill.	TRS	4 HC	*1.67% x 1st 10 yr. ⊕ 2.3% x yr. 30+	75% FAS
21.	Ill.	MRF	4 HC/10	(1.67% x 1st 15 yr) ⊕ 2% x added yrs.	75% FAS
22.	Ind.	PERF	5 H	1.1% x yrs. x FAS ⊕ "EE" M.P. Annuity	None
23.	Ind.	TRF	5 H	1.1% x yrs. x FAS ⊕ "EE" M.P. Annuity	None
24.	Iowa.	PERS	5 H-with cap	1.67% x yrs. x FAS	Sal. cap; 30 yr. max.
25.	Kans.	PERS	5 H	1.4% x yrs. x FAS	None
26.	Kent.	ERS	5 H	1.65% 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 ⊕ \$300 @ year	100% FAS
29.	Louis.	TRS	3 HC	*2.5% x yrs. x FAS	100% FAS
30.	Maine	SRS	3 H	*2.0% x yrs. x FAS	None
31.	Mary.	SRS	3 HC	(.8% x Ave. S.S. base) + 1.5% x excess	None
32.	Mass.	SERS	3 HC	*2.5% x yrs. x FAS (at 65)	80% FAS
33.	Mass.	TRS	3 HC	*2.5% x yrs. x FAS (at 65)	80% FAS
34.	Mich.	SERS	5 HC	1.5% x yrs. x FAS	None
35.	Mich.	MERS	5 HC	Employer options	None
36.	Mich.	PSERS	3 H	1.5% x yrs. x FAS	None
37.	Minn.	MSRS	5 HC	1% x 1st 10 yr. ⊕ 1.5% x added yrs.	100% FAS
38.	Minn.	PERA	5 HC	1% x 1st 10 yr. ⊕ 1.5% x added yrs.	100% FAS
39.	Minn.	TRA	5 HC	1% x 1st 10 yr. ⊕ 1.5% x added yrs.	100% FAS
40.	Miss.	PERS	4 HC-with cap	(1.625% x 1st 20 yr) ⊕ 2% x yr. 30+	None
41.	Mou.	SERS	3 HC	1.33% x yrs. x FAS	None
42.	Mou.	LAGERS	3 HC	Employer option	None
43.	Mou.	PSRS	5 HC	*2% x yrs. x FAS	80% FAS
44.	Mont.	PERS	3 HC	1.67% x yrs. x FAS	None
44.	Mont.	TRS	3 HC	1.67% x yrs. x FAS	None

(*No social security)

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	None
47.	Nebr.	TERS	3 H	1.65% x yrs. x FAS	None
48.	Neva.	PERS	3 HC	*2.5% x yrs. x FAS	75% FAS
49.	N.H.	NHRS	3 H	1.67% x yrs. x FAS ⊖ SS offset at 65	None
50.	N.J.	PERS	3 H	1.67% x yrs. x FAS	None
51.	N.J.	TRS	3 H	1.67% x yrs. x FAS	None
52.	N.M.	PERS	3 H	2% x yrs. x FAS	60% FAS
53.	N.M.	ERA	5 HC	2% x yrs. x FAS	None
54.	N.Y.	ERS	3 HC-with cap	(2% x 30 yr.) ⊕ 1.5% x added years	None
55.	N.Y.	TRS	3 HC-with cap	(2% x 30 yr.) ⊕ 1.5% x added years	None
56.	N.C.	TSERS	4 HC	1.58% x yrs. x FAS	None
57.	N.C.	LGERS	4 HC	1.58% x yrs. x FAS	None
58.	N.D.	PERS	5 H/10	1.3% x yrs. x FAS	None
59.	N.D.	TRF	3 H/10	1.1% x yrs. x FAS	None
60.	Ohio	PERS	3 H	*2.1% x yrs. x FAS	90% FAS
61.	Ohio	STRS	3 H	*2% x yrs. x FAS	90% FAS
62.	Okla.	PERS	5 H/10 - cap	2% x yrs. x FAS	25,000 FAS Cap
63.	Okla.	TRS	3 H-with cap	2% x yrs. x FAS	25,000 FAS Cap
64.	Oreg.	PERS	3 H/10	1.67% x yrs. x FAS	None
	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 yr) ⊖ 2.4% yr. over 20	38 years max.
68.	S.C.	SCRS	3 HC	(1.25% x 4,800) ⊕ (1.65% x added FAS)	None
69.	S.D.	SRS	3 HC/10	(1.1% x yrs. x FAS) or (2%-PIA)	None
70.	Tenn.	CRS	5 HC	(1.5% x yr x FAS) ⊕ .25% x FAS \$15,000+	None
71.	Texas	ERS	3 H/5	1.5% x 1st 10 yr. ⊕ 2% added yrs.	80% FAS
72.	Texas	TRS	3 H	2% x yrs. x FAS	None
73.	Texas	MRS	-	Money purchase options	None
74.	Utah	SRS	3 H	2% x yrs. x FAS ⊕ 401 (k)	100% FAS with PIA
75.	Vert.	SRS	5 HC	1.25% x yrs. x FAS	40 years max.
76.	Vert.	TRS	5 HC	1.25% x yrs. x FAS	40 years max.
77.	Virg.	SRS	3 HC	1.65% x yrs. x (FAS - 1,200)	62.5% FAS with 1/2 PI
78.	Wash.	PERS	5 HC	2% x yrs. x FAS	None
79.	Wash.	TRS	5 HC	2% x yrs. x FAS	None
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 PIA
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 social security)

VI. SUMMARY OF WRS COMPARISONS

1986 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 40% 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 similar systems surveyed (those with soc. sec.) 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 over 90% 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% + 1% contributions for general employees and teachers. 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. Less than one-half 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. This survey indicates that the WRS requires smaller employer contributions than the majority of 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% to 6% 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, or even as early as 55 with long service.
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.