

RRG-SR-78

STATE OF WISCONSIN  
RETIREMENT RESEARCH COMMITTEE  
STAFF REPORT NO. 78

1988 COMPARATIVE SURVEY OF  
MAJOR PUBLIC PENSION PLANS

Prepared by RRC Staff  
Blair Testin, Director  
March 1989 Revision

110 East Main Street  
Room 316  
Madison, WI 53703

RRC  
Room 316  
110 E. Main St.  
Madison, WI 53703  
608/266-3019

March, 1989

STATE OF WISCONSIN  
RETIREMENT RESEARCH COMMITTEE

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

EXPERIENCED ACTUARY APPOINTED BY THE INSURANCE COMMISSIONER

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SECRETARY OF THE DEPARTMENT OF EMPLOYEE TRUST FUNDS

**Mr. Gary Gates; 201 E. Washington Avenue; Madison, WI 53702	
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SECRETARY OF THE DEPARTMENT OF EMPLOYMENT RELATIONS, OR DESIGNEE

Mr. Joseph Pellitteri; Dept. of Employment Relations; 137 E. Wilson St.;  
P.O. Box 7855; Madison, WI 53707-7855

\*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 statewide public employee retirement systems (PERS) across the country. These surveys emphasize retirement programs for general employees and teachers. The last survey was completed in 1986.

The current study (Staff Report #78 - 1988) compares 82 major PERS found in other states with three funds in Wisconsin, including the Wis. Retirement System (WRS) which is administered by the State Department of Employee Trust Funds (DETF) and two other Wisconsin public pension plans which are administered under homerule--the Milwaukee City ERS and the Milwaukee County ERS. These are the same PERS as found in the 1986 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 1987. 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) and the National Education Association (NEA).

Coverage. The types of employees covered by the surveyed PERS are 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>Out-State 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 and local (municipal, county, and school district) participants, reflecting the merger of three state-administered pension plans on January 1, 1982. There are approximately 53,235 state and 141,102 local employees for a total of 194,337 active WRS participants.

Participation. The 82 out-state PERS and the three Wisconsin pension funds reflect pension coverage for 8.6 million active employees and 2.7 million annuitants. These numbers are slightly larger than those found in the 1986 survey which reflected 8.3 million actives and 2.4 million annuitants. The systems in this survey range in size from Alaska's (TRS) 7,797 to New York's 546,772. 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>1988 Survey</u>	<u>1986 Survey</u>
Less than 50,000	34 funds	34 funds
50,000 - 100,000	20 funds	20 funds
100,000 - 150,000	12 funds	14 funds
150,000 - 200,000	5 funds	3 funds
Over 200,000	<u>11 funds</u>	<u>11 funds</u>
TOTALS	82 funds	82 funds

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

<u>Coverage</u>	<u>1988 Survey</u>	<u>1986 Survey</u>
Funds with coverage	66 funds	66 funds
Funds without coverage	<u>16 funds</u>	<u>16 funds</u>
TOTALS	82 funds	82 funds

Of the 16 funds without Soc. Sec., 9 apply to pension plans covering teachers only. The above figures for S.S. coverage are the same as found in the 1986 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 common in the private sector, but is not common in the public sector. Of the 66 out-state PERS with Soc. Sec. included in the 1986 and 1988 surveys, the degree and type of integration is as follows:

	<u>1988 Survey</u>	<u>1986 Survey</u>
- No integration	53 funds	53 funds
- Step-up formula	6 funds	6 funds
- Formula offset	3 funds	4 funds
- Combined maximum	<u>4 funds</u>	<u>3 funds</u>
TOTALS	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 of the Soc. Sec. Benefit. Combined maximum plans reflect a limitation on benefits including part 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 slowly growing. On the other hand, the ratio of actives to retirees is slowly declining from 3.43 in the 1986 survey to 3.18 in the 1988 survey.

## CHART I

## PUBLIC RETIREMENT SYSTEMS SURVEYED

	<u>State</u>	<u>Fund Name</u>	<u>Employee Coverage</u>	<u>Number Actives</u>	<u>Number Annuitants</u>	<u>Ratio of Act./Annt.</u>	<u>Soc. Sec. Coverage</u>	<u>Soc. Sec. Integration</u>
1.	Alab.	ERS	S,L	56,076	14,122	3.97	Yes	None
2.	Alab.	TRS	T	98,108	22,916	4.28	Yes	None
3.	Alas.	PERS*	S,L	26,762	5,651	4.74	No	-
4.	Alas.	TRS	T	7,797	2,376	3.28	No	-
5.	Ariz.	SRS	S,L,T	103,900	25,385	4.09	Yes	None
6.	Arka.	PERS	S,L	36,682	8,525	4.30	Yes	Benefit Offset
7.	Arka.	TRS	T	34,210	10,526	3.25	Yes	None
8.	Calif.	PERS*	S,L	530,313	222,689	2.38	Yes	FAS Offset
9.	Calif.	TRS	T	271,764	100,273	2.71	No	-
10.	Colo.	PERA	S,L,T	100,808	30,105	3.35	No	-
11.	Conn.	SERS*	S	52,984	19,510	2.72	Yes	Step-Up Formula
12.	Conn.	TRS	T	39,014	12,692	3.07	No	-
13.	Dela.	SEPP	S,T	26,665	8,847	3.01	Yes	Maximum Cap
14.	Flor.	FRS	S,L,T	453,939	90,839	5.00	Yes	None
15.	Geor.	ERS	S	57,054	13,095	4.36	Yes	None
16.	Geor.	TRS	T	121,850	23,525	5.17	Yes	None
17.	Hawaii	ERS	S,L,T	44,731	14,755	3.03	Yes	None
18.	Idaho	PERS	S,L,T	43,843	15,281	2.87	Yes	None
19.	Ill.	SERS	S	74,717	32,322	2.31	Yes	None
20.	Ill.	TRS	T	97,000	41,417	2.34	No	-
21.	Ill.	MRF *	L	112,152	44,812	2.50	Yes	None
22.	Ind.	PERF	S,L	115,735	28,930	4.00	Yes	None
23.	Ind.	TRF	T	64,157	25,492	2.52	Yes	None
24.	Iowa	PERS	S,L,T	128,228	44,049	2.91	Yes	None
25.	Kans.	PERS	S,L,T	89,966	32,286	2.79	Yes	None
26.	Kent.	ERS*	S,L	88,772	21,607	4.10	Yes	None
27.	Kent.	TRS*	T	47,719	18,254	2.61	No	-
28.	Louis.	SERS	S	69,087	18,706	3.70	No	-
29.	Louis.	TRS	T	84,703	24,686	3.43	No	-
30.	Maine	SRS	S,L,T	43,956	20,298	2.17	No	-
31.	Mary.	SRS*	S,L,T	153,154	45,089	3.40	Yes	Step-Up Formula
32.	Mass.	SERS	S	82,260	33,074	2.49	No	-
33.	Mass.	TRS*	T	63,821	25,951	2.46	No	-
34.	Mich.	SERS	S	63,548	21,873	2.91	Yes	None
35.	Mich.	MERS*	L	32,500	9,112	3.57	Yes	None
36.	Mich.	PSERS	T	278,000	73,316	3.79	Yes	None
37.	Minn.	MSRS*	S	45,700	12,324	3.71	Yes	None
38.	Minn.	PERA	L	97,882	26,286	3.72	Yes	None
39.	Minn.	TRA	T	60,174	14,725	4.09	Yes	None
40.	Miss.	PERS	S,L,T	119,078	28,597	4.16	Yes	None
41.	Mou.	SERS*	S	38,174	10,311	3.70	Yes	None
42.	Mou.	LAGERS *	L	18,057	4,184	4.32	Yes	None
43.	Mou.	PSRS	T	58,939	16,980	3.47	No	-
44.	Mont.	PERS	S,L	27,418	8,802	3.11	Yes	None
45.	Mont.	TRS	T	15,060	5,766	2.61	Yes	None

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

## CHART I

	<u>State</u>	<u>Fund Name</u>	<u>Employee Coverage</u>	<u>Number Actives</u>	<u>Number Annuitants</u>	<u>Ratio of Act./Annt.</u>	<u>Soc. Sec. Coverage</u>	<u>Soc. Sec. Integration</u>
46.	Nebra.	SERS*	S,L	9,897	2,000	4.94	Yes	Step-Up M.P.
47.	Nebra.	TRS	T	27,354	5,937	4.61	Yes	None
48.	Nevada	PERS	S,L,T	43,046	10,000	4.30	No	-
49.	N.H.	NHRS	S,L,T	32,426	7,884	4.11	Yes	Age 65 Offset
50.	N.J.	PERS	S,L	250,677	57,092	4.39	Yes	EE Contributor
51.	N.J.	TRS	T	111,846	30,961	3.61	Yes	EE Contributor
52.	N.M.	PERA	S,L	32,808	7,933	4.12	Yes	None
53.	N.M.	ERA	T	45,775	10,478	4.67	Yes	None
54.	N.Y.	ERS*	S,L	546,772	200,175	2.73	Yes	None
55.	N.Y.	TRS*	T	182,255	63,178	2.88	Yes	None
56.	N.C.	TSERS	S,T	204,623	58,206	3.52	Yes	None
57.	N.C.	LGERS	L	59,532	10,488	5.68	Yes	None
58.	N.D.	PERS	S,L	13,225	1,596	8.29	Yes	None
59.	N.D.	TRF	T	9,082	3,786	2.40	Yes	None
60.	Ohio	PERS	S,L	254,619	97,906	2.60	No	-
61.	Ohio	STRS	T	150,607	62,819	2.40	No	-
62.	Okla.	PERS	S,L	33,833	10,115	3.34	Yes	None
63.	Okla.	TRS	T	64,534	21,854	2.95	Yes	None
64.	Oreg.	PERS	S,L,T	113,364	48,378	2.34	Yes	None
65.	Penn.	SERS	S	119,499	69,515	1.72	Yes	None
66.	Penn.	PSERS	T	201,415	90,377	2.23	Yes	None
67.	R.I.	ERS	S,T	29,123	9,743	2.99	Yes	None
68.	S.C.	SCRS*	S,L,T	153,531	32,742	4.69	Yes	None
69.	S.D.	SRS	S,L,T	27,906	8,936	3.12	Yes	PIA Offset
70.	Tenn.	CRS	S,L,T	154,298	48,169	3.20	Yes	Step-Up Formul.
71.	Texas	ERS	S	122,100	22,714	5.38	Yes	None
72.	Texas	TRS	T	435,038	108,545	4.01	Yes	None
73.	Texas	MRS	L	62,486	7,780	8.03	Yes	None
74.	Utah	SRS	S,L,T	66,404	17,403	3.82	Yes	Maximum Cap
75.	Verm.	SRS	S	10,865	2,211	4.91	Yes	None
76.	Verm.	TRS	T	11,195	2,382	4.70	Yes	None
77.	Virg.	SRS*	S,L,T	220,643	50,400	4.38	Yes	Maximum Cap
78.	Wash.	PERS*	S,L	119,478	43,018	2.78	Yes	None
79.	Wash.	TRS*	T	46,511	20,607	2.26	Yes	None
80.	W.V.	PERS	S,L	31,799	13,005	2.45	Yes	None
81.	W.V.	TRS	T	49,031	18,104	2.71	Yes	None
82.	Wyom.	WRS	S,L,T	32,493	7,248	4.48	Yes	None
83.	Milw.	City	L	12,998	5,802	2.24	Yes	Maximum Cap
84.	Milw.	County	L	8,152	4,642	1.76	Yes	None
85.	Wis.	WRS	S,L,T	194,337	67,688	2.87	Yes	None

1988 Totals: (85 Funds) = 8,572,034 2,692,178 3.18

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

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--i.e., benefits without actuarial discount. Actually, most statewide PERS have adopted multiple combinations of age and service that will qualify for normal retirement. The provisions for the 82 out-state PERS surveyed & the Wisconsin funds are summarized on pgs 7 & 8 of this report.

Age 62 Normal. Much of the discussion in Wisconsin concerning normal retirement has been relative to establishing normal retirement under the WRS 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 or earlier, with a minimum of 10 years or less of service.

In the 1986 survey, 43 systems of the 82 permitted normal retirement at age 62/10 years. The current 1988 survey reflects 47 of the 82 out-state systems now permit normal retirement at 62/10 years or less. 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, 55 permit retirement at any age or at age 55 with X years as follows:

	<u>1988 Survey</u>	<u>1986 Survey</u>
- 35 years/55 or any age --	9 plans	8 plans
- 30 years/55 or any age --	37 plans	33 plans
- 28 years/55 or any age --	1 plan	1 plan
- 25 years/55 or any age --	7 plans	7 plans
- 20 years/55 or any age --	1 plan	1 plan
- 5 years/55 --	<u>1 plan</u>	<u>1 plan</u>
TOTAL	56 plans	51 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 1986 comparative study noted that ten of the 82 systems had adopted such rules, although four were temporary. The current (1988) report reflects that 7 systems have adopted rules as follows:

Rule of 95 --	1 plan
Rule of 90 --	4 plans
Rule of 85 --	1 plan
Rule of 80 --	<u>1 plan</u>
TOTAL	7 plans



Early Retirement. All of the surveyed PERS, except seven, permit early retirement before the age and service requirements for normal retirement have been met, but subject to actuarial discount. The most common age for early retirement is 55 with some minimum service, followed by age 50. There has been little change between the 1986 and 1988 surveys relative to early retirement

Actuarial Discounts. The actuarial discount applied for early retirement compensates for the longer payout period. Some 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 do not provide early retirement because their normal retirement is already at 55 with long service.

The majority of systems provide a specific 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	-- 11 funds
- Funds using varying multipliers	-- 20 funds
- Funds using % discounts less than 3%	-- 1 fund
- Funds using discounts of 3% to 6%	-- 21 funds
- Funds using discount of 6% or more	-- 21 funds
- Funds that do not permit early retire.	-- 7 funds
- Funds that are money purchase	-- <u>1 fund</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, or "rule" combinations during the last two years. This is in spite of amendments to OASDHI Law that raise the normal retirement for social security benefits to ages about 65 over time.

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

State	Fund	EE Coverage	Normal Retirement Provisions (Age/Yrs.)	Early Retirement Provisions	Actuarial Discount
1. Alab.	ERS	S,L	60/10; A/30	A/25	6.6% @ year
2. Alab.	TRS	T	60/10; A/30	A/25	6.6% @ year
3. Alas.	PERS	S,L	60/5; A/30 (**)	55/5	Act. 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. Arka.	PERS	S,L	65/10; A/30 (**)	55/10	6% @ year
7. Arka.	TRS	T	60/10; A/30	A/25	5% @ year
8. Calif.	PERS	S,L	60/5 (**)	50/5	Multiplier Varies
9. Calif.	TRS	T	60/5 (**)	55/5; 50/30	6% - 3%
10. Colo.	PERA	S,L,T	65/5; 60/20; 55/30; A/35	55/20; 60/5	4%
11. Conn.	SERS	S	65/10; 70/5	55/10	6% @ year
12. Conn.	TRS	T	60/20; A/35	55/20; A/25	6% - 4%
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; Rule-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; 55/35	55/8	3% @ 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	65/4; 62/30	55/4	3% - 6%
25. Kans.	PERS	S,L,T	65/A (**)	55/10; 60/10	3.6% - 7.2%
26. Kent.	ERS	S,L	65/4; A/30	55/5; A/25	5% - 4%
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	Multiplier Varies
30. Maine	SRS	S,L,T	60/10	A/25	2.25% @ year
31. Mary.	SRS	S,L,T	65/2; 64/3--62/5; A/30	55/15	6% @ year
32. Mass.	SERS	S,L	65	55/10; A/20	Multiplier Varies
33. Mass.	TRS	T	65/10	55/10; A/20	Multiplier Varies
34. Mich.	SERS	S	60/10; 55/30 (**)	55/15	6% @ year
35. Mich.	MERS	L	60/10	55/15; 50/25	6% - 12%
36. Mich.	PSERS	T	60/5; A/30 (**)	55/15	6% @ year
37. Minn.	MSRS	S	65/1; 62/30 (**)	55/5; A/30	Act. Table
38. Minn.	PERA	L	65/1; 62/30; R-90*	55/5; A/30	3% @ year
39. Minn.	TRA	T	65/1; 62/30 (**)	55/10; A/30	6% - 3%
40. Miss.	PERS	S,L,T	65/4; A/30	A/25; 60/4	6 2/3% - 3% @ yr.
41. Mou.	SERS	S	65/4; 60/15; 55/30	55/10	7.2% @ year
42. Mou.	LAGERS	L	65/5	55/5	6% @ year
43. Mou.	PSRS	T	60/5; A/30	A/25	Act. Table
44. Mont.	PERS	S,L	65/A; 60/5; A/30	50/5; A/25	Act. Table
45. Mont.	TRS	T	60/5; A/25	50/5	6% - 3.6%

(\* = Rule of Age + Service)

(\*\* = Temporary Additional Retirement Incentive Plan)

## CHART II

NORMAL AND EARLY RETIREMENT REQUIREMENTS

<u>State</u>	<u>Fund Name</u>	<u>EE Coverage</u>	<u>Normal Retirement Provisions (Age/Yrs.)</u>	<u>Early Retirement Provisions</u>	<u>Actuarial Discount</u>
46. Nebr.	SERS	S, L	65/A	55/5	Money Purchase
47. Nebr.	TRS	T	65/5; A/35	60/5	3% @ year
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	6.66% @ 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	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	3% @ year
57. N.C.	LGERS	L	65/5; A/30; 60/25	50/20; 60/5	3% @ year
58. N.D.	PERS	S,L	65/A; R-90*	55/8	6% @ year
59. N.D.	TRF	T	65/5; R-90*	55/5	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	Act. 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	Act. 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	60/5	5% @ year
69. S.D.	SRS	S,L,T	65/5; 60/R-85*	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	Act. Table
72. Texas	TRS	T	65/10; 60/20; R-95*	55/10; A/30	Act. Table
73. Texas	MRS	L	60/10; 50/25; A/28	None	-
74. Utah	SRS	S,L,T	65/4; A/30	62/10; 60/20; A/25	3% - 7%
75. Verm.	SRS	S	65/A; 62/10	55/10	6% @ year
76. Verm.	TRS	T	60/10 A/30	55/10	Act. Table
77. Virg.	SRS	S,L,T	65/A; 55/30	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	Act. Table
81. W.V.	TRS	T	60/5; 55/30; A/55	None	-
82. Wyom.	WRS	S,L,T	60/4	50/4	Act. Table
83. Milw.	City	L	60/4	55/15	Act. Table
84. Milw.	County	L	60/A; 55/30	55/15	5% @ year
85. Wis.	WRS	S,L,T	65/A; 62/30	55/A	4.8% @ year

(\* = Rule of Age + Service)

(\*\* = Temporary Additional Retirement Incentive Plan)

### 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 1986 survey as follows:

	<u>1988 Survey</u>	<u>1986 Survey</u>
Vesting after 4 years	3 plans	3 plans
Vesting after 5 years	33 plans	29 plans
Vesting after 8 years	4 plans	3 plans
Vesting after 10 years	39 plans	45 plans
Vesting after 20 years	1 plan	1 plan
Vesting none or variable	<u>2 plans</u>	<u>1 plan</u>
	82 plans	82 plans

As noted, there are some reductions in vesting requirements over the two-year period between surveys.

Wisconsin's WRS is unique among the plans surveyed in that WRS participants vest immediately. Literally, this means that if an employee terminates with one year of service, the employee has a vested right to a pension benefit payable at normal or early retirement. In contrast, 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 1986 survey as follows:

<u>Employee Contributions</u>	<u>1988 Survey</u>	<u>1986 Survey</u>
Employee rate of 0 - 5%	27 plans	29 plans
Employee rate over 5%	42 plans	40 plans
Rate variable	4 plans	2 plans
Non-Contributory	<u>9 plans</u>	<u>11 plans</u>
	82 plans	82 plans

The tables reflect a slight decrease in PERS that are non-contributory i.e., 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 414 (h). The 1986 study reflected that 35 of the 82 out-state PERS had adopted "pick-up" provisions for the required employee contributions. The current survey reflects that 59 of the 73 out-state contributory systems now permit or require participating employers to pick-up the required employee contributions. This rapid increase reflects the advantages to both the employers and employees 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, and many employers including the state are picking up the 1% additional contribution for benefit improvements contained in 1983 Wis. Act 141.

Wisconsin's pick-up arrangements were enacted before the IRC 414 (h) authorization was enacted by Congress. Accordingly, pick-up arrangements by WRS employers have often been adopted in lieu of a potential salary increase. On the other hand, under the IRC 414 (h) approach, employee contributions may continue to be deducted from the employee checks, but such contributions are "deemed" to be paid by the employer for Federal tax purposes. In other words, the employee contributions under this arrangement are "tax-sheltered".

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 4.9%, and the average unfunded accrued liability cost for employers is 1.1%, reflecting an average total employer cost of 6.0%. 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 averages about 12% of payroll. It appears from this survey that WRS employer rates are less than the majority of other PERS surveyed.

CHART III  
CONTRIBUTION & VESTING REQUIREMENTS

<u>State</u>	<u>Fund</u>	<u>Soc. Sec.</u>	<u>Employee Contribution</u>	<u>Total Employer Contributions</u>	<u>Vesting Period</u>
1. Alab.	ERS	Yes	*5%	7.1%	10 yrs.
2. Alab.	TRS	Yes	*5%	7.51%	10 yrs.
3. Alas.	PERS	No	*6.75%	10.02%	5 yrs.
4. Alas.	TRS	No	*7%	8.19%	8 yrs.
5. Ariz.	SRS	Yes	*5.53%	5.53%	5 yrs.
6. Arka.	PERS	Yes	Non-Contributory	8% - 10%	10 yrs.
7. Arka.	TRS	Yes	6%	12%	10 yrs.
8. Calif.	PERS	Yes	Non-Contributory	13.413%	5 yrs.
9. Calif.	TRS	No	*8%	8.665%+	5 yrs.
10. Colo.	PERA	No	*8%	12.5% - 10.2%	5 yrs.
11. Conn.	SERS	Yes	Non-Contributory	24.16%	10 yrs.
12. Conn.	TRS	No	6%	24.2%	10 yrs.
13. Dela.	SEPP	Yes	3%/5% (split)	9.5%	10 yrs.
14. Flor.	FRS	Yes	Non-Contributory	13.14% (xx)	10 yrs.
15. Geor.	ERS	Yes	*3%/5% (split)	11.75%	10 yrs.
16. Geor.	TRS	Yes	*6%	13.43%	10 yrs.
17. Hawaii	ERS	Yes	*7.8%	23.68%	5 yrs.
18. Idaho	ERS	Yes	*5.34%	8.89%	5 yrs.
19. Ill.	SERS	Yes	*4%	6.3% (xx)	8 yrs.
20. Ill.	TRS	No	*8%	9.9% (xx)	5 yrs.
21. Ill.	MRF	Yes	*4.5%	9.18 average	8 yrs.
22. Ind.	PERF	Yes	*3%	7% - 6%	10 yrs.
23. Ind.	TRF	Yes	*3%	Pay-as-you-go (xx)	10 yrs.
24. Iowa	PERS	Yes	3.7% (\$24,000)	5.75% (\$24,000)	4 yrs.
25. Kans.	PERS	Yes	*4%	3.04% - 2.0%	10 yrs.
26. Kent.	ERS	Yes	*5% - 4.25%	7.45% - 5.75%	5 yrs.
27. Kent.	TRS	No	*9.6% - 5.9%	Matching + 3.25%	5 yrs.
28. Louis.	SERS	No	*7%	9%	10 yrs.
29. Louis.	TRS	No	*7%	9.3%	10 yrs.
30. Maine	SRS	No	6.5%	19.38% average	10 yrs.
31. Mary.	SRS	Yes	5% over S.S. base	16.52%	5 yrs.
32. Mass.	SERS	No	7%	? (xx)	10 yrs.
33. Mass.	TRS	No	8%/10% (split)	? (xx)	10 yrs.
34. Mich.	SERS	Yes	Non-Contributory	10.82%	10 yrs.
35. Mich.	MERS	Yes	*Varies by plan	Varies by plan	10 yrs.
36. Mich.	PSERS	Yes	4%	10.85%	10 yrs.
37. Minn.	MSRS	Yes	*3.73%	3.9%	5 yrs.
38. Minn.	PERS	Yes	*4%	4.25%	5 yrs.
39. Minn.	TRA	Yes	*4.64%	9.13%	10 yrs.
40. Miss.	PERS	Yes	*6% (\$75,600)	8.75% (\$75,600)	4 yrs.
41. Mou.	SERS	Yes	Non-Contributory	10%	5 - 10 graded
42. Mou.	LAGERS	Yes	*4%	Varies per employer	5 yrs.
43. Mou.	PSRS	No	10%	10%	5 yrs.
44. Mont.	PERS	Yes	*6%	6.417*	5 yrs.
45. Mont.	TRS	Yes	*7.044%	7.42%	5 yrs.

(\* = Employer "pick-up" permitted or required)  
(xx = less than actuarially determined rate)

CHART III  
CONTRIBUTION & VESTING REQUIREMENTS

<u>State</u>	<u>Fund</u>	<u>Soc. Sec.</u>	<u>Employee Contribution</u>	<u>Total Employer Contributions</u>	<u>Vesting Period</u>
46. Nebra.	SERS	Yes	*3.6%/4.8% (split)	156% of EE rate	5 yrs.
47. Nebra.	TERS	Yes	*5.4%	5.35%	5 yrs.
48. Nevada	PERS	No	Non-Contributory	17.5% (xx)	10 yrs.
49. N.H.	NHRS	Yes	*4.6%/9.2% (split)	?	10 yrs.
50. N.J.	PERS	Yes	*4.96%-8.75% (age)	8.76% - 9.02%	10 yrs.
51. N.J.	TRS	Yes	*5.05% - 9.09% (age)	?	10 yrs.
52. N.M.	PERA	Yes	*6.18% - 9.15%	13.8% or matching	5 yrs.
53. N.M.	ERA	Yes	*7.6%	7.6%	5 yrs.
54. N.Y.	ERS	Yes	3%	6.9%	10 yrs.
55. N.Y.	TRS	Yes	3%	16.83%	10 yrs.
56. N.C.	TSERS	Yes	*6%	10.25%	5 yrs.
57. N.C.	LGERS	Yes	*6%	4.63% + Amortiz.	5 yrs.
58. N.D.	PERS	Yes	*4%	5.12%	8 yrs.
59. N.D.	TRF	Yes	*6.25%	6.25%	5 yrs.
60. Ohio	PERS	No	*8.5%	13.95% - 13.71%	5 yrs.
61. Ohio	STRS	No	*8.75%	14%	5 yrs.
62. Okla.	PERS	Yes	4%	14%	10 yrs.
63. Okla.	TRS	Yes	*5%/10% (split)	?	10 yrs.
64. Oreg.	PERS	Yes	*6%	11.3% Average	5 yrs.
65. Penns.	SERS	Yes	*6.25%	13.09%	10 yrs.
66. Penns.	PSERS	Yes	*6.25%	19.27%	10 yrs.
67. R.I.	ERS	Yes	7.5% - 8.5%	1.4% - 6.6%	10 yrs.
68. S.C.	SCRS	Yes	*5.7%	7.2%	5 yrs.
69. S.D.	SRS	Yes	*5% to 10%	5% to 10%	5 yrs.
70. Tenn.	CRS	Yes	*5% or Non-Contrib.	15.03% - 11.05%	10 yrs.
71. Texas	ERS	Yes	*6%	7.4%	10 yrs.
72. Texas	TRS	Yes	*6.4%	8%	10 yrs.
73. Texas	MRS	Yes	*6% Average	6.85% Average	10 or 20 yrs.
74. Utah	SRS	Yes	Non-Contributory	11.82%	?
75. Verm.	SRS	Yes	Non-Contributory	10.01%	10 yrs.
76. Verm.	TRS	Yes	5.5%	8.74%	10 yrs.
77. Virg.	SRS	Yes	*5%	10.5% - 7.51%	5 yrs.
78. Wash.	PERS	Yes	*4.99%	7.77%	5 yrs.
79. Wash.	TRS	Yes	*6.85%	13.95%	5 yrs.
80. W.V.	PERS	Yes	*4.5%	9.5%	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	*5.5%	8.046%	4 yrs.
84. Milw.	County	Yes	Non-Contributory	10.2%	10 yrs.
85. Wis.	WRS	Yes	*5 + 1%	6.0% Average	Immediate

(\* = Employer "pick-up" permitted or required)  
(xx = less than actuarially determined rate)

#### 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 years are as follows:

<u>CPI Year</u>	<u>Percent Increase</u>	<u>Payable</u>
1980	14.3%	7/1/80
1981	11.2%	7/1/81
1982	7.4%	7/1/82
1983	3.5%	7/1/84
1984	3.5%	1/1/85
1985	3.1%	1/1/86
1986	1.3%	1/1/87
1987	4.2%	1/1/88
1988	4.0%	1/1/89

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's decade, inflation caused most public pension plans to view protection of annuity purchasing power as their number one problem. Most public plans adopted 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 86 survey as follows:

<u>COLA Plans</u>	<u>1988 Survey</u>	<u>1986 Survey</u>
CPI Plan Plus/Minus Cap	37 plans	36 plans
Automatic Annual Increase	13 plans	12 plans
Investment Experience	3 plans	3 plans
Ad Hoc Increases Only	<u>29 plans</u>	<u>31 plans</u>
TOTAL	82 plans	82 plans

The above table reflects minor changes in the type and number of post-retirement adjustment plans in effect. Two funds listed in 1986 as Ad Hoc Plans adopted CPI plans, and three other plans increased the maximum cap for annual CPI adjustments. In total, the minor changes noted over the two-year period may reflect that inflation is presently a lessor 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 are 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 are taxable immediately, less the portion of the annuity supported by after-tax contributions upon which taxes have already been paid.

Concerning taxability at the state level, most state 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>1988 Survey</u>	<u>1986 Survey</u>
No state income tax law	15 plans	15 plans
Benefits totally exempt	44 plans	46 plans
Benefits partially exempt	10 plans	11 plans
Benefits are taxable	<u>13 plans</u>	<u>10 plans</u>
TOTAL	82 plans	82 plans

Hence, this survey indicates that nearly 72% of other public PERS either have no state income tax law or totally exempt PERS benefits from state income taxes. On the other hand, the current survey reflects a slight trend towards taxing pension benefits at the state level.

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 exempt status. Hence, those that are covered by the "grandfather clause" have a significant advantage over other public employees of this state, even though there is no difference in the formulas upon which benefits are calculated.

## 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	75% of CPI to 9% maximum	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 2% annual increase **	Benefits Taxable
9.	Calif.	TRS	No	Automatic 3% annual increase **	Benefits Taxable
10.	Colo.	PERA	No	CPI adjustment - 3% cap* + ad hoc	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	Automatic 3% annual increase	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% min./6% maximum	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 3% 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% if enacted	Benefits exempt
33.	Mass.	TRS	No	CPI-3% 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 **	Mostly taxable
38.	Minn.	PERA	Yes	Investment experience increase **	Mostly taxable
39.	Minn.	TRA	Yes	Investment experience increase **	Mostly taxable
40.	Miss.	PERS	Yes	CPI to 2 1/2% * plus ad hoc	Benefits exempt
41.	Mou.	SERS	Yes	80% of CPI-4% minimum/5% maximum	Benefits exempt
42.	Mou.	LAGERS	Yes	CPI adjustment - 4% 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

(\* = Simple increases based on original benefit)

(\*\* = Compound increases)

## CHART IV

POST-RETIREMENT INCREASES AND STATE TAX PROVISIONS

No.	State	Fund	Soc. Sec.	Post-Retirement Increases	State Taxes
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 - if surpluses allow	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.	Penn.	SERS	Yes	Ad Hoc Only	Benefits exempt
66.	Penn.	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	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.	Verm.	SRS	Yes	1/2 of CPI-5% cap	Benefits taxable
76.	Verm.	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	CPI adjustment - 3% Max. **	No income tax law
79.	Wash.	TRS	Yes	CPI adjustment - 3% Max. **	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

(\* = Simple increases based on original benefit)

(\*\*= Compound increases)

## 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 dates, representing 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 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 yrs. 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 usually have a higher formula to compensate for the lack of social security benefits, and most of the plans without social security have a multiplier of 2% to 2.5% per year of service. Because Wisconsin's WRS does provide social security coverage, formula comparisons have concentrated on 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 and 1986 surveys 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 survey (1988) reflects that 21 of the 82 out-state PERS had some improvements in their formulas since the 1986 survey. with these improvements, the wRS formula benefits are slightly less than the median level of similar PERS across the country as follows:

- 39 plans (59%) provide a higher multiplier than the WRS.
- 27 plans (40%) provide similar or lower benefits than the WRS, depending upon length of service, salary, inflation, etc.

Out-state pension plans with higher formulas are found in Alaska, Arkansas, Colorado, Kansas, Kentucky, Mississippi, Montana, New Mexico, North Dakota, South Carolina, South Dakota, Texas and Vermont.

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. FAS plans provide protection against inflation 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>1988 Survey</u>	<u>1986 Survey</u>
2-year FAS period	2 plans	2 plans
3-year FAS period	47 plans	46 plans
4-year FAS period	7 plans	6 plans
5-year FAS period	24 plans	26 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 a period of "X" years. As noted from the survey, this places the WRS within the majority of the PERS relative to the FAS period. It should also be noted that 9 of the 82 systems place some limitation or cap upon the FAS calculation relative to maximum salary or increases during the FAS period.

Benefit Limitations. The charts on pages 19 and 20 also reflect that some plans establish maximum limits on pension benefits that may be payable. 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 noted from the following summary:

<u>Limitation</u>	<u>1988 Survey</u>	<u>1986 Survey</u>
No benefit limitations	50 plans	53 plans
FAS limitation	26 plans	22 plans
Salary maximum	3 plans	3 plans
Service credit maximum	<u>4 plans</u>	<u>5 plans</u>
TOTAL	82 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

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 1st 10 yr; 2½% x 2nd 10; 2.5% + yr.	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	(1.8% x yr. x FAS) - (Partial PIA)	100% FAS with PIA
7.	Arka.	TRS	5 H	1.75% x yrs. x FAS (1989)	None
8.	Calif.	PERS	3 H	2.418% x yrs. x FAS (at 63)	None
9.	Calif.	TRS	3 HC	*2% x yrs. x FAS	None
10.	Colo.	PERA	3 H-with cap	*2.5% x 1st 20 yr. + 1.25% x added yr.	75% FAS
11.	Conn.	SERS	3 H with cap	1.33% x yrs. x FAS ⊕ 0.5% x 16,100	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 max.
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
20.	Ill.	TRS	4 HC-with cap	*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	45 yrs. max.
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	4 H	1.4% x yrs. X FAS or 1.5% with 35 yrs.	None
26.	Kent.	ERS	5 H	1.91% 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 16,700 FAS) + (1.5% x exc. FAS)	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	3 HC	1.5% x yrs. x FAS	None
35.	Mich.	MERS	5 Or 3 HC	1.5% x yrs. x FAS	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	(1.75% x 1st 30 yr) + (2% x added yrs.)	Salary limit
41.	Mou.	SERS	3 HC	1.33% x yrs. x FAS	None
42.	Mou.	LAGERS	3 or 5 HC	Employer Plan Options	None
43.	Mou.	PSRS	5 HC	*2.1% x yrs. x FAS	100 FAS
44.	Mont.	PERS	3 HC	1.67% x yrs. x FAS	None
45.	Mont.	TRS	3 HC	1.67% x yrs. x FAS	None

(\*No social security)

## CHART V

## FINAL AVERAGE PERIODS-FORMULAS-LIMITATIONS

No.	State	Fund	FAS Period	Benefit Formula	Limitation
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 HC	2.5% x yrs. x FAS	75% FAS
53.	N.M.	ERA	5 HC	2.15% x yrs. x FAS	None
54.	N.Y.	ERS	3 HC-with cap	(2% x 1st 30 yrs) + (1.5% x add. yrs)	None
55.	N.Y.	TRS	3 HC-with cap	(2% x 1st 30 yrs) + (1.5% x add. yrs)	None
56.	N.C.	TSERS	4 HC	1.60% x yrs. x FAS	None
57.	N.C.	LGERS	4 HC	1.60% x yrs. x FAS	None
58.	N.D.	PERS	5 H/10	1.5% x yrs. x FAS	None
59.	N.D.	TRF	3 H/10	1.22% 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	FAS Cap
63.	Okla.	TRS	3 H/5	2% x yrs. x FAS	FAS Cap
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 yr) ⊕ 3.0% yr. over 20	80% FAS
68.	S.C.	SCRS	3 HC	1.7% x yrs. x FAS	None
69.	S.D.	SRS	3 HC/10	(1.2% x yrs. x FAS) or (2% - PIA)	None
70.	Tenn.	CRS	5 HC	(1.5% x yr x FAS) ⊕ .25% x FAS 16,800	75% FAS
71.	Texas	ERS	3 H/5	(1.8% x 1st 10 yrs) + (2% x 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 HC	2% x yrs. x FAS ⊕ 401 (k)	100% FAS with PIA
75.	Verm.	SRS	5 HC	1.25% x yrs. x FAS	40 years max.
76.	Verm.	TRS	5 HC	1.67% x yrs. x FAS	30 years max.
77.	Virg.	SRS	3 HC	1.65% x yrs. x (FAS - 1,200)	62.5% FAS with 1/2 PIA
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

1988 Survey. This staff report provides a tool to compare benefits and rights under the Wis. Retirement System with those provided by other major public pension systems across the country. The emphasis of this comparative survey is on provisions affecting general employees and teachers, which include 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 90% of the pension coverage for public employees within the state including state, local, and teacher participants. This consolidation permits a high degree of public employee portability and also 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 a period of "X" years. 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 59% of similar systems surveyed (those with Soc. Sec.) furnish higher benefits, while the other 40% 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 (assets/liabilities) 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--usually as a trade-off in lieu of salary increases. Most of the other PERS surveyed (72%) also permit such pick-up, but usually pursuant to the IRC 414 (h) authority and process.
10. Employer Contributions. The WRS employer contributions for general employees and teachers averages 6.0% 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 (57%) permit retirement at age 62 (or earlier) with 10 years of service or less, or even as early as 55 with long service (67%).
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 systems.
3. Limitations. The WRS provides that retirement benefits may not exceed 65% of final average salary. The majority of other PERS surveyed (61%) provide no limitation on benefits.
4. Reciprocity. The WRS does not provide reciprocity with the Milwaukee City and County Funds, or with other out-state PERS.

