PENSIONS AND RETIREMENT PLAN ENACTMENTS IN 2001 STATE LEGISLATURES

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INTRODUCTION. This report summarizes major state pensions and retirement legislation enacted in 2001. The criterion for selection has been usefulness to policy makers in other states who may face similar issues and want to know how other states have addressed the issue.. The report is organized by topics, listed below. Cost-of-living adjustments, administrative issues and technical changes are excluded from this report.

This draft report covers legislation signed into law in 44 states through November 30, 2001. The remaining six states did not enact legislation in 2001 that met the general criteria for inclusion in this report.

Late in 2001, one state (Iowa) in special session enacted an early retirement incentive package for certain state employees partially in response to a deteriorating fiscal condition. No other state acted on this issue in 2001.

The two issues that received the most attention in 2001 legislation were benefit formula increases and provisions to encourage retired teachers (and in some states other public employees) to return to covered employment. The benefit formula increases are summarized below in the section *Defined Benefit Plan Changes* and the provisions on returning to covered employment are in the section *Re-employment after Retirement*.

The third major policy issue addressed in 2001 was the purchase of credit for service performed outside a person's current retirement system (*Service Credit/Purchase of Service/Transfer of Credit*).

A major issue in 1999 and 2000 that saw almost no action in 2001 is the enactment of a defined contribution plan as an optional alternative to, or replacement for, defined benefit coverage for teachers or state employees. Only one state, Arizona, allowed for creation of a statewide defined contribution plan in 2001, and its plan is a voluntary supplement to its defined benefit plan, not a replacement (*Defined Contribution Plans For Broad Categories of Employees*).

Formula benefit increases were enacted in 11 states through increases in the multiplier—the percentage of final average salary a retiree receives for each year of service. The increases tended to be relatively small except in Pennsylvania which increased the multiplier from 2 percent to 2.5 percent for new employees and existing state employees and teachers who are willing to transfer to a new class of retirement benefit which requires higher employee contributions as well as bestowing a higher benefit. New Jersey increased the benefit multiplier for both active and retired employees. Some states – Arizona, Missouri, Montana, Nevada and Wyoming are examples – amended their benefit formulas to provide a higher multiplier for later years of service than earlier ones, one way to reward employees who stay on the job and do not take early retirement. Officials in some of these states have expressed concern in recent years about the large percentage of public employees and teachers who will soon be eligible for retirement.

Allowing employees to receive retirement benefits while continuing to work as a teacher or public employee is another way to address shortages of skilled employees. This report lists 20 states that enacted legislation in 2001 to encourage retired employees, usually teachers, to return to covered employment. (At least seven other states enacted comparable legislation in 2000). A number of these states continue to impose re-employment earning limits or to impose conditions, such as returning to work in an agency or geographic area that is certified to be experiencing a critical labor shortage. The general trend, however, is to remove restrictions and to allow general employees, as well as teachers, the ability to return to employment without the loss of retirement benefits.

The sources of this report are retirement systems' Web sites and direct communication with legislative staff and retirement system staff. Please communicate any suggestions for changes or any corrections to ron.snell@ncsl.org.

LIST OF TOPICS

- Contribution rates
- Credit for accrued leave
- Death Benefit/Survivor's Benefit
- Deferred Compensation Plans/Optional Retirement Plans
- Defined Benefit Plan Changes
- Defined Contribution Plans For Broad Categories of Employees
- Defined Contribution Plans--Targeted
- Deferred Retirement Option Plans
- Early Retirement Incentives
- Funding Issues
- Gain sharing plans
- Governance
- Health Coverage
- Re-employment after Retirement
- Retirement Eligibility
- Service Credit/ Purchase of Service/ Transfer of Credit
- Studies
- Taxation
- Vesting
- Withdrawn Contributions

CONTRIBUTION RATES

Minnesota. The Legislature increased contribution rates for the Public Employees Retirement Association to address a funding deficiency. The increases will be effective after

January 1, 2002. For the Basic Plan, employee rates increase from 8.75 percent to 9.1 percent and employer rates increase from 11.43 percent to 11.78 percent. For the Coordinated Plan, the increases similarly are 0.35 percent to 5.1 percent for employees and to 5.53 percent for employers. *Summary Laws of 2001, 1st Special Session, Chapter 10, Article 11, §§ 13, 14..*

New Jersey. The Legislature reduced the normal contribution scheduled to be made by low governments to the Police and Firemen's Retirement System (PFRS in April of 2001 by $150 million. Under previous law, the 2001 PFRS normal contribution for local employers was approximately $225 million. Very favorable investment returns on pension assets in recent years generated sufficient excess assets to eliminate normal contributions from those employers in 2002. This law allows for the recognition of additional surplus investment returns on pension assets to reduce local employer normal contributions in 2001. Savings realized by counties and municipalities as a result of the reduction will be used for property tax relief. *Chapter 44, P. L. of 2001*

The Legislature provided for a reduction in the member contribution for members of the Teachers' Pension and Annuity Fund (TPAF). The current rate is 4.5 percent. Legislation provides that after 2001 the rate will be reduced equally with employer normal contributions but not by more than 2 percentage points, if the State Treasurer determines that excess valuation assets in the retirement fund will be used to reduce State normal contributions. *Chapter 133, P. L of 2001.*

Pennsylvania. Contribution rates will increase January 1, 2002, for, school employees who elect to join the new class of membership (which will provide a higher benefit that the current program does). The employee contribution rate for pre-1984 members will increase from 5.25 percent to 6.5 percent. The rate for post-1984 members will increase from 6.25 percent to 7.5 percent. All employees hired after June 30, 2001, will be members of the new class. For most state employees, the employee contribution rate will increase from 5% to 6.25% for the new class of membership beginning January 1, 2002. The contribution rate for legislators will increase to 7.5 percent. *See* "Defined Benefit Plan Changes," below. *Act 2001-9 (HB 26).*

CREDIT FOR ACCRUED LEAVE

Indiana. Legislature required the deferred compensation committee to develop a defined contribution plan for the purpose of converting unused accrued leave to a monetary contribution for state agency employees. The committee is largely responsible for plan design, but must provide that the conversion value be at least 60 percent of the value of a participating employee's daily pay as of the date the leave is converted, and must obtain appropriate rulings or determination letters from IRS before implementing the plan. *HB 1193.*

DEATH BENEFIT/SURVIVOR'S BENEFIT

Arkansas. The Legislature increased the death benefit payable to active and retired members of the Teachers Retirement System from $6,667 to $10,000 for members of the noncontributory system and from $10,000 to $15,000 for members of the contributory system. The benefits increases are subject to the TRS trustees' determination that they are affordable. [This benefit, first established three years ago, is independent from any survivor's benefits and is not traditional life insurance. The system is attempting to find a means to make this benefit free of income tax.] *Act 359*.

Florida. Legislation entitled the "Barry Grunow Act" provides death benefits for teachers and school administrators who are killed or injured on the job and die as a result of the unlawful and intentional act of another. The benefits include $75,000, plus $1,000 for funeral expenses, and coverage of health insurance premiums for certain beneficiaries. The bill also provides for the waiver of certain educational expenses for children of the deceased teachers and school administrators, and makes the teacher and school administrator death benefits exempt property under the Florida Probate Code. *2001 Florida Laws Chapter 2001-180*.

Nevada. Beginning January 1, 2002, unmarried members of the Nevada Public Employees Retirement Plan will be able to name a beneficiary to receive survivor's benefits in the event of the member's death before retirement. The named beneficiary will receive a benefit according to the same formula as a benefit for a married employee. *Assembly Bill 555*.

West Virginia. After being in the Public Employees' Retirement System for ten years, a member may elect to assign the pre-retirement death benefit to a beneficiary other than spouse, if a spousal waiver is in place. *S.B. 559 - [W.Va. §5-10-27]*

DEFERRED COMPENSATION PLANS/OPTIONAL RETIREMENT PLANS

Alabama. The Legislature authorized creation of a supplemental defined contribution plan for state employees (401[a]), with authorization for matching contributions from an employer. The legislation did not provide funds for the matching contributions, which will be considered in the appropriations process. *SB 496*.

Mississippi. The Legislature expanded eligibility for the higher education optional retirement plan to include interns and residents at the state medical school and the college of veterinary medicine. *SB 2512*.

Missouri. County governments, as well as the Board of the County Employee Retirement Fund (CERF), may make matching contributions toward a member's defined contribution account within CERF. *SB 274*

Wisconsin. The state Section 457 deferred compensation program has been extended to limited term employees. (*budget bill*)

DEFINED BENEFIT PLAN CHANGES

Arkansas. The multiplier for service accrued by active members of the non-contributory Public Employees Retirement System through July 1, 2001 was increased from the existing 1.72 percent to 1.75 percent. For service after that date the multiplier will be 1.72 percent. *Act 355*.

Arizona. Allows a member of Arizona State Retirement System to receive at the time of retirement a lump sum payment equal to not more than 36 months of the member's retirement benefit, beginning July 1, 2002; specifies that the member's benefit will be actuarially reduced based on the lump sum payment; any benefit increase granted to a lump sum member will be based on the actuarially reduced retirement benefit, if the benefit increase is a percentage increase of the member's retirement benefit; COLA increases shall be calculated without regard to the lump sum payment. *SB 1295.*

Arizona. Legislation established a graduated retirement multiplier:
- Less than 20 years of credited service: 2.1 percent.
- At least 20 but less than 25 years: 2.15 percent.
- At least 25 but less than 30 years: 2.2 percent.
- At least 30 years: 2.3 percent.

SB 1295.

California. New legislation Provides three additional retirement formulas that local contracting agencies of the California Public Employees' Retirement System (CalPERS) may provide their local miscellaneous members. They include a 3% at age 60 formula, a 2.5% at age 55 formula, and a 2.7% at age 55 formula. The same optional formula would be provided to county retirement systems under the County Employees Retirement Act of 1937 ('37 Act). The new formulas must be negotiated with bargaining units. *AB 616 (Chapter 782, Statutes of 2001).*

Connecticut. The Legislature improved the benefit package for member of the Municipal Employees' Retirement Fund B (MERF) with legislation that:
1. reduces the vesting period from 10 to five continuous years;
2. increases the monthly MERF benefit beginning January 1, 2002, for employees eligible to receive Social Security;
3. allows employees who take voluntary retirement to begin receiving a cost of living adjustment (COLA) on the first July 1 after their retirement instead of after turning age 65;
4. changes the COLA percentage and formula for those retiring on or after January 1, 2002 and gives a temporary COLA to those who retire before January 1, 2002 and are not 65 years of age;
5. allows municipalities to pay employee contributions on a pre-tax basis beginning January 1, 2002; and
6. allows towns to participate, by contract, in the state's deferred compensation program under terms and conditions the comptroller sets. *Public Act 01-80*

Delaware. The multiplier was increased from 1.8 of final average salary to 2.0% for years of credited service prior to January 1, 1997 and to 1.85% for years of credited service after December 31, 1996. This follows an increase from 1.66 percent to 1.8 percent enacted in 2000. *S.B. 256* According to the Delaware Office of Pensions, "The legislation was developed to reduce the overfunded position in the State Employees' Pension Plan by granting benefit improvements to active and retired members. This was done in a manner that would protect the Plan and maintain a surplus cushion, share excess returns among all members, and focus on enhancements with a one-time or past service impact on benefits."

Illinois. Retirement coverage for employees of the Teachers Retirement System (TRS) has been provided by TRS and the State Employees Retirement System depending on the classification of the employee. New legislation provides TRS coverage for new employees hired after the effective date of the act. *H.B. 2157*

Kentucky. The definition of final compensation was changed for employees of the Kentucky Employee Retirement System and the County Employee Retirement System to the three fiscal years with the highest average monthly salaries (changed from five years) for retirement between August 1, 2001 and January 1, 2009, with a minimum 27 years of service and with age plus years of service totaling at least 75. [This definition previously applied only to employees in hazardous occupations.] *HB 278.*

Missouri. The Legislature provided a multiplier of 2.55 percent of final average salary for members of the Public School Retirement System with 31 or more years of service who retire between July 1, 2001 and June 30, 2008. For members of the Non-Teacher Employee Retirement System, the multiplier was increased from 1.51 percent to 1.61 percent of final average salary. For members of the St. Louis Public School Retirement System, the multiplier was increased from 1.25 percent to 2 percent, with an accompanying increase in the member contribution rate from 4 percent to 5 percent.

Montana. The multiplier for members of the Public Employees' Retirement System who retire with 25 years or more of service was increased from 1.785 percent to 2 percent. The increase is applicable for all years of service. *SB 306*

The multiplier for members of the Game Wardens' and Peace Officers' Retirement System (GWPORS) increased from 2 percent to 2.5 percent, accompanied by an increase in the employee contribution to 10.56 percent to pay the cost of the enhanced retirement beneft. *HB 74.*

Nebraska. The Legislature increased retirement benefits for members and beneficiaries of the school employees, judges, and State Patrol retirement systems. The maximum annual cost-of-living (COLA) increase for members of all three retirement systems was increased from 2 to 2.5 percent. The COLA will be increased 2.5 percent or the inflation rate, whichever is less.

The formula annuity factor for the school employees retirement system was increased from 1.9 to 2.0 percent for future retirees. *LB 711*

Nevada. The benefit multiplier for the Public Employees Retirement System and the police and firefighters' fund was increased from 2.5 percent to 2.67 percent for service earned after July 1, 2001; service earned before that date remains at 2.5 percent. *SB 349.*

Legislation also provided for 25-and-out for members of the Police and Firemen's Retirement Fund. *SB 349.*

New Jersey. The Legislature increased the formula for calculation of retirement benefits for state and local employee members of the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS). The benefit increases apply to current and retired members of both systems. For Class B service, which has been the type of membership for TPAF and PERS since the mid 1950s, the benefit increase is from 1/60 of final average salary per year to 1/55 of FAS per year [equivalent to a multiplier increase from 1.667 percent to 1.818 percent]. The legislation also provides for the recalculation of benefits of retirees' beneficiaries. The legislation also reduces from 60 to 55 the minimum age for certain benefits for TPAF and PERS members with 35 or more years of service. [See Contributions; Funding Issues.] *P.L. 2001, chapter 133.*

North Dakota. The multiplier for Public Employees Retirement System and the Teachers Fund for Retirement benefits increased from 1.89 and 1.88 (for teachers) to 2.0; the multiplier for members of the Highway Patrolmen's Retirement System was increased from 3.40 to 3.60 percent of final average salary for the first 25 years of service; provided a post-retirement increase in the benefit multiplier from 3.40 to 3.60 percent of final average salary for highway patrolmen. *SB 2082, SB 2084; HB 1102.*

Pennsylvania. Legislation created new classes of defined benefit retirement options electively available to most current state employees (the judiciary and state police officers are *not* affected by the new legislation), teachers and other school employees and legislators. The new classes are mandatory for most new state employees and new school employees hired after June 30, 2001.

- The multiplier for the State Employees Retirement System (including legislators) and the School Employees Retirement System (which includes teachers) will increase from 2.0 percent to 2.5 percent for the new classes of membership.
- If current members elect to join the new class, the higher benefit formula will apply to their previous service.
- The deadline for transferring to the new classes is December 31, 2001. Current members may also purchase uncredited service for service credit in the new plans.
- Employee contribution rates will increase for those who transfer into the new classes. Vesting has been reduced to five years for all systems.

See "Contribution rates," above; "Vesting", below. *Act 2001-9 (HB 26).*

Current and future members of the Legislature may elect a new class of membership, with some exceptions for legislators elected before March 1, 1974.

- Transfer to the new class is at a legislator's discretion.
- The law provides that any state service credit legislators earned in non-legislative employment will be transferred as credit in the new class.
- The benefit multiplier for legislators in the new class will be 3 percent. The member contribution rate will increase from 5 percent to 7.5 percent in the new class. *Act 2001-9 (HB 26).*

State Employees Retirement System members who work beyond the age of 70 are guaranteed a new "actuarial increase factor" in the member's eventual annuity for each year the member works past the age of 70, as a kind of counterpart to the actuarial reduction of the benefits of members who begin receiving an annuity before normal retirement age. *Act 2001-9 (HB 26).*

Texas. Legislation increased the Teachers Retirement System multiplier from 2.2 to 2.3 percent effective September 1, 2001. *SB 273*.

The multiplier for state employees was increased from 2.25 percent to 2.3 percent. *SB 292*.

Utah. Legislative directors may, on request, be exempted from membership in the state defined benefit retirement program. *HB 36 (2001 General Session)*

The retirement formula multiplier for service occurring before July 1, 1967, was increased from 1.1 percent per year to 1.25 percent per year of service credit for current and future retirees, effective July 1, 2001. *SB 171 (2001 General Session).*

Virginia. Legislation extends the supplement payable to members of the State Police Officers' Retirement System and local law enforcement officers, sheriffs and firefighters (LEOS/FIRE) to the age that they become eligible for unreduced Social Security benefits, instead of age 65 (does not apply to VaLORS). The bill also increases the multiplier used to calculate the monthly retirement benefit, from 1.7 percent to 2.0 percent, for all newly enrolled members of VaLORS. It repeals the current supplement for these new employees. All current VaLORS members are provided an option of electing the higher multiplier, in lieu of the current multiplier and supplement, by October 31, 2001. *SB 2081*.

Wyoming. Legislation increased the multiplier for active members of the Wyoming Retirement System from 2 percent to 2.125 percent for up to 15 years of service and to 2.25 percent for years after 15. *HB 0074*

Other legislation provided COLAs and benefit formula increases for various specific categories of public employees, including volunteer firefighters, regular firefighters and law enforcement personnel. *HB 0014, HB 0071, HB 0075, HB 0076*.

DEFINED CONTRIBUTION PLANS FOR BROAD CATEGORIES OF EMPLOYEES

Arizona. Arizona has authorized the board of the AZ State Retirement System to establish and manage a voluntary, supplemental DC plan. The legislation repealed the previously-created optional DC retirement plan (Title 38, chapter 5, article 8) and the tax deferred annuity and deferred compensation program (Laws 1999, chapter 329, section 8). The legislation:

- Allows the ASRS Board or the Fund Manager to establish and operate a supplemental 401(a) DC plan for all contributing members of the retirement systems and plans they administer. If the supplemental DC is established the Board or Fund Manager may delegate authority to implement the plan.
- States that the supplemental DC plan is in addition to the employees existing DB retirement plan and allows any contributing member of an eligible group to participate in the supplemental DC plan.
- Requires employee contributions to be picked-up and paid by the employer

- Requires an employee, if electing to participate in the supplemental plan, to contribute at least 1% of the employee's gross salary and irrevocably contribute for at least one year · Allows the employer to elect to match the contributions made by the employee for the supplemental DC plan or any other program established by the employer, including any 401(a), 403(b) or 457 at a rate determined by the employer with the employer rate determined at the beginning of the employer's budget cycle and terminating at the end of the budget cycle.
- Specifies that employee contributions and earnings on employee contributions are immediately vested. Provides a vesting schedule on employer matching contributions and the earnings on employer matching contributions as follows:
  1) one year but less than two years of credited service in an eligible group = 20%
  2) two years but less than three years of credited service in an eligible group = 40%
  3) three years but less than four years of credited service in an eligible group = 60%
  4) four years but less than five years of credited service in an eligible group = 80%
  5) five years of credited service in an eligible group = 100%.
- terminates the optional DC retirement plan and the tax-deferred annuity and deferred compensation pilot program while allowing those who have already elected to participate in these plans to continue to do so and the employer is required to continue to make the appropriate employer contributions. *SB 1295.*

Idaho. All active members of the Public Employee Retirement System of Idaho (PERSI) are permitted to make voluntary contributions to the PERSI 401k Choice Plan. Previously, only members who were eligible for Gain Sharing were permitted to make these 401k contributions. *HB 38.*

Montana. [The Legislature addressed the issue of disability benefits for members of the defined contribution retirement plan it created in 1999 and which goes into effect on July 1, 2002. At the time the plan was created, the Legislature postponed consideration of disability benefits.]

Members of the DC plan will be eligible for disability benefits after five years of membership service. The benefit will be the same as the DB plan retirement benefit: with a multiplier of 1.786 percent for members with less than 25 years of service, and 2 percent for those with 25 or more years of service. For DC plan members the disability benefit will cease upon their 60th birthday and the disabled member will be eligible for DC plan benefits. If the disabled member dies before reaching age 60, the disability benefit will terminate upon death and the member's heir is entitled to the member's DC account. *HB 63.*

North Dakota. The Legislature extended the time for members of the defined benefit plan to transfer to the defined contribution retirement plan; required state employees who are members of the state DC plan who transfer to local government employment to remain members of the DC plan, and clarified the situation of people who make other changes of employment. *HB 1100, 1216.*

DEFINED CONTRIBUTION PLANS—TARGETED

Nebraska. The Legislature created a supplemental retirement plan for commissioned law enforcement personnel in those counties with populations of less than 85,000 which participate in the county employees retirement system. (There is already a supplemental plan for commissioned officers in counties with populations above 85,000.) The employee contribution to the plan will be one percent, and the county will match this amount. These additional contributions will be added to the member's county retirement employee and employer accounts. LB 186 also increases the employee contribution rate for members of the county employees retirement system from 4 percent to 4.5 percent. (The employer matching contribution will remain at 150 percent of the employee contribution.) Both provisions of LB 186 take effect on January 1, 2003. *LB 186.*

DEFERRED RETIREMENT OPTION PLANS

Arizona. Employers may offer eligible, active members of the AZ State Retirement System (ASRS) who have reached normal retirement age an option to work up to 36 months after the date of the agreement, not make ASRS contributions in the period, make, along with the employer, contributions to a supplemental 401(a) plan through the period, and at the end of the period use the contributions to purchase up to 36 months ASRS credit and receive an additional 36 months credit. Members who accept this option cannot purchase other credited service. *SB 1295.*

Florida. Any elected officer participating in the Deferred Retirement Option Program (DROP) may cease participating in DROP and enroll in the Elected Officers' Class or Senior Management Service Class or end DROP participation without terminating his/her term of office, effective July 1, 2001. *SB 2 (awaiting governor's review 5/15/01).*

Missouri. A DROP effective January 1, 2002, was made available to members of the state employees' retirement system and the highway employees and highway patrol employees' retirement system. It is available to employees who have continued to work at least two years beyond retirement age. *SB 371.*

Montana. The Legislature created a DROP for members of the Municipal Police Officers' Retirement System (MPORS). Members may choose a DROP period from one month to five years. When the DROP commences, the retirement plan will deposit benefit amounts in a DROP fund monthly, including any benefit enhancements made available to other retirees in the period. Members and employers will make usual contributions to the retirement fund during the period of the DROP. Funds in a DROP will accumulate interest at "a rate reflecting the retirement system's annual investment earnings." A member may continue employment after the DROP, buy cannot participate in more than one DROP and cannot receive benefits until actual retirement. *HB 452.*

South Carolina: The State Optional Retirement Program (ORP) was extended to public school district employees as of July 1, 2001. [It was previously available only to teachers and administrators.] The higher education ORP established in 1987 with limited employee eligibility will be expanded in eligibility and consolidated with the State ORP in July 2002. Full time state employees and employees of higher education hired after June 30, 2002, will also be eligible for the ORP. *SB 484.*

Virginia. The Legislature enacted a optional retirement benefit provision with some similarities to a DROP. It is called a Partial Lump-Sum Option Payment (PLOP)..

The legislation creates a new option for the payment of retirement benefits to eligible retiring members. It benefits employers by providing an incentive for experienced workers to stay on the job. To be eligible for PLOP, a member must satisfy the requirements for an unreduced service retirement benefit and remain in service for at least one year beyond the point in time when he or she qualifies for the unreduced benefit. Members selecting the PLOP must also have worked in a VRS- covered position for at least one year beyond January 1, 2001.

PLOP provides a cash payment of up to 36 times the amount of the monthly service retirement benefit, depending on the number of years the member works beyond becoming eligible for an unreduced benefit. An eligible member who remains in service for at least three years after becoming eligible for an unreduced service retirement benefit is eligible for the maximum payment of 36 times the monthly benefit amount; 24 times the monthly benefit for two years; and 12 times the monthly benefit for one year. The lump-sum distribution is paid at the time the first monthly benefit payment is made, and is subject to taxes at the time it is received, unless it is rolled over into an Individual Retirement Account. If an eligible member elects PLOP, his or her retirement allowance is reduced on an actuarially equivalent basis to reflect the payment of the lump-sum distribution. *SB 843 (HB 2629).*

EARLY RETIREMENT INCENTIVES

Iowa. The Legislature recently passed an Early Termination program (SF 551), referred to as the Early Out incentive program. This Early Out incentive program is a one-time opportunity for specified State employees who meet the program criteria and who may want to leave state service at this time. Specified State employees include executive branch employees, certain correctional services employees, and employees of the Board of Regents if approved by the Board of Regents. This program does not include elected officials or employees covered by collective bargaining agreements.

Program features are:

- 100% of accrued sick leave bank, up to a maximum of annual salary. (This replaces the $2,000 typically paid for sick leave upon retirement.)
- Candidates must sign up on or before January 31, 2002 and leave State employment on or before February 1, 2002.
- Sick leave and vacation will be paid out in five installments, one at the time of departure and the other four in August of each of the next four fiscal years.
- Installment payments are taxable.
- Participants may NOT accept permanent part-time or permanent full-time employment with the State, other than as an elected official, after termination.

S. F. 551, First Special Session of 2001

FUNDING ISSUES

Hawaii. The Legislature changed the salary growth assumption rate from a variable rate to a fixed percentage rate of 4 percent effective July 1, 2001, to calculate employer contributions to the Employee Retirement System in order to facilitate calculation of long-term actuarial valuations. *Act 104.*

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The Legislature passed a concurrent resolution to encourage the Employees' Retirement System to apply the principles of socially responsible investment in its investment practices and decisions, and requested the Legislative Reference Bureau to conduct research on socially responsible investment. *S.C.R. 13.*

Indiana. The Legislature provided additional funding from the state's pension relief fund for local governments. From 2001 through 2007, the pension relief fund will provide enough funding to each local unit that at least 50 percent of each unit's pension liability is covered by the allocation from the pension relief fund. The legislation also provides one-time distributions as needed to ensure that the pension relief fund as paid at least 50 percent of each local unit's liability for 1998 through 2000. *SB 260.*

Minnesota. The Legislature increased contribution rates for the Public Employees Retirement Association to address a funding deficiency. The increases will be effective after January 1, 2002. For the Basic Plan, employee rates increase from 8.75 percent to 9.1 percent and employer rates increase from 11.43 percent to 11.78 percent. For the Coordinated Plan, the increases similarly are 0.35 percent to 5.1 percent for employees and to 5.53 percent for employers. *Chapter 10, Summary Laws of 2001, 1st Special Session, Article 11.*

The Legislature also extended the full-funding target date from 2020 to 2031 to allow increases in contributions to be kept to a minimum. *Chapter 10, Summary Laws of 2001, 1st Special Session, Article 11.*

New Jersey. Legislation provides that the actuarial value of assets for the Teachers' Pension and Annuity Fund (TPAF) and the Public Employees Retirement System (PERS) for the valuation period ending June 30, 1999, will be the full market value of the assets as of that date. *Chapter 133, P. L of 2001* [The fiscal note for the legislation observes that the purpose of the revaluation is to fund the enhanced benefits provided by the bill – see Defined Benefit Plan Changes, above. The revaluation results in remaining excess pension assets of $6.2 billion after the costs of the 2001 legislation are taken into consideration. The Office of Legislative Services has noted that if the revaluation had been as of April 30, 2001 instead of the date selected for 1999, the remaining excess pension assets would total $3.8 billion rather than $6.2 billion because of intervening losses due to market conditions.] *Fiscal Note, Senate No. 2450, State of New Jersey, 209th Legislature.*

New Hampshire. The Legislature authorized the issuance of $5,250,000 in general obligation bonds to pay an amount of the unfunded accrued liability of the New Hampshire Retirement System. The bonds will be repaid from general fund revenues. [This will relieve the general fund of an assessment upon employers after Fiscal Year 2002.] *Laws of 2001, Chap. 275.*

Pennsylvania. The Legislature reduced the time period over which gains and losses in the pensions funds are amortized from 20 years to 10 years. It also removed the limit of 2 percent upon the amount of book value of assets that could be invested in venture capital funds, changing the requirement to investment in venture capital, private placement and alternative investments in accordance with the prudent person rule., and grandfathers in all existing investments. *Act 2001-9 (HB 26).*

Pennsylvania legislation also allows the School Employees Retirement System to collect delinquent payments due from charter schools directly from appropriations made to the Department of Education for basic education. The Department of Education will receive a credit against the amount due the school district or charter school. *Act 2001-9 (HB 26).*

Oregon. Legislation allows the Public Employees' Retirement System board to amortize employer liabilities over no more than 40 years, and eliminates requirements for a 30-year amortization period. *SB 134.*

Maryland. The Legislature required the State Retirement and Pension System to amortize over a 25-year period all actuarial liabilities or surpluses that have accrued from July 1 of the preceding fiscal year. Future years' liabilities or surpluses will maintain a 25-year amortization schedule beginning in the year the liabilities or surpluses first accrued. Existing actuarial liabilities will continue to be amortized over a fixed schedule that ends at the conclusion of fiscal 2020. This bill also requires the "municipal pool" of local governments that participate in the SRPS to amortize all new actuarial liabilities over a similar 25-year period. Effective July 1, 2001. *SB 222.*

Washington. Legislation reduced employer and employee contribution rates for retirement plans. The rates are being reduced to reflect the strong performance of the trust funds and the increase to the long term assumed rate of investment return included in this bill. The effect of both these items is that the retirement trust funds need to collect less from members and employers to fund the current benefit structure.
For employees:
Public Employees' Retirement System (PERS) Plan 2 rate drops from 2.43% to 0.88% effective July 1, 2001.
School Employees' Retirement System (SERS) Plan 2 rate drops from 2.43% to 0.88% effective September 1, 2001.
Teachers' Retirement System (TRS) Plan 2 rate drops from 3.01% to 1.23% effective September 1, 2001.
Law Enforcement Officers and Fire Fighters (LEOFF) Plan 2 rate drops from 6.78% to 4.50% effective July 1, 2001.
For employers:
PERS Plans 1 and 2 rate drops from 4.44% to 1.54% effective July 1, 2001.
SERS Plan 2 and 3 rate drops from 4.44% to 1.54% effective September 1, 2001.
TRS all three plans rate drops from 7.10% to 2.75% effective September 1, 2001.
LEOFF Plan 2 the employer rate drops from 4.07% to 2.70% and the state rate drops from 2.71% to 1.80% effective July 1, 2001.

The legislation also makes changes to certain long-term economic assumptions used for valuing the retirement systems and calculating pension contribution rates. The bill adjusts the timing for adoption of contribution rates and long-term economic assumptions by the Pension Funding Council and reduces the number of votes required to make a change in assumptions from 5 to 4. *ESSB 6167.*

GAIN SHARING PLANS
(no entry)

GOVERNANCE
Iowa. The Legislature made the Iowa Public Employees Retirement System (IPERS)a separate and distinct division within the state department personnel and created the position of chief executive officer for the system, to be appointed by the governor with the concurrence of the Senate. The new legislation specified a "prudent person" rule to govern investment policy, and provided that the system may acquire "every kind of property and every kind of investment which persons of prudence…acquire or retain for their own account," In addition, it provides that "Consistent with this section, investments shall be made in a manner that will enhance the economy of this state and, in particular, will result in increased employment of the residents of this state."

The legislation also created an investment board to review investment policy and performance, and to a public meeting to report on policy and performance, and to establish an investment policy and goals statement to direct investments. The board will have seven voting and four non-voting members. Three of the voting members will be appointed by the governor from the general public, not members of the system who have substantial investment experience. Three will be members of the system, with various qualifications to provide a variety of representation. The state treasurer will be ex officio the seventh voting member. Two representatives and two senators will be non-voting members.

The legislation also created a benefits advisory committee to make recommendations to IPERS and the Legislature on benefits policy. It will mostly consist of representatives of constituent groups covered by IPERS, plus a member of the public and the state director of personnel. It will choose nine of its members as voting members, but these must represent certain specified interest or constituent groups. The benefits advisory committee will make biennial recommendations on services, benefits policy and benefits goals. *Senate File 497.*

New Hampshire. Legislation abolished the administrative cost assessment to employers and authorized the Board of Trustees of the New Hampshire Retirement System to draw administrative costs from the system's funds. *Laws of 2001, Chap. 158.*

Michigan. The legislature will consider pension protection legislation in late November or December 2001.

Minnesota. Implementation plans for the consolidation of the administrative services of the major statewide retirement systems must be submitted by February 15, 2003. An implementation plan for the aggregation of the teacher retirement plans must be submitted by February 15, 2002. *Chapter 10, Summary Laws of 2001, 1st Special Session, Article 11, §19, §20.*

Oregon. Legislation establishes that "The Public Employees Retirement Fund is declared to be a trust fund, separate and distinct from the General Fund," that "Until all liabilities to members and their beneficiaries are satisfied, assets of the fund may not be diverted or otherwise put to any use that is not for the exclusive benefit of members and their beneficiaries" and that "The State of Oregon and other public employers that make contributions to the fund have no proprietary interest in the fund or in the contributions made to the fund by them."

The legislation also altered the PERS board by increasing its membership from 11 to 12, deleting two members, adding three new public members who along with the existing three public members cannot be members of PERS and at least three of whom have to have experience in investing or pension management.

The legislation also allows the PERS board to amortize employer liabilities over no more than 40 years, eliminates requirements for a 30-year amortization period, allows for employer participation in variable annuity accounts, and allows local governments to issue bonds for the payment of pension liabilities. *SB 134.*

West Virginia. Legislation requires all assets of the public retirement plans be held in trust. *S.B. 3002 - [W.Va. §5-10D-1, 2 & 7]*

HEALTH COVERAGE

Alaska. Benefits for retired members of the Public Employees Retirement System and the Teachers Retirement System were improved. Legislation provided for the system to pay full retiree medical benefits at age 60 with five years of service for PERS Tier II, 10 years for PERS Tier III, and eight years for TRS. Full benefits will be paid for Tier II and Tier III teachers and police/fire members with 25 years of service, and all others with 30 years of service. *HB 242.*

Arizona. Legislation increases all single and family categories of the health insurance premium subsidy for all four state retirement systems, retroactively to July 1, 2001. *HB 2164.*

Maine. Legislation increased the state share of retired teacher health insurance payments to 35 percent. *Part PP, Part 2 Budget Bill, Public Law 2001, Chapter 439.*

Minnesota. The Minnesota State Retirement System may establish a plan through which all of Minnesota's state and local public employees may utilize individual savings accounts to cover postretirement health care costs. Availability of the plan to employees and employers will be bargained and a bargaining unit's membership will join or not join as a group. Public employers may contribute funds to the postretirement health care trust and a laborer;'s national industrial pension fund is the employees in the collective bargaining unit are covered by the fund. *Laws of 2001, 1st Special Session, Chapter 10, Article 7, §1, §2.*

Other legislation extended eligibility for a recently-created long-term car insurance program to terminated and retired state employees. *Laws of 2001, Chapter 94, § 1*

New Hampshire. New legislation clarified the eligibility of retirees to receive group insurance or other medical benefits even though they originally decline coverage because of other coverage. Upon the loss of other coverage, retirees will be eligible for immediate coverage under employer plans. *Laws of 2001, Chap. 416.*

Pennsylvania. Premium assistance for health care insurance for qualified retirees will increase from a maximum of $55 a month to a maximum of $100 a month for participation in the Public School Employees Retirement System health options plan or a qualified school district health insurance plan. *Act 2001-9 (HB 26).*

Texas. Legislation provided that the Teachers Retirement System will administer a statewide health care benefit program for certain local school employees. *HB 3343*

Vermont. State contribution for retired teachers' health insurance was increased from 50 percent to 80 percent. *HB 45.*

RE-EMPLOYMENT AFTER RETIREMENT

Alaska. Retired members of the state employee retirement system and retired teachers may return to covered employment and continue to receive retirement benefits by agreeing to forego the accrual of any additional retirement benefits during the period of employment. *HB 242, SB 149.*

Arizona. Retired members of the State Retirement System are permitted to return to work and be eligible for continuation of retirement benefits if they have been terminated from employment for 12 months. Such employees will not contribute to ASRS or accrue additional benefits during re-employment. Effective through June 20, 2003. *2001 Ariz. Session Laws Chap. 68.*

California. New legislation allows retired members of the State Teachers' Retirement System who return to active service for the equivalent of two years to have their retirement allowances recalculated to include the benefit increases enacted in 1998 and 2000. These enhanced benefits apply only to those who retire on or after the effective date of this bill (9/25/01). *SB 334.*

Colorado. Retired members of the Public Employee Retirement Association (PERA) may contribute to the PERA 401(k) plan from any wages paid them by PERA employees. *HB 1057.*

Illinois. Retired teachers may return to teaching without impairing their retirement status if they return to work for no more that 120 paid days (up from 100 in previous law) for employment between July 1, 2001 and June 30, 2006. *H.B. 2157*

Indiana. Re-imposed the annual limit on earnings of retired members of the Public Employees' Retirement Fund (PERF) and the Teachers' Retirement Fund (TRF) who have not attained the Social Security normal age for unreduced benefits. Such retired employees' benefits will be suspended when they earn more than $25,000 in a year in a in a position covered by PERF or TRF. The law exempts people who have attained the normal age for unreduced benefits. Members are entitled to an additional retirement benefit for the period of reemployment. *SB 107.*

Louisiana. New legislation repealed a variety of laws that addressed the re-employment of teachers after retirement that imposed different conditions upon former teachers depending on their status according to certain criteria when they retired. Previous law, for example, imposed fairly strenuous conditions upon returning retirees who had been members of the state Deferred Retirement Option Plan before leaving employment.

The new legislation permits re-employment without loss of retirement benefits after the former teacher has been retired for at least 12 months. If the former teacher returns to retirement before the 12-month period elapses, benefits are suspended until the end of the retirement or the lapse of the 12-month waiting period, whichever occurs first.

Returning retired teachers must make contributions to the retirement system, as must their employers, but the retiree does not receive any additional service credit or accrue any additional benefits. Upon termination of employment, the retiree receives the employee contributions back, without interest. The retirement system keeps the employer contributions. Effective July 1, 2001. *HB 1339, 1340.*

Maine. The Legislature repealed the requirement of a reduction in benefits for Maine State Retirement System (MSRS) retirees who return to service in employment covered by the MSRS. This applies to teachers and state employees. Such persons do not earn additional retirement credits and do not contribute to the MSRS. Eligibility for participation in group health or dental programs is determined by law applicable to retirees, generally. *Public Law 2001, chapter 442*

Maryland. New legislation stipulated that retirees of the Employees' Retirement System (ERS), Employees' Pension System (EPS), Teachers' Pension System (TPS), Teachers' Retirement System (TRS), and Correctional Officers' Retirement System (CORS) are subject to the re-employment earnings limitation only if the designated retirees are re-employed by the same employer from which they retired. A retiree receiving a normal service retirement may now seek reemployment with any of the other 99 employers participating in the State Retirement and Pension System (other than the employer from which they retired) without any earnings limitations. For purposes of reemployment, the State is treated as a single employer.

Employees who take early retirement must remain retired for at least 12 months before accepting reemployment with a participating employer, regardless of who the retiree's employer is.

The bill also exempts retirees of the EPS and the TPS from any reemployment earnings limitations if they have been retired for more than ten years. [This applies the same rule in the EPS and the TPS as currently exists in the ERS and the TRS.]

The bill addresses the statewide nursing shortage by exempting from the earnings limitation retired health care practitioners (including nurses) who are re-employed by the Department of Health and Mental Hygiene, even if the re-employed practitioners have retired from the State, a provision that expires in 2006. *S.B. 221*.

Other bills enhanced re-employment provisions for certain other retirees: school principals, correctional officers, and judges who are re-employed as faculty at a community college. *H.B. 442, S.B. 162, H.B. 132, respectively.*

Mississippi. The Legislature revised the statutory provisions that limit the amount of time a benefit recipient can return to covered employment. The old language allowed a person who is receiving a retirement benefit to return to covered employment for up to 120 days a year, but not more than half of full-time employment in a position. Because of the way teachers' full-time positions are counted in Mississippi, the law limited returning teachers to working about calendar 93 days in a year. The Legislature made definitional and technical changes in the law that are expected to work to allow teachers to work half-days throughout a school year. The changes affect all state employees and teachers, but will have their primary effect on teachers. *HB 1182*.

Montana. Effective March 16, 2001, Public Employee Retirement System members can return to covered employment for up to 960 hours in a calendar year without reduction of benefits.[The reduction is dollar for dollar after that hour limit.] However, those aged 65 to 70 ½ are subject only to the higher of the 960 hour limit or an earning limit equal to highest average compensation adjusted for inflation. Over 70 ½ the limits do not apply. *SB 37*.

The maximum a retired member of the Teachers' Retirement System may earn in a part-time teaching position will be increased to match the CPI annually. *HB 97*.

Nevada. New law allows eligible retirees to return to employment without loss of retirement benefits in positions deemed to be experiencing a critical labor shortage. [The law applies to regular state and local government employees as well as teachers.] The governing body of the employer will make the determination of a labor shortage: The Board of Examiners for the State of Nevada, the Board of Regents for the university and community colleges, the Supreme Court for judicial positions, the Department of Education for school districts and the governing board of a local government for its jurisdiction. People who took early retirement cannot return to employment without loss of benefits until they reach the age of full eligibility for their retirement plan. The law sunsets June 30, 2005. The Public Employees Retirement System is to conduct an experience study to determine the costs of the program before the sunset date. *Assembly Bill 555*.

New Mexico. Teachers who have been retired and receiving benefits with no employment relationship with a public school for twelve month, may return to covered employment and continue to receive retirement benefits, effective January 1, 2002. The provision expires January 1, 2012. Such teachers may return to full-time employment. They will not contribute to the retirement system nor receive additional credit toward benefits after returning to employment, nor may they at any future time purchase credit for the time they will be re-employed. [The law does not include a "critical shortage" provision.] *SB 716*.

New York. Legislation increased the 2002 earnings after retirement limitation to $20,000 [from $18,500] for those working in New York state public employment. *A8345/S4401, (Chapter 281 laws of 2001).*

North Dakota. Teachers who have been retired and receiving benefits for at least one year, or who retired before January 1, 2001, may return to teaching in critical shortage geographic areas or subject disciplines without loss of benefits. Such a returning teacher does not earn service credit for employment or any additional benefits, and makes no retirement contribution in the period of employment. *SB 2180.*

Other legislation modified the conditions under which a retired teacher may return to covered employment:

- Shortened the waiting period that must elapse from the retirement date before a retiree may return to Teachers' Fund covered employment from 60 days to 30 days.
- Modified the amount of time a retiree may return to covered employment from a maximum of 90 days at 4 or more hours a day to a total of 700 hours in a fiscal school year.
- Improves the recalculation of retirement benefits for a retiree who returns to covered employment, exceeds the 700 hours limitation, and re-retires. *HB 1102.*

Pennsylvania. Current law allows a member of the School Employees Retirement System to return to covered employment for a period of 95 days in any fiscal year without suspension of pension benefits. For state employees, this has been changed to a *calendar* year measure. Days worked before July 1, 2001 will not count toward the limit. For school employees, the limit has been suspended for service prior to December 31, 2001. *Act 2001-9 (HB 26).*

Rhode Island. New legislation allows a retired teacher to substitute as a teacher at state schools and in the public schools of Rhode Island for a period of no more than 90 days in any one school year without any forfeiture of or reduction in the retirement benefits and allowances the teacher is receiving as a retired teacher. *Chapter 199, Laws of 2001.*

South Carolina. The Legislature increased the earnings limitation for retired members of the SC Retirement System who return to work from $25,000 to $50,000 per fiscal year, with a mandatory 60-day break before the members returns to covered employment. *SB 163, Act 25. Other legislation, awaiting the governor's signature as of July 10, 2001, would continue an exemption from the earnings limit for teachers who return to work in a critical needs area of the state. HB 3175.*

Texas. The Legislature repealed language limiting reemployment with an Employee Retirement System employer to nine months without loss of retirement benefits. State agencies are required to conduct a strategic staffing analysis and develop a workforce plan to address critical staffing and training needs of the agency, including the need for experienced employees to impart knowledge to their potential successors. *SB 587.*

Other legislation permits teachers who retired before January 1, 2001, to return to covered employment without restriction or reduction of benefits. Some restrictions, including a waiting period, apply to those who retire on or after January 1, 2001, with special provisions for bus drivers (who are not required to take a 12-month service break unless they have taken early retirement). Principals and assistant principals may return to work, with a 12-month service break, unless they are early retirees. HB 3147, SB 273.

Virginia. Legislation permitted retired teachers or administrators to be rehired without interrupting their retirement benefits, provided there is a break in service, the retiree did not leave under a local early retirement program, and there is a declared teacher shortage. *HB 252 (HB1589).*

Washington. Legislation allows Teachers' Retirement System (TRS) Plan 1 retirees to work for 1,500 hours per fiscal year after they retire without reduction in their pension and Public Employees' Retirement System (PERS) Plan 1 retirees to work for 1,500 hours per calendar year after they retire without reduction in their pension. The bill also allows retirees from TRS Plans 2/3, School Employees' Retirement System Plan 2/3, and PERS Plan 2 to work for 867 hours per year after they retire without reduction in their pension. Employers will have to pay contributions if a Plan 1 retiree works more than 867 hours in a year. Governor Locke vetoed sections 5 and 6 of the bill, which provided sunset provisions in 2004, on the ground that the program should be continued longer. The legislation contains a requirement for a study and review of the program. *ESSB 5937.*

West Virginia. Persons who elected to retire under the "early incentive" program may work for the West Virginia Legislature as contract employees without penalty to their subsidy. *H.B. 2607 - [W.Va. §5-10-22c*]

Other legislation allows a window for teachers entitled to retirement benefits in a fiscal year to retire and then be employed in the next fiscal year as a substitute teacher for unlimited days without penalty under certain conditions. Window closes June 30, 2003. *S.B. 227 - [W.Va.§18A-2-3]*

Wyoming. Previous law required that retirees either discontinue retirement benefits and be reinstated as an active member upon re-employment with any employer who participates in the Wyoming Retirement System, or continue receiving a benefit and not be reinstated as an active member. Legislation in 2001 permits continued payment of a benefit to a reinstated member for limited part-time or short-term employment. *HB 202.*

RETIREMENT ELIGIBILITY

Illinois. Legislation in late 2000 changed the eligibility for retirement in the State Employees Retirement System by allowing state employees whose years of service and age equal 85 to retire without a reduction. The normal SERS retirement age is 60 with 8 years of service. Previous law was that employees must have a full 35 years of service to retire before age 60 without penalty. The Rule of 85 allows employees with any combination of age and years of service that totals 85 to retire early without reduction. In addition, the 3% COLA will be applied on January 1 following the first full year of retirement. *Public Act 91927.*

Montana. The age of eligibility for unreduced retirement benefits for members of the Judges Retirement System was reduced from 65 to 60. *SB 370.*

The minimum service requirement for unreduced retirement benefits for members of the Highway Patrol Officers Retirement System was set at 20 years of service regardless of age. The multiplier remains at 2.5 percent. *SB 228*

SERVICE CREDIT/PURCHASE OF SERVICE/TRANSFER OF CREDIT

Arizona. Inactive members of the AZ State Retirement System (ASRS) who have not retired can transfer credited service from one state plan to the person's current or former plan if the inactive member is not eligible for membership in ASRS and has not withdrawn contributions. *Ariz. Sess. Laws, Chap. 23.*

Hawaii. The Legislature created a military service credit program for veterans who retired before 1989, providing additional service credit in amounts depending on the length of military service. *H.B. 860.*

Kentucky. Cost of purchasing service credit was altered to 100 percent of the actuarial cost of the service, which will increase the cost of most types of purchase, as of July 1, 2001. This legislation replaces various purchase provisions with a common schedule. [The change was made to balance the cost of a change in the definition of final average compensation. Kentucky Retirement System notes that most purchases would have increased in cost in any case because of the findings of a recent actuarial study and the shift from high-5 to high calculation of FAS for benefit calculations]. *HB 278.*

Maryland. Legislation reduces by one-half the amount that a State employee member of the TPS must pay to the SPRS when purchasing service credit for previous employment with the State. *S.B. 93*

Minnesota. Legislation expanded the Teachers Retirement Association's out of state service credit purchase provision to include teaching service in another county or for a federally-recognized American Indian tribe. *Summary Laws of 2001, 1st Special Session, Chapter 10, Article 6 § 5.*

New Jersey. This law allows a member of the Public Employees' Retirement System (PERS) or a member of the Teachers' Pension and Annuity Fund (TPAF) to transfer all service credit between the two retirement systems even though there was a period, not to exceed two years, of dual membership.
Prior to this law, a transfer of service credit between PERS and TPAF was allowed only if there was no period of overlapping membership. If not vested in both accounts, this law allows a two year window in which to make the transfer. *Chapter 6, P. L. of 2001*

North Dakota. Contributors to the Highway Patrolmen's retirement system to purchase additional service credit from rollovers from other qualified plans, purchase additional credit for up to four years of active employment in the armed forces of the United States, purchase credit for employer-approved leaves of absence, and purchase additional years of service credit to enable the contributor to qualify for normal retirement at actuarial cost. *SB 2084.*

Texas. Any member of the Teachers' Retirement System with seven years of actual service may purchase up to three years of additional service credit by paying the actuarial cost. The cap on purchase of out-of-state credit was increased from 10 years to 15 years, subject to any IRS regulations. SB 477.

Members or former members of the Texas Teachers' Retirement System, the Employee Retirement System, Judicial Retirement Systems, and certain other state and local retirement systems are allowed to reestablish credit for service the employee earned in another of the specified retirement systems that the employee had previously cancelled, even though the employee is not presently a member of the system credit for service in which the member wishes to reestablish. HB 1428, SB 372.

Virginia. Legislation reduced the cost of purchasing certain types of prior service credit and eliminated the five-year vesting requirement and the 25-year service requirement to purchase certain types of service. These bills reduce the cost to purchase certain types of service from 15 percent to 5 percent of current salary (or average final compensation, if higher), including military service and creditable service of another state, service of a political subdivision or public school system, and civilian service of the United States. This legislation also permits the purchase of service for periods of time when a member was employed in a part-time or wage position with a VRS employer.

These bills cap the amount of part-time or wage service that can be purchased at four years. The types of service specified in this legislation must be purchased or a purchase contract be entered into within three years from the date of hire for new members hired after July 1, 2001. For current eligible employees, the purchase must be completed or a purchase contract be entered into within three years after becoming eligible for the purchase, or by July 1, 2004, whichever is later. If the purchase is not made within these time limits, the cost to purchase the service will be at the actuarial equivalent cost. *HB 2293 (SB1077).*

STUDIES

Colorado. State Auditor required to conduct a study of defined benefit and defined contribution plans for members of the Public Employee Retirement Association and compare current PERA benefits, cost and portability to other plans in the U.S. The study is to be submitted to the Legislative Audit Committee and the PERA board by December 1, 2001. SB 149. Awaiting governor's consideration on 5/15/01.

Kansas. The Legislative Coordinating Council authorized legislative staff interim studies of school district and community college board contributions to employees tax sheltered annuities, employment after retirement, and early retirement incentive plans offered by school districts.

Minnesota. The Legislature required an actuarial study of the adequacy of the Public Employees' Retirement Association support rates. *Summary Laws of 2001, 1st Special Session, Chapter 10, Article 11, § 21.*

Nebraska. The Nebraska Retirement Systems Committee is required to submit to the Executive Board of the Legislature Council by October 31, 2001, a report on the feasibility of a separate retirement system for legislative employees. The plan will include proposals for: (1) increased employee and employer contributions to legislative employees' retirement accounts; (2) a shorter vesting period for employer contributions; and (3) a goal of an 85 percent "income replacement" for legislative employees at retirement. The plan will also describe other plan details and provide a cost estimate. (Currently, legislative employees are members of the state employees retirement system.) *LB 75*.

Nevada. Legislature required the Public Employees' Retirement Board to study lump-sum optional retirement programs, including deferred retirement optional programs, to see whether such programs would be beneficial. The board is to report on August 1, 2002. *Assembly Bill 431*

West Virginia. – Legislative resolutions that the Joint Committee on Government and Finance study possible changes in the pension benefit plan for correctional officers and other similar employees and the feasibility of creating a state retirement system for firemen, police officers and emergency medical services personnel. *HCR 41 and SCR 35*.

TAXATION

New Jersey. Exclusion of military pensions and survivor's benefits of those under age 62 from gross income for tax purposes. [The current gross income tax exemption applies only to those individuals over 62 years of age.] This bill takes effect immediately and will be retroactive to January 1, 2001. *A-1256*.

VESTING

Pennsylvania. Vesting requirements have been reduced to five years for all active members of the State Employees Retirement System (including legislators) and the School Employees Retirement System (which includes teachers), legislators, state police and judges, from various requirements for eight or ten years. Former members must return to covered employment and earn one year of service credit to make their prior service eligible for five-year vesting, except that those who need less than one year of service to vest under provisions of the old law need work only the number of months the old law would require. *Act 2001-9 (HB 26)*.

Texas. Provided for five-year vesting for members of the Texas Municipal Retirement System, unless municipalities elect not to allow it. They may thereafter revoke a decision not to allow five-year vesting. *SB522*.

WITHDRAWN CONTRIBUTIONS

Oregon. Members of the Public Employees' Retirement System will be allowed to withdraw both the employee account and a matching amount from the employer in a lump sum at retirement. *SB 134*.