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PENSIONS AND RETIREMENT PLAN ENACTMENTS IN 2008 STATE LEGISLATURES

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INTRODUCTION. This report summarizes selected pensions and retirement legislation that state legislatures enacted through the end of June, 2008. Bills summarized below have been enacted into law unless there is a specific indication to the contrary. Not all legislation had been chaptered at the time this report was compiled. Some legislatures remain in session at the time of publication. Additional retirement legislation enacted later in 2008 will be added to this report at the end of 2008.

The sources of this report are StateNet searches of current and enacted legislation, retirement systems' websites, state legislatures' reports of enacted legislation, and information provided by legislative and retirement system staff. I am indebted to the many legislative staff who write and share summaries of their legislatures' acts, the many retirement system staff throughout the United States who have posted legislative summaries on their web sites, and the staff of legislatures and retirement systems who have taken time to identify and explain legislation and its context to me.

The goal of this report is to help researchers and policy makers know how other states have addressed issues that could arise in any state. In keeping with that goal, I have excluded most clean-up legislation, cost-of-living adjustments, administrative procedures and technical amendments. This report is organized according to the topics that legislatures addressed in 2008, listed at the end of this introduction. The remainder of the introduction takes note of the main issues of 2008, which are described in more detail under the topical headings in the main part of this paper.

MAJOR ISSUES IN 2008

RETIREMENT PLAN STRUCTURE AND FUNDING

Sustaining defined benefit plans for the long haul continued to be the major concern of public retirement policy in 2008, just as it was in 2007. Benefit increases were rare and were moderate where they existed. A number of states revised their retirement plans to reduce benefits for future employees compared to commitments to current employees. Generally such changes meant inducements to stay in the workforce longer, a reduced replacement ratio for a given employment record, or both. Details on the legislation discussed below can be found later in this report.

- Georgia enacted an innovative retirement plan for state employees hired after January 1, 2009. The new plan provides a defined benefit component that will provide about 50% of the retirement benefit of the existing DB plan, plus an opt-out 401(k) with employer matching contributions. There is no exact counterpart to the plan among statewide pensions programs for general employees or teachers.
- Kentucky addressed funding issues for pensions and retiree health benefits for newly-hired general state and county employees, teachers and public safety officers in a massive piece of legislation enacted in special session. Generally, the legislation calls for somewhat higher ages of eligibility for retirement and health benefits, extends the period over which final average salary is calculated, and replaces single multipliers for calculating benefits with scales that provide a higher multiplier for retirees with longer periods of employment. It removes lump-sum payments at the termination of service from the base for calculating final average salary and restricts the use of accumulated sick leave for retirement eligibility and benefit calculation. It provides a more restrictive policy on benefits earned through a return to covered service after retirement. The legislation also establishes a schedule for the General Assembly to move gradually to full annual appropriation of the actuarially-required contributions for statewide retirement plans.
- New Jersey increased the minimum age for eligibility for normal retirement benefits for new employees and increased the salary levels at which new hires are eligible to join retirement systems.
- Vermont also increased the minimum age for normal retirement for new state employees and changed its provisions for reducing benefits for early retirement. The new provisions are a sliding scale that takes age and years of service into account so that those with greater age and service will experience a smaller benefit reduction than others. The law also increased the cap on pension benefits from 50% to 60% of final average salary and provided for a higher automatic annual COLA than previous law. Employee contributions rates were increased to help offset the cost of the benefit enhancements.
- West Virginia again addressed issues related to closing its defined contribution plan for teachers and moving members of that plan to the DB Teachers' Retirement System. The 2008 legislation allowed individual teachers to volunteer to transfer from the DC plan to the DB plan. It required agreement of at least 65% of the DC plan members for any transfer to occur and offered a more valuable package of benefits in the DB plan if at least 75% of the DC plan members volunteered. Those who wished to remain in the DC plan were able to do so. The 75% threshold was met in individual commitments DC plan members submitted in early 2008.

Alaska authorized the sale of as much as \$5 billion in pension obligation bonds by state and local governments to address accrued actuarial liabilities of retirement systems. Wisconsin authorized Milwaukee County to issue bonds for the same purpose.

RETIREE HEALTH BENEFITS

- Kentucky legislation added a 1% contribution requirement for general and law enforcement personnel, increased teachers' contribution by 1%, and increased vesting and eligibility requirements for post-retirement health benefits.
- New Hampshire revised the provisions under which it finances retiree health care benefits and provided that the subsidy to retiree benefits will not increase until 2012 when it will be increased by 4% then and annually thereafter. It set annually required employer contributions for retiree health benefits at 25% of salary or the actuarially-required amount, whichever is less.
- New Jersey tightened eligibility for post-retirement health benefits.
- Vermont enacted a new tiered policy for eligibility for retiree health care subsidies for new employees. With between five and 10 years of service, retirees may continue coverage at their own expense. Those with at least 20 years of service will receive an 80% subsidy, with smaller subsidies available for service between 10 and 20 years.

EARLY RETIREMENT INCENTIVES

Early retirement incentives tend to appear when states are facing fiscal difficulties, but they made only a limited reappearance in 2008.

- New Jersey enacted a program of incentives designed to reduce the state workforce by about 2,100 employees in addition to the 1,000 who would routinely be expected to retire. It provides some controls intended to make the workforce reduction permanent.
- Tennessee offered an employee buy-out program that offered cash incentives for leaving state employment, with the goal of eliminating 2,200 state positions. It was not explicitly an early retirement program in the sense of offering enhanced retirement eligibility or benefits. It is offered as an alternative to forced separations.

STATE DIVESTMENT LEGISLATION

This report lists enacted divestment legislation or resolutions from 6 states in 2008, down from 14 states in 2007, partly because so many states have already acted. Most focus on companies operating in Sudan. NCSL tracks the issue closely; a full listing of such legislation considered in 2008 is available on the NCSL website at <http://www.ncsl.org/standcomm/sclaborecon/statedivestbills.htm>.

FORFEITURE OF RETIREMENT BENEFITS

Connecticut enacted legislation that generally permits state courts to revoke or reduce any retirement or other benefit due to state or municipal officials or employees who commit certain crimes related to their employment. Georgia, Ohio and West Virginia enacted legislation in various degrees limiting

the availability of public retirement benefits to felons or, in the instance of West Virginia, those who have "rendered less than honorable service" to the state. Colorado prohibited the state retirement system from processing a request for a refund from a member account if the member has been accused of a felony. Idaho provided that in certain circumstances a public employee or officer who has misused public money can be ordered to apply for a distribution of retirement funds in order to make restitution.

LIST OF TOPICS

Benefit Calculation and Eligibility	Forfeiture of Benefits
Contribution Rates and Funding Issues	Governance and Investment Policy
Cost of Living Adjustments	Health Coverage
Deferred Compensation Plans	Military Service
Defined Benefit Plan Changes	Other Post-Employment Benefits (OPEB)
Disability	Re-employment after Retirement
Divestment	Service Credit/ Purchase of Service
DROP and Lump-sum Withdrawals	Studies
Early Retirement Incentives	Tax Policy Affecting Retirees and
Elected Officials Retirement Programs	Retirement Benefits

BENEFIT CALCULATION AND ELIGIBILITY

NEW HAMPSHIRE. Chapter 300, Laws of 2008 (HB 1645), revises the definition of earnable compensation for the purpose of calculating retirement benefits to exclude end-of-career payments and a number of work-related reimbursements. Allows inactive members to leave their contributions in the system indefinitely (or request they be returned 30 days after leaving membership) and earn interest at 2 percentage points less than the rate of return on system investments for the previous fiscal year (down from actual return, as provided in previous law).

The act also provides that if compensation in the final year of service exceeds 125% of final average compensation, the retiree's last employer will be assessed the cost of the excess benefit. Annual retirement benefits are capped at \$120,000.

NEW JERSEY. SB 1962 raises normal retirement age for public employees and teachers' systems from 60 to 62 for those who become members after the effective date of the bill (previously 55/25 or age 60); increases membership eligibility for teachers from minimum annual compensation of \$500 to \$7,500 and for public employees from \$1,500 to \$7,500, with the minimum to be adjusted annually by CPI but by no more than 4% a year; ineligible persons may enroll in the Defined Contribution Retirement Program

SOUTH DAKOTA. HB 1019 increased multipliers for pension benefit calculation for the South Dakota Retirement System both prospectively and for beneficiaries. The multipliers increases by amounts in the neighborhood of one-tenth of one percent.

For general employees. Upon retirement, a member shall receive a normal retirement allowance, commencing at normal retirement age or thereafter as provided in § 3-12-90, for Class A credited

service, equal to the larger of 1.7% (*previously 1.625% for service before 7/1/02*) of final average compensation for each year of Class A credited service before July 1, 2008, plus 1.55% of final average compensation for each year of Class A credited service after July 1, 2008 (*unchanged except for adjustment of date*), or 2.4% of final average compensation for each year of Class A credited service before July 1, 2008, plus 2.25% of final average compensation for each year of Class A credited service after July 1, 2008, less other public benefits. For purposes of this section, federal military retirement or federal national guard retirement benefits are not other public benefits. For the purposes of this section, any Class A member who did not participate in federal social security during the period of credited service shall be presumed to be entitled to the maximum primary social security benefit permitted at the time of retirement. Class A credited service includes all credited service under this or any of the retirement systems consolidated pursuant to § 3-12-46. *Higher multipliers apply for members who are covered by Social Security.*

VERMONT. Act 116 of 2008 (HB 403) changed state employees' qualifications for retirement benefit eligibility, the cap on benefits, contribution requirements and provisions for cost of living adjustments and made other changes, some only for employees hired after July 1, 2008.

§ 1. For state employees hired after July 1, 2008, normal eligibility for retirement is changed to 65/5 or the Rule of 87 (for those who joined earlier 62/5 or 30 years of creditable service). Benefit formula remains what it has been since 1991, but the maximum retirement benefit was increased to 60% of final average compensation (from 50%).

§ 2 provides changes in the calculation of the benefit reduction for early retirement. The previous-law schedule was a reduction of $\frac{1}{2}$ of 1% per month before normal eligibility. For employees hired after July 1, 2008, the law provides a sliding scale that takes age and years of service into account to reduce benefits less for greater age and years of service.

§§ 3 and 4 replace the existing-law COLA, which is an annual adjustment equal to 50% of the CPI, whether positive or negative. For active members as of June 30, 2008 who retire after July 1, 2008, the COLA will be the CPI percentage or at least 1%, to a maximum of 5%, beginning on January 1, 2014. Members' contribution rates are increased from 3.25% to 5% until July 1, 2019, when the contribution rate will fall to 4.75%. The additional cost of the COLA will be amortized separately from the existing UAAL over 30 years.

VIRGINIA. Chapter 537, Laws of 2008 (HB 112) adds all county administrators to the list of local government officials that currently include some county administrators and other local government officials who may retire without a reduction in retirement allowance upon attaining age fifty, if they are involuntarily dismissed or are not reappointed.

WYOMING. Chapter 21, Laws of 2008 (SB 68) amends retirement eligibility criteria for judges by reducing various combinations of age and length of service requirements and by specifying the amount of reduction for "early retirement" (set at 5% for each year of retirement prior to age 65 for those with less than the minimum combination of age and length of service for "full retirement"). The bill contains a general fund appropriation of \$761,900 for the additional liability of the judicial retirement system under the act. It also contains a general fund appropriation of \$410,846 for additional required or authorized under the bill.

CONTRIBUTION RATES AND FUNDING ISSUES

ALASKA. Chapter 35, Laws of 2008 (HB 13), authorizes the issue of up to \$5 billion in pension obligation bonds by state and local governments to pay unfunded accrued actuarial liabilities of retirement systems.

Chapter 13 (SB 125) transforms the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, sets the employer contribution rate for PERS employers at 22% of PERS system payroll, provides for additional state contributions to the PERS system sufficient to make up the difference between 22% and the higher actuarially required rate, sets the Teachers' Retirement System (TRS) contribution rate at 12.56% of TRS payroll, provides for additional state contributions to the TRS system sufficient to make up the difference between 12.56% and the higher actuarially required rate, and provides for a past service rate surcharge on Defined Contribution Retiree (DCR) payrolls equal to the difference between the actuarial required contribution rate and the employer contribution rate established in this bill for both PERS and TRS consistent with language passed last session in SB 123.

IOWA. Senate File 2424 (enacted) directs the Iowa Public Employee Retirement System to adjust contribution rates for regular members based on an annual actuarial valuation. It limits contribution rate changes for all membership groups to no more than 0.5 percentage point each year; provides for a gradual increase in the employer contribution to the Peace Officers' Retirement Fund to 27% in FY 2012 or an amount that meets the normal cost, whichever is less; providing substantial increases in contribution rates for the Judicial Retirement System until the system reaches fully-funded status, whereupon employees will be responsible for 40% of the actuarially-required annual contribution and the employer responsible for the remainder .

NEBRASKA. LB 1147 of 2008 (enacted) provides that county employees will become members of the retirement system immediately upon employment instead of after a 60-day delay. The bill also provides for an early retirement provision for members of the Judicial Retirement Plan.

VERMONT. Act 116 of 2008 (HB 403) increases state employees' contribution rate from 3.25% to 5% until July 1, 2019, when the contribution rate will fall to 4.75%, to amortize the cost of increased cost-of-living adjustments the legislation provides for.

WASHINGTON. Chapter 99, Laws of 2008 (SB 6573) Beginning in 2011, and by September 30 of odd-numbered years in each subsequent fiscal biennium in which general state revenue collections increase by more than 5 percent from the prior fiscal biennium, the State Treasurer must transfer, subject to appropriation, funds for transfer to a new Local Public Safety Enhancement Account (LPSEA).

The amounts of the transfers to the LPSEA are: \$5 million for 2011; \$10 million in 2013; \$20 million in 2015; \$50 million in 2017; and in subsequent fiscal biennium the lesser of one third of the general revenue increase amount or \$50 million. General state revenues means total revenues to the General Fund-State less state revenues from property taxes. Half of the funds moved to the LPSEA are to be transferred to a new Law Enforcement Officers' and Fire Fighters' Retirement System Benefits Improvement Account created within the LEOFF 2 Retirement Fund. The remaining funds in the LPSEA are distributed to local governments for public safety purposes. Money transferred to the Benefits Improvement Account can only be used to fund benefits adopted by the Legislature. Benefits may be funded from the Benefits Improvement Account if the State Actuary determines that the actuarial present value of the proposed and existing benefit obligations is met or exceeded by the actuarial present value of the projected revenues to the account. The State Investment Board (SIB) is authorized to adopt investment policies

and invest the money in the Benefits Improvement Account.

WEST VIRGINIA. Chapter 189, Laws of 2008 (SB 208) Provides that all participating public employers shall pick-up and pay the contributions which their employees are required to make to the retirement system in which they are a member.

WISCONSIN. Chapter 115, Laws of 2008 (SB 366) authorizes a county with a population of 500,000 or more (currently only Milwaukee County) to issue appropriation bonds on a one-time basis, other than refunding bonds, to pay all or any part of the county's unfunded prior service liability with respect to an employee retirement system of the county. The act defines "appropriation bonds" as any bond, note, or other obligation of a county issued as provided in the Act to evidence the county's obligation to repay borrowed money that is payable from various sources

WYOMING. Chapter 21, Laws of 2008 (SB 68) changes the required employer contribution for judicial retirement from 8.78% to 14.5%. For the 9.22% "employee contribution," (previously required to be paid by the employer) the bill authorizes the employer to pay up to the amount paid by the state for state employees. The Supreme Court is required to request in its budget the amount authorized as an employer paid "employee contribution."

COST OF LIVING ADJUSTMENTS

KENTUCKY. See Kentucky under "Defined Benefit Plan Changes."

UTAH. SB 19 provides for an annual cost of living adjustment determined by the consumer price index as high as 4 percent annually, instead of the 2.5 percent in existing law, for state public safety officers. The bill authorizes other employers of members of the public safety retirement system to elect to provide similar annual cost of living adjustments, for employees who retire after July 1, 2008. Provides a funding mechanism. Signed 3/17/08

VERMONT. Act 116 of 2008 (HB 403) provides for cost of living adjustments equal to the full increase or decrease according to the Consumer Price Index for the preceding fiscal year, beginning in 2014 for active employees as of June 30, 2008 who retire after July 1, 2008.

DEFERRED COMPENSATION PLANS

CONNECTICUT. Chapter 118, Laws of 2008 (SB 157) concerns automatic enrollment in deferred contribution retirement plans; relieves employers of liability for making employee contribution investment decisions on behalf of an employee who is signed up for automatic enrollment in a specified retirement plan; relates to payroll deductions made to an employee retirement plan

SOUTH DAKOTA. HB 1020 authorizes the South Dakota Retirement System to establish an automatic enrollment feature within the deferred compensation plan, effective only for new employees, and with provision for withdrawal within 90 days.

HB 1021 creates the South Dakota supplemental pension benefit. Dollars from sponsored deferred compensation plans can be transferred into the member trust fund and converted into guaranteed lifetime benefits. The Supplemental Pension funds will be managed by the South Dakota Investment Office along with all other SDRS assets to provide guaranteed lifetime benefits. The legislation promotes post-retirement consolidation of a member's SDRS defined contribution funds toward the supplemental pension benefit.

WEST VIRGINIA. Act 62 (SB 325) concerns the State Employee Deferred Compensation Plan and clarifies that an employee must have received pay every payday during a fiscal year to qualify for participation in the savings incentive matching program.

DEFINED BENEFIT PLAN CHANGES

ALASKA. Chapter 13 (SB 125) transforms the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, sets the employer contribution rate for PERS employers at 22% of PERS system payroll, provides for additional state contributions to the PERS system sufficient to make up the difference between 22% and the higher actuarially required rate, sets the Teachers' Retirement System (TRS) contribution rate at 12.56% of TRS payroll, provides for additional state contributions to the TRS system sufficient to make up the difference between 12.56% and the higher actuarially required rate, and provides for a past service rate surcharge on Defined Contribution Retiree (DCR) payrolls equal to the difference between the actuarial required contribution rate and the employer contribution rate established in this bill for both PERS and TRS consistent with language passed last session in SB 123.

GEORGIA. Act 757 (SB 328) creates the "Georgia State Employees' Pension and Savings Plan" (GSEPS), which provides a hybrid defined benefit plan (DB) and 401(k) plan for new hires on and after January 1, 2009 and an opt in to members of ERS as of December 31, 2008. For details, see below, Defined Contribution and Hybrid Plans.

KENTUCKY. HB 1 of the 2008 Special Session made extensive changes to Kentucky state retirement plans for state and local employees including teachers, employees in hazardous positions and general employees. A section-by-section summary is available from the Kentucky Legislative Research Commission at 502-564-8100.

- Requires that actuarial analyses display the effects of changes in law for a 20 year (rather than a 10 year) period; explicitly state each assumption used in the analysis; be done at the cost of the retirement systems.
- Reduces COLAs in the Legislative Plan from CPI capped at 5% to 1.5% for current and future retirees; increases employee contributions for legislators joining the system after 9/1/08 from 5% to 6% of contributory base. Makes similar changes to the Judicial Retirement Plan.
- For the state police plan and for employees of other plans in hazardous positions, who enter service 9/1/08 or later: reduces the multiplier for annual service from a flat 2.5% (2.49% in plans other than state police) to a scale that ranges from 1.3% for 10 years of service or less to 2.5% for those with 25 years or more. The applicable multiplier will affect all service.
- Removes lump-sum compensation from the base used to calculate benefits and requires that the final high-3 must consist of complete fiscal years, each of 12 months. Regular retirement is set at 25 years of service or 60/5 (up from 20-and-out or 55/5). Purchased service may not be used for eligibility for a reduced benefit at 50/15. Actuary shall determine penalty for retiring with a reduced benefit. Caps use of sick leave for calculating benefits at 12 months (currently no cap) and prohibits use of accumulated sick leave for determining retirement eligibility. All these provisions affect only those hired on or after 9/1/08.
- For state employees hired on or after 9/1/08: Removes lump-sum compensation from calculation of final compensation; requires high-5 years to be the five 12-month fiscal years immediately preceding retirement (as opposed to 48 months in current law); limits use of sick leave as set out in previous paragraph; provides eligibility for normal retirement at 65/5

- or Rule of 87 with a minimum age of 57 or 60/10 (currently any age with 27 years or 65/4). Prohibits the use of purchased service in determining eligibility for benefits.
- Establishes a sliding scale of multipliers for calculating benefits for state employees and county employees hired on or after 9/1/08, ranging from 1.1% for 10 years service or less to 2% for those with 30 years or service or more. Currently the multiplier is a flat 1.97% for state employees and 2% for county employees.
 - Caps the interest paid on members' contributions when members withdraw early from a system at 2.5%. Presently it varies according to retirement board decisions, but cannot be less than 2.5% for state police, or less than 2% for state employees.
 - Makes changes to the County Employee Retirement System that are generally comparable to those for state employees.
 - Expresses the intent of the General Assembly to move gradually to annual full funding of the actuarial required employer contribution to the state retirement systems. Its intent is to provide 100% of the contribution for the State Police system by 2020, for other hazardous employees by 2019, and for the state employee system by 2025.
 - Terminates the Partial Lump Sum Option for those who retire after 1/1/09.
 - For state, county and state police system members, requires a 3-month break in service before returning to covered employment (with exceptions for hazardous employees). No employee can earn a second benefit. Employers must resume employer contributions for retirement and health insurance for re-employed members.
 - For state, county and state police members hired after 9/1/2008, requires a 1% employee contribution (a new requirement) to the Insurance Trust Fund for medical benefits. Increases the vesting requirement for retiree medical benefits from 10 to 15 years and sets an eligibility for retirement medical benefits at the Rule of 87 or minimum age of 60 with 15 years of service. Annual medical benefit adjustment changed from CPI-U to 1.5%.
 - For teachers and school employees hired on or after 7/1/08: Changes are generally comparable in intent to those for state employees. Limits sick leave used for retirement purposes to 100 days. Remove lump-sum compensatory and termination payments from computation of final average salary. Sets interest on member accounts for purpose of withdrawal at 2.5%, down from existing 3%. Provides that FMLA leave must be purchased at full actuarial cost. Prohibits purchase of air time except for employees with more than 26 years service to purchase up to 10 months to make up full retirement eligibility. Increases requirement for reduced early benefit from 5 to 10 years of service and sets the annual penalty at 1% for each years short of 27 years or age 60. Changes multipliers for public school and university faculty from flat rates to a scale based upon length of service, for public schools from 1.7% to 3% for years over 30, and for faculty from 1.5% to 2% for years over 27 (multipliers are reduced from previous law for shorter periods of service). Allows teachers returning to service after retirement to waive their retirement benefit and have it recalculated on the basis of additional service upon termination of the reemployment. Increases vesting for medical benefits to 15 years and increase the employee contribution by 1 percentage point.
 - For the Ken. Ret. System and the Teachers Ret. Sys. Boards of trustees, limits elected trustees to 3 terms, applicable to terms beginning after July 1, 2008. Establishes formal trustee education programs, provides for enforcement, and establishes various board reporting requirements.

NEBRASKA. LB 1147 of 2008 (enacted) provides for an early retirement provision for members of the Judicial Retirement Plan.

WYOMING. Chapter 21, Laws of 2008 (SF 68), made changes to the Judicial Pension Plan. This bill changes the required employer contribution for judicial retirement from 8.78% to 14.5%. For the

9.22% "employee contribution," (previously required to be paid by the employer) the bill authorizes the employer to pay up to the amount paid by the state for state employees. The Supreme Court is required to request in its budget the amount authorized as an employer paid "employee contribution. The bill also amends retirement eligibility criteria for judges by reducing various combinations of age and length of service requirements and by specifying the amount of reduction for "early retirement" (set at 5% for each year of retirement prior to age 65 for those with less than the minimum combination of age and length of service for "full retirement).

Chapter 122 (SF 62) created a defined benefit pension plan for emergency medical technicians, employees of local governments and special districts, which will have its own board but be administered by the Wyoming Retirement System director.

Chapter 112 (SF 84) increases the formula benefit and contribution levels for Plan B Paid Firefighters, who requested the changes because they are ineligible for Social Security. plan currently provides a benefit for a paid firefighter at age 50 of 2.5% of salary for each year of service for the first 25 years and 1% for each year after 25 years up to 32.5 years. This caps the benefit at 70% of the firefighter's salary. The contributions currently paid for this benefit are set at 6% of the paid firefighter's salary and 12% for the employer. This act raises the 2.5% multiplier for each year of service for the first 25 years of service to 2.8% The employee contribution is increased from 6 % to 8.5%.

DEFINED CONTRIBUTION AND HYBRID PLANS

GEORGIA. Act 757, Laws of 2008 (SB 328), creates a hybrid retirement plan for Georgia state employees. The "Georgia State Employees' Pension and Savings Plan" (GSEPS) provides a defined benefit plan (DB) and 401(k) plan for new hires on and after January 1, 2009 and an opt-in to those employees in the membership of ERS on December 31, 2008. The ERS Board of Trustees will administer the pension and savings plans.

Persons who first or again become an employee entitled to membership in ERS on or after January 1, 2009 shall be a member of GSEPS. Group term life insurance will not be provided, and the employee contributions in GSEPS will correspondingly be reduced from 1.5% to 1.25% for the DB. The DB formula will be 1% for each year of service times the average of the highest 24 consecutive calendar months of salary while a member. The formula can be increased in the future up to 2% by the board of trustees provided funds are appropriated by the General Assembly. Vesting in the DB is 10 years.

GSEPS members will be automatically enrolled in the 401(k) plan and will have a one-time 90 day window to opt out of the 401(k) and receive a refund of the account balance at that time. Participating members can stop and start 401(k) participation at any time thereafter. However, funds in the 401(k) must remain in the fund until separation. Participation in the 401(k) requires a mandatory employee contribution of 1% of compensation with voluntary elective contributions after the first 1%. Each employer shall match the first 1%, plus a 50% match for each percent above the first 1% up to a total 3% employer match. Participants may contribute up to the IRS maximum limit each year. Each participant shall have a non-forfeitable right to the employee contributions and associated investment earnings. Employer contributions will be vested in the employee gradually over five years at a rate of 20% per year.

Upon separation from service for greater than 31 days, the vested percentage freezes on the sub-account balance. Upon return to service and future contributions into the 401(k), the vesting schedule starts over at zero.

WEST VIRGINIA. Chapter 7, Laws of the First Extraordinary Session of 2008 (HB 101), provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDC) to elect to transfer to the West Virginia Teachers' Retirement System (TRS).

Provides for voluntary transfer of members of the Teachers Defined Contribution Plan (TDC) to the Teachers Retirement System (TRS). If 65% or less than 75% of the TDC participants choose to transfer to the TRS defined benefit plan, then those transferring will take with them 75% of their service credit. The remaining 25% of service credit can be purchased at the actuarial reserve value.

- If 75% or more of the TDC participants choose to transfer to the TRS system, then 75% of service credit will transfer. Members may buy back the remaining 25% of your service credit at 1.5% of your salary over the time they have been in the TDC plan plus 4% interest.
- If either of the above thresholds is met, those people who indicated they would move to TRS will be transferred to that system on 7/1/08. Those who indicated their desire to remain in the TDC will be allowed to do so. If the 65% threshold is not met then no one will be allowed to transfer.
- TDC participants who transfer to TRS are not required to purchase the additional service credit. TDC participants who choose to transfer to TRS will have one year (until 7/1/09) to make the decision to buy back the service credit.
- The retirement board will make loans available for those choosing to buy back their service credit.
- Provides for public education on the effects of the bill.

The requirement for 75% approval was met.

DISABILITY

ARIZONA. Chapter 20, Laws of 2008 (HB 2117) changes the availability of disability retirement benefits in the Correctional Officers Retirement Plan (CORP). Chapter 261 of the Laws of 2007 conditionally extended ordinary disability retirement benefits to all members of CORP effective June 30, 2010, the condition being that the annual actuarial valuation of CORP as of June 30, 2009 indicate that the ratio of accrued assets to accrued liabilities is at least 100%. This act

- Repeals the requirement that CORP be 100% funded in order for the ordinary disability retirement provision to be applicable to non-dispatcher CORP members.
- Narrows the class of members eligible to receive ordinary disability retirement benefits under the conditional enactment to include county and city detention officers; state correctional program officers; parole or community supervision officers; investigators; youth corrections officers; youth program officers; as well as probation, surveillance, and juvenile detention officers in addition to dispatchers who are already covered
- Raises the employee contribution rate for all CORP employees, with the exception of dispatchers, to 8.41% until the fund is 100% funded.
- Reduces the employee contribution rate to 7.96% upon the fund becoming 100% funded.

IOWA. Senate File 2424 (signed by the governor) provides that should a disability beneficiary under age 55 be employed in a public safety occupation, the disability beneficiary's retirement allowance shall cease.

SOUTH CAROLINA. Chapter 195, Laws of 2008 (HB 3789) establishes the Long Term Disability Trust Fund; provides for the actuarial funding and investment of the assets of the trust fund; relates to the state health and dental plans; provides funding for the State Retiree Health Insurance Trust Fund by means of increased employer contribution rates; relates to persons eligible for

post-employment participation; provides for employer-paid premiums for retirees; revises eligibility requirements.

DIVESTMENT

ARIZONA. Chapter 210, Laws of 2008 (SB 1489), requires the Treasurer, the Arizona State Retirement System and the Public Safety Retirement System to do the following: divest from those companies that are reasonably known based on public information to be in violation of section 6(j) of the Export Administration Act; notify the Governor, the President of the Senate, the Speaker of the House of Representatives, the Director of the Arizona Department of Administration (ADOA) and each other of any divestments and the reasons for divesting; notify the company, within 14 days of notice from the Treasurer, ASRS and PSPRS that the state and its political subdivisions are prohibited from purchasing any of its products or services until it is no longer in violation of section 6(j) of the EAA. Specifies this prohibition applies only to any renewal of a contract rather than existing contracts; adopt and submit a policy to the President of the Senate and the Speaker of the House of Representatives for divestment from companies that have business activities in or with countries identified as being in violation of section 6(j) of the EAA.

GEORGIA. Act 761, Laws of 2008 (SB 451), requires that boards administering public retirement funds of the State of Georgia identify all companies in which public funds are invested that are doing certain types of investments in Iran and to create and maintain a “Scrutinized Companies with Activities in the Iran Petroleum Energy Section List” and to divest from such companies as long as they remain on the list.

ILLINOIS. Public Act 95-521 of 2008 (SB 1169) amends the Pension Code concerning prohibited investments. Relates to the Republic of Sudan, private market funds, state-funded retirement systems and eligible finance entities.

KENTUCKY. HR 273 (adopted) urges the Kentucky Retirement Systems, the Kentucky Teachers' Retirement System, the Kentucky Judicial Form Retirement System, and the State Investment Commission to curtail future investments in companies doing business in Sudan.

MARYLAND. Chapter 342, Laws of 2008 (Senate Bill 214), establishes conditions under which the State Retirement and Pension System must divest from companies doing business in either Iran or Sudan. The bill requires the Board of Trustees to notify any company whose shares are held in an actively traded separate account and that meets the definition of doing business in Iran or Sudan, that it is subject to divestment by the board. If, within 90 days after notice, a company does not provide evidence that it is no longer doing business in either country, or does not announce that it will release a plan within 60 days to cease doing business in those countries within a year, the board must divest its holdings in that company. However, the bill exempts companies that are not subject to the U.S. government's sanctions against Iran and Sudan and whose divestment cannot be executed for fair market value or greater. The bill requires the board to act in good faith and in a manner consistent with its fiduciary responsibilities in implementing the bill's provisions. In addition, the bill prohibits the application of the bill if the United States Congress or President makes specified declarations regarding Iran or Sudan. The bill takes effect January 1, 2009.

TENNESSEE. Chapter 934, Laws of 2008 (HB 3362) requires the state treasurer to develop policy for divestiture of Consolidated Retirement System ownership of investments in companies that have substantial current operations in nations determined to be state sponsors of terrorism when such operations are contrary to U.S. foreign policy interests.

DROP AND LUMP-SUM WITHDRAWALS

INDIANA. Chapter 115, Laws of 2008 (SB 72), allows a member of the Public Employees' Retirement Fund who is vested, separates from employment does not perform service in a covered position for at least 90 days, and is not eligible at separation to receive a retirement benefit; to elect to withdraw the entire amount in the member's annuity savings account.

KENTUCKY. HB 1 of the 2008 Special Session terminates the Partial Lump Sum Option for those who retire after 1/1/09.

EARLY RETIREMENT INCENTIVES

NEW JERSEY. Chapter 21, Laws of 2008 (A 2802/S 2044), provides additional retirement benefits to certain employees of state government; provides for an early retirement incentive program which includes additional compensation and health benefits; regulates the purchase of service credit to qualify for the program; allows a retired employee to be reemployed for emergency management purposes; limits the number of employees hired thereafter to fill vacancies created to ten percent of those employees who retired.

The intent of the legislation is to induce around 2,100 employees to retire in addition to the 1,000 who could usually be expected to do so. The policy goal is to reduce the state workforce so as to save about \$90 million in compensation a year.

The act provides additional service credit to employees who are 58 or older with at least 25 years of service, so as to increase their retirement benefit by 5.45% (and somewhat higher for veterans). Employees who are 60 or older with 20 to 25 years of service will be eligible for post-retirement health benefits. Those who are 60 or older with at least 10 but less than 20 years of service are offered \$12,000 paid over 24 months, not a pension benefit increase. Eligible employees may not purchase additional service credit after the effective date of the act and cannot return to executive branch employment for three years. Judicial employees may not return to judicial branch employment for three years. Employers have the power to require an eligible employee to delay retirement for one year. [The Philadelphia *Inquirer* reported on July 30 that about 1,500 New Jersey employees had accepted the offer, which closed on July 15, according to preliminary figures.]

TENNESSEE. The Tennessee state executive branch has offered a voluntary buy-out program to approximately 12,000 full time career employees with a goal of winning about 2,000 voluntary separations from state government to avoid firings. This is not an early retirement program in the sense of providing additional service credits to induce employees to begin retirement benefits. The goal is to reduce recurring state expenditures by about \$64 million a year. The program offers these inducements:

- Four months of base salary at the greater of the rate of pay in effect on June 2, 2008, or the employee's voluntary separation date, plus \$500 for every year of state service through the employee's voluntary separation date (partial years are rounded up).
- Advanced payment of the next scheduled longevity payment, calculated according to normal State practice, as long as the payment accrues on or before June 30, 2009.
- Normal payment of accrued, unused annual leave and compensatory time.
- Continuation of subsidized medical care coverage for the first six months of COBRA medical coverage, should the employee be eligible and elect to participate in COBRA. After

that, participants will be responsible for the full COBRA premium for up to 12 additional months.

- Participants 65 years of age and older as of their voluntary separation date will receive a one-time \$2,400 cash payment to assist in the transition to Medicare.
- Tuition assistance of up to \$10,800 (\$5,400 per year) at the schools, institutions and entities governed by the Tennessee Board of Regents and the University of Tennessee Board of Trustees, as well as state certified apprenticeship.

This program was authorized in the 2008 General Appropriations bill, §60, item 1, Chap 1203, Laws of 2008. Sources: Fiscal Review Office, June 18, 2008, Tennessee Department of Human Resources. [On July 30, Governor Phil Bredesen of Tennessee said that the buy-out program is unlikely to reach the goal of eliminating 2,200 positions. Of about 1,600 applications, 1,200 appeared to be acceptable since they were positions the executive branch could eliminate. The governor suggested that the program might be offered to people who were not included in the original offer.]

ELECTED OFFICIALS' RETIREMENT PROGRAMS

KENTUCKY. HB 1 of the 2008 Special Session reduced the COLA for existing and future retirees from the Legislators' Retirement Plan from the CPI (capped at 5%) to 1.5%. It increased the employee contribution from 5% to 6% for legislators who begin office on or after September 1, 2008.

HAWAII. Act 47 (SB 3005) repeals the provisions that (1) make Employee Retirement System membership by elective officers optional and (2) allow elective officers and judges to withdraw from ERS membership by nominally retiring even though they remain in office. It replaces those provisions with a new section to provide that an elective officer shall be a member of the employee's retirement system when elected for the first time (or, in the case of existing office holders, by October 1, 2008), unless the elective officer exercises a one-time irrevocable election to be excluded from membership in the employees' retirement system. This Act also sets forth the requirements that must be satisfied for retirants to return to service as elective officers without suspension of retirement benefits.

This act also repeals the statutory provision that allows elective officers and judges who have reached the statutory cap on retirement benefits to withdraw from membership in the employees' retirement system by nominally retiring even though they remain in office.

OKLAHOMA. Chapter 105, Laws of 2008 (SB 1641) provides that for people elected to office on or after July 1, 2008, the previous-law provisions for elected officials contributions and benefit calculation can apply only to years of service as an elected official and can be based only on the higher year of salary received as an elected official (not on any subsequent salary from a non-elective post as was possible under the original provisions). Capped benefits at 100% of salary as a member of the Oklahoma Public Employee Retirement system (not clear whether this is highest salary as an elected official). [Law responds to concerns that the old formula could provide what some considered an unduly generous benefit for former elected officials who occupied highly-compensated public positions after service as an elected official.]

UTAH. Chapter 335, Laws of 2008 (HB 202) modifies the State Retirement and Insurance Benefit Act so far as it concerns at-will employees and elected officials. The act allows the transfer of a member's defined benefit plan balance to a defined contribution plan, by adding certain employees who may elect to be excluded from membership in the public employees retirement systems; allows certain elected and appointed executives and senior staff to elect to have defined benefit balances

transferred from the defined benefit system or plan to a defined contribution plan. The bill principally affects senior staff appointed by the governor and legislative staff., plus certain employees of the auditor's and the treasurer's offices.

FORFEITURE OF BENEFITS

CONNECTICUT. Public Act 08-3 of the June 11 (2008) Special Session, H.B. 6502, generally permits state courts to revoke or reduce any retirement or other benefit due to state or municipal officials or employees who commit certain crimes related to their employment; makes it a class A misdemeanor for public servants to fail to report a bribe; web sites, meeting dates, times, and minutes required by law to be publicly disclosed.

If an official's or employee's pension is revoked, the act entitles the person to the return of any contributions he or she made to it, without interest. But, the repayment cannot be made until the court determines that the individual has fully satisfied any judgment or court-ordered restitution related to the crime against the office. If the court determines that he or she has not, it may deduct the unpaid amount from the individual's pension contributions.

Beginning October 1, 2008, the act prohibits collective bargaining agreements from containing any provision that bars the revocation or reduction of a corrupt state or municipal employee's pension.

COLORADO. Chapter 31, Laws of 2008 (HB 1179) prohibits the Public Employee Retirement Association from processing a refund from a member account if the member has been accused of theft, embezzlement, misappropriation or wrongful conversion of public property. On receipt of an order, injunction, or warrant regarding the account, PERA will freeze it until a court order releases the account.

GEORGIA. Act 414 (HB 255) amends existing law to expand the definition of public employment related crimes to include any felony offense related to an officer's or employee's public employment in the State of Georgia as provided under the law of this state, any other state, or the United States. These provisions shall apply to persons who first or again become members of a public retirement system on or after July 1, 2008.

Specifies pension reduction/forfeiture to be an amount equal to 3 times the economic impact of the crime; provides for notification of final conviction; and establishes proceedings in the Office of State Administrative Hearing. This provision applies to all persons who are members of a public retirement system.

IDAHO. Chapter 238, Laws of 2008 (SB 1339) provides that under certain circumstances public officers and public employees found guilty of misuse of public moneys may be ordered to apply for distribution of retirement moneys in order to make restitution.

OHIO. Chapter 75, Laws of 2008 (SB 3) Provides that the privilege of holding a position of honor, trust, or profit that is forfeited because of felony conviction is not restored on completion of a prison term, parole or pardon; provides that the office holder will forfeit the portion of any state retirement benefit that is based on employer contributions; requires spousal consent for a refund of employee contributions; imposes a ban upon serving as a legislative agent, retirement system lobbyist or executive agency lobbyist.

WEST VIRGINIA. Chapter 188, Laws of 2008 (SB 201) relates to disqualification for public retirement benefits; defines a former participant as any person who is no longer eligible to receive

retirement benefits because full distribution has occurred; provides for termination of retirement benefits in public retirement plans of those who have rendered less than honorable service; provides for retention of employer contributions for members of the Teachers' Defined Contribution Retirement System whose benefits are terminated for less than honorable service.

GOVERNANCE AND INVESTMENT POLICY

ALABAMA. Chapter 282, Laws of 2008, (HB 467) provides that active state employees who are candidates for the Board of Control would be elected in a statewide ballot conducted by the Secretary Treasurer as are the retired state employees.

COLORADO. HB 1403 (enacted) updates the statutory framework for allowing Denver Public Schools (DPS) as an employer to become affiliated with the Public Employees Retirement Association (PERA) and for the Denver Public Schools Retirement System (DPSRS) to be merged with PERA. The bill makes any such merger effective January 1, 2009, or later if agreed to by the parties. The bill prohibits any subsidy by or between the affected entities.

Upon merging, all assets and liabilities of DPSRS become assets and liabilities of PERA. Each entity must bear all of its own costs in relation to the merger, except costs for the actuarial valuation will be shared among the parties and DPS is responsible for obtaining a ruling and determination from the federal Internal Revenue Service related to the merger.

The bill specifies that no member from DPSRS shall have their entitlement to retirement benefits involuntarily reduced. It also specifies that details of the merger be implemented through an agreement specifying, among other things, rules about portability, the effect of any post-signing litigation on the merger, and material adverse changes that may allow a party to terminate the merger prior to the effective date. The parties are directed to negotiate a separate agreement to address health care coverage for retirees, beneficiaries, and members of the merging system.

KENTUCKY. HB 1 of the 2008 Special Session limits elected trustees of the Kentucky Retirement System and the Teachers Retirement System to 3 terms, applicable to terms beginning after July 1, 2008, and establishes formal trustee education programs, provides for enforcement, and establishes various board reporting requirements.

The act also expresses the intent of the General Assembly to move gradually to annual full funding of the actuarial required employer contribution to the state retirement systems. Its intent is to provide 100% of the contribution for the State Police system by 2020, for other hazardous employees by 2019, and for the state employee system by 2025.

MARYLAND. Senate Bill 606/House Bill 1277 require the State Retirement and Pension System, among other State agencies, to attempt to use minority business enterprise (MBE) investment management and brokerage firms to the greatest extent feasible and consistent with its fiduciary responsibilities.

Chapter 506, Laws of 2008 (Senate Bill 384/House Bill 481) make several changes to law governing the investment of the pension trust fund. First, they repeal a 1.2 percent cap on fees paid to external managers who provide real estate and alternative investment management services. A 0.3 percent cap on fees paid to all other external asset managers remains in effect. Second, the bills repeal a requirement that all real estate transactions carried out by the Board of Trustees be approved by the Board of Public Works. Instead, those transactions must be approved by a majority of the Comptroller, Treasurer, and the Secretary of Budget and Management in their capacity as members

of the Board of Trustees. Finally, the bills repeal archaic language limiting the board's investments in nondividend paying common stocks to 25 percent of the system's assets. That limitation has been rendered obsolete by the board's adherence to modern portfolio theory and the prudent investor standard.

NEW HAMPSHIRE. Chapter 300, Laws of 2008 (HB 1645) require that new or reappointed members of the Board of Trustees have familiarity with or experience in finance or business management' redefines and makes more explicit the fiduciary responsibilities of the members of the board and their investment and reporting responsibilities.

TENNESSEE. Chapter 670, Laws of 2008 (SB 2654) Concerns Pensions and Retirement Benefits; provides that the retired teacher appointed to the Consolidated Retirement System Board of Trustees shall be a voting member.

Chapter 674 (SB 3276) increases the percentage of Tennessee Consolidated Retirement System assets that may be invested in real property from 5 percent to 10 percent.

UTAH. Chapter 252, Laws of 2008 (SB 116), changes the schedule on which the executive director of the Utah Retirement System carries out actuarial reviews of the system's finances and demographic experience from every two years to every three years.

WISCONSIN. Chapter 212, Laws of 2008 (Assembly bill 623) authorizes the State Investment Board to manage the money and property of the core retirement investment trust and the variable retirement investment trust, which together make up the public employee trust fund, in any manner that does not violate State Investment Board's standard of responsibility; establishes, however, that the State Investment Board's must continue to invest assets of the variable trust primarily in equity securities.

WYOMING. Chapter 79, Laws of 2008 (SF 9), provides that individual board members of any public employee retirement system are liable under the Uniform Management of Public Employee Retirement Systems Act only for willful misconduct, intentional torts or illegal acts.

HEALTH COVERAGE

KENTUCKY. HB 1 of the 2008 Special Session requires state, county and state police members hired after 9/1/2008, to make a 1% employee contribution (a new requirement) to the Insurance Trust Fund for medical benefits. Increases the vesting requirement for retiree medical benefits from 10 to 15 years and sets an eligibility for retirement medical benefits at the Rule of 87 or minimum age of 60 with 15 years of service. The annual medical benefit adjustment was changed from CPI-U to 1.5%. Teachers' contribution was increased by one percentage point and their vesting for medical benefits was also increased to 15 years.

NEW HAMPSHIRE. Chapter 300, Laws of 2008 (HB 1645) provides that the medical subsidy will not be increased until July 1, 2012, when it will be increased by 4%. Provides for an equal increase on each subsequent July 1. Ends the practice of funding medical benefits from the Special Account (used for cost-of-living adjustments) and transfers \$250 million from the Special Account to the retirement trust fund. Provides a new fund for retiree health benefits and sets employer contributions at 25% of salary or the amount the actuary deems necessary, whichever is less. Creates a commission to propose a retiree health care benefits funding model.

NEW JERSEY. SB 1962 prohibits pension system credit purchased for out-of-state service from being creditable toward post-retirement health benefits; allows state and local governments to offer employees who are eligible for health care outside the state system to opportunity to waive State Health Benefits Program (SHBP) care in exchange for a payment not in excess of 50% of the amount saved to the state by the waiver; allows employees who lose the alternative health care to return to SHBP on repayment of the amount received. Non-state employees must work at least 20 hours per week to be eligible for SHBP.

UTAH. Chapter 176, Laws of 2008 (HB 250) requires the Public Employees' Benefit and Insurance Program to provide the Legislature with its recommended benefit adjustments for state employees; requires program determine benefits and rates based on the total estimated costs and the employee premium shares established by the Legislature.

VERMONT. Act 146 of 2008 (HB 402) provides that members of the defined contribution plan who have become disabled may continue the same health and dental benefits as members who qualify for disability retirement benefits.

Act 116 (HB 403), § 6, provides a new tiered policy for retiree health care subsidies for employees hired on or after July 1, 2008. Retirees who have completed 5 years but less than 10 years of service will be eligible for coverage at their own cost. The employee cost will be reduced with greater years of service. A retiree with 20 years of service will received an 80% subsidy. Employees who join after July 1, 2008 and who leave covered service without being eligible for retirement benefits but with at least 20 years of service will have a one-time option of continuing health insurance at a prorated cost.

MILITARY SERVICE

IOWA. Senate File 2424 (signed by the governor) provides that the Iowa Public Employee Retirement System will credit accounts of members who leave services covered by IPERS for active military service and who die while serving.

ILLINOIS. Public act 95-486 of 2008 (SB 647) increases the amount of creditable service a participating employee may be granted for service in the armed forces of the United States. Provides that, if payment is made during the 6-month period that begins one month after the effective date, the required interest shall be at a specified rate per year, compounded annually; otherwise, the required interest shall be calculated at the regular interest rate. Removes provisions allowing a reduced interest rate.

NEW HAMPSHIRE. Chapter 88, Laws of 2008 (SB 349) Adds judicial retirement plan benefits to the benefits continued for state employees called to full-time active military duty.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

ALABAMA. Chapter 503, Laws of 2008 (HB 481) authorizes any and all political subdivisions of the state, any departments, agencies, boards, commissions, or other governmental entities to create an irrevocable trust or trusts or any other fund exclusively for the purposes of holding, investing, and distributing assets to be used for certain post-employment benefits.

LOUISIANA. House Resolution 584 proposes an amendment to the Constitution; authorizes the use of investment in equities of monies of the state and a political subdivision which have been reserved to provide for post-employment benefits other than pensions.

MARYLAND. Senate Bill 945/House Bill 1585 authorize local governments to contract with external asset managers to manage or invest funds designated for post employment benefits provided separately from a pension plan. The bills further authorize local governments to create pooled investment funds with separate accounts for each participating local government, and to remit funds for post employment benefits to the State Treasurer for investment in the Local Government Investment Pool.

TENNESSEE. Chapter 742, Laws of 2008 (HB 3505), relates to the creation of investment trusts for certain post-employment benefits offered by government entities; requires the investment committee of a political subdivision to adopt an investment policy authorizing how assets in the trust may be invested; provides the assets shall not be invested in any instrument, obligation, security, or property that would not constitute a legal investment for assets of a domestic life insurer and for investments of the subdivision's pension assets.

Chapter 991 (SB 3813) Restricts to governments of jurisdictions of 150,000 people or more the power to issue bonds to fund otherwise unfunded benefits other than pension benefits. Bond issues cannot exceed 50 percent of the jurisdiction's unfunded liability. Issues must be approved by the state funding board and the state director of local finance.

RHODE ISLAND. Public Law 134 of 2008 (HB 8109) authorizes municipalities to create post-employment benefit trusts; invests the assets therein in accordance with the requirements of government accounting standards; relates to health care and dental care.

WISCONSIN. Chapter 82, Laws of 2007-2008 (AB 184) provides a funding option for local governments that decide to prefund any OPEBs by allowing them to invest and reinvest, under the Uniform Prudent Investor Act, funds that are held in trust solely to provide OPEBs. Such funds must be held in a trust fund that is separate from all other trust funds created by or under the control of the government. The government may delegate investment authority. The government must issue annual reports on the amount invested, investment return, and so on.

RE-EMPLOYMENT AFTER RETIREMENT

GEORGIA. Act 770, Laws of 2008 (SB 327), allows retired teachers who retired under normal service retirement and who have been retired for 12 months to return to covered employment and continue receiving retirement benefits. Principals and superintendents may not return to the school district from which they retired for work as principals or superintendents.

HAWAII. Act 156, Laws of 2008 (HB 2710) allows the state and county governments to hire retired state or county government employees if the employer abides by certain conditions: requires a one-year waiting period before rehiring, prohibits re-employment agreements prior to retirement, requires rehiring for civil service positions according to civil service and employment laws and the certification of such, requires employers to continue to make retirement contributions, and requires rehired employee to join collective bargaining unit if applicable.

INDIANA. Chapter 130, Laws of 2008 (HB 1119) removes the salary exemption for retired members of the public employees' retirement fund and the teachers' retirement fund who are reemployed in a covered position [in effect, allows retired members to return to covered employment without losing retirement benefits]; allows retired members of certain police officers and firefighters retirement funds to be rehired by the same unit that employed the member as a police officer or firefighter.

Chapter 76 (SB 51) reduces the waiting period after which a retired member of the state teachers' retirement fund or the public employees retirement fund may be reemployed in a covered position and continue to receive a retirement benefit

KENTUCKY. HB 470 (signed into law) allows un-purchased out-of-state K-12 public school service to count toward the thirty years required to return to work at 75% of last annual compensation as opposed to 65%.

HB 1 of the 2008 Special Session requires state, county and state police system members to have a 3-month break in service before returning to covered employment (with exceptions for hazardous employees). No employee can earn a second benefit. Employers must resume employer contributions for retirement and health insurance for re-employed members. Teachers who return to service after retirement may waive their retirement benefit and have it recalculated on the basis of the additional service upon termination of the re-employment.

MARYLAND. Senate Bill 564/House Bill 720 (both passed) were sponsored by the Joint Committee on Pensions to address several issues related to the reemployment of State Retirement and Pension System retirees. First, they allow State judges receiving vested or normal service retirement benefits from either the Employees' Retirement System (ERS) or the Employees' Pension System (EPS) to suspend those benefits and earn credit in the Judges' Retirement System (JRS). This allows a judge to earn credit in the JRS while ensuring that the judge's spouse will receive survivor benefits from ERS/EPS should the judge die while serving on the bench. The bills also exempt a JRS retiree who is also receiving a service retirement benefit from ERS/EPS from an earnings limitation if the JRS retiree is temporarily assigned to serve on a State court. The bills require local school systems to reimburse the State Retirement and Pension System for the offset of pension benefits for retired teachers rehired by their former employers that result from late or nonreporting of reemployed retirees who are exempt from the offset. Finally, the bills require the Joint Committee on Pensions to study issues related to the reemployment of State retirees and submit a report to the General Assembly by December 31, 2008.

NEW YORK. Chapter 640, Laws of 2008, prohibits retirees from returning to work under Section 211 of the Retirement and Social Security Code in the same or a similar position for a period of one year following retirement. Significantly, the new law does not apply to individuals who already have received such approvals. Earnings from work for a former employer are subject to a set limit—the difference between the Single Life Allowance (Option 0) amount and your final salary. A "former employer" is any public employer that paid you a salary during the two years before your retirement and your retirement benefit is based in part on that salary and/or service.

SERVICE CREDIT/PURCHASE OF SERVICE

IOWA. Senate File 2424, §52 (enacted), allows members of the Iowa Public Employee Retirement system to buy up to five years of service credit that is not tied to specific employment (air time) and allows members of the Municipal Fire and Police system to purchase service credit for military service at the actuarial cost of the service.

KENTUCKY HB 1 of the 2008 Special Session prohibits purchase of air time in the Teachers Retirement System except for employees with more than 26 years service to purchase up to 10 months to make up full retirement eligibility. For state employees, the act prohibits the use of purchased service in determining eligibility for benefits.

MAINE. Public Law 542 of 2008 (SB 837) allows law enforcement officers and firefighters to carry service credit and compensation from a prior retirement plan to a new retirement plan within the Public Employees Retirement System as long as they pay the additional cost of doing so; includes members of emergency medical services line personnel.

WASHINGTON. Chapter 300, Laws of 2008 (HB 2887), authorizes the purchase of an increased benefit multiplier for past judicial service for judges in the public employees' retirement system.

STUDIES

GEORGIA. House Resolution 1271 creates the House Public Retirement System COLA Study Committee to undertake a study of the conditions, needs, issues, and problems regarding the granting of future COLAs and recommend any actions or legislation which the committee deems necessary or appropriate. Recommendations are due before December 31, 2008. The committee shall be abolished on December 31, 2008. [Background. For most years, the ERS Board of Trustees (BOT) has granted eligible retirees a 3% COLA each fiscal year. The annual reports of the actuary indicate a declining funding ratio trend which prompted the BOT to reduce the COLA for FY 2008 to 2% and caution in granting future COLAs until such time as additional funding is made available and the funding ratio improves to an acceptable level]

HAWAII. House Resolution 60 establishes a task force to review the retirement age for State court justices and judges; limits for State court justices and judges; concerns possibilities of establishing a senior judge system for State court justices and judges.

INDIANA. SR 13 directs the Pension Management Oversight Commission to study pension death benefits.

LOUISIANA. House Resolution 78 requests the Legislative Auditor to conduct a performance audit of the state retirement systems relative to the legal requirement that they direct certain percentages of investment trades through resident broker-dealers.

MARYLAND. Chapter 433 of 2006 established the Blue Ribbon Commission to Study Retiree Health Care Funding Options to recommend a plan to the Governor and General Assembly to fully fund the liabilities stemming from the State's commitment to provide subsidized retiree health benefits. Chapter 229, Laws of 2008 (Senate Bill 859/House Bill 1233) extends the commission's termination date from June 2009 to June 2010 and require the commission to prepare an interim report by December 31, 2008. The bills also extend the deadline for submission of the final report from December 31, 2008, to December 31, 2009.

NEBRASKA. Legislative Resolution 311 creates an interim study to examine the employee retirement systems administered by the Public Employees Retirement Board and the Class V Retirement System. The study will examine funding needs, benefits, contributions, and the administration of each system.

Legislative Bill 1147 (signed into law) requires a review of the current statutory, regulatory, and organizational structure of the Nebraska Investment Council in comparison to the best practices of similar state investment offices. A qualified independent organization will be hired to make recommendations to the Council, the Governor and the Legislature.

RHODE ISLAND. House Resolution 40 (HB 7141) created a 19-member special House study commission to make a comprehensive study of all aspects of the state pension or retirement system.

Report required no later than May 15, 2008. House Resolution 219 extended the reporting date to July 31, 2008.

WEST VIRGINIA. HCR 52 requests the Joint Committee on Government and Finance to authorize the study of the creation of a new retirement system for correctional officers employed by the State.

TAX POLICY AFFECTING RETIREES AND RETIREMENT BENEFITS

COLORADO. Chapter 31, Laws of 2008 (HB 1179), authorizes the Department of Revenue to collect by distraint distributions payable by the public employees' retirement association to a member of the association when the member is liable for any state tax or license fee.