

State Retirement Legislation in 2010



NCSL 2010 LEGISLATIVE FORUM

**RON SNELL
NCSL
JULY 2010**

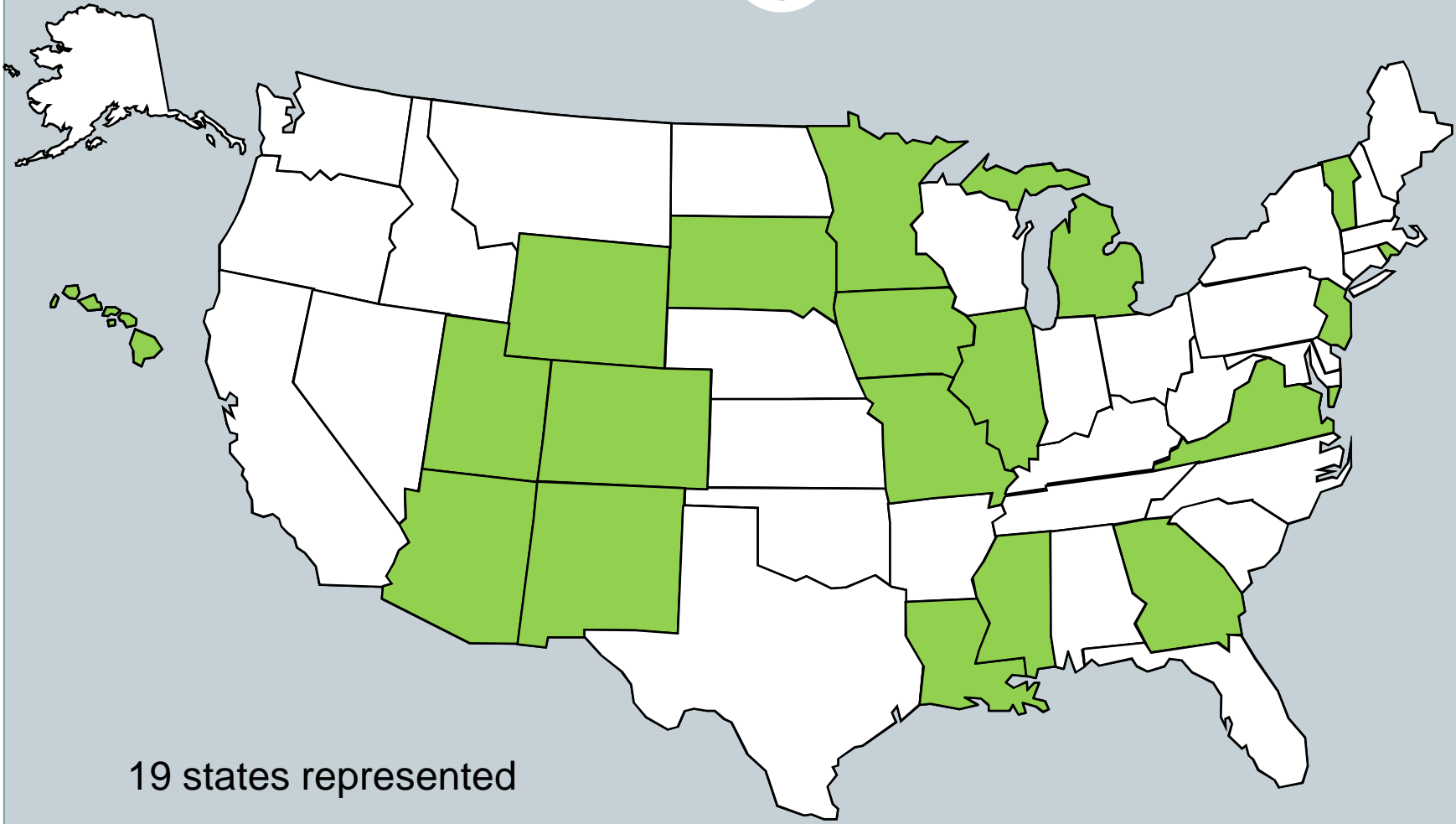


- More states have enacted significant retirement legislation in 2010 than in any other year in memory.
- This reflects:
 - Concerns about the viability of retirement plan benefits and funding that date to the recession of 2000-2001.

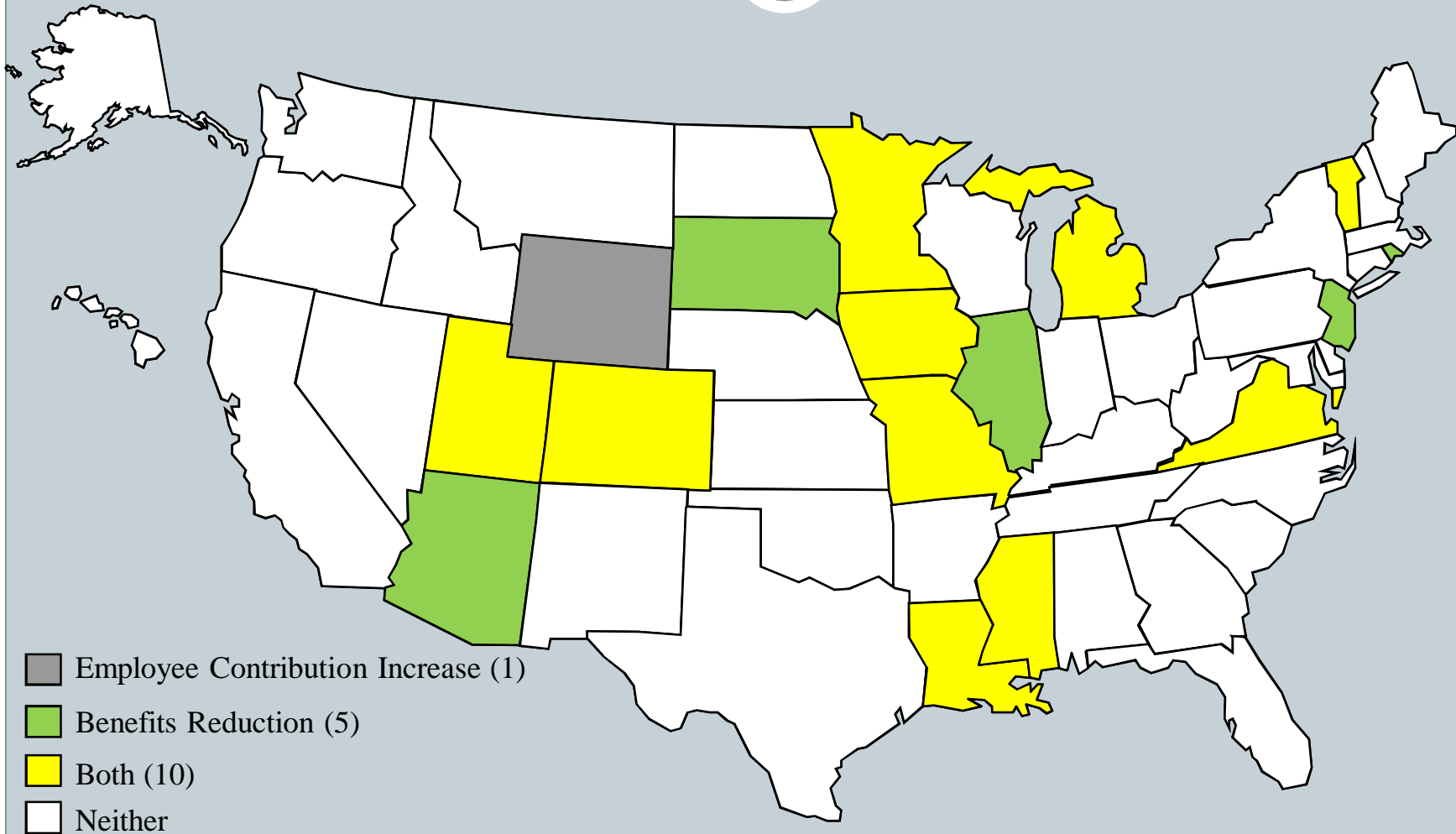
Severe investment losses in the recent recession.

State fiscal conditions.

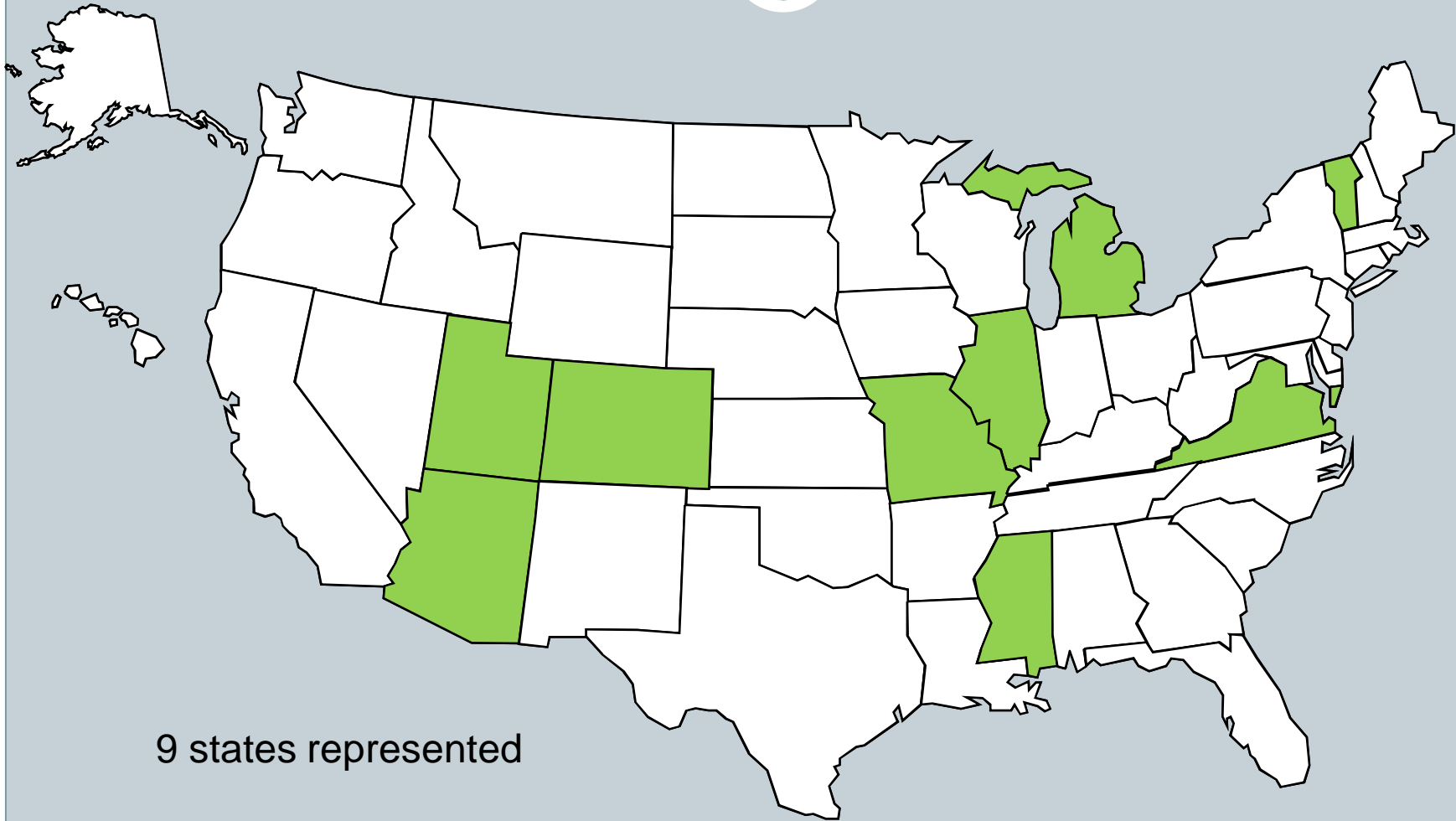
Major Pensions Legislation in 2010: All Topics



Benefits and Contribution Changes in Statewide Retirement Plans, 2010

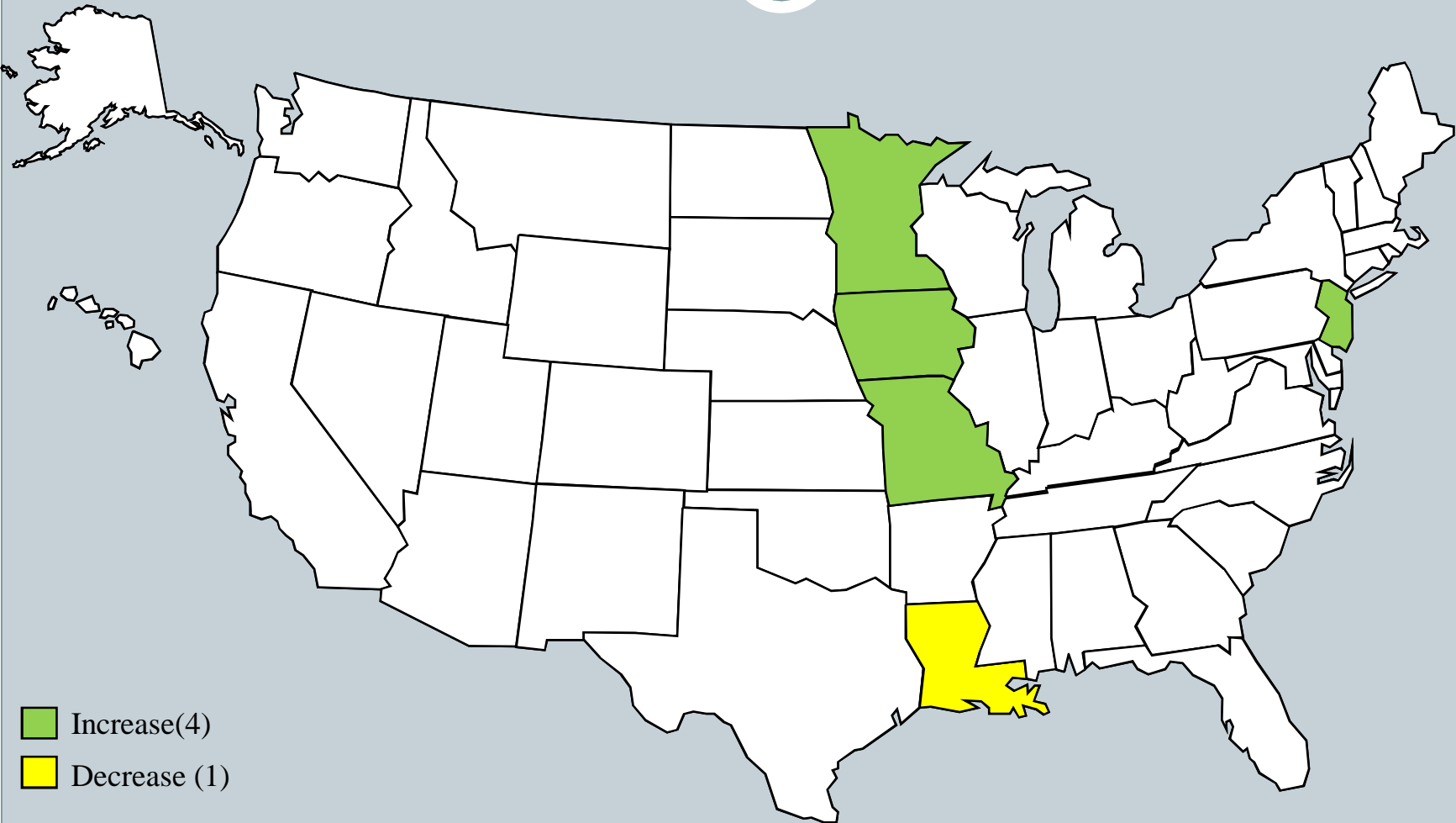




Higher Age & Service Requirement for Normal Retirement



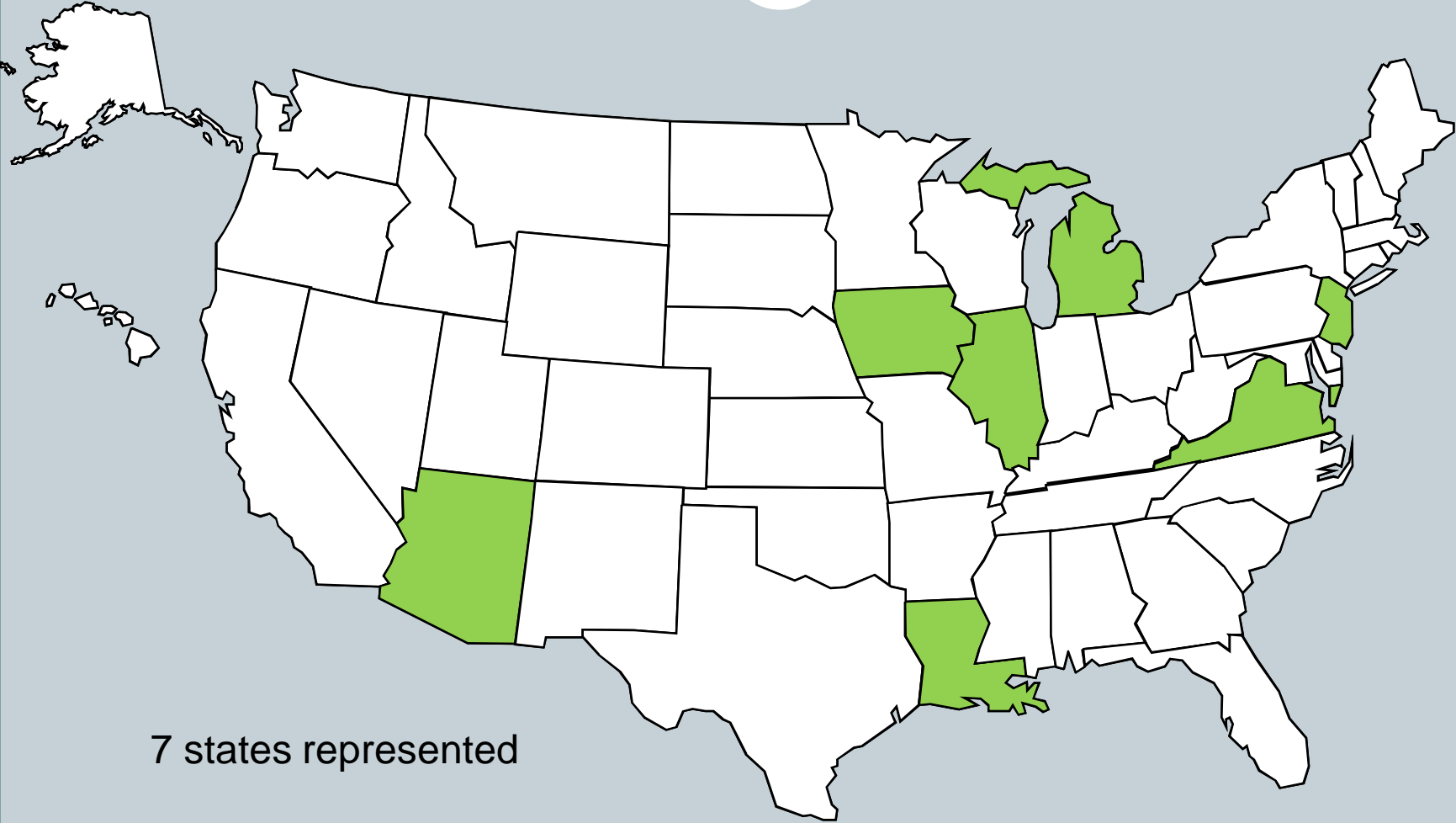
9 states represented

Changes in Vesting Requirements



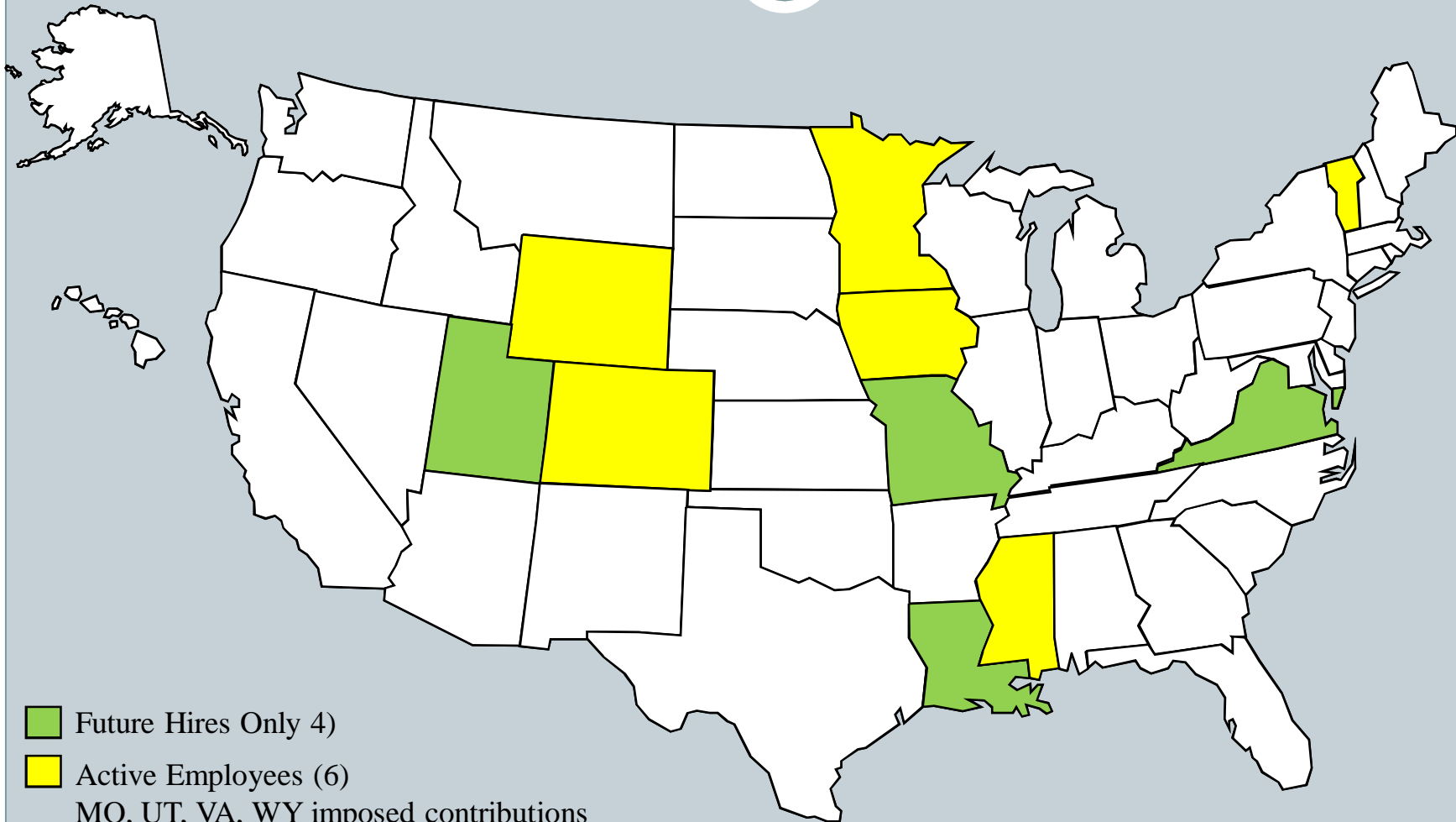
-  Increase(4)
-  Decrease (1)

Longer Period for Calculation of Final Average Compensation



7 states represented

Increase in Employee Contributions

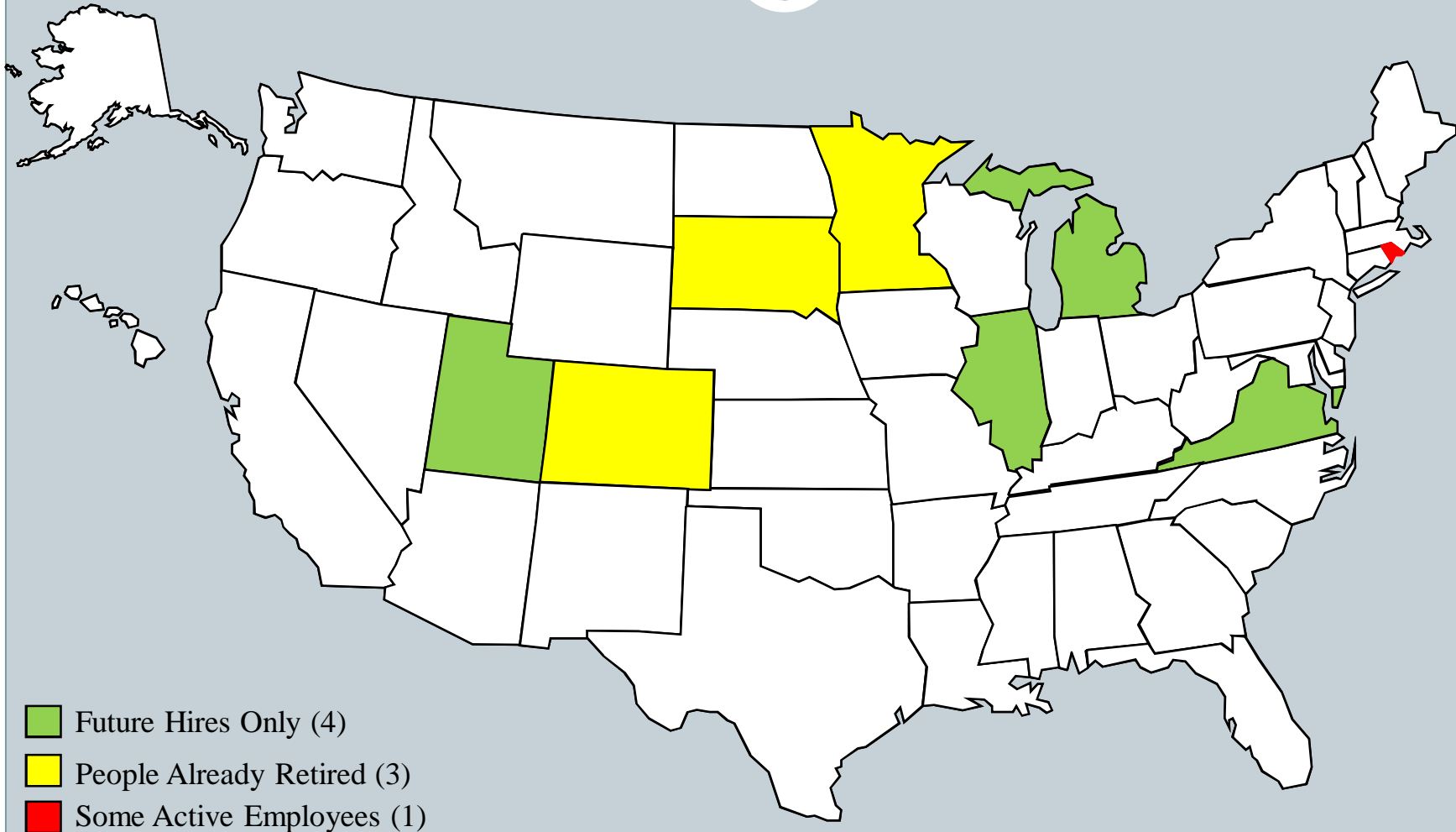


■ Future Hires Only 4)

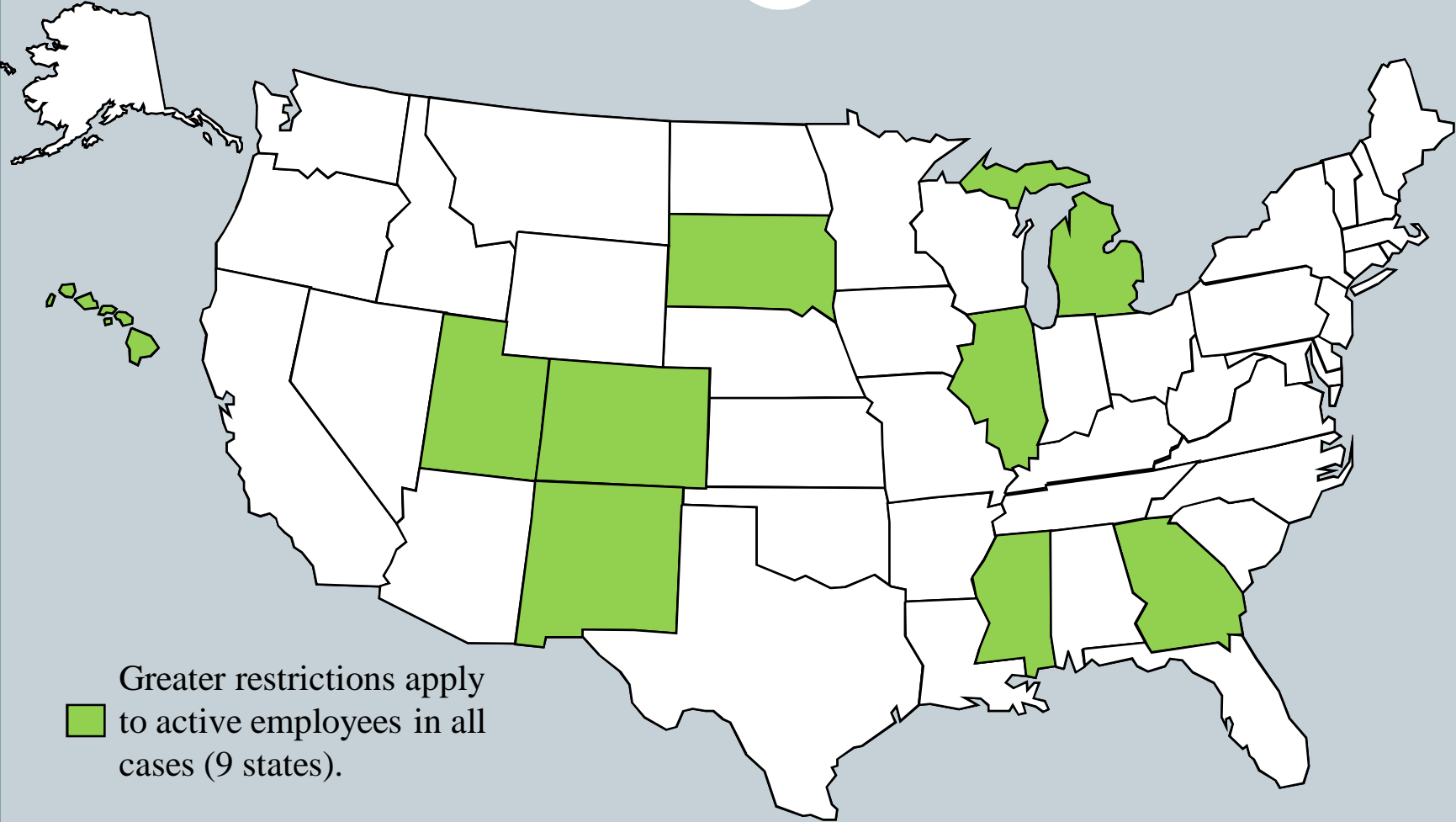
■ Active Employees (6)

MO, UT, VA, WY imposed contributions where plans had been noncontributory.

Reduced Post-Retirement Benefit Increase

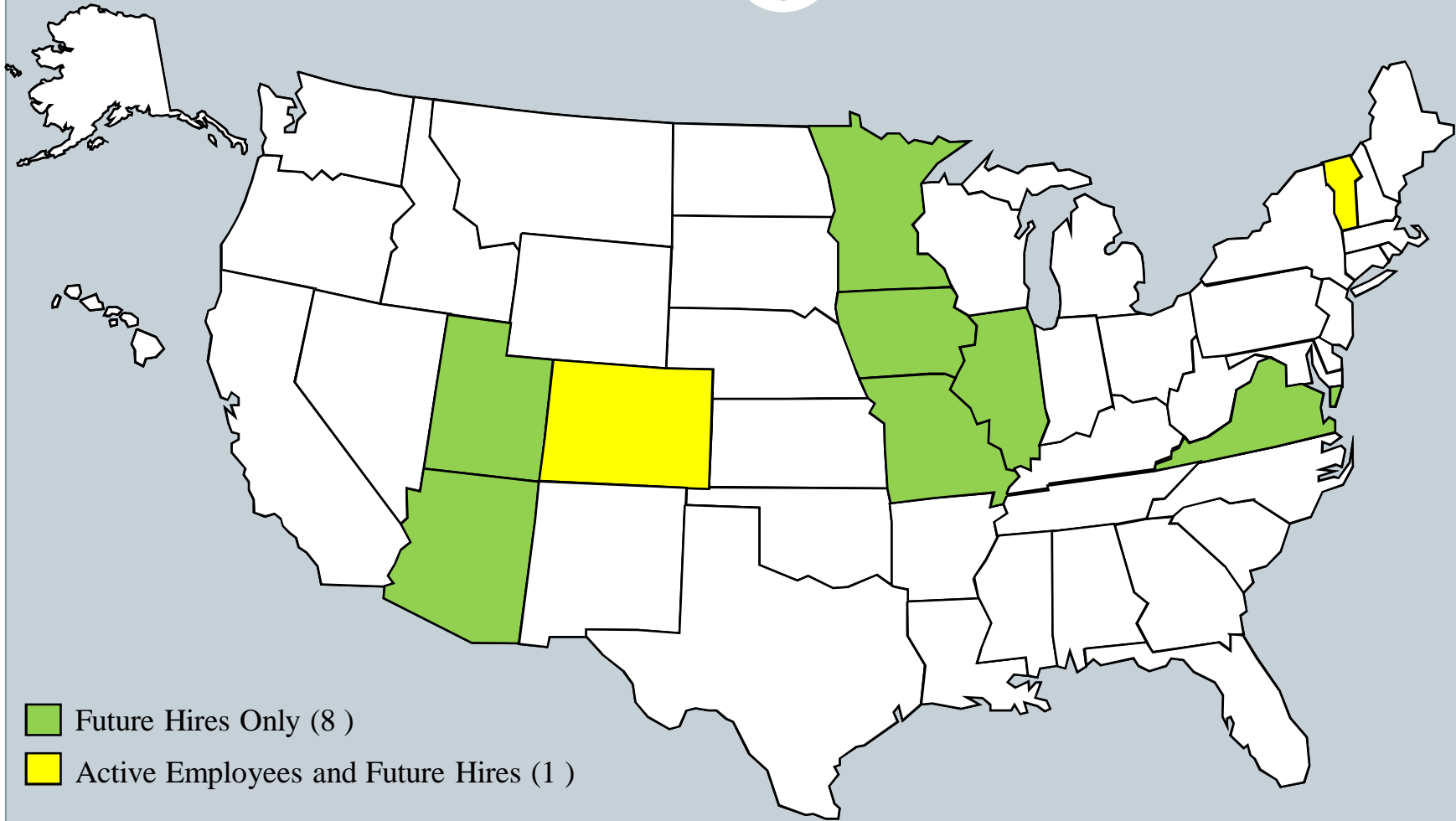


Greater Restrictions on Return to Covered Service



Greater restrictions apply to active employees in all cases (9 states).

Reduced Benefit For Retirement Before Normal Age



Structural Change in Michigan in 2010



- **Michigan School Employees Retirement System**
 - Includes K-12 teachers statewide.
 - Replaces a defined benefit (DB) plan for employees hired after July 1, 2010 with a hybrid plan:
 - ✦ A DB with higher age and service requirements and a lower benefit than the former plan. FAS based on 5 years (3 years in the closed plan).
 - ✦ Plus an opt-out defined contribution (401k) plan, with an employer match (4-year vesting) to employee contributions. Within limits, school districts may negotiate levels of employee contributions and employer match.
 - ✦ No post-retirement COLA for the DB portion.

Structural Change in Utah in 2010



- The Utah Legislature also replaced a traditional defined benefit plan with an alternative structure in 2010.
- It provided choice for employees:
 - A defined contribution plan or
 - A plan that combines features of a defined contribution and a defined benefit plan.
- Senator Liljenquist will discuss the Utah plan in this session.



- This report is based on NCSL's annual report on state pensions and retirement legislation.
- The 2010 report covering legislation enacted through July 20, 2010 is available on the NCSL website at

<http://www.ncsl.org/?tabid=20836>

- For further information:
Ron Snell -- ron.snell@ncsl.org
303-856-1534