


2011 Maryland General Assembly

PENSION LEGISLATION

Pension-related bills have been introduced in the House and Senate that take varying approaches to change the current pension system. The following is a compilation of the pension bills introduced as of February 19, 2011.

Bill	Sponsor	Employee Contributions Changes	Employee Contributions Changes	Vesting/ Retirement Age	Vesting/ Retirement Age
		CURRENT EMPLOYEES	NEW EMPLOYEES Hired On or After July 1, 2011	CURRENT EMPLOYEES	NEW EMPLOYEES Hired On or After July 1, 2011
(BRFA HB72/SB87) See Appendix A for full summary	Governor's Proposed Pension Reforms	Elect to retain the current 5% employee contribution and have future benefits from July 1, 2011 calculated based on a benefit multiplier of 1.5%, OR increase the employer contribution to 7% and retain the current 1.8% benefit multiplier.	From July 1, 2011, a Reformed Contributory Pension Benefit that requires a 7% employee contribution. The benefit multiplier is set at 1.5% for all service.	No Change Proposed	Increases the vesting period from 5 to 10 years. Full Service Retirement age 65 with at least 10 years of service Early Retirement Age is 60 with at least 15 years
	HB 303 Bill Withdrawn HB 305	Delegate Stocksdale	Increases employee contributions from 5% to 7%.	No Change Proposed	No Change Proposed
	Delegate Stocksdale	No Change Proposed	No Change Proposed	No Change Proposed	Increases vesting requirements from 5 to 15 years. Age 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 15 years of eligibility service.
HB 494	Delegate Aumann	No Change Proposed	No Change Proposed	No Change Proposed	Increases the vesting period from 5 to 10 years. Alters the eligibility requirement to retire from the Employees' and Teachers' Pension Systems from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 10 years of eligibility service.

ALL PENSION MEASURES

Bill	Sponsor	Title	Brief Explanation	Legislative Action
HB72/ SB87	The Speaker (By Request - Administration) The President (By Request - Administration)	Budget Reconciliation and Financing Act of 2011	See Appendix A for full summary	HB 72 hearing scheduled 3/1 at 1:00 p.m. in House Appropriations SB 87 hearing scheduled 3/2 at 1:00 p.m. in Senate Budget and Taxation
HB 176	Delegate Eckardt	State Retirement and Pension System- Reemployment of Retirees-Exemptions	This bill reduces from nine to five the number of years that a retiree of the Employees' Retirement System (ERS), Employees' Pension System (EPS), Teachers' Retirement System (TRS), or Teachers' Pension System (TPS) must wait in order to be exempt from a reemployment earnings limitation if the retiree is hired by the individual's last employer prior to retirement. The bill would take effect July 1, 2011.	Heard 2/8 Favorable Report by Appropriations
HB 249/ SB 199	Delegate Proctor Senator Glassman	State Retirement and Pension System - Direct Mailings by Retiree Organizations - Repeal of Sunset Provision	This bill repeals the June 30, 2011 termination date for (1) the statutory requirement that the Board of Trustees of the State Retirement and Pension System (SRPS) provide mailing addresses for State retirees twice a year to a mail processing center to provide direct mailings on behalf of the Maryland Retired School Personnel Association (MRSPA); and (2) the exemption from the requirement that SRPS notify affected retirees before it provides information about them to a public employee organization. The bill would take effect June 1, 2011.	HB 249 Heard 2/15 Favorable with Amendments Report by Appropriations SB 199 Heard 2/10
HB 303	Delegate Stocksdale, et al	State Retirement and Pension System - Employee Contribution Rate	Increasing the employee contribution rate for specified members of the State Retirement and Pension System to 7% of members' earnable compensation.	Hearing scheduled 2/22 at 1:00 p.m. in House Appropriations
HB 305	Delegates Stocksdale, Bates, Boteler, Elliott, Impallaria, and Krebs	State Retirement and Pension System - Vesting and Eligibility	Alters the eligibility requirement to retire based on age from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 15 years of eligibility service. Also alters vesting requirements from 5 to 15 years of eligibility for individuals who become members on or after July 1, 2011.	Bill Withdrawn Unfavorable Report House Appropriations 
HB 333/ SB 357	Delegate Griffith	State Retirement and Pension System - Administration - Simplification	Updates the definition of Social Security Integration Level; to eliminate obsolete references to social security data pertaining to payment of State Police death benefits; to clarify that the 45 day break between retirement and reemployment applies to withdrawn municipalities; and, to correct an oversight that members of the LEOPS receive	HB 333 Heard 2/15 Favorable Report by Appropriations
SRA Board Requested Legislation	Senator Jones- Rodwell			SB 357 Heard 2/10

			either a death benefit or special death benefit.	
HB 334/ SB 360	Delegate Griffith	State Retirement and Pension System - Completing and Submitting an Application for Service Retirement	This bill allows a department head, State or local superintendent of schools, and the Secretary of State Police to complete and submit an application for normal service retirement instead of disability retirement on behalf of a member who is unable to do so. The authority applies only if, after consulting with the State Retirement Agency, it is determined that it is in the member's best interest to apply for a normal service retirement benefit instead of a disability benefit. The bill would take effect July 1, 2011.	HB 334 Heard 2/15
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 360 Heard 2/10
HB 335/ SB 356	Delegate Griffith	State Retirement and Pension System - Military Service Credit - Eligibility	This bill requires that the 10 years of service in the State Retirement and Pension System (SRPS) that are necessary to claim and be granted military service credit for prior military service be earned through employment as a member of a State system. The bill would take effect July 1, 2011.	HB 335 Heard 2/15 Favorable Report by Appropriations
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 356 Heard 2/10
HB 338/ SB 359	Delegate Griffith	State Retirement and Pension System - Unclaimed Money - Former Members, Retirees, and Beneficiaries	This bill allows the State Retirement Agency (SRA) to post the names of individuals and their last known employers on its website or otherwise publish the names for the purpose of notifying them that they have unclaimed money held by the agency. The bill applies only to former members, retirees, and beneficiaries of deceased retirees who are (1) entitled to a refund of accumulated contributions but have not made a claim; or (2) eligible to receive a vested allowance but have not filed an application for the allowance. The bill would take effect July 1, 2011.	HB 338 Heard 2/15 Favorable Report by Appropriations
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 359 Heard 2/10
HB 380	Delegates McDonough, et al	Public Benefits - Requirement of Proof of Lawful Presence	This bill prohibits State agencies and local governments from providing unauthorized immigrants with specified public benefits unless the benefits are required under federal law. Each State unit or political subdivision must verify the lawful presence status of an adult before providing most public benefits. The bill makes it a misdemeanor to provide a false, fictitious, or fraudulent statement or affidavit.	Hearing scheduled 2/22 at 1:00 p.m. in House Appropriations
HB 429	Delegates Simmons and Kramer	Video Lottery Terminal Revenues - School Construction and Pensions	Creates an Educational Trust Fund to receive revenues from the video games of which 50% is to be used to go toward payment of the State's contributions to the Teachers' Retirement System and the Teacher' Pension System (up to \$50 million).	Hearing scheduled 3/15 in House Ways and Means
HB 494	Delegate Aumann	State Retirement and Pension System - Vesting and Eligibility	Alters the eligibility requirement to retire from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 10 years of eligibility service. Also alters vesting requirements from 5 to 10 years of eligibility for individuals who become members on or after July 1, 2011.	Hearing scheduled 2/22 in House Appropriations

HB 515	Delegate Kach	State Retirement and Pension System - Military Service Credit - Reservists	Permits members of the System who are eligible to attain military service credits to receive credit for membership in a Reserve Unit of the Armed Forces to receive credit the same as is currently granted for service in the Maryland National Guard.	Hearing scheduled 2/22 in House Appropriations
HB 633/ SB 481	Delegate Griffith	Pensions - Designation of Beneficiary - Powers of Attorney	This emergency bill exempts the State Retirement Agency (SRA), the Board of Trustees of the State Retirement and Pension System (SRPS), and SRPS from specified provisions of law regarding acceptance of powers of attorney. It also establishes the conditions under which the agency may accept a designation of beneficiary form submitted by an agent of a member, former member, or retiree. Specifically, exempts the System from provisions in the Estate & Trusts Article pertaining to acceptance of Powers of Attorney. The exemption ensures that appropriate protection is provided to the membership related to preparing Powers of Attorney in which an agent may change beneficiary designations and/or the right to self-gift.	HB 633 hearing scheduled 2/22 in House Appropriations
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 481 hearing scheduled 2/24 in Senate Budget and Taxation
HB 634/ SB403	Delegate Griffith	State Retirement and Pension System - Reemployment Earnings Offset - Retiree Health Care Premiums	This bill limits the amount by which the State Retirement and Pension System (SRPS) may offset a reemployed retiree's allowance to no more than an amount sufficient to pay the retiree's monthly State-approved medical insurance premiums. The bill applies to retirees of the Employees' or Teachers' Retirement Systems (ERS/TRS), Employees' or Teachers' Pension Systems (EPS/TPS), Correctional Officers' Retirement System (CORS), State Police Retirement System (SPRS), and Judges' Retirement System (JRS) who are subject to a benefit offset because they are reemployed by the same employer for whom they worked at the time of retirement. SRPS must recover from the retiree the amount of any foregone offset due to the bill. The bill takes effect July 1, 2011, but portions of the bill affecting SPRS and JRS take effect only on the termination of existing provisions that authorize the reemployment of State Police officers and judges without a benefit offset under certain circumstances.	HB 634 hearing scheduled 2/22 in House Appropriations
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 403 hearing scheduled 2/24 in Senate Budget and Taxation
HB 727/ SB 799	Delegate Griffith	State Retirement and Pension System - Retirees and Beneficiaries of Retirees - Annual Retirement Allowance Adjustments	For COLA when that adjustment would produce a negative COLA, a "zero" COLA would be applied. The actual negative COLA would be carried over and applied against the positive COLA to be paid for the next year. If there would be two negative years, the total negative amount would be carried over to be applied against the next positive year. If positive year was not equal to the total negative COLAs, the remaining negative amount would be carried over to apply against next positive COLA year.	HB 727 hearing scheduled 2/22 in House Appropriations
SRA Board Requested Legislation	Senator Jones-Rodwell			SB 799 hearing scheduled 2/24 in Senate Budget and Taxation

HB 843	Delegate Kach	State Retirement and Pension System - Optional Retirement Program - Membership and Participation	Providing that specified employees are not members of the Employees' Retirement or Pension Systems or the Teachers' Retirement or Pension Systems of the State Retirement and Pension System if the employees make an election to join the optional retirement program of the State Retirement and Pension System; requiring that specified participating employers provide specified employees with the opportunity to participate in the optional retirement program.	No hearing scheduled in House Appropriations
HB 866	Delegate Stein	Employees' Retirement System - Purchase of Service Credit - Former Members	Permits former members of the Employees' Retirement System to purchase service on or after September 1, 1971 if employed by the State as an assistant attorney general who did not enroll in the ERS, and on or after May 1, 1976 enrolled in the ERS and on or before January 1, 1982 ended state employment. For service prior to September 1, 1973, the former member must pay the employee and employer contributions plus 4% interest; for service on or after September 1, 1973, the former member must pay the employee contribution plus 4%. The purchase must occur before December 31, 2011 when the bill would sunset.	No hearing scheduled for House Appropriations
HB 899	Delegate Clagett, et al	Division of Parole and Probation - Warrant Apprehension Unit - Powers and Pension System	Establishes a Warrant Apprehension Unit within Parole & Probation who have police powers and establishes that members of this unit may participate in the Law Enforcement Officers' Pension System.	Judiciary & Appropriations Hearing 3/15 at 1:00 p.m. (Judiciary)
HB 951/ SB 540	Delegate Eckardt Senator Colburn	State Retirement and Pension System - Optional Allowances and Designated Beneficiaries - Changes to Elections	Permits individuals who retired on or before June 30, 2005 to change options from Option 2 to Option 3, and Option 5 to Option 6 and change the designated beneficiary. The recalculation would be based on the reserves at the time of recalculation. This proposal would sunset as of December 31, 2011.	No hearing scheduled for House Appropriations SB 540 hearing scheduled 2/24 in Senate Budget and Taxation
HB 1061	Delegate Kramer, et al	State Retirement and Pension System - Local Educators and Librarians - Local Employer Contributions	Proposes an amendment to the Maryland Constitution to prohibit the Maryland General Assembly from passing legislation that would require local governments to pay the employer contributions for members of the teacher systems. If passed by three-fifths of each house, the proposal would go before the electorate November 12, 2012.	No hearing scheduled for House Appropriations
HB 1088/ SB 358	Delegate Griffith Senator Jones-Rodwell	Audit Responsibilities - State Department of Education, Maryland Higher Education Commission, and State Retirement Agency	Shifts audit responsibility of teacher employer contributions from the Retirement Agency to the State Department of Education for boards of education and libraries, and the Maryland Higher Education Commission for community colleges.	HB 1088 hearing scheduled 2/22 in House Appropriations SB 358 hearing scheduled 2/24 in Senate Budget and Taxation
SRA Board Requested Legislation				

HB 1155	Delegate Smigiel	Pension Reform Act of 2011	An individual who is not a member of the Employees' Pension System on June 30, 2011, is not eligible for membership in the Employees' Pension System. An individual is a member of the Employees' Pension System if the individual commences employment on or after July 1, 2011, from a participating governmental unit that elected to join the Employees' Pension System on or before June 30, 2011. An individual who is not a member of the Teachers' Pension System on June 30, 2011, is not eligible for membership in the Teachers' Pension System, etc.	House: House Rules and Executive Nominations
HB 1168	Delegate Eckardt	Employees' Retirement and Pension Systems - Reemployment of Retirees - Health Care Practitioners	Repealing the termination provision applicable to specified reemployment of retirees in the Employees' Retirement and Pension Systems; etc.	House: House Rules and Executive Nominations
HB 1170	Delegate Serafini	State Retirement and Health Benefits Reporting Transparency Act	Requiring the Board of Trustees of the State Retirement and Pension System to prepare quarterly reports that include information concerning the investments and the total fund balance of the several systems of the State Retirement and Pension System; requiring the Board of Trustees to prepare quarterly reports that include the market value of the assets of the several systems, compared to the market value of the assets of the several systems reported on June 30 of the previous fiscal year.	House: House Rules and Executive Nominations
HB 1121	Delegates F. Turner and Serafini	Employees' Pension System and Teachers' Pension System - Benefits - Eligible Rollover Distributions	Providing that members of the Employees' Pension System or the Teachers' Pension System who have at least 15 years of eligibility service may terminate their membership in the Employees' Pension System or the Teachers' Pension System and elect to receive an eligible rollover distribution to be paid to an eligible retirement plan. A member's eligible rollover distribution shall equal member contributions, with regular interest, for each year of eligibility service, and employer contributions made by the State equal to 7% of the member's annual earnable compensation, with regular interest, for each year of eligibility service. A member's election to terminate membership is a one-time irrevocable election.	House: House Rules and Executive Nominations

SB 6	Senator Colburn	Optional Retirement Program - State and Participating Governmental Unit Employees - Participation	Places all future state employees currently eligible for participation in any members system within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP), and makes membership optional for those participating governmental units that elect to participate. Currently the ORP is only available to certain employees of the University System of Maryland, Morgan University, St. Mary's College, the state's system of community colleges, and the Maryland Higher Education Commission. If enacted, this proposal would be in violation of the IRS Code which only permits educational employees to participate in the ORP.	Heard 2/10 in Senate Budget and Taxation
SB 628	Senator Miller	State Health and Retirement Benefits - Public Employees and Retirees	See Appendix B Below	Hearing scheduled 3/2 in Senate Budget and Taxation at 1 p.m.
SB 629	Senators Pipkin and Brinkley	Teachers' Retirement and Pension Systems - Local Employer Contributions	Alters the payment of teacher employer contributions for members of the Teachers' Retirement & Pension Systems by establishing a median annual salary for eligible employees of all boards of education, all libraries and all community colleges (except the Baltimore City Community College) and requiring that the counties pay that portion of the total employer contribution that is in excess of the median salaries for the eligible "teacher" membership in that county.	Hearing scheduled 3/2 in Senate Budget and Taxation at 1 p.m.
SB 735	Senators Pipkin and Brinkley	State Retirement and Pension System - Optional Retirement Program - New Employees	Places all future state employees (except the Governor) currently eligible for participation in the various member systems within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP), and makes membership optional for those participating governmental units that elect to participate. Currently the ORP is only available to certain employees of the University System of Maryland, Morgan University, St. Mary's College, the state's system of community colleges, and the Maryland Higher Education Commission. If enacted, proposal would be in violation of the IRS Code which only permits educational employees to participate in the ORP.	Hearing scheduled 2/24 in Senate Budget and Taxation at 8 a.m.
SB 844	Senator Stone	State Retirement and Pension System - Transfer of Service Credit	Providing that specified members of the Employees' Pension System may transfer specified service credit from the State Contributory Law Enforcement Officers' Pension System in a specified manner; requiring that specified members of the Employees' Pension System who transfer service credit complete and file certain forms with the Board of Trustees of the State Retirement and Pension System on or before December 31, 2011.	No hearing scheduled in Senate Budget and Taxation

APPENDIX A

Governor's Proposed Pension Reforms Budget Reconciliation and Financing Act of 2011 (HB72/SB87)

Teachers' and Employees' Pension Systems:

Active Members

Current members of the Alternate Contributory Pension Selection (ACPS) - state and local government employees and teachers – would be required to select one of the following:

- **Selection 1:** retain the current 5% employee contribution and for service on and after July 1, 2011, have benefits calculated based on a reduced benefit multiplier of 1.5%. *
- **Selection 2:** increase the employee contribution to 7% and retain the current 1.8% benefit multiplier for all service on and after July 1, 1998.

Current members would be required to make their election between June 1 and June 15, 2011. For those hired from June 2 to June 30 2011, they would be given 15 days from their hire date to make their election. Eligible members who do not make an election in the required time period will be deemed to have made Selection 2 – increase in employee contributions to 7%. All elections are irrevocable.

For members who receive military service credit, the benefit multiplier in effect at time of retirement would apply to the credits accrued for any military service.

For ACPS members who are not vested as of June 30, 2011 (have not accrued five years of eligibility service), the average final compensation would be based on the average of their *five* highest consecutive years, rather than the current three year average.

* For members of the ACPS who elect to retain the 5% employee contribution (Selection 1), their retirement benefits would be calculated as follows: for service credits earned up to June 30, 1998, 1.2% benefit multiplier; for service credits from July 1, 1998 to June 30, 2011, 1.8% benefit multiplier; and, for service credits from July 1, 2011 forward, 1.5% benefit multiplier.

New Hires On and After July 1, 2011

For those hired from July 1, 2011 - state employees, teachers and employees of all participating governmental units – a defined benefit plan is retained. This new plan would be known as the *Reformed Contributory Pension Benefit*. Following are the primary features of that reformed plan.

Employee Contribution: 7%

Average Final Compensation: average of the five highest consecutive years of salary

Vesting: Ten years of eligibility service with benefit payable at age 65

Early Service Retirement: age 60 with at least 15 years of eligibility service (maximum reduction is 30% - .005 for each month retired prior to age 65)

Service Retirement: 30 years of eligibility service, or age 65 with ten years of eligibility service

Cost-of-Living Adjustments: Capped at maximum 3% of the prior year's allowance in any year that the System achieves its assumed rate of interest (earns at least 7.75%). If the System does not earn the 7.75%, the cap is reduced to 1% for that year.

Employers that elected to remain in the Non-Contributory Pension System or the Contributory Pension System would be required to place their new employees in the Reformed Contributory Pension Benefit as of July 1, 2011. These employers are: Anne Arundel County Economic Opportunity Commission; Catoctin & Frederick Soil Conservation District; Crisfield; Crisfield Housing Authority; Prince George's County Government; Prince George's Crossing Guards; and, North Beach.

Teachers' and Employees' Retirement Systems

There are no recommended changes that would affect these systems.

State Police Retirement System & Law Enforcement Officers' Pension System

The only proposed change to these systems is that the Deferred Retirement Option Program (DROP) would be closed to both new members hired on and after July 1, 2011, and to current members who are not vested (do not have five years of creditable service) as of June 30, 2011. There would be no changes for current DROP participants.

Judges' Retirement System

New judges elected or appointed on and after July 1, 2011 would be required to pay 8% of salary as the mandatory employee contributions (currently 6%). The maximum period of contribution remains at sixteen years.

Governor's Plan and Legislative Pension Plan

The compensation commissions that meet every four years to establish recommended salary and benefits for Governors and members of the General Assembly would be tasked with reviewing the pension benefits of these plans when those commissions next meet.

Funding Requirements:

FY2012: the state employer contribution is set at the total amount of the state contributions that are required based on rates certified by the Board of trustees, less \$120 million.

FY2013: total amount required based on rates certified by the Board *plus* an amount that is the difference between the state's required contributions and the amount that the Board determines would have been required had the increases to employee contribution and the reduced liabilities not been enacted in 2011, less \$60 million.

FY2014: total amount required based on rates certified by the Board *plus* an amount that is the difference between the state's required contributions and the amount that the Board determines would have been required had the increases to employee contribution and the reduced liabilities not been enacted in 2011 (would apply to future fiscal years also).

Summary provided by State Retirement System

APPENDIX B

SB628

State Health and Retirement Benefits - Public Employees and Retirees

Health Benefits Reforms:

Retain current eligibility requirements

Retires from State under state system on or before June 30, 2011 and had at least 15 years of creditable service on July 1, 2010, and was in state service on or before June 30, 2011.

OR

Retires from a state system on or after July 1, 2011 and on or before June 30, 2011 was 55 years old, or terminated state service (not retirement) and had at least 16 years of creditable service

Subject to new eligibility requirements

Retires and retiree began state service on or after July 1, 2011.

OR

Retires and retiree began state service before July 1, 2011, and had less than 15 years of creditable service on July 1, 2010, remained in state service on July 1, 2011 and was less than age 55 on July 1, 2011.

New Requirements - must retiree directly from state service with at least 15 years of creditable service, with full subsidy based on a disability retirement or 25 or more years of creditable service; between 15 and 25 years, subsidy prorated on 1/25th for each year of creditable service. Also applies to eligible dependents.

Optional Retirement Program

Retain current eligibility requirements*

Retires from the Optional Retirement Program on or before June 30, 2011 and had at least 15 years of state service on or before July 1, 2010 and was employed by state institution of higher education on July 1, 2011.

OR

Retires from ORP on or after July 1, 2011 and on or before June 30, 2011 was age 55.

OR

Terminated (did not retire) from state institution of higher education and had at least 16 years of state service

*spouse and dependent children covered only if ORP member had 25 years of state service

Subject to new eligibility requirements

Individual began state service with a state institution of higher education on or after July 1, 2011.

OR

Individual began state service with a state institution of higher education before July 1, 2011, had less than 15 of state service on July 1, 2010, remained in service with a state institution of higher education on July 1, 2011 and was less than age 55 on July 1, 2011.

New Requirements - must end service with a state institution of higher education with at least 15 years of service as a state employee and retired directly from service with a state institution of higher education under the ORP with at least 15 years of creditable service, with full subsidy based on 25 or more years of creditable service; between 15 and 25 years, subsidy prorated on 1/25th for each year of creditable service. Also applies to eligible dependents.

Note: State is to discontinue its prescription drug plan on or before July 1, 2020 for retirees eligible to receive prescription drug coverage under Federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 or any other federal law permitting states to discontinue prescription drug benefit plans.

Pension Reforms: Sustainability Pension Selection

Employees' and Teachers' Pension System members (Alternate Contributory Pension Selection), excluding employees of participating governmental units, who are members as of July 1, 2011 and employed on July 1, 2012, may elect one of four options. The election must be made to become effective July 1, 2012, and is irrevocable. For members on or after July 1, 2012, the election must be made at employment, but the Stable Benefit Selection would not be available to these new members as an option.

Stable Benefit: requires an 8% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier remains at 1.8% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Stable Member Contribution Rate: requires a 5% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier after 6/30/12 is 1.6% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Reduced Member Contribution Rate: requires a 3% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier after 6/30/12 is 1.4% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Cash Balance: requires a 5% employee contribution with a 10% employer contribution accruing interest at 5% compounded annually; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; determination of "an allowance" would be established by the Board of Trustees. Cost-of-living adjustments appears unclear, but may be capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Retirement Eligibility: For members of the Employees' and Teachers' Pension Systems who were members on or before July 1, 2006, eligibility for retirement remains 30 years of eligibility service or age 62 with 5 years of eligibility service; early service retirement remains age 55 with 15 years of eligibility service (applies to participating governmental units).

Vesting: For the Employees' and Teachers' Retirement Systems, the Employees' and Teachers' Pension Systems, the Correctional Officers' Retirement System, the State Police Retirement System, the Law Enforcement Officers' Pension System, and the Local Fire and Police System eligibility to vest remains 5 years if the member has 5 years of eligibility service on or before June 30, 2011. Otherwise, the eligibility requirement becomes 15 years (applies to participating governmental units).

Unlimited COLA: Members who are eligible for an unlimited compounding cost of living adjustment must retire on or before June 30, 2012 in order to receive that form of COLA during retirement. For members of the State Police Retirement System and Correctional Officers Retirement System who retires after July 1, 2012, the 3%/1% caps based on the System meeting its interest assumption replace the unlimited COLAs. It is unclear as to what COLA, if any, would be payable to those Employees' and Teachers' Retirement System member who do not retire by June 30, 2012.

DROP: For members of the State Police Retirement System and the Law Enforcement Officers' Pension System who participate in the Deferred Retirement Option Program, the interest earned while in DROP is reduced from 6% to 4%.

Funding

Sharing of the employer costs for members of the teacher systems is to commence beginning July 1, 2012. For boards of education, the local share of the total employer contribution is the aggregate annual earnable compensation multiplied by 2% (FY2013), 6% (FY2014), 10% (FY2015 & 2016). For FY2017 and future fiscal years, the rate established by the Board of Trustees would apply. State aid to the local boards of education will be increased in an amount equal to half of the boards' aggregate pension costs.

For libraries and community colleges, the local share of the total employer contribution is the aggregate annual earnable compensation multiplied by 1% (FY2013), 3% (FY2014), 5% (FY2015 & 2016). For FY2017 and future fiscal years, the rate established by the Board of Trustees would apply.

Aggregate Annual Earnable Compensation is defined as an amount based on the aggregate annual salary payable by a local employer to local employees, calculated as of June 30 of the second prior fiscal year before the fiscal year for which a calculation is made.

The Board of Trustees will certify the local contribution rate (rate to be applied to the aggregate earnable compensation of local employees to calculate the local share of the total employer contribution for local employees) for the next fiscal year on or before December 1 of each year, with an estimate of this rate to the local employers by November 1. The local contribution rate is established at the rate when added to the rate of the employer social security contribution required by federal law equals one-half the sum of the teachers' system contribution rate for the fiscal year and the rate of the employer social security contribution required by federal law.

80% Funded Status: For FY2013 through FY2023, the Governor is to include in the budget bill the total amount of the State's contributions to each system certified by the Board of Trustees and an 80% target amount, which is the additional amount of state employer contributions above the State's contribution certified by the Board of trustees each fiscal year that is necessary to reach a funded status of 80% by FY2023.

Summary provided by State Retirement System