

Selected States' Policies on Public Employee Retirement Systems

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COMPILER'S NOTE: The following information was solicited in July 2008, and provided through Ron Snell, staff of the National Conference of State Legislatures (NCSL). The information has been reformatted in a consistent font, but otherwise is reprinted here as it was received.

Colorado PERA Response

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Background Information

Colorado PERA is an “instrumentality” of the State of Colorado, not a state agency. Colorado PERA is not subject to oversight by a formal state retirement commission or legislative retirement committee per se, but Colorado PERA’s Board of Trustees are required to submit certain financial and actuarial reports to the Legislative Audit Committee, the Joint Budget Committee, and the Governor.

The law governing Colorado PERA (Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.)), gives the Colorado PERA Board of Trustees complete control and authority to invest PERA’s funds, and the authority to determine membership status, eligibility for benefits, service credit and salary to be used in calculations.

The Colorado PERA Board of Trustees’ funding goals are contained in the Colorado PERA Board’s Funding Policy adopted in November 2007. This Colorado PERA Board Policy states that:

- Colorado PERA’s funding goal is to maintain employer and member contributions into the trust funds sufficient to accumulate assets over a member’s term of employment to fully finance benefits members receive throughout retirement by achieving and maintaining a minimum 100% funding ratio of assets to accrued actuarial liabilities.
- The Board’s minimum 100% funding ratio goal over time avoids externalizing the costs of amortizing unfunded accrued liabilities onto others in the future, and provides for fairness and intergenerational equity for taxpayers, employers and employees with respect to the costs of providing benefits.

- The Board will not consider and will oppose any proposal that reduces contribution rates including additional contributions to amortize PERA unfunded liabilities for any division prior to that division obtaining a minimum 100% funding level as determined by the Board's actuary;
- The Board will not consider and will oppose any proposal that enhances benefit provisions of the plan before achieving a minimum 100% funding level.
- After reaching fully funded status, any benefit enhancement proposal must include the additional funding necessary to maintain a minimum 100% funded status on an actuarially sound basis; and the Board will carefully review the funded status of each division annually.

Link to "**Colorado PERA Board Adopts Statement of Funding Policy (11/20/07)**"

The following three divestment policies were adopted by Colorado PERA's Board since January 2007.

1. Colorado PERA Board of Trustees' Divestment Policy adopted in August 2007, states that:

- The Colorado PERA Board of Trustees as fiduciaries, are required to invest Colorado PERA's funds for the sole and exclusive benefit of members and beneficiaries, and maximize Colorado PERA's long term investment returns by prudently diversifying the portfolio.
- Mandated divestment efforts that do not meet the genocide criteria and fail to account for the Colorado PERA Board's concerns over the divestment mandate's potential costs and risks to the funding strength of Colorado PERA, will generally be opposed by Colorado PERA.

Link to "**Colorado PERA Board of Trustees' Statement on Divestment (8/24/07)**"

2. Colorado PERA Board's Sudan Divestment Policy adopted in **January 2007**, was similar to the PERA Board of Trustees' Divestment Policy. The Colorado PERA Board's Sudan Divestment Policy strongly condemned the Darfur genocide, and explained the Colorado PERA Board's:

- Fiduciary requirement to protect the Colorado PERA trust fund's actuarial solvency and prudently maximize investment returns; and
- Concerns over a divestment mandate that might result in investment losses and higher costs for PERA.

Link to "**Colorado PERA Board of Trustees' Statement on Sudan Investments (1/19/07)**"

3. Colorado PERA Board of Trustees' Policy on Iran-Related Investments, adopted in January 2008:

- Explains Colorado PERA's total fund strategy to address specific risks related to direct public investments in foreign companies doing business in Iran.
- Includes phases for identifying a list of public companies doing business in Iran, criteria that will be used, periods of time for engagement with companies identified, investment moratorium requirements, and other possible actions including potential divestment.
- Demonstrates that PERA's Board believes that the additional resources and the centralization of research required by this policy will improve the ability to assess Iran-related risk. This investment process modification will also improve reporting on Iran-related risk for the total fund.

In introductory words to the PERA Board's policy on Iran-related investments, the Board reiterated that:

- Colorado PERA serves the singular purpose of operating the retirement system. In meeting its fiduciary responsibilities, PERA seeks to maximize long term risk-adjusted investment returns.
- In accordance with its fiduciary obligation, PERA's Board of Trustees determines the investment fund's overall risk profile and risk constraints.

[Link to "Colorado PERA Board Adopts Policy on Iran Related Investments \(1/22/08\)"](#)

(GEORGIA) COMMITTEE CHAIR REPORT

HB Number:

Name & Committee Title:

Committee: House Retirement

What Problem/Opportunity Does this Legislation Address?

Driving Forces Behind Legislation:

BRIEFLY STATE IF AND HOW THIS LEGISLATION:

1) Reduces the Size of Government:

2) Strengthens our Traditional Family Structure:

3) Reduces the Tax Burden on our Citizens:

4) Increases Personal Responsibility:

5) Other:

General Principles of Sound Retirement Planning

Background The following is a list of general principles of sound retirement planning ("General Principles") to be applied by the Nebraska Retirement Systems Committee during the legislative sessions and interim sessions. The General Principles were developed in the 1970's and revised in the 1980's. Following the completion of the comprehensive retirement study originally authorized in LR 328 (1992) and finalized in LR 383 (1994), the Retirement Committee reviewed the General Principles under LR 164 (1995) and adopted revisions on April 11, 1996. The General Principles were further studied and reviewed and the five public retirement systems benefits were analyzed under LR 336 (2000).

These principles are to be reviewed and updated every five years.

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I. Application of the General Principles & Evaluation of Legislation.

- I. A. The Legislature has the responsibility of developing sound and adequate public retirement systems for Nebraska public employees. The Nebraska Retirement Systems Committee has developed and will periodically review the General Principles of Sound Retirement Planning ("General Principles"). The principles will be applied to any state administered public retirement system as well as public retirement systems specifically provided by statute. Other public retirement systems administered by political subdivisions and generally provided in statute should utilize the principles as guidelines.**

COMMENTS: 1) The General Principles should be reviewed and updated at least once every five years. 2) Since most political subdivisions lack the size and expertise necessary to provide sound and adequate retirement systems on their own, the Legislature has a responsibility to provide general guidelines for all political subdivisions to use in designing their systems. Although the Legislature has a responsibility to provide guidelines, in general all political subdivisions are responsible for the financing of these systems so that the state has no direct financial obligation resulting from the guidelines.

- I. B. All proposed changes in retirement systems should be measured against these General Principles.**

COMMENTS: 1) No change should be made in any retirement system without measuring it against these General Principles. Since these principles do not specifically cover every situation, some extension, elaboration, and interpretation of these principles in practice will be necessary. 2) Any proposed change that violates one or more of these principles must be carefully scrutinized to see if an exception to the principles is warranted or if the principle needs revision.

- I. C. All proposed legislative changes in retirement systems must be actuarially sound and supported by an actuarial study, if necessary, to evaluate the cost of the proposal.**

COMMENTS: 1) Any change in benefits must carry a provision to pay for these benefits. See Rules of the Nebraska Unicameral Legislature, Rule 5, Section 14.

II. Retirement System Objectives.

- II. A. When possible, retirement provisions should be added, amended or deleted uniformly or consistently among the various public retirement systems covering different groups of public employees.**

COMMENTS: 1) Revisions to one defined contribution plan should be considered for the other defined contribution plan(s). Revisions to one defined benefit plan should be considered for the other defined benefit plan(s). 2) Uniformity and consistency across defined benefit and defined contribution plans should be attempted when appropriate. 3) Variations between plans may be justified based upon funding, unique membership needs, objectives unrelated to benefit adequacy, or other rationales. Justification for variations should be carefully examined.

- II. B. Each employee within a retirement system should be treated equitably and without discrimination.**

COMMENTS: 1) Each employee in a given system should be treated equitably with other employees in the same system with similar demographics. 2) Provisions should not unfairly advantage nor disadvantage a group of employees within a system.

- II. C. Retirement plans should be designed to provide adequate retirement benefits for employees who complete a period of service considered to be a normal career. Benefit adequacy should be based upon the income replacement needed to maintain the same standard of living during retirement as before retirement. Sources of income replacement should include the base retirement benefit under the public system, the Social Security benefit if earned during employment covered by the plan, and assumed voluntary savings.**

COMMENTS: 1) A normal career may vary by retirement system; however, in general, a normal career equals 25 years of service for county employees, state employees, school employees and state patrol members, while it equals 20 years for judges due to their appointment later in their career. The employer should not be obliged to provide full benefits to an employee hired within a short period of time before normal retirement age. 2) Postretirement income replacement needs should factor in the net change in out-of-pocket expenses. 3) An income replacement objective for an average-paid employee during the first year of retirement of at least 83% for State, 86% for County, 78% for School and 71% of compensation during the year prior to retirement is considered adequate due to the more favorable tax position of the retiree, reduced work-related expenses, and discontinuation of personal savings programs. Since State Patrol officers do not participate in Social Security, the income replacement objective for an average-paid State Patrol officer is at least 85% of compensation. Higher income replacement objectives may be needed since lower-paid employees have higher income replacement needs. 4) Voluntary savings should be assumed to be at least 1% of compensation for the State, County, School, and Judges plans and at least 3% of compensation for the State Patrol plan due to non-participation in Social Security which requires higher personal savings by state patrol officers. 5) The retirement benefit levels indicated are to be measured on the Life Annuity Option for a single employee. 6) Postretirement inflation protection should be included in evaluating benefit adequacy.

- II. D. In determining benefit adequacy, Social Security benefits should be taken into**

consideration for employment covered under the public plan. Changes in social security benefits may require revisions to the base benefits provided under the public plan.

COMMENTS: (1) Base retirement benefits under the public plan may need to increase to offset reductions in Social Security and to achieve adequate benefit for retirees.

- II. E. For groups covered under Social Security, auxiliary benefits in the retirement system, such as death and disability benefits, are incidental and should not be a major portion of the total benefit package.**

COMMENTS: 1) Major death and disability coverage can best be handled by separate insurance programs outside the retirement systems. More substantial death and disability benefits in the retirement system are appropriate for those groups not covered under Social Security to compensate for the lack of auxiliary benefits provided under Social Security.

- II. F. Base retirement benefits provided by a public employer should be provided directly under the retirement system.**

COMMENTS: 1) Providing retirement benefits outside the retirement system leads to hidden costs, unsound funding, and splintering of the retirement system. 2) Allowing supplemental plans in addition to the basic retirement system for certain employees is also generally poor policy. 3) This principle is not intended to apply to Social Security benefits or voluntary tax-deferred programs that may be available to employees of a retirement system. 4) Benefit adequacy should include all benefits as described in principle II-C.

III. Funding of the Retirement System.

- III. A. All public retirement systems, including those in the political subdivisions, should be pre-funded according to sound actuarial principles, and benefits should not be paid out of current revenues.**

COMMENTS: 1) Pre-funded plans lead to a significant reduction in the total cost of the plan because of the effect of investment income on the fund. 2) Pre-funded plans produce a greater degree of security to the employees that the money will be there to pay the benefits when they retire. 3) Pre-funded plans lead to greater flexibility in making contributions to the system. 4) Although pensions paid out of current revenues may have a certain political appeal because the dollar outlay is very small in the early years of the plan, the costs will spiral greatly as the plan matures. Pre-funded plans show a more level incidence of costs. 5) Pensions paid out of current revenues require future generations of taxpayers to pay for benefits that have been accrued in the past. Benefits should be paid for as they are being earned. 6) Pensions paid out of current revenues lead to large unfunded liabilities which have many similarities to indebtedness and are contrary to the spirit of the Constitution of the State of Nebraska.

- III. B. Unfunded liabilities are to be amortized so as to reduce the unfunded liability to zero in 25 years, or less, from the date the liability is identified by the actuary. Long-term costs and the amortization of unfunded liabilities should maintain generational equity.**

COMMENTS: 1) Unfunded liabilities occur due to a) inception of a new retirement system, b) benefit improvements, or c) actual experience that differs from actuarial assumptions, i.e. investment, retirement rates, etc. 2) Currently, unfunded liabilities under the state-administered plans are amortized by level annual payments over either a) 25 years (School Employees) or b) the lesser of 25 years or the average expected future service of the active members (Judges & State Patrol). Any new systems covering new groups of employees not previously covered should require full funding within 25 years of their date of inception. 3) Generational equity means that each generation of employees and employers pays an equitable cost for retirement benefits accruing for those employees. If benefits for a particular generation of employees are not adequately funded, future generations of employees and employers will be required to pay for those benefits for current employees. 4) Funding methodology must be specified in the plan document. 5) A shorter amortization period is appropriate when the unfunded liability arises as a result of benefit improvements for retired participants, in order to provide adequate funding of the increased benefits during the remaining lifetime of the retired participants.

III. C. Each retirement system should be funded so that the actuarial present value of assets will be equal to 90%-110% of the Projected Benefit Obligation (PBO).

COMMENTS: 1) Adequate funding is essential to maintain the integrity of the retirement system. 2) Under GASB, funding status is measured by comparing actuarial value of assets with the actuarial present value of projected benefits.

IV. Retirement System Design.

IV. A. Reasonable eligibility requirements are a part of any well-designed retirement system.

COMMENTS: 1) Establishing reasonable age and service requirements for participation in a retirement system is appropriate and is not contrary to public policy. 2) Coverage should be extended to full-time permanent employees. Consideration should be given to including permanent part-time employees. Temporary employees may be excluded. 3) Once an employee satisfies the eligibility requirements, participation in the retirement system should not be voluntary, but should be a mandatory condition of employment. Voluntary participation should be considered for employees who have not met the mandatory requirements when administratively feasible. 4) An employee should be eligible to participate in only one specific retirement system, in addition to the Deferred Compensation 457 Plan.

IV. B. Member contributions should be established at a rate so that a new employee entering at age 35 or under will pay no more than 50% of the total contributions to his or her plan.

COMMENTS: 1) Funding of the retirement systems should be reviewed periodically to determine the proportion of funding by various sources, i.e. employee, employer, and/or the State. 2) Total contributions should be established to fund benefits in order to meet the income replacement objectives under principle II-C and funding ratio as defined in principle III-C.

IV. C. Vesting provisions should be included in the various retirement systems.

COMMENTS: 1) Vesting provisions are important in any well-developed pension plan, so that long-service employees who terminate do not lose all their accrued benefits. On the other hand, the governmental employer should not feel compelled to provide full vesting immediately upon entry into the plan. Some short period of service before vesting commences is reasonable. 2) Full vesting should occur after five years of service. 3) The employee should always be fully vested in his or her own contributions. Employee contributions should be credited with a reasonable rate of interest that is consistent among the various retirement systems.

IV. D. Employees who continue their employment beyond the normal age of retirement should continue to participate in the retirement systems.

COMMENTS: 1) As participants of the retirement system, these employees should continue to earn additional retirement benefits for years of service following the normal retirement age. 2) These employees should continue to make contributions as the system requires for participants.

IV. E. Optional forms of benefit payments should be available at retirement and calculated as actuarial equivalents to the normal form of benefit.

COMMENTS: 1) Optional forms of benefits should be available to increase the flexibility of the retirement system in order to adequately meet the needs of retirees in different situations. 2) All options should be actuarial equivalents of the normal form of the benefit. 3) Lump sum payment under the defined contribution plans shall be one of the options available.

IV. F. All early retirement benefits should be reduced due to the longer period of benefit payments.

COMMENTS: 1) Employees who retire prior to attaining the normal retirement age should be provided a benefit that is reduced to reflect the longer period over which they will receive benefits. 2) Reductions should be made so as to minimize the additional cost to the retirement system for the reductions.

IV. G. Transferability of credits among the various retirement systems should be provided to the extent transfers are legally and financially possible.

COMMENTS: 1) Steps should be taken to increase reciprocity among the various public retirement systems in Nebraska by providing transferability of credits to the extent such transfers are legally and financially possible. 2) Special consideration may be given to those situations in which the transfer of employment between systems is involuntary.

V. Revisions in Plan Design.

- V. A. Future liberalizations in benefits under existing systems may be made for service both prior to and subsequent to the date of improvement for active members under a defined benefit plan. For members who have retired under either a defined benefit or a defined contribution plan prior to enactment of legislation, only cost-of-living adjustments may be made.**

COMMENTS: 1) Increases in retirement benefits under a defined benefit plan for service subsequent to the date of improvement shall be funded according to sound actuarial principles during the period the benefits are accruing. 2) Increases in retirement benefits under a defined benefit plan for service prior to the date of improvement will result in an increase in the unfunded liability of the system and generational shifts of costs, which should be identified and considered. This unfunded liability shall be amortized in accordance with Principle III-B. 3) Under Nebraska's constitution, retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wages levels that have occurred subsequent to the date of retirement. Other benefit improvements cannot be made for members who have ceased employment prior to enactment of the improvements.

- V. B. The employer should pay a greater portion, if not all, of the cost of any past service benefit.**

COMMENTS: 1) Granting past service benefits will generally result in an increase in the unfunded liabilities of the system and generational shift of costs. 2) The employer should adopt a funding policy consistent with Principle III-B to reduce the unfunded liability to zero. 3) The effects on generational equity should be recognized and considered when determining contributions by current and future employees.

- V. C. Buy-back provisions may be appropriate for purchasing credit for specified periods of service. All buy-back proposals should be evaluated on the following: (1) The buyback provision should not provide a significant indirect or unintended subsidy to the employee buying the service at the expense of continuing members; (2) Buy-back opportunities should not be expanded without an actuarial fiscal note of the likely cost of a provision; (3) Any "discount" to the expected cost of a buy-back provision should be disclosed and taken into account in the actuarial valuation of the system; (4) The buy-back provision should not allow purchase of service credit if another benefit will be provided for the same period of service; and (5) The experience of the buy-back provisions should be monitored so that adjustments can be made as necessary to the contributions required of employees.**

COMMENTS: (1) The cost of purchasing prior service credit should not be shifted to other members in the system. (2) Subsidies should be identified and monitored from inception of the buy-back provision. (3) "Double dipping" or receipt of two or more benefits for the same period of service should be avoided.

- V. D. Cost-of-living adjustments should be provided to maintain benefit adequacy during post-retirement inflation. When possible, any specific recognition of changes in the cost of living in plan provisions should be made on a uniform basis for all systems.**

COMMENTS: 1) When a cost-of-living adjustment is provided in one system, a cost-of-living adjustment should be considered and encouraged in the other systems since inflation affects all groups of employees. 2) While cost-of-living mechanisms should be uniform among the defined benefit plans and uniform among the defined contribution plans, mechanism(s) for the defined benefit plans may differ from the mechanism(s) for the defined contribution plans. 3) Any cost-of-living benefits that are adopted must be funded according to sound actuarial principles.

- V. E. Proposals to divide or fragment a retirement system, or provisions under a retirement system, should be evaluated upon the following: (1) Increased costs and/or inefficiencies; (2) Qualification concerns under federal law; and (3) Real need for disparate treatment of an identified class of employees.**

COMMENTS: (1) The fragmentation of a retirement system, or provisions of a retirement system, may lead to additional costs and nondiscrimination concerns.

VI. Retirement System Administration.

- VI. A. All retirement systems should be designed and administered in compliance with state law, the Internal Revenue Code and the associated regulations, other federal law, and generally accepted accounting principles.**

COMMENTS: 1) The systems should be administered in compliance with state and federal laws. 2) Although "ERISA" does not apply to governmental pension plans, several provisions are also contained in the Internal Revenue Code and are applicable to governmental pension plans. [See ERISA 29 USC §1003 (b)(1) and §1321 (b)(2)] 3) The administering board should ensure that all pension fund accounting follows generally accepted accounting principles.

- VI. B. Administration of the various systems should be performed by a qualified board and qualified staff. The board should administer the system solely in the interests of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred. The board should include employee representatives.**

COMMENTS: 1) The administering board should have knowledge of retirement systems and/or experience in management. 2) The board should hire a qualified director and other qualified staff as may be required to properly administer the systems. 3) Administrative expenses of the board should be financed by the retirement systems and not by general fund revenues.

- VI. C. Each public retirement system should submit an annual report to the appropriate governing body. For state-administered plans, the annual report should be submitted to the Legislature and the Governor.**

COMMENTS: 1) Annual reports of each public retirement system should be provided to the Nebraska Retirement Systems Committee. The annual reports are in addition to, but may include, any actuarial valuation of the system.

VI. D. Each public defined benefit retirement system should have periodic actuarial valuations of the pension assets performed by an independent actuarial consulting firm.

COMMENTS: 1) Actuarial valuations of the system's assets by a qualified actuarial consulting firm should be completed on a regular, defined schedule. 2) For the state-administered retirement systems, actuarial valuations should be completed annually. 3) In addition to the actuarial valuations, an analysis of the demographic and financial experience of the system should be completed at least once every five years.

VI. E. Each retirement system should be independently reviewed by consultant, with expertise in public pension plans.

COMMENTS: 1) For the state-administered retirement systems, an external compliance audit should be performed at least once every five years. 2) Internal controls should be established to prevent or detect noncompliance. 3) Internal reviews should be completed as needed. 4) Periodic external reviews of plan design should be completed to determine the need for modification. 5) Any modifications necessary should be accomplished on a basis consistent with the other general principles.

VI. F. Each public retirement system should communicate with the members of the system and inform them of any developments at the state or federal level affecting the benefits or provisions of their retirement system.

VI. G. Comprehensive retirement planning should be available to all public employees.

COMMENTS: 1) A comprehensive pre-retirement planning program should include information and advice regarding the many changes employees face upon retirement: retirement income, employment, physical and mental health, housing, family life, and leisure activity.

VII. Investment of Pension Funds.

VII. A. The statutes should allow the flexibility to pursue a prudent investment policy that will maximize investment yields consistent with sound investment principles. Investments should be made solely in the interests of the members and beneficiaries of the retirement systems for the exclusive purposes of providing benefits to members and members' beneficiaries and defraying reasonable expenses incurred. No retirement funds should be invested or reinvested if the sole or primary investment objective is for economic development or social purposes or objectives. Investment of state-administered retirement funds should be consolidated in an entity with expertise in investing.

COMMENTS: 1) The decision concerning the investment medium should be based on competent professional advice and free of political pressures that might impair yields.

VII. B. Return on investment of retirement funds should be independently reviewed by a

professional consultant, with expertise in the area, every five years to see that they are being maintained on an adequate, sound and consistent basis.

COMMENTS: 1) An internal review of investment performance of the major state retirement systems should be made annually. 2) An external review of investment performance by an independent consultant should be completed every five years.

(OHIO) PRINCIPLES GOVERNING PENSIONS

The Ohio Retirement Study Commission may be expected to observe the following principles in its review and recommendation of bills affecting the pensions and other retirement benefits of public employees.

A. Normal Age and Service

1. The normal retirement age should be set in a reasonable relationship to the employability limits of the average employee, which is generally age 65 for regular public employees and age 52 to 55 for protective and safety force employees.
2. The normal service for regular public employees should be 30 years and for protective and safety force employees 25 years, based upon the career expectations found in most other states.
3. Retirement benefits should be actuarially reduced for retirement prior to normal retirement age, except for long-service retirement at any age after normal service requirements are met (30 years for non-uniformed employees and 25 years for uniformed employees).

B. Benefits

1. The retirement benefit should provide an adequate standard of living at the time of retirement. The benefit should be related to a member's final average salary, determined on the basis of the three highest years of salary. Any reduction in the number of years used to determine final average salaries should be carefully weighed for the abuses which it will invite in making such determinations.
 - (a) The measure of adequacy should be based upon a minimum of 30 years service for regular employees and 25 years of service for protective and safety force employees.
 - (b) Minimum benefits should not be set so high as to distort the benefit formula significantly.
 - (c) Flat benefits (those not related to service, age and/or payroll-based contributions) should be examined very critically for their impact on contribution rates.

C. Post-Retirement Increased

The retirement benefit should be adequately maintained during the period of retirement. There should be a plan of prefunding post-retirement increases. When possible, post-retirement adjustments should follow some validly recognized economic indicator. Post-retirement increased based on factors which offset the effects of age, service and salary should be avoided.

D. Financing of Benefits

1. The cost of benefits should be shared between employees and employers, with the employers paying for the cost of unfunded accrued liabilities.
2. Unfunded accrued liabilities should be amortized over a reasonable period of time, related to the average working career of the members, but not to exceed 40 years.
3. There should be equal treatment in the burden of pension financing between generations of taxpayers. Ad hoc post-retirement increased should be financed separately and not merely added to the unfunded accrued liability of the pension funds.
4. Concepts of the financial limits which can be reasonably borne by members and employers will be continually reviewed by the Commission and its staff.

E. Membership Coverage and Treatment

1. There should be equal pension treatment among the various groups of non-uniformed public employees and as nearly as practicable retirement benefits should be uniform.
2. The nature of the services employees perform for state or local governmental units should determine the retirement system under which they are covered. Protective and safety force employees are considered a special category of employees deserving of a special set of benefits.
3. Maximum mobility of memberships and service credits between the five Ohio systems should be fostered and encouraged.

F. Inter-System Communication

Inter-system communications should be established and maintained to assure that identical statutory provisions, common to the affected systems, are uniformly construed. The Commission recommends to the Ohio General Assembly that no proposed increase in pension benefits be seriously considered or granted until there is established adequate financing to cover its cost.

South Carolina Retirement Systems
Response to NCSL
July 25, 2008

- Our state constitution requires our pension plans to be funded on an actuarially sound basis.
- When any piece of legislation changing the benefits in the pension plan is considered in the General Assembly, a fiscal impact is required to be conducted. In order for the legislation to be implemented, the fiscal impact of the legislation must be funded.
- In the event that the current contribution levels are not sufficient to fund the pension plan on an actuarially sound basis, the Budget and Control Board, as trustees of the pension plans, is required to increase contributions to the plan to ensure that the plans are funded on an actuarially sound basis.
- We have never suspended or postponed any contributions and without amending the constitution, it is difficult to see that it would be legal to do.

South Carolina Constitution:

SECTION 16. Regulation of benefits, funding and membership contributions of state-operated retirement systems; investment of funds.

The governing body of any retirement or pension system in this State funded in whole or in part by public funds shall not pay any increased benefits to members or beneficiaries of such system above the benefit levels in effect on January 1, 1979, unless such governing body shall first determine that funding for such increase on a sound actuarial basis has been provided or is concurrently provided.

The General Assembly shall annually appropriate funds and prescribe member contributions for any state-operated retirement system which will insure the availability of funds to meet all normal and accrued liability of the system on a sound actuarial basis as determined by the governing body of the system.

Assets and funds established, created and accruing for the purpose of paying obligations to members of the several retirement systems of the State and political subdivisions shall not be diverted or used for any other purpose.

Procedures of the (Tennessee) Council on Pensions and Insurance

Purpose and Authority

The Council on Pensions and Insurance was established in 1971 by T.C.A. Section 3-9-101, et seq. All bills impacting public pensions or group insurance programs are referred to the joint Council on Pensions and Insurance for review prior to consideration by other committees. A bill that has been referred to the Council on Pensions and Insurance may not be heard by a standing committee until after it has been acted upon by the Council.

Membership

The Council is composed of the Speaker of the Senate (or his designee); the Speaker of the House (or his designee); the Chairman, Vice Chairman, and Secretary of the Senate and House Finance, Ways and Means (FWM) Committees; three additional representatives from each FWM committee appointed by the Chairman; the Comptroller; the Commissioner of Finance and Administration; the Commissioner of Personnel; the Treasurer; and the Director of Retirement. Only legislative members vote and a quorum consists of seven voting members.

At the beginning of each biennial session, the members of the Council elect a Chairman and a Vice Chairman. The Director of the Tennessee Consolidated Retirement System serves as Secretary to the Council and the Retirement Division provides staff support to the Council.

Meetings During Legislative Session

The Council typically meets weekly during session until all bills have been heard; however, the Council may also be called into session at any time by the Chairman. Meetings are generally held at 1:30 p.m. on Monday afternoon in Committee Room 29 of the Legislative Plaza.

Staff prepares a fiscal note support form summarizing the impact and cost of each bill and forwards that information to Fiscal Review for use in preparing the fiscal note. A copy of the fiscal note support form prepared by staff is furnished to the sponsor and to members of the Council with the bill at the meeting. If the bill has a cost but does not contain a funding provision as required by T.C.A. Section 3-9-103, that is noted on the fiscal note support form.

Hearing of Bill

Sponsors are notified when their bills are placed on the agenda and given an opportunity to present information to the Council after staff's presentation of the impact and cost of the bill. If one or more of the sponsors can not be present, the sponsor may receive postponement of the bill for one or two weeks, depending on the progress of the session. If a sponsor notifies staff that a bill has been withdrawn or taken off notice, the bill will be taken off the Council's agenda. A bill will be placed on the agenda no more than three times. If neither sponsor is present by the third week or by the last meeting of the Council, the Council will automatically hear the bill without the sponsor being present.

The Council may recommend for passage or recommend against passage. The Council may also amend a bill and subsequently recommend for passage as amended, recommend against passage, or not recommend passage. If the issue being considered is complex, the Council may also agree to study the issue between legislative sessions. A recommendation requires a motion, a second, and a majority positive vote. If no motion or second is received, the bill is classified as recommended against passage.

Although no standing committee of the House or Senate may hear a bill until after it has been acted upon by the Council on Pensions and Insurance, the Council does not have the authority to formally “kill” a bill.

Committee Amendments and Reporting

Immediately following each meeting, the next committee is notified of the Council’s actions. If the Council has amended any bill, TCRS prepares the amendment and delivers it to the Chairman for filing. If the Council amends a bill, the standing committee hears the bill with the Council’s amendment(s).

The day after each meeting, all members of the General Assembly are sent an electronic copy of the Comments of the Council on Pensions and Insurance on each bill acted upon by the Council. These comments are prepared and distributed by staff.

Other Activities of the Council

In addition to hearing all bills relating to public pension systems or group insurance programs, the Council is also charged with developing pension and insurance policies, surveying pension and insurance developments, reviewing the federal social security program, reviewing the state pension and insurance provisions in force in the state, reviewing proposals, and submitting suggested legislation. These activities may be conducted at meetings during the legislative session or at special meetings held between legislative sessions.

Select Committee on Pension Policy
Goals for Washington State Public Pensions

Revised and Adopted September 27, 2005

1. Contribution Rate Setting: To establish and maintain adequate, predictable and stable contribution rates, with equal cost-sharing by employers and employees in the Plans 2, so as to assure the long-term financial soundness of the retirement systems.
2. Balanced Long-Term Management: To manage the state retirement systems in such a way as to create stability, competitiveness, and adaptability in Washington's public pension plans, with responsiveness to human resource policies for recruiting and retaining a quality public workforce.
3. Retirement Eligibility: To establish a normal retirement age for members currently in the Plans 2/3 of PERS, SERS, and TRS that balances employer and employee needs, affordability, flexibility, and the value of the retirement benefit over time.
4. Purchasing Power: To increase and maintain the purchasing power of retiree benefits in the Plans 1 of PERS and TRS, to the extent feasible, while providing long-term benefit security to retirees.
5. Consistency with the Statutory Goals within the Actuarial Funding Chapter: To be consistent with the goals outlined in the RCW 41.45.010:
 - a. to provide a dependable and systematic process for funding the benefits to members and retirees of the Washington State Retirement Systems;
 - b. to continue to fully fund the retirement system plans 2 and 3, and the Washington State Patrol Retirement System, as provided by law;
 - c. to fully amortize the total costs of PERS 1, TRS 1 and LEOFF 1, not later than June 30, 2024;
 - d. to establish predictable long-term employer contribution rates which will remain a relatively predictable portion of future state budgets; and
 - e. to fund, to the extent feasible, benefit increases over the working lives of those members so that the cost of those benefits are paid by the taxpayers who receive the benefit of those members' service.

SCPP Full Committee

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