

# State Retirement Legislation in 2010 and 2011



NCSL LEGISLATIVE SUMMIT  
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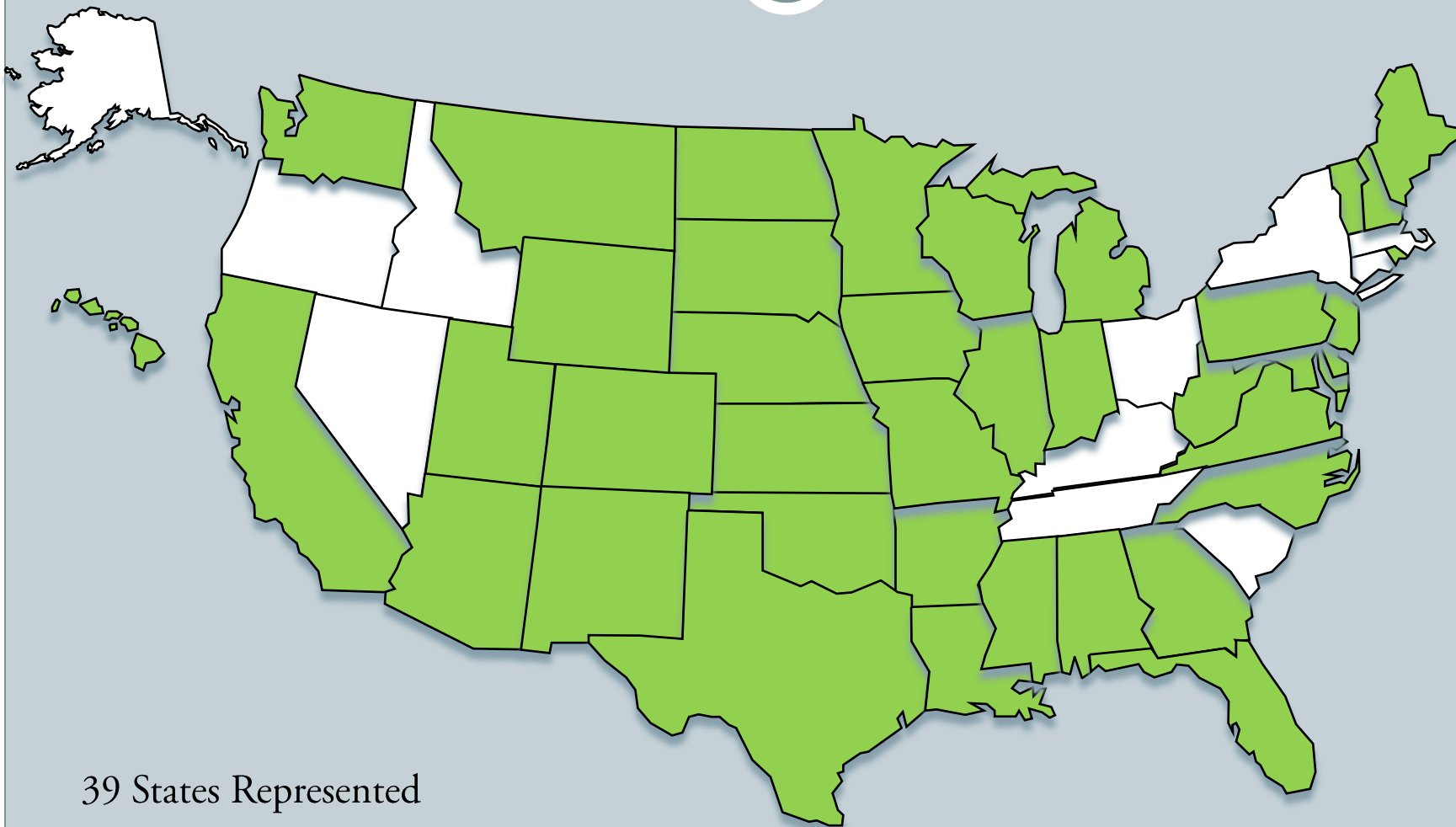
**Ron Snell**  
**National Conference of State Legislatures**

# Overview



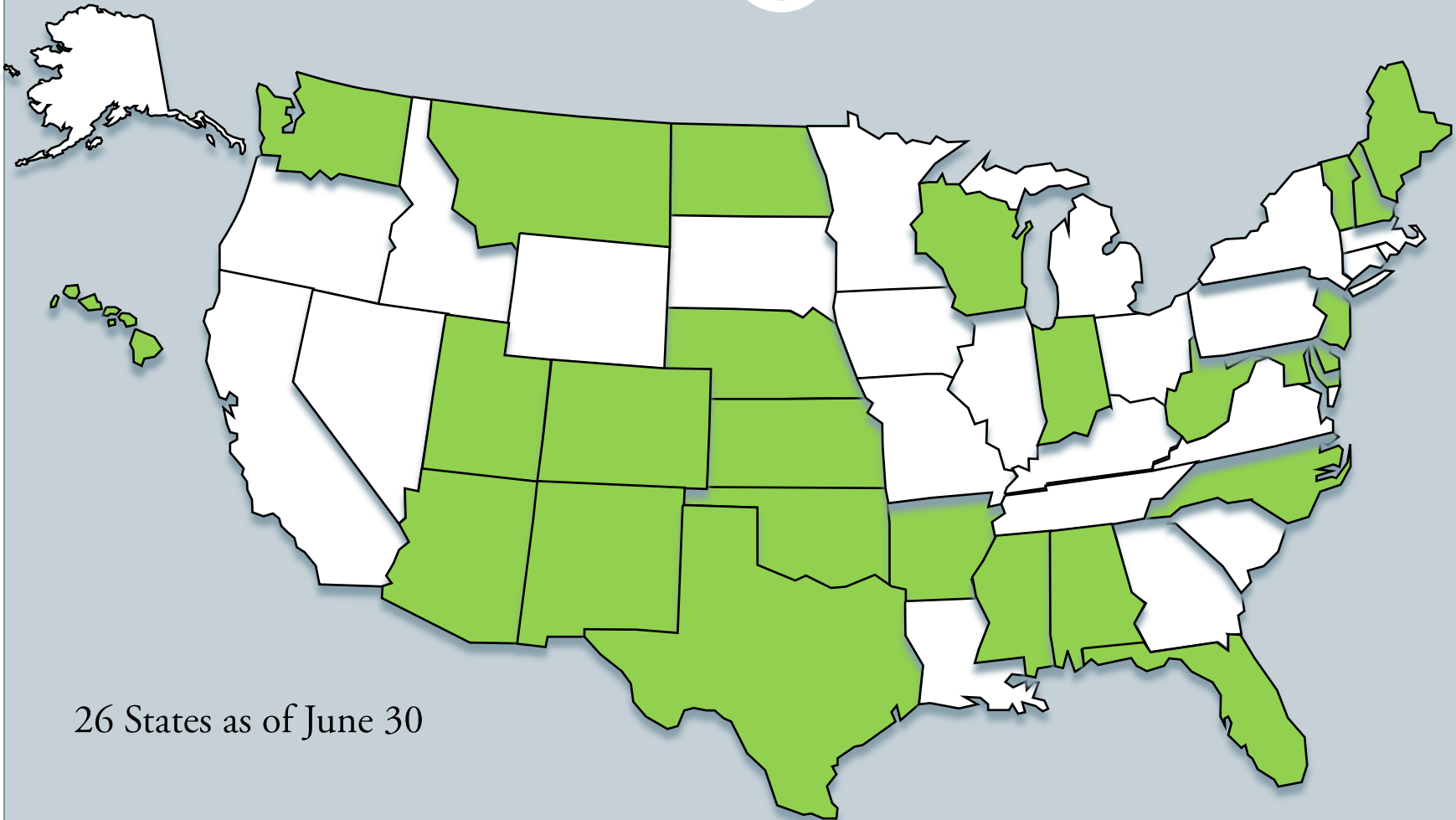
- In 2011, 26 states enacted significant changes in public pension plans by the end of June.
- In 2010, 21 states enacted changes. Some states acted in both years.
- Causes:
  - Concerns about the viability of retirement plan benefits and funding that date to the 2001 recession;
  - Severe investment losses in the 2007-2009 recession;
  - Demographic change and state fiscal conditions.
  -

# Major Pensions Legislation in 2010-2011: All Topics



39 States Represented

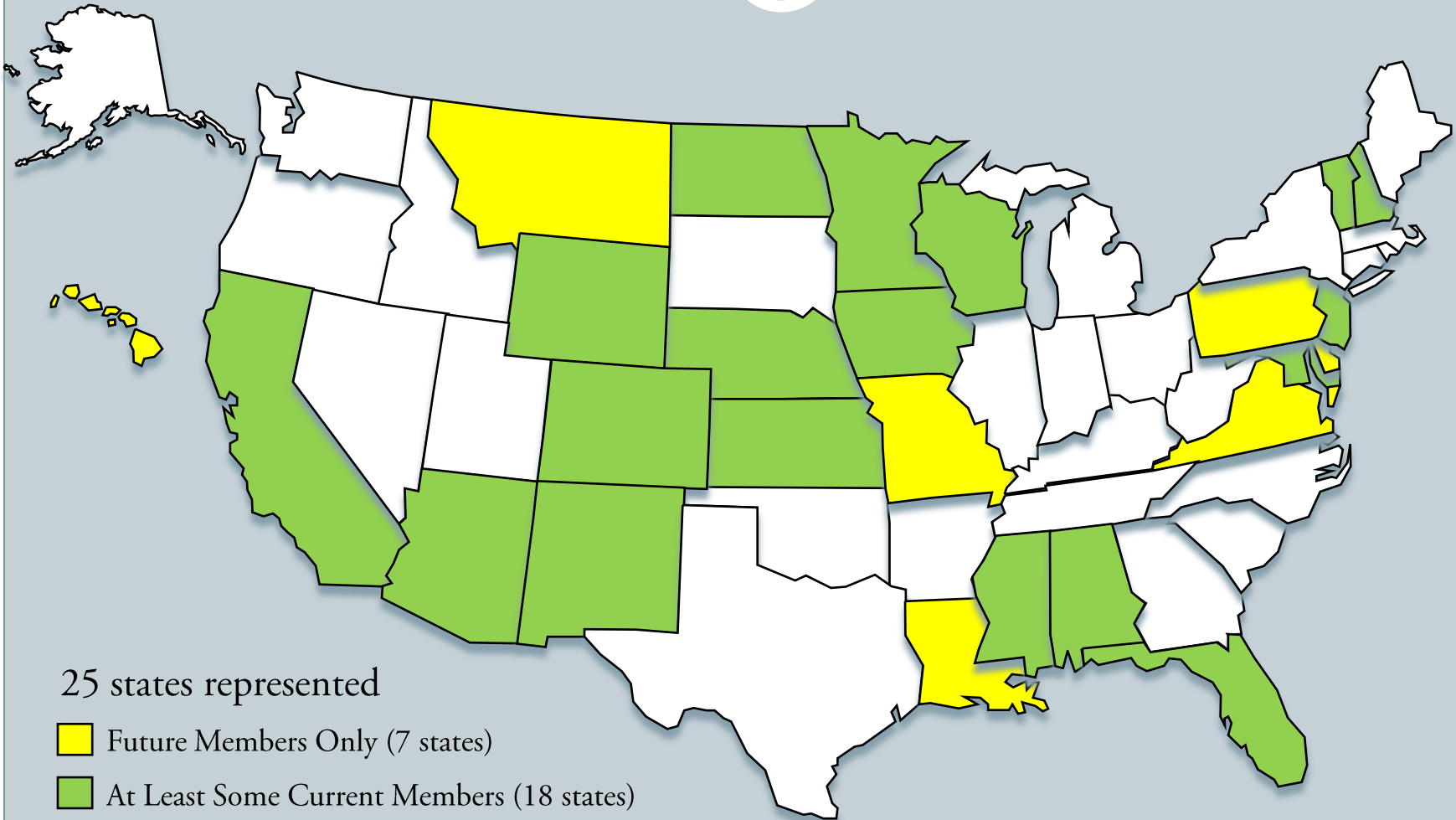
# Major Pensions Legislation in 2011: All Topics



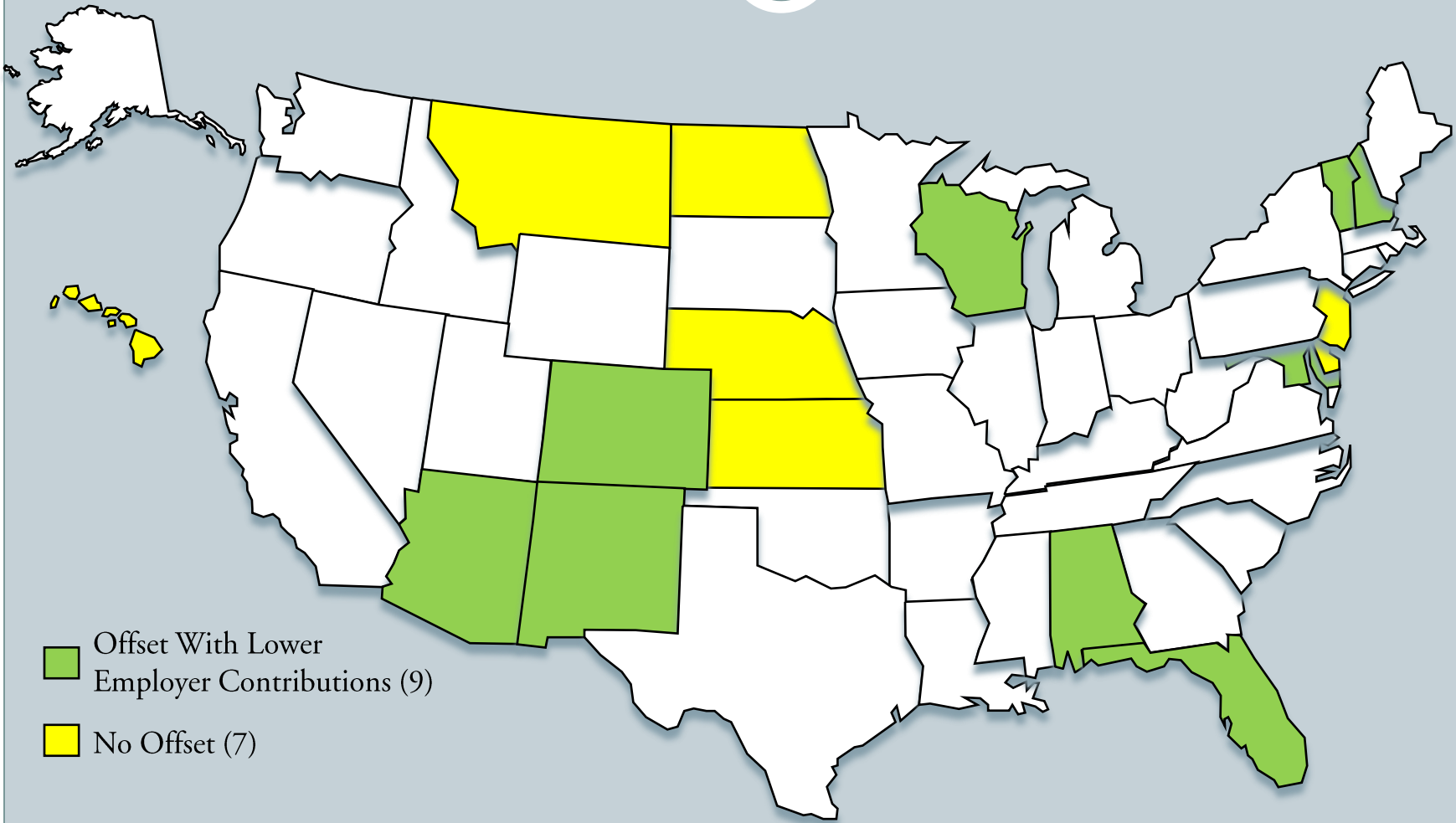
26 States as of June 30



# Increases in Employee Contributions, 2010 and 2011

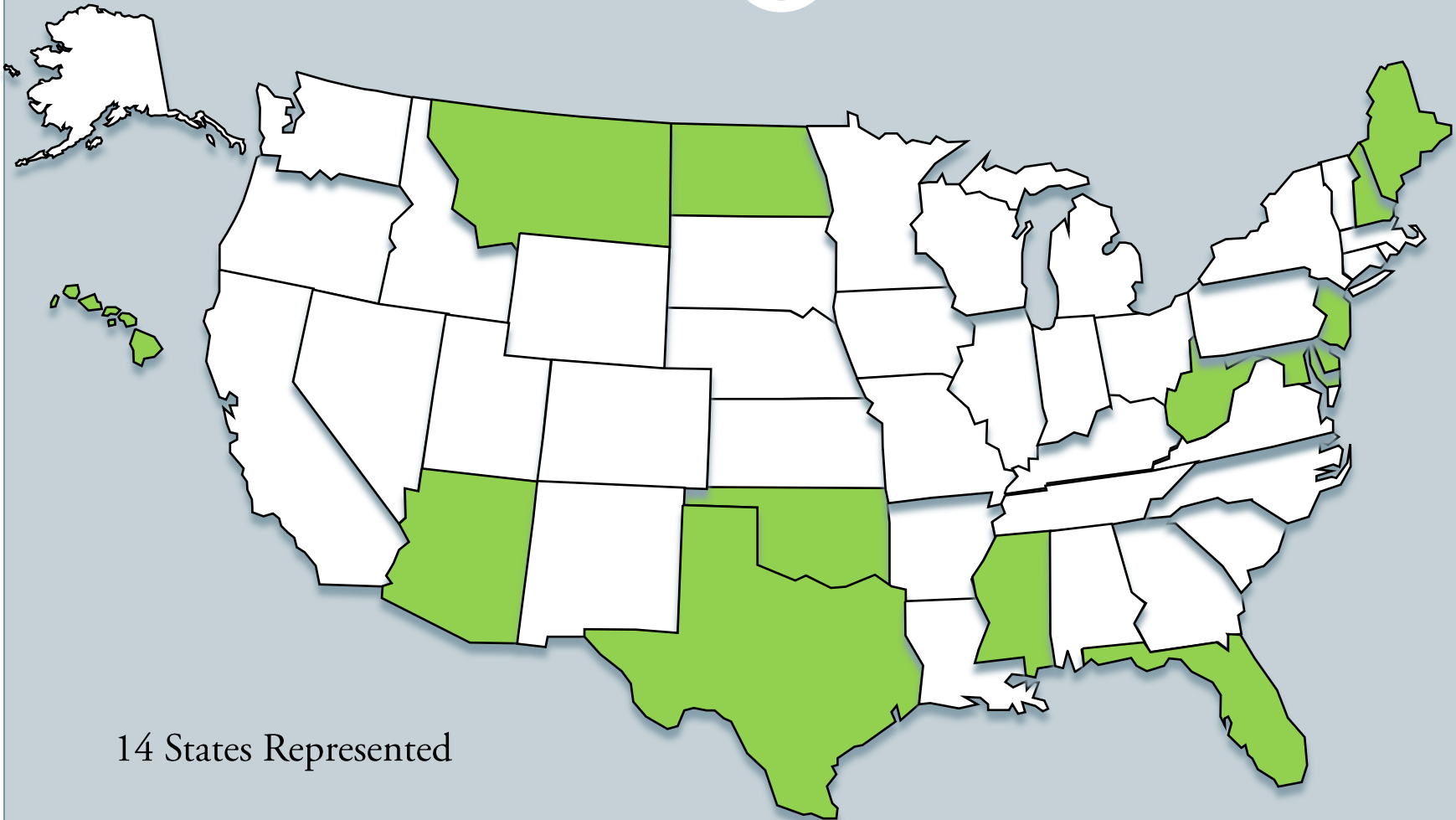


# Offsets to Increases in Employee Contributions, 2011



- Offset With Lower Employer Contributions (9)
- No Offset (7)

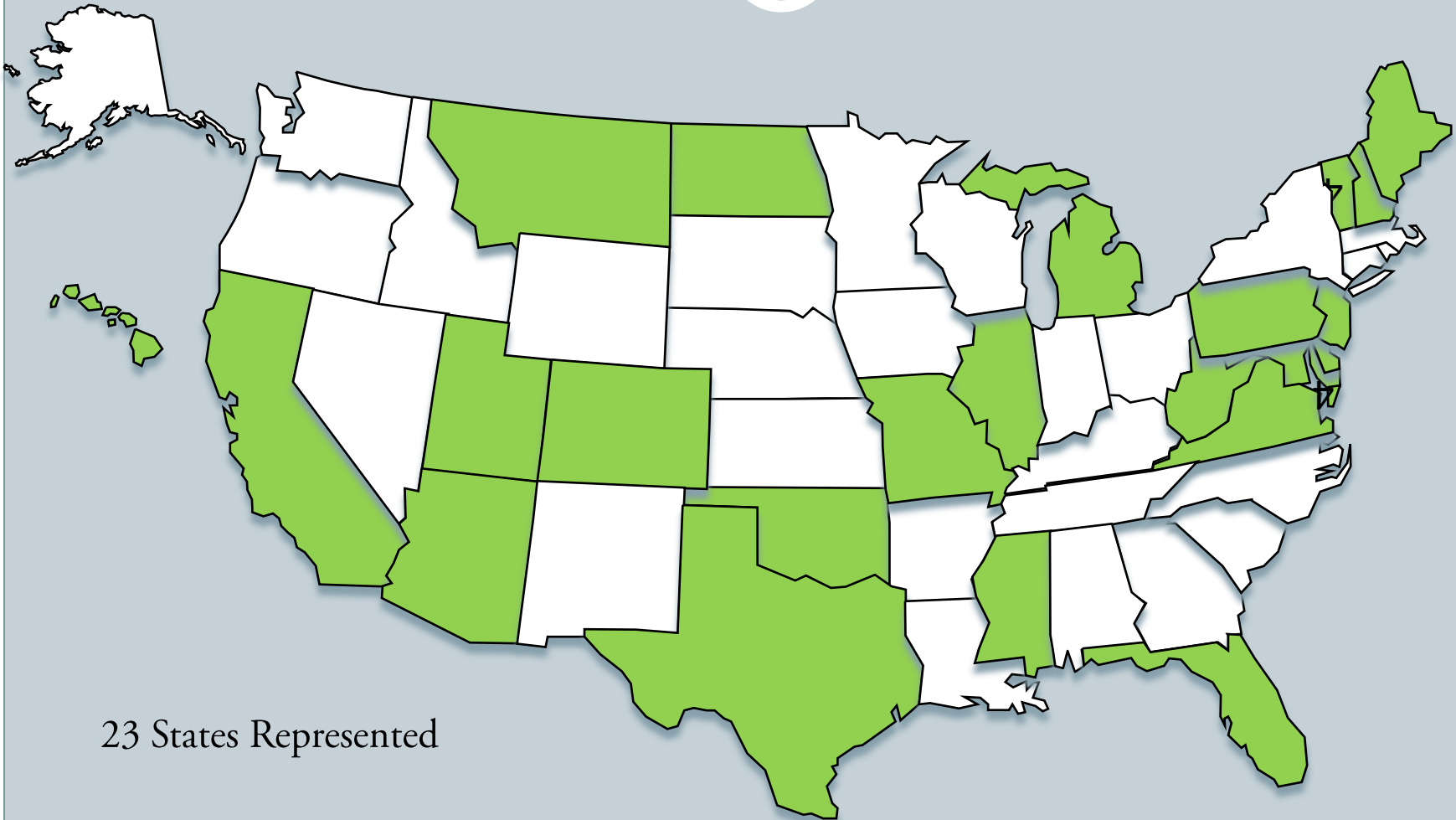
# Higher Age and Service Requirements for Normal Retirement, for New Members, 2011



14 States Represented

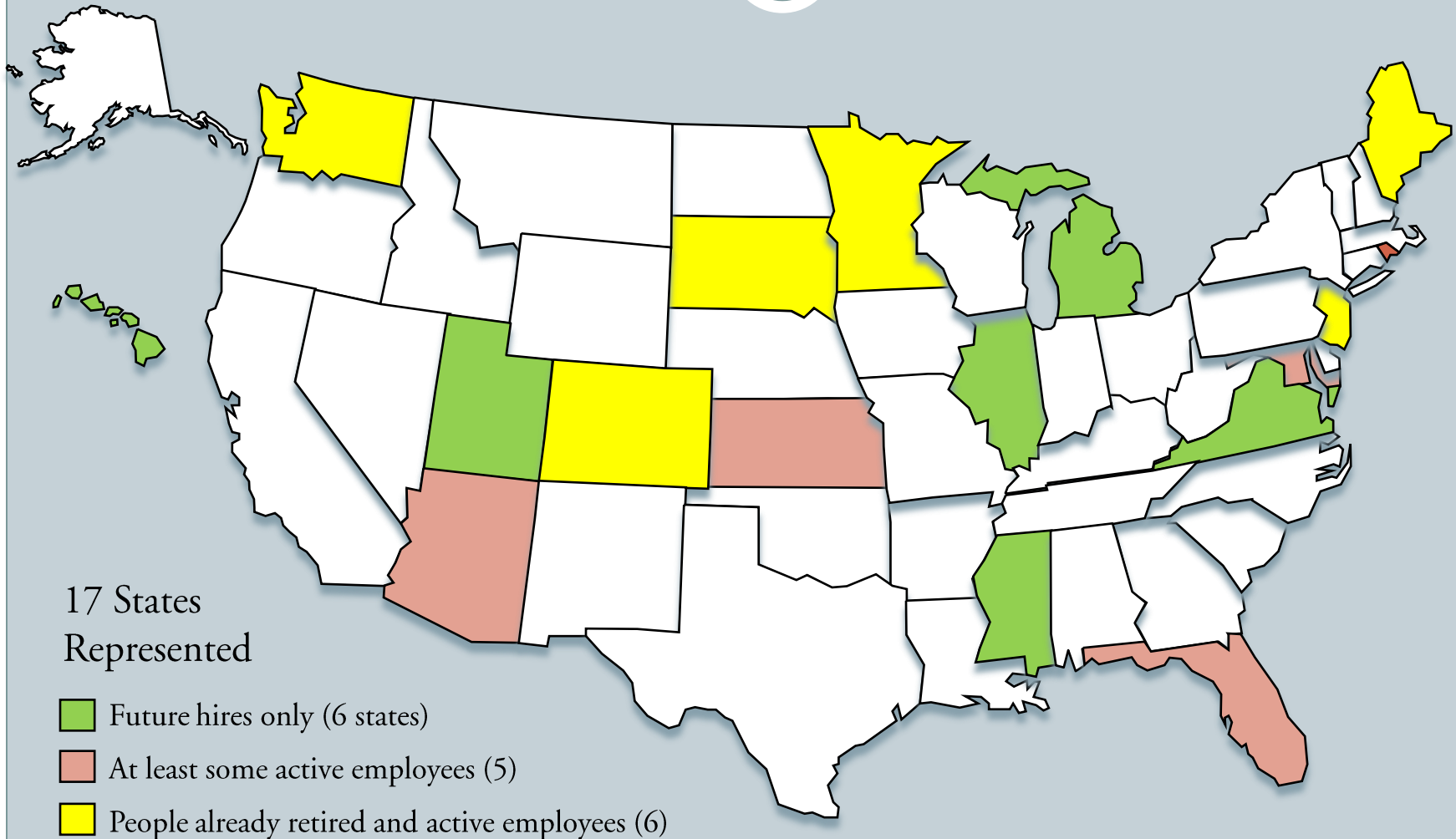


# Higher Age and Service Requirements for Normal Retirement, for New Members, 2010 and 2011



23 States Represented

# Reduced Post-Retirement Benefit Increase 2010 and 2011



# Additional State Issues in 2010 and 2011



- Longer vesting period for new members -- 12 states.
- Longer period for calculating final average compensation (meaning a lower base for a pension in most cases) --13 states.
- Reduced benefit for early retirement -- 15 states. For current employees in 4 states.
- Greater restrictions on retirees' return to covered service -- all retirees -- 12 states.

# Trends in Pensions Policy in 2010 and 2011



- With two exceptions, states have revised rather than replaced traditional defined benefit pension plans.
- In 2010, Utah closed its DB plan for all state and local employees and is offering new employees a choice of a defined contribution plan and of a combined plan that includes a DB plan and a mandatory 401(k).
- Also in 2010, Michigan replaced its School Employees DB plan with a combined plan.
- Indiana created an alternative DC plan in 2011.

# Trends in DB Plans in 2010 and 2011



- Costs have been shifted to members through higher contributions, longer service requirements, higher ages for normal retirement, and lower post-retirement benefit adjustments.
- More restrictions on retirement before normal age and on retired people returning to covered service (often called "double-dipping").

# Contribution Requirements in 2011



- Most states that increased employee contribution requirements in 2011 offset them with lower employer contributions, at least temporarily.
- This is a trend toward equalizing the employer and employee contribution rates.
- Also helps balance to highly-stressed state budgets (and local government budgets in some cases).
- An employee dollar is not worth as much as an employer dollar, and the practices does not leave pension funds harmless.

# Sources and Contact Information



- This report is based on NCSL's annual reports on state pensions and retirement legislation.
- The 2010 report, covering legislation enacted through November 15, 2010, is available on the NCSL website at <http://www.ncsl.org/default.aspx?tabid=20836>
- Several 2011 reports are available at <http://www.ncsl.org/Default.aspx?TabID=756&tabs=951,69,140#140>
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