



OLR RESEARCH REPORT

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TEACHER, ALTERNATE, AND STATE EMPLOYEE RETIREMENT PLANS

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You asked for a comparison of (1) the major components of the Teachers' Retirement System (TRS), the Alternate Retirement Plan (ARP), and Tiers II and IIA of the State Employees Retirement System (SERS); (2) benefits available under each for a person retiring at age 60 with 30 years of credited service; and (3) the annual state contributions for the TRS and ARP, excluding payments for TRS unfunded liability.

MAJOR PLAN COMPONENTS

Table 1 below shows the major parts of the three public pension plans. Tiers II and IIA of SERS are identical except that Tier IIA requires an employee contribution. Table 1 includes the requested information on state contribution rates.

Table 1: Major Components of TRS, SERS Tier II and IIA, And ARP

PLAN COMPONENT	TRS	SERS TIERS II and IIA	ARP
Members	Public school employees who (1) hold positions requiring a teaching certificate, (2) hold the appropriate certification for the position, and (3) are employed at least half-time.	<i>Tier II:</i> State employees hired between July 1, 1984 and June 30, 1997. <i>Tier IIA:</i> State employees hired after June 30, 1997.	Unclassified employees of state higher education constituent units and the Department of Higher Education.

<i>PLAN COMPONENT</i>	<i>TRS</i>	<i>SERS TIERS II and IIA</i>	<i>ARP</i>
Plan Type	Defined Benefit	Defined Benefit	Defined Contribution
Social Security Coverage	No	Yes	Yes, if hired after January 1, 1991
Vesting Period	10 years	5 years	None
Employee Contribution	7%	<u>Tier II:</u> Regular - 0 Hazardous duty - 4% <u>Tier IIA:</u> Regular - 2% Hazardous duty - 5%	5% plus additional voluntary 5% contribution
State Normal Cost Contribution (excluding unfunded liability)	3.8% of member payroll	<u>Tier II:</u> 7.21% of member payroll <u>Tier IIA:</u> 2.13% of member payroll	8% of each member's salary
Choice of Investment Options	No	No	Yes
Types of Retirement	Normal, early, and prorable	Normal, age 70, Early, and Hazardous duty	Annuity, Optional Lump sum payment of up to 10% of accumulated funds
Retirement Qualifications (Age/Years of Service)	<u>Normal:</u> 60/20; Any/35 <u>Early:</u> 55/20; Any/25 <u>Prorable:</u> 60/10	<u>Normal:</u> 60/25 vesting; 62/10 vesting; 62/5 actual Age 70: 70/5 vesting <u>Early:</u> 55/10 vesting <u>Hazardous Duty:</u> Any/20	Any/Any
Early retirement reduction	<u>30 years' service or less:</u> 12% per year based on number of years away from normal retirement. <u>More than 30 years' service:</u> 6% for each year away from normal retirement.	<u>25 or more years' service:</u> .25% for each month prior to age 60. <u>Less than 25 years' service:</u> 0.25% for each month prior to age 62.	If lump sum payment is withdrawn prior to age 59½, may be subject to 10% penalty.
Final Average Salary (FAS)	3 highest-paid years	3 highest-paid years	Not applicable
Annual COLA	Yes	Yes	No
Normal Benefit Formula	2% x FAS x Years of Service	<u>35 years or less:</u> 1.33% x FAS + .5% x FAS above annual breakpoint) x years <u>More than 35 years:</u> add 1.625% x FAS x years over 35	None

BENEFITS

Table 2 shows the hypothetical annual benefits available under the TRS and the SERS Tier II and IIA defined benefit plans for a regular employee retiring at age 60 with 30 years of service with various final salaries. The benefits shown are for the maximum benefit payout and assume the plan member takes no reduction to enable benefits to continue to a surviving spouse or beneficiary after his death.

Since the ARP is not a defined benefit plan, there is no way to determine the benefits any employee would receive under it.

Table 2: Annual Pension Benefit At Age 60 with 30 Years of Service

<i>Final Average Salary</i>	<i>TRS</i>	<i>SERS Tier II and IIA</i>	<i>ARP</i>
\$30,000	\$18,000	\$11,970	Depends on contributions and investment earnings
\$45,000	27,000	19,590	Depends on contributions and investment earnings
\$60,000	36,000	27,810	Depends on contributions and investment earnings
\$75,000	45,000	36,060	Depends on contributions and investment earnings

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