

Fact Sheet: Retirement Pension Benefits for Members of the Teachers' and State Employees' Retirement System

June, 2011

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What's the Same?

No changes related to employees' pension benefits for all public school and state employees. **(APPLIES TO ALL CURRENT AND FUTURE EMPLOYEES)**

➤ **FULL SERVICE RETIREMENT: (Unreduced Benefits)**

1. 30 years of retirement service credit at any age, or
2. At least 60 years of age with at least 25 years of retirement service credit, or
3. At least 65 years of age with at least 5 years of retirement membership* service credit.

***Membership means the employee must contribute all five years. Cannot use sick leave or purchased leave to qualify for the 5 years of retirement "membership" service.**

➤ **EARLY RETIREMENT: (Reduction Penalty Applies)**

1. At least 50 years of age with at least 20 years of retirement service credit, or
2. At least 60 years of age with at least 5 years of retirement service credit.

➤ **ALL SICK LEAVE CONVERTS FOR RETIREMENT SERVICE CREDIT** (No limit on the number of days allowed to count for retirement service credit)

➤ **"AVERAGE FINAL COMPENSATION" (AFC) STILL BASED ON HIGHEST 48 CONSECUTIVE MONTHS OF TOTAL COMPENSATION**

1. Total compensation earned during the highest consecutive months of employment is still used in calculating "Average Final Compensation" (AFC). For most employees, the highest 48 months of total compensation earned is the last 48 months employed prior to the effective retirement date.
2. Total compensation includes base state salary, state longevity, local salary supplement, any extra duty pay (department chair, mentor pay, after school tutorial, etc.), summer school earnings (only if earned during the highest consecutive months of employment), and pay for annual leave (up to 30 days of annual leave for most employees). Note: Some employees (non-certified and central office) may be paid for more than 30 annual leave days. Those employees are paid for all bonus annual leave, and that pay is counted in the retirement calculations to determine Average Final Compensation used to calculate pension benefits.

What's Different?

➤ **EFFECTIVE DECEMBER 1, 2011: NEW SECTION ON FRAUD** **(APPLIES TO ALL CURRENT AND FUTURE EMPLOYEES)**

This new section, which applies to all employees in the Teachers' and State Employees' Retirement System, Consolidated Judicial Retirement System, Local Governmental Employees' Retirement System, and Legislative Retirement System, will charge the employee with a Class 1 misdemeanor if any person knowingly cashes the retirement check of a deceased loved one.

➤ **VESTING PERIOD INCREASES FROM 5 TO 10 YEARS (APPLIES "ONLY" TO THOSE HIRED ON OR AFTER AUGUST 1, 2011)**

1. All members of the Teachers' and State Employees' Retirement System and the Consolidated Judicial Retirement System, **hired on or after August 1, 2011**, will be required to contribute 10 years of retirement contributions into their pension accounts before being eligible for any retirement pension benefits.
2. If an employee leaves the Retirement System before accumulating 10 years of retirement "membership" service, only a return of contributions paid by the employee, plus interest, will be paid (same rule applies now if not vested).

How NCAE Made This Bill Better

The following "harmful" provisions were removed from the original version of House Bill 927:

➤ **FULL SERVICE RETIREMENT: (Unreduced Benefits) (would have been the following):**

1. 30 years of retirement service credit at age 60, or
2. At least 70 years of age with at least 10 years of membership service credit.

➤ **EARLY RETIREMENT: (Reduction Penalty Applies) (would have been the following):**

1. At least 60 years of age with at least 20 years of retirement service credit, or
2. At least 65 years of age with at least 10 years of retirement membership service.

➤ **LIMITED THE AMOUNT OF SICK LEAVE CONVERTING FOR CREDITABLE RETIREMENT SERVICE**

1. For every year of retirement credit, only 12 days of sick leave would have been allowed to convert (count) for retirement service credit.
2. All sick leave earned by employees would have still accumulated and could have been used if needed for illnesses, etc. Limit would only apply to retirement service credit.
3. All excess annual leave would still have converted to sick leave on June 30.

➤ **AMENDED THE DEFINITION OF COMPENSATION EARNED ANNUALLY**

1. Compensation would not exceed \$200,000 per calendar year for public school and state employees, and service on a Board or Commission could not exceed the minimum salary paid to a teacher with 30 years of experience.
2. Would no longer include conversion of additional benefits to salary if mandated by state law, payment of tax consequences for benefits provided by the employer if they constitute an adjustment in salary and just reimbursement of expenses, or employee contributions to eligible deferred compensation plans.

➤ **AMENDED THE DEFINITION OF "AVERAGE FINAL COMPENSATION" (AFC) USED FOR CALCULATING RETIREMENT BENEFITS**

1. Annual compensation increases used to calculate the AFC could not exceed 15% of the previous year's compensation, or 40% of the compensation used in the four consecutive calendar years. Any annual raise in salary would be limited to 15 percent.
2. The 15% limit would be waived if total salary earned is \$50,000 or less per year.