

Summary of the State Administration and Veterans' Affairs Interim Committee's  
recommendations to redesign the Teachers' Retirement System  
as of September 13, 2010

*Summary*

At its August 17, 2010, meeting, the State Administration and Veterans' Affairs Interim Committee (the SAVA Committee) requested legislation to draft two alternative designs for the Teachers' Retirement System (TRS). Both alternate designs would apply only to new hires after the effective date of the legislation.

TRS Option 1 is a choice between two money purchase (or cash balance) plans.

TRS Option 2 is a modification of the current defined-benefit TRS structure. Option 2 is also known referred to as the Professional Retirement Option, or PRO.

The following are general descriptions of each plan as requested by the SAVA Committee. Details may change during the drafting and legislative processes.

*Option 1: Choice between money purchase plans*

- establish two plans between which new hires can select membership
- both would be money purchase plans (also referred to as individual account defined-benefit plans or cash balance plans). The benefit would be an annuity at retirement age based on the accrued balance of the member's account.
- a member's account would be credited with their employee contributions (currently set at 7.15% of salary) and interest credits
- at retirement the vested member's accumulated account balance would be matched up to 100% by the employer and the total would be annuitized for a retirement benefit
- the TRS Board would grant a minimum interest rate of 5% and a maximum of 9%. The goal would be to average 7% over the member's career.
- 15-year graded vesting (The member would be 25% vested after 5 years, increasing 5% each year for years 6 through 10, and increasing 10% each year for years 11 through 15 until the member is fully vested after 15 years.)
- retirement eligibility age would be 60 and vested
- the second money purchase plan would have the same provisions as the first, except that a member would pay an additional one-half percent of salary into their account. If the member remained for 30 years, the employer would match the additional employee contribution at retirement, along with interest on the additional contribution.

*Option 2: Professional Retirement Option (PRO)*

- would keep general structure of existing TRS
- new employees' contribution rate would increase by 0.54%
- increase the number of years used to calculate a member's average final

compensation from 3 to 5 years

- revise the time to vest in the employer contributions to the benefit from a 5-year cliff vesting to a 15-year graded system. (The member would be 25% vested after 5 years, increasing 5% each year for years 6 through 10, and increasing 10% each year for years 11 through 15 until the member is fully vested after 15 years.)
- the benefit multiplier would be 1.667% for retirement before 30 years of service
- a 2.0% multiplier would apply for all years of service if the member retired with 30 or more years of service
- service retirement at any age with 30 or more years of service (currently it is 25 years of service) or age 60 and vested
- early retirement age would be 55 and vested, with a full actuarial reduction taken for early retirement