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SUPPLEMENTAL REPORT OF THE COMMISSION TO STUDY THE INTEGRATION OF THE MAINE STATE RETIREMENT SYSTEM WITH SOCIAL SECURITY

JANUARY 1988

PROPOSED PENSION PLAN COORDINATED WITH SOCIAL SECURITY FOR PARTICIPATING LOCAL DISTRICTS

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INTRODUCTION

The work of the Commission to Study the Integration of the Maine State Retirement System with the United States Social Security System was continued by the First Regular Session of the 113th Legislature (Resolve 1987, chapter 53).[1] The charge given to the Commission was to "develop an actuarially-sound plan which would provide a Maine State Retirement System plan which would supplement, and not duplicate, Social Security benefits."[2]

Based on a report by the Wyatt Company to the Monk Commission which also studied the Maine State Retirement System this year, 11 states were selected which were reported to have presently, or had in the past, state retirement systems which were integrated with Social Security. The states included in the analysis are Arkansas, Connecticut, Delaware, Hawaii, Minnesota, New Hampshire, New York, Oregon, Vermont, Washington, and Wisconsin. The Commission reviewed the benefit structures of these states in order to assess how other states coordinated their state plans with Social Security. The Commission then developed recommendations for a Maine State Retirement System plan which supplements Social Security rather than duplicates its basic protections.

The following report will first review some of the major patterns in the state pension plans offered by other states. Second, it will present the basic assumptions upon which they feel a plan coordinated with Social Security should be built. Finally, it will present the commission's proposed plan.

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1. In its first report in 1986 the Commission compared the benefit structure of the Maine State Retirement System with that of the United States Social Security System. This review included a comparison with the benefits of other states which do not participate in Social Security and a selected group of states which do participate in Social Security. It also developed a computer model to describe the benefits of retirees with different career patterns.

2. The original resolve continuing the Commission's work included a request for additional actuarial and research support. The more limited resources available to the Commission did not permit completion of two additional charges specified in the resolve. These were: "a comparative analysis of how employees with a variety of state and private sector employment patterns will benefit under the integrated versus existing benefit packages" and "a projected cost of the new plan for participating district employees, teachers and state employees."

RETIREMENT PLANS

The current benefit plan of the Maine State Retirement System provides a pension to retired workers equal to 2% of their Average Final Compensation (AFC)[3] times their years of service. This benefit is currently offered to teachers and to state employees who are not on special plans. Many participating districts, however, have decided not to participate in this current plan and still offer old system plans which provide pensions based on 1.67% (1/60) or 1.43% (1/70) of AFC per year of service. Many of these participating districts also offer Social Security.

The Commission's review of other states' pension plans suggests four ways state pension plans can be coordinated with Social Security. First, the retirement age for the state plan can be set at 62 or 65 years to coincide with Social Security's retirement ages. Second, the percent used to multiply against AFC and years of service can be less than 2% to reflect the benefits to be received from Social Security. Third, the state plan can be non-contributory to reflect the contribution employees make to Social Security. Fourth, there can be an offset of some portion of the retirees Social Security benefit against the individuals state pension.

Chart 1 in Appendix provides a review of the benefit packages from the 11 states. As indicated in the chart, Maine is not the only state which has considered basic changes in their retirement benefits to address either cost or administrative problems of offering a state retirement pension in addition to Social Security. In order not to adversely affect the contract rights of existing employees, the new benefit package is usually mandated only for new employees. Present employees are retained on the old plan unless they voluntarily decide to join the new plan. In the vocabulary of retirement plans, the different plans are referred to as tiers.

In reviewing the practices in the other states it is clear that they coordinate their primary retirement age to Social Security retirement ages, either 62 or 65. However, most also allow for earlier retirement for those with longer years of service. The earlier pension is either offered as an option with a reduced pension or as a reward for longer service - eg. both tiers of the New York system. Early retirement provides a state pension and during the years prior to eligibility for Social Security. This single pension is not sufficient to replace pre-retirement income. In order to adjust for this problem without providing additional state benefits, Vermont has allowed retirees to borrow from their future state retirement benefits to make up the portion of their retirement income which will be covered by Social Security. This adjustment provides the early retiree with a steady retirement income.

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3. Average final compensation (AFC) is the average of an individual's three highest earning years.

Retirees' state retirement pension after age 62 is actuarially reduced to reflect the amount borrowed so there is no additional cost to the retirement system.

The plans generally are based on a lower percent of average final compensation (AFC) than the 2% per year of service used in the calculation for Maine's current system plan. Hawaii, in its newer plan, has the lowest percentage -- 1.25%. Most of the states range between 1.33% and 1.67%.

The percent of AFC ranges from 1.25% to 2%. The variation seems to be the result of several factors. On the one hand, the percent tends to be lower if the plan does not require any employee contribution. Hawaii's 1.25% plan does not require employee contributions. Its older plan provides a benefit based on 2% of AFC and requires an employee contribution of 7.8% of salary. In some states the percent varies depending on the length of service, either an increase at some point after vesting or a reduction after an extended period of service. New York state in its Tier 4 plan, for example, provides 1.66% of AFC under 25 years of service, 2% of AFC for they 25th to 30th year of service, and a reduced 1.5% of AFC for service over 30 years.

The contributory versus non-contributory plans have already been referred to above. In terms of the time sequence in which the plans were adopted, the contributory plans calculated on a higher percent of AFC are the older plans while the newer plans tend to be non-contributory and based on a lower percent of AFC. This change is perhaps a reflection both of the increase in Social Security contributions paid by employees in recent years and by the increase in the size of Social Security pensions resulting from the increases in the income based covered by Social Security.

The final manner in which state pensions are coordinated with Social Security is through some type of offset formula where the state pension is reduced in relation to the recipients Social Security pension. In its latest plan, New York state has gone away from the offset method used in its Tier 3 plan. The reason given was the administrative complications of determining the portion of a retiree's Social Security benefit attributable to the period of state employment. New Hampshire also has an offset mechanism which they are in the process of changing because they have been advised that it conflicts with the new federal tax laws. Connecticut, on the other hand, has developed a formula which covers a higher percent of AFC above a defined "break point" - 1.33% of AFC below the break point and 1.83% above. This differentiation is to reflect the greater percentage of income protection offered by Social Security to low incomes and the lower protection offered to high incomes. Reports from the Director of the Connecticut State Retirement System indicate that the plan will be complex to administer.

For comparative purposes, it is interesting to examine the old system plans under the Maine State Retirement System with these other states. The old system plans which have been retained by some of the participating districts which participate in Social Security were based on 1.67% or 1.43% of AFC. This is in line with many of the plans offered in the other states examined above. They are also based on a 5% employee contribution as opposed to 6.5% required of the current plan.

DISABILITY PROGRAMS

Under the current Maine Retirement System plan, disabled employees are guaranteed 2/3ds of AFC for either an occupational or non-occupational impairment. For the first five years the impairment is based on the ability to return to the individuals former employment. After five years the impairment must prevent the individuals ability to perform other types of jobs. There is also an offset for Social Security and workers compensation reducing the disability benefit so that the total benefit from all three programs does not exceed 80% of AFC. Under the "old system plans" occupationally caused disabilities guaranteed 2/3ds of an employee's AFC. Non-occupationally caused disabilities required 10 years vesting and provided a lower benefit based on 90% of the benefit calculated as if the employee retired on the date of the disability. The minimum benefit was 25% of AFC.

The other states examined here (see Chart 2 in Appendix) tend to base their disability benefit on the method of calculation of their retirement pension. They differ as to whether the benefit is calculated as if the disabled employee had worked until retirement age (eg. Connecticut) or retired on the date disabled (eg. Hawaii). Washington state computes the benefit as if the employee had retired on the date of disability but also actuarially reduces the benefit if the disabled employee is under age 65. Some states provide a minimum benefit -- eg Hawaii 15% and vermont 25%. A number also provide for limitations such that the state pension plus Social Security and workers compensation cannot exceed a certain percent of the disabled individuals AFC -- eg, Connecticut 80% of AFC. Connecticut makes a distinction in the definition of disability depending upon whether the disability has lasted 24 months or less or has lasted over 24 months. In the first case, the definition is based on the more liberal "unable to perform the duties of your job." In the latter case, it is based on a stricter definition of "unable to perform any suitable and comparable job." A number of states require vesting periods similar to the vesting period for retirement benefits -- eg, Deleware, Hawaii and New York. Some of the states made the size of the benefit or the vesting requirement dependent on whether the disability was occupational or non-occupational -- eg. the first plan under New York's Tier 3, Article 14 plan does both.

SURVIVORS' BENEFITS

Survivors' benefits in Maine are calculated differently for occupationally related and non-occupationally related deaths. If the death is a result of an "injury arising out of and in the course of employment," the surviving spouse shall receive 2/3ds of the deceased employee's AFC. If there are dependent children, the spouse and children shall receive 100% of the employees AFC. In the case of non-occupationally related deaths, the survivors' benefits are calculated as a fixed amount per month for the deceased employee's spouse and another amount for the first child and a third amount for the second and third children. The fixed amounts have been increased over the years. Some of the participating districts have not accepted the increases and offer the lower amounts. Survivors can take a lump sum payment based on the employees contributions plus interest in lieu of the monthly benefit.

The other states (see Chart 3 in Appendix) appear to use two approaches. The most common is a pension computed as if the deceased employee had retired at the time of death. This is reduced to reflect the portion a surviving spouse of a retiree would receive -- eg Vermont -- or reduced both to reflect a surviving spouse option and for the number of years before retirement age -- eg. Connecticut and Washington. Arkansas and Hawaii have minimum amounts based on percent of AFC. Hawaii, New York and New Hampshire and have higher amounts for deaths resulting from service connected injuries computed as fixed percentages of AFC.

PROPOSED COORDINATED BENEFIT PLAN

In discussions of a coordinated benefit plan, two principles emerged. The first was a desire to insure that for career employees, those with 30 years of service, the state Retirement System benefit plus Social Security would allow retirees to maintain their standard of living. The second principle which emerged was that the percent of salary needed for individuals to maintain their standard of living varied according to their income. Lower and middle income individuals needed to protect a higher percent of their income since they used almost their whole income on necessities and few luxuries. Higher income individuals, on the other hand, used some of their income on savings as well as to pay higher marginal tax rates. Material prepared by the Wyatt Company calculated the amount necessary to provide 100% replacement of usable income was 80% of current pay for a person with $10,000 income and 60% for a person with $50,000 income. The calculation would be based on reduced Social Security tax and state and federal income taxes as well as employee expenses, reduced need for personal savings and other expenditures unrelated to maintaining ones current standard of living. In addition to the need to replace a lower percent of income to maintain the same standard of living, higher income groups have been more likely to develop savings or other forms of equity which would reduce their reliance on pension benefits.

The replacement income for an individual (not including benefits for spouse or children) on Social Security follows a similar curve protecting 53% of the income of a low income worker and 22% of the income of a high income individual for those retiring at age 65. The percentages are 43% and 18% respectively for those retiring at age 62.[4]

The following recommendations should be considered as a starting point for discussion. They will need to be adjusted and refined based on detailed actuarial studies.

RETIREMENT BENEFITS

Graph 1 depicts the replacement value of Social Security benefits, the estimate of the income needed for a 100% replacement of the individual's standard of living, and the combined age-62 Social Security and Maine State Retirement pension based on 1%, 1.33% and 1.5% of AFC. The Maine State Retirement pension, when combined with Social Security, needed to guarantee 60% of the higher individual's income would have to be computed at 1.5% of AFC. One percent of AFC plus Social Security would be sufficient to protect the standard of living of a lower income individual. 1.33% of AFC would protect the income of an individual earning $25,000.

RECOMMENDATION:

> The retirement benefit should be calculated at 1.5% X AFC X Years of Service. The normal retirement age should be 65 with 5 years vesting. A member can retire at age 62 with an actuarially reduced pension for the number of years under age 65. A member with 30 years of service may retire at age 60 with no reduction in benefits. The benefit should be increased by the Consumer Price Index or 4% which ever is less. The plan would be funded by the employer with no employee contribution.

DISABILITY BENEFITS

Presently disability pensions based on a combined Maine State Retirement equals 2/3ds of the disabled individuals AFC and when combined with Social Security pensions cannot exceed 80% of AFC. Following the principle for retirement benefits the recommendation is to limit the pension to an amount needed to maintain the individual's standard of living rather than a flat percentage. The present flat percentages replace more than is necessary of a higher income individual to maintain their standard of living and less than an adequate amount for low income individuals.

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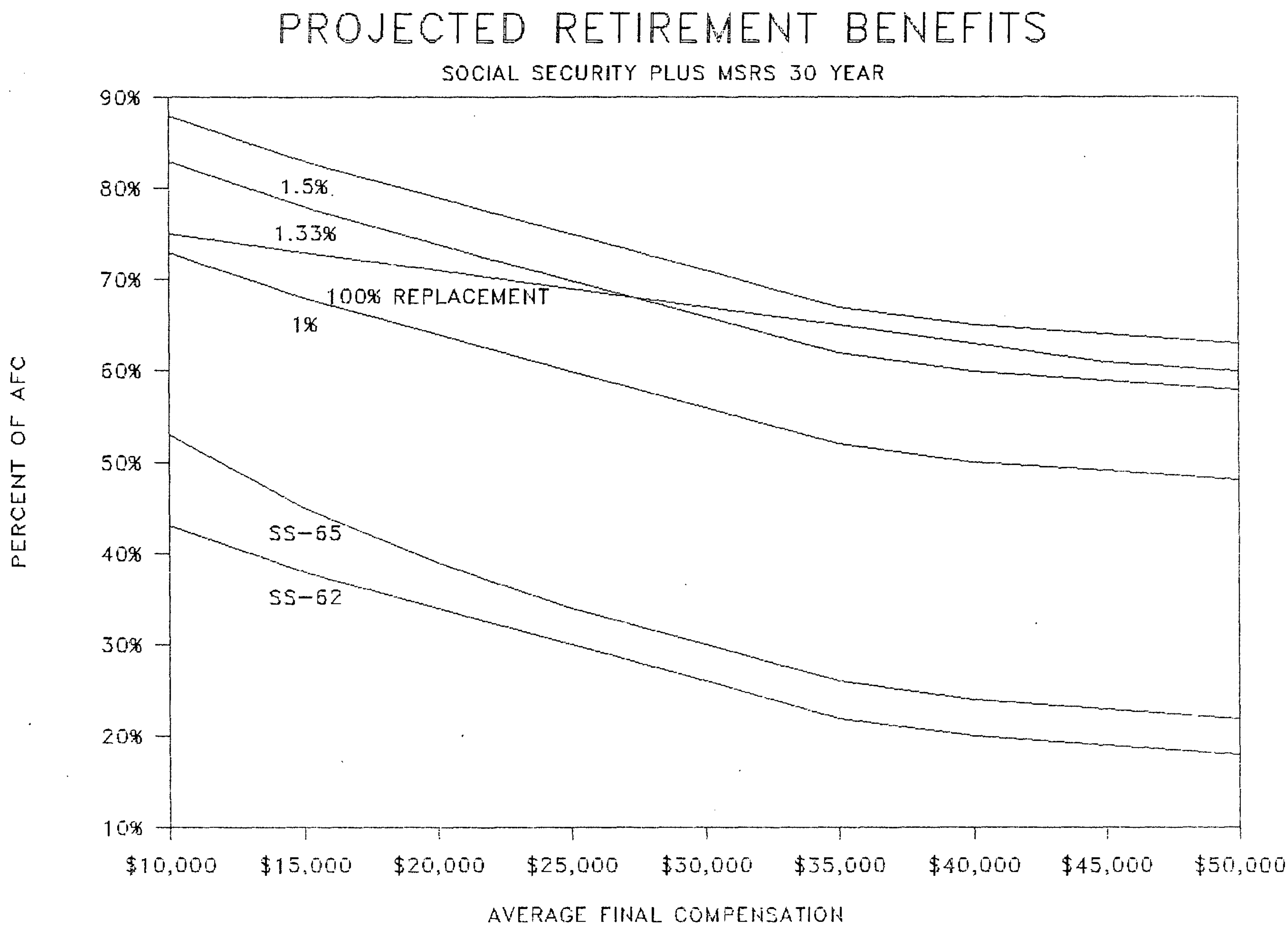
2. Report of the Commission to Study the Integration of the Maine State Retirement System with Social Security, January, 1987, p. 28.


PROJECTED RETIREMENT BENEFITS
SOCIAL SECURITY PLUS MSRS 30 YEAR
90%
80%
70%
60%
50%
40%
30%
20%
10%
PERCENT OF AFC
1.5%
1.33%
100% REPLACEMENT
1%
SS-65
SS-62
$10,000
$15,000
$20,000
$25,000
$30,000
$35,000
$40,000
$45,000
$50,000
AVERAGE FINAL COMPENSATION

Commission members also felt that the emphasis should be on rehabilitation. There is a concern that under present practice disability benefits are used, by both employers and employees, as a mechanism for early retirement.

The members of the Commission also wanted to maintain the current definition of disability as the disabled individual's inability to perform his or her current job for a two year period or during a rehabilitation or job training program approved by the State Retirement System. After two years, the more restrictive definition of any suitable work was thought to be appropriate. If the individual returned to work but at a lower salary, the benefit would continue. However, after the first $7000 of earnings or amount needed to replace 100% of gross earnings which ever is higher; there would be a dollar for dollar reduction in benefit for every dollar earned. The $7000 and prior earnings caps should be adjusted for inflation. The actual cap, offset, and inflation adjustment should be coordinated with similar provision of the Social Security system. This should be done for both administrative purposes as well as to insure that a disabled individual's earnings are not deducted twice.

Under the present system, disabled individuals are allowed to earn $10,000 in addition to there disability pension before there is any reduction in pension benefits. After $10,000, there is a dollar for dollar reduction. This provides no incentive for the disabled individual to earn income beyond $10,000 and no benefit to the system.

RECOMMENDATION:

The retirement system would determine the average net earnings needed to maintain an individual's standard of living in difference income ranges. The disability benefit should equal the amount needed to replace 100% of the individual's net replacement income. If the individual is eligible for Social Security, the amount paid by Social Security shall be used to offset the Maine State Retirement pension. Earned income above $7000 or up to 100% of gross prior earnings which ever is greater shall be offset against the combined Social Security and Maine State Retirement benefits dollar for dollar. The definition of disability would be based on inability to perform their current job for the first two years and any suitable work for disabilities lasting over two years. The benefit, prior earnings and $7000 cap should be adjusted annually for inflation by the Consumer Price Index or 4% which ever is less.

SURVIVORS' BENEFITS

The Commission members decided to leave the survivors' benefits either as they are in the present law or a benefit computed as if the deceased individual had retired on the date of death. In the latter case, the pension would be actuarially reduced by the normal amount to provide a spousal retirement benefit and to adjust for retirement before age 60.

APPENDIX

Abbreviations:
- SS = Social Security
- AFC = Average Final Compensation
- PIA = Primary Insurance Amount

CHART 1: STATE RETIREMENT PENSIONS OFFERED BY SELECTED STATES WHICH PARTICIPATE IN THE UNITED STATES SOCIAL SECURITY SYSTEM

<u>MAINE</u>

Retirement

New Law: 2% X AFC X years of service

Old Law:

1.67% or 1.43% X AFC X years of service

ARKANSAS: (State, Contributory plan):

Employee contribution:

6%

Retirement Formula:

1.8% X AFC X years of service

Retirement Age:

1) 65 with 10 years of service,
2) 60 with 20 years of service, or
3) any age with 30 years of service.

ARKANSAS (State, Non-contributory plan):

Employee Contribution:

None.

Retirement Formula:

(1.8% X AFC - SS offset) X years of service

SS offset = PIA X 1.25%

The computation of the PIA is based on years in state service.

Retirement Age:

1) 65 years with 10 years of service.
2) 60 with 20 years of service.
3) any age with 30 years of service.

ARKANSAS (New consolidated local district plan):

Employee contribution:

None if covered by SS, 6% if not covered by SS.

Retirement Formula:

Not covered by SS:

2% X AFC X years of service

Covered by SS:

Before age 62:

2% X AFC X years of service.

After age 62:

1% X AFC X years of service + SS.

Retirement Age:

1) 55 years with more than 20 years of service.
2) 60 years with less than 20 years of service

CONNECTICUT

Connecticut changed its plan in 1984 and now operates a two tier system. Tier I for those employed prior to change and Tier II for those employed after July 1, 1984.

Tier I:

Rate of employer contribution:
- 2% on salary up to SS maximum,
- 5% on salary above SS maximum

Retirement Formula:
- Before age 65:
  - 2% X years of service X AFC
- After age 65:
  - 1% X years of service X $4800
    Plus
  - 2% X years of service X (AFC - $4800)
    Plus
  - SS

Retirement Age:
- 65 years with 10 years of service
- 55 years with 25 years of service

Tier II:

Employee Contribution:
- None

Retirement Pension:
- (1 1/3% x AFC + 1/2% x (AFC - break point) years of service

Retirement Age:
- 65 years with 10 years of service.
- Early retirement with reduced pensions.

DELAWARE:

Employee Contribution:
- 3% of income above $6000 plus an additional 2% of income above SS maximum.

Retirement Formula:
- 1.66% X AFC X years of service
- With 30 years of service: state pension plus age 62 SS may not exceed 75% of AFC.
- With less than 30 years of service: state pension may not exceed (75% of AFC) - age 62 SS) X years of service divided by 30.

Retirement Age:
1) 65 years with 5 years of service
2) 60 years with 15 years of service,
3) 30 years of service

HAWAII (Contributory):

Employee Contribution:
7.8% (plus 1.6% for supplemental benefits).

Retirement Formula:
2% X AFC X years of service.

Retirement Age:
62 with 10 years of service.

HAWAII (Non-contributory plan from 1985)

Employee Contribution:
None

Retirement Formula:
1.25% X AFC X years of service.

Retirement Age: 7
1) 62 years with 10 years of service.
2) 55 with 30 years of service.

MINNESOTA:

Employee contribution:
3.73%

Retirement Formula:
1% X AFC X first 10 years of service +
1.5% X AFC X years of service over 10.

Retirement Age:
62 years with 30 years of service.

NEW HAMPSHIRE:

Employee Contribution:
4.6% up to SS wage base,
9.2% above SS wage base.

Retirement Formula:
Before age 65:
1.66% X AFC + years service
After age 65:
Pension is reduced by the sum of 1/120 X each year's SS wage base (if the SS wage base in a year was larger than the retiree's AFC, the reduction for that year would be 1/120 X AFC.)

Retirement Age:
Age 60

Note: NH is presently revising offset. At present the offset could be as high as 50% of retirees state pension. This conflicts with limits imposed by the new federal tax law.

NEW YORK:

New York has changed its plan several times and now operates with 4 tiers based on date of employment.

Tier 3: Those who joined state service offer July 26, 1976.

Employee contribution:
3% salary

Retirement Formula:
20 to 30 years of service: 2% X AFC X years of service
under 20 years of service: 1.66% X AFC X years of service
At age 62 benefit reduced by 50% of SS

Retirement Age:
62 years with reduction for early retirement

Tier 4: Those who joined state service after September 1, 1983.

Employee contribution:
3% of salary

Retirement Formula:
25 to 30 years service:
2% X AFC X years service
(years of services over 30 years calculated at 1.5%)
Under 25 years of service:
1.66% X AFC - years service
(No SS offset)

Retirement Age:
62 years

OREGON

Retirement: For career employees (25 to 30 years), retirement benefit plus SS should provide between 75% to 85% of pre-retirement gross earnings

Employee contributions:
6%
Retirement formula:
1.67% X AFC X years of service
Retirement age:
1) 60 years
2) 55 years with 30 years service
Cost of Living:
2% per year maximum

VERMONT:

Employee contribution:
None

Retirement Formula:
1.25% X AFC + years of service

Retirement age:
62 years.
Reduced pension if retire before age 62. If retire before age 62, retiree can borrow from later years to increase pension until age 62 such that the state pension before age 62 equals the state pension plus SS after age 62. This is an actuarial distribution of benefits and does not affect the cost to the system.

WASHINGTON (Those employed after October 1, 1977)
Retirement:
Employee contribution:
50% of cost of system. Presently 7.83%6%
Retirement Formula:
2% X AFC X years of service
Retirement Age:
65 years with 5 years of service
55 years with 20 years of service but actuarially reduced for years under age 65

WISCONSIN (1982 plan):
Employee contribution:
6% of which the state picks up 5%. Most other municipal and teacher entities participating in the plan also pick up 5 percentage points of the employee share.

Retirement Formula:
1.6% X AFC X years of service up to a maximum of 65% of AFC.
(Police and Fire not covered by SS have a pension based on 2% or 2.5% of AFC respectively.)

Retirement Age:
1) 65 years
2) 62 with 30 years of service.
3) Early retirement is possible with an actuarial reduction.

From 1954 to 1965 Wisconsin had a defined contribution plan where by the money employees and employers paid into the fund was used to compute an annuity at the time of retirement.

From 1965 to 1982 there were two formulas. The first had a 4.5% employee contribution on salary up to the SS base and 7% on income above SS base. The pension was 6/7 of 1% of salary up to SS base and 9/7 of 1% of AFC over SS base. The second formula was based on 1.3% of AFC with a cap.

The cap was computed at 85% of AFC for the combined State and SS pensions.

Both of these plans were considered to be administratively cumbersome.

CHART 2: STATE DISABILITY BENEFITS OFFERED BY SELECTED STATES WHICH PARTICIPATE IN THE UNITED STATES SOCIAL SECURITY SYSTEM

<u>MAINE</u>

1.67% or 1.43% X AFC X years of service

Disability

New Law: 2/3 x AFC

Old Law:

Occupational: 2/3 X AFC

Non-Occupational: 90% of benefits as if retired on day of disability. 10 years vesting.

ARKANSAS (State Contributory Plan)

Disability:

Definition: "eligible for Federal SS Disability Benefits.

Eligibility 10 years

Amount: Same as regular retirement.

ARKANSAS (new consolidated local district plan)

Disabled

Eligible: 5 years if not job related

Amount: 2% X AFC X years of service (If job related, as if worked until age 55)

Reduction: System Benefit + SS + WC + Wages cannot exceed 90% of AFC. AFC is adjusted for CPI for computations in future years.

CONNECTICUT

Tier I

Disability

Definition:

Up to 24 months or job related disability: "unable to perform the duties of your job."

After 24 months for non-job related disability: "Unable to work at any suitable and comparable job."

Eligibility: 5 years of service

Amount:

Job related: Greater of

3% X AFC X years of service OR

1.67% X AFC X years of service as if worked until age 65

Non-job related: Lesser of

3% X AFC X years of service OR

1.67% X AFC X years of service as if worked until age 65

Reduction: Tier I benefit + SS + WC cannot exceed 80% of AFC. Tier I benefit + SS + WC + earnings cannot exceed 100% of AFC.

Tier II
Disability
Definition:
Up to 24 months: "unable to perform the duties of your job."
After 24 months: "Unable to work at any suitable and comparable job."
Eligibility: 5 years of service
Amount:
1.33% X (AFC - breakpoint) X years of service OR
1.33% X (AFC - breakpoint) X years of service as if worked until age 65 (maximum 30 years)
Reduction: Tier I benefit + SS + WC cannot exceed 80% of AFC. Tier I benefit + SS + WC + earnings cannot exceed 100% of AFC.

DELAWARE
Disability
Definition: "prevents you from performing the duties of your position"
Eligibility: 5 years
Amount: 1.67% X AFC X years of service
Reduction: State pension + SS may not exceed 75% of AFC at time of retirement. SS COLAs not included.

HAWAII
Disability
Definition: "incapacitated for the further performance of duty."
Eligibility: 10 years if not service connected
Amount:
Non-service connected: 1.25% X AFC X years of service (no reduction if under age 62)
Service Connected: 1.25% X AFC years of service but not less than 15% (equivalent to 12 years of service).

MINNESOTA
Disability:
Definition: "unable to do any substantial work."
Eligible: 5 years
Amount: 1% X AFC X first 10 years of service + 1.5% X AFC X years of service over 10. (NO reduction for age under 65)
Reduction: Workers compensation reduced by amount of state disability pension. Earnings plus pension may not exceed salary at date of disability.

NEW HAMPSHIRE

Disability: Non-job related

Definition: likely to be permanent and prevent you from working

Eligible: 10 years

Amount 90% of 1.67% X AFC X years of service but not less than 25% of AFC

Reduction: If your receive unreduced disability SS benefits, your benefit will be reduced to the age-65 benefit.

Disability: Job related

Definition: "Permanently and totally disabled.

Eligible: No restriction

Amount: 50% of AFC. Converted to retirement pension at age 65.

Reduction: If you receive unreduced disability SS benefits, your NHRS allowance will be reduced to the age-65 amount. SS and NHRS pension cannot be less than 50% of AFC. Same applies to workers compensation.

NEW YORK

Tier 3

Disability option under article 14

Definition: "unable to perform your duties" and have been awarded SS.

Eligibility: 5 years

Amount: Not service related: Greater of

33.33% of AFC OR

2% X AFC X years of service (max 30)

Reductions: Minus 50% of SS

Amount: Accidental: 2% X AFC X years of service as if employee had worked until age 65 (max 30)

Reductions: Minus 50% of SS and 100% of WC

Disability under Article 15

Definition: "unable to perform your duties."

Eligibility: 10 years of service if non-job related

Amount:

1.67% X AFC X years of service OR

1.67% X AFC X years of service as if worked until age 60

Reduction: Max 33.33% of AFC if computed as if worked until age 60

Tier 4

Disability: Same as article 15 above.

Survivors: Same as article 15 above.

OREGON

Disability

Definition: "unable to perform any work for which you are qualified."

Eligibility: 10 years or job related

Amount: 1.67% X AFC X years of service as if worked until age 60 but not less than $100

Reduction: May not work for employer covered by state pension system. None for SS

VERMONT

Disability

Definition: "disabled on the basis of medical evidence"

Eligibility: 10 years if non-job related

Amount: 1.25% X AFC X years of service but not less than 25% of AFC

WASHINGTON (Those employed after October 1, 1977)

Disability:

Definition: "totally incapacitated for continued employment by an employer"

Eligibility: no vesting requirement

Amount: 2% X AFC X years of service.

Reduction: Actuarially reduced for years under age 65.

WISCONSIN

Disability: non-job related

Definition: "unable to engage in any substantial gainful employment"

Eligibility: 5 years

Amount: 1.65% X AFC X years of service as if worked until age 65

Reduction: For earned income

Disability: Job related

Amount 80% AFC

Reduction: For earned income

CHART 3: STATE SURVIVORS' BENEFITS OFFERED BY SELECTED STATES WHICH PARTICIPATE IN THE UNITED STATES SOCIAL SECURITY SYSTEM

MAINE

Survivors

	Spouse plus	1 child	2 child.	3 or more children
Prior to 1965	$900/yr	$900/yr	$1200/yr	$1800/yr
1965 to 1982	1200/yr	1200/yr	1800/yr	2400/yr
1982 to 1987	1800/yr	1800/yr	2700/yr	3600/yr

ARKANSAS (State Contributory Plan)

Survivors

Eligibility: 5 years

Amount: 58% of straight life annuity (amount depends upon age of worker and spouse but not less than 10% of AFC. Children receive 10% of salary each up to max of 25%

ARKANSAS (new consolidated local district plan)

Survivors:

Eligibility: 5 years to service related

Amount: Spouse: 50% X Reduced (85%) 2% X AFC X years of service as if worked until age 55 (minimum of 20% AFC).

Children: with spouse: 10% AFC, max 40% (4 children)

No spouse: 20%, max 50% (2 1/2 children)

CONNECTICUT

Tier I: Survivors: 50% of the payment deceased would have received under the husband and wife option averaged with the payment the deceased would have received under a straight life annuity form computation made as if the deceased had retired on the date of death. There is a reduction for early retirement if died before age 55.

Tier II

Survivors: 50% of the payment deceased would have received under the husband and wife option averaged with the payment the deceased would have received under a straight life annuity form computation made as if the deceased had retired on the date of death. There is a reduction for early retirement if died before age 55.

DELAWARE

Survivors

Eligibility: 5 years

Amount: 50% of service pension deceased would have been eligible to receive at age 62. If spouse is under age 50, the pension is actuarially reduced if the spouse is not caring for children under age 18.

HAWAII

Survivors

Not service connected:

Eligibility: 10 years

Amount: 50% of service pension + 10% of service pension for each child up to 2. If not spouse, 20% of service pension for each child (max 2).

Service connected

Amount: Same as above but not less than 15% of AFC for spouse, 3% of AFC for each child (max 2), 6% for each child (max 2) if no spouse.

MINNESOTA

Survivors:

Eligible: 30 years of service or 50 years of age with 5 years of service

Amount: Employees contributions with 5% compound interest OR 110% joint and survivor lifetime annuity

Earliest payment: Date the employee would have reached 55.

NEW HAMPSHIRE

Survivors: Ordinary

Eligible: Less than age 50, less than 10 years and under 60, between 50 and 60 with 10 years of service, or 60 years of age.

Amount:

Under age 50 or less than 10 years: lump sum equal to years salary

10 years between age 50 and 60 or over age 60: 50% of 1.67% X AFC X years of service

Survivors: Accidental

Eligible: First day

Amount: 25% X AFC up to $6,600 + 50% X AFC above $6,600

NEW YORK

Tier 3

Survivors: Article 14

Non-job related: Lump sum payment depending on years of service and age at death.

Job related: 50% of AFC

Survivors: Article 15

Amount: Non-job related: Lump sum based on salary

Job related: 50% of last years wages

Tier 4

Disability: Same as article 15 above.

Survivors: Same as article 15 above.

OREGON

Survivors

Amount: Lump sum equal to employee contributions plus interest.

VERMONT

Survivors:

Eligibility: 20 years of service or 10 years of service and age 55 or job related death

Amount: 100% joint survivors option of 1.25% X AFC X years of service

WISCONSIN

Survivors

Amount: Employee contributions if before age 60, employee and employer contributions if after age 60.

WASHINGTON (Those employed after October 1, 1977)

Survivors

Eligibility: 10 years

Amount: 2% X AFC X years of service

Reduction: Actuarially reduced to reflect number of years deceased was under retirement age and for retirement option allowing spouse to receive same retirement benefit as employee