



Frequently Asked Questions  
on  
Spaulding Commission's  
Recommendations

# FAQ

**1. What are the recommendations impacting state employees?**

- Raise the retirement age from 62 to 65 **OR** meet “Rule of 90”
- Raise the early retirement age from 55 to 58, still requiring at least 5 years of service
- Shift the yearly retirement contribution to a “shared contribution” system
- Implement a tiered healthcare system, linking the amount the state will pay towards an employee’s healthcare premium on retirement to the number of years served by the employee. Here’s how it will look: State pays 40% when the employee retires after serving 10 years, 60%-20 years, 80%-30 years.
- Provide ability to ‘recapture’ health benefit with 20 years of service after the employee has left working for the state.
- **State Group F Only**
  - i. Use the highest 5 years consecutive years of compensation (instead of 3 years) to calculate your average final compensation (AFC) for retirement benefits, thereby lowering the amount of money you will receive in your retirement check. (NOTE: Excludes members who are within 5 years of retirement eligibility.)
  - ii. Increase the maximum retirement benefit from 50% to 60% for people who work over 30 years. The employee will gain 1.67% per year worked more than 30 years with a cap of 60%.
- **State Group C Only**
  - i. Use the highest 3 consecutive years of compensation (instead of 2 years) to calculate your average final compensation (AFC) for retirement benefits, thereby lowering the amount of money you will receive in your retirement check. (NOTE: Excludes members who are within 5 years of retirement eligibility.)
  - ii. Raise the early retirement age to 52 from 50 (NOTE: Excludes members who are within 5 years of retirement eligibility.)

**2. When will these recommendations go into effect?**

The recommendations are not laws; they are simply ideas for the Legislature to consider in making changes to the state’s retirement systems for state employees and teachers. Additionally, the Legislature is not restricted to solely the Spaulding Commission’s recommendations. It could take other actions to change the state’s retirement systems.

**3. If the Legislature wants to enact the Spaulding Commission's recommendations, when would go into effect?**

Any legislative actions taken during the 2010 legislative session could go into effect July 1, 2010.

**4. Will the recommendations on normal retirement eligibility impact ALL employees?**

No. These recommendations, if implemented, will not apply to employees who are within 5 years of the current normal retirement eligibility.

**For example:** If you have worked 25 or more years with the state OR are 57 or more years of age, you are within 5 years of meeting the current normal retirement eligibility, if this recommendation is passed into law by the Legislature.

If you have more than 5 years until you meet the current normal retirement eligibility, you WILL BE impacted by these recommendations.

**5. Do I have to be both 65 and meet the "Rule of 90" (your age + years of service) in order to qualify for normal retirement?**

No. You can retire at 65 OR when you meet the "Rule of 90." However, you MUST meet the "Rule of 90" in order to receive your FULL retirement benefits. If you are 65 yrs old, but your age plus your years of service do not total to meet "Rule of 90," you will not receive full benefits, but you will receive benefits determined by your years of service and salary.

**Example A:**

An employee has served for 32 years and is 58yrs old. This equals "Rule of 90" ( $32+58=90$ ), so the employee can retire and they will receive **FULL** benefits.

**Example B:**

An employee has served for 20 years and is 65yrs old. This person may retire; however, they do not meet the "Rule of 90" ( $20+65 \neq 90$ ), so they will **NOT** receive their full benefits.

**6. Will the recommendation on early retirement that raises the retirement age from 55 to 58 impact ALL employees?**

No. Employees within 5 years of meeting the current early retirement eligibility are not affected by this recommendation.

**For example:** Those employees age 50 or over who will have 5 or more years of service at age 55 (current early retirement eligibility age) are exempt from the early retirement recommendation.

Those under 50 would be affected by this change. Their early retirement age would move from 55 to 58, still requiring at least 5 years of service.

**7. If I'm within 5 years of meeting the current early retirement eligibility, will I be protected from all the other recommendations as well?**

It's unclear. The Spaulding Commission's report provides conflicting information, and the Commission members did not discuss this issue. To err on the side of caution, the interpretation of the Commission's report should be that if you are within 5 years of meeting the current early retirement eligibility, you are ONLY protected from the recommendation that raises the age of early retirement. However, you would be subject to all of the other proposed changes if these recommendations are implemented.

**8. Can I buy air time to meet the current normal or early retirement eligibility in order to gain protection for the recommendations?**

No. You cannot purchase air time to "buy" your way into the protection period the Commission provided.

**Example A:**

If you are 48 and you have 5 years of service, you cannot purchase 2 years of air time to meet the protection period for early retirement.

**Example B:**

If you are currently 55, you cannot purchase 2 years of air time to meet the protection period for normal retirement.

**9. What is a "shared contribution" system?**

A "shared contribution" system is when the employee and employer pay towards the retirement system by each paying a certain percent of the overall cost. This means that if the cost increases, then the amount that you pay increases and if the cost decreases, then amount that you pay decreases.

Unfortunately, because what you pay is factored as a percentage (as opposed to a flat dollar amount) the actual amount that is taken from your paycheck will vary from year-to-year, making it impossible for you to rely on a steady income. Also, more likely than not, costs will go up and therefore you will end up paying more over the years.

The reason that the amount you will pay changes from year-to-year is because the state's actuary (the person who does financial estimates) can only estimate the overall costs annually. Then you will pay a set percentage and the state will pay a set percentage.

The recommendations include moving to a yearly "shared contribution" split of **either** 50/50 (The employee will pay 50% and the state will pay 50%) or 60/40 (The state will pay for 60% and you will pay 40%). **IMPORTANT:** The recommendations advise to do either one of the splits (50/50 or 60/40), but they do not recommend a specific one, so we do not know which of the two choices are likely to be implemented.

## “Shared Contribution” Chart

	Current % Contribution	50/50 sharing of total increase	60/40 sharing in total increase
Salary	5.10%	6.88%	5.51%
\$30,000	\$1,530	\$2,064	\$1,653
\$35,000	\$1,785	\$2,408	\$1,929
\$40,000	\$2,040	\$2,752	\$2,204
\$45,000	\$2,295	\$3,096	\$2,480
\$50,000	\$2,550	\$3,440	\$2,755
\$55,000	\$2,805	\$3,784	\$3,031
\$60,000	\$3,060	\$4,128	\$3,306
\$65,000	\$3,315	\$4,472	\$3,582
\$70,000	\$3,570	\$4,816	\$3,857

**10. Will ALL state employees have to increase their contribution level to retirement, or just new hires and those who are not vested?**

ALL state employees will have to pay more towards retirement if the actuarial cost increases, resulting in less take home pay.

**11. What does the term “recapture” mean?**

If an employee decides to leave state government after 20 years of service, but before he/she is eligible for retirement, that person can regain (recapture) their health insurance when they become eligible.

**12. What does “Average Final Compensation” mean?**

The “average final compensation” is the way that the state calculates how much money you will receive for your retirement. It’s a complicated formula but what is most important for you to know is that the Spaulding Commission is recommending the change to the calculation that will LOWER your retirement amount.

For **State Group F** it recommends using the highest 5 years consecutive years of compensation (instead of 3 years) thereby lowering the amount of money you will receive in your retirement check.

For **State Group C** it recommends using the highest 3 consecutive years of compensation (instead of 2 years) thereby lowering the amount of money you will receive in your retirement check.

**\*\*NOTE:** For both groups, members who are within 5 years of retirement eligibility are excluded from these recommendations.

## Examples of Average Final Compensation Calculations

### Group F

**Ex. 1**

16.3 years of service

3 years of AFC = \$77,432; annual maximum benefit = \$21,137

5 years of AFC = \$74,129; annual maximum benefit = \$20,236

Difference \$901

**RESULT:** The recommended change lowers compensation by \$901 annually.

**Ex. 2**

40.2 years of service

3 years of AFC = \$43,255; annual maximum benefit = \$21,628

5 years of AFC = \$41,183; annual maximum benefit = \$20,592

Difference \$1,036

**RESULT:** The recommended change lowers compensation by \$1,036 annually.

### Group C

**Ex.**

26.3 years of service

2 years of AFC = \$124,928; annual maximum benefit = \$62,464

3 years of AFC = \$117,306; annual maximum benefit = \$58,653

Difference \$3,811

**RESULT:** The recommended change lowers compensation by \$3,811 annually.



If you have more questions, please contact Robyn Maguire at

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