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Preliminary Report on a Proposed
Early Retirement Incentive Program

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STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM

Preliminary Report on a Proposed
Early Retirement Incentive Program

I. INTRODUCTION

In response to the request of the Connecticut State Teachers' Retirement
Board, we have prepared this preliminary report on a proposed Early
Retirement Incentive Program (ERIP) for public school teachers in the State
of Connecticut. Such a program, if adopted by the State Legislature in the
form of enabling legislation, would assist participating employers (i.e.,
towns and school districts) in encouraging their older, longer-service
employees (i.e., teachers and other active members of the State Teachers'
Retirement System) to retire earlier than they would in the absence of the
program's economic incentives.

Because the major beneficiary of the program will tend to be the par-
ticipating employers, the cost of the program described in this report will
be borne solely by the employers. Since it can be argued that teachers who
elect to retire under the ERIP will share certain benefits of the program
with their employers, we have included a brief discussion of a cost sharing
feature.

It should be noted that a number of employers have adopted and funded similar
incentive programs in order to reduce local education budgets. The current
proposal would provide a uniform set of incentives and procedures available
to all towns and qualifying teachers in the State of Connecticut. Many of
the elements of the enclosed proposal are based on a similar program which
was established by the State of Ohio in 1983.

II. WHAT IS AN ERIP?

In general, an Early Retirement Incentive Program (ERIP) is a means by which an employer offers, for a limited period of time, financial incentives to a well-defined segment of its eligible employees to encourage them to retire earlier than they ordinarily would. Because an employee has a reasonable but limited period of time (often called a "window") to accept the employer's special offer, such programs are frequently referred to as early retirement windows.

Among the objectives which might motivate an employer to adopt such an incentive program are:

1.   Reduction in payroll (including the cost of benefit programs) by replacing older, more highly-paid employees with younger, lower-paid employees.

2.   Staff replacement: The retirement of longer-service employees creates vacancies to be filled by those who have been hired more recently.

3.   Reduction in staff, often the result of the need for fewer employees.

III. CONSIDERATIONS

In reviewing any program of this type, the Legislature will need to consider several issues, including:

A.   Philosophy and Educational Policy - Questions to be considered during the Legislature's discussion of the proposal include:

- Is an ERIP compatible with the State's educational policy and objectives?

- What will be the short- and long-term impact of an ERIP on the supply of public school teachers in Connecticut?

- What will be the effect on the overall quality of public education in the State?

However, these issues are outside the scope of this report.

B.   Program Design - Many options are available in designing an ERIP for Connecticut teachers. This report focuses on a program in which adopting employers can purchase up to five additional years of benefit service for qualifying teachers from the State Teachers' Retirement System. The additional benefit service will result in a higher pension for a teacher who elects to participate. We will discuss requirements for employers (towns and school districts) and for employees (teachers), including certain advisable limitations. We will also provide illustrations of the proposed incentives.

C.   Financing - Based on the current provisions of the State Teachers' Retirement System, we have prepared three sets of tables which could be used in determining the employers' cost of adopting an ERIP which grants up to 1, 3, or 5 years of additional benefit service to qualifying teachers.

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D. <u>Administration</u> - Until all of the details of the program have been worked out, it will be impossible to determine what materials (e.g., training materials, announcement booklets and application forms) and staff will be needed to initiate and to operate the ERIP. Although the objective is to establish a program which will not involve additional cost to the State, the increased administrative responsibilities, especially in the program's first year or two, will require additions to the State Teachers' Retirement Staff.

IV. THE PROPOSED ERIP

This program will allow adopting employers to purchase up to 5 additional years of benefit service to encourage qualifying teachers to retire.

A.   Employer Requirements - From the employers' vantage point, the ERIP would operate as follows:

1. An employer may adopt a 1-, 2-, 3-, 4-, or 5-year incentive plan to purchase up to 1, 2, 3, 4, or 5 years of additional benefit service for qualifying teachers to encourage them to retire.

2. For a given employer, the amount of benefit service must be offered uniformly to all qualifying teachers.

3. The number of years of benefit service purchased for an individual teacher under the ERIP cannot exceed 1/5 of the teacher's benefit service prior to such purchase.

4. The period during which qualifying teachers may elect to participate (i.e., retire with the additional benefit service) must be at least 3 months but not more than 12 months in length.

5. The employer may limit the number of teachers who can exercise the option to retire, but the limit cannot be less than 5% of its employees who are members of the Connecticut State Teachers' Retirement System.

B. <u>Teacher Eligibility Requirements</u> - To be eligible to participate in the employer's ERIP plan, a teacher must meet the criteria set forth below:

1. A teacher must satisfy at least one of the following age and service conditions:

   - Age at least 55 and Connecticut teaching service of at least 10 years, or

   - Years of age plus years of Connecticut teaching service must total at least 80.

   <u>Note</u>: These eligibility conditions must be satisfied without regard to ERIP service.

2. The teacher must be employed and must be a currently contributing Member of the State Teachers' Retirement System.

3. The teacher must be eligible for a service retirement (normal, early, proratable) after the purchase of ERIP service. Thus, a teacher who would not be eligible to elect a service retirement without the ERIP service might become eligible for a service retirement solely as a result of participating in the ERIP.

4. Prior to having additional benefit service purchased by the employer under the ERIP, a qualifying teacher must:

   - Purchase any additional non-Connecticut or non-teaching service for which the teacher is eligible, <u>or</u>

   - Make an irrevocable decision not to purchase such service.

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<u>Issue not addressed</u>: At present, the maximum benefit service that can be earned under the State Teachers' Retirement System is 37-1/2 years. Should this limit be imposed on an ERIP? For example, if additional ERIP service were to result in benefit service in excess of 37-1/2, should the excess be included or should it be ignored? If it were ignored, a teacher with at least 37-1/2 years of pre-ERIP service would receive <u>no</u> incentive to retire, thereby possibly thwarting the objective of the program.

V. FINANCING

Employers will be charged the actuarially determined cost of the additional retirement benefits provided by the ERIP service. An employer can elect to pay the cost of its ERIP to the State Teachers' Retirement System in one of two ways:

a.   A lump sum payment of the entire amount, or

b.   A series of monthly payments with the number of years in the payment period equal to the number of years of additional service as provided by the ERIP.

To illustrate this feature of the proposed program, we have included tables of factors to be used for a 1-, 3-, and 5-year incentive plan. For the purpose of initial discussions, the factors are to be used to determine the cost of a teacher's ERIP as a lump sum payment by the employer to the System. Factors are to be applied to the teacher's average annual salary; that is, the same earnings amount that is used to compute the teacher's retirement benefit without the ERIP.

Following are two examples of how an ERIP would work. In the first example, the teacher is already eligible to elect normal retirement. The 3-year ERIP will increase her monthly benefit from $1,333.33 to $1,533.33, for which the employer will pay $26,400 in a lump sum to the System. Alternatively, the employer could make monthly payments of $818.62 for the next 3 years.

In the second example, not only is the teacher's retirement benefit increased by the 5-year ERIP but she becomes eligible for an unreduced normal retirement benefit of $2,333.33 per month payable immediately. Without the ERIP, she could retire early with a monthly benefit of $1,400.00.

Example One

Consider Teacher A who is 60 years old and has taught for 20 years in Town X. Town X has adopted a 3-year ERIP. Teacher A satisfies the age 55 and 10 year Connecticut service requirements necessary to participate in the ERIP.

Currently, Teacher A is eligible for a normal retirement benefit under the provisions of the Connecticut State Teachers' Retirement System by having satisfied the age 60 and 20 year service requirements. Under the 3-year ERIP, Teacher A is eligible to obtain an additional 3 years of service: minimum of 3 or 1/5 of 20.

Data:

        Age 60
        Service before ERIP: 20 years
        Service after ERIP: 23 years

        Three highest paid years of salary: $ 42,000
                                                $ 40,000
                                                $ 38,000
        Average Annual Salary:
        ($42,000 + $40,000 + $38,000)/3   = $ 40,000

Monthly Retirement Benefit before ERIP:

        Normal Retirement Benefit Formula:
        (.02 x $40,000 Average Annual Salary
        x 20 years of service)/12   = $ 1,333.33

Monthly Retirement Benefit after ERIP:

        Normal Retirement Benefit Formula:
        (.02 x $40,000 Average Annual Salary
        x 23 years of service)/12   = $ 1,533.33

To determine the employer's cost of this 3-year ERIP, multiply the average annual salary above ($40,000) by the applicable percent in Table B. Age (60) and actual service before the ERIP (20) are used in obtaining the

percent from Table B (66%). Cost: $40,000 x 66% = $26,400.

		Average Annual Salary	Monthly Benefit
Before ERIP:	Age 60, Service 20	$ 40,000	$ 1,333.33
After ERIP:	Age 60, Service 23	$ 40,000	$ 1,533.33

Employer's Cost of ERIP: $26,400 in a lump sum payment to the Connecticut State Teachers' Retirement System.

Example Two

Consider Teacher B who is 55 years old and has taught for 30 years in Town Y. Town Y has adopted a 5-year ERIP. Teacher B satisfies the age 55 and 10 year Connecticut service requirements necessary to participate in the ERIP.

Currently, Teacher B is eligible for an early retirement benefit under the provisions of the Connecticut State Teachers' Retirement System by having satisfied the age 55 and 20 year service requirements or the 25 year service requirement. Under the 5-year ERIP, Teacher B is eligible to obtain an additional 5 years of service: minimum of 5 or 1/5 of 30.

With the additional 5 years of service, Teacher B would become immediately eligible for normal retirement by virtue of having 35 years of service.

Data:

Age 55

Service before ERIP: 30 years
Service after ERIP: 35 years

Three highest paid years of salary: $ 42,000
                                             $ 40,000
                                             $ 38,000

Average Annual Salary:
($42,000 + $40,000 + $38,000)/3   = $ 40,000

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Monthly Retirement Benefit before ERIP:

        Early Retirement Benefit Formula:
        (.02 x $40,000 Average Annual Salary x
        30 years of service x .70 early
        retirement factor)/12 = $ 1,400.00

Monthly Retirement Benefit after ERIP:

        Normal Retirement Benefit Formula:
        (.02 x $40,000 Average Annual Salary x
        35 years of service)/12   = $ 2,333.33

To determine the employer's cost of this 5-year ERIP, multiply the average annual salary above ($40,000) by the applicable percent in Table C. Age (55) and actual service before the ERIP (30) are used in obtaining the percent from Table C (336%). Cost: $40,000 x 336% = $134,400.

		Average Annual Salary	Monthly Benefit
Before ERIP:	Age 55, Service 30	$ 40,000	$ 1,400.00
After ERIP:	Age 55, Service 35	$ 40,000	$ 2,333.33

Employer's cost of ERIP: $134,400 in a lump sum payment to the Connecticut State Teachers' Retirement System.

Cost Sharing

As noted in the Introduction, the cost of an ERIP can be shared by the teachers who will benefit from participation. In the event that cost-sharing is adopted in the final legislation, we recommend that a fixed percent (such as 25% or 50%) be established on a statewide basis to determine a teacher's share of the cost of his or her incentive. Furthermore, the cost-sharing feature should apply uniformly to all employers. In addition, the teacher's share of the cost should be paid as a lump sum prior to retirement, even if the employer elects monthly payments.

VI. CONCLUSION

This preliminary report was not intended to be a complete administrative manual on early retirement incentive programs. However, we hope that it has provided an introduction to the design and financing of one such program that could be adopted by the Legislature for the teachers of Connecticut. We will be happy to discuss this report and other details of the program at your convenience.

Table A

STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM
ONE-YEAR INCENTIVE PLAN

Actual Service

Actual Ages	10	11	12	13	14	15	16	17	18	19	20	21	22
50 =													
51 =													
52 =													
53 =													
54 =													
55 =										65%	17%	17%	17%
56 =										65%	18%	18%	18%
57 =										60%	19%	19%	19%
58 =										52%	20%	20%	20%
59 =										39%	21%	21%	21%
60 =	23%	25%	28%	30%	32%	34%	37%	39%	41%	43%	22%	22%	22%
61 =	23%	25%	27%	29%	31%	34%	36%	38%	40%	42%	22%	22%	22%
62 =	22%	24%	27%	29%	31%	33%	35%	37%	39%	42%	21%	21%	21%
63 =	22%	24%	26%	28%	30%	32%	34%	37%	39%	41%	21%	21%	21%
64 =	21%	24%	26%	28%	30%	32%	34%	36%	38%	40%	20%	20%	20%
65 =	21%	23%	25%	27%	29%	31%	33%	35%	37%	39%	20%	20%	20%
66 =	21%	22%	24%	26%	28%	30%	32%	34%	36%	38%	20%	20%	20%
67 =	20%	22%	24%	26%	28%	30%	32%	33%	35%	37%	19%	19%	19%
68 =	20%	21%	23%	25%	27%	29%	31%	33%	35%	36%	19%	19%	19%
69 =	19%	21%	23%	25%	26%	28%	30%	32%	34%	35%	18%	18%	18%
70 =	19%	20%	22%	24%	26%	28%	29%	31%	33%	35%	18%	18%	18%

STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM
ONE-YEAR INCENTIVE PLAN

Actual Ages	Actual Service												
	23	24	25	26	27	28	29	30	31	32	33	34	35
50 =								66%					
51 =							47%	65%	68%				
52 =						45%	47%	64%	67%	70%			
53 =					15%	44%	46%	63%	66%	69%	72%		
54 =				16%	16%	16%	45%	62%	65%	68%	71%	74%	
55 =	17%	17%	17%	17%	17%	17%	17%	62%	64%	67%	70%	73%	24%
56 =	18%	18%	18%	18%	18%	18%	18%	18%	63%	66%	69%	72%	24%
57 =	19%	19%	19%	19%	19%	19%	19%	19%	19%	65%	68%	71%	23%
58 =	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	67%	70%	23%
59 =	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	68%	23%
60 =	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
61 =	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
62 =	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
63 =	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
64 =	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
65 =	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
66 =	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
67 =	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
68 =	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%	19%
69 =	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%
70 =	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%

Table B

STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM
THREE-YEAR INCENTIVE PLAN

Actual Ages	Actual Service 10	11	12	13	14	15	16	17	18	19	20	21	22
50 =													
51 =													
52 =													
53 =													
54 =													
55 =								94%	97%	99%	50%	50%	50%
56 =								96%	98%	101%	54%	54%	54%
57 =								94%	96%	98%	57%	57%	57%
58 =								108%	90%	92%	61%	61%	61%
59 =								121%	103%	82%	64%	64%	64%
60 =	49%	53%	58%	62%	66%	110%	116%	123%	106%	87%	66%	66%	66%
61 =	48%	52%	56%	61%	65%	108%	114%	121%	104%	86%	65%	65%	65%
62 =	47%	51%	55%	60%	64%	105%	112%	118%	102%	84%	64%	64%	64%
63 =	46%	50%	54%	58%	63%	103%	110%	116%	100%	82%	63%	63%	63%
64 =	45%	49%	53%	57%	61%	101%	107%	113%	98%	81%	61%	61%	61%
65 =	44%	48%	52%	56%	60%	99%	105%	111%	96%	79%	60%	60%	60%
66 =	43%	47%	51%	55%	59%	97%	103%	109%	94%	77%	59%	59%	59%
67 =	42%	46%	50%	53%	57%	95%	100%	106%	92%	75%	57%	57%	57%
68 =	41%	45%	49%	52%	56%	92%	98%	104%	90%	74%	56%	56%	56%
69 =	40%	44%	47%	51%	55%	90%	96%	101%	87%	72%	55%	55%	55%
70 =	39%	43%	46%	50%	53%	88%	93%	98%	85%	70%	53%	53%	53%

Table B

STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM
THREE-YEAR INCENTIVE PLAN

Actual Ages	Actual Service												
	23	24	25	26	27	28	29	30	31	32	33	34	35
50 =								206%					
51 =							180%	204%	213%				
52 =						155%	178%	201%	210%	219%			
53 =					105%	153%	175%	199%	208%	216%	172%		
54 =				40%	65%	124%	173%	196%	205%	214%	170%	123%	
55 =	50%	50%	50%	50%	50%	95%	143%	193%	202%	210%	167%	121%	60%
56 =	54%	54%	54%	54%	54%	54%	99%	148%	199%	207%	165%	119%	59%
57 =	57%	57%	57%	57%	57%	57%	57%	103%	152%	204%	162%	117%	58%
58 =	61%	61%	61%	61%	61%	61%	61%	61%	107%	157%	160%	116%	57%
59 =	64%	64%	64%	64%	64%	64%	64%	64%	64%	111%	112%	114%	56%
60 =	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	66%	55%
61 =	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	54%
62 =	64%	64%	64%	64%	64%	64%	64%	64%	64%	64%	64%	64%	53%
63 =	63%	63%	63%	63%	63%	63%	63%	63%	63%	63%	63%	63%	52%
64 =	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	61%	51%
65 =	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	50%
66 =	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	59%	49%
67 =	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	57%	48%
68 =	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	56%	47%
69 =	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	55%	46%
70 =	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	44%

STATE OF CONNECTICUT

STATE TEACHERS' RETIREMENT SYSTEM

FIVE-YEAR INCENTIVE PLAN

Table C

Actual Ages	Actual Service												
	10	11	12	13	14	15	16	17	18	19	20	21	22
50 =													
51 =													
52 =													
53 =													
54 =													
55 =								94%	97%	99%	67%	67%	67%
56 =								96%	98%	101%	72%	72%	72%
57 =								94%	96%	98%	76%	76%	76%
58 =								108%	90%	92%	81%	81%	81%
59 =								121%	103%	82%	85%	85%	85%
60 =	49%	53%	58%	62%	66%	110%	116%	123%	106%	87%	89%	89%	89%
61 =	48%	52%	56%	61%	65%	108%	114%	121%	104%	86%	87%	87%	87%
62 =	47%	51%	55%	60%	64%	105%	112%	118%	102%	84%	85%	85%	85%
63 =	46%	50%	54%	58%	63%	103%	110%	116%	100%	82%	83%	83%	83%
64 =	45%	49%	53%	57%	61%	101%	107%	113%	98%	81%	82%	82%	82%
65 =	44%	48%	52%	56%	60%	99%	105%	111%	96%	79%	80%	80%	80%
66 =	43%	47%	51%	55%	59%	97%	103%	109%	94%	77%	78%	78%	78%
67 =	42%	46%	50%	53%	57%	95%	100%	106%	92%	75%	76%	76%	76%
68 =	41%	45%	49%	52%	56%	92%	98%	104%	90%	74%	75%	75%	75%
69 =	40%	44%	47%	51%	55%	90%	96%	101%	87%	72%	73%	73%	73%
70 =	39%	43%	46%	50%	53%	88%	93%	98%	85%	70%	71%	71%	71%

STATE OF CONNECTICUT
STATE TEACHERS' RETIREMENT SYSTEM
FIVE-YEAR INCENTIVE PLAN

Table C

Actual Ages	Actual Service 23	24	25	26	27	28	29	30	31	32	33	34	35
50 =								359%					
51 =							329%	355%	317%				
52 =						289%	321%	350%	311%	269%			
53 =					235%	289%	317%	346%	307%	266%	209%		
54 =				156%	205%	257%	312%	341%	303%	262%	206%	135%	
55 =	67%	67%	84%	129%	176%	227%	280%	336%	299%	259%	203%	133%	60%
56 =	72%	72%	90%	90%	135%	184%	235%	289%	294%	255%	200%	131%	59%
57 =	76%	76%	96%	96%	96%	142%	191%	242%	247%	251%	197%	129%	58%
58 =	81%	81%	101%	101%	101%	101%	148%	197%	200%	203%	194%	127%	57%
59 =	85%	85%	106%	106%	106%	106%	106%	153%	155%	156%	146%	125%	56%
60 =	89%	89%	111%	111%	111%	111%	111%	111%	111%	111%	100%	77%	55%
61 =	87%	87%	109%	109%	109%	109%	109%	109%	109%	109%	98%	76%	54%
62 =	85%	85%	106%	106%	106%	106%	106%	106%	106%	106%	96%	75%	53%
63 =	83%	83%	104%	104%	104%	104%	104%	104%	104%	104%	94%	73%	52%
64 =	82%	82%	102%	102%	102%	102%	102%	102%	102%	102%	92%	72%	51%
65 =	80%	80%	100%	100%	100%	100%	100%	100%	100%	100%	90%	70%	50%
66 =	78%	78%	98%	98%	98%	98%	98%	98%	98%	98%	88%	68%	49%
67 =	76%	76%	96%	96%	96%	96%	96%	96%	96%	96%	86%	67%	48%
68 =	75%	75%	93%	93%	93%	93%	93%	93%	93%	93%	84%	65%	47%
69 =	73%	73%	91%	91%	91%	91%	91%	91%	91%	91%	82%	64%	46%
70 =	71%	71%	89%	89%	89%	89%	89%	89%	89%	89%	80%	62%	44%

OUTLINE OF THE PRINCIPAL PROVISIONS OF THE SYSTEM

Outlined below are the principal provisions of the System which were reflected in the results shown in this report.

1. Covered Employees

   Any teacher, principal, superintendent or supervisor engaged in service of public schools, plus professional employees at State schools of higher education if they choose to be covered.

2. Salary

   Amount paid to a teacher as specified in a contract of employment excluding amounts paid for extra duty assignments, coaching, unused sick time, unused vacation or terminal pay.

3. Average Annual Salary

   Average of annual salary received during three years of highest salary.

4. Credited Service

   One month for each month of service as a teacher in Connecticut public schools, maximum 10 months for each school year. Ten months of credited service constitutes one year of Credited Service. Certain other types of teaching service, State employment, or war-time military service may be purchased at retirement, if the member pays one-half of the cost.

5. Normal Retirement

   Eligibility: Age 60 and 20 years of Credited Service in Connecticut or 35 years of Credited Service including at least 25 years of service in Connecticut.

5. Normal Retirement - continued

   Benefit: 2% times years of Credited Service times Average Annual Salary
   (maximum percent is 75%)

                                    plus

   any additional amounts derived from 6th percent and voluntary contributions by
   the teacher.

   Minimum Benefit: Effective January 1, 1988, Public Act 87-381 provides a
   minimum monthly retirement benefit of $800 to teachers who retire under the
   Normal Retirement provisions and who complete at least 25 years of full time
   Connecticut service at retirement.

6. Early Retirement

   Eligibility: At any age after the completion of 25 years of Credited Service
   including 20 years of Connecticut service or at or after age 55 and the
   completion of 20 years of Credited Service including 15 years of Connecticut
   service, with the last 5 years in Connecticut.

   Benefit: Reduced normal retirement benefit. The early retirement factors
   currently in effect are 6% per year for the first five years by which early
   retirement precedes the minimum normal retirement age and 4% per year for the
   next five years by which early retirement precedes the minimum normal
   retirement age.

7. Proratable Retirement

   Eligibility: Age 60 and 10 years of Credited Service with the last 5 years in
   Connecticut.

   Benefit: 2% less .1% for each year less than 20 years times years of Credited
   Service in Connecticut plus 1% times years of additional Credited Service times
   Average Annual Salary.

8. Disability Retirement

Eligibility: Disability prior to age 60 and after 5 years of Credited Service in Connecticut if not incurred in the performance of duty and without regard to service if incurred in the performance of duty.

Benefit: Lesser of:
o 3% times Credited Service to date of disability times Average Annual Salary;
o 1-2/3% times Credited Service projected to age 60 times Average Annual Salary;
o 50% times Average Annual Salary.

Not less than 15% times Average Annual Salary.

9. Termination of Employment

With less than 5 years of Credited Service: Return of 5% contributions with interest.

With 5 or more years of Credited Service: Return of 5% contributions with interest and 1% contributions without interest.

With 10 or more years of Credited Service: 100% vested. Member may elect return of all contributions plus interest on 5% contributions in lieu of vested benefit.

10. Pre-Retirement Death Benefits

A lump sum plus one of the following: survivor's benefit, return of all contributions with interest, surviving spouse's benefit, or automatic surviving spouse's benefit.

10. <u>Pre-Retirement Death Benefits</u> - continued

o   Lump Sum: $1,000 for the first 5 years of Connecticut service plus $200 per year thereafter. Maximum benefit: $2,000.

o   Survivor's Benefit: $300 per month to a surviving spouse or dependent former spouse (receiving child support), or to a dependent parent over age 65 if there is no surviving spouse, or dependent child, or to a legal guardian if there is no surviving spouse, dependent former spouse, or dependent parent. $200 per month to a single dependent child under age 18 or over 18 if disabled. $300 per month divided equally among two or more such children in a family.

o   Accumulated contributions with interest plus dependent children's benefits as described in the "Survivor's Benefit" paragraph.

o   Surviving Spouse's Benefit: the 50% co-participant option plus dependent children's benefits as described in the "Survivor's Benefit" paragraph.

o   Automatic Surviving Spouse's Benefit: Prefiled co-participant option with the percent continued chosen from 33-1/3%, 50%, 66-2/3%, 75%, or 100%.

11. <u>Form of Annuity</u>

Normal: Partial Refund Option - 75% of total benefit is paid as a life annuity. If 25% of the benefits paid prior to death do not exceed the Member's 5% contributions plus interest frozen at the date of benefit commencement, the difference is paid to his beneficiary.

Optional Forms: 5-, 10-, 20-, or 25-year certain and life. 33-1/3%, 50%, 66-2/3%, 75%, or 100% co-participant annuity (if co-participant dies first, benefit reverts to unreduced amount).

12. Cost-of-Living Allowance

Pension benefit adjustments are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum.

13. Teachers' Required Contribution

Each teacher is required to contribute 6% of annual salary.

14. State Contribution

The State funds the balance of the liability for benefits with annual contributions (currently paid in installments at the beginning of each quarter) determined in accordance with Section 10-183(z) (which reflects Public Act 79-436 as amended).