

MEMORANDUM

To: House Pensions and Benefits Committee

From: Faith Loretto, Planning and Research Officer *FL*

Date: February 25, 2015

Subject: Committee Request Regarding KP&F Retirement at First Eligibility

As requested at the February 23 meeting of the Pensions and Benefits Committee, additional data about KP&F retirement age experience is provided below. In particular, the Committee expressed interest in the rates at which KP&F members retire when first eligible for full benefits (i.e., normal retirement, with no actuarial reduction).

As has been discussed previously, the normal retirement eligibility criteria for KP&F Tier 2 members are as follows:

Age 50 with 25 years of service
Age 55 with 20 years of service
Age 60 with 15 years of service

Actuarial assumptions regarding KP&F retirement rates represent the probability that a member will retire at a given age – without regard to the years of service that member has at that age. For example, the actuarial assumption is that there is a 25% probability that a 53-year old KP&F member will retire with full benefits in that year. However, the assumption does not consider whether that 53-year old first became eligible for normal retirement in that year (i.e., has 25 years of service) or whether the member may have first become eligible at an earlier age, but delayed retirement until age 53. The KP&F actuarial assumptions regarding both early and normal retirement are set out below.

KP&F Tier 2:	Probability of Early Retirement		Probability of Normal Retirement	
	At Age:	Rate:	At Age:	Rate:
	50	10%	50	25%
	51	10%	53	25%
	52	10%	55	25%
	53	10%	58	20%
	54	20%	60	25%
			61	25%
			62	25%
			63	100%

Therefore, in order to get a better sense of KP&F's experience with respect to members retiring in the first year they are eligible for normal retirement, data from the most recent experience

study was extracted to develop the following analysis comparing the “exposure” at each age (number of members first eligible to retire with unreduced benefits) with the number of members of that age who reached eligibility in that year and actually retired.

KP&F Retirements When First Eligible for Unreduced Benefits				
Eligibility Rule	Age	Exposure	Actual Retirements	Per Cent Retiring
Age 50: 25 Years	50	136	38	27.9%
	51	18	1	5.6%
	52	24	9	37.5%
	53	16	7	43.8%
	54	21	9	42.9%
	Total	215	64	29.8%
Age 55: 20 Years	55	123	29	23.6%
	56	10	1	10.0%
	57	3	1	33.3%
	58	8	1	12.5%
	59	5	2	40.0%
	Total	149	34	22.8%
Age 60: 15 Years	60	19	5	26.3%

As you can see, the largest concentration of exposure is at ages 50 and 55 where the retirement rates are 28% and 24% respectively. Likewise, the aggregate retirement rate under the “age 50 with at least 25 years of service” rule is higher (at almost 30%) than the aggregate rate under the “age 55 with at least 20 years of service” rule (at 23%). In total, there were 103 retirements out of 383 exposure with a resulting retirement rate at first eligibility of 27%.

In considering this data, it is important to keep in mind that the experience study provides data for three years (2010-2012), and therefore, may not by itself be representative of long-term trends.

I hope that this information is responsive to your request. I would be glad to respond if the Committee has additional questions or needs further information relating to KP&F retirement rates.