

question, please.

SPEAKER BAACK: Senator Moore.

SENATOR MOORE: Better be careful, you may not get a good answer but I will try.

SENATOR PIRSCH: Senator Moore, what contribution does the state make to this retirement plan?

SENATOR MOORE: Oh, that is tough. Senator Nelson can answer it.

SENATOR PIRSCH: Is it matched?

SENATOR MOORE: No, it is not 100, around 50-50. Senator Nelson could probably...Senator Nelson.

SENATOR PIRSCH: I will ask Senator Nelson. Thank you.

SENATOR NELSON: I believe it is currently for state employees, 3.6 or 3.4 up to \$24,000, and then it is matched by I think 156 percent by the state, see, so it is not an even match like the school system is. It is more like 101 percent of what the teachers pay in. Pardon, 156 percent.

SENATOR PIRSCH: In other words the state contributes more than the employee does?

SENATOR NELSON: Right, yes. That is why we get down to the 39 percent approximately that the employee pays in. So, currently, the employee would be penalized for tax purposes if they retired at 55. You can't take out early retirement before you are 59 1/2. So there is about a 10 percent or 15 percent penalty there, and it wouldn't be if it was left...it just would never be possible for it to accrue enough interest. It would take a lot of years to bring that up to 50 percent so that they could roll it over to an IRA. The income tax consequences are very great now. Ten year averaging is almost out. Five year can be used but it gives them the flexibility to control their taxes. They may not want to pay taxes on it now, roll it over to an IRA. In three or four or five years, or maybe mom quits working, or whatever happens, see, and it is a big tax advantage. Some of this I had mentioned before, some of the higher paid state employees, they told me it makes about \$260 a