History of Retirement Age Changes in the TSERS

1941
System founded as a money purchase plan (essentially cash balance). It had individual accounts like a 401(k), but employer invested the money and granted interest at a specified rate. It is harder to identify a retirement age in a cash balance plan, but one could say it was 65 because your benefit would keep increasing if you waited to collect it until 65 and at 65 it automatically started unless you received an exemption. The minimum retirement age was 60.

1963
System converted to a final average pay plan, i.e. benefit specified as multiplier times service times final average pay. This was a significant benefit increase and required a significant employer contribution increase from 3.8% (General Employees) and 5.7% (Teachers) to 7.62% of pay, although this increase was not effective until 1965. The unreduced retirement age was still 65.

1967
Retirement age still 65, but vesting reduced from 15 years to 12. Employer rate increased from 7.62% of pay to 8.95% (in 1969) to pay for this.

1969
Vesting requirement reduced to 5 years and unreduced retirement allowed at 62 with 30 years of service. Employer contributions remained at 8.95%, so improvements were paid for with gains and by increasing the interest rate assumption from 4.0% to 4.5%. Note that interest rates on 10-year U.S. Treasury Bonds in 1969 were over 6%[1], so it was easy to earn 4.5%. This compared to around 2.5% when the system was started in 1941. In 2010, we are back down to rates similar to those in 1941. Stock returns were largely irrelevant because only a small portion of the portfolio was invested in stocks. Gains could have occurred both from high bond yields and from conservative initial assumptions about how many employees would stick around until retirement, although these were partially offset by outdated mortality assumptions.

1973
Unreduced retirement was allowed at any age with 30 years of service. This was the same year that General Motors granted "thirty-and-out" to its hourly work force.[2] GM was a very different company at the time. It still made almost half the cars sold in the U.S. and employed over half a million U.S. workers in well-paying jobs with good benefits. In 1973, it was the most profitable company in the world.[3] GM was thus a trendsetter in employee benefits and their thirty-and-out provision caused many other large corporations and governments to grant unreduced retirement after 30 years. There was also a desire among some employers to transition a previous generation out of the workforce to make way for the large number of baby-boomers entering the workforce. This improvement was paid for with gains, probably from both liabilities and assets, although sources were not identified in the reports. By 1973, safe Treasury bonds were yielding over 7%, while we were assuming only 4.5%.

[1] http://www.federalreserve.gov/releases/h15/data/Monthly/H15_TCMNOM_Y10.txt
[2] Roger Lowenstein, While America Aged
[3] http://money.cnn.com/magazines/fortune/fortune500_archive/profits/1973/

Employer contributions were still 8.95%, although it is perhaps also interesting to note that this was around the time that the State Health Plan was created, with an initial appropriation not to exceed $10 per month for each employee[4], so other spending on benefits was low.

1985

Unreduced retirement at age 60 with 25 years of service was added, along with a 4.6% COLA, and a multiplier increase. All of these were covered with gains, which were identified mostly as investment gains. In the early 1980s, Treasury Bonds were yielding 10% to 15%, easily beating the 7.5% valuation assumption and generating large gains without any default risk, although the system was also generating gains from an increasing investment in a rising stock market.
This was also during the peak period of employer contributions to the retirement system, at 10.03% of pay. Those high contributions were the result of a conscious effort to reduce the amortization period, i.e. improve the funded status and reduce future employer contributions.

[4] SL1971-1009