

## PENSION ASPECTS

### Effective date:

- June 28, 2011

### Normal retirement age:

- 65. Applies to new members of the retirement system after the effective date of the law.

### Years of service:

- 30. Applies to new members of the retirement system after the effective date of the law.

### Early retirement:

- No minimum age, but must have 30 years of service. For each year under age 65, members will pay a 3 percent per year reduction. Applies to new members of the retirement system after the effective date of the law.

### Final average salary:

- No change.

### Formula:

- No change.

### Cost of living adjustment (COLA)

- No COLA for future retirees.
- No additional COLA for current retirees.

### Employee Contribution:

- Requires an increased contribution equal to 1% of salary immediately and an additional 1% phased in over next 7 years. Total contribution will be 7.5% of salary after full implementation of the phase in.

### New Employer/Employee Committees:

- Committees will be established when each fund reaches the targeted funding ratio, which is 75-80% depending on year targeted ratio is met. After 2019 the target funding ratio will be 80% for all funds.
- Committee will be made up of 4 employer representatives and 4 employee representatives.
- Committee will determine future level of benefits.
- Committee may only make changes if fund is at or above the targeted funding ratio

and the changes will not bring the fund below that ratio.

- Committee tie votes will be broken with superconciliation.

### State contribution:

- Reinforces the 1/7 contribution language from P.L.2010, c.1. Full state funding will still not be required until FY2018 budget.
- Beginning in 2019, it will change the amortization period from a 30-year open to a 30-year closed amortization.

### Contractual language:

- Law includes language that may help require the state to make its full actuarial contribution.

### State Investment Council

- Will change the composition of the Council from 13 to 16 members.

## HEALTH BENEFIT ASPECTS

### Effective date:

- June 28, 2011

### Retiree health benefits for current retirees

- Current retirees receiving post-retirement medical benefits paid for by the state will continue to receive the benefit premium free.

### Retiree health benefits for active members with more than 20 years of creditable service as of the bill's effective date

- Members with 20 years or more will receive post-retirement medical benefits premium free upon retirement with at least 25 years of creditable service.

### Retiree health benefits for active members with fewer than 20 years of creditable service as of the bill's effective date

- Those members with fewer than 20 years of service as of the effective date of the law will pay a percentage of the premium based on their pension amount. The payment will range from 3 to 35 percent of the premium, as explained in the attached charts.

- Current members will still need to obtain at least 25 years of creditable service and be eligible for retirement in order to qualify for post-retirement health benefits.

### Active members participating in the SEHBP

- Members will pay a percentage of the premium based on their base salary. The payment will range from 3 to 35 percent of the premium, but will be at least 1.5% of salary. This mandated amount may be in addition to any negotiated amounts. See attached charts for premium sharing amounts.
- The payment will be based upon medical and prescription coverage only. Dental, vision, and other health care benefits are excluded.
- Payment will go into effect upon expiration of collective bargaining agreement, or upon the bill's effective date, if no current collective bargaining agreement is in effect.
- Payment will be phased in over four years, except that members employed after the new premium sharing arrangement commences will have no phase in and will immediately pay the year 4 amounts.

### Active members not participating in the SEHBP

- Members will pay a percentage of the premium based on their base salary. The payment will range from 3 to 35 percent of the premium, but will be at least 1.5% of salary. This mandated amount may be in addition to any negotiated amounts. See attached charts for premium sharing amounts.
- The payment will be based upon medical, prescription, dental, vision, and any other health care.
- Payment will go into effect upon expiration of collective bargaining agreement, or upon the bill's effective date, if no current collective bargaining agreement is in effect.
- Payment will be phased in over four years, except that members employed after the new premium sharing arrangement commences will have no phase in and will immediately pay the year 4 amounts.

## **HEALTH BENEFIT ASPECTS** (continued)

- Local associations and districts could negotiate different cost-sharing and/or plan design, if the savings will be equivalent to or better than the savings the district will receive through premium-sharing in this bill and any plan design changes to the SEHBP.

### **“Sunset” provision**

- Mandatory premium sharing for SEHBP and non-SEHBP plans will “sunset” four years after the bill’s effective date or after full phase-in in any given district, whichever is later.
- After full implementation of mandatory premium sharing, current payment (and/or plan design outside SEHBP) will become the base for future negotiations.

### **SEHBP committee**

- Will operate in addition to the current SEHBP Commission. The SEHBP Committee will take over plan design from the Commission. Beginning January 1, 2012, the Committee must provide at least three different plan designs and a high-deductible health insurance plan.

### **Study of SEHBP**

- The state will be required to complete a study of the SEHBP within one year. The study will look at participation in and the long-term sustainability of the SEHBP, along with benefit design.

### **Section 125 plan**

- Establishment of 125 plans by employers will be mandatory. This will allow members to contribute to health insurance premiums with pre-tax dollars.
- The 125 plan will also include a flexible spending account for medical and dental expenses not covered by the health plan.

### **Restriction on out-of-state medical care**

Provisions affecting access to out-of-state medical care were removed from the final version of the legislation. P.L. 2011, c.78 does not place any new restrictions on out-of-state medical care.