

## S-2937 – PENSION ASPECTS Analysis based on preliminary bill text – subject to change

### **Normal retirement age:**

- 65. Would apply to new members of the retirement system.

### **Years of service:**

- 30. Would apply to new members of the retirement system.

### **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. Would apply to new members of the retirement system

### **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:**

- Would require an increased contribution equal to 1% of salary immediately and an additional 1% phased in over next 7 years. Total contribution would be 7.5% of salary.

### **New Employer/Employee Committees:**

- Committees would 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 would be 80% for all funds.
- Committee would be made up of 4 employer representatives and 4 employee representatives.
- Committee would determine future level of benefits.

- Committee could only make changes if fund was at or above the targeted funding ratio and the changes would not bring the fund below that ratio.
- Committee tie votes would be broken with superconciliation.

### **State contribution:**

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

### **Contractual language:**

- Bill seems to include language that may help require the state to make its full actuarial contribution.

### **State Investment Council**

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

## S-2937 – HEALTH BENEFIT ASPECTS Analysis based on preliminary bill text – subject to change

### **Retiree health benefits for current retirees**

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

### **Retiree health benefits for active members with more than 25 years of creditable service as of the bill's effective date**

- Members with 25 years or more would receive post-retirement medical benefits premium free upon retirement

### **Retiree health benefits for active members with fewer than 25 years of creditable service as of the bill's effective date**

- Members would pay a percentage of the premium based on their pension amount. The payment will range from 3 to 35 percent of the premium.
- Members with 21 to 25 years of service as of the effective date of the bill would pay a reduced percentage of the premium contribution based on their years of service.
  - o 24 years of service - 1/20 of the required contribution
  - o 23 years of service - 4/20 of the required contribution
  - o 22 years of service - 9/20 of the required contribution

- o 21 years of service - 16/20 of the required contribution
- o 20 years or fewer - 100% of the required contribution

### **Active member participating in the SEHBP**

- Members would pay a percentage of the premium based on their base salary. The payment would 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.
- The payment would be based upon medical and prescription coverage only. Dental, vision, and other health care benefits are excluded.
- Payment would 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 would be phased in over four years.

### **Active member not participating in the SEHBP**

- Members would pay a percentage of the premium based on their base salary. The payment would 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.
- The payment would be based upon medical, prescription, dental, vision, and any other health care.
- Payment would 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 would be phased in over four years.
- Local associations and districts could negotiate different cost-sharing and/or plan design, if the savings would be equivalent to or better than the savings the district would 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 would "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) would become the base for future negotiations.

# **S-2937 – HEALTH BENEFIT ASPECTS** Analysis based on preliminary bill text – subject to change

## **SEHBP committee**

- Would operate in addition to the current SEHBP Commission. The SEHBP Committee would 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 would be required to complete a study of the SEHBP within one year. The study would 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 would be mandatory. This would allow members to contribute to health insurance premiums with pre-tax dollars.
- The 125 plan would also include a flexible spending account for medical and dental expenses not covered by the health plan.

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

- Would apply to both SEHBP and non-SEHBP plans
- Effective January 1, 2012, it would limit access to out-of-state providers when an in-state provider is reasonably accessible for certain health care services (defined as tertiary services). Reimbursement would be severely reduced and members would be responsible for the balance.