

State Employees Retirement System Retiree Health Care Compromise Proposal
11/2/11 - SUMMARY: HB 4701 (H-6)

Employee Group	Current Benefit	House Proposal
Employees hired prior to March 31, 1997 who stayed in DB/Pension Plan	Retirement Plan: Pension after age 55 with 30 years of service or age 60 with 10 years of service. Current Pension contribution is 0%.	Employees can opt to remain in the DB pension plan and begin contributing 4% or switch to the DC plan for future service as of April 1, 2012. May also choose to remain in plan and contribute 4% until they reach 30 years of service at which point they would switch to DC plan. Overtime compensation earned after January 1, 2012 would no longer be included in the calculation used to determine pension allowance.
	Retiree Health Care: State pays 90% of health, dental, vision premiums.	No change

Employee Group	Current Benefit	House Proposal
Employees hired prior to March 31, 1997 who chose to switch to the DC/401(k) plan	Retirement Plan: 401(k) - 4% automatic State contribution, plus up to 3% State match of employee contribution.	No change
	Retiree Health Care: State pays 90% of health, dental, vision premiums.	No change

Employee Group	Current Benefit	House Proposal
Employees hired prior to March 31, 1997, formerly in the DB plan but who have since separated from the State.	Retirement Plan: Maintain DB plan benefits if they return and vest.	If already vested prior to separation: If reemployed after January 1, 2012, would be in DC plan for all future service but would receive pension benefit based on prior credit service and compensation. If not vested prior to separation: If reemployed after January 1, 2012 would no longer be eligible to remain in DB plan but would automatically be in the DC plan. No benefit for prior service.
	Retiree Health Care: Maintain 90% premium benefit if they return and vest.	If vested: No Change If not vested: Treated like new employees who would receive a 2% employer matching contribution for retiree health care to the 401(k)/457 plans.

Employee Group	Current Benefit	House Proposal
Employees hired since March 31, 1997 but before January 1, 2012	Retirement Plan: 401(k) - 4% automatic State contribution, plus up to 3% State match of employee contribution	No change
	Retiree Health Care: Graded Premium - Earn 3% of premium per year of service up to a maximum of 90%.	Existing employees may choose one of the following two options: 1. Convert to a DC style health benefit <ul style="list-style-type: none"> • Like new employees would receive up to a 2% State matching contribution for retiree health care to either their 401(k)/457 plans. • A monetized amount based on years of service and adjusted annually the medical care component of CPI but not less than 0% or greater than 4%, contributed to the either their 401(k)/457 account 50% upon separation (with at least 10 years of service) or 100% upon retirement. 2. No change - Retain the graded premium subsidy

Employee Group	Type of Benefit	House Proposal
New Employees hired after January 1, 2012	Retirement plan: 401(k) - 4% automatic State contribution, plus up to 3% State match of employee contribution	No change
	Retiree Health: Graded Premium - Earn 3% of premium per year of service up to a maximum of 90%.	New employees would receive up to a 2% State matching contribution for retiree health care to either their 401(k)/457 plans plus \$2,000 upon retirement or \$1,000 upon termination (after at least ten years of service) into a Health Reimbursement Account (HRA). The \$2,000 provision would sunset after 5 years.

3% Retiree Health Care on all employees	Would end the contribution as of the second pay period after the bill is enacted, and be refunded by May 13, 2012. Employees would decide whether they want their contributions refunded in their paychecks or deposited into a 401(k) or 457 account.
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Total Annual Required Contribution for Retiree Health Care	Existing Employees	Between \$713M and \$743M.
	New Employees	2.0% of pay