

CSR: IMPACT OF SB 1040 H-3, As Finalized by the Legislature 8/15/12

For retirees who retire January 1, 2013 or later:

- **Will pay 20% of MPSERS health premium.** Retirees currently pay roughly 10% for self and any dependents, except that retirees on Medicare **pay only the Medicare premium** on themselves and 10% of the MPSERS premium for any dependents.

For retirees who are 65 or older, who are Medicare-eligible and have retired by January 1, 2013

- Will pay 10% of the MPSERS health, dental and vision premium for themselves --**in addition to the Medicare premium**-- and continue to pay roughly 10% of the MPSERS premium on any dependents.

For current employees:

- Current employees can opt out of paying the new contribution rates, which are **4% for Basic and 7% for MIP and apply to income earned after the first payroll date after December 1, 2012.** The time period to select all options is between September 4 and 5:00 p.m. on October 26, 2012. Members may choose to maintain their current contribution rate and accept a reduced multiplier of 1.25% on income received after 10/31/12 or to stop making any future contributions and freeze FAC and years of service and be enrolled in a 401k plan with a 4% employer contribution for remainder of their employment. These changes do not affect hybrid plan (Pension Plus) members, those hired on or after July 1, 2010.
- Both Basic and MIP also can choose to stop paying higher rates following 30 years of employment. Those choosing this option would receive an allowance based on **1.5% times the initial 30 years and 1.25% times years of additional service.**
- Current employees will **continue to pay 3% into retiree health care**, with this funding used to pre-fund the retiree health care (unless the Supreme Court rules otherwise). Employees may opt out of MPSERS health care and replace it with a defined contribution plan with an employer match of up to 2% of contributions.

For new hires after September 4, 2012:

- They will be **enrolled in the current hybrid plan unless (within 75 days) they choose to switch to a defined contribution system with a 50% employer match up to 3% of salary**—i.e., the employee can contribute up to a maximum of 6% and employer would match 3%.
- Instead of the MPSERS retiree health plan, they may contribute up to 2% into a defined contribution health plan matched by employers and receive a lump sum of \$1000-\$2000.

For districts:

- **Caps employer rate at 24.46% (current year's rate) for FY 2012-13.** It would have otherwise gone up to 27.37% for 2012-2013 and was projected to climb to 31.2% for 2013-2014.

*The legislation also requires a third party study by **November 15** to include: moving to a defined contribution plan for new hires, retiree health care for universities; stranded costs and the appropriateness of using current operational expenditures; and rates of return, longevity and mortality.*