Material from
State Post-Employment Benefits Commission Meetings

Three pages in total

Pages 1 and 2: From April 8, 2010 meeting
Page 3: From June 18, 2010 meeting

From 4/8/10 PEB Commission Meeting

DRAFT List of Potential Options for Discussion Purposes Only

(Note: This list involves potential options gleaned from background reports and articles or member suggestions to which the Commission can add or subtract. Their inclusion does not represent the endorsement of the commission, but simply is intended to lay out options for possible discussion. These options could involve approaches to address the State's liabilities and to address issues of concern for the State and/or its employees)

April 8, 2010

State Pension Plans and Funding

Funding Strategies

1. Funding the Actuarially Required Contribution (ARC)
   a) As a matter of policy
   b) Require through statute, collective bargaining agreement, etc (Required in SEBAC agreement)
2. Review reasonableness of actuarial assumptions
3. Change method of calculating ARC
4. Review cost-benefits of Pension Obligation Bonds (POBs)
5. Investment Policies

Plan and Benefit Design and Eligibility

1. **Applicability of changes to future, recent or other current or terminated employees/retirees?**
2. Additional tier involving revised defined benefit plan or defined combination plan (or hybrid)
3. Raise retirement age or provide incentives to retire later
4. Changes re number of years and ages for normal retirement; change benefit calculations re early retirement
5. Altering pension formula going forward re percentage of salary for each year of service
6. Changes to final average salary
   a) "Spiking" Provisions
   b) Review what is included in final salary (e.g., overtime, longevity)
   c) Number of years for calculating average salary (e.g., 3 to 5 years, "indexed career average")
7. Increase employee contribution going forward
8. Changes to COLA calculations
9. Review maximums re annual pension (percent of final salary or dollar amount)
10. Changes re Disability Pensions (re: on and off-job disabilities)
11. Requiring actuarial valuation when changing benefits or plan design or offering early retirement plans
12. Sharing of investment risks-losses, gains
13. Review of annuity options for receiving benefits
14. Policies re "double-dipping"
15. Rules re re-entering system

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April 8, 2010

Other Post Employment Benefit (OPEB) Plans and Funding

Funding Strategies

1. Funding the Actuarially Required Contribution (ARC), pay as you go, or combination thereof
2. Review reasonableness of actuarial assumptions
3. Change method of calculating ARC
4. Review cost-benefits of OPEB Bonds
5. Creation of Trust Fund
6. Investment policies
7. Establish Voluntary Employees' Beneficiary Association (VEBA) trust—similar to the auto industry

Plan and Benefit Design and Eligibility

1. **Applicability of changes to future, recent or other current or terminated employees/retirees?**
2. Changes to eligibility for retiree health insurance benefits (age and years of service-note recent agreement re "Rule of 75"); could tie to "Normal Retirement"
3. Raise retirement age or provide incentives to retire later (see Pensions above)
4. Prorate employer contribution based on number of years of service (e.g., reductions for under 25 years of service)
5. Increase employee contribution going forward (note 3% contribution for newer employees in recent agreement)
6. Greater premium/cost sharing with retirees (e.g., fixed dollar employer contribution, percentage of cost shared between state and retiree, limits on spousal coverage)
7. Cost containment approaches
8. Apply any changes for active plans to retirees
9. Changes re Disability Pensions (re: on and off-job disabilities) (see Pensions above)
10. Sharing of investment risks-losses, gains

From 6/18/10
PEB Commission
Meeting

Addressing OPEB Funding and Liability Issues
DRAFT Proposal—Proposal for Actuarial Input

The general goal of the proposals below is to establish a framework upon which to get some actuarial estimates of changes aimed at addressing OPEB funding and liability issues.

A) Move Retirement Closer to Medicare Eligibility

- Tier II- (generally hired on or after July 1, 1984)
  - a) For those with less than 20 years of service, move normal retirement age to 64 or 25 years and age 62
  - b) Move hazardous employees duty with less than 15 years of service to 22 years of service for retirement
- Tier IIa- (hired on or after July 1, 1997)
  - a) Move normal retirement age to 65 (no matter how many years of service)
  - b) Move hazardous duty employees with 23 years of service, but to 25 and age 52 for those with less than 10 years of service
- New employees or those with under five years of service:
  - a) Normal retirement age tied to Medicare eligibility
  - b) Early retirement at age 65
  - c) Hazardous duty personnel retirement: 25 years of service and age 55

B) Reduce Growth in State Employee and Retiree Health Care Costs

- System delivery reforms (e.g. medical homes, payment reforms, etc.)
- Plan design changes
- State's purchasing power
- Create mechanism to ensure targets are met

C) Limit Retiree Health Insurance to Long-Term State Employees

- Rule of 75 in new SEBAC agreement critical start
- Apply Rule of 75 to current terminated vested
- For new employees and employees with less than 10 years of service, must be eligible for full normal retirement to be eligible for retiree health benefits

D) Increase employee and future retiree participation in funding OPEB liabilities and costs

- Build upon recent SEBAC agreement by the following employee contributions to trust (may need to align with ARC for each of these groups)

  --Less than five years: 3.0%
  --Less than 10 years: 2.5%
  --Less than 15 years: 2.0%
  --Less than 20 years: 1.5%
  --Less than 25 years: 1.0%

  Note: State match equal to or above total contribution (above and beyond pay-as-you-go)
- Premium Share:

  --Less than 5 years: State pays 50% early retirement insurance and Medicare supplement for employee only
  --Less than 10 years: State pays 75% of early retirement insurance and Medicare supplement for employee only
  --Less than 15 years: State pays 75% of early retirement insurance and Medicare supplement for employee and dependents
  --Less than 20 years: State pays 90% of early retirement insurance and Medicare supplement for employee and dependents

6/18/10