HIGHLIGHTS OF SB 1040 H-3, As Passed House June 14, 2012

For retirees who retire January 1, 2013 or later:

- Will pay 20% of MPSERS health premium. Currently, a retiree pays roughly 10% for self and any dependents, except that a retiree on Medicare pays only the Medicare premium for him/herself and 10% of the MPSERS premium for any dependents.

For retirees who is eligible for Medicare and has retired by January 1, 2013

- Will pay 10% of the MPSERS health premium for self --in addition to the Medicare premium-- and continue to pay roughly 10% of the MPSERS premium on any dependents.

For current employees:

- For income earned after the first payroll date after November 1, 2012, must choose one option: 1. Increase employee contribution and keep 1.5% multiplier; 2. Accept reduced multiplier of 1.25% on income received after 10/31/12 or 3. Freeze FAC and years of service, pay no contribution and be enrolled in 401k with 4% employer contribution for remainder of employment. Members will have an opportunity to make these choices (and those described below) between July 16 and September 28, 2012.
- New contribution rates: 4% for Basic & 7% for MIP, staring July 15, 2012.
- Both Basic and MIP also can choose to stop paying higher rates until retirement or to pay it for first thirty years. Those choosing latter would receive allowance based on 1.25% times remaining years of service beyond the 30 and 1.5 times the first 30 years of service.
- Continue to pay the 3% into retiree health care, with this contribution being used in the future to pre-fund the retiree health care. Employees may opt out of MPSERS health care, in which case their 3% contributions would be credits to a 401k account.

For new hires after August 1, 2012:

- They will be enrolled in the current hybrid plan unless (within 75 days) they choose to a defined contribution system with a 50% employer match up to 3% of salary—i.e., the employee can contribute up to 6% and employer would match 3%.
- Instead of being eligible for the MPSERS retiree health plan, they are eligible to receive up to a 2% retiree (401k) health care plan that is matched dollar for dollar by employers.

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.
- Moves to a system that includes cost of expenditures (COE) to determine what districts pay; this will include costs for districts that have privatized services as well as payroll costs.

The legislation also requires three studies: university health care; the degree to which COE is stable, growing and equitable way to charge unfunded accrued liability, and an independent study that includes the fiscal impact of DC, GASB rules, and other issues. Also, because of the Senate's inaction, the dates referenced in the "employee" section above will need to be moved forward to later dates.