

Major Provisions of 2011 Pension Reform Legislation (SB 3)

This legislation contains a number of reforms that affects employees differently depending on the number of years that they have been working in a public sector position.

Provisions that apply to all employees on 7/1/2011

- Employee contribution increases:
 - Group I (teachers and state and local employees) from 5% of salary to 7%
 - Group II (fire) from 9.3% to 11.8% (police) from 9.3% to 11.55%

Provisions that apply to vested employees (at least 10 years in the system)

- Only change to compensation included in calculation of pension benefit is a limit on the amount of extra and special duty pay
- Calculation continues to be averaged over highest 3 years of compensation

Provisions that apply to non-vested employees (less than 10 years in the system)

- Some types of compensation no longer included in pension calculation
- Calculation averaged over highest 5 years of compensation
- Maximum benefit limited to 85% of average final compensation or \$120,000, whichever is less

Provisions that apply to employees hired after 7/1/2011

- Some types of compensation no longer included in pension calculation; all extra and special duty pay excluded
- Calculation averaged over highest 5 years of compensation
- Group I state retirees eligible for full pension and receive state retiree health benefit at age 65; can collect reduced pension with 30 years of service at age 60
- Group II age for retirement eligibility increased from 45 to 50, years of service increased from 20 to 25, eligible for full pension and receive state retiree health benefit at age 52.5; can collect reduced pension with 25 years of service at age 50

Additional Changes

- Limits double-dipping by certain unclassified state employees and defines the number of hours that can be considered part-time for retired workers
- Transfers money remaining in the Special Account to the Pension Annuity Account
- Provides for the recalculation of employer rates to reflect the changes in this law
- In anticipation of future decreases to employer rates, provides that when the employer rates decrease to the level of employee rates, the two rates will be the same and continue to be identical through subsequent increases and decreases
- Changed the membership of the Retirement System Board of Trustees -- eliminating legislative members, decreasing the number of member trustees and increasing the number of non-member trustees
- Set medical subsidy paid to certain retirees at current level eliminating any increase
- Grants a \$500 (1 person) or \$1,000 (2-person) supplemental allowance for retirees receiving a medical subsidy, for FY beginning 7/1/2012
- Establishes two study committees to continue work on establishing a defined contribution plan and disability benefits, medical subsidy and COLAs