

SEBAC Agreement Summary

	FY 2012	FY 2013	20-Year Projection
Cap salary that can be considered as part of an individual's pension benefit as provided under the Internal Revenue Code	\$ 2,400,000	\$ 2,500,000	\$ 62,000,000
Pension savings due to 2 year wage freeze	\$ 69,316,000	\$ 71,198,000	\$ 140,000,000
Change the minimum COLA for individuals who retire after 9/2/11 from 2.5% to 2.0% with the highest amount going from 6.0% to 7.5%	\$ 32,525,000	\$ 34,315,000	\$ 1,342,000,000
Change the Early retirement reduction factor from 3% to 6% for each year before eligible to take Normal Retirement with associated health care savings	\$ 35,000,000	\$ 32,400,000	\$ 662,000,000
Increase the Employee Contribution to 3% for Retiree health care trust fund for all employees (not just new employees) phased in beginning 7/1/13.	\$ -	\$ -	\$ 871,000,000
For current employees who retire after 7/1/2022, Normal Retirement eligibility increase from Age 60 and 25 YOS or Age 62 and 10 YOS to Age 63 and 25 YOS or Age 65 and 10 YOS. By 7/1/13, present employees may elect to pay the actuarial pension costs of maintaining the normal retirement eligibility that exists in the present plan which is scheduled to change effective July 1, 2022.	\$ 22,000,000	\$ 22,000,000	\$ 677,000,000
New Tier III for individuals hired after 7/1/11, Normal Retirement eligibility Age 63 and 25 YOS or Age 65 and 10 YOS and salary based on Final five year average; HD 20 Years of HD service and age 50 or 25 Years of HD Service regardless of age and salary based on final five year average pay; Early Retirement Age 60 and 15 YOS; Ten year cliff vesting.	\$ -	\$ 9,649,000	\$ 2,982,000,000
Increase number of retirees due to absence of ERIP; reduce refills	\$ 65,000,000	\$ 65,000,000	\$ 1,300,000,000
Provide the availability of individuals in the Alternate Retirement Plan to switch to a Hybrid-Defined benefit/Defined contribution type plan.	\$ 10,750,000	\$ 11,190,000	\$ 235,000,000
Pension Total	\$ 236,991,000	\$ 248,252,000	\$ 8,271,000,000

Health Care Changes

Plan Changes value and non value based: \$35 Emergency Room copay; Certain cost savings changes wherein individuals would have to get preauthorization before a second MRI would be paid for, etc.	\$	1,200,000	\$	3,700,000	\$	75,000,000
Value based health and dental - Provide a Value based health and dental care plan under which individuals and their families could chose to participate and agree to follow all plan and physician recommended physicals, disease management protocols and diagnostic testing. Failure to comply would result in the individual and their families being placed in the Nonvalue added plan with the concomitant cost increase. The cost for this plan would the same as the current plan plus any scheduled experience determined increases. Value Added for Retirees – Voluntary for current Retirees; Mandatory for individuals who retire on and after 9/2/11. If new retirees elect nonvalue added, cost is \$100 per month.	\$	102,500,000	\$	102,500,000	\$	2,378,000,000
Nonvalue based health and dental - If the employee chose not to participate their cost for health care would be the same as calculated in the first year for Value based, plus \$100.00 per month additional. Institute a \$350 Medical Deductible per year per individual.	\$	18,000,000	\$	18,000,000	\$	249,000,000
Reduce Costs with Generics - drugs coming off patent	\$	1,500,000	\$	12,000,000	\$	380,000,000
Tobacco and Obesity - reduce costs through voluntary referral Program	\$	1,000,000	\$	2,000,000	\$	85,000,000
Other Health Cost Containment Initiatives - the Healthcare Cost Containment Committee will identify additional cost savings through renegotiation of contracts and improved service delivery	\$	40,000,000	\$	35,000,000	\$	420,000,000
Pharmacy Copays and Mandatory Mail Order for Active Employees and New Retirees: Increase to \$5, \$20 and \$35 for non maintenance drugs. Additional drugs coming off patent which will now be available as generics. Mandatory Mail Order - maintenance drugs for active employees, future retirees and current retirees under 65 must be ordered through the mail. Voluntary for current retirees over 65 (mandatory once enrolled).	\$	19,876,000	\$	20,500,000	\$	698,000,000
Minimum Service for Retiree Medical – Increase to 15 years of actual state service for Normal, early retirement and HD retirement with continuation of Rule of 75 for Deferred Vested.	\$	3,822,000	\$	9,705,000	\$	987,000,000
Health Care Total	\$	187,898,000	\$	203,405,000	\$	5,272,000,000

Other Changes and Cost Savings

Hard Wage Freeze – FY 2012 and FY 2013

No state employee would receive any increase in salary for either of the next two fiscal years, including no payment for individuals who were at their top step as a bonus.

\$ 138,852,400 \$ 309,549,857 \$ 6,330,000,000

Adjust break point in 2, Tier 2A and Tier 3

\$ - \$ - \$ (458,000,000)

Salary Increases - FY2013-14, FY 2014-15 and FY2015-16 - provide Three Percent plus step increases or their equivalent in those units with them

\$ (600,000,000)

Technology Initiatives - utilize new technologies and reduced licensing procurement and consulting costs

\$ 40,000,000 \$ 50,000,000 \$ 1,000,000,000

SEBAC Budget Savings Initiative - implement savings ideas proposed by employees to reduce costs in agencies through reduced procurement costs, more efficient agency operations and other initiatives.

\$ 90,000,000 \$ 90,000,000 \$ 1,800,000,000

Longevity – No longevity payment would be made in October, 2011 to those units with capped longevity and an equivalent savings amount would be negotiated from those with uncapped longevity. No one during the biennium will have those years count for that period. Individuals first hired on or after 7/1/11 (military service counts) would never receive a longevity payment.

\$ 7,000,000 \$ - \$ 53,000,000

Other Changes and Cost Savings Total

\$ 275,852,400 \$ 449,549,857 \$ 8,125,000,000

Grand Total

\$ 700,741,400 \$ 901,206,857 \$ 21,668,000,000

Agreement also includes the following:

Extension of SEBAC through 2022

Extension of Job Security through FY 2015, with increased flexibility on geographic limits for reassignment

New Retirement rules effective 9/2/2011

Comparable provisions for managers

Beginning July 1, 2017, the state will match employee contributions to the Retiree Health Care Trust Fund