



The Commonwealth of Massachusetts

IN THE YEAR TWO THOUSAND

AND THIRTEEN

AN ACT PROVIDING RETIREE HEALTHCARE BENEFITS REFORM.

Whereas, the deferred operation of this act would tend to defeat its purpose, which is to lower forthwith the unfunded liability of state and municipal governments for retiree healthcare benefits, therefore it is hereby declared to be an emergency law, necessary for the immediate preservation of the public convenience.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. Section 2 of chapter 32A of the General Laws, as amended by section 34 of chapter 224 of the acts of 2012, is hereby further amended by adding the following subsection:-

(j) "Qualified retiree," a person who was an employee after January 1, 1956, is receiving a retirement allowance from a system, as defined in section 1 of chapter 32 and who is eligible for contributions to group health care coverage under this chapter, including retirees receiving a retirement allowance from the optional retirement plans of participating retirees under section 40 of chapter 15A, but excluding retirees receiving a retirement allowance from any plan designed specifically to comply with the federal Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508), as amended.

(1) An individual who receives a superannuation retirement from a position classified as Group 1 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 60 years old. An individual who receives a superannuation retirement from a

position classified as Group 2 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 55 years old. An individual who receives a superannuation retirement from a position classified as Group 3 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 50 years old. An individual who receives a superannuation retirement from a position classified as Group 4 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 50 years old. In addition, a retired employee shall not be a qualified retiree for purposes of this chapter unless the retired employee has received a minimum of 20 years of creditable service.

(2) A retired employee shall not be considered a qualified retiree unless the individual was employed by the public employer at the time of retirement, but this requirement shall not apply to retired employees with at least 25 years of creditable service if they apply for retirement within 5 years after leaving public employment or to retired employees with at least 20 years of creditable service if they are enrolled in Medicare parts A and B.

(3) The requirements of subparagraphs (1) and (2) of this definition shall not apply to (a) individuals who retired before July 1, 2013; (b) employees and former employees who, on July 1, 2013, are within 5 years of eligibility for superannuation retirement under chapter 32 and have received a minimum of 20 years of creditable service; (c) employees and former employees who, on July 1, 2013, are within 5 years of eligibility for Medicare and have received a minimum of 9 years of creditable service; (d) individuals who are members of the teachers retirement system or the State-Boston retirement system who participate in the alternative superannuation retirement benefit program established under subsection 4 of section 5 of chapter 32 and are at least 57 years old and eligible for a retirement benefit of 80 per cent; (e) individuals receiving an accidental disability retirement under section 7 of chapter 32; or (f) individuals receiving an ordinary

disability retirement under section 6 until access to healthcare benefits through a Health Insurance Exchange becomes available to qualified individuals under the Patient Protection and Affordable Care Act, Public Law 111-148. Individuals in these categories, upon retirement, shall be considered qualified employees for purposes of this chapter.

SECTION 2. Section 8 of said chapter 32A, as appearing in the 2010 Official Edition, is hereby amended by striking out the first paragraph and inserting in place thereof the following 4 paragraphs:-

For policies of group life insurance and accidental death and dismemberment insurance, and group health insurance purchased by the commission in accordance with sections 4, 5 and 10C, the commonwealth, on behalf of active employees and their dependents shall contribute not less than 75 per cent of the total monthly premium or rate applicable to said coverages.

For policies of group life insurance and accidental death and dismemberment insurance, and group health insurance purchased by the commission in accordance with sections 4, 5 and 10C, the commonwealth, on behalf of qualified retirees and their dependents, shall contribute not less than 50 per cent of the total monthly premium or rate applicable to said coverages and the qualified retirees on behalf of themselves or themselves and their dependents shall contribute the remaining 50 per cent of the total monthly premium or rate. For purposes of this section, "maximum available benefit" shall mean the percentage of the total monthly premium or rate paid by the commonwealth to qualified retirees with a minimum of 30 years of creditable service. The commonwealth shall contribute an increased amount of the total monthly premium or applicable rate according to the following schedule:

(a) Qualified retirees with a minimum of 20 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate.

(b) Qualified retirees with a minimum of 23 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus $\frac{1}{3}$ of the difference between 50 per cent and the maximum available benefit.

(c) Qualified retirees with a minimum of 27 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus $\frac{2}{3}$ of the difference between 50 per cent and the maximum available benefit.

(d) Individuals receiving an ordinary disability retirement under section 6 of chapter 32 who have received a minimum of 10 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate.

(e) Notwithstanding clauses (a) through (d), qualified retirees who are not subject to the requirements of subparagraphs (1) and (2) of subsection section (j) of section 2 shall be eligible to receive the maximum available benefit.

An employee who retires after July 1, 2013 and is not a qualified retiree shall be eligible to receive 50 per cent of the total monthly premium or applicable rate if, by July 1, 2013, the employee: (i)

is at least 50 years old and has completed 15 years of creditable service, or (ii) is at least 55 years old and has completed at least 10 years of creditable service.

The active and retired employees on behalf of themselves or themselves and their dependents shall contribute the remaining share of the total monthly premium or rate, except, that upon approval by way of an annual, or more frequent appropriation act, the commonwealth may contribute more than the percentage indicated above, but less than the entire total monthly premium or rate. Each appropriation act as may be applicable, shall provide the necessary sum based upon the estimated monthly cost as required by section 4 and shall describe the ratio of contribution to be paid by the commonwealth and by the active and retired employees insured under the aforesaid sections. The description of the ratio may include a condition that if, as a result of a change in the total monthly premium or rate which occurs during the current or ensuing fiscal year from a change in a contract between the commission and the insurance carrier or carriers, the amount of the contribution paid by the active and retired employee and dependents is to remain unchanged and the difference in the amount thus paid and the total monthly premium or rate as changed is to be added to, or deducted from as the case may be, the contribution by the commonwealth. This ratio shall continue until changed by a subsequent appropriation act, and the aforesaid sum shall also include the commonwealth's contribution of the total monthly premium or rate required for coverages contained in other sections of this chapter.

SECTION 3. The second paragraph of said section 8 of said chapter 32A, as so appearing, is hereby amended by striking out the second sentence and inserting in place thereof the following sentence:- With respect to any period of insurance authorized by this chapter which is in effect for a qualified retiree and dependent, there shall be withheld from each payment of pension or retirement allowance not more than

50 per cent of the aforesaid total monthly premium, or there shall be withheld a lesser amount as provided in this section and the most recent applicable appropriation act.

SECTION 4. The first paragraph of section 10 of said chapter 32A, as so appearing, is hereby amended by adding the following sentence:- A retiree who is not a qualified retiree may continue all such insurance coverage if the retiree files an application to the commission on a form prescribed by the rules and regulations of the commission, and makes payment to the commission for the total monthly premium or rate applicable to the coverage in such manner as the commission may prescribe.

SECTION 5. Section 10C of said chapter 32A, as so appearing, is hereby amended by striking out, in lines 69 to 71, the words “fifty per cent of the premium for such insurance, and the commonwealth shall make primary payment of the remaining fifty per cent” and inserting in place thereof the following words:- the appropriate per cent of the premium for such insurance, and the commonwealth shall make primary payment of the remaining share.

SECTION 6. Section 11 of said chapter 32A, as so appearing, is hereby amended by striking out, in lines 13 to 14, the words “contributes, pursuant to section eight, on behalf of retired employees,” and inserting in place thereof the following words:- had contributed on behalf of the deceased employee or retiree as of the date of death, but for the surviving spouse of an employee or retired employee who died before July 1, 2013, the commonwealth shall contribute 90 per cent of the cost of the monthly premium or rate applicable to the coverage. Contributions by the commonwealth under this section shall be.

SECTION 7. Section 12 of said chapter 32A, as so appearing, is hereby amended by inserting, after the first paragraph, the following paragraph:-

Notwithstanding the first paragraph of this section, for retired teachers who are qualified retirees as defined in section 2 of chapter 32B, the commission shall determine a schedule of contribution ratios consistent with section 5 of chapter 32B. Notwithstanding the first paragraph of this section, a retired teacher who is not a qualified retiree as defined in section 2 of chapter 32B may continue all insurance coverage to which the retiree is entitled under this section if the retiree files an application therefor with the commission, and makes payment for the total monthly premium or rate applicable to the coverage to the commission in such manner as it may prescribe.

SECTION 8. Section 2 of chapter 32B of the General Laws, as amended by section 1 of chapter 69 of the acts of 2011, is hereby further amended by inserting after the definition of "political subdivision" the following definition:-

"Qualified retiree," a retired employee who is eligible for contributions to group health care coverage under this chapter.

(1) An individual who receives a superannuation retirement from a position classified as Group 1 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 60 years old. An individual who receives a superannuation retirement from a position classified as Group 2 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 55 years old. An individual who receives a

superannuation retirement from a position classified as Group 4 under section 3 of chapter 32 shall not be a qualified retiree unless the individual is at least 50 years old. In addition, a retired employee shall not be a qualified retiree for purposes of this chapter unless the retired employee has received a minimum of 20 years of creditable service.

(2) A retired employee shall not be considered a qualified retiree unless the individual was employed by the employer at the time of retirement, but this requirement shall not apply to retired employees with at least 25 years of creditable service if they apply for retirement within 5 years after leaving public employment or to retired employees with at least 20 years of creditable service if they are enrolled in Medicare parts A and B.

(3) The requirements of subparagraphs (1) and (2) of this definition shall not apply to (a) individuals who retired before July 1, 2013; (b) employees and former employees who, on July 1, 2013, are within 5 years of eligibility for superannuation retirement under chapter 32 and have received a minimum of 20 years of creditable service; (c) employees and former employees who, on July 1, 2013, are within 5 years of eligibility for Medicare and have received a minimum of 9 years of creditable service; (d) individuals who are members of the teachers retirement system or the State-Boston retirement system who participate in the alternative superannuation retirement benefit program established under subsection 4 of section 5 of chapter 32 and are at least 57 years old and eligible for a retirement benefit of 80 per cent; (e) individuals receiving an accidental disability retirement under section 7 of chapter 32 or (f) individuals receiving an ordinary disability retirement under section 6 until access to healthcare benefits through a Health Insurance Exchange becomes available to qualified individuals under the Patient Protection and Affordable Care Act, Public Law 111-148. Individuals in these categories, upon retirement, shall be considered qualified employees for purposes of this chapter.

SECTION 9. Section 7 of said chapter 32B, as so appearing, is hereby amended by striking out, in line 2, the words “or retired employee” and inserting in place thereof the following words:- employeè or qualified retiree.

SECTION 10. Section 9 of said chapter 32B, as appearing in the 2010 Official Edition, is hereby amended by inserting, after the first paragraph, the following 3 paragraphs:-

Notwithstanding the first paragraph of this section, for policies of group health insurance purchased by the appropriate public authority in accordance with this chapter, the governmental unit, on behalf of qualified retirees and their dependents, shall contribute no less than 50 per cent of the total monthly premium or rate applicable to said insurance coverage and the qualified retirees on behalf of themselves or themselves and their dependents shall contribute the remaining 50 per cent of the total monthly premium or rate. For purposes of this section, “maximum available benefit” shall mean the percentage of the total monthly premium or rate paid by the governmental unit to qualified retirees with a minimum of 30 years of creditable service. The governmental unit shall contribute an increased amount of the total monthly premium or applicable rate according to the following schedule:

(a) Qualified retirees with a minimum of 20 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate.

(b) Qualified retirees with a minimum of 23 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus 1/3 of the difference between 50 per cent and the maximum available benefit.

(c) Qualified retirees with a minimum of 27 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus 2/3 of the difference between 50 per cent and the maximum available benefit.

(d) Individuals receiving an ordinary disability retirement under section 6 of chapter 32 who have received a minimum of 10 years of creditable service shall be eligible to receive a minimum of 50 per cent of the total monthly premium or applicable rate.

(e) Qualified retirees who are not subject to the requirements of subparagraphs (1) and (2) of the definition of qualified retiree in section 2 shall be eligible to receive the maximum available benefit.

An employee who retires after July 1, 2013 and is not a qualified retiree shall be eligible to receive 50 per cent of the total monthly premium or applicable rate if, by July 1, 2013, the employee: (i) is at least 50 years old and has completed 15 years of creditable service, or (ii) is at least 55 years old and has completed at least 10 years of creditable service.

A governmental unit shall not reduce the percentage of its contribution to premiums of qualified retirees from the percentage contributed on January 1, 2013 before January 1, 2016, but the governmental unit may implement changes in contribution percentage adopted before January 1, 2013. Reductions in contribution percentage for qualified retirees made after January 1, 2016 shall not apply to individuals who retire before the change in contribution percentage takes effect.

SECTION 11. Section 9A of said chapter 32B, as so appearing, is hereby amended by striking out, in lines 7 and 12, the words "retired employee" and inserting in place thereof, in each instance, the following words:- qualified retiree.

SECTION 12. Said chapter 32B is hereby further amended by striking out section 9B, as so appearing, and inserting in place thereof the following section:-

Section 9B. Upon the death of an employee or a qualified retiree, the surviving spouse may continue the group general or blanket insurance coverage for himself or his dependents providing hospital, surgical, medical, dental and other health benefits, until the remarriage or death of the surviving spouse; provided, that application for this insurance coverage shall be filed with the appropriate public authority and a method for the payment of premiums shall be determined in accordance with its rules and regulations. For the surviving spouse of an employee or qualified retiree who dies after July 1, 2013, the governmental unit shall contribute not less than 50 per cent of the cost of the premiums, and the surviving spouse shall pay the remaining cost. A surviving spouse who is enrolled in a governmental unit's insurance coverage on January 1, 2013 and is contributing a portion of the premium in excess of 50 per cent shall have the surviving spouse's share of the premium contribution reduced to no more than 50 per cent. A surviving

spouse who is enrolled in a governmental unit's insurance coverage on January 1, 2013 and is contributing less than 50 per cent of the premium shall continue to contribute the same per cent of the premium.

SECTION 13. Section 9C of said chapter 32B, as so appearing, is hereby amended by striking out the second paragraph and inserting in place thereof the following paragraph:-

For the surviving spouse of an employee or qualified retiree who dies after July 1, 2013, the governmental unit shall contribute not less than 50 per cent of the cost of the premiums, and the surviving spouse shall pay the remaining cost. A surviving spouse who is enrolled in a governmental unit's insurance coverage on July 1, 2013 and is contributing a portion of the premium in excess of 50 per cent shall have the surviving spouse's share of the premium contribution reduced to no more than 50 per cent. A surviving spouse who is enrolled in a governmental unit's insurance coverage on July 1, 2013 and is contributing less than 50 per cent of the premium shall continue to contribute the same per cent of the premium.

SECTION 14. Section 9D of said chapter 32B is hereby repealed.

SECTION 15. Section 9D1/2 of said chapter 32B, as so appearing, is hereby amended by striking out, in lines 11 to 12 and 22, the words "nine D" and inserting in place thereof, in each instance, the following number:- 9B.

SECTION 16. Said section 9D1/2 of said chapter 32B, as so appearing, is hereby further amended by striking out, in lines 13 to 14, the words “or retired employee” and inserting in place thereof the following words:- employee or qualified retiree.

SECTION 17. Said section 9D1/2 of said chapter 32B, as so appearing, is hereby further amended by striking out, in line 20, the words “retired employee” and inserting in place thereof the following words:- qualified retiree.

SECTION 18. Section 9G of said chapter 32B, as so appearing, is hereby amended by striking out the second paragraph and inserting in place thereof the following paragraph:-

For the surviving spouse of an employee or qualified retiree who dies after July 1, 2013, the governmental unit shall contribute not less than 50 per cent of the cost of the premiums, and the surviving spouse shall pay the remaining cost. A surviving spouse who is enrolled in a governmental unit's insurance coverage on January 1, 2013 and is contributing a portion of the premium in excess of 50 per cent shall have the surviving spouse's share of the premium contribution reduced to no more than 50 per cent. A surviving spouse who is enrolled in a governmental unit's insurance coverage on January 1, 2013 and is contributing less than 50 per cent of the premium shall continue to contribute the same per cent of the premium.

SECTION 19. Notwithstanding any general or special law to the contrary, an appropriate public authority that changes its contribution percentages to retiree group health care coverage under this act shall delay

implementation of these changes as to those retirees whose contribution level is specifically included in a special act that is in effect on the date of implementation of these changes until the term stated in that act has ended.

SECTION 20. The executive office for administration and finance, in consultation with the division of local services in the department of revenue, the group insurance commission and the public employee retirement administration commission, shall establish a process to monitor the continuing fiscal sustainability of state and local retiree health care benefits. The process shall include (a) periodic analysis of the rate of growth of retiree health care benefit costs and liabilities and metrics for the sustainable rate of growth in public sector revenue available to pay for these benefits based on pre-determined information to be supplied by state and local governments on a regular basis to the division of local services and the public employee retirement administration commission , (b) a mechanism developed by the executive office for administration and finance for determining whether the retiree health benefit costs or liabilities are growing faster than sustainable rates of growth, and (c) a process for notifying local government officials and legislators if the level of spending is determined to be unsustainable and for the executive director of the Group Insurance Commission to identify additional cost saving strategies that would cause the rate of growth for the costs of these benefits and the liability for these benefits to meet benchmarks for sustainability.