

## MEMORANDUM OF AGREEMENT

This Agreement is made by and between the State of Connecticut ("State") and the State Employees Bargaining Agent Coalition ("SEBAC"), for the following purposes:

1. to modify the agreement between the parties known as SEBAC IV dated May 26, 1995 as approved by the legislature.
2. to effect changes in the current pension agreement between the parties and to comply with the reopener provisions of SEBAC IV;
3. to modify health insurance provisions of the current pension agreement as may have been changed through the Health Care Cost Containment Committee ("HCCCC");
4. to permit negotiations and arbitration over an early retirement incentive program and other related issues;
5. to permit negotiation and arbitration over domestic partners after January 1, 1999.

### 1. PENSION PROVISIONS

#### I. FUNDING

A. **Past Service Liability.** The maximum amount the State's contribution could be reduced for the unfunded past service liability for the 1998-99 and 1999-2000 fiscal

years as provided in the SEBAC IV Agreement shall be eliminated. For the fiscal year period beginning July 1, 1998 through June 30, 2017, the Retirement Commission shall determine all past service liability contributions by utilizing the level percent of payroll method of funding. The fact that all past service liability contributions are based upon the level percent of payroll method of funding for the period 1998 through 2017 will not be utilized by either party to advance its position in any arbitration following the expiration of this agreement on June 30, 2017.

**B. Spending Cap.** If statutory changes are required dealing with the Expenditure Cap in order that the level percentage of funding method does not adversely impact the Expenditure Cap, the parties will jointly seek to effectuate such changes.

**C. Actuarial Certification to coincide with the Biennial Budget period.** Beginning with the 1999-2001 biennial budget, the Retirement Commission shall, on or before December first preceding each biennial budget, for the two years of the next succeeding biennial budget certify the required contribution amount to the general assembly.

**D. Resetting of Assets to Market Value.** Effective with the June 30, 1996 actuarial determination, the actuarial value of assets shall be reset equal to the market value. The asset value shall then phase-in to the five-year average asset method over the ensuing four years. The increase in actuarial asset value as a result of this restart shall be identified as a separate actuarial gain and shall be used to further reduce the annual unfunded past service liability determined above. This reduction shall be calculated to amortize the asset gain over the 35 year period commencing June 30, 1997 as a level percent of pay. The initial year's reduction shall apply to fiscal year 1997-98.

E. **Amendment of C.G.S. §5-156a.** Effective upon approval of this Agreement by the General Assembly, Connecticut General Statutes §5-156a shall be amended to incorporate the funding changes agreed to by the parties.

II. **SERVICES PERFORMED UNDER A PERSONAL SERVICES OR SIMILAR AGREEMENT.** When an employee presents a claim to the Retirement Commission that services performed under a personal services or similar agreement constitute state service for the purpose of retirement, the Retirement Commission shall continue to apply its standards in making this determination. If the service constitutes state service, the employee shall be granted credit for service for the purpose of retirement. The payment of the contribution, if any, required of the employee shall be determined as if the individual was a state employee at the time the service was performed. Provided, however, if the personal services or similar agreement contains a rate of pay reflecting additional compensation in recognition of exclusion from the State's benefit plans, the Retirement Commission shall not grant credit for such service.

III. **FIVE (5) YEAR VESTING:** Effective July 1, 1997, the vesting requirements of Tier II set forth in C.G.S 5-192l(a), and 5-192o(a) shall be changed to a minimum of five (5) years of actual state service. All other service requirements to receive pension benefits under Tier I and II shall remain unchanged.

IV. **TIER IIA:** A new defined benefit pension plan shall be established for employees who are employed or reemployed on and after July 1, 1997. It shall be the same as the present Tier II plan, except as provided herein. Nothing in the agreement is intended to vary the provisions for bridging service which currently exist in the Tier I and Tier II plans. The vesting requirement under Tier IIA will be a minimum of five (5) years of actual state service. The ability to receive credit for certain types of

nonstate service is the same as Tier II. Provided, however, the employee must pay the amount determined under the formula set forth in Tier I for the purchase of the applicable service. The COLA formula in Tier IIA is the same as set forth in VI. C. provided, however, an employee must have at least ten (10) years of actual state service or directly makes the transition into retirement in order to be entitled to receive a COLA. Employee contributions are required under Tier IIA. For hazardous duty members, the employee contribution shall be five percent (5%) of the employee's salary and for nonhazardous duty members, the contribution shall be 2% of salary. Effective upon approval of this Agreement by the General Assembly, Connecticut General Statutes shall be amended as provided in Appendix B.

**V. PRETAX PENSION CONTRIBUTIONS:** Effective July 1, 1997, employee contributions to the State Employees retirement system, regardless of which tier the employee is a member, shall be made on a pretax basis as allowable under IRC § 414(h). The Retirement Commission and/or the Retirement and Benefit Services Division shall take whatever steps are necessary to accomplish this result.

**VI. COST OF LIVING ADJUSTMENT:**

**A. Effective Date for Tier I and Tier II members.** The parties have agreed to change the cost of living adjustment (COLA) provisions of Tier I and Tier II to the provision outlined in subsection D. below effective for employees retiring on and after July 1, 1999. Employees who retire from July 1, 1997 through June 1, 1999 shall have the irrevocable choice of existing, applicable COLA formula or the revised formula presented below. The Retirement and Benefit Services Division shall develop a form which clearly explains the difference between the formulas. Each member retiring during the above window shall sign the

Division's form prior to the effective date of retirement selecting one COLA formula and waiving the other. The Retirement Commission shall not have authority to change the selection of any such member. In the event that a member fails to make a selection, the current three percent (3%) formula shall be utilized in determining the COLA adjustment for such member.

B. **Recertification.** As a result of the change in the formula utilized for Cost of Living Adjustments, utilizing a four percent (4%) C.P.I. assumption, the Plan's actuary shall recertify the amount of State Contribution required for the next fiscal year (1997-98).

C. **Tier IIA.** The Cost of Living Adjustment applicable to Tier IIA members shall be the formula outlined in subsection D below.

D. **Revised Cost of Living Formula.** The revised Cost of Living for employees eligible shall be a two and one half percent (2.5%) minimum with a six percent (6%) maximum. The determination of amounts in excess of the 2.5% guaranteed amount shall be calculated utilizing a formula wherein the total COLA increase shall be sixty percent (60%) of the increase in the CPI through six percent (6%) and seventy-five percent (75%) of the increase in the CPI over six percent (6%). In no event shall the COLA be less than 2.5% or greater than 6.0%. The CPI shall be defined as that utilized by the Social Security Administration on June 29, 1996.

#### VII. HAZARDOUS DUTY RETIREMENT GRANTED UNDER THE 1988 PENSION

**AGREEMENT.** Any classification which was granted inclusion in Hazardous Duty Retirement granted by the arbitrator under the specific terms of the 1988-1994 Pension Arbitration Award shall not be required to contribute at the hazardous duty rate for service prior to January 12, 1990. Additionally, the increase in contribution

rate for hazardous duty retirement under the terms of the 1988-1994 Pension Award shall be effective on January 12, 1990 for employees covered on that date. A hazardous duty contribution shall be required for all service performed in such classification after such date.

**VIII. LEAVES GRANTED UNDER SEBAC II.** Assuming appropriate documentation of said leave is received in the Retirement and Benefit Services division, any member who did not receive credit for leaves granted or agreed to under the terms of the SEBAC II agreement shall be granted such credit if required employee contributions are made.

**IX. TERM:** Unless specifically provided otherwise herein, the parties hereby agree that the State Employees Retirement System shall not be changed through June 30, 2017 unless mutually agreed by the parties, with the exception of the pension changes which the parties discussed and will resolve as a part of these negotiations. Such changes will be made a part of this agreement.

## **2. HEALTH CARE PROVISIONS**

I. The provisions of the current pension agreement regarding health insurance, as may have been modified by the Health Care Cost Containment Committee, shall be amended as necessary to provide the followings:

### **A. Initial Vendors**

If Blue Cross is willing to provide 3-tier, insured, blended rates as outlined in their letter to Steve Weinberger dated January 13, 1997, with corrections dated January 15, 1997, (relevant portions attached hereto), Blue Cross shall be the Vendor for the plans described as "Blue Cross" in paragraph B, below. If Blue Cross is unable or unwilling to provide coverage at the rates referred to in that

letter, the State has the right pursuant to part E, below, to select an alternate carrier with equivalent coverage. ("Coverage" refers to both benefits and access).

B. Employee Share

Notwithstanding any other provision of this agreement or any provision of the Connecticut General Statutes, the health insurance plans available, and the employee's share of health insurance costs under those plans, shall be as indicated below.

1. 7/1/97 - 6/30/99

The employee's monthly share of health insurance costs for the 7/1/97-6/30/99 period shall be dollar amount found in the following chart

Vendor/ Plan	Individual	One Plus One	Family	FLES
Blue Cross POS Pref	\$37.70	\$127.74	\$151.71	\$84.64
Blue Cross POS Adv	\$14.00	\$78.90	\$93.12	\$34.92
Blue Cross POE Adv	\$0.00	\$47.38	\$67.12	\$27.64
MD Health POE	\$0.00	\$47.38	\$67.12	\$27.64
Kaiser	\$0.00	\$0.00	\$0.00	\$0.00

a. 7/1/99-6/30/2017

After 6/30/99, the above employee's share will be increased in proportion to any increase in rates charged by a carrier for equivalent

coverage. Employees shall pay a premium share for individual coverage under "POE" plans as listed in the above chart if the POE rate paid by the State for individuals exceeds \$210 per month, in which case the individual employees will pay six percent (6%) of any increase above \$210 per month in total premium costs for such POE plans.

#### C. Retirees

##### 1. Employees retiring on or before June 1, 1999

The State will pay 100% of the health insurance premium for employees who retire on or before June 1, 1999, and their eligible dependents up to the cost of the Blue Cross POS Advantage plan, or a plan providing equivalent coverage as provided for by this agreement. If the retiree chooses a more expensive plan, such as the POS Preferred plan referenced in the Chart above, the Retiree will pay the difference between that plan's rates, and the POS Advantage rate for the form of coverage selected.

##### 2. Employees retiring after June 1, 1999

Until July 1, 2000, employees retiring after June 1, 1999 and their eligible dependents shall be treated as indicated in paragraph 1, above. Effective July 1, 2000, the State shall pay 100% of the the health insurance premium up to the cost of the Blue Cross Advantage POE plan, or a plan providing equivalent coverage as provided for by this agreement. If the retiree chooses the Blue Cross Advantage POS plan, or its equivalent, that retiree shall pay one third



(1/3) of the difference between the Advantage POS rate and the Advantage POE rate. If the retiree chooses a more expensive plan, such as the POS Preferred plan referenced in the Chart above, the Retiree will pay the full difference between that plan's rates, and the POS Advantage rate, for the form of coverage selected, in addition to the one-third difference between the Advantage POS and the Advantage POE rate.

### 3. Medicare Risk

All employees, retirees and dependents who are eligible for Medicare coverage ("Medicare eligibles") will be offered the "Medicare Risk" option (where a private insurer assumes the insurance risk currently assumed by Medicare) set forth by the federal government as soon as it is available. A Medicare eligible who has a "seamless" option of selecting Medicare risk — i.e. where it would not affect such person's pre-selection coverage — and nevertheless chooses not to select the seamless Medicare risk program, shall bear the additional cost caused by such refusal to select the Medicare risk program. The additional cost will be made known to each such person at each open enrollment opportunity.

## D. Special Circumstances

### 1. Out of Area

Neither employees nor retirees shall be required to bear additional costs from not choosing an option such as a POE, or POS Advantage, where such a program, or its equivalent, is not available in his/her geographic area.

#### E. Serious Health Conditions

Where an employee or retiree with a serious medical condition is restricted in his/her ability to select more affordable plans because his/her doctor is not in such plan's network or is not otherwise available through such plan, the State, by making arrangements with the doctor, or by allowing the employee/retiree to remain on his/her original plan, or through other equally appropriate means shall assure that the employee is able to continue such medical treatment without incurring additional costs.

#### F. Changes in Vendors

The State may select additional and/or alternative carriers to those indicated in the chart above by working through the Health Care Cost Containment Committee to seek additional and/or alternative carriers who will provide equivalent health insurance coverage to its employees. SEBAC does not have the ability to veto or to force to arbitration through the neutral chair the selection of any party to provide such health insurance coverage under the terms of this agreement. The State retains the ability to select and contract with any party to provide health insurance for its employees consistent with the terms of this agreement pursuant to C.G.S. §5-259. The State will negotiate with SEBAC over the implementation of any such coverage. Absent mutual agreement to the contrary, whenever health insurance is bid out, it will be on the basis of 3-tier, insured, blended rates.

### 3. GENERAL PROVISIONS

**I. EARLY RETIREMENT INCENTIVE PROGRAM:** Nothing in this Agreement shall preclude the parties from initiating interim bargaining on early retirement incentive programs and related issues.

**II. CODIFICATION:** The parties have agreed to submit the language of the Pension Agreement in statutory form to the Legislative Commissioner's Office for codification in the Connecticut General Statutes.

**III. DOMESTIC PARTNERS:** The issue of whether and how domestic partners should be covered by pension and welfare benefits shall be the subject of contract reopener negotiations and arbitration to begin on or about January 1, 1999. SEBAC shall contact the State thirty (30) days prior to the date it wishes to begin such negotiations.

**IV. PLACEMENT AND TRAINING FUND:** If the balance in the Placement and Training Fund falls below \$1.0 million, the Placement and Training Agreement which was negotiated between the parties as part of SEBAC III shall be subject to negotiations.

**V. ARP CASHABILITY RESTRICTIONS;** Any current restrictions contained in the plan on the ability of a member of ARP who has left state service to receive their ARP account shall be removed. This is not intended to change an Internal Revenue Service or other federal or state law which restricts the payout of this type of benefit.

**VI. REEMPLOYMENT RIGHTS OF EMPLOYEES WHO ELECT TO RETIRE AND RECEIVE A RETIREMENT BENEFIT TO AVOID LAYOFF OF A FELLOW EMPLOYEE.** Any employee who elects to retire and receive a retirement benefit

in order to avoid the layoff of a fellow employee shall have reemployment rights as provided in their contract, SEBAC III and under the Connecticut General Statutes, as if they had not elected to retire and receive a retirement benefit. Such employee shall be entitled to waive reemployment rights by signing a clear waiver of such rights and filing the same with either the Placement and Training Committee or his/her last employing agency.

**VII. INSURANCE COVERAGE AS A RESULT OF A VALID JOB SHARING AGREEMENT.** In the event two employees execute a valid job sharing agreement, the job sharing agreement shall not in any way adversely impact each employee's ability to qualify for medical insurance when he/she retires, unless the employee(s) and their collective bargaining representative expressly waive his/her right to medical insurance. Additionally, it shall not have any effect on an employee's ability to qualify for medical insurance as an active employee, unless the employee(s) and their collective bargaining representative expressly waive his/her right to medical insurance.

**VIII. RETIREE INSURANCE FOR EMPLOYEES HIRED ON AND AFTER JULY 1, 1997.** An employee who is hired on and after July 1, 1997 must have at least ten (10) years of actual state service to be eligible for insurance as a retiree. Such an employee who terminates state service and does not immediately begin to receive his/her pension shall be entitled to the same health insurance benefits as active employees receive at the time he/she begin to receive pension payments. Provided, however, laid off employees and employees who leave state service because there is not a fair assurance of continued employment shall be treated like employees who transition immediately into retirement and not as deferred vested employees.

**IX. INCREASE IN THE MONTHLY RETIREMENT BENEFITS OF CERTAIN FULL TIME EMPLOYEES.** Employees who were employed on a full time basis and who had twenty-five (25) [twenty (20) years of hazardous duty service for hazardous duty members] years of state service at the time of their retirement prior to June 1, 1997 whose monthly retirement benefit is less than \$900 per month at the time the Medicare Risk program is implemented may have their monthly benefit increased. The increase shall be implemented when the Medicare Risk program is implemented. The parties agree to have up to \$3.0 million from the Pension Fund allocated on a one time basis for the purpose of increasing such benefits. The \$3.0 million amount is designed to represent the entire cost of providing this benefit and not just the one year cost. The parties shall suggest one or more alternative formula to the Plan's actuary. The Plan's actuary shall calculate the amount of increase which can be provided to such retired employees and shall certify the amount to the parties. This increase as selected by the parties shall be available to such retired employees only and shall not increase the monthly amount of any such retired employee over \$900 per month.

**X. ACTUARIAL QUALIFICATION:** An actuarial trustee may either be a member of the Fellow of the Society of Actuaries or the Conference of Consulting Actuaries.

**XI. PURCHASE OF FURLOUGH TIME:** To the extent not already purchased, employees shall be permitted to purchase any furlough or temporary layoff time served as a result of the provisions of any SEBAC II agreement, the October Expense Reduction Plan or the Emergency Furlough days in July, 1991.

**XII. MISCELLANEOUS ISSUES:** The parties have had discussions regarding the following issues. Changes in these area will be implemented upon mutual

agreement of the parties:

- the offset of disability retirement benefits for outside employment under Tier II and IIA
- payment of a benefit during the pendency of certain disability retirement claims
- a method to simplify the calculation of service
- claims of mistake due to the October 1, 1985 deadline

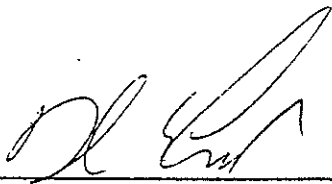
**XIII. PURCHASE OF RETIREE HEALTH INSURANCE FOR PART-TIME EMPLOYEES AND THE SPOUSES OF DECEASED RETIRED STATE**

**EMPLOYEES:** Part-time employees and the spouses <sup>and dependents</sup> of deceased retired state employees not otherwise eligible to receive retiree health insurance from the State shall have the right to purchase retiree health insurance under the COBRA plan. The rules applicable to the payment of the premium for such insurance shall be governed by the Retirement and Benefit Services Division.

**XIV. EFFECTIVE DATE:** Except as specifically otherwise provided herein, the provisions of this agreement apply to employees who leave employment with the State of Connecticut effective on and after July 1, 1997. Employees who terminated, died, retired or otherwise ceased to be employees of the State of Connecticut shall have their pension and welfare benefits determined on the basis of the plan provisions in effect at the time they ceased to be employed by the State of Connecticut. Changes in benefits and entitlements shall be effective July 1,

1997, except as specifically otherwise provided herein. The parties acknowledge that the benefits of retired employees may be altered only by mutual agreement of the parties.

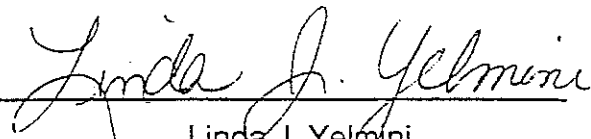
**XV. SUCCESSOR NEGOTIATIONS:** The provisions of the Pension Agreement or any general statute or public act or special act to the contrary notwithstanding, the State agrees to bargain with SEBAC over a successor to the Pension Agreement, on matters which are mandatory subjects of bargaining. Negotiations shall commence on or about September 1, 2016 and shall be conducted in accordance with the provisions of the State Employee Collective Bargaining Act in effect as of January 1, 1997, including, but not limited to the provisions of the Act concerning impasse resolution, mandatory subjects of bargaining, legislative approval of any agreement or arbitration award. In such negotiations, the negotiated changes in contributions for the unfunded accrued liability shall not be asserted by either party as a basis for reduction in pension benefits.



Daniel E. Livingston,  
Chief Negotiator

2/2/97

Date:



Linda J. Yelmini,  
Assistant Manger, Labor Relations

2/3/97

Date: