

MPSERS Retirement Reform – SB 1040

Summary of Changes between Senate and House

Section of Law - Provision	Senate S-1 Proposal	Senate S-2 Proposal	House H-1 Proposal	Conference Comm.
Sec. 3a - Definition of Compensation – Final Average Compensation	No changes in FAC definition (exclusions) or FAC cap were included	Beginning 7/1/2012, FAC would not include TSAs or longevity pay	No definition changes were included	
Sec. 4(12) – Definition of FAC	No changes in FAC definition (cap) included	Beginning 7/1/2012, FAC would be capped for new hires @ \$100,000 (cola)	Beginning 7/1/2012, FAC would be capped for new hires @ \$100,000 (cola)	
Sec. 8 – Defines Tier 1, 2 current employees; adds provision for Tier 3 DC	DC Plan not included	Makes reference to the Defined Contribution Plan created for new MPSERS employees > 7/1/2012	DC Plan not included	
Sec. 25 – Retirement Board rights and responsibilities	Cost study not included	Beginning 7/1/2012, requires a Health Care Cost Study	Cost study not included	
Sec. 26 – Department of Treasury responsibilities	No disclosure required	Adds disclosure requirements; notifications to eligible members and posting of 5-year estimated employer contribution rates	No disclosure required	
Sec. 41 – stipulates employer contribution rates; (17) defines COE functions 1xx, 2xx, 45x and objectives less 6xxx	Not amended	Not amended	Adds provision for Current Operating Expenditures (COE); sets payroll contribution @ 3.41% and COE @ 11.76%	
Sec. 41c – fixes payroll contribution rate	For 2012-13, sets the employer rate @ 24.46%	Requires that ORS calculate the rate 7/1/12	[rate noted above]; 'equivalent' to 24.46%	

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Sec. 43a, 43g, 84b – Existing and Proposed Employee Contributions; previous pension benefit / service and FAC calculated under previous stipulations Note: rate increases begin with first pay date after 10/1/2012	Basic¹ – (a) 4% (from 0) w/ 1.5% multiplier (b) 0% w/ 1.25% multiplier (c) 0% w/ 4% employer contribution to employee's 401k acct.	Basic¹ – (a) 5% (from 0) w/ 1.5% multiplier (b) 0% w/ 1.25% multiplier (c) 0% w/ 4% employer contribution to employee's 401k acct.	Basic¹ – (d) 4% (from 0) w/ 1.5% multiplier (e) 0% w/ 1.25% multiplier (f) 0% w/ 4% employer contribution to employee's 401k acct.	
	MIP¹ – (a) 7% (flat rate) w/ 1.5% multiplier (b) 3.9% to 4.3 – 6.4% w/ 1.25% multiplier (c) 0% w/ 4% employer contribution to employee's 401k acct.	MIP¹ – (a) 8% (flat rate) w/ 1.5% multiplier (b) 3.9% to 4.3 – 6.4% w/ 1.25% multiplier (c) 0% w/ 4% employer contribution to employee's 401k acct.	MIP¹ – (d) 7% (flat rate) w/ 1.5% multiplier (e) 3.9% to 4.3 – 6.4% w/ 1.25% multiplier (f) 0% w/ 4% employer contribution to employee's 401k acct.	
	Pension Plus¹ – continues at current rates 6%-9.4% plus 2% DC option	Pension Plus¹ – continues at current rates 6%-9.4% plus 2% DC option	Pension Plus¹ – continues at current rates 6%-9.4% plus 2% DC option	
Sec. 59 – member election period (notify ORS regarding plan options; contribution rates)	July 2 to August 31, 2012	July 31 to August 31, 2012	July 2 to August 31, 2012	
Sec. 81b – 2010 1.6% employee incentive	Amends amortization over 10 (vs. 5) years	Does not amend	Amends amortization over 10 (vs. 5) years	
Sec. 91 – Retiree Health Care subsidy	Beginning 1/1/2013, all current retirees eligible for retiree health, dental, vision, and hearing subsidy now pay at least 20% (vs. 10%) of premium cost	Beginning 1/1/2013, all current retirees eligible for retiree health, dental, vision, and hearing subsidy now pay at least 20% (vs. 10%) of premium cost	Beginning 1/1/2013, all current retirees eligible for retiree health, dental, vision, and hearing subsidy now pay at least 20% (vs. 10%) of premium cost	

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<p>Sec. 91a³ – Retiree Health Care Provision</p> <p>Note: this section does not apply to new MPSERS employee hired > 7/1/2012 or prior employee opting out (not in S-2 Proposal)</p>	Beginning 7/1/2012, no retiree health care will be provided; employees have option of contributing 1-1 match in 401-type plan; employer max = 2% ² ; new hires would not pay the 3% health contribution	Beginning 7/1/2012, no retiree health care will be provided; employees have option of contributing 1-1 match in 401-type plan; employer max = 2% ² ; new hires would not pay the 3% health contribution	Beginning 7/1/2012, no retiree health care will be provided; employees have option of contributing 1-1 match in 401-type plan; employer max = 2% ² ; new hires would not pay the 3% health contribution	
Sec. 92 – new provision for ORS implementation funding	Provides \$2M	Provides \$1M	Provides \$4.7M	
Sec. 120, 124, 131a and 151 – Creation of Tier 3 MPSERS DC Plan	Not Included	Beginning 1/1/2013, all new MPSERS hires will be enrolled in a DC plan w/ a 4% employer contribution plus a 1-1 match contribution up to 3% for employer max of 7%	Not Included	
Sec. 120, 124, 131a and 151 – Creation of Tier 3 MPSERS DC Plan	Not Included	Beginning 7/1/2013, all Tier 2 active employees defaulting to DC plan convert to Tier 3	Not Included	

¹ These contributions rates would also include the 3% employee contribution into the Health Care Trust Fund (under Sec. 43e); while 43e is used currently to fund future health care obligations, under SB 1040 H-1 (House Approps), that revenue would be used for pre-funding (employee's individual contributions would be "guaranteed").

² Employees may contribute more than 2% up to IRS rule allowances.

³ Employees contributing in the 401-type DC Plan under this section would have their contributions accounted for separately. These individuals hired as new MPSERS employees after 7/1/2012 would not contribute the 3% under Sec. 43e.