

The following is an explanation of each section of the re-written H.403:

Section 1. Defines “normal retirement date” for group F members first included in the membership of the system (newly hired) on or after July 1, 2008 as age 65 or a combination of years and service to equal 87, whichever is earlier.

Section 2. Defines how benefits will be calculated for the newly hired group F members in retirement, increases the maximum benefit available to newly hired group F member to 60% of average final compensation, and provides for a sliding scale for early retirement penalties based on years of service at retirement.

Section 3. Provides for a cost-of-living adjustment (COLA) for group F members who are active, contributing members on June 30, 2008 and retire on or after July 1, 2008 that will be equal to the increase or decrease in the Consumer Price Index for the previous June 30th. The full COLA for eligible group F retirees will not begin until January 1, 2014.

Section 4. Increases the group F active member contribution rate by 1.75% to partially pay for the increased liability for the full group F COLA. The group F contribution rate will decrease by .25% beginning in July of 2019.

Section 5. Provides for language that allows the additional unfunded liability that will be created by the implementation of the full COLA to be separately amortized over a 30 year period. Amortizing this unfunded liability separately from the remaining unfunded liability of the entire system is what allows the savings from this comprehensive proposal to be realized immediately.

Section 6. Defines what newly hired group F members will pay towards their medical insurance after they retire. The new tiered approach for medical subsidy is based on years of service of the member at retirement, and allows members with more years of service to receive a higher medical subsidy in retirement. Provides for the ability for a newly hired group F member who terminates after accruing 20 years of service to be able to “recapture” medical insurance at retirement.

Sections 6 & 7. Increases the life insurance payable to retired members to \$10,0000 (from the current \$5,000).

