

HOUSE No.

The Commonwealth of Massachusetts

PRESENTED BY:

James J. Lyons, Jr.

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act providing retiree healthcare benefits reform.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>James J. Lyons, Jr.</i>	<i>18th Essex</i>	<i>9/10/2015</i>
<i>Frank A. Moran</i>	<i>17th Essex</i>	<i>9/14/2015</i>

HOUSE No.

By Mr. Lyons of Andover, a petition (subject to Joint Rule 12) of James J. Lyons, Jr. and Frank A. Moran for legislation to further regulate retiree healthcare benefits. Public Service.

The Commonwealth of Massachusetts

**In the One Hundred and Eighty-Ninth General Court
(2015-2016)**

An Act providing retiree healthcare benefits reform.

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

1 SECTION 1. Section 2 of chapter 32A of the General Laws, as amended by section 34 of
2 chapter 224 of the acts of 2012, is hereby further amended by adding the following
3 subsection:-
4 (j) “Qualified retiree,” a person who was an employee after January 1, 1956, is receiving
5 a retirement allowance from a system, as defined in section 1 of chapter 32 and who is
6 eligible
7 for contributions to group health care coverage under this chapter, including retirees
8 receiving a
9 retirement allowance from the optional retirement plans of participating retirees under
10 section 40

11 of chapter 15A, but excluding retirees receiving a retirement allowance from any plan
12 designed

13 specifically to comply with the federal Omnibus Budget Reconciliation Act of 1990 (P.L.
14 101-
15 508), as amended.

16 (1) An individual who receives a superannuation retirement from a position classified as
17 Group 1 under section 3 of chapter 32 shall not be a qualified retiree unless the individual
18 is at

19 least 60 years old. An individual who receives a superannuation retirement from a
20 position

21 classified as Group 2 under section 3 of chapter 32 shall not be a qualified retiree unless
22 the

23 individual is at least 55 years old. An individual who receives a superannuation
24 retirement from a

25 position classified as Group 3 under section 3 of chapter 32 shall not be a qualified retiree
26 unless

27 the individual is at least 50 years old. An individual who receives a superannuation
28 retirement

29 from a position classified as Group 4 under section 3 of chapter 32 shall not be a
30 qualified retiree

31 unless the individual is at least 50 years old. In addition, a retired employee shall not be a
32
33 qualified retiree for purposes of this chapter unless the retired employee has received a
34 minimum
35 of 20 years of creditable service.

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

44 (3) The requirements of subparagraphs (1) and (2) of this definition shall not apply to (a)
45 individuals who retired before July 1, 2013; (b) employees and former employees who,
46 on July
47 1, 2013, are within 5 years of eligibility for superannuation retirement under chapter 32
48 and have

49 received a minimum of 20 years of creditable service; (c) employees and former
50 employees
51 who, on July 1, 2013, are within 5 years of eligibility for Medicare and have received a
52 minimum
53 of 9 years of creditable service; (d) individuals who are members of the teachers
54 retirement
55 system or the State-Boston retirement system who participate in the alternative
56 superannuation
57 retirement benefit program established under subsection 4 of section 5 of chapter 32 and
58 are at
59 least 57 years old and eligible for a retirement benefit of 80 per cent; (e) individuals
60 receiving an
61 accidental disability retirement under section 7 of chapter 32; or (f) individuals receiving
62 an
63 ordinary disability retirement under section 6 until access to healthcare benefits through a
64 Health
65 Insurance Exchange becomes available to qualified individuals under the Patient
66 Protection and
67 Affordable Care Act, Public Law 111-148. Individuals in these categories, upon
68 retirement,

69 shall be considered qualified employees for purposes of this chapter.

70 SECTION 2. Section 8 of said chapter 32A, as appearing in the 2010 Official Edition, is

71 hereby amended by striking out the first paragraph and inserting in place thereof the

72 following 4

73 paragraphs:-

74 For policies of group life insurance and accidental death and dismemberment insurance,

75 and group health insurance purchased by the commission in accordance with sections 4, 5

76 and

77 10C, the commonwealth, on behalf of active employees and their dependents shall

78 contribute not

79 less than 75 per cent of the total monthly premium or rate applicable to said coverages.

80 For policies of group life insurance and accidental death and dismemberment insurance,

81 and group health insurance purchased by the commission in accordance with sections 4, 5

82 and

83 10C, the commonwealth, on behalf of qualified retirees and their dependents, shall

84 contribute not

85 less than 50 per cent of the total monthly premium or rate applicable to said coverages

86 and the

87 qualified retirees on behalf of themselves or themselves and their dependents shall
88 contribute the
89 remaining 50 per cent of the total monthly premium or rate. For purposes of this section,
90 “maximum available benefit” shall mean the percentage of the total monthly premium or
91 rate
92 paid by the commonwealth to qualified retirees with a minimum of 30 years of creditable
93
94 service. The commonwealth shall contribute an increased amount of the total monthly
95 premium
96 or applicable rate according to the following schedule:
97 (a) Qualified retirees with a minimum of 20 years of creditable service shall be eligible to
98 receive a minimum of 50 per cent of the total monthly premium or applicable rate.
99 (b) Qualified retirees with a minimum of 23 years of creditable service shall be eligible to
100 receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus
101 $\frac{1}{3}$ of the
102 difference between 50 per cent and the maximum available benefit.
103 (c) Qualified retirees with a minimum of 27 years of creditable service shall be eligible to
104 receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus
105 $\frac{2}{3}$ of the

106 difference between 50 per cent and the maximum available benefit.

107 (d) Individuals receiving an ordinary disability retirement under section 6 of chapter 32

108 who have received a minimum of 10 years of creditable service shall be eligible to

109 receive a

110 minimum of 50 per cent of the total monthly premium or applicable rate.

111 (e) Notwithstanding clauses (a) through (d), qualified retirees who are not subject to the

112 requirements of subparagraphs (1) and (2) of subsection section (j) of section 2 shall be

113 eligible

114 to receive the maximum available benefit.

115 An employee who retires after July 1, 2013 and is not a qualified retiree shall be eligible

116 to receive 50 per cent of the total monthly premium or applicable rate if, by July 1, 2013,

117 the

118 employee: (i) is at least 50 years old and has completed 15 years of creditable service, or

119 (ii) is at

120 least 55 years old and has completed at least 10 years of creditable service.

121 The active and retired employees on behalf of themselves or themselves and their

122 dependents shall contribute the remaining share of the total monthly premium or rate,

123 except,

124 that upon approval by way of an annual, or more frequent appropriation act, the
125 commonwealth
126 may contribute more than the percentage indicated above, but less than the entire total
127 monthly
128 premium or rate. Each appropriation act as may be applicable, shall provide the necessary
129 sum
130 based upon the estimated monthly cost as required by section 4 and shall describe the
131 ratio of
132 contribution to be paid by the commonwealth and by the active and retired employees
133 insured
134 under the aforesaid sections. The description of the ratio may include a condition that if,
135 as a
136 result of a change in the total monthly premium or rate which occurs during the current or
137 ensuing fiscal year from a change in a contract between the commission and the
138 insurance carrier
139 or carriers, the amount of the contribution paid by the active and retired employee and
140 dependents is to remain unchanged and the difference in the amount thus paid and the
141 total
142 monthly premium or rate as changed is to be added to, or deducted from as the case may
143 be, the

144 contribution by the commonwealth. This ratio shall continue until changed by a
145 subsequent

146 appropriation act, and the aforesaid sum shall also include the commonwealth's
147 contribution of

148

149 the total monthly premium or rate required for coverages contained in other sections of
150 this

151 chapter.

152 SECTION 3. The second paragraph of said section 8 of said chapter 32A, as so

153 appearing, is hereby amended by striking out the second sentence and inserting in place
154 thereof

155 the following sentence:- With respect to any period of insurance authorized by this
156 chapter which

157 is in effect for a qualified retiree and dependent, there shall be withheld from each
158 payment of

159 pension or retirement allowance not more than 50 per cent of the aforesaid total monthly

160 premium, or there shall be withheld a lesser amount as provided in this section and the
161 most

162 recent applicable appropriation act.

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

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

181 SECTION 6. Section 11 of said chapter 32A, as so appearing, is hereby amended by

182 striking out, in lines 13 to 14, the words “contributes, pursuant to section eight, on behalf
183 of
184 retired employees,” and inserting in place thereof the following words:- had contributed
185 on
186 behalf of the deceased employee or retiree as of the date of death, but for the surviving
187 spouse of
188 an employee or retired employee who died before July 1, 2013, the commonwealth shall
189 contribute 90 per cent of the cost of the monthly premium or rate applicable to the
190 coverage.

191 Contributions by the commonwealth under this section shall be.

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

194 Notwithstanding the first paragraph of this section, for retired teachers who are qualified
195 retirees as defined in section 2 of chapter 32B, the commission shall determine a schedule
196 of
197 contribution ratios consistent with section 5 of chapter 32B. Notwithstanding the first
198 paragraph
199 of this section, a retired teacher who is not a qualified retiree as defined in section 2 of
200 chapter

201 32B may continue all insurance coverage to which the retiree is entitled under this section
202 if the
203 retiree files an application therefor with the commission, and makes payment for the total
204 monthly premium or rate applicable to the coverage to the commission in such manner as
205 it may
206 prescribe.

207

208 SECTION 8. Section 2 of chapter 32B of the General Laws, as amended by section 1 of
209 chapter 69 of the acts of 2011, is hereby further amended by inserting after the definition
210 of

211 “political subdivision” the following definition:-

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

214 (1) An individual who receives a superannuation retirement from a position classified as

215 Group 1 under section 3 of chapter 32 shall not be a qualified retiree unless the individual
216 is at

217 least 60 years old. An individual who receives a superannuation retirement from a
218 position

219 classified as Group 2 under section 3 of chapter 32 shall not be a qualified retiree unless
220 the

221 individual is at least 55 years old. An individual who receives a superannuation
222 retirement from

223 a position classified as Group 4 under section 3 of chapter 32 shall not be a qualified
224 retiree

225 unless the individual is at least 50 years old. In addition, a retired employee shall not be a
226 qualified retiree for purposes of this chapter unless the retired employee has received a
227 minimum

228 of 20 years of creditable service.

229 (2) A retired employee shall not be considered a qualified retiree unless the individual
230 was employed by the employer at the time of retirement, but this requirement shall not
231 apply to

232 retired employees with at least 25 years of creditable service if they apply for retirement
233 within 5

234 years after leaving public employment or to retired employees with at least 20 years of
235 creditable

236 service if they are enrolled in Medicare parts A and B.

237 (3) The requirements of subparagraphs (1) and (2) of this definition shall not apply to (a)

238 individuals who retired before July 1, 2013; (b) employees and former employees who,
239 on July
240 1, 2013, are within 5 years of eligibility for superannuation retirement under chapter 32
241 and have
242 received a minimum of 20 years of creditable service; (c) employees and former
243 employees
244 who, on July 1, 2013, are within 5 years of eligibility for Medicare and have received a
245 minimum
246 of 9 years of creditable service; (d) individuals who are members of the teachers
247 retirement
248 system or the State-Boston retirement system who participate in the alternative
249 superannuation
250 retirement benefit program established under subsection 4 of section 5 of chapter 32 and
251 are at
252 least 57 years old and eligible for a retirement benefit of 80 per cent; (e) individuals
253 receiving an
254 accidental disability retirement under section 7 of chapter 32 or (f) individuals receiving
255 an
256 ordinary disability retirement under section 6 until access to healthcare benefits through a
257 Health

258 Insurance Exchange becomes available to qualified individuals under the Patient
259 Protection and

260 Affordable Care Act, Public Law 111-148. Individuals in these categories, upon
261 retirement,

262 shall be considered qualified employees for purposes of this chapter.

263 SECTION 9. Section 7 of said chapter 32B, as so appearing, is hereby amended by

264 striking out, in line 2, the words “or retired employee” and inserting in place thereof the

265 following words:- employee or qualified retiree.

266

267 SECTION 10. Section 9 of said chapter 32B, as appearing in the 2010 Official Edition,

268 is hereby amended by inserting, after the first paragraph, the following 3 paragraphs:-

269 Notwithstanding the first paragraph of this section, for policies of group health insurance

270 purchased by the appropriate public authority in accordance with this chapter, the

271 governmental

272 unit, on behalf of qualified retirees and their dependents, shall contribute no less than 50

273 per cent

274 of the total monthly premium or rate applicable to said insurance coverage and the

275 qualified

276 retirees on behalf of themselves or themselves and their dependents shall contribute the

277 remaining 50 per cent of the total monthly premium or rate. For purposes of this section,
278 “maximum available benefit” shall mean the percentage of the total monthly premium or
279 rate
280 paid by the governmental unit to qualified retirees with a minimum of 30 years of
281 creditable
282 service. The governmental unit shall contribute an increased amount of the total monthly
283 premium or applicable rate according to the following schedule:
284 (a) Qualified retirees with a minimum of 20 years of creditable service shall be eligible to
285 receive a minimum of 50 per cent of the total monthly premium or applicable rate.
286 (b) Qualified retirees with a minimum of 23 years of creditable service shall be eligible to
287 receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus
288 $\frac{1}{3}$ of the
289 difference between 50 per cent and the maximum available benefit.
290 (c) Qualified retirees with a minimum of 27 years of creditable service shall be eligible to
291 receive a minimum of 50 per cent of the total monthly premium or applicable rate, plus
292 $\frac{2}{3}$ of the
293 difference between 50 per cent and the maximum available benefit.
294 (d) Individuals receiving an ordinary disability retirement under section 6 of chapter 32

295 who have received a minimum of 10 years of creditable service shall be eligible to
296 receive a
297 minimum of 50 per cent of the total monthly premium or applicable rate.

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

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

304 employee: (i) is at least 50 years old and has completed 15 years of creditable service, or
305 (ii) is at
306 least 55 years old and has completed at least 10 years of creditable service.

307 A governmental unit shall not reduce the percentage of its contribution to premiums of
308 qualified retirees from the percentage contributed on January 1, 2013 before January 1,
309 2016, but

310 the governmental unit may implement changes in contribution percentage adopted before
311 January 1, 2013. Reductions in contribution percentage for qualified retirees made after
312 January

313

314 1, 2016 shall not apply to individuals who retire before the change in contribution
315 percentage
316 takes effect.

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

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

323 Section 9B. Upon the death of an employee or a qualified retiree, the surviving spouse
324 may continue the group general or blanket insurance coverage for himself or his
325 dependents

326 providing hospital, surgical, medical, dental and other health benefits, until the
327 remarriage or

328 death of the surviving spouse; provided, that application for this insurance coverage shall
329 be filed

330 with the appropriate public authority and a method for the payment of premiums shall be
331 determined in accordance with its rules and regulations. For the surviving spouse of an

332 employee or qualified retiree who dies after July 1, 2013, the governmental unit shall
333 contribute
334 not less than 50 per cent of the cost of the premiums, and the surviving spouse shall pay
335 the
336 remaining cost. A surviving spouse who is enrolled in a governmental unit's insurance
337 coverage
338 on January 1, 2013 and is contributing a portion of the premium in excess of 50 per cent
339 shall
340 have the surviving spouse's share of the premium contribution reduced to no more than
341 50 per
342 cent. A surviving spouse who is enrolled in a governmental unit's insurance coverage on
343 January 1, 2013 and is contributing less than 50 per cent of the premium shall continue to
344 contribute the same per cent of the premium.

345 SECTION 13. Section 9C of said chapter 32B, as so appearing, is hereby amended by
346 striking out the second paragraph and inserting in place thereof the following paragraph:-
347 For the surviving spouse of an employee or qualified retiree who dies after July 1, 2013,
348 the governmental unit shall contribute not less than 50 per cent of the cost of the
349 premiums, and

350 the surviving spouse shall pay the remaining cost. A surviving spouse who is enrolled in
351 a
352 governmental unit's insurance coverage on July 1, 2013 and is contributing a portion of
353 the
354 premium in excess of 50 per cent shall have the surviving spouse's share of the premium
355 contribution reduced to no more than 50 per cent. A surviving spouse who is enrolled in
356 a
357 governmental unit's insurance coverage on July 1, 2013 and is contributing less than 50
358 per cent
359 of the premium shall continue to contribute the same per cent of the premium.

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

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

365
366 SECTION 16. Said section 9D1/2 of said chapter 32B, as so appearing, is hereby further
367 amended by striking out, in lines 13 to 14, the words "or retired employee" and inserting
368 in place

369 thereof the following words:- employee or qualified retiree.

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

373 the following words:- qualified retiree.

374 SECTION 18. Section 9G of said chapter 32B, as so appearing, is hereby amended by
375 striking out the second paragraph and inserting in place thereof the following paragraph:-
376 For the surviving spouse of an employee or qualified retiree who dies after July 1, 2013,
377 the governmental unit shall contribute not less than 50 per cent of the cost of the
378 premiums, and

379 the surviving spouse shall pay the remaining cost. A surviving spouse who is enrolled in
380 a
381 governmental unit’s insurance coverage on January 1, 2013 and is contributing a portion
382 of the

383 premium in excess of 50 per cent shall have the surviving spouse’s share of the premium
384 contribution reduced to no more than 50 per cent. A surviving spouse who is enrolled in
385 a
386 governmental unit’s insurance coverage on January 1, 2013 and is contributing less than
387 50 per

388 cent of the premium shall continue to contribute the same per cent of the premium.

389 SECTION 19. Notwithstanding any general or special law to the contrary, an appropriate

390 public authority that changes its contribution percentages to retiree group health care

391 coverage

392 under this act shall delay implementation of these changes as to those retirees whose

393 contribution

394 level is specifically included in a special act that is in effect on the date of

395 implementation of

396 these changes until the term stated in that act has ended.

397 SECTION 20. The executive office for administration and finance, in consultation with

398 the division of local services in the department of revenue, the group insurance

399 commission and

400 the public employee retirement administration commission, shall establish a process to

401 monitor

402 the continuing fiscal sustainability of state and local retiree health care benefits. The

403 process

404 shall include (a) periodic analysis of the rate of growth of retiree health care benefit costs

405 and

406 liabilities and metrics for the sustainable rate of growth in public sector revenue available
407 to pay
408 for these benefits based on pre-determined information to be supplied by state and local
409 governments on a regular basis to the division of local services and the public employee
410 retirement administration commission , (b) a mechanism developed by the executive
411 office for
412 administration and finance for determining whether the retiree health benefit costs or
413 liabilities
414 are growing faster than sustainable rates of growth, and (c) a process for notifying local
415 government officials and legislators if the level of spending is determined to be
416 unsustainable
417 and for the executive director of the Group Insurance Commission to identify additional
418 cost
419 saving strategies that would cause the rate of growth for the costs of these benefits and
420 the
421 liability for these benefits to meet benchmarks for sustainability.