Summary of An Act Providing Retiree Healthcare Benefits Reform
House Bill 59
Massachusetts Municipal Association
February 2013

On February 12, 2013, Governor Patrick filed legislation to reform the system for providing retiree health insurance. This legislation stems from recommendations from the Special Commission to Study Other Post Employment Benefits (OPEBs) created in Chapter 176 of the Acts of 2011; the third round of pension reform. The Commission filed their completed report on December 20, 2012. The legislation has been referred to the Joint Committee on Public Service.

Highlights of recommended changes

Minimum age for eligibility: Increased by 5 years	• Group 1: age 60 • Group 2: age 55 • Group 4: age 50
Minimum years of service for eligibility	• 20 years of service
Grandfathering provisions (changes DO NOT apply): to protect employees close to retirement and those on disability pensions	• Individuals retired before July 1, 2013 • Employees with 20 years of service and within 5 years of retirement (age 50 for Group 1) • Employees with nine years of service within 5 years of Medicare eligibility (age 60) • Teachers enrolled in Retirement Plus who have reached the statutory maximum of 80 percent of their pension could retire at age 57 • Employees receiving an accidental disability retirement and employees receiving an ordinary disability retirement (until eligible for insurance under the health insurance exchange under the ACA)
Phase-in provisions	• Employees who are age 50 with 15 years of service would be eligible to receive a 50% premium contribution • Employees who are age 55 with 10 years of service would be eligible to receive a 50% premium contribution
Pro-rating: to reward employees with longer years of service	• 20 years of service: 50% premium contribution

	• 23 years of service: one-third the difference between 50% and the Maximum Available Benefit (MAB) • 27 years of service: two-thirds the difference between 50% and the MAB • 30 years of service: MAB
Continuous Service: if an employee is not working for the state or municipality at the time of retirement, they are still eligible for health insurance if:	• Employee has at least 25 years of service and applies within 5 years of leaving public employment • Employee has at least 20 years of service and is enrolled in Medicare Parts A&B
Surviving spouses: covered at 50%	• Survivors currently on the municipal plan paying 100% of their premium • New survivors as of date of enactment
Moratorium: 3 years	• Municipality cannot change percentage contribution rates in effect from January 1, 2013 to before January 1, 2016
Permanent freeze	• Once an employee has retired, their contribution rate can never be changed
NOT Local option	• The changes recommended in this legislation would not be local option. Communities that do not currently offer retiree health insurance but have accepted any part of 32B would be required to offer retiree health insurance at at least 50%

OPEB Commission suggested best practices:

- Municipalities adopt the Commonwealth's definition of creditable service providing pro-rated credit for part time service based on hours /week worked (i.e.: 20 hours/week = 6 months of service)
- Municipalities periodically competitively procure health coverage
- Changes to Chapter 32B, Section 9A1/2 to make it easier for municipalities to charge back other municipalities for a portion of a retiree's health insurance
- Changes to make the State Retirement Benefits Trust Fund more accessible for municipalities choosing to pre-fund