MEMORANDUM OF AGREEMENT

This Agreement is made by and between the State Employees Bargaining Agent Coalition ("SEBAC"), including each of its member unions that is designated as an exclusive bargaining representative under the State Employee Collective Bargaining Act, Conn. Gen. Stat. §5-270 et seq. (the "Act"), and the State of Connecticut, its executive and judicial branches, including all subdivisions thereof which bargain as separate employers under the Act (the "State").

I. Pension Funding

a. The parties agree that as of the June 30, 1995 actuarial valuation, the actuarial value of assets shall be reset to the market value of assets with a phase-in to the five year average asset method over the ensuing four years. The increase in asset value as a result of this restart of the asset valuation method will reduce the unfunded accrued liability. This reduction shall be funded over 36 years based on the level percentage of payroll amortization method and present period. This reduction in funding shall be used to reduce the level of contribution otherwise resulting from the June 30, 1995 valuation (and future valuations) and the funding policy now in place pursuant to the existing agreements between the parties. The initial year’s reduction in contribution shall apply to 1996-1997.

b. The employer’s contributions to the State Employees Retirement System ("SERS") for unfunded accrued liability shall be as follows for the next four fiscal years:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>All Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>$152,000,000*</td>
</tr>
<tr>
<td>1997-98</td>
<td>$164,150,000*</td>
</tr>
</tbody>
</table>

* These amounts are calculated on the level percentage of payroll funding method to determine the contribution toward the unfunded accrued liability reduced by the savings determined under paragraph I-a above.

The level percentage of payroll funding method shall be continued for the 1998-99 and 1999-2000 fiscal years. However, the contribution toward the unfunded accrued liability shall be not more than $100,000,000 for 1998-1999 and not more than $70,000,000 for 1999-2000 lower than the amount that would be calculated utilizing the level dollar funding method provide in Conn. Gen. Stat. §5-156a. These amounts shall be in addition to the amounts calculated from the resetting of assets outlined in paragraph I-a above.
II. Pension Protection

The parties agree that the Pension Protection provisions of the SEBAC II agreement between the parties is hereby continued in full force and effect. The parties will continue their practice regarding employee contributions which may be due under this provision.

III. Pension Grievance and Arbitration Award

a. SEBAC hereby withdraws with prejudice the pending grievance filed with the Pension Grievance Committee regarding the nonpayment of the contribution toward the Cost of Living for retirees. Such withdrawal does not reflect on either parties' position regarding the merits of the issue.

b. The litigation concerning PA 92-226 shall be withdrawn and SEBAC agrees not to enforce the arbitrator's award against the State or to otherwise challenge PA 92-226.

IV. Health Care Issues

a. The Health Care Cost Containment Committee (HCCCC) shall create a managed care program for the present dental insurance benefits. The program shall be effective as soon as possible.

b. The offer of the current health care vendors to extend the current medical insurance program on an insured basis based on the rates they charged the State in effect for 1995-96 through June 30, 1999 shall be accepted, unless a superior alternative is mutually agreed by the HCCCC.

c. Any savings generated by the HCCCC shall inure to the benefit of the State.

V. Statutory Revision

The provisions of the pension agreement between SEBAC and the State and any and all revisions thereto shall be codified into state law.

VI. Term and Successor Negotiations

a. Except as modified by this agreement, or any interim agreement, or the reopener arbitration, the current Pension Agreement between SEBAC and the State is extended until June 30, 2000.

b. There shall be a reopener effective July 1, 1997 and any changes to the Pension Agreement made as a result of the reopener negotiations will not be effective any earlier than such date. The reopener shall not deal with funding of the SERS.
Additionally, the reopener shall not deal with health insurance rates charged by providers prior to July 1, 1999.

c. Reopener negotiations shall commence no later than January 31, 1996 and arbitration, if necessary, shall commence no later than October 1, 1996.

d. In the reopener, the parties will negotiate and arbitrate, if necessary, over the subjects of bargaining that were or could have been bargained under the 1988-1994 Pension Agreement. Any arbitration of reopener issues shall take place under the same procedures that governed the 1988-1994 Pension Agreement. The Ground Rule, first executed in February 1994 shall govern the negotiations and arbitration of the reopener.

VII. Continuing Negotiations

The current pension negotiations shall continue for purposes of exchanging such demands as the parties believe might be subject to mutual agreement. However, such negotiations shall not be subject to arbitration and shall result in changes to the Pension Agreement only by mutual agreement.

VIII. General Provisions

a. Those provisions of this Agreement that modify the Pension Agreement between the State and SEBAC are subject to ratification by SEBAC.

b. This Agreement is subject to ratification by the General Assembly.

c. This Agreement replaces the Memorandum of Agreement between the parties dated May 21, 1995.
SUPERSEDENCE APPENDIX

SEBAC IV

MEMORANDUM OF AGREEMENT

Connecticut General Statute

§5-156a