

PEMHCA Retiree Health Rules

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Agenda

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PEMHCA Retiree Health Rules

- Exceptions to “*equal*” (“The employer contribution shall be an amount *equal* for both employees and annuitants.....”):
 - Unequal Method:
 - Pay lower amount (phase-in) to annuitants during first 20 years
 - State 100/90 Vesting Method (available to agencies):
 - Eliminates payments for short service annuitants
 - Cafeteria Plan:
 - Pay active employees more than annuitants through a cafeteria plan

§ 22892(c) - Unequal Method (AB2544)

- \$1 in first year
- Minimum of 5% times # years of Agency's PEMHCA participation limited to \$100 maximum monthly increase

- Example 1 (10 years of participation or 50%):

	Active	Annuitant	
□	\$200	\$ 100.00	[50% x 200]

- Example 2 (10 years of participation or 50%):

	Year	Active	Annuitant	
□	9	\$1,000	\$ 450.00	
□	10	\$1,500	\$550.00	[50% x 1,500 > 450 + 100]

- \$100 will likely be changed to increase with healthcare costs at some point

- Gets to 100% after 20 years

Comparison: 20-Year Projection

Year	PEMHCA Minimum*	PEMHCA Minimum Unequal Method
2012	\$ 112.00	\$ 1.00
2013	115.00	5.75
2017	137.14	34.28
2022	170.90	85.45
2027	212.97	159.73
2032	265.40	265.40

* PEMHCA minimum projected at 4.5% per year after 2013.

§ 22893 - State 100/90 Vesting

■ Vesting Schedule:

<u>Service</u>	<u>Vesting</u>
< 10	0%
10	50%
11	55%
↓	↓
≥ 20	100%

■ Service:

- Based on all CalPERS Service
 - Minimum 5 years with adopting Agency
- 100% vested if Disability retirement
- 20 years with adopting Agency, then do not need to retire directly from Agency (Benefit will be paid upon actual retirement at a later time.)

§ 22893 - State 100/90 Vesting

- Minimum Benefit Vesting Applies to:
 - Single premium: 100% of weighted average of 4 PEMHCA plans with highest enrollment (= \$566 in 2012, \$622.00 in 2013)
 - 2-Party premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,074 in 2012, \$1,183.00 in 2013)
 - Family premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,382 in 2012, \$1,515.00 in 2013)
 - If Agency adopts State 100/90 Vesting after entering into a PEMHCA contract:
 - Prospective:
 - Employees hired after date becomes available
 - Can be optional for employees hired earlier
 - May not save much, if any!
 - Must be bargained

Cafeteria Plan

- Establish Cafeteria Plan for actives
 - Specify portion of credits that apply to medical:
 - Referred to as “Active Medical”
 - Can’t be less than PEMHCA minimum

- Annuitants:
 - Can not participate in Cafeteria Plan
 - “Equal” becomes amount specified as Active Medical
 - Unequal method can be used, based on amount specified as Active Medical

Cafeteria Plan

- Plan Design:
 - Flexible – just can't be less than Active Medical
 - Active Medical
 - Paid through PEMHCA
 - Subject to PEMHCA rules
 - Amounts > Active Medical paid outside of PEMHCA
- Consult with tax attorney!
 - Amounts paid outside of PEMHCA
- Not in the PERL!

References

- California Government Code (PERL)

http://www.leginfo.ca.gov/.html/gov_table_of_contents.html

- **Managing Your PEMHCA Contributions**

CalPERS Educational Forum presentation 11/14/2012 by Terri McIntyre, Katrina Rossow, Public Agency & Schools Section Health Account Services Division, slides 20 +

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<http://www.calpers.ca.gov/eip-docs/about/managing-pemhca-contributions.ppt>