

# PEMHCA Retiree Health Rules

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# PEMHCA Retiree Health Rules

- § 22892(b)(1):
  - “The employer contribution shall be an amount *equal* for both employees and annuitants.....”
- Minimum employer contribution:
  - 2017                                 \$ 128.00
  - 2018                                 133.00
  - 2019+                               Increased by CalPERS Board (by CPI medical)
- Retire directly (within 120 days of separation) from Agency:
  - Receive a (service or disability) retirement benefit
- Survivor benefit:
  - Only if annuitant elects retirement plan survivor annuity



# 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	<b>\$ 100.00</b>	[50%x200]
  - Example 2 (10 years of participation or 50%):
 

	Year	Active	Annuitant	
□	9	\$1,000	\$ 450.00	
□	10	\$1,500	<b>\$550.00</b>	[50%x1,500>450+100]
  - \$100 will likely be changed to increase with healthcare costs at some point
- Gets to 100% after 20 years

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## Comparison: 20-Year Projection

Year	PEMHCA Minimum*	PEMHCA Minimum Unequal Method
2017	\$ 128.00	\$ 1.00
2018	133.00	6.65
2022	157.09	39.27
2027	193.44	96.72
2032	238.19	178.64
2037	293.29	293.29

\* PEMHCA minimum projected at 4.25% per year after 2018.

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## § 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 (= \$707.00 in 2017, \$725.00 in 2018)
- 2-Party premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,349 in 2017, \$1,377.00 in 2018)
- Family premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,727 in 2017, \$1,766.00 in 2018)
- 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!



# Links

## ■ California Public Employees' Retirement Law (PERL) PEMHCA provisions:

- California Government Codes (G.C.): Title 2, Division 5, Part 5, Sections 22750 – 22948  
[http://leginfo.legislature.ca.gov/faces/codes\\_displayexpandedbranch.xhtml?tocCode=GOV&division=5.&title=2.&part=5.&chapter=&article](http://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=GOV&division=5.&title=2.&part=5.&chapter=&article)
- California Code of Regulations (CCR): Title 2, Division 1, Chapter 2, Subchapter 3, Sections 599.500 – 599.518  
[https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I602F9830D48E11DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=\(sc.Default\)](https://govt.westlaw.com/calregs/Browse/Home/California/CaliforniaCodeofRegulations?guid=I602F9830D48E11DEBC02831C6D6C108E&originationContext=documenttoc&transitionType=Default&contextData=(sc.Default))

## ■ 2017 Public Agency & School Health Benefits Guide published by CalPERS:

<https://www.calpers.ca.gov/docs/forms-publications/pas-health-guide.pdf>