

PEMHCA Retiree Health Rules

BARTEL
ASSOCIATES, LLC

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Agenda

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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:
 - 2014 \$ 119.00
 - 2015 122.00
 - 2016+ 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	\$ 100.00	[50%x200]
 - Example 2 (10 years of participation or 50%):

	Year	Active	Annuitant	
□	9	\$1,000	\$ 450.00	
□	10	\$1,500	\$550.00	[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
2014	\$ 119.00	\$ 1.00
2015	122.00	6.10
2019	145.49	36.37
2024	181.30	90.65
2029	225.94	169.45
2034	281.56	281.56

* PEMHCA minimum projected at 4.5% per year after 2015.

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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 (= \$642.00 in 2014, \$655.00 in 2015)
- 2-Party premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,218 in 2014, \$1,246.00 in 2015)
- Family premium: 90% of increase in weighted average of 4 PEMHCA plans with highest enrollment over above single premium weighted average (= \$1,559 in 2014, \$1,605.00 in 2015)
- 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 October 21-23, 2013 by Pamela Goldberg, Marketing Analyst, slides 21-34

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<http://www.calpers.ca.gov/eip-docs/employer/education-events/educational-forum/pemhca-program.pdf>

