

**Department of Personnel Administration
Memorandum**

TO: Personnel Management Liaisons (PML)

SUBJECT: CalPERS Self-Funded Health Plan Premium Holiday	REFERENCE NUMBER: 2009-039
DATE ISSUED: 09/14/2009	SUPERSEDES:

This memorandum should be forwarded to:

**Accounting Officers
Budget Officers
Employee Relations Officers
Personnel Officers
Personnel Transactions Supervisors**

FROM: Department of Personnel Administration
Benefits Division

CONTACT: Ralph E. Cobb, Health Policy Advisor
(916) 324-3438
Fax: (916) 322-3769
Email: ralphcobb@dpa.ca.gov

In April 2009, the CalPERS Board of Administration approved a two-month premium holiday for the CalPERS self-funded preferred provider organization (CalPERS PPO) health plans. CalPERS took this action in order to spend-down excess CalPERS PPO plan reserves that accumulated over the past several years.

The State Controller's Office (SCO) will implement the two-month premium holiday during the September and October 2009 pay periods. During the September and October pay periods, no monthly CalPERS PPO premium will be due. However, employees' health coverage will continue uninterrupted. Regular CalPERS PPO premium billing will resume during the November 2009 pay period.

This only affects employees enrolled in the CalPERS PPO health plans:

- PERSCare
- PERS Choice
- PERS Select

Employees enrolled in other health plans, the FlexElect or CoBen cash options; and employees not eligible for health benefits are not affected.

The premium holiday will change the pay warrants of affected employees. You will need the following information to inform employees of what to expect and to answer their questions.

Impact to Affected Rank-and-File Employees

During the two-month premium holiday, affected rank-and-file employees:

- Receiving a traditional health contribution, will see a zero (\$0.00) health deduction on their payroll warrant. This will result in an increase in gross pay, commensurate with the employee's share of health premium, less any tax withholding on the additional amount.
- Participating in the Consolidated Benefits (CoBen) program, will see a zero (\$0.00) health premium and an adjusted (reduced) CoBen amount on their payroll warrant. This will result in an increase in gross pay, commensurate with the employee's share of health premium, less any tax withholding on the additional amount.

The adjusted CoBen allowance represents the current CoBen allowance, minus the health contribution. Since employer contributions for dental and vision benefits are not subject to dependent vesting, nor do they vary between bargaining units, the adjusted allowances shown in the following table are valid for all affected rank-and-file employees participating in the CoBen program.

Adjusted CoBen Allowance Rank & File Employees			
	<u>Single</u>	<u>Two-Party</u>	<u>Family</u>
Dental	36.05	63.84	92.81
Vision	9.19	9.19	9.19
Total	\$45.24	\$73.03	\$102.00
Co-Ben Allowance	\$45	\$73	\$102

- Subject to dependent health vesting will experience a larger increase in gross pay during the premium holiday.

Impact to Affected Excluded Employees

During the two-month premium holiday, affected excluded employees will see a zero health premium and an adjusted CoBen amount on their payroll warrant. This will result in an increase in gross pay, commensurate with the employee's share of health premium.

The adjusted CoBen allowance represents the current CoBen allowance, minus the health contribution. The following table shows adjusted CoBen allowances for affected excluded employees:

Adjusted CoBen Allowance Excluded Employees			
	<u>Single</u>	<u>Two-Party</u>	<u>Family</u>
Dental	37.55	75.06	105.92
Vision	9.19	9.19	9.19
	\$46.74	\$84.25	\$115.11
Co-Ben Allowance	\$47	\$84	\$115

Income Tax Withholding

- The increased gross pay resulting from the premium holiday is subject to income tax withholding.
- The SCO will continue imputing the value of health benefits for domestic partners as federally taxable income during the premium holiday.

Please refer employees with tax questions to their tax professional or the State's Employee Assistance Program.

Rural Health Care Equity Program (RHCEP)

Affected Unit 5 employees who participate in the RHCEP will continue to receive their monthly stipend during the premium holiday.

Accounting and Budgetary Impact

During the September and October pay periods, CalPERS will not bill the State for monthly premiums associated with the CalPERS PPO health plans. Enacted budget Control Section 3.55 gives the Department of Finance authority to reduce agency budgets accordingly. This reduction will have no net effect on agency budgets.

Please contact the Department of Finance with any questions regarding budget impacts.

/s/Greg Beatty

Greg Beatty, Chief
Benefits Division