

**HEALTHCARE COST
CONTAINMENT COMMITTEE**



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**STATE OF CONNECTICUT
HEALTHCARE POLICY & BENEFIT SERVICES DIVISION
OFFICE OF THE STATE COMPTROLLER**

**DIVISION MEMORANDUM 2013-02
TO THE HEADS OF ALL STATE AGENCIES**

May 22, 2013

**ATTENTION: Personnel and Payroll Officers
SUBJECT: Retiree Health Fund Contributions Starting July 2013**

I. INTRODUCTION

Under the SEBAC 2009 Agreement new employees and those with less than five years of service as of July 2010 began to contribute 3% of compensation to the Retiree Health Fund to offset the cost of future retiree health coverage. The SEBAC 2011 Agreement requires that all employees contribute to the Retiree Health Fund for 10 years or until they retire, whichever comes first. Deductions for employees not currently contributing to the fund will start in July 2013. This memorandum describes how the process will be implemented.

II. DISCUSSION

In April 2013, the Comptroller's office provided each agency with a list of employees eligible for the deduction. Agencies had until May 15, 2013 to notify the Comptroller's Office if anyone on the list should be excluded by reason of employment or other status. Retiree Health Fund contributions for approximately 37,000 additional employees (the "Affected Employees") will be initiated via CORE-CT. The deduction will take effect on each employee's first full pay period that begins after July 1, 2013. The deduction end dates (and future adjustment of deduction amounts) will also be performed through CORE-CT.

Agencies continue to be responsible for enrolling all new (or rehired) employees for the appropriate deduction, revising deduction end dates to reflect leaves of absence and preparing applications for refunds or exemption requests, where applicable.

Phase in of Contribution Amounts

The amount of the deduction for the Affected Employees will be phased in as follows: 0.5% from July 2013 to June 2014, 2% from July 2014 to 2015 and 3% beginning July 2015 and thereafter. These percentages will apply to members of the State Employees Retirement System (SERS) and the Alternate Retirement Program (ARP). Employees in these plans who are currently contributing 3% of compensation to the Retiree Health Fund will continue to do so without modification.

State employee members of the Teachers Retirement System (TRS) will have the amount of their required deduction to the Retiree Health Fund offset to reflect the health fund assessment they are paying pursuant to Section 10-183b-7 of the General Statutes. Because such members are currently making a 1.25% contribution to the TRS for retiree coverage they will not pay any additional contribution to the Retiree Health Fund from July 2013 through June 2014. Beginning in July 2014 affected TRS members will pay 0.75% of compensation to the Retiree Health Fund. In July 2015 and thereafter, (assuming no change in the TRS deduction amount) the Retiree Health Fund contribution for TRS members will be 1.75% of compensation. TRS members who are currently contributing at the rate of 1.75% will continue to do so without modification.

Deduction Start Date

The deduction start date will be based on each employee’s first full pay period that begins after July 1, 2013. The new deductions will take effect on the dates specified below:

Pay Frequency	Deduction Start Date	Effective Check Date
Bi-weekly	7/12/2013	8/09/2013
Special Bi-weekly	7/26/2013	8/09/2013
Semi-Monthly	8/1/2013	8/15/2013
Monthly	8/1/2013	8/02/2013

Employees who are not currently contributing to the Retiree Health Fund will not be subject to the deduction if they retire on or before July 1, 2013.

Employees Subject to Contribution Requirement

Affected Employees include all persons not currently contributing to the Retiree Health Fund unless he or she:

1. Is not eligible for State-paid healthcare coverage (includes those working part-time, less than 0.5 Full-time equivalent (FTE), temporary or seasonal employees);
2. Is an adjunct faculty member in higher education who is intermittently eligible for State-paid healthcare coverage; however, if an adjunct faculty member completes sufficient actual service to qualify for retiree health coverage, he or she will be required to pay the required percentage of compensation for the full 10-year period (or such lesser period as may be required);

3. Is not eligible to participate in a State of Connecticut retirement plan (for example, those holding J-1 or F-1 visas); or
4. Demonstrates that he or she is entitled to retiree health coverage from another source (other than COBRA, Medicare or spouse's policy).

Waiver of active employee health insurance does not relieve an employee from the obligation to make contributions to the Retiree Health Fund.

Exemption Based on Other Retiree Coverage.

An employee who seeks an exemption based on availability of other retiree health coverage must provide the following documents: A completed **CO-1300** application claiming an exemption, an Affidavit completed by his or her prior employee substantiating the existence of alternative retiree health coverage (**CO-1303**); and a Waiver of Retiree Health Coverage (**CO-1304**). All of these forms are available on the Division website. This waiver cannot be revoked unless the retiree coverage that is the basis for exemption subsequently becomes unavailable—other than by reason of some action of the employee. Coverage as the spouse or dependent of another retiree does not count for purposes of the exemption.

Compensation subject to Retiree Health Fund Contribution

The contribution to the Retiree Health Fund will be based upon earnings defined as salary in Section 5-154(h) of the Pension Agreement. In the event an employee has multiple part-time positions, which cumulatively make him or her eligible for healthcare coverage, the deduction will be based on compensation from all positions.

An employee who has both a full-time position, which entitles him or her to healthcare coverage, and a part-time position will have Retiree Health Fund contributions based on the full-time position only.

Effect of Leave on Duration of Contributions

1. Unpaid Leave. The Retiree Health Fund contribution will be suspended during unpaid leave where an employee remains eligible for continued State-paid medical benefits coverage. Such periods include maternity leave, sabbatical leave, FMLA leave (State or federal), or non-FMLA medical or maternity leave. See separate rule below for Workers Compensation leave. Any calendar month in which an employee is on unpaid leave will extend the duration of the required contributions by one month, unless he or she elects to make up the missed contributions prior to retirement.
2. Paid Leave. The Retiree Health Fund contribution will continue during paid leaves of absence where an employee receives his or her regular compensation or payments using accrued sick or vacation time.

Employees on paid Military Leave will have such service credited towards fulfillment of their obligation to contribute to the Retiree Health Fund, even if they do not receive a check from the State during that period. For those receiving compensation under the State's Military Pay Differential Leave, the Retiree Health Fund deduction will be collected from the Pay Differential amount paid by the State.

3. Workers Compensation Leave. Employees out on Workers Compensation leave shall have that time credited towards their Retiree Health fund contribution requirement but shall not be required to make any contribution during such leave, except to the extent their Worker's Compensation pay is supplemented by sick or vacation time.
4. Disability Retirement. Employees who qualify for disability retirement under SERS (or its equivalent for state-employee members of TRS or members of ARP) shall be deemed to have fulfilled their obligation to contribute towards the Retiree Health Fund as of the time they are granted disability retirement or its equivalent. If such employee returns to State service, he or she shall resume any required but unpaid contribution towards retiree healthcare.

Employees leaving State Service without Qualifying for Retiree Coverage.

An employee who leaves State service without qualifying for retiree coverage has the right to seek a refund of amounts paid into the Retiree Health Fund. If such employee is subsequently rehired, any service during which the deduction was previously collected will not count towards fulfillment of that employee's obligation to contribute to the Retiree Health Fund (or as actual state service for purposes of retiree healthcare eligibility) unless the employee repays the refunded amount in full.

Employees leaving State Service after qualifying for retiree health coverage are not eligible for a return of contributions to the Retiree Health Fund.

III. CONCLUSION

Updated Frequently Asked Questions will be posted on the Healthcare Policy & Benefit Services Division website shortly. Agency Payroll and Human Resources personnel with questions should e-mail Margaret.Haering@po.state.ct.us or telephone 860-702-3486.

Very truly yours,



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