



Frequently Asked Questions Retiree Health Fund Deduction July 2013

Retiree Health Fund

Implementation of OPEB contributions required under SEBAC 2011 Agreement

The SEBAC 2011 Agreement requires all employees to contribute to the Retiree Health Fund for 10 years or until they retire, whichever comes first. Employees who were not previously subject to the requirement will begin making contributions to the Retiree Health Fund in the first full pay period that starts after July 1, 2013. Below are responses to questions we have received so far. If you have additional questions, please e-mail them to OSC.OPEB@ct.gov.

A. Retiree Health Fund Deduction for Employees Not Currently Contributing

1. Q—How much will the new contributions be for employees who weren't contributing before?

The amount of the deduction will be phased in over the next three years. For members of the State Employees Retirement System (SERS) and the Alternate Retirement Program (ARP) the contribution code is OPE2 and the rates will be as follows:

- 0.5% from July 1, 2013 to June 30, 2014;
- 2% from July 1, 2014 to June 30, 2015;
- 3% from July 1, 2015 onwards.

2. Q—What are contribution rates for members of the Teachers Retirement System (TRS) who weren't contributing before July 2013?

The 2011 SEBAC Agreement provides that Retiree Health Fund contributions for state employee members of TRS will be offset by the health assessment (currently 1.25% of compensation) that those members pay pursuant to Section 10-183b-7 of the General Statutes. Since October 2011, TRS members subject to the Retiree Health Fund contribution have been paying 1.75% of compensation.

We will use the deduction code of OTR2 for TRS members who begin contributing for the first time in July 2013. The following deductions will be assessed for this group:

- 0.00% from July 1, 2013 through June 30, 2014;

0.75% from July 2014 to June 30, 2015;
1.75% from July 1, 2015 onwards.

3. Q—What will happen if there is a change to the health assessment that TRS members pay pursuant to Section 10-183b-7?

The SEBAC 2011 Agreement requires an offset; so, if the percentage that TRS members have to pay under Section 10-183b-7 changes, their contribution to the Retiree Health Fund will be adjusted so that they pay the same overall contribution as a state employee with a similar date of hire.

4. Q—TRS members do not make retirement plan contributions during the summer months. Do we adjust their Retiree Health Fund contributions during the summer?

No, retirement plan contributions for TRS members are pro-rated so that they pay the required percentage of compensation to the TRS during a 10-month academic year, even if they receive paychecks over a 12-month period. The OTRS and OTR2 deductions are in effect year-round.

5. Q—Will the new deduction rates be applied to employees who had to pay into the Retiree Health Fund under SEBAC 2009?

No, employees who are already contributing to the Retiree Health Fund will continue to contribute at the existing rate. For TRS members the rate is 1.75%; for SERS and ARP members the rate will continue to be 3%.

6. Q—We just rehired someone with 10 years of prior state service, but he was not working for the state when SEBAC 2011 took effect. Is he required to contribute to the Retiree Health Fund and in what amount?

Yes, rehired employees are required to contribute to the Retiree Health Fund. He should be signed up for the OPEB deduction with the contribution rate of 3%. He is not entitled to the phase-in applicable to existing employees who were not required to make contributions when SEBAC 2011 took effect.

7. Q—What are all the deduction codes and how do they differ?

Code	Percentage	Applies to
OPEB	3%	Employees required to contribute under SEBAC 2009, post 7/1/2009 new hires and post 7/1/2011 rehires
OPE2	0.5% from 7/1/13 to 6/30/14 2% from 7/1/14 to 6/30/15 3% from 7/1/2015 onwards	All healthcare-eligible employees not required to contribute under SEBAC 2009, excludes post 7/1/2011 rehires
OTRS	1.75%	TRS members required to contribute under SEBAC 2009, percentage reduction effective 10/7/2011, post 7/1/2011 rehires
OTR2	0.0% from 7/1/13 to 6/30/14 0.75% from 7/1/14 to 6/30/15 3% from 7/1/2015 onwards	All healthcare eligible state employee members of TRS not required to contribute under SEBAC 2009, excludes post-7/1/2011 rehires

B. Start Date for Deduction

1. Q—When will these new contributions take effect for employees not currently contributing?

A—The deduction will start with the first full pay period that begins after July 1, 2013. The new deductions will be reflected in paychecks as follows:

Pay Frequency	Deduction Start Date	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

2. Q—When the contribution rates change in July 2014 and July 2015, how will the change be made?

A—The new deduction codes (OPE2 and OTR2) have been set up in so that when the new rates take effect they can be adjusted for everyone in CORE-CT without agency involvement.

C. Duration of Contributions

1. Q—How long will the contributions last?

A—The obligation is to pay the contribution for 10 years or until retirement, whichever is sooner.

2. Q—An employee will begin his 0.5% OPEB deduction in July 2013. He will complete 10 years of actual service in December 2013. Will he be eligible for retiree health insurance if he chooses early retirement (after age 55) before completing 10 years of OPEB deductions?

A— The 2011 SEBAC agreement requires that OPEB contributions be made for 10 years or until retirement--whichever is sooner. If someone starts contributing to OPEB in July 2013 and has sufficient service to retire in December 2013, the OPEB contributions will cease when he retires.

Eligibility for retiree health benefits is determined separately from the duration of OPEB contributions. The only time there might be an issue would be if someone had sufficient service to qualify for retiree coverage but failed to pay the Retiree Health Fund contribution when he was required to do so. For example, assume that an employee was required to start paying the 3% Retiree Health Fund starting July 2010 but his agency did not start the deduction until July 2012, At the time of retirement in July 2017, it is discovered that he missed two years of 3% deductions. He would be required to pay that amount as a condition of obtaining retiree health benefits.

3. Q—What would happen if an employee who starts paying the OPE2 deduction has a period of 3 months unpaid leave? Would he get an additional 3 months (after July 2014) to make the 0.5% contribution or would his contribution rate change to 2% with everyone else's.

A—When the employee returns to work after unpaid leave the deduction end date for the OPE2 deduction should be extended by 3 months. When the contribution level changes on July 1, 2014, his deduction amount will be increased to 2%, just like everyone else with the OPE2 deduction code.

4. Q—We have an employee who is starting to pay the OPE2 deduction on 7/12/2013. He has over 10 years of state service, which is enough to qualify for retiree coverage. He is planning to leave state service on 8/31/2013. When do we terminate his deduction?

A. Do not terminate the deduction for an employee who just started making the contribution and will be leaving with sufficient service to qualify for retiree coverage. The only reason to turn off the deduction after receiving a notice of separation is for an employee who has requested a refund and does not have enough service to qualify for retiree coverage. Someone who is subject to the Retiree Health Fund contribution and is leaving state service after qualifying for retiree coverage (without retiring or without having paid the contribution for 10 years) should have the deduction collected from all compensation earned, including any vacation payout.

5. Q—I am retiring on July 1, 2013, and was not required to contribute to the Retiree Health Fund under SEBAC 2009. Will my payout for unused vacation and sick leave be subject to the new deduction?

No, if you are retiring on July 1, 2013, you are not subject to the deduction, even on vacation and sick leave payments made after your retirement.

6. Q—I am retiring on August 1, 2013 and became subject to the deduction on 7/12/2013. I have enough service to qualify for retiree coverage. Will I have to pay the 0.5% contribution on the payout of my unused vacation and sick leave?

Yes. Someone who is subject to the Retiree Health Fund contribution and is retiring from state service after qualifying for retiree coverage and without having paid into the Retiree Health Fund for 10 years should have the deduction collected from all compensation earned, including any vacation payout or sick leave payout.

D. Compensation on which Deduction is based.

1. Q—I have a full-time job that makes me eligible for state-paid health benefits and a part-time job. Do I have to pay the Retiree Health Fund contribution on both jobs?

A—No. If an employee has a full-time job that provides him or her with state-paid healthcare benefits, the Retiree Health Fund contribution should not be applied to compensation on the part-time position.

2. Q—If a full-time faculty member teaches at a state college or university during the summer or intersession, will that faculty member have to pay the Retiree Health Fund contribution on the part-time job?

A—No. If the faculty member qualifies for state-paid healthcare benefits from his or her full-time job, do not implement the Retiree Health Fund deduction for the summer or intersession compensation.

3. Q—Will an employee who is eligible for state-paid health benefits from a part-time position be required to pay the Retiree Health Fund if he or she has other part-time employment with the state?

Yes. For employees with multiple part-time positions, the Retiree Health Fund contribution must be collected from all state positions, not just the one that makes him or her eligible for healthcare benefits.

4. Q—Is there a cap on the amount of compensation subject to the deduction?

No.

E. Employees subject to Retiree Health Fund deductions

1. Q—Are all employees required to contribute?

Generally, employees who are eligible for state-subsidized healthcare benefits are subject to the deduction. Some limited groups of employees may be exempt. These include employees who are not eligible to participate in a state of CT retirement plan, adjunct faculty members who are intermittently eligible for state-paid health benefits, temporary or seasonal workers who are not eligible for healthcare benefits, and employees who have other retiree coverage in their own right from another source.

2. Q—Are employees of quasi-public bodies, like the Connecticut Development Authority and Connecticut Innovations, subject to the Retiree Health Fund deduction?

A—Yes. Employees of quasi-public agencies that are treated like State employees for purposes of retirement plan membership and qualification for retiree health benefit coverage are also required to contribute to the Retiree Health Fund.

3. Q—Temporary Sessional employees of the Joint Committee on Legislative Management may become eligible for health benefit coverage if they worked at least 200 days in the past 12 months and work both sessional and interim periods. Would they be required to contribute to the Retiree Health Fund?

Yes, If they are eligible for health benefits, they should be contributing.

4. Q—Are adjunct faculty members subject to the requirement to contribute to the Retiree Health Fund?

A—No, the SEBAC 2009 and 2011 Agreements provide that they are exempt from the requirement to make contributions from current compensation; their eligibility for health benefits changes from semester to semester.

5. Q—We sometimes appoint adjunct faculty members as full-time, temporary special lecturer positions and provide them with state-paid healthcare benefits. Should we enroll them in the Retiree Health Fund deductions during these temporary full-time appointments?

No. These are temporary positions. Do not enroll these employees for the Retiree Health Fund deduction.

6. Q—What happens if an adjunct faculty member qualifies for retiree coverage? Does that mean that they don't have to pay anything to the Retiree Health Fund?

A— If an adjunct faculty member has sufficient actual state service to qualify for retiree coverage Retiree Health Fund contributions must be paid as a condition of obtaining retiree health benefits.

7. Q—How would the amount of the Retiree Health Fund contribution be calculated for an adjunct?

The retiring adjunct should fill out a CO-1323 listing all semesters of healthcare-eligible service (9 or more credit hours). Once the service is confirmed, the Office of the State Comptroller ("OSC") runs a query to determine compensation earned during each semester of healthcare-eligible service when payment of Retiree Health Fund contributions would have been required for full-time employees with a comparable date of hire. The required contribution is calculated on that amount.

For example, an adjunct faculty member was hired on 7/1/2007 at age 59. He retired on 7/1/2013 at age 62 with 6 years of actual state service and qualified for retiree health benefits. If he had been a full-time employee he would have been required to start contributing 3% of compensation to the Retiree Health Fund on 7/2/2010. He taught at least 9 credits and was eligible for state-paid health benefits each semester between 7/2010 and 7/2013. His total compensation during that period was \$93,000 (averaging \$15,500 per semester). The adjuncts 3% contribution to the Retiree Health Fund based on total compensation of \$93,000 came to \$2790. He made arrangements to pay that amount upon retirement.

8. Q—We have employees who will not become eligible for healthcare benefits until they have completed six months of employment. Should we sign them up for the Retiree Health Fund deduction when they start?

A—No, do not start the Retiree Health Fund deductions for these employees until the first day of the pay period during which they become eligible for health coverage.

9. Q—Are employees of the Probate Courts (clerks, probate judges) subject to the Retiree Health Fund deduction.

A—No. Probate Court judges and their employees are not state employees and are not subject to the Retiree Health Fund deduction.

10. Q—We hire employees who are not eligible for retirement plan participation, such as people on. J1 and F1 visas, Graduate Assistants, Special Payroll, Student Payroll, 1199 per diems. Are they required to make the Retiree Health Fund contributions?

A—If employees are not eligible to participate in a state retirement plan they are not subject to the Retiree Health Fund contribution.

11. Q—Are there codes to identify employees who are not eligible for retirement plan participation?

A—Employees in the job codes set forth below are not eligible for retirement plan participation.

0274	Registered Pro Nurse-Per diem P1
0276	Licensed Practical Nurse NP6
0444	CC Student Worker Financial Aid
0446	CC Student Worker
0448	Maintenance Trainee (STEP)
0510	National Guardsman
0857	BSAA Student Worker-KS only
2552	Cooperative Education Intern
4110	General Worker-Student
4111	General Worker-Senior Citizen
4112	General Worker-Technical Services
4185	Graduate Assistant
4666	Physician—Per Diem
4667	Psychiatrist—Per Diem
4668	Psychologist—Per Diem
4669	Occupational Therapist—Per Diem
4670	Physical Therapist—Per Diem
4671	Speech Pathologist—Per Diem
5021	Employment Security Intermittent Interviewer—Labor Dept. only
5022	Intern, Dept. of Higher Education
6149	Patient Worker/Inmate Worker
7685	CDA CO-OP Education Intern

8105	University Assistant
8106	Graduate Intern
8145	Student Intern—Higher Education
8152	Student Laborer (Worker)
8181	Student Law Clerk
9097	State Work Study—ST Universities Only
9098	University Student Laborer
9099	Federal Work Study—ST Universities Only

F. Exemption based on other retiree coverage

1. Q—My husband is a retired state employee, and I am covered under his retiree health plan. Can I get an exemption from the Retiree Health Fund deduction because I already have retiree healthcare coverage?

A—No. In order to be exempted from the Retiree Health Fund deduction you must have alternative retiree coverage in your own right from a source other than the State of Connecticut. The coverage upon which you rely is based solely upon your status as the spouse of a retired state of Connecticut employee, and, therefore, is not in your own right. Since the spousal benefit is being provided by the state it is not "from another source."

2. Q—We hired someone who will be eligible for retiree health benefits under the Probate Court retirement plan. Will that employee be exempt from the Retiree Health Fund deduction?

A—Yes, Probate Court employees are not considered state employees. Their retiree health benefits are provided by a separately funded plan. Have the employee provide a Waiver or Retiree Healthcare Coverage (CO-1304) and sufficient proof of coverage under the Probate Court Plan (either an Affidavit (CO-1303) or a statement from the plan's administrator.

3. Q—We hire retired military personnel. Is there some way a retired military person can demonstrate eligibility for retiree health coverage other than having the Affidavit (CO-1303) completed.

A—Yes. Have the retired military member provide a copy of the DD-214 and obtain a retiree health coverage eligibility letter from the DMDC at 800-538-9552. The website address is www.dmdc.osd.mil. The eligibility letter can be faxed to the member the same day the request is submitted. The military member should then complete the Waiver (CO-1304); those documents will be accepted as acceptable proof of alternate coverage in lieu of a completed affidavit.

4. Q—We hire retired U.S. Government employees. Is there some other way a retired federal person can demonstrate eligibility for retiree health coverage other than obtaining a completed Affidavit, which may be difficult.

A—Yes. The retired federal employee can call the Federal Office of Personnel Management at 724-794-2005 to request a proof of retiree income and retiree health insurance. Those documents will be accepted as proof of alternate retiree coverage in lieu of a completed affidavit. The employee also needs to complete a Waiver of retiree coverage (CO-1304).

G. Refunds of Retiree Health Fund Contributions

1. Q—I was hired July 1, 2011 and need 15 years of actual state service to qualify for retiree coverage. What happens if I make contributions to the Retiree Health Fund for 10 years but don't end up working long enough to qualify for retiree health benefits?

If you don't accrue enough service to qualify for retiree health coverage you are entitled to request a refund of your Retiree Health Fund contributions upon separation from service.

2. Q—What can we do to make a separating employee's request for a refund gets paid promptly?

A—If a separating employee is entitled to a refund the following procedures will assure the prompt processing: First the agency should determine the amount of the refund by running a query through CORE-CT, attach a copy of the result to the CO-1301 (Request for Refund); second, terminate the deduction immediately to prevent additional Retiree Health Fund contributions from being collected from remaining paychecks while the refund is being processed. E-mail an "override spreadsheet," to osc.paycorrections@ct.gov and send a copy of the CO-1301 to OSC.OPEB@ct.gov.

3. Q—How do I get a refund for someone who has proved they have alternate retiree coverage?

Run a query in CORE-CT to determine how much the employee has contributed to the Retiree Health Fund. Immediately terminate the employee's deduction to prevent additional contributions from being deducted from interim paychecks while the refund is being processed. Attach the query to the CO-1301 (Refund Application) and send copies of the employee's Waiver (CO-1304), and the Affidavit (CO-1303) (or other acceptable proof of coverage) to OSC.OPEB@ct.gov.

4. Q—One of our employees recently died. What do we need to do to process a refund?

A—Do not process any refund if the employee's spouse will qualify for a pre-retirement death benefit and retiree health coverage. If no pre-retirement death benefit is available, the agency should run a query to calculate the amount of the refund and submit the CO-1301 (Request for Refund) along with the employee's most recent CO-931, which should identify the employee's beneficiary. Once the forms are received Payroll Services will issue a check to the designated beneficiar(ies) and return it to the agency for mailing.

5. Q—One of our separated employees was rehired. She got a refund of her OPEB contributions when she left in 2011; now she wants to pay back the refunded amount. What do we do?

The employee has 60 days after returning to state service to elect to repay the refunded amounts. The employee should be asked to fill out the CO-1302 and the agency will determine the gross refund amount. If she wants to pay it back over time, the maximum period for repayment is the same period during which prior deductions were made. If no repayment is made the employee will not get credit for the prior service for purposes of retiree healthcare eligibility.

6. Q—Our agency noticed that the refund check issued to a terminated employee amount was \$1200 higher than if should have been. What should we do?

The agency should deposit the check and then send in a COP-9 to Janet Jubrey in OSC Payroll Services (to adjust the OPEB before tax deduction). If there are any questions regarding the COP-9, please have contact Janet Jubrey directly.

H, Investment of Retiree Health Fund Contributions

1. Q—What happens to the money that gets deducted from employee paychecks?

A—The Office of the State Comptroller transfers employee contributions to the Treasurer's Office, which, holds and invests that money along with required state contributions in the Other Post Employment Benefits (OPEB) Trust Fund.