

On March 11, 2010, the Office of the State Comptroller issued its policy bulletin outlining the process and rules for the mandatory employee contributions toward funding retiree health benefits. This contribution was part of the statewide SEBAC negotiations last year. This memo summarizes the sections most relevant to UCPEA members.

UCPEA is aware of the concerns voiced by our members who will be impacted by this contribution. We recognize that the terms of the SEBAC agreement had varying impact and protections for our members based upon length of service. To the extent that the health and pension provisions that govern us are negotiated by the SEBAC, and not subject to the UCPEA negotiations with the University, this is certainly a 'mixed bag'. UCPEA members have long benefitted from the excellent provisions of the health care plan, but the new provisions have created a 2-tier approach for employees, up to ten years, differentiating between employees based on service. Secondly, we fully understand the concerns relating to the ARP plan-benefits, which is why UCPEA is involved in the ARP review and grievance.

An unfortunate fact, however, is that many employers – both private and public – are simply 'dumping' health care for retirees and future retirees. Since our retiree health care and pension plans are not funded to meet their projected liabilities, the contributions will bolster the fund balance.

It has been argued that SEBAC negotiators should have 'spread the pain' across all active employees, but that did not occur, and the negotiators worked hard to reach an agreement with the governor/administration in order to prevent massive layoffs of state employees.

We, at UCPEA, have a voice on these matters through AFT-CT, our representative to the SEBAC negotiations, which compiles the votes of the 4 unions it represents at SEBAC, and then is permitted to cast only one vote. While we support and applaud the work of SEBAC on negotiating job security in the last concession agreement, and for its years of negotiating excellent health care benefits, UCPEA is aware that this contributory system, impacting only some of our members, has been met with very mixed reaction from the union members. You are more than welcome to share your concerns and questions with us, by emailing the UCPEA HQ, c/o UCPEA President Kathy Sanner at [kathleen.sanner@uconn.edu](mailto:kathleen.sanner@uconn.edu); or UCPEA VP Mike White at [mike.white@uconn.edu](mailto:mike.white@uconn.edu);

### What the SEBAC Agreement Requires for 3% Contribution:

The 2009 SEBAC Agreement implements a new requirement for funding retiree health benefits, which affected all new hires since July 1, 2009, and will soon affect current employees who have less than 5 years of actual service as of July 1, 2010.

Since July 2009, all newly-hired employees have been required to contribute 3% of their compensation, pre-tax, to the Retiree Health Fund.

Starting this July 1, 2010, all current employees with less than 5 years actual service as of July 1, will also be required to contribute 3% of their compensation, pre-tax, to this fund. The contributions will cease once the employee completes 10 years of service or otherwise qualifies for retiree health coverage.

Note: An employee age 52 years or older who was actively employed by the State as of April 21, 2009 and has fewer than 5 years actual service on July 1, 2010, will be required to make the 3% contribution until the earlier of: (a) the date on which he or she completes 5 years of actual State service and transitions directly from employment to retirement at age 62 or older, or, (b) the completion of 10 years actual service. Employees who were on leave as of July 1, 2009, will be considered active employees.

On or before April 1, 2010, the Office of the State Comptroller will provide agencies with a preliminary list of employees who may be subject to the 3% deduction based on CORE-CT records.

Employees so identified must fill out a CO-1300 that will be used to capture any prior State service not reflected in CORE-CT. It will be the agency's responsibility to verify prior service claims and to enter start and estimated stop dates for the 3% deduction in CORE-CT for all affected employees by July 1, 2010.

Former State employees rehired after July 1, 2009, who are eligible for State-paid active health benefit coverage, will be subject to the 3% deduction for 10 years, less any period of prior State service during which they were eligible for active employee health benefits coverage. A rehired employee who has already completed sufficient State service to qualify for retiree healthcare upon retirement shall not be required to make a contribution during their rehire period. For returning employees, up to one year of unpaid time may count towards determining their obligation to make the contribution. Any employee returning to the payroll after June 30, 2009, with 11 or more years of previous healthcare-eligible service as of their return date is assumed to meet the requirement. Any employee on payroll as of July 1, 2009 who would have 6 years of healthcare-eligible service as of July 1, 2010 will be assumed to meet the service requirement.

There are a few exceptions to the contributory requirement, such as an employee whose position does not entitle him/her to State-paid healthcare coverage (e.g. part-time, temporary or seasonal employees, some adjunct faculty; employees who are otherwise eligible for retiree health insurance. If an active employee waives employee health insurance, s/he will still be required to make the 3% contribution to the Retiree Health Fund, which shall be affected only by demonstrating the existence of alternative retiree health coverage, as noted herein.

#### RULES FOR CALCULATING CONTRIBUTIONS AND SERVICE

Compensation Included in 3% Contribution will be based upon earnings defined as salary in Section 5-154(h) of the Pension Agreement. If an employee has multiple part-time positions, which cumulatively make him/her eligible for healthcare coverage, the 3% deduction will be based on compensation from all positions. An employee who has both a full-time position which entitles him/her to healthcare coverage and a part-time position, will have contributions based on compensation for the full-time position only.

Calculation of Service Time will include only periods of actual service during which an employee is eligible for active employee health benefits. Service time will be calculated in years and months. For purposes of this program, neither vesting service nor time purchased for retirement purposes will be counted, except as required by section 5-188(e) of the Pension Agreement or to the extent service is purchased for military service in time of war.

The calculation of service time for employees who work less than a 12 month calendar year but receive a full year of pension credit under the Pension Agreement shall be the same for retiree healthcare. For example, for higher education employees each academic year or equivalent during which an employee was eligible for State paid health insurance benefits will count as one year of service. Semesters shall count as one half year of service.

If a part-time employee is eligible for State-paid health benefit coverage, the obligation to make 3% contributions will be based on the duration of service and will not be pro-rated.

## Effect of Leave on Contributions/Service Time

General Rule: For purposes of this program, any calendar month during which a healthcare-eligible employee receives a paycheck and has the 3% contribution collected will count towards fulfilling the employee's obligation. Any calendar month in which an employee is on unpaid leave and does not make a 3% contribution will extend the duration of the 3% payment obligation by one month, unless he or she elects to make up the missed contributions prior to retirement.

Unpaid Leave: The 3% 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.

Paid Leave: The 3% contribution will be collected during paid leaves of absence where an employee receives his/her regular compensation or payments using accrued sick or vacation time. Such paid leaves will count towards fulfillment of the service and contribution requirements for retiree health coverage.

Military Leave: Employees classified as 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 3% deduction will be collected from the Pay Differential amount paid by the State.

Workers Compensation Leave. Employees out on Workers Comp shall have that time credited towards their 3% contribution requirement but shall not be required to make any contribution during such leave, except to the extent their Worker's Comp pay is supplemented by sick or vacation time.

Disability Retirement: Employees who qualify for disability retirement under SERS (or its equivalent for State-employee members of ARP) shall be deemed to have fulfilled the obligation to contribute 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 before Completing 3% Deduction Requirement. An employee who leaves State service before fulfilling his or her obligation to contribute to the Retiree Health Fund has the right to seek a refund of amounts paid. If such employee is subsequently rehired, any service during which the 3% deduction was previously collected will not count towards fulfillment of that employee's obligation to contribute to the Retiree Health Fund unless the employee repays the refunded amount in full. Payment must begin within 60 days of returning to work and must be completed within a period no longer than the duration of the original deduction. Employees who separate from State service before completing the required period of 3% contributions may elect to leave their contributions in the Retiree Health Fund. If such employees return to State service their prior service time will be credited toward fulfillment of their 3% Retiree Health Fund contribution obligation.

Employees leaving State Service after Completing 3% Deduction Obligation:

Employees who separate from State service after fulfilling their obligation to pay the 3% contribution are not eligible for a return of contributions. (This is because the employee is then eligible for retiree health coverage under the system's rules).

No interest will be payable, except to the extent the State delays repayment of the contributions by a period of more than 60 days after the CO-1301 has been received by the Healthcare Policy & Benefit Services Division. The State shall make every effort to return the contributions within 21 days, except to the extent returns are delayed pursuant to Section E, 2, e of SEBAC 2009.

3% Contributions to Qualify for Retiree Health Care:

Individuals who have accrued sufficient actual service to qualify for retiree healthcare coverage but who did not make 3% deductions for the required period of time may be given the opportunity—prior to retirement—to contribute amounts due to the Retiree Health Fund in lieu of extending their employment for an additional period. This option is not available to rehired employees who waived their right to repay refunded amounts within 60 days of returning to State service.