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# Circular Letter

April 7, 2014

**TO: CONTRACTING AGENCY HEALTH BENEFITS OFFICERS AND ASSISTANT HEALTH BENEFITS OFFICERS**

**SUBJECT: CONTRACTING AGENCY MINIMUM EMPLOYER CONTRIBUTION CALCULATION FOR 2015**

The purpose of this Circular Letter is to provide information to contracting agencies regarding the Minimum Employer Contribution for Calendar Year 2015.

**Background**

The Minimum Employer Contribution was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. Starting in calendar year 2009, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U).

California Government Code 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)<sup>1</sup> establishes the contracting agencies' minimum health premium contribution for their participating active membership. In addition, this section provides that "commencing January 1, 2009, the employer contribution shall be adjusted annually by the board to reflect any changes in the medical care component of the CPI-U and shall be rounded to the nearest dollar." The table below displays annual increases of the Minimum Employer Contribution for active members.

Calendar Year	Employer Contribution
2010	\$105.00
2011	\$108.00
2012	\$112.00
2013	\$115.00
2014	\$119.00
2015	\$122.00

<sup>1</sup> California Government Code § 20000, et seq.

**Inflation Rate Changes**

In January 2014, the US Bureau of Labor Statistics determined that the annual percentage change in the medical care component of the CPI-U for 2013 was 2.5 percent. The table below provides an inflation comparison of Medical care rates.

<b>Medical Care Inflation</b>		
<b>Year</b>	<b>Index</b>	<b>Percent</b>
2009	375.613	3.2
2010	388.436	3.4
2011	400.258	3.0
2012	414.924	3.7
2013	425.134	2.5

**Calculation of the Minimum Employer Contribution**

Using the 2.5 percent increase in the medical care component of the CPI-U, the Minimum Employer Contribution for Calendar Year 2015 is \$122.00. See the calculation below.

$(\$119.00 \times 2.5\% = \$2.98 + \$119.00 = \$121.98, \text{ rounded to } \$122.00)$

**Questions**

If you have any questions about this Circular Letter, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

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