



California Public Employees' Retirement System
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Health Benefits

Circular Letter

May 10, 2019

Circular Letter: 600-020-19

Distribution: Special

To: Contracting Agency Health Benefits Officers and Assistant Health Benefits Officers

Subject: Contracting Agency Minimum Employer Contribution Calculation for 2020

Purpose

This Circular Letter informs contracting Public Agencies and Schools of the new minimum employer health contribution for 2020.

Background

The Minimum Employer Contribution amount is prescribed by Government Code section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)¹.

The Minimum Employer Contribution was originally established as a specific dollar value with specified increases from calendar years 2004 through 2008. As of 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 PEMHCA 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."

¹ California Government Code § 20000, et seq.

Inflation Rate Changes

In January 2019, the U.S. Bureau of Labor Statistics determined the annual percentage change in the medical care component of the CPI-U for 2018 was 2.0 percent.

The Medical Care Inflation table below provides an inflation comparison of medical care rates.

| Year | Index | Percent |
|------|---------|---------|
| 2014 | 435.292 | 2.4 |
| 2015 | 446.752 | 2.6 |
| 2016 | 463.675 | 3.8 |
| 2017 | 475.322 | 2.5 |
| 2018 | 484.707 | 2.0 |

Calculation of the Minimum Employer Contribution

Using the 2.0 percent increase in the medical care component of the CPI-U, the minimum employer contribution for Calendar Year 2020 is \$139.00. See calculation below.

$$\$136.00 \times 2.0\% = \$2.72$$

$$\$136.00 + \$2.72 = \$138.72, \text{ rounded to } \$139.00$$

Minimum Employer Contribution

The Minimum Employer Contribution by Calendar Year table below displays the annual amounts of the Minimum Employer Contribution for active members.

| Year | Employer Contribution |
|------|-----------------------|
| 2016 | \$125.00 |
| 2017 | \$128.00 |
| 2018 | \$133.00 |
| 2019 | \$136.00 |
| 2020 | \$139.00 |

Contribution Change Process

Contracting agencies that have designated the PEMHCA Minimum as their monthly employer health contribution will have their employer billing automatically updated to reflect the new amount effective January 1, 2020.

Contracting agencies do not need to take action unless they wish to make a change to their current contribution method. To do so, employers must submit a change resolution. Change resolutions are effective the first day of the second month following receipt by CalPERS.

Questions

Please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**) and request a response from our Health Resolutions and Compliance Unit to obtain the necessary change resolution template.

Rob Jarzombek, Chief
Health Account Management Division