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Special:

Circular Letter

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

SUBJECT: CONTRACTING AGENCY MINIMUM EMPLOYER CONTRIBUTION CALCULATION FOR 2010

Effective January 1, 2010: A Change in the Minimum Employer Contribution

This Circular Letter informs employers the 2008 Consumer Price Index-Urban (CPI-U) calculation of the 2010 Minimum Employer Contribution will be \$105.00 per month.

I. 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, it was a calculated adjustment based upon the medical care component of the CPI-U.

Section 22892 of the Public Employees' Medical and Hospital Care Act (PEMHCA)¹ 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
2006	\$64.60
2007	\$80.80
2008	\$97.00
2009	CPI-Med Component = \$101.00
2010	CPI-Med Component = \$105.00

¹ California Government Code § 20000, et seq.

II. INFLATION RATE CHANGES

In January 2009, the US Bureau of Labor Statistics determined that the annual percentage change in the medical care component of the CPI-U for 2008 was 3.7 percent. The table below provides an inflation comparison of Medical care rates.

Medical Care Inflation		
Year	Index	Percent
2006	336.200	4.0
2007	351.054	4.4
2008	364.065	3.7

III. CALCULATION OF THE 2010 MINIMUM EMPLOYER CONTRIBUTION

Using the 3.7 percent increase in the medical care component of the CPI-U, the Minimum Employer Contribution for Calendar Year 2010 is \$105.00. See calculation below.

$$(\$101.00 \times 3.7\% = \$3.74 + \$101.00 = \$104.74, \text{ rounded to } \$105.00).$$

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

Sincerely,

Holly A. Fong, Chief
Office of Employer and Member Health Services