Healthcare Policy & Benefit Services Division  
Division Memorandum 2017-04  

TO THE HEADS OF ALL STATE AGENCIES  

August 31, 2017  

ATTENTION: Personnel and Payroll Officers  

SUBJECT: SEBAC 2017 Agreement, Temporary Retiree Health Fund Contribution Reduction  

I. INTRODUCTION  

The SEBAC 2017 Agreement calls for a 1.5% increase in the employee contribution to the State Employees’ Retirement System (SERS) and gives SERS members the option of reducing their Retiree Health Fund contributions by 1.5% for one year. The purpose of this memorandum is to explain the process for obtaining a temporary reduction of Retiree Health Fund contributions and the requirements for repayment.  

II. DISCUSSION  

The SEBAC 2017 Agreement was approved by the legislature on July 31, 2017. The increase in the SERS employee pension contributions will start with the paycheck dated September 29, 2017. At some later date, an adjustment, retroactive to July 1, 2017, will be made to capture the increased SERS contributions for the first pay periods of the fiscal year.  

On September 29, 2017, the Payroll Division will implement a reduced Retiree Health Fund deduction for employees who have made that election. The period for reduced Retiree Health Fund contributions for the equivalent of one year1 will begin on September 29, 2017 for all pay schedules except monthly. For those paid monthly, the reduced Retiree Health Fund deduction will begin October 6, 2017 for the equivalent of one year.  

1 The reduction will either last for 12 full calendar months or through the end of the fiscal year with a retroactive adjustment. Union leadership and management are still negotiating the exact process. Employees selecting this option and HR managers will be informed when a final decision is made.
A. Election Process and Deadline

Employees who wish to reduce their Retiree Health Fund contributions for the equivalent of one-year must fill out a Form CO-1330, available on the Comptroller’s website, http://www.osc.ct.gov/agencies/forms/index.html, and return it to your Payroll/Personnel office no later than September 14, 2017. Agencies must submit all elections for their employees to the OSC Payroll Division using the Override Spreadsheet process no later than September 15, 2017. The Payroll Division will enter a new Retiree Health Fund deduction code (LOPEB) for each such employee by September 18, 2017. The Retiree Health Fund contribution rate of 1.5% under LOPEB will be in effect for the equivalent of one year.

Please Note: The reduction of Retiree Health Fund contributions is only available for SERS members (including members of the Hybrid Plan). No extensions will be granted for employees or agencies that miss the election/entry deadlines.

B. Repayment of Amount Saved

Employees that elect to reduce their Retiree Health Fund contributions will repay the contributions deferred by paying an additional 0.5% of compensation from July 2019 through June 2023. This means that the Retiree Health Fund contribution rate for these employees will total 3.5% of compensation) for each of the four years.

All modifications to the contribution percentage under LOPEB will be applied centrally by OSC’s Payroll Division, and affected employees will retain the LOPEB deduction code throughout the applicable repayment period. In July 2023, Payroll will reinstate each employee’s prior Retiree Health Fund contribution code.

C. Cost of Repayment over Time

Employees who elect to save 1.5% on the Retiree Health Fund contributions in the first year will pay a total of 2.0% of compensation over the collectively bargained repayment period. Total repayments will be a third higher (1.333%) than the amount saved in the first year. Your contribution to the Retiree Health Fund during the repayment period will be based on current compensation, taking into account any salary increases or decreases.

Should an employee repaying Retiree Health Fund contributions under the LOPEB deduction code go on unpaid leave lasting more than a month, the end date for the LOPEB repayment period will be extended to ensure that required payments of the extra 0.5% to Retiree Health Fund are made.
Mary earns $67,000 and elects to take advantage of the OPEB deduction in year one. She saves $1,005 in Retiree Health Fund contributions during that period. From 7/1/2018 to 6/30/2019, her Retiree Health Fund contribution is 3%--the same as before.

Beginning 7/1/2019, Mary’s Retiree Health Fund contribution is increased to 3.5% of compensation, which has now increased to $67,275. As of 6/30/2020 Mary will have paid $336 more to the Retiree Health Fund than she would have if she had not taken the temporary reduction.

As of 7/1/2020, Mary’s compensation has increased to $69,000. Her additional 0.5% OPEB contribution at the end of the fiscal year amounts to $345. Her compensation stays the same in 2021, and the 0.5% OPEB repayment figure that year is another $345.

As of 7/01/2022, Mary is still earning $69,000; she pays an extra $345 to the Retiree Health Fund for the last year of the OPEB loan.

Through 6/30/2023, Mary will have repaid $1,371 the Retiree Health Fund: the $1,005 she saved from 2017-18, plus $366 in additional payments.

D. Termination Before Repayment or Early Repayment

1. Lump Sum Payments

Those who separate from service before repaying the deferred Retiree Health Fund contributions in full may be required to repay the amount owed in a lump sum. Employees can also elect to repay the amount of their Retiree Health Fund savings in a lump sum before June 30, 2023. The calculation of the amount owed will be the same for both.

At the end of the initial reduction year, the amount by which the employee’s total Retiree Health Fund was reduced under the LOPEB deduction will be calculated. That figure is multiplied by 1.333% to find the target repayment amount. Upon separation from service (or the selected repayment date) all of the employee’s Retiree Health Fund 0.5% repayments will be deducted from the target repayment amount. The balance will be reduced to present value, using an interest rate of 5%, which is the assumed rate of return for the Retiree Health Fund Trust, managed by the State Treasurer.

2. Termination Before Repayment—Eligible for Retiree Health Benefits

Employees who retire or leave state service after qualifying for retiree health benefits but before repaying the Retiree Health Fund contributions “saved” in the first year are required to repay the outstanding balance in a lump sum at the time of termination. The balance will be deducted from the employee’s final paycheck. If the final paycheck is
insufficient, the employee will be required to repay all amounts owed to the Retiree Health Fund before he or she can enroll in retiree health benefits.

Sample Lump Sum Repayment Calculation

Jake M. earns $50,000 per year and elects to reduce his Retiree Health Fund contributions by 1.5%, for the equivalent of one year beginning 9/29/2017.

Jake’s Retiree Health Fund contributions are reduced by $750 during that period. His target repayment amount is $1,000 ($750 x 1.333% = $1,000).

Jake retires from state service on 7/1/2020 and is eligible for retiree health benefits. As of that date he has repaid $250 toward the target repayment amount, through the additional 0.5% Retiree Health Fund contribution from 7/1/2019 to 6/30/2020.

Jake still owes $750 to the Retiree Health Fund, which, when reduced to present value, amounts to $647. This is the lump sum due. (Jake paid an extra $147 to reduce his OPEB contribution by $750 for the first year.)

3. Voluntary Accelerated Repayment

Employees may elect to repay the amounts owed to the Retiree Health Fund prior to July 1, 2023. The amount due will be calculated as shown in the example above.

4. Termination before Repayment without Retiree Healthcare Eligibility

Employees who leave state service without qualifying for retiree health benefits will not be required to repay the deferred Retiree Health Fund contributions at the time of termination, based on the assumption that such employees will request a refund of their contributions. Should such employees later return to state service, they will also have to repay the total amount of their underpaid contributions (as calculated above) in order to get actual state service credit for any month in which their Retiree Health Fund contributions were reduced under the LOPEB deduction code.

D. New Deduction Start Date

For employees electing to reduce their Retiree Health Fund contribution for the remainder of the fiscal year, the effective date of the LOPEB deduction code will be as follows:

<table>
<thead>
<tr>
<th>Pay Frequency</th>
<th>Pay Period</th>
<th>Effective Check Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bi-weekly</td>
<td>9/01/2017 to 9/14/2017</td>
<td>9/29/2017</td>
</tr>
<tr>
<td>Special Bi-weekly</td>
<td>9/15/2017 to 9/28/2017</td>
<td>9/29/2017</td>
</tr>
<tr>
<td>Semi-Monthly</td>
<td>9/16/2017 to 9/30/2017</td>
<td>9/29/2017</td>
</tr>
<tr>
<td>Monthly</td>
<td>10/1/2017 to 10/31/2017</td>
<td>10/06/2017</td>
</tr>
</tbody>
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**HEALTHCARE POLICY & BENEFIT SERVICES DIVISION**

**REDUCTION OF RETIREE HEALTH FUND CONTRIBUTION**

**DEADLINE TO ELECT IS 9/14/2017**

**CO-1330 (8/2017)**

### Part I - General Information

Employees enrolled in the State Employees Retirement System (SERS) who wish to reduce their Retiree Health Fund Contributions for a one-year period beginning on September 29, 2017 must complete this form and submit it to your agency’s Payroll/Personnel Office no later than September 14, 2017.

<table>
<thead>
<tr>
<th>EMPLOYEE INFORMATION</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Name (last, first, middle initial)</td>
<td>Department ID</td>
</tr>
<tr>
<td>Street Address</td>
<td>Office Telephone No.</td>
</tr>
<tr>
<td>City, State, Zip Code</td>
<td>Hire Date</td>
</tr>
<tr>
<td>Name &amp; Address of Employing Agency</td>
<td>Employee Personal Email</td>
</tr>
</tbody>
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**AGENCY INSTRUCTIONS**

The agency is responsible for submitting this deduction change to the OSC Payroll Division using the OVERRIDE SPREADSHEET PROCESS by 09/15/2017.

A new deduction code—LOPEB—will be substituted by the Payroll Division for the affected employee’s existing Retiree Health Fund deduction, either OPEB or OPE2.

ARP and TRS Members are not eligible for this.

### EMPLOYEE ACKNOWLEDGEMENT:

I elect to reduce my Retiree Health Fund contributions by a total of 1.5% for a one-year period beginning Sept. 29, 2017. By so doing, I agree to repay an additional 0.5% of compensation to the Retiree Health Fund over a four-year period beginning July 1, 2019. Throughout the repayment period my Retiree Health Fund contribution will be 3.5% of my then-current compensation.

If I leave state service before paying the amount due for my deferred Retiree Health Fund contributions, I will repay the present value of the remaining amount due in a lump sum and agree that this amount may be withheld from my final paycheck. I acknowledge that if I fail to repay the amount due to the Retiree Health Fund, any retiree health benefits to which I am entitled will be suspended until the total is paid in full.

<table>
<thead>
<tr>
<th>Employee Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

### AGENCY CERTIFICATION:

I hereby certify that all of the information on this application has been verified and is correct.

<table>
<thead>
<tr>
<th>Authorized Agency Signature</th>
<th>Date</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Agency Contact (Print Name)</th>
<th>Agency Contact Number</th>
</tr>
</thead>
</table>

**MAKE A COPY FOR YOUR RECORDS**

Return to OSC, Healthcare Policy & Benefit Services Division

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