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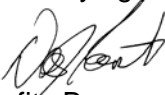
State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF PENSIONS AND BENEFITS
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April 20, 2010

TO: State Biweekly and State Monthly Certifying Officers,
Local Government Certifying Officers of Employers Participating in the
SHBP,
Local Education Certifying Officers of Employers Participating in the
SEHBP

FROM: David J. Pointer 
Chief, Health Benefits Bureau

**SUBJECT: Frequently Asked Questions Regarding Chapter 2, P.L. 2010 and
Changes to Public Employee Health Benefits**

The recent passage of Chapter 2, P.L. 2010, makes numerous changes to public employee health benefits — including those provided through the State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP). The changes affect shared costs, employee eligibility, multiple coverage, and waiver incentives. Most of the changes are effective May 21, 2010 while others will not be effective until current labor contracts expire.

The Division of Pensions and Benefits is distributing the attached *Frequently Asked Questions* to assist employers in understanding and complying with the administrative responsibilities required under the law.

Please note that because the Division of Pensions and Benefits does not administer or interpret the provisions of health benefit programs that are not part of the SHBP or SEHBP, the attached *Frequently Asked Questions* generally pertain only to the SHBP and SEHBP.

ADDITIONAL INFORMATION

For a general overview of the provisions of Chapter 2, P.L. 2010, please refer to the *Certifying Officer Letter* of April 1, 2010, which is available on the Division of Pensions and Benefits Web site. A synopsis of Chapter 2, along with a link to the full text of the law is also available on the Web site.

Go to: www.state.nj.us/treasury/pensions From the home page, select "Information for Employers" and then use the "Letters, Laws, Boards & Other Resources" drop menu.

If you have general questions regarding Chapter 2, P.L. 2010, or any of the information provided in this letter, contact the Division's Office of Client Services at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.state.nj.us

Enclosure

CHAPTER 2, P.L. 2010
Effective May 21, 2010

FREQUENTLY ASKED QUESTIONS

1. **Q.** Do the changes in Chapter 2 apply only to members enrolled in the State Health Benefits Program and the School Employees' Health Benefits Program (SHBP/SEHBP)?
- A.** Most of the provisions of Chapter 2 affect only members of the SHBP/SEHBP. However, in two areas, changes were also made to the statutes which govern the purchase of public employee health benefits outside of the SHBP/SEHBP. The minimum employee requirements for medical coverage of 1.5% of base pay will apply to both SHBP/SEHBP and non-SHBP/SEHBP members. The law also changed the health care benefits waiver amount permitted for employees of a county, municipality or county college that purchases health care coverage outside of the SHBP/SEHBP. Since the Division of Pensions and Benefits does not administer or interpret the provisions of programs outside of the SHBP/SEHBP, the following Q&A generally pertain only to the SHBP/SEHBP.

MINIMUM EMPLOYEE CONTRIBUTION FOR MEDICAL BENEFITS

2. **Q.** Is the 1.5% of base pay contribution in addition to previously negotiated premium contributions?
- A.** No. The 1.5% contribution is intended to be a floor, or minimum, contribution that an employee will make toward medical and/or prescription drug plan coverage. If another contribution arrangement has been negotiated, the higher of the two will prevail. All employees must contribute an amount equivalent to at least 1.5% of the employee's base pay. Any premium contributions for dental or vision care are in addition to the 1.5% contribution.
3. **Q.** A local unit is currently in contract negotiations. Employees currently contribute 15% of dependent premium – how would 1.5% be applied?
- A.** If the 15% of dependent premium is greater than 1.5% of the employee's base salary, then no additional contribution is required of that employee.
4. **Q.** On what salary is the calculation of the 1.5% contribution based?
- A.** The calculation is based on the employee's base contractual salary. In most instances, that means the salary on which pension contributions are based. However, for employees hired after July of 2007 for whom pensionable salary is limited to the salary on which Social Security contributions are based, the employee's total base salary would be used. As an employee receives salary increases during the year, the amount of contribution would need to be adjusted accordingly.
5. **Q.** Should the 1.5% minimum contribution be collected if a retired person comes back to work at a local employer as an elected official or in another capacity?
- A.** The local elected or appointed official or other returning employee would need to meet the minimum hours set by the employer or law required for eligibility in the SHBP/SEHBP. The minimum hours worked cannot be less than 25 hours per week or 35 hours if the retired person returns as an elected or appointed official. In addition, if the returning

employee was covered under the Retired Group of the SHBP/SEHBP, he/she would be *ineligible* for coverage as an employee even if he/she met the minimum hour requirement unless the Retired Group coverage is waived, as duplicate coverage in the SHBP/SEHBP is prohibited.

6. **Q.** Our union contract expired last year and has not been settled. Will these employees be required to contribute the 1.5% contribution after May 21st?

A. If the contract is not ratified by May 21st, those employees will be required to pay the 1.5% contribution for health coverage. If the contract is ratified before May 21st, those employees will not be required to pay the 1.5% contribution until the expiration of the contract.

7. **Q.** Are elected officials who are eligible for health benefits coverage subject to the 1.5% contributions? If they waive their salary, do they still pay?

A. Yes, current elected or appointed officials will be subject to the 1.5% contribution. In addition, they do not need to meet the minimum work hours of 35 hours per week provided they remain in the elected or appointed position continuously* after May 21st. Officials who are elected or appointed after May 21st must work a minimum of 35 hours per week to be eligible for health benefit coverage. If an elected or appointed official waives their salary, their contribution is based on the annual base salary of the position they hold.

**Continuously means that the employee maintains eligible coverage at the employer at which he/she was employed on May 21st.*

8. **Q.** If an employee is employed by several municipalities and is eligible for coverage from all employers, is the 1.5% based on the total of all salaries?

A. After May 21st, such an employee will no longer be eligible for health benefit coverage from more than one SHBP/SEHBP participating employer. However, if the employee also worked for a non SHBP/SEHBP employer and was eligible for coverage at that employer, he/she would be required to pay the minimum 1.5% contribution at all employers where eligible.

9. **Q.** Is the 1.5% contribution paid before or after taxes?

A. If the employer offers an Internal Revenue Code Section 125 plan, then the employer could deduct the contribution from the employees' salary on a pre-tax basis. Employers who do not offer a Section 125 plan should seek guidance from their financial advisor on the implications of offering a plan to their employees.

10. **Q.** Will non-SHBP/SEHBP participating employers be required to follow the 1.5% minimum contribution?

A. Yes. Chapter 2 stipulates that employees of non-participating employers must pay a minimum of 1.5% of annual base salary as a health benefits contribution.

11. **Q.** What impact does the 1.5% contribution have on the Medicare Part B reimbursement?

A. There is no impact on the reimbursement of Medicare Part B premiums for those employers who reimburse retirees for those premiums.

12. Q. What impact does this legislation have on municipalities who have adopted Chapter 88 and/or Chapter 48?

A. Chapter 2 only requires a minimum contribution in retirement for those individuals who become members of a State or locally administered retirement system on or after May 21st. Therefore, an employee who becomes a member of a retirement system after May 21st will be required to pay 1.5% of his or her retirement allowance even though their employer has adopted Chapter 88 and/or Chapter 48.

13. Q. Will current retirees who are receiving employer or State-paid medical coverage be required to pay the 1.5% minimum contribution?

A. No, current retirees will not be required to make a minimum contribution for health coverage if they are currently receiving employer or State-paid coverage.

MULTIPLE COVERAGE

14. Q. An employee works for a municipality and is enrolled in the SHBP and the spouse works for the State or Board of Education and is enrolled in either the SHBP or SEHBP. Does this mean the family may only chose one plan for coverage?

A. If the employee is covered as a dependent under a spouse's SHBP/SEHBP coverage, the employee is not eligible for coverage as an employee. The employee may choose single coverage provided the spouse terminates the employee's dependent coverage; or, the spouse could waive coverage and the employee could cover the spouse as a dependent as well as any other eligible dependents previously covered under the spouse.

15. Q. Can each choose single coverage and remain enrolled separately?

A. Yes. Each may choose single coverage.

16. Q. Since the law does not allow multiple coverage, (and therefore no cost to the municipality) and an employee has been receiving the waiver incentive, does the waiver stop because there is no longer a cost to the municipality?

A. Employees who currently have multiple coverage will be asked to choose one coverage and terminate all other SHBP/SEHBP coverage. Therefore, only employees with other non-SHBP/SEHBP coverage will be eligible for the waiver incentive.

REDUCTION IN WAIVER AMOUNT

17. Q. Will employees who waive coverage still have to pay 1.5% towards health benefit costs as all local employees and then receive waiver incentive based on the reduced employer cost?

A. No. An employee who waives coverage is not required to pay the 1.5% contribution.

18. Q. Does the reduced waiver incentive amount only apply to new employees?

A. The reduced waiver maximum applies to all new employees and also to any existing employee who submits a waiver after May 21, 2010.

ELIGIBILITY

- 19. Q.** An employee hired before May 21, 2010 currently works 22 hours per week and is eligible for coverage because the employer recognizes 20 hours per week as "full-time". Will this employee be eligible for coverage after May 21st when the minimum hours per week for local employer coverage rises to 25?

A. Yes. Any current employee who meets the employer's requirement for coverage will continue to be eligible for coverage provided they are continuously employed and their hours are not reduced below the employer's former minimum. Any employee hired after May 21st will be required to meet the 25 hour minimum or the employer's minimum, whichever is higher.

LABOR CONTRACTS

- 20. Q.** A labor contract expired last year and is still in negotiations. Will those employees be required to pay the 1.5% contribution?

A. If the contract is not ratified on or before May 21st, the covered employees will be required to contribute a minimum of 1.5% of their annual base salary effective May 22nd. If the contract is ratified on or before May 21st, the covered employees would not be subject to the minimum contribution until the expiration of that contract.

- 21. Q.** A labor contract is set to expire prior to May 21st but we wish to extend the contract for one year. Will those employees be required to pay the 1.5% contribution?

A. The 1.5% withholding will not apply during the term of any extended contract that was agreed upon prior to May 22, 2010. It would apply to any extension agreed upon on or after May 22, 2010.

NON-ALIGNED EMPLOYEES

- 22. Q.** Our organization does not have any employees represented by labor groups. When do they begin the health contribution?

A. If the employer has no employees represented by a labor organization, their employees would begin paying the contribution effective May 21st.

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