

HUMAN RESOURCES MEMORANDUM 17-018

DATE ISSUED:

8/14/2017

SUBJECT:

OTHER POST-EMPLOYMENT BENEFITS (OPEB) PREFUNDING

REFERENCE:

CalHR 1422

TO:

All DGS Employees

SUPERCEDES:

HR Memo 14-031

HR Memo 13-015

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose

The purpose of this memo is to provide information on the application of prefunding Other Post-Employment Benefits (OPEB).

OPEB General Information

OPEB addresses unfunded retirement health care by prefunding future health benefits for retired members. All employees in positions that are eligible for health benefits, including Permanent Intermittent (PI) employees, must contribute. If a PI employee has begun contributing towards retirement but is currently not eligible for health benefits, the employee will continue to contribute towards OPEB. Employees who are not members of a state retirement plan, including Part-time, Seasonal, and Temporary (PST) retirement program members, will not contribute. Employees who are not subject to OPEB prefunding due to their tenure and time base will contribute if they are appointed to a position that is eligible for health benefits. New hires and state employees appointed to positions in bargaining units after the OPEB prefunding effective date will contribute towards OPEB immediately, unless they are not eligible for health benefits based on the tenure and time base of their appointment.

OPEB contributions are withheld on a pre-tax basis, except for employees receiving disability benefits that require the contributions to be withheld post-tax, as determined by the State Controller's Office (SCO).

For employees that hold an appointment that contributes towards OPEB and an additional appointment in a bargaining unit not contributing towards OPEB, the deduction will only be withheld from the appointment that contributes towards OPEB.

OPEB contributions are not recoverable under any circumstances by the employee or his/her beneficiary or survivor.

The costs of administering payroll deductions and asset management are deducted from the OPEB contributions and/or OPEB account balance.

Prefunding Effective Dates

Prefunding OPEB is negotiated through the state collective bargaining process. The effective prefunding dates for each bargaining unit (BU) are described below:

BARGAINING UNIT	EFFECTIVE DATE
5	7/1/09
12, 16	7/1/13
6	9/1/16
12, 16 (excluded employees)	7/1/17
2, 7, 8, 9, 10, 13, 18, 19	7/1/17
1, 3, 4, 11, 14, 15, 17, 20, 21	7/1/18

OPEB Contributions from Base Salary (BU 5)

The following parameters pertain to withholding OPEB contributions from the base salary:

- A. The OPEB contribution will be applied monthly regardless of the employee's pay frequency (e.g., monthly, semi-monthly, bi-weekly).
 1. For positive pay employees paid monthly, the OPEB contribution will be based upon the hours paid the previous month.
 2. For positive pay employees paid semi-monthly, the OPEB contribution will be based upon the hours paid the previous month and will be taken from the second warrant during each monthly pay period.
 3. For positive pay employees paid bi-weekly, the OPEB contribution will be based upon the hours paid for the previous month.
- B. OPEB contributions are not reduced due to fluctuations in gross salary, such as when unpaid leave is taken under the Family Medical Leave Act (FMLA).
- C. For employees with a single hourly appointment, the OPEB contribution is withheld up to the amount that would have been withheld if the employee worked in a full-time appointment.
- D. For employees with a full-time appointment and an additional appointment (e.g., hourly), the OPEB contribution is withheld from the full-time appointment only.
- E. For employees with multiple part-time or hourly appointments, the OPEB contribution is taken from all of the appointments, up to the amount that would have been withheld if the employee worked in a full-time appointment.
- F. If an employee has multiple hourly appointments, the highest salary rate is used to compute what the OPEB contribution would be if the employee held a full-time appointment at that salary rate. This amount serves as the cut-off. For employees with a part-time and an hourly appointment, the OPEB contribution amount is calculated based upon the part-time appointment salary rate.

OPEB Contributions from Pensionable Compensation

For BUs 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21, OPEB contributions will be taken from the total pensionable compensation of each pay period. Pensionable compensation is any pay that is subject to retirement contribution, e.g. regular pay, Industrial Disability Leave, holiday pay, pay differentials, shift differential, and special pay.

Please note: BUs 12 and 16 contribute towards OPEB from pensionable compensation instead of base salary effective July 1, 2017.

Excluded and Exempt Employees

Excluded and exempt employees associated with a bargaining unit will contribute the same OPEB percentage under the same schedule as the employees in the applicable bargaining unit.

Please note: Excluded employees in BUs 12 and 16 will begin contributing towards OPEB July 1, 2017.

Excluded and exempt employees not associated with a bargaining unit will contribute towards OPEB beginning July 1, 2018. The contribution percentages will be determined and announced at a later date.

OPEB Deposits

OPEB contributions will be deposited in the designated state subaccount for each bargaining unit in the Annuitant's Health Care Coverage Fund.

The OPEB contribution on the employee pay warrant is indicated as "CERBT," which stands for the "California Employers' Retiree Benefit Trust."

Questions

If employees have questions regarding their union agreement, please contact your union representative directly. Payroll questions may be directed to your assigned Personnel Specialist.

LISA YORK, Personnel Officer
Office of Human Resources

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