TO: State Biweekly Certifying Officers
    State Monthly Certifying Officers

FROM: Florence J. Sheppard, Acting Director
      Division of Pensions and Benefits

SUBJECT: Health Benefit Contribution Rate Changes for State Employees

May 28, 2013

Under the provisions of Chapter 78, P.L. 2011, employees are required to pay an increased contribution toward the cost of health benefits coverage based on a specified percentage\(^1\) of the medical and prescription drug plan premiums.

For State employees who were hired \textit{on or before} June 28, 2011, the contribution increase is being phased in over four years with these employees paying \(\frac{1}{4}, \frac{1}{2}, \frac{3}{4}\) and the full amount of the contribution rate during the phase-in years.

For most State employees the health benefit contribution rate change is to be effective with the first paycheck on or after July 1, 2013.

\textbf{CONTRIBUTION PERCENTAGE CHANGES}

Percentage rate increase levels and effective dates for specific employee groups are as follows:

**Employees Biweekly Employees (Paid Through State Centralized Payroll)**

- Effective with State Biweekly Pay Period \#14 (the July 5, 2013 paycheck), Executive, Legislative, and non-represented Judiciary employees hired \textit{on or before} June 28, 2011 will pay at the Year Three percentage\(^*\) (\(\frac{3}{4}\) of the full percentage) for medical and prescription drug plan premiums.

- Employees in these categories who were hired \textit{after} June 28, 2011 currently pay the Year Four full percentage\(^*\) amount and should not see an increase in their health benefit contribution as of July 2013.

\(^*\)Or 1.5\% of salary, whichever is greater.

\(^1\) The amount of the contribution is calculated using the level of coverage selected and a scale of percentages that increase with the employee’s annual salary. Single coverage and Family coverage have separate scales of percentages. Member & Spouse/Partner and Parent & Child coverage use the same scale of percentages. The appropriate percentage is multiplied by the premium cost of the medical and/or prescription drug plans selected. The total contribution cannot be less than 1.5\% of annual salary.
State Monthly Employees

- Effective with the first paycheck to be paid on or after July 1, 2013 (reported to the Division of Pensions and Benefits as compensation during the 3rd calendar quarter of 2013), State Monthly employees hired on or before June 28, 2011 will pay at the Year Three percentage* (¾ of the full percentage) for medical and prescription drug plan premiums.

- State Monthly employees who were hired after June 28, 2011 pay the Year Four full percentage* amount and should not see an increase in their health benefit contribution as of July 2013.

*Or 1.5% of salary, whichever is greater.

CONTRIBUTION EXAMPLE

As an example: An employee with an annual salary of $50,000 has a gross biweekly pay of $1,915.71 and 1.5% of that salary equals $28.73 per pay period. The employee also has Family coverage through NJ DIRECT15 and the Employee Prescription Drug Plan with a biweekly premium of $870.92 for Plan Year 2013.

The current Year Two contribution is 6% of the premium, with a biweekly cost for medical and prescription drug coverage equal to $52.26. The employee pays the percentage of premium contribution amount of $52.26 per biweekly pay period, because it is greater than 1.5% of salary ($28.73).

For the Year Three contribution the percentage increases to 9% of the premium, or $78.38 per biweekly pay period. Therefore, effective July 2013, the employee begins to pay the Year Three percentage of the premium ($78.38).

CALCULATING HEALTH BENEFIT CONTRIBUTIONS

For employees who wish to estimate their expected health benefit contributions amounts, rate charts, salary based percentage scales, worksheets, and Percentage of Premium Calculators are available on the SHBP Web site at: www.state.nj.us/treasury/pensions/health-benefits.shtml

Separate worksheets and calculators are provided for both State biweekly employees and State monthly employees.

Note: For the Premium Calculators, Internet Explorer or Firefox browsers are recommended. Safari or Chrome users may receive error messages.

NOTIFICATION OF EMPLOYEES

State Executive, Legislative, and non-represented Judiciary employees paid biweekly through the State Centralized Payroll Unit will receive check messages with Pay Periods #13 (June 21, 2013) and #14 (July 5, 2013) to announce the health benefit contribution increase. Copies of the check messages are attached for reference. State biweekly employers are encouraged to provide their employees with additional reminders of the coming contribution increase.

State monthly employers are asked to provide payroll messages or other notifications to inform their employees of the coming contribution increase.
FUTURE CONTRIBUTION INCREASES

The next phase of the health benefit contribution increase will be effective with the first paycheck on or after July 1, 2014.

ADDITIONAL INFORMATION

If you have questions regarding the information provided in this letter, contact the Division’s Employer Education Unit at (609) 292-7524, or e-mail the Division at: pensions.nj@treas.state.nj.us

Enclosure

Centralized Payroll Check Messages — Health Benefit Contribution Changes
Centralized Payroll Check Messages
Health Benefit Contribution Changes

Pay Period #13 (June 21, 2013)

For health benefits, effective with the July 5, 2013 paycheck, Executive, Legislative, and non-represented Judiciary employees hired on or before June 28, 2011 will pay at the Year Three percentage* (¾ of the full percentage) for medical and prescription drug plan premiums.

Employees in these categories who were hired after June 28, 2011 pay at the Year Four full percentage*.

Additional information and Percentage of Premium Calculators can be found on the SHBP/SEHBP home page: www.state.nj.us/treasury/pensions/health-benefits.shtml

* Or 1.5% of salary, whichever is greater.

Pay Period #14 (July 5, 2013)

For health benefits and effective with this paycheck, Executive, Legislative, and non-represented Judiciary employees hired on or before June 28, 2011 pay at the Year Three percentage* (¾ of the full percentage) for medical and prescription drug plan premiums.

Employees in these categories who were hired after June 28, 2011 pay at the Year Four full percentage*.

Additional information and Percentage of Premium Calculators can be found on the SHBP/SEHBP home page: www.state.nj.us/treasury/pensions/health-benefits.shtml

* Or 1.5% of salary, whichever is greater.