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Circular Letter

March 6, 2012

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

SUBJECT: CONTRACTING AGENCY MINIMUM EMPLOYER CONTRIBUTION CALCULATION FOR 2013

**2012
 Minimum
 Employer
 Contribution**

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, the calculated adjustments are based upon the medical care component of the Consumer Price Index-Urban (CPI-U).

Background

California Government Code 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
2009	\$101.00
2010	\$105.00
2011	\$108.00
2012	\$112.00
2013	\$115.00

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¹ California Government Code § 20000, et seq.

Inflation Rate Changes In January 2012, the US Bureau of Labor Statistics determined that the annual percentage change in the medical care component of the CPI-U for 2011 was 3.0 percent. The table below provides an inflation comparison of medical care rates since 2007.

Medical Care Inflation		
Year	Index	Percent
2007	336.200	4.4
2008	351.054	3.7
2009	375.613	3.2
2010	388.436	3.4
2011	400.258	3.0

Calculation of 2012 Minimum Employer Contribution Using the 3.0 percent increase in the medical care component of the CPI-U, the Minimum Employer Contribution for Calendar Year 2013 is \$115.00. See calculation below.
 $(\$112.00 \times 3.0\% = \$3.36 + \$112.00 = \$115.36, \text{ rounded to } \$115.00).$

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

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Customer Account Services Division