

# DHRM TOTAL COMPENSATION BULLETIN

## Compensation for State Employees FY 2012

**Effective Date:** June 25, 2011

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### Legislative Language

#### S.B. 63 (2010 Legislative Session)

- Creates a new retirement system for employees who initially hire on with the State July 1<sup>st</sup>, 2011 or later and have no existing service credit with any URS participating employer to be called Tier II.
- Provides that employees who initially hire on with the State with existing service credit prior to July 1<sup>st</sup>, 2011 with a URS participating employer be called Tier I. Provides that the Tier I system is closed to employees who have never accrued service credit in that system.
- Provides that employees who are eligible for Tier II, can choose between a Hybrid DB/DC Contributory Retirement Plan and a DC only plan.
- Solidifies the Tier II employer contribution rate to 10% plus the Tier I system amortization rate for regular employees.
- Solidifies the Tier II employer contribution rate for employees on public safety and firefighter retirement plans to 12% plus the Tier I system amortization rate.

#### H.J.R 46 and S.B. 6:

- Provides for a 2% decrease to the overall premiums on all plans.
- Directs PEHP and DHRM to change the current employer premium share on the Advantage and Summit care plans from 95% employer/5% employee to 90% employer/10% employee.
- Provides for a 0% increase to PEHP's dental plans.
- Provides 100% funding for the entire increase in retirement costs.
- Directs PEHP to maintain grandfathered status under federal law.

S.B. 308:

Modifies the Utah State Retirement and Insurance Benefit Act:

- Mandates that employees entering Tier II have one year to change their mind on whether to choose a DC only or a Hybrid plan. After one year the election becomes irrevocable.
- Employees who fail to make an election will be defaulted into the Hybrid plan.
- Creates a retirement date for DC only members in Tier II to get the program II sick leave benefit.
- Creates certain “triggers” to change the Tier II hybrid system as recommended by the URS membership council or the legislature if the member’s required contribution exceeds 2% of the member’s salary.
- Mandates that elected officials participate in the Tier II DC only plan.
- Establishes that employees who choose the Tier II DC only plan may not purchase service credit.
- Mandates that the State of Utah enroll employees electronically in a manner approved by URS.

S.B. 127:

Modifies the Utah State Retirement and Insurance Benefit Act:

- Allows an employee who has retired to reemploy after 60 days but within one year of employment and not have his/her pension canceled under certain criteria.
- Mandates that it is the responsibility of the reemployed employee to notify URS of their employment status to avoid pension cancelation.

H.B. 18:

Amends the Utah State Retirement and Insurance Benefit Act:

- Requires PEHP to create and DHRM to deliver online training on health benefit plans to all benefited state employees before the end of the 2011 open enrollment period.
  - The training must include high deductible health plans and health savings accounts.
- Requires DHRM to provide online training to new hires on health benefit plans after July 1<sup>st</sup>, 2011.
- Removes the requirement that the high deductible health plan be actuarially neutral with the other health plans offered by PEHP.

**General Salary Updates**

No legislative salary increases were approved for FY2012 although the legislature funded the entire contribution rate increase (3.31% regular/ 4.18% public safety) to defined benefit plans. The increase to the retirement plans was funded as a result of a savings gained from a -2% decrease in health plan premiums and premium cost shifting to a 90% employer 10% employee split. FY2011 premiums were set at a 95% employer 5% employee split.

- Cost-of-Living Adjustments  
Cost-of Living Adjustments (COLA’s) were not approved for FY2012.
- Market Comparability Adjustments  
Market Comparability Adjustments (MCA’s) were not approved for FY2012. No salary ranges will be adjusted.
- Merit Increases  
Merit increases were not approved for FY2012.

- Discretionary Pay  
Discretionary pay was not approved for FY2012.

### Pay Plan Changes

Beginning April 7<sup>th</sup>, 2011 as a result of changes to DHRM rule R477-6, pay rate increases and decreases no longer need to be in ½% increments. Pay rate increases and decreases shall abide by the following two rules:

1-All increases and decreases except promotions shall be at least ½%<sup>1</sup>. Beyond the ½% minimum requirement, pay rates can be set anywhere within the salary range.

2-Promotional actions shall be at least 5% or up to the salary range maximum. Beyond the 5% minimum promotional requirement, pay rates can be set anywhere within the salary range.

### HRE Updates:

Because of changes to the ½% increment requirement, HRE will no longer be programmed with a % calculator. After April 7<sup>th</sup>, 2011 salary actions should be entered using the flat rate field (See Figure A Below). The system will have alerts programmed to notify you of a violation to rule for ½% minimum requirements for salary increases/decreases or a promotion that is entered for less than 5%. Please run the validator and make sure you don't ignore these alerts without taking time to verify that what you have entered is a valid reason, according to rule, to ignore the alert. Additionally, HRE will show you in true rounding, the % difference of a salary action entry.

Figure A

The screenshot shows the 'Employee Action Record' form. On the left is a navigation menu with categories: Position Classification, Recruitment, and Employment. The main form area contains the following fields:

- Action Reason:** Promotion (dropdown)
- Effective Date:** 04/27/2011
- Prev. Title:** SERGEANT, DWR (56050396) (with Copy button)
- Working Title:** CHEMIST/MICROBIOLOGIST III ELS (with dropdown arrow)
- DPR ID:** (empty field)
- Agency:** 270 - Dept of Health
- Org:** 1525
- Record Status:** New
- Competitive Hire Number:** xxxxxx (with dropdown arrow)
- Pay Rate Indicator:** 2
- Hourly Rate:** 27.00 (circled in red)
- Prev. Hrly Rate:** 24.79
- Percentage Difference:** 8.9148
- Employee Schedule:** B - Competitive Career Service (dropdown)
- Retirement Code:** 091 - State Employee Non-Contributory - Tier I (dropdown)
- Accrue Leave:** Yes (dropdown)

A green box with the text 'Enter with Flat Rate' has an arrow pointing to the 'Hourly Rate' field. A 'Run Validator' button is located in the top right corner.

<sup>1</sup> The only exception to this rule is if the difference between the old rate and the salary range maximum for the new range is less than ½% then, an employee may be placed at the salary range maximum. An employee shall not be placed into longevity in order to accommodate this rule. Similarly, in the event of a pay rate decrease an employee may be placed at the salary range minimum if the difference is less than ½%.

## Retirement Changes

The increase to the retirement plans was fully funded as a result of a savings gained from a -2% decrease in health plan premiums and premium cost shifting to a 90% employer 10% employee split on the Advantage and Summit Care plans. FY2011 premiums were set at a 95% employer 5% employee split.

### Rehired/Retiree Changes S.B. 127

- Retired employees can now come back to work within one year after 60 days from their retirement date if:
  - He or she doesn't receive any employer provided benefits except federally mandated benefits and;
  - Does not earn in a calendar year of reemployment
    - an amount in excess of the lesser of \$15,000 or
    - one-half of the retiree's final average salary upon which their retirement allowance was based.
- It is the responsibility of the retired employee to notify the URS office of his/her continued eligibility under this rule to avoid a loss of one month's retirement benefit for each month the employee fails to inform the office.
- To prevent the loss of eligibility under this rule HR employees' should ensure that the "insurance benefits" and "accrue leave" fields are marked "no" in HRE. Additionally, the employee should be placed in the correct retirement code (see "rehired/retiree HRE updates" below) in HRE.

### Rehired/Retiree HRE Updates:

There are multiple codes that will be available in HRE for employees who come back as a rehired/retiree under this new rule. Please review each one of these codes as they will help you determine which one to enter into HRE when an employee comes back. In most cases codes 070 and 080 will be utilized the most by DHRM staff. It is important for the correct code to be used as each one has a different rate that is paid by the State to URS:

***040 - Judges Rehire/Retiree Ineligible for Benefits on 7/1/2010***

(This code is for retirees who rehire into a non benefited Judges position 7/1/2010 or later and elect to keep pension, amortization rate must be paid by the employer to URS, not to the employee)

***050 - Firefighters Rehire/Retiree Ineligible for Benefits on 7/1/2010***

(This code is for retirees who rehire into a non benefited Firefighters position 7/1/2010 or later and elect to keep pension, amortization rate must be paid by the employer to URS, not to the employee)

***070 - Rehired/Retiree Ineligible for Benefits on 7/1/2010***

(This code is for retirees who rehire into a non benefited position 7/1/2010 or later and elect to keep pension, amortization rate must be paid by the employer to URS, not to the employee)

***080 - PS Retire/Rehired Ineligible for Benefits on 7/1/2010***

(This code is for retirees who rehire into a non benefited Public Safety position 7/1/2010 or later and elect to keep pension, amortization rate must be paid by the employer to URS, not to the employee)

- If a retired employee is reemployed under this rule, the employee's termination date after the period of reemployment will be considered the employee's retirement date when determining eligibility to come back to work full-time with benefits and not have their pension canceled.

### **Tier II Hybrid and DC Only Retirement Plans Effective July 1<sup>st</sup>, 2011**

Employees hired on July 1, 2011, or later, and with no existing service credit with any URS participating employer have a choice between Tier II Hybrid DB/DC and a Tier II DC only plan:

- Employees in Tier I cannot elect to switch to Tier II even if they terminate employment and rehire with a URS covered employer (any time in Tier I means you are always in Tier I).
- No new benefits or increases to benefits can occur to any of these retirement plans until all plans are funded at 100%.
- If an employee fails to make a choice the Hybrid DB/DC is the default plan
- Employees under Tier II are allowed to change that election within their 1<sup>st</sup> year of employment as many times as they want. After one year, the plan they are enrolled in becomes irrevocable.

### **Tier II Hybrid Contributory Retirement Plan:**

Details:

- 35 years retirement
- 1.5% of your FAS
- FAS = monthly average of your 5 highest years wages
- Up to a maximum of 2.5% cost-of-living adjustment
- 4 year vesting period
- Employer pays no more than 10%
  - If the contribution rate for the pension portion of this plan is less than 10% the remainder is contributed into a 401(k)
  - If the contribution rate for the pension portion of this plan is more than 10% the difference is contributed by the employee
    - The employer cannot pay the employee's portion if this occurs
    - S.B. 308 establishes triggers that allow the membership council, or the legislature to make changes to the Tier II Hybrid Plan, if it becomes unmanageable.
- Employer funds contributed to a 401(k):
  - Have a 4 year vesting period
  - URS directs the investment strategy on employer contributions until the money is vested; employees can make their own investment choices once vested
  - Are reinstated if an employee terminates and reemploys within 10 years
  - No loans or hardship distributions can be made from employer contributions

- Employee can elect to make additional contributions from their own wages:
  - Employee money is immediately vested
  - Employee can make investment decisions
  - Loans and hardship distributions are available
- Employer also pays the “Amortization rate” to URS to pay for unfunded liability from Tier I
- Includes a death and disability benefit.

Tier II Defined Contribution Retirement Plan:

- Employer contributes 10% into a 401(k) plan
  - 4 year vesting period
  - URS directs the investment strategy on employer contributions until the money is vested; employees can make their own investment choices once vested
  - Are reinstated if an employee terminates and reemploys within 10 years
  - No loans or hardship distributions can be made from employer contributions
- Employee can elect to make additional contributions from their own wages
  - Employee money is immediately vested
  - Employee can make investment decisions
  - Loans and hardship distributions are available
- Employer also pays the “Amortization rate” to URS to pay for unfunded liability from Tier I.
- (New) S. B. 308 Employees who elect the Tier II Defined Contribution benefit will be given an accrual of service to be recognized for the same post retirement medical benefit as those who elect the Tier II Hybrid benefit upon eligibility.

Tier II HRE Entry Instructions:

There are multiple codes that will be available in HRE for employees who are hired under Tier II. Please review each one of these codes as they will help you determine which one to enter into HRE for new hires that start on or after July 1, 2011.

***201 – Elected Officials and Legislator’s Retirement – Tier II***

(For Elected Officials and Legislator’s Hired on or after 7/1/2011. They will receive a DC only contribution for the State.)

***500 – Tier II Hybrid 7/1/2011***

(For a regular employee that chooses the DB/DC Hybrid plan on or after 07/01/2011. The State pays a fixed amount of 10% plus the Tier I amortization rate. If the certified contribution rate is less than 10% the difference is added to a 401k. If the certified contribution rate goes higher than 10%, the difference is contributed by the employee.

***501 – Tier II DC 7/1/2011***

(For a regular employee that chooses the DC only plan on or after 07/01/2011. The State contributes a fixed amount of 10% into 401(k), and also pays the Tier I amortization rate to URS)

**502 – PS Tier II Hybrid 7/1/2011**

(For a public safety employee that chooses the DB/DC Hybrid plan on or after 07/01/2011. The State pays a fixed amount of 12% plus the Tier I amortization rate. If the certified contribution rate is less than 12% the difference is added to a 401k. If the certified contribution rate goes higher than 12%, the difference is contributed by the employee.

**503 – PS Tier II DC 7/1/2011**

(For a public safety employee that chooses the DC only plan on or after 07/01/2011. The State contributes a fixed amount of 12% into 401(k), and also pays the Tier I amortization rate to URS)

**504 – Firefighters Tier II Hybrid 7/1/2011**

(For a firefighter employee that chooses the DB/DC Hybrid plan on or after 07/01/2011. The State pays a fixed amount of 12% plus the Tier I amortization rate. If the certified contribution rate is less than 12% the difference is added to a 401k. If the certified contribution rate goes higher than 12%, the difference is contributed by the employee.

**505 – Firefighters Tier II DC 7/1/2011**

(For a firefighter employee that chooses the DC only plan after 07/01/2011. The State contributes a fixed amount of 12% into 401(k), and also pays the Tier I amortization rate to URS)

**Medical and Dental Insurance Changes**

- This year there was -2% decrease to the employer and employee portions of health care premiums. Additionally, there was a premium shift for the advantage and summit care plans. The premium shift will go from 95% employer/5% employee to 90% employer/10% employee. Both of these changes will increase the employee's share of premiums on the HMO Advantage and Summit care plans by 96.01% from the FY 2011 rates.
- Employees will see a rate change to the PEHP Preferred Care Plan for FY2012. The bi-weekly rates are: Single coverage \$78.06; Two-Party coverage \$160.93; Family coverage \$214.85.
- Employees enrolled in the Advantage Care or Summit Care Plans will now pay 10% of the premium. The rates will change for FY2012. The bi-weekly rates will be: Single coverage \$18.76; two-party coverage \$38.67; Family coverage \$51.63.
- The High Deductible Health Plan has a new name. The STAR (Self Directed Tax Advantaged Resource) plan.
- There will be no change to premiums for employees on the STAR plan offered on the Advantage and Summit Care plans for FY2012. The State pays 100% of the premium for these plans.
- Employees will see a rate change to the Preferred Care STAR plan for FY2012: Employee bi-weekly premiums will be: Single coverage \$55.07; Two-party coverage \$113.55; Family coverage \$151.59.
- The State will frontload the entire FY2012 fiscal year HSA contributions at the beginning of the fiscal year<sup>2</sup> for anyone that switches over to a STAR plan during the 2011 open enrollment period. The

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<sup>2</sup> While traditionally employees would not see the state's HSA contribution until the end of July due to the two week hold-back on payroll, PEHP and State finance have agreed on an earlier time line, which means that the state's frontloaded contribution to the HSA will be available on or before July 15, 2011. This is only true for FY 2012; FY 2013's biweekly contributions will revert back to payroll's standard time line.

frontload will be in place of the bi-weekly contributions an employee would receive not in addition to them. Additionally, the State will provide a prorated frontload to new hires (see Appendix A for the schedule) who begin employment in FY2012.

- Employees will see a decrease in HSA employer contributions for FY2012 on the STAR Plan: Annual HSA employer contributions will be: Single coverage \$844.48; Two-party/Family coverage \$1,688.96.
- The dental plans available to state employees for FY2012 are: PEHP Traditional Dental, PEHP Preferred Choice Dental, and Regence Expressions Blue Cross/Blue Shield of Utah.
- Employee bi-weekly premiums for PEHP Traditional Dental in FY2012 will not change except for a \$.01 increase to the family plan: Single coverage \$6.45; Two-party coverage \$8.42; Family coverage \$12.07.
- Employee bi-weekly premiums for PEHP Preferred Choice Dental in FY2012 will not change except for a \$.01 increase to the family plan: Single coverage \$1.06; Two-party coverage \$1.35; Family coverage \$1.96.
- Rates for Regence Expressions Dental plans went down from FY2011. Employees who have single coverage, you will not pay a bi-weekly premium this year. Employee bi-weekly premiums in FY2012 will be: Single coverage \$0.00; Two-party coverage \$7.66; Family coverage \$11.34.

#### Federal Health Care Reform Changes:

- As a result of Federal Health Care Reform, dependent children will be able to remain covered until the age of 26, even if they are married.
- Individuals up to the age of 19 are no longer subject to pre-existing exclusions on medical plans.
- There are no longer any annual or lifetime limits on essential services. Essential benefits are determined by PEHP.

#### Special Note:

The State of Utah did not lose grandfathered status this year as part of federal health care reform. Because of this, preventative services could have an associated cost according to the health plan that an employee is enrolled in. For the HMO/PPO Advantage, Summit and Preferred plans preventative services may not be covered at 100% and an applicable co-pay and/or deductible would need to be met. For the STAR plans annual routine care is covered at 100% up to \$300 per plan year.

### **HRE and Fiscal Year End Information**

- The HRE system will not be going down this year to process Fiscal Year End changes. Even though there won't be a mass change taking place there will be additional codes programmed for Tier II retirement (see "retirement changes" section above). Additionally, as was mentioned in the pay plan change section, there will be changes to the salary actions tab (See "pay plan changes" section above).

- Individual HR field offices are responsible to manually enter longevity increases. Eligibility can be determined by running a standard report in HRE. Just as a reminder if you enter a longevity increase, HRE will automatically calculate the correct 2.75% rate for you.
- The first paycheck date for FY2012 will be on Friday, July, 22<sup>nd</sup> 2011. This paycheck represents 6 calendars days in FY2011 and 8 calendar days in FY 2012.

**Appendix A**

**HSA Frontload for New Hires Beginning in FY 2012\***

Pay Period When the Employee Initially Begins Employment	Single STAR Plan Coverage		Double/Family STAR Plan Coverage	
	HSA Contribution When the Employee Begins Employment	HSA Contribution When the Employee Hits the 1st Pay Period of FY 2013	HSA Contribution When the Employee Begins Employment	HSA Contribution When the Employee Hits the 1st Pay Period of FY 2013
13	\$ 844.48	\$ -	\$ 1,688.96	\$ -
14	\$ 812.00	\$ 32.48	\$ 1,624.00	\$ 64.96
15	\$ 779.52	\$ 64.96	\$ 1,559.04	\$ 129.92
16	\$ 747.04	\$ 97.44	\$ 1,494.08	\$ 194.88
17	\$ 714.56	\$ 129.92	\$ 1,429.12	\$ 259.84
18	\$ 682.08	\$ 162.40	\$ 1,364.16	\$ 324.80
19	\$ 649.60	\$ 194.88	\$ 1,299.20	\$ 389.76
20	\$ 617.12	\$ 227.36	\$ 1,234.24	\$ 454.72
21	\$ 584.64	\$ 259.84	\$ 1,169.28	\$ 519.68
22	\$ 552.16	\$ 292.32	\$ 1,104.32	\$ 584.64
23	\$ 519.68	\$ 324.80	\$ 1,039.36	\$ 649.60
24	\$ 487.20	\$ 357.28	\$ 974.40	\$ 714.56
25	\$ 454.72	\$ 389.76	\$ 909.44	\$ 779.52
26	\$ 422.24	\$ 422.24	\$ 844.48	\$ 844.48
1	\$ 389.76	\$ 454.72	\$ 779.52	\$ 909.44
2	\$ 357.28	\$ 487.20	\$ 714.56	\$ 974.40
3	\$ 324.80	\$ 519.68	\$ 649.60	\$ 1,039.36
4	\$ 292.32	\$ 552.16	\$ 584.64	\$ 1,104.32
5	\$ 259.84	\$ 584.64	\$ 519.68	\$ 1,169.28
6	\$ 227.36	\$ 617.12	\$ 454.72	\$ 1,234.24
7	\$ 194.88	\$ 649.60	\$ 389.76	\$ 1,299.20
8	\$ 162.40	\$ 682.08	\$ 324.80	\$ 1,364.16
9	\$ 129.92	\$ 714.56	\$ 259.84	\$ 1,429.12
10	\$ 97.44	\$ 747.04	\$ 194.88	\$ 1,494.08
11	\$ 64.96	\$ 779.52	\$ 129.92	\$ 1,559.04
12	\$ 32.48	\$ 812.00	\$ 64.96	\$ 1,624.00

\*Employees start regular bi-weekly accruals beginning one year of employment on the pay period that the employee initially began employment.