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Local Finance Notice

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The Impact of Chapter 2, P.L. 2010 on Local Unit Health Benefits Programs

Governor Christie recently signed into law Chapter 2, P.L. 2010. This new law changes various provisions of the State Health Benefits Program and the School Employees Health Benefits Program (together, SHBP). Certain of its provisions, but not all, also affect municipalities, counties, local authorities and districts, county colleges, and other local units that provide employee health benefits outside of the State Health Benefits Program. This includes local units that provide employee health benefits through an insurance fund, a joint health insurance fund or in any other manner.

Attached to this Notice is a Frequently Asked Questions (FAQs) document about the new law and its impact on both SHBP and non-SHBP participating local units. The answers provide general guidance for complying with c.2. While based on materials issued previously by the Division of Pensions and Benefits for SHBP participants, the FAQs have been revised to include guidance to non-SHBP local employers, as well as address additional implementation issues for all affected local employers. The full text of Chapter.2, P.L. 2010 is available online. You are encouraged to review it carefully in light of your specific circumstances.

The following highlights important elements of the law the FAQs address:

A. Minimum Employee Contribution for Medical Benefits
On May 21, 2010, or on the expiration of any applicable labor agreement in force on that date, all employees must contribute a minimum of 1.5% of current base salary towards their health benefits cost. This contribution is required of all employees who are members of any state or locally administered retirement system. This applies to all SBHP and non-SHBP local units.

B. Impact on Retirees
Chapter 2 is prospective regarding retirees. It does not affect current retirees or current employees who are already members of a state or locally administered retirement system. Employees who become members of a state or locally administered retirement system on or after May 21, 2010 will be required to pay 1.5% of their retirement allowance towards health benefits costs.

C. SHBP Multiple Coverage Restrictions (SHBP Employers Only)
The law prohibits an employee, dependent, or retiree who is a member of the SHBP from being a member of SHBP or receiving benefits from more than one employer.

D. Reduction in Waiver Amount
The law reduces the maximum amount of any payment for the waiver of employer provided health benefits coverage to 25% or $5,000, whichever is less, of the amount saved by the employer because of the waiver of coverage. This applies only to new waiver requests filed or approved after May 21, 2010. It does not affect any waivers already approved.

E. Employee Eligibility (SHBP Members Only)
Effective May 21, 2010, to be eligible for health benefits coverage under the SHBP, a full-time employee will be required to work a minimum of 25 hours per week, rather than the current 20 hours, to qualify for employer provided health benefits. Full-time elected and appointed officers elected or appointed on or after May 21, must work a minimum of 35 hours per week to qualify for employer provided health benefits.

Appointed or elected officers who were appointed or elected prior to May 21st do not need to meet the 35 hour per week minimum provided they remain in their elected or appointed position continuously after May 21st.

The State Health Benefits Commission will soon provide guidance about the meaning of "full-time" and certification of time worked for elected officials.

F. Collective Negotiation Agreements (Labor Contracts)
Chapter 2 takes effect on May 21, 2010 except for employees covered by an existing collective negotiations agreement on that date. Upon expiration of those agreements after May 21, 2010, c. 2, P.L. 2010 will then apply to them.

G. Non-Aligned (non-union or management) Employees
The law affects non-SHBP and SHBP employers differently. For non-SHBP employers, employees not aligned with a union become subject to the 1.5% contribution as of May 21, 2010. For SHBP employers, at the employer's discretion, non-aligned employees may be required to pay the 1.5% contribution when the union they are most "closely aligned with" begins paying the contribution.

H. Miscellaneous Questions
The FAQ provides guidance on leaves of absence, both paid and unpaid, and suspensions or other absences from work. It also covers policies to account for the 1.5% contribution for units under the jurisdiction of the Division of Local Government Services.

Chapter 2 raises many issues that will challenge local officials as they work to implement its provisions. The N.J. Division of Pensions and Benefits assists local units participating in the SHBP through its website. The DLGS will do its best to assist non-SHBP municipalities and local units with compliance. Please forward any questions via e-mail to dlgs@dca.state.nj.us.

Approved: Marc Pfeiffer, Acting Director

Table of Web Links

Page	Shortcut text	Internet Address
1	Chapter.2, P.L. 2010 is available online	http://www.state.nj.us/treasury/pensions/pdf/laws/chapt2-2010.pdf
2	website	http://www.state.nj.us/treasury/pensions/employer-home.shtml