

Teachers, SAW & All Other 10 Month Employees - Rates – FAQ's

Q – I am a teacher. I am confused because my rates change in September and it appears that all the benefits run on a calendar year basis. Don't I get new plan maximums when I start the new school year?

A – No. The school year is different than the calendar year and so we have to tie your rates to when teachers receive paychecks. We collect your premium share starting each new school year, and ending in the spring of the following year. Benefit plan accumulators (deductibles, plan maximums) on the other hand, run on a calendar year basis. So for all employees in the City, the annual plan maximums reset each January 1, which ties to the tax year while the rates change mid-calendar year (July 1 for General Government – September 1 for Teachers and 10 month employees) so the *rates* tie to our fiscal year.

Q – It is even more confusing because Open Enrollment is in the spring. Why is that?

A - The City operates financially on a fiscal year basis, July 1 through June 30. Since Teachers and SAW employees work fall to spring and are off during the summer, the latest we can ask employees to enroll is in the spring; just before summer vacation. New rates go into effect, then, each September.

Q – But wait; my rates change in September, but the rates are different in January too. Why do my rates change in September then again in January?

A – Everyone in the health plans has to pay for a full 12 months of coverage. The rates are calculated on a monthly basis, and then broken down per pay period. The rates we all pay come out of our paycheck BEFORE TAXES because the City has put a Section 125 Plan in place. This is a special arrangement that the Internal Revenue Service (IRS) allows plan sponsors and their employees to take advantage of. It means that the premium you pay actually reduces your gross taxable income because your premium comes out of your pay first, then taxes are calculated on the lower pay amount.

However, the IRS always has special rules that come into play. Your rates for September through December are the actual monthly rates for four months, broken down to each paycheck. These four months obviously fall within one distinct tax year which means the pre-tax premium affects your gross pay in that current tax year.

A new tax year begins January 1. Keep in mind that you do not work during the summer, but you have coverage under the plans while you are off, through the end of August. Since you get 8 months of coverage but in general, 6 months of paychecks, we spread the 8 months of premium due over the 6 months you receive paychecks. Beginning each January, you pay for a portion of July and August in each paycheck you receive through June.

We cannot include any part of July or August premium in the September through December rates because the IRS does not allow that under a Section 125 Plan. So each January, your rate will begin to cover the summer months.

Q – What happens if I leave my job in April or May? I have paid a little bit toward the coverage in July and August. Don't I get a refund for what was "added" to my premiums January through April?

A - No. Since this is a tax free payment, the IRS would void that status for you if we refunded any portion of any contribution. This means all the premiums you paid for the current tax year would immediately become taxable to you. Once you make the election, the rates charged are not refundable. Coverage is always effective through the end of the month in which you resign.

Q – I was hired in May and will work only through June, until we are off for the summer. I will be back in September. Am I covered July and August?

A – You are, but you will need to pay the City for the coverage for those two months. You can write a check or request a payroll deduction so the premium due will be paid on a pre-tax basis.

Q – I plan to finish up the current school year, but do not plan to return to work in Waterbury in September. I heard from other teachers that I will lose my benefits during July and August if I quit in June. To be "safe" I won't resign until the end of August.

A – **This is completely FALSE!!!!!!** If you have worked for the City January through June, you have paid for July and August. You can resign when your school year ends and remain covered during the summer. Any COBRA notice will show that coverage terminates August 31. If you know you will not return the next school year, PLEASE let your Principal know so that the position can be filled.