

FAQs for Employers: Parent-Child Relationships

Background

What is a Parent-Child Relationship?

California Code of Regulations (CCR) §599.500 (o) states that a Parent-Child Relationship (PCR) occurs when an employee or annuitant assumes a primary parental role over a child who is not his/her adopted, step, or recognized natural born child.

What has changed?

Effective January 1, 2016, regulatory changes strengthen and clarify PCR enrollment eligibility criteria. Employers must now require specific documentation from the employee or annuitant, based on dependent age, to accompany the *Affidavit of a Parent Child Relationship* (Affidavit) when enrolling and recertifying a PCR dependent. See Circular Letter 600-008-15 for more information. The Affidavit has been revised to reflect the new regulatory language.

Eligibility

Who is considered a “full-time student”?

For purposes of fulfilling the residency requirement for children age 19 up to 26, who aren't claimed as a tax dependent, per CCR §580.1: a full time student is one who is attending an accredited educational institution carrying a subject load that is considered full time per the school's standards.

What is financial dependence, and what is the age limit for claiming a dependent on a tax return?

CalPERS has aligned the PCR eligibility requirements with those of the federal tax code for claiming a tax dependent. Therefore, Title 26, U.S. Code § 152 includes and specifies “qualifying child” and “qualifying relative” in the definition of “dependent,” which also establishes age and relationship requirements: the dependent must have the same ‘principal place of abode as the taxpayer for more than one-half of such taxable year,’ and must not have ‘provided over one half of his own support for the year.’ An employee or annuitant may claim a PCR dependent on their taxes up to the child reaching age 23 if the child is attending school full-time. Otherwise, an employee can claim a PCR dependent on their taxes until the child reaches age 18.

One Tax Filing Year Period

Will the tax return requirement be phased in for existing employees with PCR dependents? Is there anything else they can provide?

For PCR dependents under age 19: Existing employees who are **recertifying for the first time** under these new regulations, and for all **new** PCR dependent enrollments, instead of a tax return, for **a period not to exceed one tax filing year**, employees may submit other documentation that substantiates the child's financial dependence upon them, as specified in CL 600-008-15.

FAQs for Employers: Parent-Child Relationships

For PCR Dependents from age 19 up to age 26: A tax return is not a required document for this age group since not all children can be legally claimed as a tax dependent due to age limits, but if one is provided, it can be accepted. Because employees with PCR dependents in this age group are allowed to provide various types of supporting documentation to confirm their PCR dependent's financial dependency, there is no phase in period for employees with PCR dependents within this age group.

Please refer to CL 600-008-15 for details and examples of supporting documentation that will establish eligibility for PCR dependents from age 19 up to age 26.

When does the 'one tax filing year' begin for employees who already had a PCR dependent enrolled at the time the regulatory changes were made?

Employees who are not already claiming their PCR dependent on their income taxes as a dependent should begin to do so as soon as possible. For implementation of the new requirement, CalPERS will use the tax year beginning in January 1, 2016 through December 31, 2016 as the first applicable tax period. The filing period for the 2016 tax year ends April 15, 2017. Full implementation of the tax return requirement begins on May 1, 2017. No exceptions will be allowed after this point.

Enrollment and Eligibility Scenarios

I have an employee who wishes to add his newborn grandchild to his plan. What document(s) can be requested/accepted for a newborn that proves financial dependence?

In the case of a newborn, your employee (i.e. the newborn's grandparent) can submit the newborn child's birth certificate or hospital birth record along with the completed Affidavit for PCR. But upon recertification, this employee (the grandparent) must have the child listed on their tax return in order to continue coverage for this child.

If an employee gets a divorce, and I remove his stepchild from his health plan using divorce as the qualifying event, can the employee re-enroll the child as a PCR dependent?

If your employee provides you with a tax return from the previous tax year listing the child as a tax dependent, if under 19, or if age 19 and up to 26, the employee proves through supporting documentation the child still resides with the employee for more than 50% of the time (unless a full-time student) and is proven to be more than 50% financially dependent upon the employee for, then yes.

If an employee is recertifying his PCR dependent (under age 19) after his 'one tax filing year' has passed, and he still cannot supply a tax return for the previous tax year listing the child as his tax dependent upon his recertification date, can an extension be allowed?

Unfortunately, PCR dependents cannot be recertified until the employee submits their tax return listing the child as a tax dependent for the previous tax year.

FAQs for Employers: Parent-Child Relationships

I have an employee who financially supports her 16-year-old grandchild and wants to add him as her PCR dependent. She gives her natural born adult son money for the grandchild, for food, shelter, clothing, etc., but she cannot claim the grandchild on her taxes because her son already claims him as a tax dependent. Is there any other way she can keep her grandchild on her benefits as a PCR without the tax return?

Unfortunately, the only way this child would be eligible for CalPERS health benefits as a PCR dependent is through proof of financial dependency, which can only be evidenced with a tax return listing the child as a tax dependent for the previous tax year.

Are we allowed to request tax returns from employees with PCR dependents from age 19 up to age 26?

You may request a tax return; however, a tax return cannot be required for this age group due to age limits for claiming a tax dependent. You may request other documents of the employee to indicate the child resides with the employee for more than 50% of the time, (unless a full-time student) and is financially dependent upon the employee for more than 50% of the child's support (refer to CL 600-008-15 for details and examples).

One of my employees has a 20-year-old PCR dependent who goes to school out of state, but for whom she provides financial support. She has provided me the supporting documents for financial dependence, but how can she fulfill the residency requirement?

Your employee must provide a copy of the child's school records indicating full-time status to fulfill the residency requirement. The records must prove the child is attending an accredited educational institution on a full-time basis.

I have an employee who has a 5-year-old PCR enrolled, and has not filed her taxes, but filed an extension with the IRS. Can this employee also have an extension of her PCR recertification?

Unfortunately, CalPERS cannot provide an extension to the annual PCR recertification process, or an exception to the income tax return requirement. However, the employee can instead provide his/her State income tax return, from the previous tax year listing the child as a tax dependent, for PCR recertification.

Employer Responsibility

Why am I required to retain copies of all the documents my employees provide for their PCR dependents (per CL 600-008-15)?

You are asked to retain copies of your employees' documents in the event of a future health audit requiring proof of PCR compliance. Per Government Code (GC) section 20151, CalPERS has a fiduciary responsibility that includes defraying reasonable expenses of administering the system, and minimizing the employers' costs of providing benefits. Collecting and retaining copies of the supporting documentation

FAQs for Employers: Parent-Child Relationships

helps CalPERS uphold this responsibility by ensuring that only eligible dependents are enrolled in a CalPERS health benefits program.

What authority, other than CCR 599.500 (o), do we have in requiring such sensitive documentation from our employees?

GC section 20128 grants CalPERS the authority to require information it deems necessary to determine a member or beneficiary's entitlement to benefits.

What can I tell my employees who are reluctant to submit such sensitive information to our office?

Per CL 600-008-15, when submitting copies of tax documents, household bills or account statements, you can instruct your employees to blackout sensitive information, such as bank, credit card, and other financial account numbers, driver's license numbers, and passport numbers. Also, they can mark each document "Not for Official Use."