



Important information for all employees over age 55 with at least ten years of service

In Governor Cuomo’s proposed budget, the state’s contributions to the costs of retiree health insurance premiums for state employees that **retire on or after October 1, 2016 would decrease.**

We have no way of knowing whether these changes will go through as proposed, be rejected completely or be modified by the legislative process until the NYS budget is passed. However, we thought it was important that individuals be aware of how these changes could impact them so that they can make educated choices concerning retirement options.

Currently, for UUP-represented employees (there are slight differences for other bargaining units), NYS pays 84% of the employee premium for eligible retirees (88% for those who retire at salaries below \$41,756) and 69% of the additional cost for family coverage (74% for those who retire at salaries below \$41,756).

<u>Governors Proposal - Individual Coverage</u>		
Years of Service	Retired at Grade 10(\$41,756) or Above	Retired at Grade 9 (below \$41,756) or Below
10-19	State would pay 50% + 2% for each year after 10, <u>maximum of 68%.</u>	State would pay 54% + 2% for each year after 10, <u>maximum 72%.</u>
More than 20	State would pay 74% + 1% for each year after 20, <u>maximum of 84%.</u>	State would pay 78% + 1% for each year after 20, <u>maximum of 88%.</u>

Governor’s Proposal - Dependent Coverage

Years of Service	Retired at Grade 10 or Above	Retired at Grade 9 or Below
10-19	State would pay 35% + 2% for each year after 10, <u>maximum of 53%.</u>	State would pay 39% + 2% for each year after 10, <u>maximum 57%.</u>
More than 20	State would pay 59% + 1% for each year after 20, <u>maximum of 69%.</u>	State would pay 63% + 1% for each year after 20, <u>maximum of 73%.</u>

If you may be considering retirement and have at least ten (10) years, but fewer than 30 years of service, you may want to consider retiring before October 1.

Currently, a full time health insurance eligible employee who retires with at least ten years of service is eligible for continued lifetime coverage in retirement, for him or herself, and his or her family. NYS continues to pay the same percentage of the costs as it does for active employees (see above). The retiree is responsible for the employee’s share, the difference, which he or she, while working, has deducted from his or her paycheck. Additionally, upon retirement, the employee’s accrued sick leave is converted to a cash value and used to offset the employee’s share. For many current retirees, health insurance costs are lower than they were when the employee was active. That may not be the case if the percentages are changed.

The illustrations below have been prepared to assist you in better understanding these proposed changes. Amounts below are approximate.

Example #1 – Individual Coverage:

A 62 year old UUP represented employee has the Empire Plan and has 15 years of service, a salary of \$65,000 and 200 days (1600 hours) of sick leave. His sick leave is converted to a cash value and used as an annuity to offset the cost of his share of the insurance for the rest of his life.

*Value of sick leave \$49,808
Monthly credit: \$185*

He has individual health insurance coverage for which he currently pays \$50.01 per pay period (\$108.95 per month).

If he retires before October 1: NYS will continue to pay 84% of the cost of his coverage and he will be responsible for the same percentage as when he was an active employee (\$50.01 bi-weekly or \$108.95 per month).

Since the employee's share is only \$108.95 per month and his credit of \$185 exceeds that, he will pay nothing for health insurance in retirement until and unless the rates rise to the point where the employees' share is more than his monthly credit. Should that occur, he will pay the difference between the employee's share and his monthly credit of \$185.

Under the governor's proposal, if this employee retires after October 1, NYS will only pay 60% (50% plus 2% per year for 5 additional years) of the cost of his monthly premium. The employee's share (now 40% of the total premium) increases to \$272. The employee's credit for his sick leave is only \$185 per month, so upon retirement, he pays \$87 per month. As health insurance premiums increase, his credit remains fixed and he pays the balance out of pocket.

Example #2 – Family Coverage:

If this same employee (62 years old, 15 years of service, 200 sick days) has family coverage, if the employee retires before October 1, NYS will pay 84% of the cost of his coverage and 69% of the additional cost of family coverage. He currently has \$192.52 deducted from each of his bi-weekly paychecks (\$417.12 per month) for the family coverage. In retirement, his monthly credit of \$185 will offset his premium of \$417 and he'll pay the difference, \$232 monthly (which will increase as premiums increase).

If this employee with family coverage retires after October 1, under the governor's proposal, NYS will pay only 60% of the cost of the employee's coverage and 45% of the additional cost of his family coverage. The employee's share will increase to \$821 per month. This will be offset by his monthly credit of \$185 and he'll pay the difference, \$636 (which will go up as premiums increase). Under the governor's proposal, this employee's family coverage as a retiree will cost an additional \$404 per month or \$4,848 annually.

Another thing everyone should understand is how Medicare works for retirees. At age 65, retirees must sign up for Medicare, Parts A and B. Currently, part A is free and there is a premium of \$104.90 per month for Part B (more for retirees who are considered high income). At 65, if you are retired, Medicare becomes the primary insurance coverage for you (and for your dependents over age 65). If you fail to sign up, your health insurance will no longer cover anything that would have been covered by Medicare. On top of Medicare, you continue to enjoy all of the benefits that the NYS Health Insurance Program provides, but Medicare pays first. Currently, NYS reimburses you for the full cost of your Medicare Part B premium for you and for your dependents enrolled in your health insurance.

As part of the governor's budget proposal, effective October 1, Medicare Part B premium reimbursements to NYSHIP retirees would be frozen at \$104.90. As Medicare Part B premiums rise, the additional costs would be borne by the retiree.

Again, at this point in time, we have no way of knowing whether these changes will go through as proposed, be rejected completely or be modified by the legislative process. However, we thought it

was important that individuals be aware of how these changes could impact them so that they can make educated choices concerning retirement options. Once the state budget is passed, we will provide the relevant information to the campus community.

If you have any questions or need additional information, please contact the Human Resources Office.