

## **PRODUCTIVITY ENHANCEMENT PROGRAM (PEP) DESCRIPTION**

### **OVERVIEW**

The Productivity Enhancement Program (PEP) allows eligible employees in the Executive branch to exchange previously accrued annual leave (vacation) and/or personal leave in return for a credit to be applied toward their employee share NYSHIP premiums on a biweekly basis. In no case can the credit available under the program be applied to the employer share of NYSHIP premiums.

During calendar year 2004, the program will be available for the period September 30 through December 31. Full-time employees who enroll in this portion of the program will forfeit a total of 0.75 day (5.75 hours or 6 hours for 37.5 and 40 hour workweeks, respectively) of annual and/or personal leave standing to their credit at the time of enrollment in return for a credit of up to \$100 (see Calculation of Credit on page 3) to be applied toward the employee share of NYSHIP premiums deducted from biweekly paychecks issued between September 30, 2004 and December 31, 2004.

The program will be available for the entire calendar year in 2005, 2006 and 2007. Full-time employees who enroll in the program for any of these years will forfeit a total of 3 days (22.5 or 24 hours for 37.5 and 40 hour workweeks, respectively) of annual and/or personal leave standing to their credit at the time of enrollment in return for a credit of up to \$400 to be applied toward the employee share of NYSHIP premiums deducted from biweekly paychecks in that year. During each of these years the credit will be divided evenly among the State paydays that fall between January 1 and December 31.

As discussed below under "Eligibility," part-time employees who meet the eligibility criteria for the program will be allowed to participate on a prorated basis during each year in which it is offered.

Once enrolled for a program year, employees continue to participate in that year unless they separate from State service or cease to be NYSHIP contract holders. Leave forfeited in association with the program will not be returned, in whole or in part, to employees who cease to be eligible for participation in the program.

The full leave forfeiture will be deducted at the time of enrollment.

During any calendar year in which an employee participates, the health insurance premium credit established upon enrollment in the program will be adjusted only if the employee moves between individual and family coverage under NYSHIP during that calendar year. Therefore, once an employee enrolls for that calendar year, any subsequent changes in employment percentage during the year will have no impact on the health insurance premium credit.

Disputes arising from this program are not grievable. This is a pilot program that will sunset on December 31, 2007 unless extended by mutual agreement of the parties.

## **ENROLLMENT**

Eligible employees who wish to participate in the 2004 portion of the program must file an election form with their agency personnel office between August 2, 2004 and August 27, 2004.

The enrollment period for other program years will be conducted during the month of October immediately preceding that year.

Employees will be required to submit a separate enrollment for each calendar year in which they wish to participate.

## **ELIGIBILITY**

In order to enroll an employee must:

- Be a classified or unclassified service employee in the Executive branch in a title below Salary Grade 18 or equated to a position below Salary Grade 18.
- Be an employee covered by the 2003-2007 New York State/CSEA collective bargaining agreements;
- Have a minimum combined balance of annual and personal leave of at least 8 days after making the forfeiture; and
- Be a NYSHIP enrollee (contract holder) in either the Empire Plan or an HMO at the time of enrollment.

### *Part-Time Employees*

Eligible part-time employees may participate on a prorated basis. Part-time annual-salaried employees who meet these eligibility requirements will be eligible to participate on a prorated basis in accordance with their payroll percentage. Additional hours that these employees work beyond their payroll percentage are not counted for this purpose. In cases where the payroll percentage of these employees results in a leave forfeiture that is not a quarter-hour increment, the leave forfeiture should be rounded to the nearest quarter-hour (rounding up when the resulting figure is exactly between two quarter-hour increments).

Part-time hourly and per diem employees who meet the eligibility requirements may participate on a prorated basis in accordance with their employment percentage. In cases where the work schedules of such employees fluctuate, agencies should contact the Attendance & Leave Unit of the Department of Civil Service at (518) 457-2295 for guidance in determining the appropriate employment percentage. The same rounding principles described above for part-time annual-salaried employees, should be applied to these employees.

### *Voluntary Reduction in Work Schedule (VRWS)*

Employees on Voluntary Reduction in Work Schedule (VRWS) agreements who elect to participate in the program do so as full-time employees. If eligible, they exchange the appropriate number of full-time days of annual and/or personal leave for the maximum health insurance premium credit allowable under the program (i.e., up to \$100 in 2004 and up to \$400 in 2005, 2006 and 2007). As stated earlier, in 2004 the forfeiture for full-time employees is 0.75 day (i.e., 5.75 or 6 hours). In 2005, 2006, and 2007 the forfeiture for full-time employees is 3 full days (22.5 or 24 hours in 2005, 2006, and 2007).

### *Re-employed Retirees*

Retired New York State employees who have returned to work must meet all the eligibility criteria for participation in the program and must have the employee share of their NYSHIP health insurance premium deducted from their biweekly paycheck. Re-employed retirees who retain retiree status for health insurance purposes are not eligible to participate.

## **CALCULATION OF CREDIT**

For the 2004 portion of the program, the credit that will be applied to participants' biweekly employee share premiums can be calculated as follows:

### *Full-Time Employees*

The biweekly credit is equal to \$14.29 (\$100 divided by 7 paychecks) OR the biweekly cost of the enrollee's employee share NYSHIP contribution, whichever is less.

### *Part-Time Employees*

The biweekly credit is equal to \$14.29 multiplied by the employee's payroll/employment percentage OR the biweekly cost of the enrollee's employee share NYSHIP contribution, whichever is less.

## **LEAVES OF ABSENCE**

Participants who go on sick leave at half-pay during a year in which they are PEP enrollees will continue to have the health insurance premium credit applied to the employee share of health insurance premiums deducted from biweekly paychecks.

PEP enrollees who go on leave without pay (LWOP) and do not receive a waiver of premium continue to participate in the program, paying the employee share of the NYSHIP health insurance premium at the reduced rate. Additionally, they pay the employer share of the health insurance premium where required. No portion of the health insurance premium credit available under the program can be applied toward the employer share of the health insurance premium. Leave forfeited in association with the program will not be returned, in whole or in part, to employees who receive a waiver of premium.

PEP enrollees who go on Workers' Compensation leave continue to participate in the program. They continue to receive the health insurance premium credit. For employees eligible to defer NYSHIP premiums until return to the payroll, only that portion of the employee share premium which is not offset by the health insurance premium credit, if any, is deferred until the employee returns to the payroll. However, employees eligible to receive supplemental payments while on Workers' Compensation leave will have the health insurance premium credit applied to any employee share premium deducted from such supplemental payments.

### **INSURANCE ISSUES**

An employee enrolled in PEP who moves between individual and family coverage under NYSHIP will have his/her health insurance contribution credit adjusted upward or downward as appropriate.

If both spouses are State employees covered under a single family contract, only the contract holder who carries the family coverage can participate in PEP. If both spouses are enrolled contract holders, both may participate in PEP if otherwise eligible.

The Employee Benefits Division of the Department of Civil Service will issue guidelines for agency Health Benefits Administrators concerning the processing of enrollment and status changes for PEP participants.

### **TAXABILITY**

By electing to participate in PEP, an employee reduces the amount deducted from biweekly paychecks to pay the employee share of NYSHIP premiums. If the employee currently has that amount deducted on a pretax basis, the PEP health insurance premium credit reduces that pretax deduction. The net effect is that the amount of income the employee pays taxes on increases by the amount of the health insurance premium credit. While employees will realize net savings because of the PEP credit, the amount of that savings will be less than the full amount of the PEP credit for anyone currently paying NYSHIP premiums on a pretax basis. Furthermore, for each year of participation in PEP, employees who participate in the pre-tax premium contribution program may only make changes to health insurance in accordance with pre-tax premium contribution program rules regarding qualifying events, even though the PEP credit eliminates all or part of the health insurance premium deduction.

Employees should be referred to their income tax preparer for questions regarding the tax implications of participation in the PEP.