

Employee Benefits Division Policy Memorandum

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Subject: Retirement, Medicare

Issue:

Memorialize our existing policy that agencies may not withdraw only their Medicare eligible retirees from NYSHIP.

Background:

Some NYSHIP participating employers (the term participating employers used here includes PEs and PAs) have been terminating the NYSHIP enrollment of their retirees once the retirees attain Medicare eligibility. Since this practice burdens NYSHIP with the higher costs associated with the plan-primary experience of the pre-65 retirees while removing the offsetting good experience of the Medicare-primary post-65 retirees, an analysis was done to assess whether this practice should be allowed under NYSHIP rules. Separate analyses by EBD financial management staff and our actuarial consultant both found that the practice was sufficiently detrimental to the plan and its participants to warrant prohibiting it. It has been our past practice to advise agencies that withdrawal of Medicare eligible retirees is not acceptable, but it has come to our attention that some agencies continue to do it. It is necessary, therefore, that we formalize and begin enforcement of this policy now.

Policy:

Effective January 1, 2006, agencies participating in NYSHIP may not withdraw only their Medicare eligible retirees from NYSHIP. An agency that entered NYSHIP on or after March 1, 1972, wishing to withdraw its Medicare eligible retirees from NYSHIP will be required to withdraw all of its retirees from NYSHIP. An agency that entered NYSHIP prior to March 1, 1972, that wishes to withdraw its Medicare eligible retirees from NYSHIP must withdraw from NYSHIP if it has any employees hired prior to April 1, 1977, who are retired or eligible to retire.

Agencies withdrawing Medicare eligible retirees pursuant to existing collective bargaining agreements will be allowed to continue the practice beyond January 1, 2006, but only until the expiration of the agreement. Such agencies must submit a copy of the pertinent section of the agreement with a written request for a policy waiver and must acknowledge that they are required to discontinue the practice at the expiration of the current agreement.