

Employee Benefits Division Policy Memorandum

Number: Policy Memo 143
Date Issued: April 25, 2016
Subject: Pre-Tax Contribution Program (PTCP)

ISSUE:

Administration of PTCP for New York State employees

BACKGROUND:

The Employee Benefits Division (EBD) conducted a review of Section 125 of the Internal Revenue Code (IRC) that governs pre-tax elections. The purpose of this policy is to provide additional guidance necessary to ensure that PTCP elections are made in accordance with pre-tax election rules and that mid-year changes in pre-tax deductions resulting from a change in coverage are only permitted when the change in coverage is the result of a qualifying event and satisfies the consistency rule.

POLICY:

Administer the PTCP in compliance with Section 125 of the Internal Revenue Code (IRC) that governs pre-tax deductions by ensuring that election of PTCP is only as permitted and that mid-year changes in pre-tax deductions resulting from a change in coverage (including cancellation of coverage) are permitted only when the change in coverage is the result of a qualifying event, the request is made within 30 days of the event, (or within the waiting period if an enrollee is newly eligible) and the change in coverage satisfies the consistency rule.

The following is meant to detail and clarify how the PTCP should be administered:

Enrollment/Disenrollment in the PTCP

An employee must make a positive election to enroll in the PTCP by signing a PS-404, Health Insurance Transaction Form. The election can only be made at one of two points:

1. When the enrollee first becomes eligible for health benefits; or
2. During the Annual PTCP Election Period.

Subsequent changes to PTCP election can only be requested during the PTCP Election Period impacting the following plan year. Existing employees may not newly enroll in the PTCP mid-year (unless employees become newly eligible for health insurance benefits).

Changes in pre-tax deductions

The PTCP enrollee may also make an election to change his/her pre-tax deduction for the next plan year through a change in coverage, absent a PTCP qualifying event, during the PTCP Election Period.

Under the PTCP, mid-year changes in **pre-tax deductions** resulting from a change in coverage or option are permitted only when the change is on account of and consistent with a qualifying event. The change must be requested within 30 days of the qualifying event (or during the waiting period if the enrollee is newly eligible for coverage). Arbitrary health insurance changes or changes that do not satisfy the consistency rule cannot result in a change in an employee's pre-tax contribution.

- **Arbitrary Health Insurance Change:** An arbitrary health insurance change is a change that does not stem from a change in status event under Section 125 of the IRC, or is one that was not requested within 30 days of a change in status event or requested within the new enrollment waiting period when first becoming eligible for coverage.
- **Consistency Rule:** An election change as a result of any change in status event must be on account of and correspond with a change in status that affects eligibility for coverage under the plan. For example, the birth of a newborn child applies as a qualifying event to switch from individual to family coverage; it does not qualify as an opportunity to cancel individual coverage or switch from family to individual coverage.

Included is an attachment to this memo which contains a chart citing examples when a change in the pre-tax deduction is allowable.

Questions concerning this memo and the attached information should be directed to the Program Administration Unit at the Employee Benefits Division at 518-474-2780.

As a result of this review, certain transaction processing changes have been implemented. Recent HBA memos have detailed these changes.

Attachment