Retired Public Employees Association, Inc.

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Testimony Before the Joint Fiscal Committees on the 2014-2015 Executive Budget

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Chairmen DeFrancisco and Farrell, members of the Senate Finance and Assembly Ways and Means Committees, other interested Senate and Assembly members, fellow public servants and fellow taxpayers:

My name is Paul Moore and I am the President of the Retired Public Employees Association (RPEA). Accompanying me is Ed Farrell, our new Executive Director. I am testifying today to present the views of RPEA's members and their dependents with respect to State fiscal policies that are unfair to State retirees.

RPEA is a non-profit association organized to promote and protect the interests of retired State and local municipal employees including retired members of the Legislature, Judiciary and their staffs. In fact, our ***sole*** purpose is to represent only public service retirees! We have a network of local Chapters, most of which are located in New York State since about 80% of public employee retirees remain in New York for their retirement years. RPEA is governed by a volunteer Board of Directors, Chapter officers, and Committee members.

State retirees' pension and retiree health care benefits derive from the express and implied future agreements by government to compensate us for our work. Once we retire, we all rely on those promises. This year we are asking for your help in keeping faith with the more than 400,000 retirees by:

(1) Rejecting, again, the Governor's Budget language that would have Medicare eligible retirees pay a surcharge [Income Related Monthly Adjustment Amount (IRMAA)] for their health coverage under Medicare Parts B and clarifying that the Medicare Part D IRMAA premiums are reimbursable by the State; and

(2) Passing language (S.4112, Golden/A.7124, Abbate) to affirm that it was not the Legislature's intent to allow union negotiated increases to the percentage of health care costs paid by employed New York State Health Insurance Plan (NYSHIP) members to be passed on administratively to existing retired members.

Remove Budget Language. For the second year in a row, the Governor's Budget contains language that attempts to save the State money by forcing certain State retirees to pay extra for their health insurance benefits. This is being done indirectly through a convoluted process involving the federal Medicare program.

Currently, to minimize the cost of retiree health benefits to New York State, upon turning 65 all retirees participating in NYSHIP are required to enroll in the federal Medicare program. As a requirement for Medicare enrollment, such retirees must pay Part B premiums, but they are also required to pay the full NYSHIP premium to the State for their health insurance coverage. Recognizing the need to avoid this additional payment, the Legislature provided for full reimbursement of all Medicare Part B premiums.

Again, the Governor's Budget (S.6355/A.8555, Part E) proposes to deny full reimbursement by amending Civil Service Law, §167-a, and thereby eliminate this long standing agreement.

Understand NYSHIP retirees are pleased to save the State money by accepting Medicare as their primary health insurance provider, but this outrageous proposal negates the implied intent of Medicare premium reimbursement—retirees will save the State money, and by doing so with be held harmless for additional Medicare premiums.

The State has compounded this issue by declaring also that it has no obligation to pay for Medicare Part D (Prescription Drug) IRMAA premiums. Without any specific statutory authority, the State has converted Medicare retirees' prescription drug coverage to the Medicare Part D program in order to draw down additional federal subsidy for retiree health care costs. Nevertheless, the State does not want to reimburse for the additional Medicare premiums that such action requires certain Medicare retirees to pay.

Since only Medicare eligible retirees—and not Medicare eligible active employees—are required to enroll in Medicare for the purpose of helping the State reduce the cost of the NYSHIP program, failure to reimburse the additional premiums is discriminatory and unfair. If allowed to stand, it will become a burden to more and more Medicare eligible retirees as the expressed intent of the federal government is to shift the cost of Medicare more and more to enrollees. In fact, the Medicare Part B premiums have risen over the years and the income thresholds for the IRMAA premiums for both Part B and Part D will no longer be indexed to inflation.

This is a fairness issue and it involves a speck of the total NYS budget. But it appears very large to public retirees who see the attacks on their retirement security from Detroit to Rhode Island. We urge you to eliminate this proposal from the Governor's Budget and resolve the issue over the Medicare Part D premium reimbursement.

Prevent Administrative Fiat. Additionally, RPEA has been fighting in the Court—unsuccessfully so far—to reverse the unintended administrative authority which the Executive branch of government has usurped using the legislation ratifying a union contract in 2011. This involves the percentage of the cost that retirees pay for their NYSHIP premiums.

The NYSHIP percentage contribution had been established in law since the last time such percentage was changed in 1983 as a result of union negotiations. At that time, the increased contribution rate was not applied to persons who had already retired. In this instance, the Governor administratively increased the NYSHIP percentage contribution despite the fact that the statute [Civil Service Law, §167(a)] specifying the percentage contribution requirement was not amended by the Legislature, and we believe, was not intended to apply to those of us who had already retired at the time the new employee contracts took effect.

Again, this is an equity issue. How can union negotiations affect those of us who have already retired when we are not a party to the negotiation, nor are public employee unions allowed to bargain on our behalf by law?

We ask that a bill (S.4112, Golden/A.7124 Abbate) be incorporated into the Budget language to rectify this situation.

Another Disturbing Trend in New York. In addition to the issues previously raised, we bring to your attention that Health Research Inc., a NYSHIP participating agency, has announced that it is planning to discontinue the current HRI Health Insurance Program for Retirees. Its retirees will be responsible for purchasing their own health insurance coverage and they are offering some type of health benefits account which may be used toward the qualified medical expenses. We don't know what this portends for NYSHIP, but it is clear that HRI retirees are having the rug pulled out from under them in their retirement years—something that they were not aware of when they agreed to go to work for HRI.

Recognize Retirees are not the Enemy. As mentioned, about 80 percent of all New York public employee retirees continue to live and vote in this State. Our economic impact is estimated at $10.4 billion annually and we pay $1.4 billion in real property taxes which constitute 4.4 percent of all such taxes even though public retirees only make up 2.5 percent of the State's population.

Therefore, we rely on you, our elected representatives, to provide budget oversight of the Executive branch of government to protect our health care benefits—to make sure that the promises made are promises kept.

Thank you for allowing us to testify this afternoon on these issues vital to public employee retirees.