



# Retired Public Employees Association

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*Representing the interests of 500,000 New York state and local government retirees*

RPEA Testimony before the Joint Fiscal Committees of the Legislature

Workforce Development Hearing

January 30, 2024

Edward C. Farrell

Executive Director

Chairwoman Krueger, Chairwoman Weinstein, members of the Senate Finance and Assembly Ways and Means Committees, thank you for the opportunity to speak to you this afternoon.

My name is Ed Farrell, Executive Director of the Retired Public Employees Association (RPEA) and I am testifying on behalf of retired public employees and their spouses/partners.

## **RPEA**

RPEA is a non-profit association organized to promote and protect the interests of the nearly 500,000 retired state and local municipal employees in the State Retirement System. Contrary to popular perception, nearly 80% of public employer retirees remain New York State residents, driving \$12 billion into the State's economy. You see us in your districts, you know who we are. Also, according to the State Comptroller, public sector retiree's annual spending is responsible for the creation of roughly 75,000 jobs.

## **TOP THREE PRIORITIES**

### **Pension Cost of Living (COLA)**

When the pension Cost of Living Adjustment (COLA) was enacted 23 years ago, it was never a true COLA. The legislation authorized only a 50% COLA, never to be less than 1%, nor higher than 3%. As inflation rose by more than 50% over the past two decades, the purchasing power of the COLA fell further and further behind. Only one time, in 23 years, did the COLA actually reach 3%. That was two years ago, when the rate of inflation rose to 9%. Now is the time to address this inequity.

Our proposal (S.6307 Jackson/A.7023 Pheffer Amato) includes a “catch up” payment (the difference between the 50% COLA and the 3% cap) to current COLA eligible retirees to better reflect the actual rate of inflation since the enactment of the COLA. The 3% annual cap and the five-year waiting period remain in place, in order to protect the integrity of the Fund. The “catch up” applies to prior years only. The major beneficiaries of this bill would be older retirees with smaller pensions, due to the fact that salaries were much lower 20 -30 years ago. It is important to note that 24% of retirees receive a pension under \$10,000, and 43% have a pension under \$20,000.

Going forward, the bill raises the maximum pension amount the COLA is applied against, going from \$18,000 to \$21,000 for current and future retirees. This is a modest increase to the amount that was authorized 23 years ago (\$18,000 in 2000 is the equivalent of nearly \$32,000 today). It was never envisioned when the COLA was enacted, that the dollar threshold cited in the bill would remain in perpetuity. The 50% of the rate of inflation factor remains in effect going forward, to further safeguard the financial well-being of the Fund.

I point out that while the Jackson/Pheffer Amato bill implements the COLA increase in September 2025, it needs to be passed this session. The Comptroller needs time to calculate the “catch up” amounts, plus there is no guarantee regarding the timing of sending the bill to the Governor, if it were to be enacted next year.

## New York State Health Insurance Program (NYSHIP)

### Access to Skilled Nursing Facilities (SNF)- Empire Plan Retirees

In 1966, legislation was passed to integrate retirees over the age of 65 into the newly enacted Medicare Program. The Department of Civil Service, writing in support of the signing of that bill, noted that “this federal benefit would be in addition to any benefits available under the State Health Insurance Plan”. That is not true.

Medicare-primary enrollees in the Empire Plan receive zero coverage, and are eligible for only 20 days SNF coverage (the Medicare maximum), and are required to spend 3 days in the hospital to be eligible for coverage. Empire Plan enrollees under age 65 are eligible for 120 days fully reimbursed coverage, with no required hospital stay. Needless to say, older enrollees are more likely to need such care.

Medicare-primary enrollees pay the same premium as active enrollees, yet receive this diminished benefit. When asked about this discrepancy in policy (and I use the word loosely), NYSHIP responded with the worst possible answer regarding public policy, namely “It’s always been that way”. The bottom line is that retirees are being discriminated against for one reason only- their age. If you replaced the word “retiree” with that of any “other group” this policy would never be tolerated.

Efforts to correct this diminution of benefits administratively were not successful. Hence, a legislative remedy was sought last session, as S.8192 (Breslin)/A.9215 (McDonald) to restore this benefit for Medicare- primary enrollees in the Empire Plan was passed unanimously, as each one of you voted in favor.

However, that bill, along with eighteen others, was vetoed in Message 130 because it “did not include a funding source”, and “should be part of the budget process”. We had requested Governor Hochul to include the “funding source” in her Executive Budget. She did not. So, we are now in the “budget process”, and it is now up to you, the Fiscal

Committees, to right this wrong. We request that each of your one-house Budget Resolutions contain funding to restore this benefit.

## **Restore IRMAA Reimbursement**

As in previous Executive Budgets, the Governor proposes the elimination of the Medicare Part B IRMAA (Income Related Monthly Adjustment Amount) surcharge reimbursement. NYSHIP retirees pay this surcharge, as part of their Medicare premium on a monthly basis, and are reimbursed in the following year.

Because the state reaps tremendous savings by requiring retirees to enroll in Medicare, the Legislature provided for full reimbursement of all Medicare Part B premiums. Chapter 602 of the Laws of 1966 created Section 167-a of the Civil Service Law to offset this additional cost to the enrollee, so that the enrollee's cost for their NYSHIP health insurance premium would not be impacted, thereby creating a covenant with Medicare eligible retirees. We urge you to keep the covenant and restore this cut, as you have done in the past.

## **Other Initiatives with Fiscal Implications**

### ***Full Reimbursement for Prescription Drugs- NYSHIP***

I point out that the State has saved money on retiree drug prescription coverage by blending NYSHIP prescription drug coverage with Medicare Part D. As Medicare retirees discovered, there is a Part D IRMAA surcharge which the State has refused to reimburse, because in the opinion of the Department of Civil Service, prescription premiums are not "medical" as cited in Section 167-a of the Civil Service Law. To state the obvious, Part D of Medicare is in fact Medicare, and should be reimbursed (A.3764 Pheffer Amato).

### ***Recent Management/Confidential Retirees***

In 2009 and 2010, Management/Confidential employees had their previously authorized salary increases withheld as part of the plan to reduce the state deficit. Starting in 2015,

current M/C employees received those previously withheld increases, but those who had retired did not receive them, as they were no longer on the payroll.

Those salary increases for 2009 and 2010 were earned by Management/Confidential employees, even though the eventual payment was deferred. The State saved \$450 million through that salary deferral. We urge you to provide the funding for those M/C employees who retired between 2009 and 2015, as has been done for those still employed.

### **Conclusion**

Once again, we thank you for your past support, and hope that you will consider our comments regarding this year's budget. I am available to work with the Fiscal Committees, and will respond to any question you may have at this time.