RPEA Retired Public Employees Association
CELEBRATING 1969 50 2019 YEARS
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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

March 1, 2023

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. The association is governed by a volunteer Board of Directors. We have a network of 14 local Chapters, most of which are located in New York State. Contrary to popular perception, nearly 80% of public employer retirees remain New York State residents, driving $12 billion into the State's economy. According to the State Comptroller, public sector retiree's annual spending is responsible for the creation of roughly 75,000 jobs.

Thank you

We thank you for the support you have shown in prior years regarding previous Executive Budgets which proposed reductions in Medicare Part B premiums for retirees who participate in the New York State Health Insurance Program (NYSHIP). Thankfully, those proposals are <u>not</u> included in the current budget under review.

TOP TWO 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 22 years, did the COLA actually reach 3%. That was last year, when the rate of inflation rose to 9%. Now is the time to address this inequity.

Our proposal 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.

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 overage, 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 reitrees 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 under the previous administration 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". We had requested Governor Hochul to include the "funding source" in her Executive Budget. She did not. 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.

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 Section 167-a of the Civil Service Law does not apply to prescription drug coverage. This surcharge ranges from $12 to $76 per month out-of-pocket cost for each retiree. The insignificant savings to the State breaks faith with the spirit and intent of the original 1966 Medicare reimbursement law. To state the obvious, Part D of Medicare is in fact Medicare, and should be reimbursed.

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.

Increase Survivor's Benefit

There exists in statute a Survivors Benefit Program of $3,000. This benefit was initially intended to help defraying burial expenses. <u>It has remained unchanged for nearly 50 years</u>. After a half century, it's time to modestly increase that amount, and we urge that it be included in the final budget.

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.