



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

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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, which recently celebrated its 50th year, 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 recent years regarding previous Executive Budget's 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 not included in the current budget under review. We commend Governor Hochul for reversing that trend.

HIGHEST PRIORITY

Pension Cost of Living Adjustment (COLA)

The existing COLA formula was enacted 22 years ago, and has never been adjusted. The Pension Fund has reached \$268 billion and was 99.3% funded at last report. Notwithstanding recent concerns in the market, the funded value will probably exceed 100% with the next report.

Contrary to what the name implies, the statutory formula dictates that COLA payments are based on 50% of the annual rate of inflation. The COLA is at least 1%, but never more than 3% of, and is applied to the first \$18,000 of a pension. This year, the COLA is 1.4% with the maximum benefit of \$252, with many receiving less than that. As a point of information, the average pension is just under \$26,000.

There is current legislation, S6835-B Gounardes, to raise the threshold from \$18,000 to \$21,000. That bill has been around for many years. Perhaps this is the right time to re-examine all the aspects of the formula.

RPEA is be working with the State Comptroller's staff to explore the implications of revising the formula. Comptroller DiNapoli's fiduciary obligation is to the soundness of the Pension Fund, a principle most certainly shared by retirees. Given the strength of the Fund, we think the time is now to improve the COLA formula.

Other Initiatives with Fiscal Implications

- ***Access to Skilled Nursing Facilities (SNF)***

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

Medicare primary enrollees in the Empire Plan are eligible for only 20 days SNF coverage (fully reimbursed), 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. We believe this policy to be age discrimination and urge you to amend the law to rectify it.

- ***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. It has remained unchanged for nearly 50 years. After a half century, it's time to modestly increase that amount, and we urge that it be included in the final budget.

- ***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 \$78 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.

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.