

Severance and Retirement

Description:

Eligible employees may elect service retirement at any time during the 12-month leave without pay-layoff (transitional) period, regardless of the duration of severance payments. Coverage in the active employee group (with agency contribution) may continue for the full 12-month transitional period, even if retirement has been elected.

Health Benefits Impact:

Employees who are eligible for and take the WTA severance benefit and who are also eligible for and elect a non-deferred service retirement at any time during or immediately after (with no break) the 12-month transitional period may enroll in the State Retiree Health Benefits Program if they do so within 31 days of the end of the transitional period. If elected within the allowable enrollment window, retiree coverage will begin the first of the month after the end of the 12-month transitional period. If retirement occurs prior to the end of the 12-month transitional period, employees may remain in active coverage with the employer premium contribution for the remainder of the 12-month period.

Allowable Changes to Membership Level or Plan:

No plan or membership change will be allowed during the severance payment period unless there is a qualifying event that is consistent with the change. A plan or membership change will be allowed at the expiration of severance payments from which the employee contribution had been deducted. Upon enrollment in retiree coverage (at the end of the transitional period), a change in plan and/or decrease in membership will also be allowed. In addition, upon enrollment in retiree coverage, retirees and their covered dependents who are eligible for Medicare must enroll in a plan that coordinates with Medicare and, with limited exceptions, Medicare will be the primary payer of claims. The state program only coordinates with the Original Medicare Plan, so enrollment in Medicare Parts A and B is critical to avoid gaps in coverage for those moving to Medicare-primary retiree coverage in the state program.

Extended Coverage/COBRA:

Like all terminating employees, retiring employees who have health plan coverage at the end of their leave without pay-layoff/transitional period must be offered Extended Coverage/COBRA. This is in addition to any offer of retiree coverage. Most eligible retirees will choose retiree coverage instead of Extended Coverage/COBRA since Extended Coverage/COBRA requires payment of an additional administrative fee and is for a finite period of time (generally, 18 additional months). If retiree coverage is not elected, other qualified beneficiaries (those covered on the day before active coverage is lost) may elect Extended Coverage/COBRA.

If retiree coverage is elected in lieu of Extended Coverage/COBRA and then terminated (e.g., for non-payment) before the end of the maximum Extended Coverage/COBRA period, any remaining Extended Coverage/COBRA rights may be utilized if elected within the 60-day period beginning at the end of retiree coverage.

The American Recovery and Reinvestment Act of 2009 (ARRA), as amended:

ARRA reduces the Extended Coverage/COBRA premium in some cases. This can apply to employees who retire in lieu of involuntary termination of employment. Information regarding ARRA, as amended, will be provided at the time of retirement if the retiring employee had health plan coverage in the active state program prior to the termination of employment. If the termination of employment is considered involuntary and occurs between September 1, 2008, and May 31, 2010, a reduction in the retiree premium, including eligible dependents, may be available. The beneficiary may not be eligible for other group health plan coverage or Medicare and also be eligible for premium assistance. However, eligibility for State Retiree Health Benefits Program coverage that is the same coverage offered to active employees may not preclude eligibility for premium assistance. Retirees who wish to apply for premium assistance must complete the "Request for Treatment as an Assistance Eligible Individual" and submit it per the instructions in their Extended Coverage/COBRA Election Notice.

Health Insurance Portability and Accountability Act (HIPAA):

Employees should be issued a HIPAA Certificate of Creditable Coverage at the end of their coverage due to active employment (including the leave without pay-layoff/transitional period). If retiree coverage is elected and later terminated, another HIPAA certificate will be issued to document the retiree coverage period (except for Medicare supplement plans, which are not required to issue HIPAA certificates).

BES Keying Information (for Benefits Administrator use):

1. Use transaction PSE003, enter the layoff notification date as the effective date and transmit next to the option "add the position layoff notification date".
2. Use transaction PSE003 again. Enter the layoff date as the effective date and select the option to move the employee to Layoff/TWFR. On the next screen, transmit next to the option for "Severance & Retirement". When finished, check BES, using the PSB305 transaction, to confirm that the termination date is correct giving the employee 12 months of coverage in their active agency.
3. At the end of the Severance and Retirement, use PSB109/301 to move the employee to the appropriate retiree group.