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STATE OF CONNECTICUT
HEALTHCARE POLICY & BENEFIT SERVICES DIVISION
OFFICE OF THE STATE COMPTROLLER

DIVISION MEMORANDUM 2013-06

October 8, 2013

TO THE HEADS OF ALL STATE AGENCIES

ATTENTION: PERSONNEL AND PAYROLL OFFICERS

SUBJECT: ELIGIBILITY FOR RETIREE HEALTH COVERAGE

I. INTRODUCTION

This memorandum explains how the Office of the State Comptroller determines eligibility for retiree healthcare benefits for employees hired on or after July 1, 1997, based on the SEBAC 2009 Agreement and the SEBAC 2011 Revised Agreement. (These agreements did not modify the retiree healthcare eligibility requirements for employees hired before July 1, 1997; rules for these employees are included here for informational purposes only.) The second part of the memorandum describes how the Division administers healthcare coverage for retirees and eligible family members following commencement of retirement benefits.

Requirements for retiree healthcare eligibility for part-time professional employees and adjunct faculty will be covered in a separate memorandum.

A. ELIGIBILITY FOR RETIREE HEALTH COVERAGE, POST JULY 1, 1997 HIRES

For employees hired on or after July 1, 1997, eligibility for retiree health coverage requires commencement of retirement benefits under the State Employees Retirement System (SERS), the Alternate Retirement Program (ARP), or the Teachers Retirement System (TRS) and completion of a specified period of "Actual State Service" as defined below.

B. “ACTUAL STATE SERVICE”

1. Definition

“Actual State Service” means service during which an employee is eligible for state-paid health benefits and is participating in a State of Connecticut retirement plan. Actual State Service includes purchased military service (but no other purchased service time). The amount of Actual State Service required may vary based on the type of retirement, date of hire, age, employment status, or other factors outlined below.

2. Calculation of Actual State Service

- a.** For ARP members Actual State Service may include participation in the ARP or a combination of ARP and SERS participation, subject to SERS break in service rules.
- b.** Calculation of service time for employees who work less than a 12-month calendar year but receive a full year of retirement credit under the Pension Agreement will be the same for retiree healthcare eligibility. For example, for higher education employees each academic year during which an employee was eligible for state-paid health benefits will count as one year of Actual State Service. A semester during which an employee was eligible for state-paid health benefits will count as one-half year of Actual State Service.
- c. Effect of Permanent Break in Service**—If a SERS member left state service in unvested status and experienced a permanent break in service, the service preceding the break does not count as Actual State Service for purposes of retiree health eligibility.¹ If an ARP or TRS member experienced the equivalent of a permanent break in service under SERS break in service rules such service will not be considered Actual State Service for purposes of retiree health eligibility.
- d. Effect of Refund from Retiree Health Fund**—A rehired employee whose Retiree Health Fund contributions were refunded upon separation from service will not receive Actual State Service credit for prior service during which such contributions were made unless he or she repaid (or entered into an arrangement to repay) the refunded amount within 60 days of returning to state service.

C. OTHER FACTORS AFFECTING RETIREE HEALTH BENEFITS

- 1. Early Retirement Premium**—An employee who commences Early Retirement benefits may be required to pay higher premiums for healthcare benefits than members retiring at Normal Retirement Age. See Attachment C to the SEBAC 2011 Revised Agreement. Early retirement premiums will remain in effect until the retiree reaches the plan’s Normal Retirement Age.

¹ A permanent break in service occurs if you are not vested, and you have had a break in service of more than five years, and the period from your severance from service date to your reemployment commencement date equals or exceeds your plan vesting service prior to that severance

2. **Deferred Vested Members**—An employee who leaves state service in deferred vested status will be entitled to the same retiree health benefits as are available to active employees when he or she commences retirement benefits.
3. **Laid off Employees**—Employees who leave state service because there is not a fair assurance of continued employment will be treated as if they transitioned directly to retirement for purposes of retiree health eligibility.
4. **Legislators**—Legislators who leave state service as a result of losing an election or declining to run for re-election will be considered “employees who leave state service because there is not a fair assurance of continued employment” and will not be subject to the Rule of 75.²

II. RETIREE HEALTHCARE ELIGIBILITY RULES BY PLAN TYPE

A. STATE EMPLOYEES RETIREMENT SYSTEM (SERS)

1. Tier I, Vested on or before June 30, 1992

A Tier I member receiving Normal, Early, Disability, or Hazardous Duty retirement benefits will be eligible for retiree health coverage.

2. Tier I, Vested on or after July 1, 1992

A Tier I member receiving Normal, Early, Disability, or Hazardous Duty retirement benefits will be eligible for retiree health coverage, provided he or she was covered by state-paid health benefits immediately prior to retirement.

Deferred Vested Members—A member who leaves state service in deferred vested status will be eligible for retiree health coverage upon commencement of Normal or Early Retirement benefits, provided he or she has at least 10 years vesting service and was covered by state-paid health benefits immediately prior to separation from service.

3. Tier II

A Tier II member who transitions directly from employment to receiving Normal, Early, Disability, or Hazardous Duty retirement benefits will be eligible for retiree health coverage, provided he or she was covered by state-paid health benefits immediately prior to retirement.

Deferred Vested Members—A Tier II member who leaves state service in deferred vested status will be eligible for retiree health coverage upon commencement of Normal or Early retirement benefits, provided he or she has at least 10 years vesting service and was covered by state-paid health benefits immediately prior to separation from service.

^{*2} If such legislator subsequently returns to state service in an unelected position, this provision will no longer apply.

4. Tier IIA, Employees hired between July 1, 1997 and June 30, 2009

- a. **Normal or Early Retirement**—A Tier IIA member with 10 years Actual State Service who transitions directly from employment to receiving a Normal or Early Retirement benefit will be eligible for retiree health coverage.

Grandfathered Benefit—A member who transitions directly from employment to receiving a Normal Retirement benefit at age 62 or older will be eligible for retiree health benefits with either 5 years of Actual State Service or 10 years of vesting service, but only if he or she was actively employed by the state on April 21, 2009, and was age 52 or older as of July 1, 2009.

- b. **Deferred Vested Status, 10 years Actual State Service as of July 1, 2009**—Members who terminate employment in deferred vested status with at least 10 years of Actual State Service as of July 1, 2009, will be entitled to retiree health coverage upon commencement of Normal or Early Retirement benefits.
- c. **Deferred Vested Status, 10 years Actual State Service after July 1, 2009, Rule of 75**—Members who terminate employment in deferred vested status with 10 years of Actual State Service completed **after** July 1, 2009, will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- d. **Hazardous Duty Hazardous Duty or Disability Retirement**—Members are eligible for retiree health coverage.

5. Tier IIA, Employees hired between July 1, 2009 and June 30, 2011

- a. **Normal or Early Retirement**—A member with 10 years Actual State Service who transitions directly from employment to receiving a Normal or Early Retirement benefit will be eligible for retiree health coverage.
- b. **Deferred Vested Status, Rule of 75**—A member who terminates employment in deferred vested status after completing 10 years of Actual State Service will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- c. **Hazardous Duty or Disability Retirement**—Members are eligible for retiree health coverage.

6. Tier III, Employees First Hired on or after July 1, 2011

- a. **Normal or Early Retirement**—A member who completes 15 years of Actual State Service and transitions directly from employment to receiving a Normal or Early Retirement benefit will be eligible for retiree health coverage.
- b. **Deferred Vested Status, Rule of 75**—A member with 15 years of Actual State Service who terminates employment in deferred vested status will not be entitled to retiree health coverage as

a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.

- c. **Hazardous Duty and Disability Retirement**—Members are eligible for retiree health coverage.

7. Hybrid Plan—Employees hired before June 30, 2011

Employees who transferred from the ARP to the Hybrid Plan will be subject to the same retiree health eligibility requirements as SERS members with the same date of hire. **Note:** Members who elect the Lump Sum Payment will not be entitled to coverage during retirement unless they use plan funds to purchase a lifetime annuity in the minimum amount of \$10,000.

8. Hybrid Plan—Employees First Hired on or after July 1, 2011

- a. **Normal or Early Retirement**—A member with 15 years of Actual State Service who transitions directly from employment to receiving a Normal or Early Retirement benefit will be eligible for retiree health coverage. **Note:** Members who elect the Lump Sum Payment will not be entitled to coverage during retirement unless they use plan funds to purchase a lifetime annuity in the minimum amount of \$10,000.
- b. **Deferred Vested Status, Rule of 75**—A member who completes at least 15 years of Actual State Service and terminates employment in deferred vested status will be not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- c. **Disability Retirement**—Members receiving Disability Retirement benefits are eligible for retiree health coverage.

B. ALTERNATE RETIREMENT PROGRAM (ARP)

1. Vested on or before June 30, 1992

ARP members aged 55 or older will be entitled to retiree health coverage upon commencement of retirement benefits.

2. Employees Hired before July 1, 1997, not Vested as of June 30, 1992

An ARP member aged 55 or older with at least 10 years of ARP participation will be eligible for retiree health coverage upon commencement of retirement benefits, provided he or she was entitled to state-paid health benefits immediately prior to retirement.

3. Employees hired between July 1, 1997 and June 30, 2009

- a. **Retirement**—ARP members aged 55 or older who transition directly from employment to retirement with at least 10 years of Actual State Service are eligible for retiree health coverage.

Grandfathered Benefit—An ARP member who transitions directly from employment to receiving a retirement benefit at age 62 or older will be eligible for retiree health benefits with 5

years of Actual State Service, but only if he or she was actively employed by the state on April 21, 2009, and was age 52 or older as of July 1, 2009.

- b. Deferred Vested Status, 10 years Actual State Service as of July 1, 2009**—ARP members who terminate employment in deferred vested status with at least 10 years of Actual State Service as of July 1, 2009, will be eligible for retiree health coverage upon commencement of retirement benefits at age 55 or older.
- c. Deferred Vested Status, 10 years Actual State Service after July 1, 2009, Rule of 75**—Members who terminate employment in deferred vested status with 10 years of Actual State Service completed **after** July 1, 2009, will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- d. Disability**—ARP members receiving long-term disability benefits under their college- or university-provided disability policy will be covered by the retiree health plan while such benefits continue. Upon commencing retirement benefits, such members will receive Actual State Service credit for the duration of their disability benefits and will be eligible for retiree health coverage if they meet the service criteria set forth in paragraph (a) of this section.

4. Employees hired between July 1, 2009 and June 30, 2011

- a. Retirement**—ARP members age 55 or older who directly transition from employment to retirement with at least 10 years of Actual State Service are eligible for retiree health coverage.
- b. Deferred Vested Status, Rule of 75**—An ARP member who terminates service in deferred vested status after completing 10 years of Actual State Service will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- c. Disability**— ARP members receiving long-term disability benefits under their college- or university-provided disability policy will be covered by the retiree health plan while such benefits continue. Upon commencing retirement benefits, such members will receive Actual State Service credit for the duration of their disability benefits and will be eligible for retiree health coverage if they meet the service criteria set forth in paragraph (a) of this section.

5. Employees first hired on or after July 1, 2011

- a. Retirement**—ARP members age 55 or older who directly transition from employment to retirement with 15 years Actual State Service will be eligible for retiree health coverage.
- b. Deferred Vested Status, Rule of 75**—ARP members who terminate employment after completing 15 years of Actual State Service will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.
- c. Disability**—ARP members receiving long-term disability benefits under their college- or university-provided disability policy will be covered by the retiree health plan while such benefits

continue. Upon retirement, such members will receive Actual State Service credit for the duration of their disability benefits and will be eligible for retiree health coverage if they meet the service criteria set forth in paragraph (a) of this section.

C. TEACHERS RETIREMENT SYSTEM

1. Employees with State Hire Dates prior to July 1, 1997

- a. **Normal, Early or Proratable Retirement**—Members who transition directly from state employment to receiving Normal, Early or Proratable Retirement benefits are eligible for retiree health coverage with 10 years of state employment if they were entitled to state-paid health benefits immediately prior to retirement.

Grandfathered Benefit—On or after July 1, 2011, a member who transitions directly from state employment to Normal, Early or Proratable Retirement at age 62 or older will be eligible for retiree health coverage with 5 years of Actual State Service, if he or she was age 52 or older as of July 1, 2009, and was actively employed by the state on both April 21, 2009 and July 1, 2011.

- b. **Deferred Vested Status—10 years State Service**—Members who terminate state employment in deferred vested status with at least 10 years of state service will be entitled to retiree health coverage upon commencement of Normal, Early or Proratable Retirement benefits.
- c. **Disability**—A TRS member receiving Disability Retirement benefits based on a work-related injury that occurred during state employment will be eligible for retiree health coverage. A state-employee member of TRS receiving Disability Retirement benefits for a non-service related disability will be eligible for retiree health benefits to the same extent as a SERS member with the same hire date and comparable state service.

2. Employees with State Hire Dates between July 1, 1997 and June 30, 2009

- a. **Normal, Early or Proratable Retirement**—Members with 10 years of Actual State Service who transition directly from state employment to receiving Normal, Early or Proratable Retirement benefits are eligible for retiree health coverage.

Grandfathered Benefit— On or after July 1, 2011, a member who transitions directly from state employment to receiving Normal, Early or Proratable Retirement benefits at age 62 or older will be eligible for retiree health coverage with 5 years of Actual State Service, if he or she was age 52 or older as of July 1, 2009, and was actively employed by the state on both April 21, 2009 and July 1, 2011.

b. Deferred Vested Status—10 years Actual State Service as of July 1, 2009

Members who terminate state employment in deferred vested status with at least 10 years of Actual State Service as of July 1, 2009, will be eligible for health coverage upon commencement of Normal, Early or Proratable Retirement benefits.

c. Deferred Vested Status, 10 years Actual State Service after July 1, 2009, Rule of 75—

Members who terminate state employment in deferred vested status with 10 years of Actual State Service completed **after** July 1, 2009, will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.

d. Disability— A TRS member receiving Disability Retirement benefits based on a work-related injury that occurred during state employment will be eligible for retiree health coverage. A state-employee member of TRS receiving Disability Retirement benefits for a non-service related disability will be eligible for retiree health benefits to the same extent as would a SERS member with the same hire date and comparable state service.

3. Employees with State Hire Dates between July 1, 2009 and June 30, 2011

a. Normal, Early or Proratable Retirement—A TRS member with 10 years Actual State Service who transitions directly from state employment to receiving a Normal, Early or Proratable Retirement benefit will be eligible for retiree health coverage

b. Deferred Vested Status, Rule of 75—A TRS member who leaves state service in deferred vested status after completing 10 years of Actual State Service will be not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.

c. Disability— A TRS member receiving Disability Retirement benefits based on a work-related injury that occurred during state employment will be eligible for retiree health coverage. A state-employee member of TRS receiving Disability Retirement benefits for a non-service related disability will be eligible for retiree health benefits to the same extent as a SERS member with the same hire date and comparable state service.

4. Employees First Hired on or after July 1, 2011

a. Normal, Early or Proratable Retirement—A member with 15 years Actual State Service who transitions directly from state employment to receiving a Normal, Early or Proratable Retirement benefit will be eligible for retiree health coverage.

b. Deferred Vested Status, Rule of 75—A member who leaves state service in deferred vested status after completing 15 years of Actual State Service will not be entitled to health coverage as a retired state employee unless and until the combination of their age and Actual State Service equals 75 or more.

- c. **Disability**—A member receiving Disability Retirement benefits based on a work-related injury that occurred during state employment will be eligible for retiree health coverage. A state-employee member of TRS receiving Disability Retirement benefits for a non-service related disability will be eligible for retiree health benefits to the same extent as a SERS member with the same state hire date and comparable state service.

III. COVERAGE DURING RETIREMENT AND AFTER MEMBER’S DEATH

A. DEFINITIONS

“**Spouse**” means a person legally married to or joined in a civil union with a retirement plan member. The term “Spouse” excludes (1) any person who is divorced from or becomes legally separated from a member pursuant to a judgment of legal separation or judgment of marital dissolution and (2) a domestic partner unless the partners married or entered into a civil union on or before November 13, 2009.

“**Surviving Spouse**” means a person legally married to or joined in a civil union with a retirement plan member at the time of death.

“**Eligible Dependent**” means an individual who qualifies as the child of a retired member under plan rules and Internal Revenue Code (IRC) §152 and regulations thereunder. Dependent eligibility ends at age 26 under the medical plan and at age 19 under the dental plan. A totally disabled child who exceeds the maximum age for coverage may continue to be covered as an Eligible Dependent, subject to plan rules.

“**Receiving Retirement Benefits**” means receiving a monthly benefit from SERS, ARP or TRS.

Note: A member of the ARP or a member of the Hybrid Plan who takes the Lump Sum Payment option will not be considered to be Receiving Retirement Benefits unless he or she uses plan funds to purchase an immediate annuity in the minimum amount of \$10,000.

B. COVERAGE DURING RETIREMENT

A member who is eligible for retiree health benefits can enroll his or her Spouse and Eligible Dependents for coverage while Receiving Retirement Benefits under SERS, ARP or TRS. Coverage for enrolled children will terminate as each child reaches the maximum coverage age, unless he or she is totally disabled.

ARP and Hybrid Plan Members: A retiring member of the ARP or a Hybrid Plan member who elects a Lump Sum Payment is not considered to be Receiving Retirement Benefits and will not be entitled to retiree health coverage unless he or she uses plan assets to purchase an annuity in the minimum amount of \$10,000. (To preserve spousal health benefits after the member’s death a married member of the ARP or a married member of the Hybrid Plan electing the Lump Sum Payment must purchase a minimum \$10,000 two-life annuity naming his or her Spouse as co-annuitant.)

C. COVERAGE FOR SURVIVING SPOUSE AND DEPENDENTS AFTER RETIRED MEMBER'S DEATH

1. RULES APPLICABLE TO ALL PLANS

The Surviving Spouse (and Eligible Dependents) enrolled in retiree health coverage at time of a retiree's death will be entitled to coverage while the Surviving Spouse is Receiving Retirement Benefits. Coverage for enrolled children will end as each child reaches the plan's maximum coverage age.

Where a member's child is Receiving Retirement Benefits as a co-annuitant or beneficiary of a guaranteed term annuity (no Surviving Spouse) he or she will be covered under the retiree health plan but only while he or she is an Eligible Dependent, as defined above. (Except where a child is totally disabled coverage will cease at age 26 for medical and age 19 for dental.)

If an active member dies before retirement, preretirement death benefits (and retiree health coverage) will only be available where Surviving Spouse and the deceased employee were married at least 12 months before the date of death.

If the Surviving Spouse of a deceased retiree remarries, he or she will continue to be eligible for retiree health coverage while Receiving Retirement Benefits. However, he or she cannot enroll the new spouse in coverage, and the fair market value of health benefits will become taxable to the recipient.

2. SERS

The Surviving Spouse (and Eligible Dependents) enrolled in retiree health coverage at time of death will be covered as long as the Surviving Spouse is Receiving Retirement Benefits. Coverage for enrolled children will cease as each child reaches the applicable plan's maximum coverage age.

Hybrid Plan: If a deceased member of the Hybrid Plan took a Lump Sum Payment, the Surviving Spouse (and Enrolled Dependents) will not be considered to be Receiving Retirement Benefits (or eligible for continued coverage) unless the retiree purchased a \$10,000 two-life annuity, which named the Surviving Spouse as co-annuitant.

3. ARP

The Surviving Spouse (and Eligible Dependents) enrolled in retiree health coverage at time of death will be entitled to continued coverage as long as the Surviving Spouse is Receiving Retirement Benefits. The Surviving Spouse will not be considered to be Receiving Retirement Benefits (or eligible for continued coverage) unless the retiree purchased a \$10,000 two-life annuity, which named the Surviving Spouse as co-annuitant. Coverage for each enrolled child will end upon his or her attainment of the applicable plan's maximum coverage age.

Where there is no Surviving Spouse, an Eligible Dependent enrolled in retiree health benefits at the time of the death will not be entitled to continued coverage unless the retiree purchased a \$10,000 two-life annuity naming such child as co-annuitant. Coverage for such child will end when he or she reaches the plan's maximum age for coverage or otherwise ceases to qualify as an Eligible Dependent.

4. TRS

The Surviving Spouse (and Eligible Dependents) enrolled in retiree coverage at the time of death will continue to be covered while the Surviving Spouse is Receiving Retirement Benefits. Coverage for each child will end when he or she reaches the applicable plan's maximum age for coverage.

Where there is no Surviving Spouse, an Eligible Dependent enrolled in retiree health benefits at the time of death will be entitled to coverage while he or she is Receiving Retirement Benefits. Coverage will terminate when the child reaches the applicable plan's maximum coverage age or otherwise ceases to qualify as an Eligible Dependent.

D. COVERAGE AFTER EMPLOYEE'S PRERETIREMENT DEATH

If an active member dies before retirement, a Surviving Spouse will only be eligible for preretirement death benefits or retiree health coverage if he or she was married to the deceased employee at least 12 months preceding the date of death.

1. SERS

a. Tiers I, II, IIA, and III

A Surviving Spouse who qualifies for a preretirement death benefit will be entitled to retiree health coverage while Receiving Retirement Benefits if the member would have been eligible for retiree coverage at the time of death.

b. Hybrid Plan—A Surviving Spouse who qualifies for a preretirement death benefit will be entitled to retiree health coverage while Receiving Retirement Benefits if the member would have been eligible for retiree coverage at the time of death.

Lump Sum Payment: If the Surviving Spouse elects the Hybrid Plan's Lump Sum Payment, there is will be no entitlement to retiree health coverage unless he or she uses plan funds to purchase an immediate annuity in the minimum amount of \$10,000.

2. ARP

If the deceased employee would have qualified for an immediate retirement benefit and would have been eligible for retiree health benefits at the time of death, his or her Surviving Spouse (and Eligible Dependents) will qualify for retiree health benefits provided:

- The Surviving Spouse is the beneficiary of the ARP account, and
- The Surviving Spouse uses plan funds to immediately purchase a lifetime annuity in the minimum amount of \$10,000.

3. TRS

A Surviving Spouse who qualifies for a preretirement death benefit will be entitled to retiree health coverage while Receiving Retirement Benefits if the state employee member would have been eligible for retiree coverage at the time of death.

E. COBRA RIGHTS

If the Surviving Spouse and Eligible Dependents were enrolled in retiree health benefits at the time of a member's death but fail to qualify for continued coverage they may have the right to purchase health coverage from the state pursuant to the continuation of coverage provisions of the Public Health Service Act, commonly referred to as "COBRA".

CONCLUSION

Agency Personnel and Payroll Officers should share this information with prospective retirees so that employees are aware of the requirements for obtaining retiree health coverage for themselves and eligible family members.

Individual employees with questions regarding their state service accruals should be directed as follows: SERS members should contact the Retirement Services Division, Retirement Counseling Unit at 860-702-3490; ARP members should be directed to the Retirement Services Division, Miscellaneous Benefits Unit at 860-702-3509; state employees enrolled in TRS, should contact the Teachers Retirement Board at 1-800-504-1102.

Questions regarding retiree health coverage should be directed to the Retiree Health Insurance Unit of the Healthcare Policy and Benefit Services Division at 860-702-3533.

Very truly yours,



Thomas C. Woodruff, Ph.D., Director
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