

**ESIP 2009-2010**  
**Frequently Asked Questions and Answers**

**1. How long are retirees considered active members of the district's insurance group? What are the limitations?**

State law (section 169.590) makes it clear that employees have "one year from the date last employed by a school district ...to qualify for coverage provided". If an employee fails to retire and/or elect coverage within one year, they lose their eligibility to participate in the district's group insurance forever.

Once an employee withdraws from the district's insurance group, they are ineligible to return in the future.

**2. Can retirees choosing to purchase insurance from the district also purchase insurance for spouse/children as well?**

State law (169.50) provides that a retiree's spouse or surviving spouse may remain or become a member of the health insurance group – but only so long as the spouse is receiving or is eligible to receive PSRS benefits. Similarly, a retiree's children or surviving children may remain or become a member of the health insurance group – but only so long as the child is receiving or is eligible to receive PSRS benefits. The PSRS has counselors who can explain these provisions in detail, because they hinge on the particular retirement option elected by the retiree. This discussion should occur before the retiree selects a retirement option.

**3. Can retirees choosing to purchase Health insurance through the district choose NOT to purchase Dental insurance?**

Yes. You can choose one or the other, or both.

**4. Can retirees purchasing district insurance coverage select different plans each year?**

Yes. As long as the retiree remains in the district's health or dental insurance, he or she may choose a different plan from year to year (base plan to premium plan, premium plan to base plan, etc.). Once you opt out of health insurance, however, you may not rejoin the group. The same is true for dental insurance.

**5. Do retirees have the option of purchasing optional insurance products/services at their own expense (supplemental life insurance, etc.)?**

No. However, retirees can contact the Insurance Agency directly to request conversion of their existing group policy to an individual policy.

**6. What is the effective date of the district's health/dental insurance? With the ESIP incentive payout scheduled for September 5<sup>th</sup> – is there a potential gap in insurance coverage?**

District provided insurance coverage for retiring employees expires on August 31<sup>st</sup>. Purchasing insurance through the district using the September 5<sup>th</sup> ESIP payment will NOT result in a lapse of coverage. By law, employees have 60 days from the date coverage would have lapsed to elect insurance coverage (Cobra or otherwise). They have another 45 days to submit payment. The district will work with the employee and insurance company to ensure a smooth transition.

**7. I have to declare my retirement by October 9, 2009. When do I have to make my insurance decisions?**

Once you have declared retirement, you will receive information from the benefits department regarding insurance options, including deadlines. 10 month employees must make selections by the end of July, 2010. 12 month employees must make selections by the beginning of June.

**8. Is the ESIP incentive payout (\$3500 Classified/\$7000 Certified) considered wages and subject to taxes? What if the retiree chooses to have the district pay their insurance premium (up to the payout amount) instead of a cash payout – will that be taxed?**

The IRS has determined that all payments made pursuant to an ESIP are taxable as wages. Therefore, it does not matter whether the money is paid directly to the employees or is submitted as payment for health insurance premiums on behalf of individual employees. The amount paid will be treated as wages because it grew out of the employment relationship and will be subject to state and federal income tax, Medicare, and FICA. Note: PSRS will not collect contributions on ESIP payments.

**9. How does the district's policy for "Pay for Unused Absence From Duty (AFD)" factor into the ESIP?**

The "Pay for Unused Absence From Duty Leave" policy is not part of the ESIP. However, employees eligible for ESIP in 2009-2010 will also be eligible for "Pay for Unused Absence From Duty Leave". In February of 2009, the Board voted to temporarily reduce the required years of service from 20 years to 10 years. Employees who announce retirement by the October 9, 2009 deadline will receive pay for unused Absence From Duty Leave as follows:

Certified Staff - \$60 per day up to a maximum of 150 days. Payments will be made in three (3) equal installments beginning in March of the calendar year immediately following the year of retirement. If retiring at the end of 2009-2010 school year – you will receive payments in March 2011, March 2012, and March 2013. In the event this amount is less than \$1,000, the district will pay the amount due in one (1) payment in March of the year following retirement.

Classified Staff - \$5 per hour up to a maximum of 1125 hours. Payment will be made in two (2) equal installments beginning in March of the calendar year immediately following the year of retirement. If retiring at the end of 2009-2010 school year – you will receive payments in March 2011 and March 2012. In the event this amount is less than \$1,000, the district will pay the amount due in one (1) payment in March of the year following retirement.

\*Since this benefit is not part of the ESIP – the employee’s survivor is entitled to payment upon death of the employee.

**10. Are employees who receive the ESIP payout ineligible for future employment with the district (part-time in a different position, etc.)?**

The ESIP agreement indicates that the employee gives up any “right” (by tenure, contract, etc.) he or she may have to future employment. However, nothing in this clause prevents the employee from applying for and being hired to serve in another position in the future. Individuals hired following retirement must be cognizant of work restrictions related to PSRS or PEERS so as not to jeopardize retirement benefits.

**11. Will there be another informational meeting regarding the Early Separation Incentive Plan?**

Yes. An ESIP informational meeting is scheduled for the afternoon of August 26, 2009 in the Board Room. A memo with specific times will be distributed once school resumes.