



# State of New Jersey

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DIVISION OF PENSIONS AND BENEFITS  
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**TO:** Certifying Officers, All Funds  
**FROM:** New Jersey Division of Pensions and Benefits  
**SUBJECT: HEALTH BENEFITS COVERAGE PENDING DISABILITY RETIREMENT**

The Division of Pensions and Benefits is changing its procedure for how employees applying for a disability retirement receive health benefits during the application process. The modification is being made in order for the State to avoid paying claims for which it is ultimately not responsible. The following information explains the new procedure.

Previously, the Division allowed eligible members applying for disability retirement to enroll in the State Health Benefits Program (SHBP) or School Employees' Health Benefits Program (SEHBP) as retirees, pending the decision of the applicable Board of Trustees. Members were often covered without paying premiums. If retirees were denied the disability retirement at a later date, rendering them ineligible for health coverage as retirees, the Division would initiate procedures to have the cost of care repaid.

It is important that you and your employees understand the coverage choices available to make the transition to disability retirement as smooth as possible. Please be sure to review the policy, described below, appropriate to your type of employing entity and participation status with the SHBP/SEHBP.

## **STATE, PARTICIPATING LOCAL GOVERNMENT, AND PARTICIPATING LOCAL EDUCATION EMPLOYERS**

Eligible members of local government and education locations participating with the SHBP/SEHBP, as well as eligible State members, will be offered a continuation of health benefits coverage through the provisions of COBRA while their disability retirement applications are pending. If the retirement is approved, the Health Benefits Bureau will send the employee a letter offering continued coverage in retirement. Members entitled to employer-paid or retirement system-paid health insurance will receive a refund of COBRA premiums paid to the SHBP/SEHBP for health benefits coverage after the effective date of retirement, less any premiums owed as a retiree.

If the member's application for a disability retirement is denied, the member will not be offered retired health benefits coverage, unless otherwise eligible for a Service Retirement. In such cases, a request for a retired health benefits coverage offering must be made to the Health Benefits Bureau. The offering will not be created automatically.

### **NON-PARTICIPATING LOCAL EDUCATION EMPLOYERS**

Members of non-participating local education employers will no longer be offered health benefits coverage while their disability retirement application is pending. The local education employer should offer the member continued coverage through the provisions of COBRA. If the disability retirement is subsequently approved, the member will be offered retired health benefits coverage through the SEHBP retroactively to the retirement date, up to a maximum of one year. The SEHBP will not reimburse any COBRA premiums paid to the local employer. If the disability retirement application is denied, the member will not be offered SEHBP retired health benefits coverage. A member age 65 or older and enrolled in Medicare Parts A and B may be eligible for coverage at his or her own expense, per the provisions of Chapter 8, P.L. 1996.

### **OUTSIDE OPTIONS FOR MEMBERS**

In addition to COBRA coverage, members have the following options:

- Coverage through a spouse, civil union partner, or same-sex domestic partner.
- Private coverage through the local employer under Chapter 386, P.L. 1987. The member continues coverage at his or her own cost.
- Coverage through the Affordable Care Act health exchanges.
- Out-of-pocket payment of medical expenses. If the disability retirement is approved, the member will be enrolled retroactively to the retirement date and may submit claims to the carrier.

**Please note that none of these options is reimbursable by the State, even if the disability retirement is subsequently approved.**

### **FOR ADDITIONAL INFORMATION**

For additional information, refer to [Fact Sheet #25, Employer Responsibilities Under COBRA](#) and [Fact Sheet #33, The Employer's Role in a Disability Retirement](#).