

---

RETIREMENT PLANNING PROGRAMS:  
THE ESSENTIAL ELEMENTS

---

By: Marcia S. Wagner, Esq.  
The Wagner Law Group  
A Professional Corporation  
99 Summer Street, 13<sup>th</sup> Floor  
Boston, MA 02110  
Tel: (617) 357-5200  
Fax: (617) 357-5250  
[www.erisa-lawyers.com](http://www.erisa-lawyers.com)

---

TABLE OF CONTENTS

---

I. INTRODUCTION.....	1
II. Retirement Planning Programs.....	2
What Is a Retirement Planning Program?.....	2
What are the Benefits of a Retirement Planning Program?.....	2
What are Common Questions Employees Ask When They Retire?.....	3
What are the Steps For an Effective Retirement Planning Program?.....	4
When Does Social Security Begin?.....	6
Can an Employee’s Election to Start Social Security Benefits Early or Delay Commencement Affect Social Security Benefits?.....	6
If an Employee Works After Retiring, Does this Affect Social Security Benefits?.....	7
When Should an Employee Contact Social Security to Elect Benefits?.....	7
What Does Medicare Provide?.....	7
What Should an Employee Consider When Selecting a Medicare Plan?.....	11
When Does Medicare Begin?.....	13
How Does Medicare Coordinate with the Employer Health Plans?.....	14
What Resources and/or Tools are Available to Help Employees Plan their Retirement?.....	14

## I. INTRODUCTION

Proper administration of employee benefits and personnel matters is critical to the success of any employer. This is particularly true when employees are leaving employment. These events can be a difficult time for the employee involved and require an effective response from the employer, both from a legal viewpoint and to ensure a smooth transition so that both the employer and employees understand their rights and responsibilities.

Retirement planning programs ease employees from active employment to retirement by providing older employees with the information they need to make the proper retirement decisions.

Effective management of these transitional situations will not only save the employer money but will also reduce the stress on affected employees as well as the employer's human resources and benefits teams.

## II. RETIREMENT PLANNING PROGRAMS

Retirement can be a very confusing and difficult time for many employees. Unfortunately, employees often do not plan for their retirement and are often unprepared for all of the decisions that need to be made. As a result, some employees who are not properly prepared for retirement may need to work longer than they anticipated or they make poor choices.

Employers with retirement planning programs ease the transition from active employment to retirement by providing information to employees as they approach retirement age. An effective retirement planning program can also simplify benefit administration when an employee retires because the employee will know what he or she can expect upon retirement. A retirement planning program minimizes any misunderstandings.

### *What Is a Retirement Planning Program?*

An effective retirement planning program is an important human resources tool that:

1. explains the employer-sponsored benefits that are available upon retirement,
2. explains the government-sponsored benefits that are available upon retirement, and
3. provides employees with tools, including a retirement calculator and a timetable so they can plan for retirement.

Effective retirement planning programs usually begin at least five years before retirement (earlier for those considering early retirement).

Employee Assistance Plans (“EAP”) are a valuable tool that should be part of a retirement planning program. An EAP can provide assistance to employees and retirees who have difficulty making the transition.

It is extremely important to keep in mind that a retirement planning program may not be used to encourage employees to retire in violation of the Age Discrimination in Employment Act (“ADEA”).

### *What are the Benefits of a Retirement Planning Program?*

A retirement planning program benefits a company in a number of ways.

1. *Increase Participation in the 401(k) Plans.* When employees participate in a retirement planning program, they are more likely to participate in the employer’s 401(k) plan. In fact, these programs not only increase plan participation, they can also cause an increase in contribution levels. For example, some employees may take advantage of the availability of catch-up contributions if they have a better understanding of their financial needs upon retirement.

2. *Ensure Employees Financially Ready for Retirement.* More and more employers are terminating or freezing participation in their defined benefit plans and replacing them with 401(k) plans. As a result, employers are not promising a particular benefit upon retirement. Instead employees must take an active role in their financial planning (i.e., have they contributed enough to their 401(k) plan while an active employee and have they invested their assets prudently). Because employees are expected to take on more responsibility for their own futures, early planning has become critical.
3. *Enables Employees to Retire at Expected Retirement Age.* Employees who are prepared to retire are less likely to stay in active employment longer than necessary. For example, an employee who understands his or her financial needs after retirement and has planned accordingly can retire and may not need to stay in active employment beyond his or her expected retirement age. An employee who understands that Medicare, Medigap and retiree health plans together can be comparable to health coverage available to active employees may be willing to retire at an earlier age.
4. *Eases Benefit Plan Administration.* An effective retirement planning program can ease plan administration when employees already have sufficient information and need to ask fewer questions. In short, retirement can be handled more efficiently and effectively. When employees participate in a retirement planning program they usually (i) take greater advantage of the company's 401(k) plan and are more likely to be financially ready to retire, (ii) understand employer-provided benefits available upon retirement, (iii) understand how their employer-sponsored benefits coordinate with government-sponsored plans, and (iv) know when they should initiate both employer-sponsored benefits and government-sponsored benefits. This knowledge eases the retirement process for both the employer and the employee.
5. *Enhances Morale within the Workplace.* Employees who must work longer because they are afraid or financially not prepared for retirement can have a negative impact on morale. On the other hand, employees who understand their retiree benefits are better able to appreciate those benefits which can have a positive impact on morale. Furthermore, there are fewer misunderstandings when employees retire which eases administration of employer-sponsored plans.

#### *What are Common Questions Employees Ask When They Retire?*

Common questions that employees ask should be addressed in an effective retirement planning program. Some of the most common questions that employees ask when they retire are as follows:

1. Am I eligible to retire?
2. What will my income be as a retiree?
3. What benefits can I continue as a retiree?

#### 4. How do I get the process started?

##### *What are the Steps For an Effective Retirement Planning Program?*

An effective retirement planning program should encourage employees to start planning for their retirements **at least** five to 10 years before retirement and whenever possible provide resources and tools during each stage of the retirement planning process. Below are recommended steps employees should follow to prepare for retirement. Please note that this timetable assumes the employee will retire upon attainment of age 65. The timetable should be adjusted if an employee's retirement is earlier or later than age 65.

1. At least Five to 10 Years Prior to Retirement Date. The employee should:
  - a. Request a benefit quote, if the employee is a participant in a defined benefit pension plan for different ages (e.g., 60, 62, 65 and 67). Knowing the value of one's benefit at different ages can have a significant impact on financial and retirement planning.
  - b. Become familiar with the various distribution options available from the qualified plans (i.e., some defined contribution plans only allow lump sum distributions, whereas defined benefit pension plans permit distributions in the form of joint and survivor annuities and single life annuities that differ from plan to plan). Each employee should be encouraged to review the relevant SPDs.
  - c. Meet with the 401(k) vendor or a personal financial planner. An EAP might also provide financial advice and information. The employee can explain his or her financial goals and try to determine the best date to retire. The employee may need to adjust his or her elective deferral contributions to meet his or her goals. Vendors often provide a number of retirement planning tools on their websites. Third party administrators are often willing to provide seminars to employees. These seminars can be structured to address the needs of those employees who are approaching retirement age. Some employers encourage spouses also to attend these seminars. Involving the spouse can be critical if an employee dies or becomes disabled before or during retirement and cannot make decisions on his or her own behalf.
  - d. Determine when to begin receiving government-sponsored benefits.
  - e. Reevaluate periodically any strategies developed at this stage and make any necessary adjustments. To ensure that planning is on track, the employee should:
    - i. Review his or her annual benefit statements. An employee's benefit statement shows total plan benefits and vested benefits. Employees should be encouraged to thoroughly review their statements. If there are areas they do not understand or disagree with, they should talk to the benefits administrator.
    - ii. Review his or her Social Security statements. Each year, the employee should receive his or her Social Security statement about three months before his or her birthday. This is a record of his or her earnings on which Social Security taxes have been paid.
    - iii. Discuss any changes in his or her personal situation that could affect his or her retirement plans with the financial planner, 401(k) vendor or EAP.

2. One to Two Years Prior to Retirement Date. The employee should:
  - a. Determine if he or she meets the eligibility requirements for employer-provided benefits upon retirement.
  - b. Obtain enough information, if eligible for welfare benefits, to understand what will be covered by retiree health. For example, if eligible for medical benefits, the employee needs to know what is covered.
  - c. Become familiar with the various Medicare options (*i.e.*, Medicare Part A and B, Medicare Advantage, and Medicare Part D) and determine which option is most appropriate given his or her personal situation.
  - d. Explore the various Medigap policies available in his or her location, if appropriate, and determine which policy provides the best coverage given his or her personal situation.
  - e. Contact the Social Security Administration for a printout of his or her account. This will tell the employee how much he or she can expect to receive from Social Security upon retirement. This information can be requested at 800-772-1213 or at the [Social Security](#) Administration website.
  - f. Talk to his or her spouse, if married, about the spouse's retirement plan to find out what benefits the spouse might be entitled to receive. The employee should thoroughly understand any consent forms or waivers that might be required for his or her spouse's retirement plan distributions.
  - g. Reevaluate any previously developed strategies to ensure that planning is on track and make any necessary adjustments.
  
3. Six Months Prior to Retirement Date. The employee should:
  - a. Determine which Medicare plan is the most appropriate upon retirement.
  - b. If necessary, contact a Medigap insurer to initiate the process to purchase a Medigap policy.
  
4. Three Months Prior to Retirement Date. The employee should:
  - a. Notify the employer in writing of the date when he or she plans to retire.
  - b. Apply for Social Security benefits and other pensions. The employee may arrange to have periodic payments, such as Social Security benefits directly deposited. If the employee plans to work part-time, he or she should find out how this will affect his or her Social Security benefits and pension benefits, if any.
  - c. Apply for Medicare benefits.
  - d. Purchase a Medigap policy, if appropriate.
  - e. Contact the retirement vendor to arrange a final meeting. The employee should inform the vendor about his or her plans to retire and request the appropriate forms and illustrations. The retirement vendor will explain the employee's financial options as a retiree and may assist the employee in completing the retirement and rollover paperwork.
  
5. One to Two Months Prior to Retirement Date. The employer should:

Schedule a meeting to discuss the employee's health and/or life insurance options. The employee should be instructed to bring any information needed to process benefits (*e.g.*, name, Social Security numbers and addresses for any dependents

and/or beneficiaries). Employees should also be encouraged to bring their spouses to ensure that both the retiree and his or her spouse understand the benefits for retirees and their spouses.

6. One to Two Weeks Prior to Retirement Date. The employer should: Contact the employee to arrange an exit interview. The employee should turn in any keys, ID cards, computer equipment, etc. at this meeting.

*When Does Social Security Begin?*

Social Security benefits begin when an individual attains “full retirement age” or “normal retirement age” which is based on the individual’s year of birth as follows:

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 through 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

A retiree, however, can start Social Security retirement benefits as early as age 62 or as late as age 70. The monthly benefit amount will be different depending on the retiree’s age when Social Security benefits begin.

**NOTE: Employees need to understand that Medicare usually does not start until age 65 even if the employee elects to commence Social Security benefits prior to age 65.** Employees who delay Social Security benefits should contact Social Security about three months prior to attainment of age 65.

*Can an Employee’s Election to Start Social Security Benefits Early or Delay Commencement Affect Social Security Benefits?*

If an employee elects to:

- start Social Security benefits early, the Social Security benefits will be permanently reduced based on the number of months that Social Security benefits begin before full retirement age. The reduction also depends on the year the employee was born. The maximum reduction at age 62 is:

The Wagner Law Group – Specializing in ERISA, Employee Benefits and Employment Law

- 25% for people who reach age 62 in 2008.
- 30% for people born after 1959.
- wait until full retirement age, Social Security benefits will not be reduced.
- delay Social Security benefits until after full retirement age, they will be permanently increased based on the number of months that the employee does not receive Social Security benefits between full retirement age and age 70. Social Security benefits do not increase after attainment of age 70, even if the employee continues to delay taking Social Security benefits.

*If an Employee Works After Retiring, Does this Affect Social Security Benefits?*

Yes. There are limits on how much an employee can earn each year between age 62 and full retirement age and still get all of his or her Social Security retirement benefits. For 2008, if an employee plans to continue working after early retirement as defined by Social Security, the Social Security benefits will be reduced by \$1 for every \$2 earned over \$13,560. For the year the employee reaches full retirement age, the reduction is \$1 for every \$3 earned over \$36,120. Reductions are not taken after the employee reaches his or her full retirement age.

*When Should an Employee Contact Social Security to Elect Benefits?*

Employees who elect Social Security benefits should contact Social Security about three months prior to attainment of age 65 or the date they want benefits to start.

*What Does Medicare Provide?*

Medicare is a health insurance program for individuals age 65 or older, individuals under age 65 with certain disabilities and individuals with End-Stage Renal Disease (i.e., permanent kidney failure requiring dialysis or a transplant).

Originally, Medicare consisted of two parts: Part A (hospital insurance) and Part B (medical insurance). Individuals can elect Medicare Part D (the Medicare Prescription Drug Plan) to add drug coverage. Depending on where the individual lives, alternatives to Medicare Parts A, B and D may be available. For example, individuals may want to consider a Medicare Advantage Plan (like an HMO or PPO) that provides all of the coverages available through Part A, Part B, and often Part D coverage. Individuals choose their Medicare coverages when they are first eligible for Medicare. Covered individuals can review their health and prescription needs annually and switch to a different plan each fall.

1. Medicare Part A. Medicare Part A covers limited stays in hospitals, nursing homes (known as skilled nursing facilities, or SNF), home health agency (“HHA”) care, hospice care, inpatient psychiatric care and blood transfusion. Medicare Part A does not pay for a stay in an assisted-living facility, but may cover the cost of some services (e.g., home health care and doctors’ visits provided in an assisted living facility).

For each benefit period, Medicare Part A covers all costs, less an \$812 deductible, for the first 60 days of a hospital stay (semi-private rooms only; TVs and telephones not included). For the next 30 days, all costs minus a \$203-a-day co-payment. In addition, each beneficiary gets 60 nonrenewable Lifetime Reserve Days, which can be added as needed onto the first 90 days of a hospital stay. Medicare Part A covers the cost of these days less a \$406-a-day co-payment. Each benefit period begins on the first day a beneficiary enters the hospital and ends after he or she has gone 60 consecutive days without hospital care. SNF coverage lasts a maximum of 100 days during a benefit period (note: the average nursing home stay is currently 2 1/2 years). There is a \$101.50-per-day co-payment for days 21 to 100 in this period.

For an individual (or his or her spouse) who has worked and paid Medicare taxes for at least 10 years, Part A is free. In some cases, the insurance can be purchased even if no Medicare taxes have been paid.

2. Medicare Part B. Medicare Part B is a fee-for-service plan that pays for some outpatient hospital and mental-health services, doctors' services (not routine physical exams but many preventive screenings), laboratory fees, medical equipment such as wheelchairs and, in rare cases, prescription drugs.

**NOTE:** People with other health insurance from an employer or former employer can use the other health insurance to augment Medicare B or can simply choose not to sign up for Medicare B. Employees, therefore, need to determine whether or not they need Medicare Part B based on their personal circumstances.

Medicare Part B covers 80% of the approved cost of a given service, as defined by Medicare. (Doctors who "accept assignment" agree that the approved cost will constitute payment in full. Those who don't can charge up to an additional 15 percent, and the beneficiary will be reimbursed only 80% of the approved cost by Medicare.) Medicare Part B also covers 50% of most outpatient mental-health services; 80% of physical, occupational and speech therapy; and 100% of most part-time skilled home health care.

In 2008, the Medicare Part B monthly premium is \$96.40 (adjusted annually). The Medicare Part B premium may be higher if the individual's income is above a certain amount. Beneficiaries who delay enrolling in Medicare Part B beyond their first chance to do so may wind up paying higher premiums. The cost of Medicare Part B may go up 10% for each 12-month period that an individual could have had Medicare Part B but did not sign up for it, except in special cases. Individuals pay this extra 10% as long as they have Medicare Part B. Premiums are deducted from the covered individual's Social Security, Railroad Retirement, or Civil Service Retirement check. If the individual does not get any of the above payments, Medicare sends a bill for the Medicare Part B premium every three months.

**NOTE:** Employees are eligible for Medicare when they turn 65 even if they are not eligible for Social Security retirement benefits because their full retirement age is after 65.

3. Medicare Advantage or Medicare Part C. Medicare Advantage is government-subsidized, privately sold insurance that offers alternatives to the Original Medicare Plan (*i.e.*, Medicare Parts A and B). Under Medicare Advantage, retirees can choose among a number of health plan options. These health plan options, however, are not available everywhere.

If an employee joins a Medicare Advantage plan, all of the employee's Medicare-covered health care is generally provided through that plan. Coverage can include prescription drug coverage. So, retirees enrolled in a Medicare Advantage plan may not need to enroll in Medicare Part D. Medicare Advantage Plans include:

- Medicare Health Maintenance Organization (HMOs)
- Preferred Provider Organizations (PPO)
- Private Fee-for-Service Plans
- Medicare Special Needs Plans

Medicare Advantage plans must offer at least the same coverage as Medicare Parts A and B. Generally, Medicare Advantage plans provide extra benefits and lower co-payments than Medicare Parts A and B. For example, the HMO versions replace Medicare Parts A and B 20% coinsurance with a lower co-payment. Some plans also offer prescription-drug benefits. The retiree, however, may have to see doctors that belong to the plan or go to certain hospitals to get services.

A retiree must be enrolled in Medicare Parts A and B in order to sign up for a Medicare Advantage plan. If an individual enrolls in a Medicare Advantage plan and does not like the plan, the individual can switch back to Medicare Parts A and B. Retirees can investigate local plans by state or zip code at [www.medicare.gov/mphcompare/home.asp](http://www.medicare.gov/mphcompare/home.asp).

Individuals who participate in a Medicare Advantage plan must continue to pay their monthly Medicare Part B premiums. Beyond that, costs vary, with private companies—not the government—determining what fees are acceptable. Overall out-of-pocket costs may be lower than Medicare Parts A and B, even though additional premiums and, in the case of fee-for-service plans, deductibles may be required.

If a retiree joins a Medicare Advantage plan, his or her Medigap policy will not work (*i.e.*, it will not pay any deductibles, copayments, or other cost-sharing under the Medicare Advantage plan). Therefore, retirees should consider dropping their Medigap policies if they join a Medicare Advantage plan. Retirees can maintain their Medigap policies while they have coverage under a Medicare

Advantage plan. This would be appropriate if the retiree does not know if he or she will stay with the Medicare Advantage plan.

4. Medicare Part D. Medicare Part D provides prescription drug coverage that covers both brand-name and generic prescription drugs at participating pharmacies. Medicare prescription drug coverage provides protection for people who have very high drug costs or from unexpected prescription drug bills in the future. Everyone with Medicare is eligible for Medicare Part D, regardless of income and resources, health status, or current prescription expenses. Like other insurance, covered individuals generally pay a monthly premium, which varies by plan, and a yearly deductible. Covered individuals also pay a part of the cost of their prescriptions, including a copayment or coinsurance. Costs will vary depending on which drug plan the covered individual chooses. Some plans may offer more coverage and additional drugs for a higher monthly premium. If a covered individual has limited income and resources and he or she qualifies for extra help, the covered individual may not have to pay a premium or deductible.
5. Medigap or Medicare Supplemental Plans. Medigap is a supplement meant to fill in the “gaps” in Medicare Parts A and B coverage. This insurance is sold by private companies in plans that run from A through J (least to most comprehensive as defined by standards common to most states). Medigap plans are not subsidized by Medicare. A Medigap plan is of little use to anyone enrolled in a Medicare Advantage plan.

Medigap policies help cover such Medicare costs as deductibles, co-payments and coinsurance. The more comprehensive plans may also provide some coverage for prescription drugs, routine eye exams or dental care. The more benefits a Medigap plan provides, the higher the cost. For example, monthly premiums for a 75-year-old living in New Jersey range from \$99 to \$225. This is in addition to the \$96.40 Medicare B monthly premium.

6. Medicaid. Medicaid which is jointly funded by state and federal governments, offers health insurance to those who are low-income and 65 or older, disabled or eligible for other government aid. Beneficiaries must meet various restrictions. Medicaid programs vary from state to state.

Eligibility varies by state. Most people who receive federally assisted income-maintenance payments (such as Supplemental Security Income) and some comparable groups that do not receive cash payments must also receive Medicaid coverage.

Coverage varies from state to state. Medicaid will help certain Medicare beneficiaries with their out-of-pocket expenses. Medicaid also covers prescription drugs, hearing aids, eyeglasses and other services not covered by Medicare. Medicaid nursing-home benefits outlast those offered by Medicare (which always end after 100 days in each benefit period).

Individuals who qualify for both Medicare and Medicaid should have very few, if any, out-of-pocket health-care costs.

**NOTE:** To be eligible for Medicaid nursing-home coverage, one must have few assets (usually less than \$2,000, excluding a home) and little income that isn't already paying for nursing-home care. The maximum amount of income someone can have to be eligible varies by state. Special rules also cover each applicant's assets and how they were used up to five years before an application to Medicaid is made (the so-called "look-back" period). If assets have not been handled properly, the applicant's Medicaid nursing-home coverage may be jeopardized. To be safe, individuals should consult an attorney versed in these issues before attempting to qualify for Medicaid coverage.

### *What Should an Employee Consider When Selecting a Medicare Plan?*

An employee must make a choice when he or she first becomes eligible in Medicare. Each year employees can review their health and prescription needs and, if appropriate, switch to a different plan in the fall. An employee's choices may be affected by where he or she lives. An employee should consider the following when deciding which option(s) is the most appropriate in his or her individual circumstances:

#### **1. Cost**

What will the retiree pay out-of-pocket, including [premiums](#), [deductibles](#), and other [cost-sharing](#) ([co-payments](#) or [coinsurance](#))? Some plans help pay the retiree's share of the cost (coinsurance, copayments, or deductibles) of Medicare-covered services. To get this kind of help, the employee has two main choices: 1) Medicare Advantage Plans or 2) the Original Medicare Plan plus a Medicare Supplemental Policy (Medigap).

Employees can check the cost on the Medicare website.

#### **2. Benefits**

- Are extra benefits and services, like eye exams, dental benefits, hearing aids, or emergency health care outside the United States covered? (These may be covered by some plans.)
- Does the plan include all Medicare benefits (Parts A and B) and prescription drug coverage?

Employees can compare benefits on the Medicare website.

#### **3. Doctor and Hospital choice**

- Can the retiree see the doctor(s) he or she wants?
- Does the retiree need a referral to see a specialist?
- Can the retiree go to the hospital he or she wants?
- Does the retiree pay less to go to certain doctors or hospitals?

Employees can compare the choices each plan offers, the need for referrals and coverage for services provided by particular doctors and hospitals on the Medicare website.

#### 4. **Convenience**

- Where are the doctor's offices?
- What are their hours?
- Is there paperwork?
- Are they accepting new patients?
- Does the retiree spend part of each year in another state? Will the plan cover the retiree there?

Employees can compare doctors and coverage in other states on the Medicare website.

#### 5. **Prescription Drugs**

- Are the retiree's drugs covered under the Medicare plan's [formulary](#) (list of covered drugs)?
- What will the retiree's prescription drugs cost under the plan?
- What is the premium for the plan?
- What is the deductible for the plan?
- Does the plan provide some coverage in the gap?
- Check the Plan Comparison and Plan Detail reports in this tool, or go to the Medicare Prescription Drug Plan Finder, get formulary information.

Employees can obtain formulary information on the Medicare website.

#### 6. **Pharmacy Choice**

- What pharmacies can the retiree use?

Employees can obtain pharmacy information on the Medicare website.

#### 7. **Quality and Performance**

- Quality of care and performance varies among plans, doctors, hospitals, and other health care providers. Giving good quality health care means doing the right thing, at the right time, in the right way, for the right person – and getting the best possible results.

Employees can check plan ratings on the Medicare website.

## *When Does Medicare Begin?*

If an employee is receiving Social Security benefits when he or she turns 65, Medicare Part A starts automatically. An employee should contact Social Security about three months before their 65th birthday to sign up for Medicare. Employees can sign up for Medicare even if they do not plan to retire at age 65.

**Medicare Part A.** The best time to apply for Medicare Part A is at the first opportunity to do so (*i.e.*, the Initial Enrollment Period - the seven-month period that starts three months before an individual's 65th birthday). Those who miss that chance can always apply later without seeing a reduction in benefits. Anyone receiving a Social Security check should automatically be enrolled in Medicare Part A.

**Medicare Part B.** Employees can sign up for Medicare Part B anytime during a seven-month period that begins three months before age 65. If the employee is 65 or older and covered under a group health plan, either from his or her own or his or her spouse's **current employment**, the employee has a "special enrollment period" in which to sign up for Medicare Part B. This means that the employee may delay enrolling in Medicare Part B without having to wait for a general enrollment period and paying the 10% premium surcharge for late enrollment. These rules allow the employee to:

- Enroll in Medicare Part B any time while the employee is covered under the group health plan based on current employment; or
- Enroll in Medicare Part B during the eight-month period that begins with the month the employee's group health coverage ends, or the month employment ends—whichever comes first.

Special enrollment period rules do not apply if employment or employer-provided group health plan coverage ends during the employee's initial enrollment period.

**Medicare Part D.** Employees may sign up for Medicare Part D when they first become eligible for Medicare (the Initial Enrollment Period - three months before the month the employee turns age 65 until three months after the employee turns age 65) or during a special enrollment period (*i.e.*, following a loss of employer coverage). If an employee does not sign up when initially eligible or during a special enrollment period, penalties may apply. Furthermore, enrollment is limited to a small window each year from November 15 to December 31.

**Medigap.** Anyone over 65 enrolled in Medicare Part B should enroll during the six-month period (known as open enrollment) immediately following his or her enrollment in Medicare B or during a special enrollment period (*i.e.*, following a loss of employer coverage). If an employee does not sign up when initially eligible or during a special enrollment period, the employee could be denied coverage or pay a higher premium. As long as the employee pays the premium, his or her Medigap policy is guaranteed renewable. This means it is automatically renewed each year.

### *How Does Medicare Coordinate with the Employer Health Plans?*

If an employee has health coverage through one of the Medicare plans and the employer health plan, special rules apply to determine which plan pays first. Generally, if the employee is receiving employer health plan coverage as an active employee, Medicare is the secondary payer, and when the employee retires, Medicare becomes the primary payer.

### *What Resources and/or Tools are Available to Help Employees Plan their Retirement?*

EBRI's Retirement calculator: <http://www.choosetosave.org/ballpark/>

DOL's Top 10 Ways to Prepare for Retirement:  
[http://www.dol.gov/ebsa/publications/10\\_ways\\_to\\_prepare.html](http://www.dol.gov/ebsa/publications/10_ways_to_prepare.html)

DOL's Taking the Mystery Out of Retirement Planning:  
<http://www.dol.gov/ebsa/publications/nearretirement.html>

Social Security Retirement Planner: <http://www.ssa.gov/retire2/index.htm>

AARP Retirement Tools: [http://www.aarp.org/money/retirement/?CMP=KNC-360I-GOOGLE-MON&HBX\\_OU=50&HBX\\_PK=social\\_security](http://www.aarp.org/money/retirement/?CMP=KNC-360I-GOOGLE-MON&HBX_OU=50&HBX_PK=social_security)

Medicare website: [www.medicare.gov](http://www.medicare.gov).

Medicare Phone Number: 1 800-MEDICARE

Medicare and You 2008: <http://www.medicare.gov/Publications/Pubs/pdf/10050.pdf>

Welcome to Medicare:  
<http://www.medicare.gov/Publications/Pubs/PDF/11095.pdf>

Medicare Options Compare:  
<http://www.medicare.gov/MPPF/Include/DataSection/Questions/Welcome.asp?version=default&browser=IE%7C6%7CWindows+Server+2003&language=English&year=2008&PDPYear=2008&MAPDYear=2008&defaultstatus=1&pagelist=MPPFHome&MPDPF%5Fzip=&type=ZIPCOUNTY&ExternalSourceID=&MPPF%5FPDP%5FIntegrate=N>

#### Medicare Part D

To apply for Medicare Part D or get more information about the extra help, call Social Security at 1-800-772-1213 (TTY 1-800-325-0778) or by visit [www.socialsecurity.gov](http://www.socialsecurity.gov)

2008 Choosing a Medigap Policy, A Guide to Health Insurance for People with Medicare: <http://www.medicare.gov/Publications/Pubs/pdf/02110.pdf>

Medigap Compare feature. [Medigap Compare feature](#) of the Medicare Website to see a regional breakdown of companies selling Medigap plans.

Medicaid information: [www.hcfa.gov/medicaid/medicaid.htm](http://www.hcfa.gov/medicaid/medicaid.htm)