

**NOTICE OF BENEFIT
PRODUCTIVITY ENHANCEMENT PROGRAM DESCRIPTION
(PEP) 2026
Questions and Answers**

What is the Productivity Enhancement Program (PEP)?

The Productivity Enhancement Program (**PEP**), allows eligible employees to exchange previously accrued annual leave in return for a credit which reduces their share of New York State Health Insurance Program premium on a bi-weekly basis. Employees in a position at or below JG-16 have the opportunity to exchange either four (4) days (28 hours) of annual leave for a credit up to \$800 or eight (8) days (56 hours) of annual leave for a credit up to \$1,600. Employees in a position at grade level JG-17 through and including JG-23 have the opportunity to exchange either two (2) days (14 hours) of annual leave for a credit up to \$800 or four (4) days (28 hours) of annual leave for a credit up to \$1,600. Employees must file an election form by December 8, 2025.

What are the eligibility requirements for participation?

To participate in PEP, employees must meet the following criteria at the time of enrollment:

- be employed on an annual-salaried basis at a grade level of JG-23 or below;
- have a minimum annual leave balance of 8 days (56 hours) or more after making the forfeiture (pro-rated for part-time employees);
- be a NYSHIP contract holder in either the Empire Plan or an HMO.

Are part-time employees eligible to participate?

Yes. Part-time employees who meet the eligibility criteria are eligible to participate on a pro-rated basis equal to their payroll percentage. Where the payroll percentage results in a leave forfeiture that is not a quarter-hour increment, the leave forfeiture will be rounded up or down to the nearest quarter-hour, rounding up when the resulting figure is exactly between two quarter-hour increments.

Are hourly employees eligible to participate?

Yes. Full-time and part-time hourly-paid employees who meet the eligibility requirements may participate in accordance with their employment percentage.

Can a retiree who has returned to State service participate in PEP?

Retired NYS employees who have returned to work must meet all eligibility requirements for participation in PEP and must have the employee share of their NYSHIP health insurance premium deducted from their bi-weekly paycheck. Re-employed retirees who have health insurance premiums deducted from their pension checks are not eligible to participate.

How do I participate in PEP?

You **must** file the enclosed ELECTION FORM with your administrative office between November 1 and December 8, 2025, the deadline will be strictly enforced.

How does the reduction of accruals work?

When you elect to participate in PEP, your election of annual leave, (pro-rated for part-time employees), is deducted from your annual leave accrual balance when your election form is processed. Once this deduction is made, it will not be returned, in whole or in part, regardless of any change in your status or participation in the program.

How does the \$800/\$1,600 credit work?

In exchange for annual leave credits, (pro-rated for part-time employees), your contribution toward health insurance premiums paid for in 2026 will be reduced by up to \$800 (\$30.77 in each bi-weekly paycheck) for two (2) or for (4) days of leave credits and up to \$1,600 (\$61.54 in each bi-weekly paycheck) for four (4) or eight (8) days of leave credits. Employees will realize this credit via reduced NYSHIP health insurance premium withholdings from paychecks issued between January 1, 2026 and December 31, 2026.

Premium reductions apply to the employee's contribution only. No portion of the credit available under PEP can be applied toward the employer share of the health insurance premium. It is important to note that the reduction is on pre-tax earnings. Accordingly, the net amount seen in your check will likely be somewhat less than the reduction in your premiums.

What happens if the amount of my health insurance premium for 2026 is less than \$800/\$1,600?

The \$800/\$1,600 credit is a maximum. If your employee contribution toward the NYSHIP health insurance premium is less than \$800/\$1,600, your contribution for 2026 is paid in full. You will not receive a refund or other credit.

If my spouse is enrolled in NYSHIP and carries our family's health insurance coverage, can we both participate in PEP and both apply our credits to reduce the cost of family health insurance coverage?

No. Only the contract holder may contribute to family health insurance premiums. If both spouses are enrolled as individual contract holders, both may participate in PEP if otherwise eligible.

What happens to my NYSHIP premium if I move between individual and family coverage?

An employee enrolled in PEP who moves between individual and family coverage under NYSHIP will have their health insurance contribution credit adjusted upward or downward as appropriate.

What happens to my NYSHIP premium if I go on a leave of absence without pay?

If you are enrolled in PEP and you go on a leave of absence without pay during the year and do not receive a waiver of premium, you will continue to pay the employee share of the NYSHIP premium at the reduced rate. If you are also required to pay the employer share of the health premium, no portion of the health insurance premium credit available under PEP can be applied toward the employer share of the health insurance premium. Employees on a leave without pay whose NYSHIP coverage is canceled (either voluntarily or because of failure to make payment of premiums as required) will lose eligibility to participate in PEP for the remainder of the calendar year.

Can I voluntarily leave and/or re-enter PEP during the year?

No. You may only elect to participate during the November 1, 2025 to December 8, 2025 enrollment period. Once you have enrolled and the leave is deducted, it will not be returned even if you separate from service or discontinue NYSHIP participation.

How do I know if PEP is the right choice for me?

The decision to participate in PEP is a personal one. There are a number of things you should take into consideration, including your daily rate of pay, your current annual leave balance and the annual employee share cost of your NYSHIP premium.



2026 PRODUCTIVITY ENHANCEMENT PROGRAM (PEP) Acknowledgment Form

I, _____ (please print name) acknowledge receipt of the enrollment form and materials describing the Productivity Enhancement Program (PEP) for 2026 and I understand that I must submit the enrollment form to my administrative office on or before December 8, 2025 in order to participate in the program.

Signature _____

Date _____

2026 Productivity Enhancement Program - ELECTION FORM

Name _____ Kronos ID _____
(please print or type)

Health Insurance Plan _____ ☐ Individual or ☐ Family (Check One)

Salary Grade JG 1-16 ☐ or Eight (8) days / \$1,600 credit ☐ (Check one)
Four (4) days / \$800 credit

Salary Grade JG 17-23 ☐ or Four (4) days / \$1,600 credit ☐ (Check one)
Two (2) days / \$800 credit

By signing this document, I elect to participate in the Productivity Enhancement Program (PEP). I understand that I must meet the eligibility criteria described in the PEP Notice in order to participate.

I understand that, in accordance with the PEP Notice, I will surrender annual leave accruals standing to my credit as a result of participation and that ALL of these leave accruals will be deducted from my leave balances at the time this election form is processed. Furthermore, I understand that no portion of this leave will be returned to me under any circumstances.

In exchange for these leave accruals, I will receive a credit (as indicated above) which will be applied against the cost of the employee share cost of NYSHIP health insurance premiums in program year 2026. The amount of this credit will be established at the time of election and will be adjusted only upon movement between individual and family coverage. I will not receive any amount of credit that exceeds the cost of the employee share of my NYSHIP health insurance premiums paid during 2026.

I understand that in order to participate in PEP, this completed election form must be filed with my administrative office by the close of business on December 8, 2025.

Signature _____ Date _____

For Agency Personnel Office Only:

Employee's Payroll Percentage _____ % Total number of days forfeited _____

Hours of leave deducted from employee's balance _____ Date _____

Verification of eligibility. I certify that this applicant meets the eligibility criteria necessary for participation in this program.

Name _____ Title _____

Signature _____ Date _____

For Health Benefits Administrators Only:

Date Processed _____

Initials _____