Early Retirement Incentives

2013
District of Columbia. Act 16 of 2013 (DC B 64), amends an Act for the retirement of public-school teachers in the District of Columbia to provide for Early retirement without penalty for teachers separated from service under the District of Columbia Public Schools' Performance-Based Excessing Policy and to provide for the administration of certain awards.

Idaho. Chapter 97, Laws of 2013 (ID S 1089), relates to education, repeals a section of existing law relating to an early retirement incentive excluding administrative staff, revises provisions relating to school districts employing retired teachers and administrators, makes a codifier's correction.

Puerto Rico. Law 27-2013 (PR H 1055), establishes a Voluntary Early Retirement Program for Employees of the Port Authority of the Commonwealth of Puerto Rico, sets the years of service requirements to qualify for this program, sets the minimum percentage of compensation to be used in calculating pensions, provides for payment of the actuarial cost of the program, regulates the time given to employees to exercise their decision to enroll in the Voluntary Early Retirement Program.

Washington. 1st Special Session Chapter 7, Laws of 2013 (WA S 6378), closes the alternate early retirement benefits in the Public Employees' Retirement System, the Teachers' Retirement System, and the School Employees' Retirement System Plans 2 and 3 to new members, creates a new subsidized early retirement benefit for members that join these plans after a specified date, changes the investment rate of return assumption used for calculating contribution rates, requires a study of risk classifications of employees that entail high degrees of physical or psychological risk.

2011
Kansas. On August 2, 2011, Governor Sam Brownback's office announced a voluntary retirement program that provides incentives for state retirement-eligible employees who offer to retire by September 19. Approximately 4,000 employees who are currently eligible for full or early retirement are eligible to retire under the criteria of the program. There are two options for eligible employees to consider:

- Post-Retirement Group Health Insurance Coverage: The state will pay the employer's share of the state employee rate for up to 60 months for member-only coverage or up to 42 months for member-plus-dependent coverage - until the employee reaches age 65, whichever comes first.
- One-time Lump Sum Payment of $6,500.

This is a voluntary program. Secretary of Administration Dennis Taylor said. “Employees should contact their personal legal and financial advisors about whether to retire and the Kansas Public Employees Retirement System about eligibility concerns.”

The state does not expect to replace those who retire, although critical positions may need to be filled to ensure the viability of essential state functions. Those decisions will be made following the deadline for employees to present their offers to retire.

Source: Press release, Office of the Governor, August 3, 2011

Maine. Chapter 380, Public Laws of 2011 (L.D. 1043, the Biennial Budget Bill for fiscal years 2012 and 2013) authorizes the Commissioner of Administration to offer a retirement incentive program to employees who are eligible to retire and who have reached their normal retirement age, but not to employees who are eligible to retire under any special retirement plan [that is, public safety members]. Employees choosing to participate in this retirement incentive program must make
application for participation in the manner specified by the commissioner, with retirements effective on or before November
1, 2011. The legislation budgets $5.5 million in expected savings.

2010

Iowa. Senate File 2062, signed by the governor on February 10, enacted an early retirement incentive program for
executive branch employees and authorizes similar programs for legislative council staff and judicial branch employees if
those agencies agree. Employees who are 55 years of age or older and who have 10 years of service have until June 24,
2010, to accept the incentive. The incentive includes health insurance and monetary benefits for five years. 2,700
employees are estimated to be eligible for the program, and an early estimate is that between 1,200 and 1,300 will accept
it.

The incentive includes payment over five years of an amount consisting of the value of the employee's accrued but unused
vacation leave plus $1,000 for each year of state employment service up to 25, paid at the rate of 20 percent of the total
per year. The state will also cover state health insurance costs for five years. Employees agree to leave state employment
by June 24 and to waive any future employment in state government other than as an elected official. Employers are
prohibited from offering temporary, part-time or permanent employment or contractual service contracts to anyone who
accepts this early retirement incentive, and from filing vacancies thus created without approval from the Department of
Management. Annual reports are required.

Savings were estimated at $57.4 million in FY 2011 by the legislative Fiscal Services Division.

Michigan. Act 75 of 2010 (SB 1227) makes numerous changes affecting the Michigan Public School Employees' Retirement
System (MPSERS). Provisions include establishment of an early retirement incentive for members who meet certain eligibility
requirements and who retire before September 1, 2010.

Currently MPSERS employees have to be age 55 and have 30 years of service to be eligible to retire in the Basic plan or may
retire with 30 years with no minimum age requirement under the Member Investment Plan (MIP). [The Basic Plan is a
noncontributory DB plan closed to new members on December 31, 1986. The MIP is a contributory DB plan in which new
members of MPSERS have been enrolled since January 1, 1987, and which now includes the majority of MPSERS members.]
The bill would allow employees to be eligible if they had a combined age and years of service totaling 80 for employees who
retire before September 1, 2010. Retirees would have to apply before June 11, 2010 and would have until June 11, 2010 to
withdraw their application. In addition, for members who retire by September 1, 2010 the bill would provide a 1.6%
multiplier in the pension formula for an employee who is eligible to retire under current eligibility and a 1.55% multiplier for
members who qualify under the 80 and out. Currently a member's pension calculation equals their final average
compensation (FAC) multiplied by their years of service multiplied by 1.5%. The bill would cap the final average
compensation to which the additional multiplier was applied at $90,000.

The bill would allow a superintendent or chief administrator to provide an extension to allow an employee to remain until
September 1, 2011. Each reporting unit would be allowed to grant 1 extension. Another 2,500 extensions would be available
statewide to be distributed on a pro rata basis by the Office of Retirement Services. The bill would require that the
additional costs to the pension system created by the increased multiplier and the early out be amortized over a 5-year
period.

June 28, 2010. *Flint Journal*, Flint, Michigan — The state today released the final number of school employees who decided
to retire this summer, taking advantage of pension incentives the Governor passed in May. The Office of Retirement
Services counted 17,063 who filed. The number falls short of what the state originally hoped, but officials still estimate
savings of $515 million as a result.
The state initially estimated $670 million in savings if half of the 55,000 eligible veteran employees had chosen to retire. “The number of school retirements is more than triple what we typically see in a given summer,” said Governor Jennifer Granholm in a statement.

**Michigan.** SB 1226 (to governor September 29, 2010) creates an early retirement incentive for state employees in the defined benefit retirement plan. The present age and service requirements for normal retirement are age 55 with 30 years of service. The incentive allows normal retirement for those who qualify for the Rule of 80 or who have 30 years of service. The incentive includes civil service employees, unclassified state employees, legislative branch staff and judicial branch employees. Applications are due by November 1, 2010. In addition members eligible to retire under existing law who do so by January 1, 2011, receive an increased multiplier (from 1.5% to 1.6%) and those who qualify under the incentive receive a multiplier of 1.55%. Those who retire under either provision forfeit their right to a lump-sum payment of the value of accumulated annual and sick leave and will instead receive an equal amount in 60 monthly installments beginning January 1, 2011. Department directors may request extensions to allow employees to remain on the job until July 1, 2011, subject to a demanding approval process.

The act also provides that, beginning October 1, 2010, retirees who contract with the state to provide services must forfeit their retirement benefits while so employed (existing law provides a similar condition for retirees employed by the state or who are employed through a contractual agreement with a third party).

The incentive is estimated to cost about $385 over seven years, to be offset by $406 million in savings from filling only two of every three positions vacated.

**Minnesota.** Chapter 337, Laws of 2010 (Senate File 1481) authorizes early retirement incentive programs for the retirement plans covering state and local employees and teachers in Minnesota, including the Minneapolis employee plan and the Duluth and St. Paul teachers’ plans. Plans are listed in Minn.Stat. 356.30 subdiv. 3.

The incentive may be offered by any appointing authority whose employees are covered by one of the listed plans. Elected officials are not eligible. Eligibility requirements are 15 years of allowable service, existing eligibility for an immediate annuity or benefit from the plan that the applicant belongs to, and the lack of any existing benefit or pension from one of the listed plans. The incentive is extension of the employee’s health and dental insurance (including coverage for dependents if the applicant had dependent coverage before retirement) for 24 months after retirement. Applicants must accept the offer by December 31, 2010, and retire by June 30, 2011. An individual who receives an incentive payment under these provisions may not be reemployed or hired as a consultant by any agency or entity that participates in the State Employee Group Insurance Program for a period of three years after termination of service.

**New York.** Chapter 45, Laws of 2010 (SB 6972), provides a temporary retirement incentive for certain public employees. The act eliminates the early retirement reductions for Tier 2, 3, and 4 members of the New York State and Local Employees’ Retirement System and the State Teachers’ Retirement System who retire within their employer’s 90-day open election period, which cannot extend beyond December 31, 2010. Participants must be at least age 55 with at least 25 years of service; currently 30 years of service are required for normal retirement.

Chapter 105, Laws of 2010 (AB 11144), provides a broader temporary early retirement incentive program for members of the New York State and Local Employees’ Retirement System, the State Teachers’ Retirement System, the New York City Teachers’ Retirement System, the NYC Board of Education, and the NYC Employees’ Retirement System. It offers two different plans for targeted employees. One plan allows participating employers to provide eligible employees an incentive of 1/12 of a year additional service for each year of accrued service credit to a maximum of three additional years. Eligibility is limited to members who are at least 50 years of age with 10 years of service credit; participants who are less than 55 years of age will have benefits reduced by 5% for each year they are under the age of 55. The second plan allows Tier 2, 3 and 4 members of the plans to choose early retirement without a reduced benefit with 25 years of service instead of 30 years of service; the minimum age of 55 remains a criterion as in existing law.
Employers have some discretion as to the length of the window in which employees may choose to take early retirement, but the window has to be between 30 and 90 days in length and cannot extend beyond August 31, 2010. No employee may take advantage of both options. Employers are to pay the cost of the retirement incentive over five years beginning in fiscal year 2012.

**Oklahoma.** Chapters 179 and 186, Laws of 2010 (HB 2363 and SB 1442 respectively), created an employee buy-out or early retirement incentive program for state employees eligible for unreduced retirement. The incentive included a subsidy for health insurance costs for 18 months, longevity pay, and $5,000 in cash. Officials believe that the state could save $67.6 million the first year and nearly $89 million the second year.

**2009**

**Connecticut.** Special Act 6 of 2009 (HB 6718) creates a retirement incentive program (RIP) for nonunion state employees who are at least age 55 by June 30, 2009 and (1) have at least 10 years of actual state service not including purchased service credits or credits transferred from another employer or, (2) for hazardous duty employees, have at least 20 years of actual hazardous duty state service regardless of age. It also creates a retirement incentive for members of the Teachers’ Retirement System (TRS) and the Alternate Retirement Program (ARP), who must be at least age 55 by June 30, 2009.

In general, eligible employees must retire effective June 1, 2009 or July 1, 2009, although there are exceptions for certain groups of employees.

Eligible employees will receive up to three years of service added to their state service for purposes of calculating their retirement benefit under the State Employee Retirement System (SERS) or the Teachers Retirement System (TRS), as appropriate. Eligible members of the Alternate Retirement Program (ARP) will be paid a $6,000 in three equal installments of $2,000 each. The payment dates are: July 2012, July 2013 and July 2014. Eligible part-time ARP members will receive a prorated amount.

The act requires the administrative services commissioner, in consultation with the comptroller to make two reports on the savings realized from the retirement incentive program. The reports are due by October 15, 2009 and June 15, 2011. They must include (1) the numbers of union and nonunion employees who participated, (2) each agency's savings from the program, and (3) how much of the savings are offset by refilling positions vacated by participating retirees (Source: Conn. Office of Legislative Research bill analysis at http://www.cga.ct.gov/2009/BA/2009HB-06718-R01-BA.htm).

**Louisiana.** House Bill 513 of 2009 (vetoed) provides an early retirement option for members of the State Employee Retirement System (LASERS). It allows a member to retire at age 50 with 10 years of service credit (not including purchased military credit) with an actuarial reduction in benefits. Those choosing the option would not be eligible for reemployment for two years and their position would be abolished pending further review. The legislation includes a number of controls and reporting requirements intended to further the purpose of reducing the total number of state employees for reasons of economy. Governor Jindal vetoed the bill from concern that the bill "does not include current law's exceptions for critical positions that have a direct impact on patient care or for critical positions that have a direct impact on public safety, such as State Troopers," according to his veto message of July 10, 2009.

**Maine.** Chapter 213, Laws of 2009 (LD 353), Part Y, authorized an early retirement incentive program for state employees who reached their normal retirement age on or before July 1, 2009. Additional criteria are (1) employees in the regular plan must have had 10 years of service by July 1, 1993 and had to be either age 60 with 10 years of service by the date, or age 59 ½ with 25 years of service by date. Employees in the regular plan who had less than 10 years of creditable service on July 1, 1993, were eligible if they were at least age 62 on July 1, 2009 and had at least 10 years of creditable service. Employees in special plans had to meet age and service requirements of those plans.

Eligible employees who agree to retire on July 1 or August 1 or September 1, at their discretion, will receive a cash payment of $10,000, which will be prorated for part-time or seasonal employees. The payment will be made from departmental funds in January 2010, is subject to income tax, and will not be included in the calculation of final average compensation.

Positions vacated will be frozen through June 30, 2011; critical positions can be refilled only if a department can find comparable savings from other sources.
**Vermont.** HB 441 (the general appropriations act), §E.135.2, created an early retirement incentive program for state employees who are eligible for normal retirement as of July 1, 2009, provided they do not purchase service credit in order to become eligible and provided they are among the first 300 people to apply for the incentive. Those who submit applications by June 30 for July 1, 2009, retirement are entitled to a state commitment to pay at least 80% of the cost of the premium for primary or secondary health insurance for the retiree and the retiree’s dependents for 10 years; $500 per year of service if the employee has fewer than five years of creditable service; $750 per year for those with five to 15 years; and $1,000 per year for those with 15 years of service or more. Those who apply after June 30 but before August 31 are eligible for the same bonuses but not the continued health insurance subsidies. Employers may arrange staggered retirement dates for the purpose of workload management. Employees who receive a retirement incentive may not return to state employment for one fiscal year, with allowance for approved exceptions. No employee may receive more than $15,000 in bonuses. The money will be paid in two installments in FY 2010 and FY 2011. The Joint Fiscal Committee may increase the number of people eligible for the payments.

News accounts indicate that about 1,000 state employees are eligible for the incentive and that the state treasurer thinks it will produce savings in the state starting about a year after the retirements occur.

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**2008**

**New Jersey.** Chapter 21, Laws of 2008 (A 2802/S 2044), provides additional retirement benefits to certain employees of state government; provides for an early retirement incentive program which includes additional compensation and health benefits; regulates the purchase of service credit to qualify for the program; allows a retired employee to be reemployed for emergency management purposes; limits the number of employees hired thereafter to fill vacancies created to ten percent of those employees who retired.

The intent of the legislation is to induce around 2,100 employees to retire in addition to the 1,000 who could usually be expected to do so. The policy goal is to reduce the state workforce so as to save about $90 million in compensation a year. The act provides additional service credit to employees who are 58 or older with at least 25 years of service, so as to increase their retirement benefit by 5.45% (and somewhat higher for veterans). Employees who are 60 or older with 20 to 25 years of service will be eligible for post-retirement health benefits. Those who are 60 or older with at least 10 but less than 20 years of service are offered $12,000 paid over 24 months, not an pension benefit increase. Eligible employees may not purchase additional service credit after the effective date of the act and cannot return to executive branch employment for three years. Judicial employees may not return to judicial branch employment for three years. Employers have the power to require an eligible employee to delay retirement for one year. [The Philadelphia Inquirer reported on July 30 that about 1,500 New Jersey employees had accepted the offer, which closed on July 15, according to preliminary figures.]

**Tennessee.** The Tennessee state executive branch has offered a voluntary buy-out program to approximately 12,000 full time career employees with a goal of winning about 2,000 voluntary separations from state government to avoid firings. This is not an early retirement program in the sense of providing additional service credits to induce employees to begin retirement benefits. The goal is to reduce recurring state expenditures by about $64 million a year. The program offers these inducements:

- Four months of base salary at the greater of the rate of pay in effect on June 2, 2008, or the employee’s voluntary separation date, plus $500 for every year of state service through the employee’s voluntary separation date (partial years are rounded up).
- Advanced payment of the next scheduled longevity payment, calculated according to normal State practice, as long as the payment accrues on or before June 30, 2009.
- Normal payment of accrued, unused annual leave and compensatory time.
- Continuation of subsidized medical care coverage for the first six months of COBRA medical coverage, should the employee be eligible and elect to participate in COBRA. After that, participants will be responsible for the full COBRA premium for up to 12 additional months.
Participants 65 years of age and older as of their voluntary separation date will receive a one-time $2,400 cash payment to assist in the transition to Medicare.

Tuition assistance of up to $10,800 ($5,400 per year) at the schools, institutions and entities governed by the Tennessee Board of Regents and the University of Tennessee Board of Trustees, as well as state certified apprenticeship.

This program was authorized in the 2008 General Appropriations bill, §60, item 1, Chap 1203, Laws of 2008. Sources: Fiscal Review Office, June 18, 2008; Tennessee Department of Human Resources at (as of June 18, 2008) http://www.tennessee.gov/dohr/VoluntaryBuyout/VBP_Benefits.html. (On July 30, Governor Phil Bredesen of Tennessee said that the buy-out program is unlikely to reach the goal of eliminating 2,200 positions. Of about 1,600 applications, 1,200 appeared to be acceptable since they were positions the executive branch could eliminate. The governor suggested that the program might be offered to people who were not included in the original offer.)

2007

**West Virginia.** SB 599 eliminates the $500 bonus teachers can receive for giving early notification of his or her resignation. Under the bill, only retiring teachers who give early notification are eligible for the bonus. The amount of the bonus stays the same.

2006

**Illinois.** Public Act 94-0839 allows state employees to receive an Alternative Retirement Cancellation Payment (ARCP) consisting of a lump sum payment of their contributions with regular interest, times two. Five hundred Group 1 employees, those in executive branch agencies under the governor, are eligible (the first 500 to apply before August 31, 2006). Group 2 -- all employees of legislative and constitutional officers, including the courts, and all legislative agency employees -- are all eligible, and must apply before September 30, 2006. All applicants must have been hired before January 1, 2006, be on payroll on June 1, 2006, and must terminate employment within one month of application or by the terminal date for their group to apply. Anyone who returns to covered employment for more than 75 days a year must repay the amount by which the ARCP exceeded the employee's original contributions, within 60 days of re-employment.

**Louisiana.** Act 672 of 2006 (HB 45), the "Early Retirement and Payroll Reduction Act" allows LASERS members 50 years of age with at least 10 years of service credit to receive an annual, actuarially reduced, retirement allowance. The position vacated by the person taking early retirement is abolished, except those positions excluded by the Act or reestablished in accordance with the Act.

**New York.** A11805/S8408 (vetoed by Governor Pataki) would have provided two 90-day periods (the first beginning on June 3, 2006 and one next year) in which eligible Tier 2, 3 and 4 members of the New York State Teachers Retirement System aged 55 or older with 25 or more years of service would be permitted to retire without a benefit reduction. For these members, the current requirements for retiring without a reduction are age 55 with 30 years of service, or age 62 with five years of service.

2005

**Arizona.** HB 2052 sets guidelines for member agencies of the Arizona State Retirement System (ASRS) to create early retirement incentive programs and requires them to pay any resulting unfunded liability that ensues. ASRS will determine the amount of any unfunded liability.
Illinois. Public Act 94-0109 (SB 1442) provides an alternative retirement cancellation payment (ARCP) for state employees who terminated service between July 1 and October 31, 2005. The offer was limited to 500 employees under the governor’s purview in specified job titles and to any other employees whose director or departmental head consented to theemployee's acceptance of the offer (no limits as to number or job title for the latter). The ARCP allows active members who terminate service to receive a refund in exchange for waiving all rights to any type of benefit from the State Employee Retirement System. The ARCP would equal two times the employee's contributions plus annual interest at 6.5%. Various options for payment are available.

Public Act 94-0004 (SB 27) extended the current early retirement option for members of the Teachers' Retirement System. This option must be exercised by a decision in writing by July 1, 2005 with a retirement date no later than July 1, 2007. It is available to those who retire before age 60 with less than 34 years of service. It requires employer and employee contributions to avoid discounted benefits. The employee contribution is 7% of salary for each year less than age 60 or 35 years of service, whichever is less. The employer contribution is 20% of salary for each year less than age 60. The requirements do not apply to employees who retire with 34 years of service.

Public Act 94-0004 also created a new TRS early retirement option effective July 1, 2005. Contributions are required if an employee is to retire before age 60 without discounted benefits. The employee contribution is 11.5% of salary for each year less than age 60 or 35 years of service, whichever is less, and the employer contribution is 23.5% of salary for each year less than age 60. In addition, all active TRS members are required to contribute 0.4% of salary toward the cost of the option. This contribution will be refunded without interest if the member does not use the option, takes a refund from TRS, dies, or if the option is terminated. TRS is to review funding of the option in 2012 and every five years thereafter to see whether it is adequately funded. A mechanism is established to terminate the option if the General Assembly does not adjust contributions as needed in the future to provide adequate funding, should actuarial calculations call for an increase.

Texas. SB 1691 prohibits local school districts from offering early retirement incentives.

2004

Illinois. Public Act 93-0839 (SB 2206) proved an early termination incentive and a separate severance payment plan for specified job titles under the governor’s purview and all other state job titles.

The early termination plan will be available to the first 3,000 employees who apply to the State Employee Retirement System (SERS). Depending on position, application had to be made by September 1 or September 30 and the employee was required to terminate service within two weeks of approval of the application, but no later than October 31, 2004. The enhanced refund will be the employee's total contributions to SERS at 6.5 percent annual interest, multiplied by two. (The regular refund is only contributions with no interest.) The recipient must waive rights to any type of SERS benefit, but retains group health insurance benefits. An employee who subsequently returns to covered employment must repay the enhanced refund (not including the employee contributions) plus interest. To re-establish the service credit forfeited by taking the refund, the employee may return the full enhanced refund plus interest from the date of the refund to the date of repayment.

The Act also specified job titles under the governor's purview eligible for a severance payment and provides that the Department of Central Management Services may limit the number of eligible people. Department or agency heads not under the governor's purview may limit the number of their eligible staff and otherwise limit the severance payments. For those under the governor's purview, applications are due by October 31 and termination must occur between November 1 and December 31, 2004. The maximum severance payment is 25 percent of final monthly salary for each year of state service up to a maximum equal to six months' salary. Anyone who returns to state service must repay the severance payment unless returning in a temporary position or as an elected official. The payment may include up to 6 months' cost of

Iowa. Chapter 1035, Acts of 2004 (HF 2497) permits eligible executive branch employees for which the sum of the number of years of credited service under the Iowa Public Employees' Retirement System (IPERS) and the Public Safety Peace Officers' Retirement, Accident, and Disability System (PORS) and the employee's age as of December 31, 2004, equals or exceeds 75 to separate from service with the state and receive a sick leave and vacation incentive benefit payable in five fiscal years beginning with the fiscal year that ends on June 30, 2005. The incentive benefit is equal to the employee's unused vacation plus the lesser of an amount equal to 75 percent of the employee's regular annual salary or an amount equal to 75 percent of the value of the employee's sick leave. To receive the incentive benefit, an eligible employee must acknowledge the employee's ineligibility to return to permanent part time or permanent full time employment with the state, and waive any claims to unused sick leave or vacation balances otherwise payable upon termination of employment. Employees who participate in the program are eligible to continue to participate in group insurance coverage from the state in the same manner as employees who retire from state employment. The act also establishes a goal of increasing the ratio of employees per supervisor to 12 to 1 by December 31, 2005, for executive branch agencies.

Louisiana. Act 194 (HB 58), the "Early Retirement and Permanent Payroll Reduction Act of 2004," provides that members of the State Employees' Retirement System (LASERS) are eligible for early retirement through 12/31/06. Eligibility requirements include attaining the age of 50 with 10 years of service credit other than military service credit. Existing law provides for early retirement with 20 years of service. Actuarial reduction of benefits applies. Positions that become vacant under the new law or existing law shall remain vacant and must be abolished. They can be recreated only by specific administrative action in any branch of government. The law also limits the number that may be recreated. Reestablished positions may be filled only by moving a qualified person from another position in the agency (if such a person exists), in which case the person's previous position shall be abolished.

Utah. HB 263 provides an early retirement incentive by offering the possibility for members of the State Retirement System to purchase up to five years service credit on condition that the purchaser retire immediately after the purchase. The amount of time purchased must be sufficient to allow the purchaser to retire immediately with no actuarial reduction in benefits. The purchaser's employer may share the cost of the purchase, but the purchaser must pay at least 5% of the cost, which is the actuarial cost of the service. The purchaser must previously have at least five years of service credit before the purchase.

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2003

Connecticut. P.A. 03-2 establishes an early retirement incentive program for active full-and part-time state employees who retire directly from state employment between March 1 and June 1, 2003. The incentive allows an eligible employee to add up to three years to his age or service credit. The credit must be applied first to the employee's actual age to reach age 55, with any remainder added to his service. Additional credit for hazardous duty members must be applied to their service. (Hazardous duty members may retire after 20 years' hazardous duty service regardless of age.) Credit must be applied in one-month units.

Provisions include an age requirement of 52; 10 or 20 years of actual service depending on service category; eligibility for laid-off employees who would have been eligible had they not been laid off; and restrictions on return to work. The legislation also contained restrictions on replacing employees who take early retirement.

An employee who was laid off or whose position was abolished between November 1, 2002, and May 31, 2003, who would otherwise have been eligible for the Early Retirement Incentive Program, shall be eligible to receive the benefits of the plan beginning March 1, 2003, if such employee is at least fifty-two years of age. Any such employee who retires shall not be
rehired. If such employee has received payment for accrued vacation and sick leave, such employee shall not be required to repay such amount in order to be eligible for ERIP.

PA 03-232 authorizes local boards of education to provide an early retirement incentive plan for teachers by buying up to five years of credited service per teacher, paying the Teachers Retirement Board the full actuarial value of the increased benefits for each participant. The purchase may be made in annual installments over a period not to exceed three times the additional number of years purchased.

**California.** AB 593, Chapter 1023, instructs the governor to issue an executive order giving state departments and agencies the option of participating in the "golden handshake" program, which credits retiring workers with two extra years of service, but does not add to age credits. Eligible workers would be able to retire with the extra two years of service credit from December 3, 2002 through February 1, 2003.

[The governor's executive order directs agencies to designate eligible employees' by job classification and organizational units only if savings generated by their early retirements would offset any cost to the state, and agency participation must be approved by the Department of Finance. A new report on October 14, 2003, reported that very few agencies had made use of the option in AB 593 on the ground that the program would not save money.]

AB 457 was vetoed by Governor Davis in October 2003. It would have allowed the state government and local governments and schools to offer workers an incentive to retire early, including two years of service credit and two years of age credit for free.

**Indiana.** The Indiana State Personnel Department administered a program of early retirement incentives in late 2002 and early 2003, not reported in the 2002 version of this report.

Eligibility requirements were state employment on November 1, 2002; age of at least 50 on the proposed date of retirement; 10 years of service credit in the public employees' or state teachers' retirement plan; at least one full year of state employment; and eligibility for retirement on the proposed retirement date when the incentive service credit made available under this plan was included. An employee had to indicate a decision to take advantage of the plan between 11/1/2002 and 2/28/2003 and retire by June 14, 2003. Employees who had previously submitted an intention to retire during the window were eligible for the incentive.

Employees who were eligible to purchase additional service credit under existing law could do so in order to augment the benefit calculation.

The incentives consisted of one additional year of service credit for each five years of creditable service, prorated for additional incentive credit for service over ten years that did not add to a five year segment. The additional incentive credit would increase retirement benefits. In addition, employees received $300 in cash for each year of credited service (including the additional incentive credit added under this program) paid in three equal payments from July 1, 2003 through July 1, 2004.

**Maine.** Pursuant to Chapter 451, P.L 2003, Part M, the Department of Administrative & Financial Services offered a payment of $3,000 in cash to state employees qualified to retire who did so on September 1 or October 1, 2003. Employees had to meet normal retirement age qualifications and age requirements, if any, imposed by the plan to which they belonged. The $3,000 could be pro-rated for eligible part-time and seasonal employees. Employees who had given notice of their intention to retire before the incentive was announced were eligible for the incentive. The incentive did not alter retirement benefits or requirements other than by providing the cash payment.

Vacated positions cannot be filled before April 1, 2004, and participating employees cannot be re-employed by the state before July 1, 2004, on penalty of having to repay the incentive.
[On October 16, 2003, the Department reported that 68 state employees had taken advantage of the incentive program. According to the Portland Press Herald on July 31, 2003, about 760 state employees met the criteria for the program, and the goals of the program were to provide salary savings to finance merit increases for other state employees and to open senior positions to allow promotions for less senior employees.]

**Michigan.** HB 4605 (Substitute H-3 as passed) in 2002 created an early retirement incentive for legislative and governor's office employees and certain other unclassified state employees, effective in the month of December 2002, with a proposed retirement date no later than February 1, 2003. Qualifications included age and length of credited service that total at least 70 as of 12/31/02 with no minimum age requirement. For members of the Michigan State Retirement System defined benefit plan, the benefit calculation multiplier would be increased from 1.5 percent to 1.75 percent. Members of the defined contribution plan would receive a defined benefit calculated at 0.25 percent of final average compensation. The bill would also pay for accumulated sick leave in month installments over five years, as taxable compensation. It was thought that about 100 employees were eligible for the early retirement package. [This legislation was not included in the 2002 enactments report.]

**Missouri.** SB 248 Provides a medical incentive of 5 years of health care insurance at the active employee rate for those who are eligible to retire between February 1, 2002 and January 1, 2004. Members must retire by September 1, 2003. The Department of Transportation, Conservation, Highway Patrol, state colleges and universities may elect to provide the same medical incentive.

Replacement of positions vacated due to this incentive is limited to 25% with the exception of critical or seasonal positions or positions entirely federally funded. These exceptions will be determined by the office of administration. State colleges and universities are exempt from the 25% restriction.

Affected retirement plans are required to report by 04/01/04 on the workforce, payroll and fiscal effects of this incentive. The Office of Administration will report to the Governor by 04/01/04 on the budgetary effects of this incentive.

**New Jersey.** Chapters 127, 128, 129 and 130, P.L. 2003, authorize early retirement incentive programs for various local governments and educational institutions, with the authorization effective for one year, at the discretion of the employer government. Incentives include enhanced pension and health benefits. The cost of the enhanced benefits will be funded by the public agency or instrumentality that elects to participate through employer contributions to be paid over 15 years.

**Texas.** HB 3208 provides for a lump-sum payment of 25 percent of a retiree's previous twelve-months salary for persons eligible to retire on or after August 1, 2003 and before September 1, 2005, upon retirement. To be eligible for the lump-sum payment, a person must retire as soon as eligible for retirement.

**2002**

**Illinois.** H.B. 2671 (PA #92-566) established two alternative incentive plans for members of the State Employee Retirement System and state employees who participate in the Illinois Teachers’ Retirement System to take early retirement. The legislation does not affect school district employees. The window extends from August 1, 2002, to January 1, 2003. Option 1 allows early retirement for members with at least eight years of service, including at least five years of contributing and age credit. It allows receipt of full benefits at a variety of combinations of age and service, including the Rule of 85; 13 years of service at age 60; 25 years of service at age 55; and for alternative formula employees (i.e., police and public safety personnel), 20/55 or 25/50.

Option 2 requires purchase of up to five years of service credit and retirement from covered employment, and provides retirement benefits when the person becomes eligible later. Applicants must have eight years of service, including at least five years of contributing service. No age requirement applies. To receive benefits, members must be at least 50 years old and must meet one of a range of service and age combinations.
The Illinois Pension Commission has been directed to report to the legislature on the costs and benefits of the early retirement incentive for five years.

**Kansas.** S.B. 375 eliminated a requirement that community college boards and public school boards that create an early retirement incentive program must submit actuarial data every three years. The reporting requirements are changed to require reports to the State Board of Education or the State Board of Regents, as appropriate for the employer in question, which must provide summary data to the Joint Committee on Pensions, Investments and Benefits. The effect of the change will be to require less expenditure on actuarial studies.

**Massachusetts.** 2001 Mass. Acts. Chap. 219 (signed on Dec. 31, 2001) created an Early Retirement Incentive program (ERIP) for any Group 1 employee in the State Retirement system. Members eligible for the incentive are those eligible to retire, those at age 55 with 10 years of service or with 20 years of service, and active on the effective date of act. Members exempted from (ERIP) are judges, elected officials and employees paid from a federal trust.

The act limits the number of applicants to 6,700, but members who entered state service before January 1, 1984 would not be restricted by the 6,700 limitation. It provides for an additional 5 years of service or age or any combination not exceeding the sum of 5 as an early retirement incentive. Includes an application period from January 1, 2002 to February 15, 2002 and requires a retirement date of March 15, 2002. University of Massachusetts applicants’ retirement date would be June 15, 2002, unless the Chancellor determined such retirement could be earlier.

The act limits the filling of vacancies created by program. It allows for the filling of positions, not exceeding 20% of the salary amount reduced through ERIP program. Also requires participants to accept staggered payment of vacation, sick and other accrued benefits over three years to be eligible for program. It calls for an actuarial evaluation of the program. Amendments in Chapter 62 of the Acts of 2002 extended the provisions of the Early Retirement Incentive Program to state employees who are paid through federal, trust and capital funding sources. Under the provisions of this bill, employees must file for retirement no later than April 19, 2002 and must retire on May 30, 2002. The bill also contains separate provisions for the Judiciary and the Legislature making certain employees classified in Group 2 and not originally eligible for the ERI due to being between the ages of 50 and 55 eligible for the ERI. The amendments also eliminated the participation limits in the original act.

Chapter 218 of 2001 provided a comparable ERIP for members of the judiciary and legislative staff. Chapter 116 of the Acts of 2002 allowed cities, counties, towns, districts and authorities to adopt early retirement incentive programs for the purpose of reducing the size of their workforces.

**Michigan.** S. B. 1128 of the 2002 legislative session created an early retirement incentive (“Early Out Plan”) for state employees. In general, that eligible state employees whose combined age and service equals 80 years, or who are age 60 or older with 10 years of credited service, can retire under the Early Out provisions with an enhanced benefit. Applications had to be filed in April 2002 and retirement must occur by November 1.

Those who transferred from the Defined Benefit to the Defined Contribution plan may be eligible for the Early Out (provided they meet the above conditions), with an adjusted pension calculation.

Defined Benefit plan members will receive a benefit equal to 1.75 percent of final average compensation multiplied by the number of years of credited service. Those who transferred from the Defined Benefit to the Defined Contribution plan will receive a benefit equal to .25 percent of final average compensation multiplied by the number of years of credited service.

**New Jersey.** 2002 New Jersey Laws, Chap. 23, creates an early retirement incentive program for state and specified other public employees, effective May 30, 2002, requiring retirement (varying for different groups of employees) by no later than the end of the fiscal year that affects the employees in question.
The eligibility requirements and the additional benefits are as follows:

- Employees who are at least 50 years of age with at least 25 years of service credit under the Public Employees' Retirement System (PERS) or the Teachers' Pension and Annuity Fund (TPAF) will receive three additional years of service credit.
- Employees who are at least 60 years of age with at least 20, but less than 25, years of service credit in PERS, TPAF or ABP, will receive payment by the retirement system or the State of retiree health care benefits on the same basis that the State currently pays for the coverage of retirees with 25 or more years of service credit.
- Employees who are at least 60 years of age with at least 10, but not more than 20, years of service credit in PERS, TPAF or ABP, will receive an additional pension or payment of $500 a month for 24 months following the date of retirement.
- Employees who are at least 55 years of age with 25 or more years of service credit in PERS or TPAF and who retire on a veteran's retirement will receive an additional pension in the amount of 3/55 of the compensation upon which the retirement allowance is based.

When the needs of State government, a college or university, or a State autonomous authority so require, an employee electing to retire under the law may continue in employment for up to one year with the approval of the employer and the agreement of the employee.

The Director of the Division of Pensions and Benefits is required to report annually for five years to the Joint Budget Oversight Committee on the aggregate costs and savings resulting from the enactment of this substitute. For details, see: Chapter 23, P.L. 2002.

**New York.** SB7431/A11420 (2002 New York Laws Chap. 69) created an early retirement incentive program for members of the New York state and local employees' retirement system, the New York state teachers’ retirement system, the New York City teachers’ retirement system, the New York City board of education retirement system and the New York City employees’ retirement system. To be eligible, employees must be age 50 or older with 10 or more years of service, or age 55 with 5 or more years of service and in active service on February 1, 2002. Employees receive one month on credit for each year of service, up to a maximum of three years credit. The legislation also creates a separate 90-day window to allow members of the retirement programs aged 55 or older with 25 years or more of service, to retire without an age reduction. The 55/25 provision cannot be combined with the early retirement incentive program.

**2001**

**Iowa.** The Legislature recently passed an Early Termination program (SF 551), referred to as the Early Out incentive program. This Early Out incentive program is a one-time opportunity for specified State employees who meet the program criteria and who may want to leave state service at this time. Specified State employees include executive branch employees, certain correctional services employees, and employees of the Board of Regents if approved by the Board of Regents. This program does not include elected officials or employees covered by collective bargaining agreements. Program features are:

- 100% of accrued sick leave bank, up to a maximum of annual salary. (This replaces the $2,000 typically paid for sick leave upon retirement.)
Candidates must sign up on or before January 31, 2002 and leave State employment on or before February 1, 2002.

- Sick leave and vacation will be paid out in five installments, one at the time of departure and the other four in August of each of the next four fiscal years.
- Installment payments are taxable.
- Participants may NOT accept permanent part-time or permanent full-time employment with the State, other than as an elected official, after termination.

S. F. 551, First Special Session of 2001

2000

**New York.** Chapter 86, Laws of 2000, provided an early retirement incentive for certain state employees including teachers (with the proviso that local districts or state agencies must adopt the incentive for their employees to be eligible). Open periods for application range through various dates ending in 2001, depending upon agencies and employers. The plan provides one-twelfth of a year of additional service credit for each year of service credited at retirement, to a maximum of three years. To be eligible, a member must be age 50 with at least 10 years of service or age 55 with 5 years of service. Members younger than 55 at retirement will have their benefit reduced for each year their age precedes 55, except for Tier 1 members with 35 or more years of service. Effective June 23, 2000.

**South Carolina.** H3696 (R200) General Appropriations Act, Part II Provisos, Section 52. Effective July 1, members of the South Carolina Retirement System who are at least age 55 with 25 or more years of service may retire without a permanent reduction in benefits due to early retirement by making a lump-sum payment of 20% of the higher of current annual salary or average final compensation for each year of service less than 30 (partial years are prorated). Members making this lump-sum payment must retire within 90 days after the date of payment. This buy-out does not increase the amount of service credit; benefits will be calculated based on the member's actual service.