



LEGISLATIVE DEPARTMENT

Memo

TO: ROGER E. BENSON

FROM: BRIAN CURRAN

DATE: 6/27/06

RE: EARLY RETIREMENT INCENTIVE

Throughout the year, PEF has taken the position that the Governor's ERI proposal should be modified to eliminate targeting by management, to change the language to allow backfilling of vacated positions and to add an untargeted incentive window that would allow Tier 2, 3 or 4 members to retire at age 55 without penalty with 25 years of service.

All of the unions supported the idea of the 25/55 window, but some unions were unwilling to support a bill that includes the "traditional ERI" in which a targeted member gets one month of additional credit for each year of service. PEF, and some other unions indicated that we would support a traditional ERI if it is combined with a 25/55 window and if appropriate language changes are made.

A bill to create a temporary retirement incentive has been passed by the Senate and the Assembly S8408/A11805, but this bill has not yet been signed by the Governor it is uncertain whether the Governor will agree to sign it. This bill contains a 25/55 "window", but does not include the traditional targeted ERI. Therefore, it does not offer any additional pension service credit; rather it eliminates penalties that would otherwise apply to members who retire before age 62 in Tiers 2, 3 or 4. It does not apply to Tier 1 since those members can already retire at age 55 without penalty.

S8408/A11805 includes the following:

Part A-

- During the period from the date the bill is enacted through March 31, 2007 there will be a 90-day "window" period, with the dates set by the Director of GOER.
- During the window period, a member in Tier 2, 3 or 4 can retire with no penalty if they have 25 years of service and are age 55.
- Retirement is at the employee's option- it is not targeted by management.
- The Director of GOER can deny participation to a position if it is critical to the

maintenance of public health and safety.

- Any member whose request is denied can challenge that denial in court.

Part B-

- There will be another 25/55 window during the period January 31, 2007- March 31, 2008
- During that period there will be a 90-day "window" period, with the dates set by the Director of GOER.
- During the window period, a member in Tier 2, 3 or 4 can retire with no penalty if they have 25 years of service and are age 55.
- Retirement is at the employee's option- it is not targeted by management.
- The Director of GOER can deny participation to a position if it is critical to the maintenance of public health and safety.
- Any member whose request is denied can challenge that denial in court.

PartC-

- This is a special provision for an ERI for SUNY/CUNY faculty who are covered by the Optional Retirement Plan (TIAA-CREF).

This bill differs from the ERI adopted in 2002 in two major ways:

1. There is no traditional ERI provision- so there is no additional pension credit, just the 25/55 window to allow members to retire without penalties.
2. There are two 25/55 windows authorized- one would occur before March 31, 2007 and the second would occur before March 31, 2008.

Governor's position on ERI:

Late last week the Governor submitted a different ERI bill that included the traditional targeted ERI combined with 25/55, but it was packaged in the same bill with charter school expansion language and TANF funding. That bill S8472 passed the Senate but not the Assembly. It is unlikely that this bill will pass in the current form, and the Legislature has now recessed with no scheduled return date.