



LEGISLATIVE DEPARTMENT

Memo

TO: ROGER E. BENSON

FROM: BRIAN CURRAN

DATE: 6/9/06

RE: EARLY RETIREMENT INCENTIVE

At a recent AFL-CIO Pension Task Force meeting, representatives of all major public sector unions discussed possible retirement incentive proposals. At the meeting, it became clear that there was not a completely unified position among the unions.

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 include 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.

Because there was no consensus, the AFL-CIO cannot take any position on the traditional ERI. There is consensus among the unions on the 25/55 proposal, so the AFL-CIO will support that proposal only. A bill has been introduced in the Assembly A11805, but it is uncertain whether the Legislature or Governor will agree to adopt it.

The Assembly bill 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.

Part C-

- 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.

As I mentioned above, this is the proposal supported by the AFL-CIO but it is only a proposal. It faces significant obstacles in the legislative process, and it is possible that another proposal may be adopted, or that no ERI will be adopted. The Legislature is scheduled to recess on June 22.