



memo:

TO: Executive Board and Council Leaders

DATE: January 19, 2006

SUBJ: Early Retirement Incentive

The Executive Budget submitted by the Governor on January 17 proposes an Early Retirement Incentive (ERI) program in SFY 2006-07. The bill would establish a retirement incentive for certain State Executive branch employees and local public employees.

This program is very similar to retirement incentives offered in the past. Under this incentive, employees who retire within a certain time frame would receive one month of additional pension service credit for every year of service, up to a total of three years or 36 months. So, for example, a worker with 24 years of service would get an additional 24 months of credit.

At this time the ERI has only been proposed by the Governor, and cannot be implemented unless the bill is passed by the State Legislature. Since the bill was submitted as part of the budget, it is unlikely that it would be adopted before the State budget is passed. If it is adopted, the State will designate a time period during which the ERI will be offered. That period will be between 30 and 90 days and could be implemented anytime between the date a bill is adopted and March 31, 2007.

This incentive as proposed would be "targeted." That means that the State would determine which agencies it would be offered in, and which job titles it would be offered to. At this point the State has not given any indications of which agencies or job titles it would target. Additionally, other than a position supported by Special Revenue Funds, the proposal requires the elimination of any position vacated by a State employee receiving the retirement incentive. An exception to this rule is made where another State employee can be appointed, transferred or reassigned to the vacated position to avoid a layoff.

The SFY 2006-07 Executive Budget calls for 1900 FTE position reductions through organizational restructuring, streamlining and shared services efficiencies. According to DOB this bill would "streamline the public sector workforce through the elimination of specific positions determined to be less critical to governmental operations."

At this point no one can say for certain whether this ERI will be offered, who it will be offered to, or when it would occur. PEF will advocate for a broad based early retirement option that gives State workers the option to decide to retire rather than giving management exclusive control over targeting of positions and provides that vacated positions be refilled.

Roger E. Benson

cc: Statewide Officers Executive
Staff PEF Department
Directors