Representative Beth Kerttula

Sponsor Statement

House Bill 327
Retirement Incentive Program

HB 327 would reinstate the former Retirement Incentive Program for public employees on an on-going, permanent basis. The purpose of the program is to provide an incentive for employees to retire earlier so their positions can be filled with less expensive employees. Under this plan, the employer may tailor the program to meet organizational budget and staffing requirements by determining the agencies, offices or groups of employees who should be considered for the program, as well as the individual employees who are eligible. HB 327 applies to all public employers including the state, local governments, school districts and the university.

The previous, three-year Retirement Incentive Program concluded on January 1, 2000. Since July 1, 1996, a total of 1,270 state employees retired under the plan, including employees of the executive branch, university, court system and legislature. The total estimated net savings for those 1,270 retired state employees is $41.2 million.

The previous Retirement Incentive Program was also very useful to local governments as they grappled with tight budgets. Thirty-one local governments and 40 school districts participated in the program. Although there is no report of the savings resulting from the participation of other, non-state public employees, a total of 264 municipal employees and 1,033 school district employees retired under the RIP.

HB 327 allows each employer to set multiple "windows" or application periods for retirement incentive programs over time in order to meet budgetary and workforce needs. A plan must:

- designate the categories of employees who are eligible to participate;
- set the time period within which an employee must apply for participation;
- set the date by which a participating employee must retire; and
- include a reimbursement agreement under which the employer reimburses the system for each retiring employee within three years of his/her retirement.

An employee may be eligible for participation in the program if the savings in personal services costs for his/her position exceeds the costs to the employer for the employee's participation in the plan within five years after the employee's retirement. A public employee who retires under the plan receives a credit of three years, applied in the following order until exhausted:

- to meet the age required to be eligible for early retirement;
- to reduce the actuarial adjustment imposed for early retirement;
- to meet the age or service required for eligibility for normal retirement;
- as years of credited service for calculating retirement benefits.

An employee who participates in the program is indebted to the system for the years of credit received.

A state employee, who is not allowed to participate because the employer determines that his/her participation would not be a cost saving, may request a review of the determination of cost savings. The employee may present information to a three-member review panel consisting of the executive head of the agency in which he or she is employed, the commissioner of administration, and the director of the office of management and budget, or their designees to the panel. The decision of the panel is not subject to appeal.