



BILL SUMMARY

Early Retirement Incentive SF 2062

Status of Bill: House Calendar – passed Senate 41-7
Committee: State Government: amended and passed 17 - 0
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Background

Governor Culver included a recommendation for an early retirement incentive in his report on efficiencies and costs savings measures that could be enacted across state government. The Governor's plan identified 2,261 state employees that fall into the following categories: 540 employees are over age 65 and are currently eligible for the Sick Leave Incentive Program (SLIP); 345 employees are over age 65 who are not eligible for SLIP; 345 employees are under age 65 who meet the rules for retirement and have enough sick leave for SLIP; and 1,376 employees who meet the rules of retirement but do not have enough sick leave hours accrued for SLIP.

Having identified these categories, the Governor then designed an early retirement incentive plan that would best fit the needs of the most state employees who could potentially retire if the right plan was offered. Under the Governor's plan, it was estimated that the first year savings could be \$59.8 million.

Summary

Senate File 2062 implements an early retirement incentive program for eligible state employees. The bill passed the Senate on January 21 on a vote of 41-7. The fiscal note, prepared by the Legislative Services Agency (LSA), shows that SF 2062 is expected to result in FY 2010 savings of \$6.1 million for all funds, including \$2.8 million for the general fund, from salary and benefit costs when eligible employees choose to participate in the program. Future years costs savings from all funds, including the general fund, the Road Use Tax Fund, the Primary Road Fund, Federal Funds, and other funds is \$57.4 million in FY 2011.

As passed by the Senate, SF 2062 sets up an early retirement incentive program for eligible state employees for employees in the Executive Branch of state government. The program is optional for employees in the Judicial and Legislative Branches as well as employees of the Board of Regents. The House State Government Committee amended the bill and passed it on a vote of 17 – 0. The amendment changes the date that an employee must leave state employment from May 28, 2010, to June 24, 2010.

Program Eligibility

An eligible employee is an employee who has filed a completed application for benefits with the Iowa Public Employees Retirement System (IPERS) and the employee intends to begin receiving retirement benefits no later than July 2010.

To participate in the program, an eligible employee is required to do all of the following:

- Submit a written application by April 15, 2010, on forms prescribed by the Department of Administrative Services (DAS).
- Acknowledge in writing that the employee is voluntarily terminating employment in exchange for the retirement incentive program.
- Agree to waive all rights to file suit against the state, including all its departments, agencies, and other subdivisions, based on state or federal claims arising out of the employment relationship.
- Waive any right to accept any employment with the state other than as an elected official on or after the date the employee retires.
- Agree to leave state employment by May 28, 2010.

The Department of Administrative Services will determine if the eligible employee meets the requirements to participate in the program.

Benefits of the Program

Once accepted into the program, and upon leaving employment, the employee will receive the following benefits:

- Years of services benefit which is an amount equal to the entire value of the eligible employee's accumulated but unused vacation. Additionally, if the employee has at least ten years of state employment, the employee will receive \$1,000 for each year of state employment up to 25 years. Receipt of the years of service incentive benefit will be in lieu of receiving a payment of the participant's accumulated vacation upon termination of employment. The amount will be payable in five equal installments each year for five years in September beginning September 2010.
- A health insurance contribution benefit cost to pay the cost for state group health insurance for five years.
- The participant will receive the health insurance benefit only when the participant is no longer eligible for or exhausts the participant's available remaining value of sick leave used to pay the state share of the participant's continuation of state group health insurance as provided for under Code 70A.23, subsection 3 – Credit for accrued sick leave.

Program Requirements

- An employer shall not fill vacancies created by employees participating in the program unless they have approval from the Department of Management (DOM).
- An employer may not offer permanent part-time employment, permanent full-time employment, temporary employment, or retention as an independent contractor to a participant in the program.
- Participation in the program does not prohibit membership on a board or commission.
- DAS and the DOM may adopt emergency rules to implement the program.
- DAS, in collaboration with DOM, is required to provide an interim report to the Legislature, the Legislative Services Agency, and the Fiscal Committee by October 1, 2010, regarding the operation of the program. DAS is also required to submit an annual update for four years beginning October 1, 2011. The update is to include information concerning the number of program participants, cost of the program, including payments to participants, the number of state employment positions that have not been filled as a result of this program, and the number of positions vacated as a result of the program that have been refilled.

Legislative and Judicial Branch Employees

- The Legislative Council may provide a retirement incentive program for Legislative Branch employees consistent with this program. If provided, the Legislative Council is required to collaborate with DAS to establish the program as nearly identical as possible to this program. The same time guidelines and benefit calculations are to be provided.

- The Supreme Court may provide a retirement incentive program for employees of the Judicial Branch consistent with this program. If provided, the Supreme Court is required to collaborate with DAS to establish the program as nearly as identical to this program. The same time guidelines and benefit calculations are to be provided.

Effective Date

The bill takes effect upon enactment.

State Government Committee Amendment H-8033

Changes the date that an employee must leave state employment from May 28, 2010, to June 24, 2010.

H-8034 by Heaton

Allows participants who are Department of Human Services (DHS) employees employed in critical needs positions at a facility operated by DHS but subject to closure by November 1, 2010, to be rehired by DHS to fill the critical needs positions at the facility until November 1, 2010.