

DEPARTMENT OF ADMINISTRATION
Bureau of Human Resources

July 1, 1993

HUMAN RESOURCES MEMORANDUM 9-93

TO: All Agency/Department Heads/Personnel Officers

SUBJECT: 70% Retirement Incentive Program for FY 1992-1993 and
FY 1993- 1994, Effective July 1, 1993

The 116th Legislature has enacted legislation for a 70% retirement incentive program, effective July 1, 1993.

The 70% retirement incentive program will be open retroactively to employees who reached normal retirement age on or before July 1, 1993, including employees who reached normal retirement age before or during the 80% program for FY 1991-1992 and who did not apply for that program. It will be open prospectively for all employees who reach normal retirement age after July 1, 1993 and on or before the June 30, 1994 cut-off date.

The guidelines for the 70% program are **Attachment 1** to this Memorandum.

With the exception of an added employer cost, the 70% program will be administered in the same way as the former 80% program. And, except for salary and changes to retirement benefit law on July 1, 1993, the employment benefits for participants in the 70% Program are the same as those provided by the former 80% program.

Generally, eligible employees can request the approval of their appointing authority to retire and continue to work in their position (classification) at 70% of their rate of pay at time of retirement. Earnings received while a participant will be exempt from the earnings limitation in retirement law for a maximum of three years after termination for retirement.

As explained by the guidelines, employees who reached normal retirement age on or before July 1, 1993 must apply to participate in the 70% program by October 1, 1993. Employees who reach normal retirement age after July 1, 1993 must apply within three months of reaching normal retirement age or on or before the June 30, 1994 cut-off date, whichever is earlier.

An employer cost has been added for each participant in the 70% Program. This cost is based on that portion of the former employer retirement plan contribution for the participant, as based on the participant's full salary at time of termination,

that went toward the unfunded liability, retiree health care and administrative costs of the participant's plan. The Maine State Retirement System has determined the rates for Fiscal Years 1994 and 1995 that must be used to determine the employer cost for each participant, and has translated this rate to the appropriate rate that must be applied to the participant's 70% bi-weekly salary for each retirement plan currently in effect.

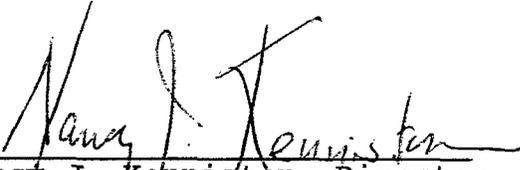
The employer rates to be applied to each participant's 70% salary are **Attachment 2** to this Memorandum. Departments and agencies must apply the rates provided by Attachment 2 to determine the actual cost savings for each participant.

Departments and agencies are asked to inform employees of the 70% retirement incentive program and these guidelines as soon as possible.

Employees who qualify for the 70% program and who have appointing authority approval to participate in this program must contact the Maine State Retirement System as early as possible in order to ensure that the retirement process can be completed in advance of their desired starting date. The earliest termination date for employees who are actively employed on July 1, 1993 is their last work day in July, 1993.

The processing requirements are **Attachment 3** to this Memorandum.

A copy of the Employee Application Form (PER 112-7/93) is **Attachment 4** to this Memorandum. A supply has been provided each agency under separate cover.


Nancy J. Kenniston, Director
BUREAU OF HUMAN RESOURCES

Attachments

**GUIDELINES FOR ADMINISTRATION OF THE SEVENTY PERCENT
RETIREMENT INCENTIVE PROGRAM**

Program Definition

Employees who meet the eligibility and application requirements for participation in the seventy percent retirement incentive program may request the approval of their appointing authority to retire from their position/classification and continue to work in that position/classification at seventy percent of the fully-burdened hourly rate earned by them at time of retirement. Fully-burdened hourly rate is the base hourly rate increased by all pay add-ons (longevity, non-standard percentage, shift differential, etc.). Participants will receive their monthly retirement pension from the Maine State Retirement System in addition to the seventy percent salary paid by the appointing authority, and the seventy percent salary will not reduce their retirement pension. The maximum period of participation in this program is three years.

Special Program Requirement

Because of the unique operational concerns and unplanned costs that the seventy percent retirement program may impose on State departments and agencies, employees must have the approval of their respective appointing authorities to participate in this program. The reasons that an appointing authority may deny participation in this program include:

1. The employee's participation will have an adverse impact on the operational goals and objectives of the department;
2. The costs that will be incurred by the employee's participation will negate or exceed any savings to be realized; and/or
3. The employee's participation will adversely affect the work plans developed by the appointing authority to stay within the department's authorized budget.

Eligibility and Application Requirements

Regular Retirement Plan

The seventy percent retirement incentive program is open to active State employees in the regular retirement plan:

1. who reached normal retirement age on or before July 1, 1993, including employees who reached normal retirement age before or during the 80% retirement incentive program that was in effect for FY 1991-1992 and who did not apply for that program (Employees in this group must submit an application to participate on or before October 1, 1993); or
2. who reach normal retirement age after July 1, 1993 and on or before June 30, 1994 (Employees in this group must submit an application to participate within three months of reaching normal retirement age or by June 30, 1994 whichever is earlier).

Normal Retirement Age - Regular Plan

1. Normal retirement age for employees who have 10 years of creditable service in the Maine State Retirement System on July 1, 1993 is age 60 (or age 59 1/2 if the years of creditable service is 25 or more years).
2. Normal retirement age for employees who have less than 10 years of creditable service in the Maine State Retirement System on July 1, 1993 is age 62.

Note: Employees who retire under the regular retirement plan must also have been a member of the retirement system for a minimum of one year immediately preceding the date of their retirement or have at least ten years of creditable service in the retirement system.

Special Retirement Plans

The seventy percent retirement incentive program is open to active state employees in special retirement plans:

1. who reached the age and/or service requirement of their special plan on or before July 1, 1993, including employees who reached the age and/or service requirements before or during the 80% retirement program that was in effect for FY 1991-1992 and who did not apply for that program (Employees in this group must submit an application to participate on or before October 1, 1993); or
2. who reach the age and/or service requirement of their special plan after July 1, 1993 and on or before June 30, 1994 (Employees in this group must submit an application within three months of reaching the age and/or service requirement of their special plan or by June 30, 1994, whichever is earlier).

Normal Retirement Age - Special Plans

The normal retirement age for employees in special plans is the age at which the age and/or service requirement of that special plan is satisfied.

Termination/Retirement Requirements

1. Participants in the 70% retirement program must file for retirement with the Maine State Retirement System in the usual manner.
2. Participants in the 70% program must terminate their position on the last work day of a month in order to establish the effective date of their retirement as the first day of the following month. The effective date of their reemployment in the 70% program must be the first work day of the month that retirement is effective.
3. Participants in the 70% program must be paid for accrued compensatory time upon termination. Compensatory time can not be carried forward to the 70% program.
4. Upon termination, participants in the 70% program must select one of the following payment methods for earned vacation:
 - a. For participants who have ten or more years of creditable service on July 1, 1993 or who have reached 60 years of age and have been in service for one year immediately before that date, up to 30 days of earned vacation credits will be credited as average final compensation. Such participants who have more than 30 days of earned vacation may choose to receive payment for all of these additional hours, up to the allowed maximum or to maintain some or all of these additional hours for use in the 70% position. Payment will be made at time of termination for any of the additional hours not carried forward. As example, a participant who terminates with 40 vacation days (and a maximum of 40 days) may choose to be paid for 5 of the 10 additional days (credits in excess of the 30 days counted as average final compensation) and carry the remaining 5 days forward for use in the 70% program.
 - b. Participants who do not have ten or more years of creditable service on July 1, 1993 or who have not reached 60 years of age and been in service for one year immediately before that date are disallowed retirement credit for any of their accrued vacation. However, such participants may choose to be paid for all of their allowed vacation at time of termination or, for

participants with more than 30 day accruals, to be paid for 30 days and carry some or all of the additional days forward to the 70% program. Payment will be made for all such additional days (up to the allowed maximum) not carried forward.

Note: The waiver of vacation accrual maximums that are in effect for active employees to lessen the impact of furlough and shut-down requirements is voided at time of termination. Employees who terminate must not be compensated for any vacation time in excess of their allowed maximum, and all waived time must be voided. And, in addition, all vacation credits that are advanced for confidential employees that are not earned at time of termination must be voided.

5. Participants in the 70% program who have sick leave credits (whether active or lapsed) at the time of termination will have up to 90 days of this accumulated sick leave credited to retirement service. Sick leave credits (both active and lapsed) that are not credited as retirement service must be carried forward to the 70% program.
6. Participants in the 70% program must be paid for the shutdown of State Government on May 10, 1991 and May 24, 1991 upon termination.
7. Participants in the 70% program must have the earnings lost to furlough and shutdown days considered by the Maine State Retirement System in the process used to determine average final compensation for retirement purposes.

Application Requirements

1. Employees must obtain the approval of their appointing authority to participate in the 70% retirement incentive program using Form Per 112 (7/93).
2. The maximum period for participation in the 70% program is three years. Employees may request to participate for this maximum period or a lesser period. Employees who elect to participate for less than three years may later request the approval of their appointing authority for an extension, provided this extension does not exceed the three-year maximum allowed by law, and provided there is not a break in service.
3. Employees in the regular plan who are or become eligible for the 70% program and who do not apply to participate in this program within the three-month application period that is required by law will forfeit their eligibility for this program.

4. Employees in special plans who are or become eligible for the 70% program and who do not apply to participate in this program within the three-month application period required by law will forfeit their eligibility for this program.
5. Employees who become eligible for the 70% program with less than three months remaining until the June 30, 1994 cut-off date, must apply to participate on or before June 30, 1994.
6. Although employees must apply to participate in the 70% program within the three-month application period that is required by law and on or before the cut-off date of June 30, 1994, the effective date of retirement may be some reasonable date after the application period expires, provided that this planned retirement date is approved by the appointing authority. In accordance with this provision, the appointing authority may approve a starting date for the 70% program that occurs after the June 30, 1994 cut-off date.

Program Requirements

1. Participants must be reemployed in the classification held at time of termination for retirement on the normal workday following the effective date of retirement.
2. Participation in the 70% program is valid only for the classification held at time of termination for retirement.
3. Participation in the 70% program may be approved for three years or less than three years. Employees who initially choose to participate for less than three years may extend their participation by any period up to the three-year maximum, provided this extension is approved by the appointing authority and provided the extension does not involve a break in employment.
4. When participation in the 70% program ends or is ended by a necessary lay-off action that results in the termination of the participant, the participant will have the same status as any other State employee who terminates and retires from State service. The benefits provided by law for participants in the 70% program are provided only during the period of participation in the 70% program. Specifically, the participant will lose the seniority, longevity and other benefits that were continued by law for participants in the 70% program. And, if a former participant in the 70% program is reemployed to State service, the salary paid upon reemployment will be at the rate of pay in effect for the classification in which reemployed and the earnings will be subject to the earnings limitation imposed by Retirement Law and the benefits upon reemployment will be the same benefits that are provided to any employee who terminates for retirement and is subsequently reemployed by the State.

5. If, in the event of a lay-off action, a participant is eligible for and chooses to bump to a lower classification, participation in the 70% program ends with the transfer to this different classification. Effective with this transfer, the salary paid will be subject to the earnings limitation imposed by retirement law, and the seniority, longevity and other benefits that were in effect as a participant in the 70% program will be lost.

Compensation and Employment Conditions

1. Position hours will be the same as they were at time of retirement.
2. The rate of pay as a participant in the 70% program must be 70% of the fully burdened hourly rate at time of retirement. This rate of pay is fixed by law and must not be adjusted for any reason (e.g., participants are not eligible for general salary increases that may be implemented after participation starts, longevity payment eligibility that is reached after participation starts, merit increases or any other salary adjustment action.)
3. With appointing authority approval, participants in the 70% program will be eligible to participate in the Voluntary Cost Savings Programs that are available during their period of participation.
4. Participants in the 70% program will not be excepted from the furlough and shut-down days that are required conditions of employment for the classification held as a participant.
5. The earnings of participants in the 70% program will not be subject to the 1.45% deduction for Medicare unless this deduction was in effect prior to participation in the 70% program.
6. Participants who are in classifications or positions that are overtime eligible will receive overtime compensation at the premium rate based on the 70% rate in accordance with collective bargaining agreements and the Civil Service Rules.
7. Participants who are in classifications or positions that are designated non-standard will not be eligible for any additional overtime compensation (Note: The seventy percent rate is based on the non-standard differential in effect at time of retirement.)

Benefits

1. Participants will be provided health and dental insurance in accordance with the laws and regulations that are in effect for retirees. Upon retirement, health insurance is administered by the Maine State Retirement System. Generally, retirees have their basic health insurance premium paid by the State and may continue dependent coverage at their own expense. Also, retirees may continue dental insurance for eighteen months after the date of retirement at their own expense. Employees are advised to learn as much as possible about these benefits during the retirement process.
2. Participants will be provided group life insurance in accordance with the laws and regulations that are in effect for retirees. Life insurance is administered by the Maine State Retirement system. Generally, retirees have their basic life insurance premium paid by the State and have the option to convert their supplemental and dependent coverage insurances to a regular insurance plan. Employees are advised to learn as much as possible about this benefit during the retirement process.
3. Participants in the 70% program must have their unused sick leave balance (if any) restored and will earn additional sick leave while in the program.
4. Participants in the 70% program will earn vacation credits at the rate in effect at time of retirement.
5. Participants in the 70% program will not accrue additional creditable service in the Maine State Retirement System and will not be entitled to other benefits that accrue to active members of the retirement system. (Note: Participants in the 70% program are retired from the Maine State Retirement System; active members are still making contributions to the System).
6. Confidential employees who were eligible for the 15 year or 20 year longevity bonus at time of retirement will be eligible for 70% of this bonus while a participant.
7. Employees who participate in the 70% program and who receive Social Security benefits as well as a Maine State Retirement Pension are cautioned that their earnings under the 70% program may have an impact on their Social Security benefits due to the earnings limitation for persons who receive Social Security benefits. These employees should contact Social Security for more information.

8. Participants in the 70% program will be eligible to defer a portion of their earnings through the deferred compensation, IRA and other pension plans available to State employees. Participants will also be eligible for the catch-up provision of the State's Deferred Compensation Plan.
9. Participants in the 70% program will be entitled to the same benefits that were provided to them by collective bargaining agreements, the benefits package for Confidentials and/or the Civil Service Rules at the time of termination, to the extent that these benefits do not conflict with these guidelines and the law (e.g. the requirement of the guidelines for participants to remain in the classification from which they terminated; health, dental and life insurances provided in accordance with retirement status; salary set at 70% rate, etc.). For example:

.participants are eligible for overtime, provided the overtime rate is based on the 70% rate.

.participants are not eligible for a merit increase or any other salary adjustment as this conflicts with the requirement that salaries must be 70% of the rate of pay at time of retirement.

.participants continue to accrue seniority, but if this seniority is used to transfer or bump to another classification, participation in the 70% program will end.

.state housing, if provided, is separate from salary, and does not conflict with the law and guidelines.

.the requirement of collective bargaining agreements for progressive discipline does not conflict with the law and guidelines and applies to participants in the 70% program.

Union Membership

1. In accordance with standard retirement policy, employees who are members of an employee union at the time that they terminate their employment with the State in order to participate in the 70% program will, effective with the date of their retirement, cease to be members of their respective employee unions. However, these employees must be provided the opportunity to rejoin their respective union effective with the start of their participation in the 70% program.

2. Employees who elect to continue membership while a participant in the 70% program may request their department to continue any dues deduction authorization that may be in effect at the time of retirement or complete a new payroll deduction authorization.
3. Employees who elect to discontinue membership in their employee union while a participant in the 70% program must work with their agency payroll staff to cancel any payroll deduction authorization in effect at time of retirement.
4. Participants in the 70% program who were not members of an employee union at the time of retirement must be provided membership information when they are reemployed in the 70% program.

Medicare Eligibility Waiver

If a participant or the spouse of a participant qualifies for Medicare at the time participation in the 70% program starts, or if the participant or spouse become qualified for Medicare during the period of participation, the employee and/or the spouse will not be required to purchase Medicare Part B until participation in the 70% program ends. The Social Security Administration has ruled that participants who become Medicare eligible must be treated as actively at work employees for purposes of insurance, and they must be continued under the State Employee Health Plan in effect for retirees.

Employee Notification

Departments must inform all employees of the 70% Retirement Incentive Program and these guidelines immediately so that eligible employees may, if interested, complete the application process in time for the first retirement date on August 1, 1993 (termination on the last work day of July, 1993).

Bureau of Human Resources

Application for 70% Retirement Incentive Program

Name of Employee	Employee SSAN
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Name of Department	Job Class Title
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Part I Employee Application

I request approval to participate in the 70 % Retirement Program. I have read and understand the program guidelines and the requirements and benefits for my employment under this program.

Employee Signature	Date	Planned Retirement Date
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Part II Appointing Authority Approval

Your participation in this program is approved. Your hourly rate of pay will be 70 % of your Fully Burdened Rate at the time of your Retirement.

Retirement Date	Reemployment Date	Program Termination Date
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Appointing Authority Signature	Date
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Part III Appointing Authority Denial

Your participation in this program has been denied.

Reason :

Appointing Authority Signature	Date
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ATTACHMENT 2 - HRM 9-93

MAINE STATE RETIREMENT SYSTEM

EMPLOYER CONTRIBUTION RATES FOR 70% RETIREMENT INCENTIVE PROGRAM

PLAN NAME	FY 1993-1994	FY 1994-1995
State Regular	22.54%	22.83%
State Police (Closed)	63.59%	63.87%
State Police (Open)	5.79%	6.07%
Marine Patrol (Closed)	60.10%	60.39%
Game Warden (Closed)	70.36%	70.64%
Prison (Closed)	31.54%	31.83%
Prison (Open)	6.77%	7.06%
Liquor Insp (Closed)	32.37%	32.66%
Forest Ranger (Closed)	34.86%	35.14%

Directions:

1. Determine participant's fully-burdened 70% rate.
2. Multiply the participant's fully-burdened 70% rate by the participant's bi-weekly hours to calculate the participant's bi-weekly salary.
3. Use the rate under FY 1993-1994 for program payments during the period starting July 1, 1993 and ending June 30, 1994; use the rate under FY 1994-1995 for program payments during the period starting July 1, 1994 and ending June 30, 1995.
3. Multiply the participant's fixed bi-weekly salary by the appropriate rate from the table to calculate the bi-weekly employer cost for each participant.

ATTACHMENT 3 - HRM 9-93

PROCESSING INSTRUCTIONS FOR 70% RETIREMENT INCENTIVE PROGRAM

Employee Termination

Terminate the employee using the standard termination reason for retirement. Include the following comment on the HRP: "Retired 70% Salary Program". Send two copies of the employee's approved application (PER 112 Rev. 7/93) to the Bureau of Human Resources with the termination. One copy of the PER 112 will be sent to Retirement and one will be used by the Bureau of Human Resources for reemployment purposes. Retain applications that are denied.

Reemployment

Reemployments under the 70% Retirement Incentive Program will require changes to Human Resource masterfile data and position data. Since employees will be redlined at 70% of pay, all masterfile changes will be entered by the Bureau of Human Resources. Submit HRP and PDR worksheets to the Bureau of Human Resources as explained below:

Human Resources Profile

Use the HRP generated by the termination as a worksheet for rehire. Complete the HRP worksheet and submit the worksheet to the Bureau of Human Resources for entry into MFASIS. The following changes must be made on this worksheet:

- * Change the termination to a reemployment (Code 23).
- * Change the hourly rate of pay to 70% of the fully burdened rate. This rate of pay will be entered by the Bureau of Human Resources as a redline hourly rate and all automatic special pays will be turned off.
- * Add the following comment: "Reemployment under 70% Salary Program from (begin date) to (end date)".
- * Change the following dates to blanks: Service Review, Performance Review, Longevity.

Position Detail Record

Submit a Position Add/Change Requisition and PDR to the Bureau of Human Resources. Place a "Q" in the position hours block of the PDR. This code will be entered in the position record by the Bureau of the Budget.

Benefits Changes

The employee will be treated as retired for the purpose of life, health, and dental insurance. An employer deduction for retirement, however, will be required, at rates that are set forth in Attachment 2.

Agencies must discontinue employee life insurance and retirement plan participation and deductions. The plan status for each retirement and life insurance plan must be set to 993. Deduction frequency must be set to 00 for the HOBDC screen. **The employee will be assigned a new plan (910) and plan option by Bureau of Accounts and Control. BAC will also cause a new deduction #18 to be created for the State paid retirement. Agencies must defer the life insurance updates if the retirement plan splits a pay period.**

The Bureau of Human Resources will notify Employee Health Insurance so that changes are made to health and dental plans and deductions to reflect retirement status.

These maintenance actions must be completed before making payments at the 70% rate.

MFASIS Payroll Processing

In all cases, pay off an employee's vacation and compensatory time before commencing the employee's new pay at 70%. This may result in a one pay period delay of the employee's pay under the 70% Retirement Incentive Program. This is due to the necessity to withhold retirement deduction #18 at the normal rate for pay earned before termination, and at a new rate for pay earned after reemployment under the 70% Retirement Incentive Program.