

DEPARTMENT OF ADMINISTRATIVE & FINANCIAL SERVICES
Bureau of Human Resources
#4 State House Station

December 12, 1995

HUMAN RESOURCES MEMORANDUM 16-95

TO: Heads of Departments, Personnel Officers, Directors of
Administrative Services, Payroll Officers

SUBJECT: Special Retirement Incentive Program

Chapter 502, Public Law 1995, effective November 30, 1995, enacts a special retirement incentive program. This incentive program is **open to only State employees who were normal retirement age and had at least ten years of creditable service in the Maine State Retirement System on November 30, 1995 or who will meet these requirements by midnight of March 31, 1996.**

The program provides a **cash incentive** to employees who meet the specified age and service requirements and who retire after the November 30, 1995 effective date and on or before April 1, 1996. For full-time employees, the amount of the cash incentive is equal to **one-fourth of the employee's current annual base salary** at time of termination (three months of base pay). For **part-time employees**, the cash incentive is one fourth of the employee's pro-rated annual base salary. For **seasonal employees**, the cash incentive is equal to one-fourth of the employee's total salary for the last season completed.

These are the only requirements for participation. Any employee who meets these requirements is eligible for the incentive payment, even if the employee has already submitted a termination notice to retire, and even if the employee's position is scheduled to be abolished or left unfilled upon the employee's retirement.

The cash incentive that is paid to participating employees will not be part of the average final compensation that is used to compute their retirement pensions. It is separate in all respects from the employee's retirement pension.

In accordance with requirements of the Maine State Retirement System, all retirements are effective the first day of the month following the date of termination from State service. In consideration of this requirement, employees who plan to retire under this program are encouraged to terminate their

employment at the end of the month during which they want to terminate their employment in order to avoid any gap in income (pay or retirement pension) between the date of termination and the date of retirement. The **possible retirement effective dates** for this program are **December 1, 1995** (termination during the month of November, 1995), **January 1, 1996** (end of December termination encouraged), **February 1, 1996** (end of January termination encouraged), **March 1, 1996** (end of February termination encouraged) and **April 1, 1996** (end of March termination encouraged).

The **normal retirement age for regular plan employees** who had ten years of creditable service on July 1, 1993 is age 60 (59 1/2 if the years of completed creditable service is 25 or more years). For regular plan employees who had less than 10 years on July 1, 1993, normal retirement age is age 62. The **normal retirement age for special plan employees** is the age at which they meet the years of service requirement for those special plans with no age requirement. For special plans that have an age and service requirement, normal retirement age is the age specified by law for that special plan. **To be able to retire under a special plan with an age and service requirement, the employee must meet both requirements.**

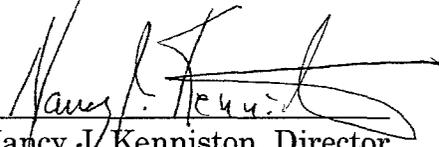
The cash incentive payment will be made by the employing department. At the choice of the retiree, **the payment will be made in one lump sum on July 1, 1996 or in consecutive monthly payments starting July 1, 1996.** Chapter 502 defines the amount of the monthly payment to be 60% of the current premium for dependent medical insurance. For consistency, this is interpreted to mean 60% of the premium for the spousal or two-person plan (.60 X \$286.58). Thus, employees who retire under this program may elect to receive monthly payments of \$171.94 over several consecutive months, until the total of these monthly payments equals what they would have received in one lump sum payment. Adjustments will be made to the final monthly payment to keep the total of all monthly payments equal to the one-fourth amount.

For employees, the process for termination is the same as always, except that eligible employees who plan to retire under this incentive program must reference this program in their termination notice and review and sign an intent to participate form that will be provided to them upon receipt of their notice of termination. The form will be completed by the employing department to document the following: the name of the employee; the full-time, part-time or seasonal status of the employee; the base salary used to compute the employee's incentive payment; the amount of the one-fourth incentive payment; and the method of payment (lump-sum or monthly). In addition, departments must use the **new termination code 1P** (Cash Payment Incentive) on the Termination Form to maintain an electronic record of employees who retire under this program. The Termination Form and the Participation Form must be submitted together. The participation form will be provided to departments by the Bureau of Human Resources within the next few days.

The process for retirement has been modified for this special program to include a notice of intent form. This form will be issued and used by the MSRS to identify employees who plan to retire under this program and to verify the eligibility requirements. Employees who choose to participate in this incentive program must notify the Maine State Retirement System of their intent to retire under this program as soon as possible, **but not later than February 1, 1996.** This notification must be in writing on the form provided by the Maine State Retirement System. Any such written notice of intent to retire by April 1, 1996 is revocable by the employee.

Information related to the budget aspects and the recovery of payment costs associated with this program will be released by the Budget Office in the near future.

Questions on the incentive program itself should be directed to the Bureau of Human Resources (287-4432), and questions concerning the MSRS intent to retire form or rulings on meeting the age and or creditable service requirement should be directed to the MSRS (287-3461).


 Nancy J. Kenniston, Director
 BUREAU OF HUMAN RESOURCES

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