DEPARTMENT OF ADMINISTRATION
Bureau of Human Resources

October 15, 1991

HUMAN RESOURCES MEMORANDUM 39-91

TO: All Agency/Department Heads/Personnel Officers

SUBJECT: Retirement Incentive Program for 1991-1992

The 115th Legislature has enacted a special retirement incentive program for employees who are normal retirement age and are eligible to retire.

The guidelines for this program are Attachment 1 to this Memorandum.

Under this program, eligible employees can request the approval of their appointing authority to retire and continue to work in their position at a reduced salary. This reduced salary is eighty percent of the employee's salary at time of retirement, and the employee is exempt from the earnings limitation in retirement law for a maximum of three years.

Employees who are normal retirement age on October 30, 1991 must decide to participate by January 31, 1992, and employees who reach normal retirement age between october 30, 1991 and June 30, 1992 must apply within three months of the day that normal retirement age is reached. Normal retirement age is explained by the guidelines.

Agencies should inform employees of this special program as soon as possible, and employees who qualify and have appointing authority approval to participate in this program should contact the Maine State Retirement System as soon as possible in order to complete the retirement process in advance of their expected starting date.

The processing requirements are Attachment 2 to this Memorandum.

Nancy J. Kenniston, Director
BUREAU OF HUMAN RESOURCES

Attachment

GUIDELINES FOR ADMINISTRATION OF THE EIGHTY PERCENT SALARY RETIREMENT INCENTIVE

Program Definition

Active State employees who are of normal retirement age on October 30, 1991 or who reach normal retirement age between October 30, 1991 and June 30, 1992, <u>and who are otherwise eligible to retire</u>, may request the approval of their appointing authority to retire from their position and return to work in this position at eighty percent of the fully burdened hourly rate earned by them at time of retirement <u>without a reduction to their Maine State retirement pension.</u> Fully burdened hourly rate is the base hourly rate increased by all pay add-ons (longevity, shift differential, etc.). The maximum period of time that employees can work under this program is three years. <u>This program will not be available to employees who reach normal retirement age after June 30, 1992.</u>

Because of operational concerns and the unplanned costs that this program may impose on agencies, employees must have the approval of their appointing authority to participate in this program. An appointing authority may deny participation in this program with evidence that this participation will have an adverse impact on operational goals and objectives, or if the costs to be incurred by this participation will exceed the savings to be realized or if this participation will adversely affect the work plans developed by the appointing authority to stay within the budget authorized.

Eligibility Requirements

<u>Age Requirement for Employees in the Regular Plan</u>

1. Between October 30, 1991 and November 30, 1991, employees must be at least age 60 (59 1/2 with 25 years of creditable service) in order to participate.

2. On December 1, 1991 and thereafter, employees who have at least seven (7) years of creditable service in the Maine State Retirement System as of December 1, 1991 must be at least age 60 (59 1/2 with 25 years of creditable service) in order to participate. **Note: Employees who were age 60 and were a member of the retirement system for a minimum of one year immediately prior to December 1, 1991 are also eligible to participate.**

3. On December 1, 1991 and thereafter, employees who have less than seven (7) years of creditable service in the Maine State Retirement System as of December 1, 1991 must be at least age 62 in order to participate.

<u>Service Requirement for Employees in the Regular Plan</u>

To be eligible to retire, employees must 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 (10) years of creditable service.

Age and Service Requirement for Employees in a Special Plan

Employees must meet the age and/or years of service requirement specified by law for their special plan.

Application Requirements

1. Employees must obtain the approval of their appointing authority to participate in this retirement incentive program. **Form Per 112 will be used for this purpose.**

2. The maximum period for participation is three years and employees may request approval to participate for this maximum period or a lesser period.

3. Employees who meet the age and/or service requirement for participation on October 30, 1991 must complete the application requirements for participation no later than January 31, 1992.

4. Employees who meet the age and/or service requirement for participation on a date between October 30, 1991 and June 30, 1992 must apply no later than three months from the date that they meet this age and/or service requirement.

Retirement Requirements

1. Employees must file for retirement with the Maine State Retirement System in the usual manner. All questions concerning age and other requirements for retirement under this program should be directed to the Maine State Retirement System.

2. Employees must be terminated from their position by retirement on the normal workday prior to the starting date of their participation in this program.

3. Employees must be paid for (or credited with) earned and unused vacation time up to the maximum accrual allowed and will have up to ninety days of unused sick leave credited to retirement service, in accordance with the normal retirement process. **Note: A maximum of 240 hours of unused vacation time can be credited to the employee's average final compensation. Employees who have more than 240 hours of unused vaction time at time of retirement may choose to be paid for this excess time when they retire or to have this time carried forward to their employment in the retirement incentive program. Employees who have more than ninety days of unused sick leave at time of retirement must have this excess time carried forward to their employment in the retirement incentive program.**

4. Employees will be paid any compensation due as the result of the shutdown of State Government on May 10, 1991 and May 24, 1991.

Program Requirements

1. Employees will be restored to the position held at time of retirement on the normal workday following the date of retirement under this program.

2. Participation in this program is valid only for the position held at time of retirement.

3. Employees may participate in this program 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 with the approval of their appointing authority, provided this extension does not involve a break in employment.

4. Employees who participate in this program for the three-year maximum and employees who participate in this program for less than three years and break service will be ineligible for further participation. Also, employees who are eligible to participate in this program on October 30, 1991 or who become eligible between October 30, 1991 and June 30, 1992 will become ineligible if they do not apply within the three-month application period required by law.

5. Once the employee is ineligible to participate in this program, the employee will become subject to the Civil Service Rules governing reemployment and salary and, if the employee is reemployed by the State after becoming ineligible, the employee will be subject to the earnings limitation imposed by Retirement Law.

Compensation and Employment Conditions

1. Position hours will be the same as they were at time of retirement and the rate of pay will be eighty percent of the fully burdened hourly rate of pay at time of retirement.

2. The eighty percent rate of pay will remain in effect for the duration of the employee´s participation.

3. The earnings of employees who participate in this program will be subject to the current 1.45% deduction for Medicare.

4. Employees who are in positions that are overtime eligible will receive overtime compensation at the premium rate based on the eighty percent rate in accordance with collective bargaining agreements and the Civil Service Rules. **Note: Employees in non-standard postions will be paid an eighty percent hourly rate that is based on the non-standard pay paid to them at time of retirement and will not be eligible for any additional overtime compensation.**

5. With the approval of their appointing authority, employees who participate in this program will be eligible to participate in

the Voluntary Cost Savings Programs that are available through June 30, 1993.

6. Employees who participate in this program will not be excepted from any actions that the State must take to fund the 7% (all employees) and 5% (Supervisors and Confidentials) general salary increases authorized by the legislature.

7. In the event of layoff, a participant may be eligible to bump to a lower related position. However, if this option is exercised, the employee will be ineligible to continue participation in the eighty percent retirement program. Similarly, the employee will become ineligible to continue participation if the employee transfers or promotes to a position other than the one held 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. 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. Generally, retirees have their basic life insurance premium paid by the State and have the option to convert their supplemental and dependent coverage insurance to a regular insurance plan. Life insurance is administered by the Maine State Retirement System and employees are advised to learn as much as possible about this benefit during the retirement process.

3. Employees must have their unused sick leave balance (if any) restored and will be eligible to earn additional sick leave while employed under this program. Vacation credits will be earned at the rate in effect at time of retirement.

4. Employees 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 while a participant.

5. Confidential employees who were eligible for the 15 year or 20 year longevity bonus at time of retirement will be eligible for eighty percent of this bonus amount while a participant in this program.

6. Employees who are restored to employment under this program will be entitled to the same employment benefits that were

provided to them by collective bargaining agreements and/or the Civil Service Law and Rules at the time of termination, to the extent that these benefits are not modified by these guidelines and to the extent that these benefits do not conflict with the eighty percent salary requirement and the requirement for participants to remain in the position from which they retired.

7. Employees who participate in this program and who receive Social Security benefits as well as a Maine State Retirement pension are cautioned that their earnings under this program may have an impact on their Social Security benefits due to the earninings limitation for persons who receive social security benefits. These employees should contact Social Security for more information.

8. Employees who participate in this program will be eligible to defer a portion of their earnings under this program through the deferred compensation, IRA and other pension plans available to State employees. **Note: Because participants are retired, they will not be eligible for the catch-up provision of the State's Deferred Compensation Plan.**

Employee Notification

Departments should ensure that all employees are informed of this Retirement Incentive Program and these guidelines immediately so that employees who are eligible to participate on the October 30, 1991 start up date will have the information they need to make a decision in time to start their participation on this date if this is desired.

Processing Instructions

Employee Termination

Terminate the employee using the standard termination reason for retirement. Include the following comment on the HRP: "Retired 80% Salary Program". Send two copies of the employee's approved application (Per 112) 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 80% Retirement Incentive Program will require changes to Human Resource masterfile data and position data. Since employees will be redlined at 80% 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 80% 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 80% 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 an "R" 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 and will not contribute to the Retirement System.

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 associated employee and state-paid life insurance/retirement deductions on the HOBDC screen. **Agencies must defer the life insurance updates if the retirement date 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 80% rate.

<u>MFASIS Payroll Processing</u>

Payroll period is not split

<u>If vacation or compensatory time pay is still due:</u>

. Submit a special pay form to Bureau of Accounts and Control for vacation or compensatory time.
. As the retirement deduction will have been turned off - Bureau of Accounts and Control will do a manual override (for vacation pay up to 240 hours) of the employee and state-paid retirement deductions.
. The employee will receive a check for the scheduled hours at the regular rate (80% of the former fully burdened rate). The retirement deduction overrides (flat amount not percentage) will appear on the regular check. No insurance should be deducted.
. The employee will receive a check for the vacation or compensatory time pay. This check will have only medicare (if applicable) withheld as the retirement deduction will have been withheld from the regular check.

<u>If no vacation or compensatory time pay is still due:</u>

. No special actions are required.
. The employee will receive a check for the scheduled hours at the regular rate (80% of the former fully burdened rate). No retirement or life insurance deduction should be withheld.

Pay period is split (retirement date mid pay period)

<u>If vacation or compensatory time pay is still due:</u>

. Agency enters two T&A entries on the HUAU1 screen:
    -One week at former fully burdened rate
    -One week at the 80% rate
. Agency must enter deduction overrides (HUDO1 screen) for employee and state-paid retirement deductions. A flat dollar amount representing the deductions to be withheld for one week's pay at the former fully burdened rate. <u>It is not necessary to</u>

activate the retirement deduction frequencies on the HOBDC screens - it should be 00!

. Agency submits special pay form to Bureau of Accounts and Control for vacation or compensatory time.

. Agency must not deactivate the life insurance deductions and plan status until this last week's pay is complete.

. As the retirement deduction will have been turned off- Bureau of Accounts and Control will increase the deduction override entries (created by the agency) for the employee and state-paid retirement deductions accordingly.

. The employee will receive a check for the one week at the old and new rates. The last life insurance deductions will be withheld. In addition, retirement deductions for the override amounts (including the retirement for vacation pay) will be withheld.

. The employee will receive a check for the vacation or compensatory pay. This check will have only medicare withheld (if applicable) as the retirement deduction will have been withheld from the regular check.

If no vacation or compensatory time pay is still due:

.Agency enters two T&A entries on HUAU1 screen:
- -One week at former fully burdened rate
- -One week at the 80% rate

.Agency must enter deduction overrides for employee and state retirement deductions. Enter a flat dollar amount representing the deductions to be withheld for one week's pay at the former fully burdened rate. It is not necessary to activate the retirement deduction frequencies on the HOBDC screens - it should be 00!

. The agency must not deactivate the life insurance deductions and plan status until this last week's pay is complete.

. The employee will receive a check for the one week at the old and new rates. The last life insurance deductions will be withheld. In addition, retirement deductions for the override amounts will be withhheld.

An example HUD01 retirement override entry for a $500.00 payment follows:

-$500.00 X 0.065 = $32.50 Employee deduction #17
-$500.00 X 0.1986 = $99.30 State deduction #19

EMP NUMBER	TCD	TRN	DED NO........	DEDUCT AMOUNT..........
xxxxxxxxxxx	0	8	17	0003250
xxxxxxxxxxx	0	8	18	0009930

State of Maine
Bureau of Human Resources
Application for 80% Retirement Incentive Program

Name of Employee	Employee SSAN

Name of Department	Job Class Title

Part I Employee Application

I request approval to participate in the 80 % 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

Part II Appointing Authority Approval

Your participation in this program is approved. Your hourly rate of pay will be 80 % of your Fully Burdened Rate at the time of your Retirement.

Retirement Date	Reemployment Date	Program Termination Date

Appointing Authority Signature	Date

Part III Appointing Authority Denial

Your participation in this program has been denied.

Reason :

Appointing Authority Signature	Date