# EARLY RETIREMENT INCENTIVE PROGRAMS
# OF THE STATE OF IOWA

## AUDITOR OF STATE'S REPORT
## OVERVIEW AND
## ADDITIONAL INFORMATION

FOR THE PERIOD MARCH 31, 1988 THROUGH DECEMBER 31, 1990

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Table of Contents

**Early Retirement Incentive Programs for the State of Iowa**

**Officials**

| Name | Title |
|---|---|
| Honorable Terry E. Branstad | Governor |
| Honorable C. W. Hutchins | Senate Majority Leader |
| Honorable Jack Rife | Senate Minority Leader |
| Honorable Robert C. Arnould | House Majority Leader |
| Honorable Harold Van Maanen | House Minority Leader |

**Early Retirement Incentive Programs for the State of Iowa**

STATE OF IOWA
OFFICE OF AUDITOR OF STATE
STATE CAPITOL BUILDING
DES MOINES, IOWA 50319

RICHARD D. JOHNSON, CPA
AUDITOR OF STATE

To the Governor and Members
of the General Assembly:

We have reviewed various early retirement incentive programs for the State of Iowa in accordance with Chapter 11 of the Code of Iowa. Our review was conducted to provide recommendations, where appropriate, concerning the activities of the programs and to report any cost savings to the State and other data which might be useful in evaluating the overall effectiveness of the programs.

We reviewed applicable laws and regulations, interviewed personnel from various State agencies and universities, and analyzed program and financial data. The results of our review are summarized on pages 6 and 7 and are more fully detailed in the findings and recommendations section of this report and in schedules 1 through 5.

The procedures described above do not constitute an audit of financial statements conducted in accordance with generally accepted auditing standards. Had we performed additional procedures or had we performed an audit of financial statements, other matters may have come to our attention that would have been reported to you.

We extend our appreciation to the management and staff of the various State agencies and universities for their assistance during our review.

Richard D. Johnson

RICHARD D. JOHNSON, CPA
Auditor of State

April 26, 1991

Early Retirement Incentive Progra[illegible]
for the State of Iowa

Highlights of Review

## Agency Program

- Of the 841 employees eligible to participate in this program, a total of 301 actually enrolled. 35.8%

- A total of 45 positions were eliminated as a result of the program. 5.35%

- Positions that were refilled were held vacant for an average of 102 days before a replacement employee was hired.

- Through December 31, 1990, a total of $228,009 in lump sum payments and $1,341,952 in benefits payments had been paid through the program.

- For the 180 participants whose positions we examined, the State realized program savings, net of program costs, of over $3,550,000.

- For positions examined, the average net savings to the State was $22,982 per participant selecting the benefits option and $23,169 per participant under age 65 selecting the lump sum payment option.

## Regents Programs

- Between March 31, 1988 and June 30, 1990, 185 employees at the three State universities participated in this program.

- A total of 88 positions were eliminated as a result of the programs.

- The Universities realized a combined net program savings of over $4,150,000.

- The average net savings per participant was $8,790 for merit employees and $27,147 for non-merit employees.

## Conclusions

While the programs resulted in a net savings to the State and a reduction in its work force, the Regents program for non-merit employees provided more liberal benefits to its participants than were available to participants of other programs. These more liberal benefits included:

- Eligibility for early retirement at age 57 rather than at age 61.

- Open enrollment since inception rather than a limited, 2 month, enrollment period.

- No limit on the amount of lump sum payment which the participant could receive.

- Incentives not restricted to only one payment option.

The greatest savings from the early retirement programs result when the vacated positions are eliminated. For the 133 positions eliminated as a result of early retirement, the State has realized a net savings of almost $6.1 million, or an average of almost $46,000 per position since the early retirement occurred.

Savings of lesser amounts occurred when the positions were refilled on a delayed basis. For the 183 positions refilled on a delayed basis, a net savings of almost $1.9 million has been realized, an average savings of over $10,000 per position.

For those positions which were immediately refilled, the State has incurred a net cost of approximately $250,000, an average of just over $5,000 for each of the 49 positions which were immediately refilled. Of the 49 positions, 39 were at State Universities and the remaining 10 were at other State agencies. A net savings of approximately $99,000 was realized from 15 of the positions, while the remaining 34 positions resulted in a net cost of approximately $347,000.

For those positions resulting in a net cost, the reasons for the net cost generally arose because of programmatic decisions made possible by, but not a direct result of, the early retirement. Such circumstances include the replacement of a participant with a higher paid employee who otherwise may have been laid off or by replacing the participant with a higher paid individual who was to assume additional responsibilities. In addition, some participants who were participating in phased retirement, and thereby working less than full-time, were replaced by full-time employees. In other cases, the replacement employees were employed concurrently with the participant to enable the replacement to be adequately trained and uninterrupted service to be provided.

The effects of early retirement incentive programs should not be evaluated only in directly monetary amounts. Certain effects of the early retirement incentive programs on individual operating programs cannot be easily measured. For example, an early retirement incentive program may provide the ability or opportunity to shift resources to higher priority programs whose needs might otherwise go unmet. However, it might result in the most experienced and productive employees leaving the work force, adversely affecting the State's ability to meet program needs. In reviewing the early retirement incentive programs, we did not attempt to evaluate or measure these factors.

**Early Retirement Incentive Programs for the State of Iowa**

Early Retirement Incentive Programs
for the State of Iowa

Comparison of Programs

| | Agency and Regents Merit Programs | Regents Non-merit Program |
|---|---|---|
| Legislative session authority | 1988 | 1986 |
| Enrollment period | 3/31/88 - 5/15/88 | Open |
| Years of service required | 5 | 10 |
| Restrictions | No further employment with State or political subdivision allowed. | Participation requires University approval. Future employment not restricted. |
| **Benefits option:** | | |
| Age at retirement | 61-64 | 57-64 |
| Life insurance<br>Dental insurance<br>Health Insurance | Employer and employee shares paid to age 65. | Employer and employee shares paid for first 3 years. Employer share only after first 3 years to age 65. |
| Iowa Public Employees Retirement System (IPERS) or Teachers Insurance Annuity Association - College Retirement Equities Fund (TIAA-CREF) | N/A | Employer and employee shares paid for first 3 years. Employer share only after first 3 years to age 65. |
| **Lump sum payment option:** | | |
| Age at retirement | 61 or older.<br>59 or older if under Chapter 97A, "Peace Officer Retirement". | 57-64 |
| Lump sum payout | 10% of final salary, not to exceed $5,000. | Discounted present value of amount offered under benefits option, without limit. |

## Agency Program

An early retirement incentive program was created by Chapter 1086, Laws of the Seventy-Second General Assembly, 1988 session. The program was instituted to provide a cost savings to the State through a reduction in the State's work force. The savings were to be realized by delaying the filling of some positions left vacant as a result of the program and through the elimination of others. An employee's participation in the program was strictly voluntary. The employee had to apply for participation and subsequently retire by June 30, 1988.

All State employees, except for those specifically excluded by statute, who were at least 62 years old on or before June 30, 1989, and who had at least five years of continuous State employment were eligible to participate in the program. In addition, any employee at least 59 years of age who retired under Chapter 97A, "Peace Officers Retirement", within the time limits of the program was eligible to receive the lump sum payments. Employees who chose to participate in the program were barred from accepting further employment with the State or a political subdivision.

The board of directors of each judicial district was responsible for establishing an identical early retirement program and the Board of Regents was responsible for establishing a comparable early retirement program for their merit employees.

Employees less than 65 years of age at retirement were eligible to receive either - 1) a lump sum equal to ten percent of the employee's final salary, not to exceed $5,000, or 2) enrollment in the benefits option payment program until the employee reached age 65, entirely at the State's expense. The benefits option program allowed for a retiring employee's continued membership until age 65 in the life, health and dental insurance plans in which the employee was participating at the effective date of the authorizing legislation. Employees already 65 years of age at the date of retirement were only eligible to receive the lump sum payment.

Costs of the agency program were paid from the operating budgets of the departments from which the employees retired, unless specific exemption was granted by the Governor.

## Regents Programs

The Board of Regents operated separate early retirement programs for their merit and non-merit employees. The merit program was established as a result of the General Assembly's 1988 session and was identical to the Agency program. A program for non-merit faculty, professional-scientific, institutional officials and staff of the Board office was authorized by Chapter 1192, Laws of the Seventy-First General Assembly, 1986 session, and offered continuous enrollment.

To participate in the non-merit program, an employee must have been age 57 to 64, and have been employed for a period of at least 10 years. They were also required to obtain the approval of the appropriate administrative officers of the institution. Upon entry into the program, the participant received the incentive benefits until age 65, unless otherwise indicated.

Two retirement incentive options were available under the non-merit program. Under the first option, the program provided that for the first three years of participation, the employer would pay the employer's and employee's contributions for the benefits from a list of specified fringe benefits provided to the employee at the time of retirement and adjusted for changes in benefits that occur at specified ages. For the remaining years in the program the employer would pay only the employer's contributions for those fringe benefits. Specific fringe benefits include health, dental and group life insurance and Teachers Insurance Annuity Association - College Retirement Equities Fund (TIAA-CREF) or IPERS contributions.

Under the second option, the participant had the choice of receiving a lump sum payment equal to the discounted present value of any or all of the fringe benefits that would have been paid under the first option. The interest rate used in calculating the discounted present value was determined annually by the Board. Any benefits not received in a lump sum payment were provided to the participant through the first option. Participation in the second option was subject to specific approval by the institution.

Unlike the Agency program, the Board of Regents non-merit program did not have a time limit for enrollment. The program has had open enrollment since it's inception in 1986. Also, employees retiring under the non-merit program were not barred from further employment within the institution. Employees under the merit system had enrollment limited to a specified time frame as did other State employees. Payment of the retirement incentives was to be paid from the institution's operating funds.

## Agency Program

When the law authorizing this early retirement program was enacted, there were 841 State who met the program eligibility requirements. We identified a total of 301 employees who did actually retire and receive benefits through the program.

In performing our review of the program, we examined the applicable laws and regulations and obtained the program cost information from the Iowa Department of Personnel. We also interviewed the payroll and personnel staff at various agencies to obtain payroll history information for 180 of the participants and their replacements, if applicable.

Using the assumptions detailed on page 23, we compared the salary and benefits of the participant to those of their replacement, if any, to determine the program savings or cost. This amount was then compared to the amount paid for the participant under the program option selected to determine the net cost or savings generated by the employee's participation in the program.

For employees participating in the Agency early retirement program, the State was required to pay $781,098 for accrued vacation and $402,077 for accrued sick leave, an average of $2,595 and $1,336, respectively, per participant. Since these amounts were due to the employees without regard to their participation in the program, this was not considered to be a cost of the program. However, it directly affects the amount of immediate funding necessary to operate the program.

We did not attempt to project any savings or cost resulting from the program's operations beyond December 31, 1990.

Finding - The benefits option was selected by seventy percent of the participants. We reviewed the payroll records and employment data for 129 of the 212 employees selecting this option. The total program savings generated by these 129 participants was $3,795,015, an average of $29,419 per participant. The total net savings realized by the State as a result of these employees' participating in the program was $2,964,643, an average of $22,982 per participant. At December 31, 1990 the State still had a remaining liability of approximately $342,569 under the benefits option. Because the benefits option is still providing benefits to retirees, the final cost and savings figures are not available.

The lump sum payment option was selected by thirty percent of the participants. We reviewed the payroll records and employment data for 51 of the 89 employees selecting this option. The total program savings generated by these 51 participants was $744,221, an average of $14,593 per participant. The total net savings realized by the State as a result of these employees' participating in the program was $602,385. Net savings for this option tends to be lower because of our assumption that there is no savings accruing to the State once a participant reaches the age of 65. Because this was the only option available to those participants aged 65 or older at retirement, the average savings tends to be understated. If all participants in our sample who were age 65 or older as of their retirement are removed, the average savings for the remaining participants is $23,169.

## Regents Programs

Between March 31, 1988 and June 30, 1990, 185 University employees participated in the Regents early retirement programs. Of these, 47 retired under the merit program and 138 faculty and professional-scientific staff retired under the non-merit program.

We examined the program rules adopted by the Board of Regents and obtained the program cost information from the three State universities. We also interviewed the payroll and personnel staff at the universities to obtain payroll history information for the participants and their replacement, if applicable. We did not include the Iowa School for the Deaf or the Iowa Braille and Sight-Saving School in our review, which are institutions under the Board of Regent's control.

Using the assumptions detailed on page 23, we compared the salary and benefits of the participant to those of their replacement, if any, to determine a program savings or cost. This amount was then compared to the amount paid for the participant under the program option selected to determine the net cost or savings generated by the employee's participation in the program.

For employees participating in the Regents merit program, the State was required to pay $110,642 for accrued vacation and $89,211 for accrued sick leave. Participants in the non-merit program were paid $664,173 for accrued vacation and $266,383 for accrued sick leave. Since these amounts were due to the employees without regard to their participation in the programs, this was not considered to be a cost of the program. However, it directly affects the amount of immediate funding necessary to operate the programs.

We did not attempt to project any savings or cost resulting from the program's operations beyond June 30, 1990.

<u>Finding</u> - For the 47 participating merit employees, the State has paid a total of $261,876 in benefit payments through June 30, 1990. The total program savings at June 30, 1990 were $675,024, resulting in a net savings of $413,148, an average of $8,790 per participant.

For the 138 participating non-merit employees, the State has incurred $1,636,302 in program costs. The total program savings at June 30, 1990 was $5,382,571, resulting in a net savings of $3,746,269, an average of $27,147 per participant.

<u>Recommendation for Agency and Regents Programs</u> - The early retirement programs achieved the objective of reducing the State's work force and resulted in a minimum net savings to the State of approximately $7.7 million. If the State were to initiate additional early retirement incentive programs, the following items should be considered.

(1) If the programs have specific goals and objectives, there should be requirements for periodic monitoring and follow-up of these goals and objectives.

(2) During our testing, we noted one case in which the State had continued to pay the benefit premiums for the spouse of a deceased participant.

We also noted one instance where a participant had been participating in the phased retirement program established by Chapter 79.30 of the Code of Iowa. In this instance, the participant had been on the phased retirement program for approximately 15 months and had been working a maximum of 32 hours per week. Upon enrolling in the early retirement program under the lump sum payment option, the payment was calculated on an annual salary of 40 hours per week.

The Acts and administrative rules governing the program do not address either issue so we are unable to determine if the payments were allowable and appropriate. These issues should be addressed in future programs.

Early Retirement Incentive Programs
for the State of Iowa

Summary of Program Costs and Savings

For the period March 31, 1988 to December 31, 1990

| | Agency Program Options | | Regents Program (3/31/88-6/30/90) | Total |
|---|---|---|---|---|
| | Benefits (3/31/88-12/31/90) | Lump Sum | | |
| Total participants | 212 | 89 | 185 | 486 |
| Total program costs | $ 1,341,952 | 228,009 | 1,898,178 | 3,468,139 |
| Participants tested | 129 | 51 | 185 | 365 |
| For participants tested: | | | | |
| Program costs | $ 830,372 | 141,836 | 1,898,178 | 2,870,386 |
| Program savings | 3,795,015 | 744,221 | 6,057,595 | 10,596,831 |
| Net program savings | $ 2,964,643 | 602,385 | 4,159,417 | 7,726,445 |
| Net savings per participant | $ 22,982 | 11,811 | 22,483 | |

**Recapitulation of savings:**

| | Participants | | | Net Program Savings (Cost) |
|---|---|---|---|---|
| | Under 65 | 65 or over | Total | |
| Eliminated positions | 123 | 10 | 133 | $ 6,090,978 |
| Delayed refilling (includes salary differential) | 170 | 13 | 183 | 1,884,081 |
| Immediate refilling (salary differential) | 47 | 2 | 49 | (248,614) |
| | 340 | 25 | 365 | $ 7,726,445 |

Early Retirement Incentive Programs
for the State of Iowa

Agency Program Costs and Savings

For the period March 31, 1988 to December 31, 1990

| Option/ Retirement Age | Program Costs | Program Savings | Net Program Savings | Number of Participants | Net Savings per Participant |
|---|---|---|---|---|---|
| Benefits option participants: | | | | | |
| Age 63 | $ 66,000 | 430,452 | 364,452 | 17 | $21,438 |
| Age 62 | 360,776 | 1,780,762 | 1,419,986 | 54 | 26,296 |
| Age 61 | 403,596 | 1,583,801 | 1,180,205 | 58 | 20,348 |
| Total | $ 830,372 | 3,795,015 | 2,964,643 | 129 | |
| Lump sum payment participants: | | | | | |
| Age 65 or over | $ 58,876 | 58,876 | - | 25 | - |
| Under age 65 | 82,960 | 685,345 | 602,385 | 26 | 23,169 |
| Total | $ 141,836 | 744,221 | 602,385 | 51 | |
| Total for Agency Program | $ 972,208 | 4,539,236 | 3,567,028 | 180 | |

Early Retirement Incentive Programs
for the State of Iowa

Regents Programs Costs and Savings - By University

For the period March 31, 1988 through June 30, 1990

| University/ Program | Program Costs | Program Savings | Net Program Savings | Number of Partici-pants | Net Savings per Participant | Number of Positions Elimi-nated |
|---|---|---|---|---|---|---|
| State University of Iowa: | | | | | | |
| Merit program | $ 145,588 | 304,832 | 159,244 | 20 | $ 7,962 | 3 |
| Non-merit program | 632,877 | 1,881,775 | 1,248,898 | 50 | 24,978 | 22 |
| Total | $ 778,465 | 2,186,607 | 1,408,142 | 70 | | 25 |
| Iowa State University: | | | | | | |
| Merit program | $ 58,526 | 234,591 | 176,065 | 14 | 12,576 | 4 |
| Non-merit program | 751,160 | 2,964,133 | 2,212,973 | 67 | 33,029 | 50 |
| Total | $ 809,686 | 3,198,724 | 2,389,038 | 81 | | 54 |
| University of Northern Iowa: | | | | | | |
| Merit program | $ 57,762 | 135,601 | 77,839 | 13 | 5,988 | - |
| Non-merit program | 252,265 | 536,663 | 284,398 | 21 | 13,543 | 9 |
| Total | $ 310,027 | 672,264 | 362,237 | 34 | | 9 |
| Regents programs totals: | | | | | | |
| Merit program | $ 261,876 | 675,024 | 413,148 | 47 | 8,790 | 7 |
| Non-merit program | 1,636,302 | 5,382,571 | 3,746,269 | 138 | 27,147 | 81 |
| Total | $1,898,178 | 6,057,595 | 4,159,417 | 185 | | 88 |

**Early Retirement Incentive Programs for the State of Iowa**

Early Retirement Incentive Programs
for the State of Iowa

Regents Programs Costs and Savings -
Non-merit Participants - By Year of Retirement

For the period March 31, 1988 through June 30, 1990

| University/ Year of Retirement | Program Costs | Program Savings | Net Program Savings by Fiscal Year 1988 | 1989 | 1990 | Total Net Savings | Number of Partici-pants | Average Net Savings Per Partici-pant |
|---|---|---|---|---|---|---|---|---|
| State University of Iowa: | | | | | | | | |
| FY 88 | $ 98,277 | 228,716 | 18,315 | 60,093 | 52,031 | 130,439 | 6 | $ 21,740 |
| FY 89 | 308,461 | 992,664 | - | 240,689 | 443,514 | 684,203 | 22 | 31,100 |
| FY 90 | 226,139 | 660,395 | - | - | 434,256 | 434,256 | 22 | 19,739 |
| Total | $ 632,877 | 1,881,775 | 18,315 | 300,782 | 929,801 | 1,248,898 | 50 | |
| Iowa State University: | | | | | | | | |
| FY 88 | $ 199,733 | 991,576 | 18,705 | 390,241 | 382,897 | 791,843 | 9 | 87,983 |
| FY 89 | 325,256 | 1,118,594 | - | 228,413 | 564,925 | 793,338 | 21 | 37,778 |
| FY 90 | 226,171 | 853,963 | - | - | 627,792 | 627,792 | 37 | 16,967 |
| Total | $ 751,160 | 2,964,133 | 18,705 | 618,654 | 1,575,614 | 2,212,973 | 67 | |
| University of Northern Iowa: | | | | | | | | |
| FY 88 | $ 117,750 | 345,199 | (43,229) | 132,459 | 138,219 | 227,449 | 6 | 37,908 |
| FY 89 | 66,228 | 132,940 | - | 62,839 | 3,873 | 66,712 | 4 | 16,678 |
| FY 90 | 68,287 | 58,524 | - | - | (9,763) | (9,763) | 11 | (888) |
| Total | $ 252,265 | 536,663 | (43,229) | 195,298 | 132,329 | 284,398 | 21 | |

Participants by Income Level

| Program/Agency | Income<br>$8,000 - 10,000 | $10,001- 15,000 | $15,001- 20,000 |
|---|---|---|---|
| Agency Program (3/31/88-12/31/90): | | | |
| Transportation | - | 1 | 31 |
| Human Services | - | 2 | 49 |
| Employment Services | - | - | 8 |
| Education | - | - | 5 |
| Corrections | - | - | 1 |
| Judicial | 1 | 1 | 10 |
| Revenue & Finance | - | 2 | 1 |
| Agriculture | - | 2 | 2 |
| Other departments | - | - | 9 |
| Total Agency Program | 1 | 8 | 116 |
| Regents Programs (3/31/88-6/30/90): | | | |
| State University of Iowa: | | | |
| Merit | - | 1 | 11 |
| Non-merit | - | 2 | 3 |
| Iowa State University: | | | |
| Merit | 4 | - | 1 |
| Non-merit | - | - | 2 |
| University of Northern Iowa: | | | |
| Merit | - | 3 | 4 |
| Non-merit | - | - | - |
| Total Regents Programs | 4 | 6 | 21 |
| Total | 5 | 14 | 137 |

| Level | | | | | | | |
|---|---|---|---|---|---|---|---|
| $20-001-25,000 | $25,001-$30,000 | $30,001-40,000 | $40,001-50,000 | $50,001-$75,000 | $75,001-$100,000 | $100,001-$125,000 | Total |
| 32 | 13 | 13 | 2 | 2 | - | - | 94 |
| 20 | 12 | 6 | - | - | 1 | - | 90 |
| 4 | 6 | 3 | 1 | - | - | - | 22 |
| 1 | 4 | 3 | 3 | - | - | - | 16 |
| 10 | 2 | 1 | - | - | - | - | 14 |
| 2 | - | - | - | - | - | - | 14 |
| 2 | 3 | 4 | - | 1 | - | - | 13 |
| 5 | - | 1 | - | - | - | - | 10 |
| 8 | 5 | 3 | 2 | 1 | - | - | 28 |
| 84 | 45 | 34 | 8 | 4 | 1 | - | 301 |
| 5 | 2 | 1 | - | - | - | - | 20 |
| 1 | 4 | 22 | 9 | 5 | 2 | 2 | 50 |
| 8 | 1 | - | - | - | - | - | 14 |
| 4 | 8 | 17 | 19 | 14 | 3 | - | 67 |
| 6 | - | - | - | - | - | - | 13 |
| - | 4 | 10 | 4 | 2 | 1 | - | 21 |
| 24 | 19 | 50 | 32 | 21 | 6 | 2 | 185 |
| 108 | 64 | 84 | 40 | 25 | 7 | 2 | 486 |

Definitions

Early retirement incentive program - a program created by the Legislature to provide a cost savings to the State through a reduction in the State's work force.

Participant - any State employee who enrolled in and received benefits from an early retirement program.

Merit employee - any State employee whose terms of employment are covered under the State's merit system.

Non-merit employee - a faculty, professional-scientific or administrative employee under contract with the Board of Regents whose terms of employment are not covered by the State's Merit system.

Lump sum payment option - a single cash payment to program participants.

Benefit option - any amounts paid out to program participant's under the various programs which may specifically include dental, life and health insurance, IPERS or TIAA-CREF.

Program costs - the cost of benefits paid out under either the lump sum payment option or the benefits option of an early retirement incentive program.

Program savings - the savings in salary and benefits that result from the participant enrolling in a program.

Net program savings (cost) - the difference between program costs and program savings.

Refilled position - a position that was vacated as the result of an employee participating in an early retirement incentive program that was subsequently refilled by another individual.

## Assumptions

In performing our calculations of the benefits and costs relative to the early retirement incentive programs, it was necessary for us to make certain assumptions to allow for the information to be prepared on a consistent basis. A summary of our assumptions is as follows:

- Sick leave and vacation payouts to the employees at termination were not considered to be costs of the program. These amounts accrue to the employee throughout their employment with the State and their payment is not conditioned upon the employee participating in the early retirement program.

- In calculating the savings related to salary, the retiring employee was assumed to have received annual salary adjustments for cost of living, merit increases, etc.

- For the Agency program, the time period for which we computed a savings in salary started with the date the employee retired and ended on either December 31, 1990 or the date the employee would turn 65, whichever occurred earlier. For the Regents programs, the time period ended on either June 30, 1990 or on the date that the employee would turned 65, whichever occurred earlier.

- For participants age 65 and over, we included a program savings equal to the program cost. These participants would have had to work less than 6 weeks to have earned the amount of retirement incentives received. We did not project any savings beyond the costs incurred because we could not reasonably determine what additional length of time these individuals may have chosen to work.

- Possible overtime costs incurred as a result of the employee's participation in the plan were not included in the calculation of program costs because we could not readily identify if any overtime occurred as a result of the program.

- Our calculation of the savings as a result of the program included the difference in salary and benefits for the retiring employee had they continued to work and the salary and benefits for the replacement employee. If the position was held open for a period of time or eliminated, the savings was considered to be 100% of the retiring employee's salary and benefits.

- When an employee participating in the program retired and was replaced by an existing State employee, we did not consider the difference between the replacement employee's salary and benefits in their former position and the salary and benefits for an employee assuming that former position to be a savings for the program. Likewise we did not consider an Agency's forfeiture of already vacant positions to be a cost savings resulting from the program.

- The salary and benefits of some program participants had been fully funded by various federal programs at the date of retirement. Because there was no net cost or savings to the State for such participants, we excluded those identified participants from our review. In addition, we excluded participants from outlying institutions because the level of federal funding resulted in no significant anticipated net cost or savings. Accordingly, projection of the results for those participants tested to the total population is not appropriate.

Staff

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