

Rittmer
Kibbie
Lamberti

SSB-1204
State Government

Succeeded By
SF/HF 434
SENATE FILE _____
BY (PROPOSED COMMITTEE ON STATE
GOVERNMENT BILL BY
CHAIRPERSON RITTMER)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to government efficiency by providing retirement
2 incentives for certain government employees, providing for the
3 reduction in certain governmental positions due to early
4 retirement, and providing an effective date.
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. PARTICIPATION IN HEALTH OR MEDICAL INSURANCE
2 PROGRAMS BY RETIREES AGE FIFTY-EIGHT OR OLDER.

3 1. As used in this section, unless the context otherwise
4 requires:

5 a. "Health or medical insurance program" means a health or
6 medical group insurance plan for employees of the state.

7 b. "Member" means an employee of the executive branch of
8 the state or the judicial branch of the state who is a member
9 of the Iowa public employees' retirement system or the Iowa
10 department of public safety peace officers' retirement,
11 accident, and disability system, who at the date of
12 termination of employment is receiving full health or medical
13 insurance benefits pursuant to a health or medical insurance
14 program in which the state makes contributions, and is not
15 receiving disability payments under the state employees'
16 disability insurance program, and who is not a member of the
17 general assembly. "Member" does not mean an employee of the
18 state board of regents.

19 2. A member with at least twenty years of membership
20 service who retires on or after July 9, 1999, and before
21 February 1, 2000, who applies to receive retirement benefits
22 under this Act prior to February 1, 2000, who has attained at
23 least the age of fifty-eight at the time of retirement, and
24 who was a participant in a health or medical insurance program
25 in which the state makes contributions at the time of
26 retirement, may continue to participate in the health or
27 medical insurance program in which the member is enrolled on
28 April 1, 1999, as authorized by law. However, a member may
29 choose to participate in a health or medical insurance program
30 after April 1, 1999, which incurs less cost to the state.
31 Notwithstanding any other provision of law to the contrary,
32 the member shall remain eligible to participate in a health or
33 medical insurance program as provided by this section and the
34 state shall continue to pay the employer's portion of the
35 premium at the cost existing at the time of retirement under

1 the program for the retiree until the retiree attains the age
2 of sixty-five. Any additional premium costs for coverage
3 incurred after the time of retirement shall be paid by the
4 retiree. However, in order to have the state continue to pay
5 the employer's portion of the premium, the member must send
6 written notification to the department of personnel at any
7 time after the effective date of this section and prior to
8 November 1, 1999, of the intent to retire and the anticipated
9 date of retirement.

10 3. If a member continues participation in a health or
11 medical insurance program and the state pays premiums as
12 authorized in subsection 2, the member is not eligible to
13 accept further employment in which the state or a political
14 subdivision of the state is the employer. However, this
15 subsection shall not apply to a member who is elected to a
16 public office as defined in chapter 56.

17 4. A state department shall not be required to delete more
18 than its proportionate share of all general fund full-time
19 equivalent positions vacated due to the incentive for
20 retirement established in subsection 2. All positions vacated
21 by a member exercising the rights established in subsection 2
22 shall be deleted, and the savings, as determined by the
23 department of management, shall revert to the originating fund
24 in a manner specified by the department of management, except
25 that the portion of the savings which represents the cost of
26 the employer's portion of a member's premium payable under
27 this section shall not revert but shall be transferred to the
28 department of revenue and finance to defray the costs of
29 implementing this section. A state department may use a
30 portion of the savings related to a deleted position to
31 purchase technology or other equipment if the department of
32 management determines that this purchase is necessary to
33 maintain necessary levels of service for the state department.
34 However, if an affected department determines that the vacancy
35 may be detrimental to critical services provided to the

1 public, the affected department may, with the approval of the
2 department of management, exchange the vacancy with a position
3 or positions determined by the department of management to be
4 of an equal value, and delete that position or positions. If
5 a position is not available for exchange, the department may,
6 with the approval of the director of the department of
7 management, retain and fill the vacancy. It is the intent of
8 the general assembly that retirement taken pursuant to this
9 section be used to eliminate the greatest number of employment
10 positions as is feasible. The department of management shall
11 report to the fiscal committee of the legislative council and
12 legislative fiscal bureau the number of vacancies retained and
13 filled pursuant to this subsection.

14 It is the intent of the general assembly that the cost of
15 premiums incurred by a state department be included within
16 that department's annual budget and be paid from originating
17 funds.

18 Sec. 2. EFFECTIVE DATE. This Act, being deemed of
19 immediate importance, takes effective upon enactment.

20 EXPLANATION

21 The bill allows employees of the executive branch or the
22 judicial branch of the state who are members of the Iowa
23 public employees' retirement system or the Iowa department of
24 public safety peace officers' retirement, accident, and
25 disability system, who at the date of retirement are receiving
26 full health or medical insurance benefits pursuant to a
27 program in which the state contributes, and who are not
28 receiving disability payments under the state employees'
29 disability insurance program, and who have at least 20 years
30 of membership service, to continue to participate in the
31 health or medical insurance program in which the employees are
32 enrolled on April 1, 1999, until age 65. This provision
33 applies to employees who retire on or after July 9, 1999, and
34 before February 1, 2000, who notify the department of
35 personnel by November 1, 1999, of their intent to retire and

1 who apply to receive benefits under this bill prior to
2 February 1, 2000, and who are at least 58 years of age at the
3 time of retirement.

4 Under the bill, the state will continue to pay the
5 employer's portion of the premium at the cost existing at the
6 time of retirement under the program for a retiree until the
7 retiree reaches the age of 65. Any additional premium costs
8 for coverage incurred after the time of retirement will be
9 paid by the retiree. A retiree who participates in the
10 program cannot accept further employment with the state or a
11 political subdivision of the state, other than election to
12 public office. This portion of the bill does not apply to
13 members of the general assembly or employees of the state
14 board of regents.

15 The bill further provides that positions in government
16 vacated by persons exercising the right to receive the
17 retirement incentives of this bill will not be replaced unless
18 the affected department establishes, to the satisfaction of
19 the department of management, that the position is critical
20 and should not be eliminated.

21 This bill takes effect upon enactment.

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SENATE FILE 434
BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 1204)

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Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
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SE 434

SENATE FILE 434

S-3184

- 1 Amend Senate File 434 as follows:
- 2 1. Page 1, line 2, by striking the word "FIFTY-
- 3 EIGHT" and inserting the following: "FIFTY-FIVE".
- 4 2. Page 1, line 24, by striking the word "fifty-
- 5 eight" and inserting the following: "fifty-five".

By MIKE CONNOLLY

S-3184 FILED MARCH 30, 1999

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13 employment is receiving full health or medical insurance
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28 medical insurance program in which the member is enrolled on
29 April 1, 1999, as authorized by law. However, a member may
30 choose to participate in a health or medical insurance program
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13 legislative fiscal bureau the number of vacancies retained and
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22 The bill allows employees of the executive branch,
23 legislative branch, or the judicial branch of the state who
24 are members of the Iowa public employees' retirement system or
25 the Iowa department of public safety peace officers'
26 retirement, accident, and disability system, who at the date
27 of retirement are receiving full health or medical insurance
28 benefits pursuant to a program to which the state contributes,
29 and who are not receiving disability payments under the state
30 employees' disability insurance program, and who have at least
31 20 years of membership service, to continue to participate in
32 the health or medical insurance program in which the employees
33 are enrolled on April 1, 1999, until age 65. This provision
34 applies to employees who retire on or after July 9, 1999, and
35 before February 1, 2000, who notify the department of

1 personnel by November 1, 1999, of their intent to retire and
2 who apply to receive benefits under this bill prior to
3 February 1, 2000, and who are at least 58 years of age at the
4 time of retirement.

5 Under the bill, the state will continue to pay the
6 employer's portion of the premium at the cost existing at the
7 time of retirement under the program for a retiree until the
8 retiree reaches the age of 65. Any additional premium costs
9 for coverage incurred after the time of retirement will be
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**SENATE FILE 434
FISCAL NOTE**

A fiscal note for Senate File 434 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 434 provides retirement incentives for State employees. The Bill provides for continuation of the State's Health Care Program. The State will pay the employer's share of the health or medical group insurance premium as of the employee's retirement date. Any increase in the insurance premium is to be paid by the retiree. The Program is available to members of Iowa Public Employees Retirement System (IPERS) and the Peace Officer's Retirement, Accident, and Disability System (POR) who retire between age 58 and 65 with 20 years of membership service. The retiree is not eligible for future employment by the State or a political subdivision.

The department from which the person retires must delete the retiree's position if the retiree's position is not deemed critical by the Department of Management. The Department of Management is authorized to allow a department to expend savings to purchase technology to maintain service levels.

ASSUMPTIONS

1. There are 946 full-time employees who will be eligible for this Program.
2. The average FY 2000 State share of health insurance premiums is \$3,138.
3. The State's share of health premiums for retirees will be fixed at FY 2000 levels.
4. The retirement dates for retirees will be spread throughout the first half of FY 2000, so approximately three-fourths of the annual savings will be realized.
5. The average FY 2000 salary and all benefit costs for an eligible employee is \$49,348.
6. There will be no significant administrative costs.
7. The mortality of this group of program eligibles is not considered.
8. The participation rate is the average of the past two early retirement programs, 47.0%
9. Approximately half of the retirees' salaries are funded by the General Fund.
10. Refilled positions will not generate a cost savings.
11. No estimate of authorized technology expenditures is available. Any expenditures will decrease the estimated savings.
12. Departments will assume the sick leave and vacation buy back costs.
13. An actuarial estimate would be required to fully evaluate the costs and effects of the proposed Early Retirement

FISCAL EFFECT

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The average participation rate of the 1988 and 1992 early retirement programs was 47.0%. If this Program achieves the past average participation rate and 46.0% of the positions are refilled (the rate of the 1992 program), there will be a savings of approximately \$9.1 million in FY 2000 and \$8.8 million in FY 2001 for all funding sources. The General Fund share for FY 2000 would be \$4.6 million and for FY 2001 it would be \$4.2 million. If 75.0% of the positions are refilled, there would be a savings of \$4.5 million in FY 2000 and \$4.2 million in FY 2001 for all fund sources. The General Fund share for FY 2000 would be \$2.3 million and for FY 2001 it would be \$2.1 million.

SOURCE

Department of Revenue & Finance (Salary Model)

(LSB 1653SV, GPD)

FILED MARCH 31, 1999

BY DENNIS PROUTY, FISCAL DIRECTOR