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

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

TLSB 1653SC 78
ec/cf/24

S.F. ________ H.F. ________

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

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

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

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

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

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

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

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

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

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

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

EXPLANATION

The bill allows employees of the executive branch or the judicial branch of the state who are members of the Iowa public employees' retirement system or the Iowa department of public safety peace officers' retirement, accident, and disability system, who at the date of retirement are receiving full health or medical insurance benefits pursuant to a program in which the state contributes, and who are not receiving disability payments under the state employees' disability insurance program, and who have at least 20 years of membership service, to continue to participate in the health or medical insurance program in which the employees are enrolled on April 1, 1999, until age 65. This provision applies to employees who retire on or after July 9, 1999, and before February 1, 2000, who notify the department of personnel by November 1, 1999, of their intent to retire and who apply to receive benefits under this bill prior to February 1, 2000, and who are at least 58 years of age at the time of retirement.

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

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

This bill takes effect upon enactment.

3/31/99 Returned from Calendar to State Gov.

SENATE FILE 434

BY COMMITTEE ON STATE GOVERNMENT

(SUCCESSOR TO SSB 1204)

Passed Senate, Date ____________ Passed House, Date ____________

Vote: Ayes ______ Nays _______ Vote: Ayes ______ Nays ________

Approved ____________________________

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BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

SF 434

SENATE FILE 434

S-3184

Amend Senate File 434 as follows:

1. Page 1, line 2, by striking the word "FIFTY-EIGHT" and inserting the following: "FIFTY-FIVE".

2. Page 1, line 24, by striking the word "fifty-eight" and inserting the following: "fifty-five".

By MIKE CONNOLLY

S-3184 FILED MARCH 30, 1999

TLSB 1653SV 78

ec/cf/24

S.F. 434 H.F. ________

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

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may be detrimental to critical services provided to the public, the affected department may, with the approval of the department of management, exchange the vacancy with a position or positions determined by the department of management to be of an equal value, and delete that position or positions. If a position is not available for exchange, the department may, with the approval of the director of the department of management, retain and fill the vacancy. It is the intent of the general assembly that retirement taken pursuant to this section be used to eliminate the greatest number of employment positions as is feasible. The department of management shall report to the fiscal committee of the legislative council and legislative fiscal bureau the number of vacancies retained and filled pursuant to this subsection.

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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

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