

Draft

Background Information on a Legislative Retirement Incentive Program

Senate File 2062 provides for an early retirement program for the Executive Branch. The legislation, Section 1.7(a), provides an early retirement option for the Legislative Branch:

a. The legislative council may provide a retirement incentive program for employees of the legislative branch consistent with the program provided in this section for executive branch employees. If the legislative council provides an incentive program, the legislative council shall collaborate with the department of administrative services to establish the program as required under this section as nearly as identical as possible to the program provided executive branch employees under this section. The program provided pursuant to this paragraph "a" shall establish the same time guidelines and benefit calculations as provided under the program for executive branch employees.

Executive Branch Program

The State Employee Retirement Incentive Program (SERIP) offers certain benefits to State employees who are eligible to retire (age 55 by 7/31/2010 vested in IPERS). The following outlines the program and incentives to separate from state employment:

- Financial incentive based on years of service
 - Must have a minimum of 10 years of service with the State of Iowa.
 - Employees will be paid \$1,000 for each year of state service, beginning with 10 years of service (\$10,000) up to 25 years of state service (\$25,000).
 - The incentive plus an employees unused vacation balance at retirement is paid out over 5 years starting in September 2010.
 - In the event of death before the 5 payments are made, the remaining payment(s) are made to the beneficiary.
- 5 years of contributions toward a state-sponsored health insurance plan
 - The State will contribute toward the state share of the health insurance premium of either single or family premium.
 - Employees can select any health insurance plan and coverage level.
 - Funding will be from either through SLIP, SERIP or a combination of both programs. The Sick Leave Insurance Program (SLIP) takes a factor of accumulated sick leave to pay the health insurance premium at retirement. SLIP continues to pay the state share of the health insurance premium until the account is exhausted or the employee becomes eligible for Medicare (in most cases, age 65.)
 - Employees can continue to participate in SERIP even when they become Medicare-eligible (in most cases, age 65). If Medicare

- eligible the state health insurance contribution is the Blue Access with SilverScript premiums in effect each year.
- In the event of an employee death within 5 years of retirement, the spouse will receive the remaining years of SERIP health insurance contributions (if spouse was covered at time of death).
 - Time Frame for Applying for SERIP
 - Employee must apply for SERIP by April 15, 2010.
 - Employee may leave state employment anytime after providing notice but must separate from State employment no later than June 24, 2010.
 - An employee must agree that they not accept future employment with the State of Iowa as a permanent employee, temporary employee, consultant or independent contractor with the exception of being appointed to a board or commission.
 - A component of SERIP is that you agree to waive all rights to file a suit against the State of Iowa based on claims arising out of your employment with the State of Iowa.

Iowa Legislature

Below are the potential number of employees who qualify under the rules established in Senate File 2062. The potential costs and savings are calculated using the Executive Branch assumptions of participation and backfill of positions. Many of the Legislative organizations have a small number of employees. Anticipating a needed backfill rate of only 15% could be low depending upon the positions vacated by employees participating in the program.

	Eligible Normal Retirement	55 yrs. Old	Potential Total
House	4	7	11
Senate	3	5	8
Joint	8	3	11
CAO	1	3	4
LSA	10	12	22
Total	<u>26</u>	<u>30</u>	<u>56</u>

Fiscal Note Assumptions Executive Branch

15% Participation	8.4
15% 1st Year Backfill	<u>1.3</u>
	7.1

	FY 2011 Payout	FY 2011 Sal & Ben	FY 2011 Difference
Average Per Emp.	\$ 12,728	\$ 84,204	
Total	\$ 90,369	\$ 597,848	\$ 507,480