IMPLEMENTATION OF THE EARLY RETIREMENT PROGRAM AS AUTHORIZED BY SB 307 (CHAPTER 680/1982)

APRIL 2, 1984

LEGISLATIVE ANALYST

STATE OF CALIFORNIA

925 L STREET, SUITE 650

SACRAMENTO, CALIFORNIA 95814

STATE OF CALIFORNIA GEORGE DEUKMEJIAN, Governor

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR
SACRAMENTO, CA 95814-4998

Official date: April 2, 1984

THIS LETTER SENT TO THE PERSONS ON THE ATTACHED LIST

Pursuant to the requirements of SB 307 (Chapter 680, Statutes of 1982) we are transmitting the attached report on the Early Retirement Program which is also known as the "Golden Handshake" Program.

If you have any questions, feel free to contact Richard Ray, Assistant Program Budget Manager, Department of Finance, at 445-8913 or Mack Taylor or Nicholas Bartsch, Office of the Legislative Analyst, at 445-8481.

JESSE R. HUFF
Director of Finance

WILLIAM G. HAMM
Legislative Analyst

E:3321A/1488K

bcc: HAMM, C/F, RAY, ALONZO, TAYLOR

PERSONS LETTER SENT TO

Honorable Willie L. Brown, Jr.
Speaker of the Assembly
State Capitol, Room 219
Sacramento, CA 95814

Honorable David Roberti
President pro Tempore
State Senate
State Capitol, Room 205
Sacramento, CA 95814

E-24
Honorable John Vasconcellos, Chairperson
Assembly Ways and Means Committee
State Capitol, Room 6026
Sacramento, CA 95814

E-22
Honorable Alfred E. Alquist, Chairperson
Senate Finance Committee
State Capitol, Room 5013
Sacramento, CA 95814

B-29
Honorable Walter W. Stiern, Chairperson
Joint Legislative Budget Committee
c/o Mr. William G. Hamm, Legislative Analyst
925 L Street, Room 650
Sacramento, CA 95814

Honorable Ralph C. Dills
Member of the Senate
State Capitol, Room 5050
Sacramento, CA 95814

Governor George Deukmejian
State Capitol
Sacramento, CA 95814

IMPLEMENTATION OF THE EARLY RETIREMENT PROGRAM AS AUTHORIZED BY SB 307 (CHAPTER 680/1982)

PREPARED JOINTLY BY

THE STATE OF CALIFORNIA
DEPARTMENT OF FINANCE
COLLECTIVE BARGAINING UNIT

AND

THE LEGISLATIVE ANALYST

JESSE R. HUFF, DIRECTOR
DEPARTMENT OF FINANCE

WILLIAM G. HAMM
LEGISLATIVE ANALYST

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E:3257A/0470K9

On August 30, 1982, SB 307 was signed into law (Chapter 680, Statutes of 1982). This legislation provided the authority for the Governor to implement what is commonly referred to as the early retirement or "golden handshake" program. The purpose of the legislation was to provide State management with a mechanism to reduce the impact of or to avoid the necessity for personnel reductions by making early retirement available to eligible employees (it should be noted that the program was not intended to be an employee benefit program).

SB 307 requires that the Department of Finance and the Legislative Analyst report to the Governor and Legislature by the first legislative day of each year as to the extent to which savings of departments under the early retirement program have equaled the costs.

Background:

Participation in early retirement is voluntary on the part of the employee. However, it is operative only if the employing department requests to participate, its application meets specified criteria, and the Departments of Personnel Administration and Finance approve the request.

The major provisions of the early retirement program are as follows:

1. Early retirement can be implemented by executive order whenever the Governor determines that the best interests of the State would be served by encouraging the retirement of State employees.

2. The appropriate agency secretary (when applicable) must review and approve the applications before they are submitted to DPA and DOF.

3. Departments must demonstrate to DPA that a personnel reduction is imminent.

4. The participating departments must identify to the Department of Finance and the Legislative Analyst the savings that would be realized if early retirement were implemented.

5. Reimbursement to the Public Employees Retirement System (PERS) of early retirement costs must be made by departments within two years (Finance, PERS and the departments can all agree to a different payment period).

6. To participate in the early retirement program, employees of a department that elects to participate must have been credited with five or more years of service credit, must meet the standard PERS retirement criteria, and must retire during the period specified in the executive order in which the early retirement program is in effect.

7. Employees electing to participate will receive an additional two years of service credit towards their retirement.

8. Finance reports approved plans to the Joint Legislative Budget Committee and the transfer of funds is approved 30 days after approval.

Implementation:

Early retirement was first authorized in December 1982 under an Executive Order B-102-82. The effective dates for the program were December 6, 1982 through April 4, 1983. At that time, thirteen departments submitted requests to Finance for approval although only nine requests were ultimately approved.

Subsequently, on May 3, 1983 a second Executive Order (D-12-83) was issued in anticipation of FY 1983-84 budget reductions. This order became effective upon passage of the budget bill (July 21, 1983) and terminated 120 days later (November 17, 1983). During that period the Department received 16 requests, all of which were approved. Table 1 summarizes participation by departments in the two phases of the program.

Table 1
Participation in the
Early Retirement Program

	Phase One 12/6/82-4/4/83	Phase Two 7/21/83-11/17/83	Totals
Number of Departments Submitting Requests*	12	16	28
Number of Requests Approved	9	16	25
Number of Requests Denied	3	--	3
Potential Personnel Year Reductions Without Early Retirement	530	535.5	1,065.5
Number of Retirees	1,310	304	1,614

*Includes only those requests submitted to the Department of Finance. Requests that were withdrawn, or those approved by DPA but not submitted by the applying agency to Finance, are not included.

There has been a change made in the implementation of the early retirement program this second time. Due to situations that arose during the first phase where departments could not afford the costs of implementing early retirement on a department-wide basis, statutory authority was obtained to implement the program on less than a department-wide basis, at the option of departmental management. This authority was included in SB 922 (Chapter 183, Statutes of 1983) and has enabled additional departments to participate in the program and to avoid personnel reductions.

Early Retirement Savings:

In applying for the early retirement program, departments were required to provide estimates of costs and savings. Tables 2 and 3 show the participating departments' projections of fiscal effect for the first and second phases of the program, respectively. The tables indicate that the net savings will be over $3.6 million. In addition, the tables identify the number of personnel reductions that would have occurred without early retirement and the number of persons who chose early retirement.

In all but four cases, departments indicated that savings resulting from participation in the early retirement program would exceed costs. The remaining four departments estimated that savings would equal costs. As the fiscal estimates are based solely on the departments "best guesses" about what will occur in the future, the actual fiscal impact may differ significantly. At the time this report was prepared, participating departments either had just started their involvement in the program or had only a few months experience. Consequently, there is little data now available on actual savings generated by the program.

The primary method used to achieve the necessary savings to cover the early retirement costs was by holding vacated positions open. This technique represented one-time managed savings with many of the positions being ultimately filled either at the vacated level or at a lower classification level.

Legislative Budget Committee Notification:

The Legislative Budget Committee was furnished with copies of all approved proposals as well as with the notifications of approval issued by the Departments of Personnel Administration and Finance. The Committee did not file any notices of disagreement with either the procedures or the findings.

TABLE 2

FIRST PHASE OF EARLY RETIREMENT PROGRAM*
(December 6, 1982 Through April 4, 1983)

Agency	Pending Personnel Yr. Reductions	No. of Early Retirees	Estimated Costs	Estimated Savings	Difference (Net Savings
ging	25	9	$162,542	-$163,331	-$789
mmunity Colleges	16	13	236,855	-670,052	-433,197
ucation	75	60	586,100	-1,816,100	-1,230,000
vings and Loan	30	18	292,828	-295,933	-3,105
atewide Health Planning and Development	1	10	190,937	-257,437	-66,500
habilitation	147	144	1,737,294	-2,183,451	-446,157
uth Authority	20	150	2,381,343	-2,500,534	-119,191
e Teachers' Retirement System	16	16	237,600	-460,663	-223,063
lifornia State University	200	890	16,658,877	-16,658,877 **	0
TALS	530	1,310	$22,484,376	-$25,006,378	-$2,522,002

*Data was developed by the participating agencies.
**Savings will be accrued over a four-year period.

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TABLE 3

SECOND PHASE OF EARLY RETIREMENT PROGRAM*
(July 21 through November 17, 1983)

gency	Pending Personnel Yr. Reductions	No. of Early Retirees	Estimated Costs	Estimated Savings	Difference (Net Saving
ste Mgmt Bd.	12	4	$79,842	-$105,790	-$25,948
ergy Commission	133	9	214,297	-225,584	-11,287
ucation	25	25	453,400	-1,309,000	-855,600
coholic Beverage Control	3	3	82,935	-82,935	0
dustrial Relations	170	85	1,461,130	-1,483,755	-22,625
position and State Fair	13	13	207,432	-235,634	-28,202
uthful Offender Parole Board	3	6	228,278	-236,938	-8,660
and Agriculture	22	65	1,005,884	-1,005,884	0
uth Authority	20	39	681,314	-699,433	-18,119
stsecondary Education Commission	3	2	31,954	-31,954	0
nservation Corps	51.5	7	101,308	-117,447	-16,139
terans' Affairs	18	20	309,404	-355,475	-46,071
ntractors' State License Board	5	12	227,738	-229,002	-1,264
ing	30	4	56,172	-100,147	-43,975
ir Employment and Housing	5	4	89,821	-91,098	-1,277
cohol & Drug Programs	22	6	82,526	-112,928	-30,402
ALS	535.5	304	$5,313,435	-$6,423,004	-$1,109,569

ta was developed by the participating agencies.

1853D11

CHAPTER 680

An act to add Section 22731 to the Education Code, and to amend Section 20816 of the Government Code, relating to public retirement systems, and declaring the urgency thereof, to take effect immediately.

[Approved by Governor August 30, 1982. Filed with Secretary of State August 30, 1982.]

LEGISLATIVE COUNSEL'S DIGEST

SB 307, Dills. Public retirement systems: additional service credit.

Existing provisions of the State Teachers' Retirement Law and the Public Employees' Retirement Law generally limit receipt of service credit to time actually served in the performance of duties.

This bill would permit members of the State Teachers' Retirement System who are state employees and state and university members of the Public Employees' Retirement System to receive an additional 2 years of service credit, under specified conditions, if the Governor determines, by executive order, that the best interests of the state or the university would be served by encouraging the retirement of state and university employees.

The bill would take effect immediately as an urgency statute.

The people of the State of California do enact as follows:

SECTION 1. Section 22731 is added to the Education Code, to read:

22731. Notwithstanding any other provisions of this part, whenever the Governor, by executive order, determines that because of an impending curtailment of, or change in the manner of performing service, the best interests of the state would be served by encouraging the retirement of state employees, and that sufficient economies could be realized to offset any cost to state agencies resulting from this section, an additional two years of service shall be credited to members, who are state employees, if the following conditions exist:

(a) The member is credited with five or more years of service and retires during a period not to exceed 120 days or less than 60 days commencing no sooner than the date of issuance of the Governor's executive order which shall specify such period.

(b) The appointing power, as defined in Section 18524, of the Government Code, transmits to the retirement fund an amount determined by the board which is equal to the actuarial equivalent of the difference between the allowance the member receives after the receipt of service credit under this section and the amount the member would have received without the service credit. The transfer to the retirement fund shall be made in a manner and time period acceptable to the employer and the board.

(c) The appointing power determines that it is electing to exercise the provisions of this section, pursuant to the Governor's order, and certifies to the Department of Finance and to the Legislative Analyst, as to the specific economies that will be realized were the additional service credit towards retirement granted.

The amount of service credit shall be two years regardless of credited service, but shall not exceed the number of years intervening between the date of the member's retirement and the date the member would be required to be retired because of age. The appointing power shall make the payment with respect to all eligible employees who retired pursuant to this section.

Any member who qualifies under this section, upon subsequent re-entry to the system shall forfeit the service credit acquired under this section.

This section shall not be applicable to any member otherwise eligible if such member receives any unemployment insurance payments arising out of employment with an employer subject to this part during a period extending one year beyond the date of issuance of the executive order or if the member is not eligible to retire without the additional credit available under this section.

The benefit provided by this section shall not be applicable to the employees of any appointing power until the Director of Finance approves the transmittal of funds by that appointing power or the Board of Regents or the Board of Trustees to the retirement fund pursuant to subdivision (b).

The Director of Finance shall approve the transmittal of funds by the appointing power not sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the chairperson of the Joint Legislative Budget Committee, or not sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine. If there is any written communication between the Director of Finance and the Legislative Analyst, a copy thereof shall be forthwith transmitted to the chairperson of each appropriate policy committee.

The Legislative Analyst and the Department of Finance shall report to the Governor and the Legislature as of the first legislative day of each year, as to the extent to which economies realized under the provisions of this section have equaled the cost to agencies as estimated by the board.

SEC. 2. Section 20816 of the Government Code is amended to read:

20816. Notwithstanding any other provisions of this part, whenever the Governor, by executive order, determines that because of an impending curtailment of, or change in the manner of performing service, the best interests of the state would be served by encouraging the retirement of state employees, and that sufficient economies could be realized to offset any cost to state agencies resulting from this section, an additional two years of service shall be credited to state members, other than school members, if the following conditions exist:

(a) The member is credited with five or more years of service and retires during a period not to exceed 120 days or less than 60 days commencing no sooner than the date of issuance of the Governor's executive order which shall specify such period.

(b) The appointing power, as defined in Section 18524, or the Board of Regents of the University of California or the Board of Trustees of the State University, transmits to the retirement fund an amount determined by the board which is equal to the actuarial equivalent of the difference between the allowance the member receives after the receipt of service credit under this section and the amount the member would have received without such service credit. The transfer to the retirement fund shall be made in a manner and time period acceptable to the employer and the board.

(c) The appointing power or the Board of Regents or the Board of Trustees determines that it is electing to exercise the provisions of this section, pursuant to the Governor's order, and certifies to the State Department of Finance and to the Office of Legislative Analyst, as to the specific economies that will be realized were the additional service credit towards retirement granted.

The amount of service credit shall be two years regardless of credited service, but shall not exceed the number of years intervening between the date of the member's retirement and the date the member would be required to be retired because of age. The appointing power or the Board of Regents or the Board of Trustees shall make such payment with respect to all eligible employees who retired pursuant to this section.

Any member who qualifies under this section, upon subsequent re-entry to the system shall forfeit the service credit acquired under this section.

This section shall not be applicable to any member otherwise eligible if such member receives any unemployment insurance payments arising out of employment with an employer subject to this part during a period extending one year beyond the date of issuance of the executive order or if the member is not eligible to retire without the additional credit available under this section.

The benefit provided by this section shall not be applicable to the employees of any appointing power or the Board of Regents or the Board of Trustees until the Director of Finance approves the transmittal of funds by that appointing power or the Board of Regents or the Board of Trustees to the retirement fund pursuant to subdivision (c).

The Director of Finance shall approve the transmittal of funds by the appointing power or the Board of Regents or the Board of Trustees not sooner than 30 days after notification in writing of the necessity therefor to the chairperson of the committee in each house which considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or not sooner than such lesser time as the chairperson of the committee, or his or her designee, may in each instance determine. If there is any written communication between the Director of Finance and the Legislative Analyst, a copy thereof shall be forthwith transmitted to the chairperson of each appropriate policy committee.

The Office of the Legislative Analyst and the Department of Finance shall report to the Governor and the Legislature as of the first legislative day of each year, as to the extent to which economies realized under the provisions of this section have equaled the cost to agencies as estimated by the board.

SEC. 3. This act is an urgency statute necessary for the immediate preservation of the public peace, health, or safety within the meaning of Article IV of the Constitution and shall go into immediate effect. The facts constituting the necessity are:

In order that this act shall become operative during the 1981–1982 fiscal year, it must take effect immediately.

O

Executive Department
State of California

EXECUTIVE ORDER B-102-82

WHEREAS, the enactment of Chapter 680, Statutes of 1982, provides that when there is an impending curtailment of services or there is a change in the manner of performing services, the best interests of the State would be served by providing for two years additional service credit for eligible employees who take an early retirement and that sufficient economies could be realized to offset any cost to state agencies, the University of California, and the California State University; and

WHEREAS, the impact on the state budget as a result of declining resources will cause a curtailment of services and in the manner of performing services by state government, the University of California, and the California State University;

NOW, THEREFORE, I, EDMUND G. BROWN JR., Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this order to become effective immediately.

A. State agencies anticipating a layoff of state employees as a result of any one or more of the criteria listed below may submit applications for approval to participate in the early retirement program to the Department of Personnel Administration.

The University of California and the California State University will utilize the same criteria as applied to their respective programs and, if electing to participate in the program, will submit their applications directly to the Department of Finance for fiscal review.

CRITERIA:

1. Legislative reduction to its annual budget.

2. Program reduction or elimination.

3. Technological changes.

4. Population reduction (enrollment, patients, inmates, wards, etc.).

B. All applications will include statements of justification and a full fiscal display.

C. The Department of Personnel Administration will transmit approved state agency applications to the Department of Finance for fiscal review.

D. Payment of Public Employees' Retirement System and State Teachers' Retirement System costs will be made in a manner and time acceptable to participating state agencies, UC, CSU, PERS, and STRS Boards and the Department of Finance.

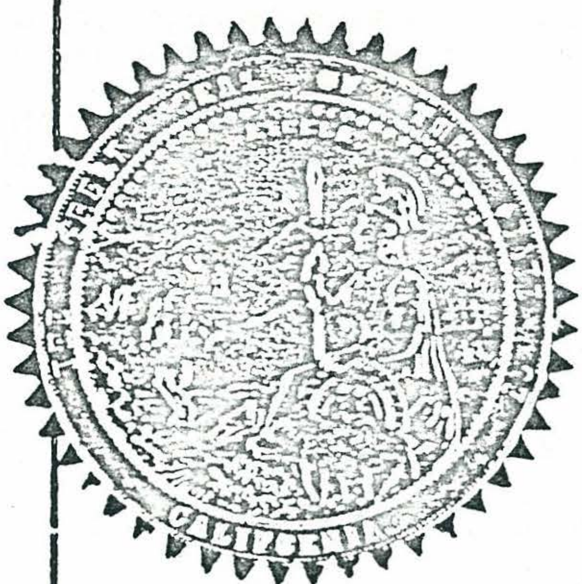
E. For state agencies electing to participate in the program the early retirement period will terminate 120 days from the effective date of this Executive Order.

F. For the University of California and the California State University, if electing to participate in the program, the early retirement program will not exceed 120 days and will commence on the respective dates agreed to by those organizations and the Department of Finance.

G. State agencies, the University of California, and the California State University are hereby advised that this program is to be viewed as a means to alleviate or minimize the stress and hardship on personnel in an anticipated layoff situation.

H. Employee participation is voluntary.

I. All approved plans are subject to the provisions of Chapter 680, Statutes of 1982.



IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 6th day of December 1982

Governor of California

ATTEST:

March Fong Eu

Secretary of State

BY

Deputy Secretary of State

Executive Department
State of California

EXECUTIVE ORDER D-12-83

WHEREAS, Chapter 680, Statutes of 1982 permits members of the State Teachers' Retirement System who are state employees and state and university members of the Public Employees' Retirement System to receive an additional two (2) years of service credit whenever the Governor determines by executive order, that

1) because of an impending curtailment of, or change in the manner of performing services, the best interests of the state would be served by encouraging the retirement of state employees; and

2) sufficient economies could be realized to offset any cost to state agencies resulting from award of such credit; and

WHEREAS, actions taken by the Legislature and the administration to eliminate the state budget deficit will likely result in a curtailment of services and the manner of performing services by state government, the University of California, and the California State University; and

WHEREAS, the best interests of the state would therefore be served by encouraging the retirement of state employees through the award of an additional two years of service credit; and

WHEREAS, sufficient economies could be realized to offset any cost to state agencies resulting from the award of such credit;

NOW, THEREFORE, I, GEORGE DEUKMEJIAN, Governor of the State of California, by virtue of the power and authority vested in me by the Constitution and statutes of the State of California, do hereby issue this order to become effective upon enactment of the 1983 Budget Act:

A. State agencies anticipating a layoff of state employees are eligible to participate in the early retirement program provided for by Chapter 680, Statutes of 1982 if such layoffs will result from one or more of the following factors:

1. Legislative reduction in its annual budget

2. Program reduction or elimination

3. Population reduction (reduction in enrollment, patients, inmates, wards, etc.)

B. State agencies other than the University of California and California State University shall submit applications to participate in the program to the Department of Personnel Administration after securing approval of the appropriate Agency Secretary.

C. *The University of California and California State University will utilize the same criteria as applied to their respective programs and, if electing to participate in the program, will submit their applications directly to the Department of Finance for fiscal review.*

D. *All applications will include statements of justification and a full fiscal display.*

E. *The Department of Personnel Administration will transmit approved state agency applications to the Department of Finance for fiscal review.*

F. *Payment of Public Employees' Retirement System and State Teachers' Retirement System costs will be made in a manner and time acceptable to participating state agencies, University of California, California State University, Public Employees' Retirement System and State Teachers' Retirement System Boards and the Department of Finance.*

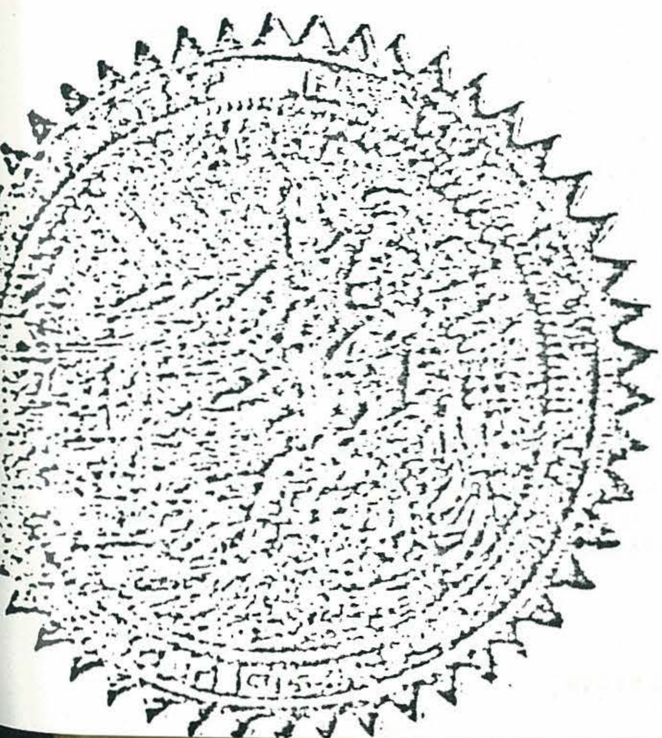
G. *For state agencies electing to participate in the program the early retirement period will terminate 120 days from the effective date of this Executive Order.*

H. *For the University of California and California State University, if electing to participate in the program, the early retirement program will not exceed 120 days and will commence on the respective dates agreed to by those organizations and the Department of Finance.*

I. *State agencies, the University of California, and the California State University are hereby advised that this program is to be viewed as a means to alleviate or minimize the stress and hardship on personnel in an anticipated layoff situation.*

J. *Employee participation is voluntary.*

K. *All approved plans are subject to the provisions of Chapter 680, Statutes of 1982.*



IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 3rd *day of* May *1983*

George Deukmejian

Governor of California

ATTEST:

March Fong Eu

Secretary of State

by [illegible]

Deputy Secretary of State

MANAGEMENT MEMO

SUBJECT: Implementation of 1982 Early Retirement Program	NO. 82-30
	DATE ISSUED: December 10, 1982
REFERENCES: CHAPTER 680, STATUTES OF 1982 (SB 307) AND GOVERNOR'S EXECUTIVE ORDER NO. B-102-82	EXPIRES: December 6, 1983

This memo is intended to implement the provisions of Chapter 680, Statutes of 1982 (SB 307) and Governor's Executive Order No. B-102-82 issued pursuant to the provisions of Chapter 680/82. (Copy attached.)

The intent of the enabling legislation is to provide State management with a mechanism to reduce the impact or to avoid the necessity of laying off employees during a period of limited or declining fiscal resources.

I. CRITERIA FOR ELIGIBILITY

SB 307 provides for the granting of additional retirement credits "whenever the Governor, by Executive Order, determines that because of an impending curtailment of, or change in the manner of performing service, the best interest of the State would be served, and that sufficient economies could be realized to offset any cost to State agencies" of the additional service credit.

In order to show that a department is eligible and satifies the criteria of being faced with an "impending curtailment of, or change in the manner of performing service" such that employees might otherwise have to be laid off, it must have evidence that one or more of the following four tests can be met:

1. Legislative reduction to its budget which will precipitate layoffs.
2. Severe program reduction or elimination.
3. Technological change.
4. Population reduction (enrollment, patients, inmates, etc.).

Employees must have been credited with five or more years of service in order to be considered eligible for early retirement within the designated period during which the program is operative.

Except for the two-year service credit for prospective retirees all other retirement criteria remain in force.

This program is voluntary on the part of the employees.

The effective date of the Executive Order for the Early Retirement Program is December 6, 1982, and extends for a period of 120 days until April 4, 1983.

For the University of California and the California State University the effective date will be established between those organizations and the Department of Finance. Application will be consistent will the criteria contained in the enabling legislation and Executive Order B-102-82.

II. APPLICATION

1. Departments electing to exercise the provisions of the Act and having determined they may be qualified under one of the above criteria will submit applications to the Department of Personnel Administration (DPA).

   Application will contain a certification of compliance with the intent and qualification of the Governor's Executive Order and Chapter 680/82.

2. Applications will consist of two parts: Part A, relating to the description, justification and impact on personnel; and Part B, relating to the fiscal impact.

   A. Applications will contain a narrative statement indicating under which of the above criteria they may be qualified, number of prospective retirees, and number of employees affected by a layoff and such other imformation as may be relevant to the proposal and which will assist DPA in the evaluation of the application. Retirement information on prospective retirees may be obtained from PERS Board or the STRS Board.

   B. Applications will also contain a full fiscal display indicating, but not limited to, the cost of the two years' retirement service credit, plus interest, as required by PERS and STRS; all personnel costs, such as lump-sum pay-off of vacation, overtime, etc.; offsetting costs of layoff avoidance, reduced salary costs, etc; how long it will take to achieve a "no net cost" and which fiscal year budgets will be affected (payoff period should not exceed two years); and, any other data relative to the fiscal aspects of the proposal.

3. Approved applications will be forwarded by DPA to the Department of Finance for the review of the fiscal impact of the proposals. In accordance with the provisions of Chapter 680/82 only those proposals indicating no net costs to participating departments will be approved by the Departmnent of Finance.

4. Approved plans will be forwarded by the Department of Finance to Legislative Fiscal Committees and the Joint Legislative Budget Committee in accordance with provisions of Chapter 680/82.

   The Director of Finance may not approve the transmittal of funds necessary to pay the cost of the additional service credit sooner than 30 days after having so notified both Legislative Fiscal Committees and the Legislative Budget Committee. (The committee chairpersons may determine that the transmittal may occur earlier than 30 days.)

III. STAFF CONTACTS

The staff contact of DPA is Bob Rutherford, Personnel Services Branch, (916) 324-0439, ATSS 454-0439. The staff contact at the Department of Finance is Richard Ray, Collective Bargaining Unit, (916) 445-5332, ATSS 485-5332.

for MARY ANN GRAVES
Director of Finance

Distribution: A B C D E F G H I J K L M N O P R X MM

2883A/8701G

MANAGEMENT MEMO

NO.
83-35

SUBJECT: Implementation of the Early Retirement Program

DATE ISSUED: August 15, 1983

REFERENCES: Executive Order D-12-83

EXPIRES: November 17, 1983

This Management Memo supercedes Management Memo 82-30.

This memo is intended to implement the provisions of Chapter 680, Statutes of 1982 (SB 307) and Governor's Executive Order No. D-12-83 issued pursuant to the provisions of Chapter 680/82. (Copy attached.)

The intent of the enabling legislation is to provide State management with a mechanism to reduce the impact or to avoid the necessity of laying off employees during a period of limited or declining fiscal resources.

I. CRITERIA FOR ELIGIBILITY

SB 307 provides for the granting of additional retirement credits "whenever the Governor, by executive order, determines that because of an impending curtailment of, or change in the manner of performing service, the best interests of the state would be served by encouraging the retirement of state employees, and that sufficient economies could be realized to offset any cost to state agencies" of the additional service credit.

In order to show that a department is eligible and satisfies the criteria of being faced with an "impending curtailment of, or change in the manner of performing service" such that employees might otherwise have to be laid off, it must have evidence that one or more of the following three tests can be met:

- Legislative reduction to its budget.
- Severe program reduction or elimination.
- Population reduction (enrollment, patients, inmates, etc.).

Proposals are limited to layoffs anticipated in the 1983-84 fiscal year only.

In compliance with the intent of the Executive Order which is to alleviate or minimize the effects of layoff, departments may request that the option of early retirement be restricted to those occupational groups of employees in a designated geographical, organizational, or functional subdivision of a State agency where the layoff is occurring.

Employees must have been credited with five or more years of service in order to be considered eligible for early retirement within the designated period during which the program is operative.

Except for the two-year service credit for prospective retirees, all other retirement criteria remain in force.

The term "layoff" will not apply to temporary help, intermittent help or seasonal employees.

This program is voluntary on the part of the employees.

The effective date of the Executive Order for the Early Retirement Program is upon signature of the Budget Bill, July 21, 1983 and extends for a period of 120 days up to and including November 17, 1983.

For the University of California and the California State University, the effective date will be established between those organizations and the Department of Finance. Application will be consistent with the criteria contained in the enabling legislation and Executive Order D-12-83.

II. APPLICATION

A. Departments organizationally responsible to an agency secretary shall obtain approval from the secretary before submitting proposals for further consideration by the Department of Personnel Administration (DPA) and Finance. Departments which qualify under one of the above criteria may then submit applications to DPA.

Applications should contain a certification of compliance with the intent and qualification of the Governor's Executive Order and Chapter 680/82.

B. Applications will consist of two parts: Part A, relating to the description, justification, and impact on personnel; and Part B, relating to the fiscal impact.

1. Part A will contain a narrative statement indicating under which of the above criteria they may be qualified, number of prospective retirees, and number of employees affected by a layoff and such other information as may be obtained from PERS Board or the STRS Board. This part of the application should be submitted to DPA, who will notify the departments of approval or denial in writing.

2. Part B will contain a full fiscal display indicating, but not limited to, the cost of the two years' retirement service credit, plus interest, as required by PERS and STRS; all personnel costs, such as lump-sum pay-off of vacation, overtime, etc.; offsetting costs of layoff avoidance, reduced salary costs, etc.; how long it will take to achieve a "no net cost" and which fiscal year budgets will be affected (payoff period should not exceed two years); and, any other data relative to the fiscal aspects of the proposal.

C. Applications (Part A and Part B), along with DPA written approval, will be submitted to the Department of Finance for the review of the fiscal impact of the proposals. In accordance with the provisions of Chapter 680/82 only those proposals indicating no net costs to participating departments will be approved by the Department of Finance.

D. Approved plans will be forwarded by the Department of Finance to Legislative Fiscal Committees and the Joint Legislative Budget Committee in accordance with provisions of Chapter 680/82.

The Director of Finance may not approve the transmittal of funds necessary to pay the cost of the additional service credit sooner then 30 days after having so notified both Legislative Fiscal Committees and the Legislative Budget Committee. (The committee chairpersons may determine that the transmittal may occur earlier than 30 days.)

III. STAFF CONTACTS

The staff contact at DPA is Bob Rutherford, Personnel Services Branch, (916) 324-0439, ATSS 454-0439. The staff contact at the Department of Finance is Richard Ray, Collective Bargaining Unit, (916) 445-8913, ATSS 485-8913.

MICHAEL FRANCHETTI
Director of Finance

Attachment

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