

PHASED RETIREMENT FOR PUBLIC EMPLOYEES

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FOREWORD

This report was prepared in response to Senate Resolution No. 80, House Resolution No. 123, and House Concurrent Resolution No. 115, S.D. 1, which were adopted during the Regular Session of 1992. The resolutions requested the Legislative Reference Bureau to study the feasibility of implementing a phased retirement program for state and county employees who are members of the Employees' Retirement System. This report contains the results of that study.

The data presented and the findings and recommendations made in this report could not have been achieved without the assistance of the many persons who consented to be interviewed and who responded to the Bureau's surveys and other requests for information. We are especially grateful to the Employees' Retirement System, the State Department of Personnel Services, and the county personnel departments for their cooperation.

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Chapter 1

INTRODUCTION

Recent trends toward retirement before age sixty-five have created a number of problems for American society. Among these: economic stresses on the social security and private pension systems; diminished productivity caused by the loss of experienced workers; rising health care costs for employers and government; and physical and mental health problems for workers who prematurely forfeit their lifetime work roles for retirement.¹

There is considerable debate over whether or not the trend toward earlier retirement will continue or reverse itself. However, even if the trend is reversed, the maturation of the baby boom generation will mean that large numbers of older workers will be reaching retirement age in the next two decades. Employers, like the state and county governments that have a large number of baby boomers in their workforces, could be adversely impacted by the sudden depletion of experienced workers in a compressed period of time.

Research, however, shows that due to the improved health status and longevity of older persons, many are interested in delaying retirement to work longer in their current jobs or reentering the job market after retirement to take on an easier, less stressful part-time job to supplement their retirement income. Interestingly, research also shows that such continued employment is often discouraged by pension plans which penalize delayed retirement or by the absence of appropriate "bridge jobs" or flexible work arrangements available to persons faced with the retirement question.²

Nearly one-third of the combined workforce of Hawaii's state and county governments is comprised of persons age fifty or older. Accordingly, it can be anticipated that large numbers of employees may be retiring in the next five to ten years. More disturbing, however, is a finding in a recent demographic study of the state civil service workforce that many mid-career employees are leaving the workforce, thereby decreasing the supply of employees who can assume the responsibilities of retiring older workers.³ The concern for the draining of knowledge and experience from the State's workforce as a result of a mass exodus of older employees was the subject of discussion in the workgroup on Employee Services and Labor Relations at the Civil Service Reform Conference held in October of 1991. Among the recommendations offered by the workgroup to meet the challenges of twenty-first century was a recommendation that a phased retirement program be developed and implemented for state employees aimed at retaining quality employees who no longer wish to work on a full-time basis.⁴ As a follow-up to the conference recommendations, the Senate and House adopted Senate Resolution No. 80 and House Resolution No. 123, respectively, and concurrently adopted House Concurrent Resolution No. 115, S.D. 1, during the 1992 legislative session requesting the Legislative Reference Bureau to conduct a study on the feasibility of implementing a phased retirement program for Hawaii's state and county employees. (See Appendices A and B for the text of the Senate and House Resolutions. The

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Concurrent Resolution in its final form was identical to the Senate Resolution, so it is not appended to this report.) Although the Conference recommended a phased retirement program only for state employees, the Legislature preferred to include county employees as well in the Resolutions.⁵

This study examines the feasibility of implementing a phased retirement program for Hawaii's state and county employees as a means of mitigating the impact of retirement by a large segment of the employee population in the next five to ten years.

To carry out this task, the Bureau reviewed pertinent literature and laws; conducted surveys of other states; state and county employers, employees, and unions; and conducted personal and telephone interviews.

ENDNOTES

1. Congress, Senate, Special Committee on Aging, Health and Extended Worklife: An Information Paper, (U.S. GPO: Washington, D.C., 1985) p. III.
2. See Joseph F. Quinn, Richard V. Burkhauser, Daniel A. Meyers, Passing the Torch: The Influence of Economic Incentives on Work and Retirement, W.E. Upjohn Institute for Employment Research (Kalamazoo: 1990); Peter B. Doeringer, Ed., Bridges to Retirement: Older Workers in a Changing Labor Market, ILR Press, School of Industrial and Labor Relations, Cornell University (Ithaca: 1990); Benson Rosen and Thomas H. Jerdee, "Retirement Policies: Evidence of the Need for Change", Human Resource Management, Spring 1989, Vol. 28, Number 1, 87-103; and Joan L. Kelly, "What Went Wrong", Personnel Journal, January 1990, 43-55.
3. See Hawaii, Social Science Research Institute, University of Hawaii, Civil Service Demographic Analysis, prepared for the Department of Personnel Services, (Honolulu: 1991).
4. Hawaii, Department of Personnel Services, Keeping the Best Reworking the Rest: Conference Findings and Report (report of the Civil Service Reform Conference, October 22-23, 1991), undated, III-5.
5. Interview with Kazuo Yamamoto, Chair, and Jenny Tobin, member, Employee Services and Labor Relations Workgroup, July 6, 1992.

Chapter 2

THE PHASED RETIREMENT CONCEPT

I. What is Phased Retirement?

"Phased retirement" in this report refers to a concept under which employees, when they are eligible for normal retirement, are allowed to work on a reduced work schedule prior to actual retirement. The concept evolved out of an altruistic concern that workers should be allowed a period of adjustment to ease the transition from full-time work to full retirement. In helping older workers prepare for retirement, phased retirement has also provided a means for the training of new workers to succeed the outgoing workers and an incentive for older workers, who so desire, to remain in their jobs. This concept is also referred to as "partial", "gradual", "flexible", "tapered", or "transitional" retirement.

In the private sector, phased retirement has been successfully implemented by a variety of businesses and interest has been growing in recent years. In the public sector, there is limited experience as well as interest.

Phased retirement program provisions vary considerably depending on the program intent. Many of the European programs were designed to ease the transition of the older worker from full employment to full retirement, but others were aimed at remedying a high and persistent unemployment problem. More recent programs in the private sector have been aimed at: (1) encouraging quality older workers to remain on the job longer; (2) providing options for the growing number of older workers who want to continue working, but on a part-time basis; and (3) reducing payroll costs by replacing high salaried older employees with lower salaried younger employees.

There is no singular model for phased retirement as the program must be designed specifically to meet the needs of the employer and employees involved. Generally, phased retirement programs include variations of the following basic components:

Eligibility - Most programs use eligibility for normal retirement as the criterion for participation if the purpose and intent are to delay full retirement. Programs aimed at helping the employee to bridge the gap between full employment and full retirement may set the eligibility a few months or years before normal retirement.

Work Schedule - Programs differ widely as to the work schedules allowed in phased retirement. The reduced work schedules may be in terms of a reduction of hours per day, days per week, weeks per month, or months per year. Some programs provide a graduated work schedule over a set period of time in which the participant works less as the full retirement date approaches. Others allow a range of partial employment options while still

others leave the decision to a case-by-case agreement between the employer and the participant.

Duration - Most programs limit participation to a period of one to three years. Some allow for participation during the last several months before retirement or for an indefinite period until the participant decides to fully retire.

Compensation - Many of the private sector programs allow the participant to continue to receive full salary and benefits while in the phasing period. Some provide for a prorated salary and retirement allowance which, when combined, is close or equal to the participant's full salary prior to entering the program. The public sector programs, on the other hand, usually limit the payment of a salary equivalent to the hours worked with some supplementation by a partial pension or bonus payment.

II. The European Experience

A study on the European experience conducted by the National Council for Alternative Work Patterns, Inc., provided a valuable information base from which American employers could develop and implement phased retirement programs.¹ This section describes the major findings from that study.

Recognizing that the bridge from work to retirement is often traumatic and painful, the European community assumed a leading role in the 1970's in the development of phased retirement programs. Employers, unions, and governments collectively called for implementation of phased retirement options for older workers. Throughout the late 1970's and early 1980's phased retirement programs were implemented in the private as well as public sectors. In 1982, the World Assembly on Aging endorsed a number of employment-related policies among which were policies to encourage measures that ensure smooth transition from active working life to retirement, that extend part-time or occasional work opportunities beyond the highly technological or administrative levels, and that provide the skills training necessary to implement such extension of opportunities.²

The study found that programs involved all types of industries, different workforce sizes, and both blue- and white-collar employees. There was considerable variation in the program provisions. Program duration varied anywhere from six months to five years. While most programs provided for shorter workdays or workweeks, some offered extensions of vacation time of up to one month. Participation in most programs was based on the pensionable retirement ages of the various state social security systems which varied from fifty-five to sixty-four. Most programs were voluntary; a few were mandatory. Some had a service requirement of five, ten, or fifteen years. Some limited enrollment to particular positions. A few programs that excluded managers and senior staff did so on the basis that job responsibilities precluded work-hour reductions or because they were not included in the collective bargaining agreements that set up the program.³

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In most programs, the participant retained full wages and benefits despite a reduction in work time and employers imposed certain requirements on the employee during nonworking hours such as participation in preretirement education programs or involvement in community service. Some provided reimbursement for fifty per cent of wages lost due to reduced hours and one prorated salaries to hours worked, but participants accrued pension credits and benefits as though their wages and salaries were unaffected. In most companies, job modification was not necessary except for certain occupational categories (sales staff, shift workers, managers, and senior-level employees).⁴

Some plans were initiated by corporate management without union input, but others were negotiated in collective bargaining agreements. Sweden had a legislatively mandated nationwide plan which grew out of proposals made by the metal workers' union to the government.⁵

Overall, European employers regarded phased retirement as having a positive impact in the workplace. Several used the program for training, pairing older and younger workers with decision-making authority transferred in stages to the younger, incoming employee. Cost did not seem to be an inhibiting factor. Most employers felt that the financial costs were difficult to estimate but viewed the program expense as relatively low considering the benefit derived for both employers and employees. Phased retirement costs were often regarded as part of training expenses which are often offset by production gains or as part of the retirement benefit package to reward dedicated service.⁶ One employer reported that its program cost was deliberately not calculated since that would invite its elimination or at least its alteration during any subsequent budget cutting process and the program was too valuable to risk that.⁷

Major obstacles encountered by European employers in introducing phased retirement included:⁸

- (1) Insufficient thought given to hidden extra costs;
- (2) Inadequate commitment by top management;
- (3) Insufficient thought given to solving production problems;
- (4) Union opposition;
- (5) Insufficient thought given to human problems and reactions;
- (6) Resistance from lower and middle management;
- (7) Lack of briefing and/or training to show employees how to take advantage of the greater flexibility; and

- (8) Lack of support from the workforce.

European executives stressed the importance of working with managers and union representatives for harmonious implementation, informing employees of the program, and securing commitment of senior corporate personnel.

III. The American Private Sector Experience

American interest in phased retirement heightened in the early 1980's amid concerns over the burgeoning elderly population. One study noted that in the 1960's, early retirement programs were encouraged as a means to make room for the influx of baby boomers entering the labor force. The view then, was that it was cheaper to replace older or middle-aged workers with younger workers rather than investing in retraining and retaining workers for a longer term. However, as the life span of the elderly increased, the costs of such retirement policies were being felt in the early 1980's, both in terms of economics and knowledge and expertise. Employees often took the retirement option simply because it was there and expected. Without retention options, employers began to lose valuable human resources.⁹ Policymakers and employers were encouraged to consider and develop flexible employment and retirement policies to meet the needs of the aging workforce.

1985 Study by U.S. Senate Special Committee on Aging

The U.S. Senate Special Committee on Aging examined various innovative policies and practices in private-sector companies regarding the employment of older workers. Among the myriad of programs, the Special Committee found a few phased retirement programs in a variety of manifestations with different arrangements for remuneration and employee benefits.¹⁰

One thing evident in this study was that many of the companies did not limit their offering of flexible options to only one program, such as phased retirement. Instead, they offered a variety of options in order to meet the varying needs of the composite workforce. Many of the private-sector companies reviewed offered some type of program where retirees could be rehired without loss of their pensions. Most of these programs were limited to the rehiring of certain employees with critical skills as consultants on a part-time or temporary basis. A few companies also established "retiree pools" from which retirees of all different occupational groups could be rehired on a temporary basis. Brief descriptions of some of the innovative programs reviewed by the Special Committee is provided below.

Corning Glass Works, a large manufacturer of glass and ceramic products for industrial and consumer use, has a phased retirement program called the "40 per cent work option" which is available to certain salaried professionals at least fifty-eight years of age with at least twenty years of service. The program was established as a means to control costs

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and to allow long-service employees to phase into full retirement. Participants are chosen by management and had to be in a job that did not require replacement of another person on the payroll. Participants can retire, collect their pension and continue working at 40 per cent time at 40 per cent of their preretirement salary. Participants continue to receive full medical benefits, prorated vacation benefits, and earn merit increases on a prorated basis. Participants can remain in the program until age sixty-two. In 1982, of the 3,800 salaried domestic management and professional employees in the company, fifty were selected and thirty elected to participate.¹¹

Kollmorgen Corporation, a large manufacturer of precision optical instruments, initiated a preretirement community service program in which an employee's work hours are gradually reduced during the last twelve months of employment to donate volunteer service to the community. To be eligible, the employee must be eligible for retirement, that is, age sixty-two with ten years of service. The preretirement year is divided into four quarters. During the first quarter, the employee's workweek is reduced by one day which is spent in volunteer service. An additional workday is dropped each quarter until the employee works only one day in the last quarter and does volunteer work for four days. There were four participants in 1981 and one in 1982.¹²

Mutual of New York, an international life insurance company, has a preretirement leave program for full-time employees sixty-four years of age or older with at least ten years of service. Two-thirds of the employees (those who retire prior to age sixty-five) are not eligible for this program. The leave program, called "hobby days", consists of one paid day off a week for the fifty-two weeks prior to retirement. An eligible employee must provide one year notice of intent to retire. On the average fifteen to twenty employees are eligible each year and all have chosen to participate.¹³

Polaroid Corporation, a large multinational manufacturer of instant cameras, film, and related products, offers its employees a variety of options for flexible retirement. Rehearsal retirement and tapering-off schedules are the two most commonly used. Rehearsal retirement allows potential retirees an unpaid leave of absence of up to six months to experience retirement before deciding whether or not to retire permanently. The employee does not accrue any benefits during the leave, but may continue group insurance coverage by paying the required premium. Under a tapering-off schedule, an employee may work on a reduced work schedule for three to five years prior to retirement. Employees continue to receive full medical insurance and prorated pension credits and other benefits.¹⁴

Teledyne Continental Motors, a manufacturer of tank engines, offers a "Golden Bridge" program for employees (age fifty-eight for hourly employers and sixty for salaried employees) with thirty years of credited service. The program, which is in the union contract, provides increased vacation time, insurance and pension benefits, and surviving spouse benefits for each year of participation. Between 1977 and 1983, 422 employees participated with the average number fluctuating annually from a high of 243 in 1977 to a low of 199 in 1982. Most of the participants were the hourly factory workers.¹⁵

The Travelers' Companies, a diversified financial services enterprise, established a retiree job bank where retirees register with the job bank for fixed schedule and on-call part-time positions and may work from eight to two hundred hours per month. Temporary positions are available during seasonal periods of high workload or when employees are on leave. Each day in the home office about sixty-five positions are filled by the pool.¹⁶

Varian Associates, a high technology research, development, and manufacturing firm has a phased retirement program involving a reduced workweek for employees at least fifty-five years old with five years of service who intend to retire within two years. The work schedule varies as long as employees work at least twenty hours per week. Participation is limited to three years. The company estimated that only five to ten per cent of eligible employees participate. While employees receive full medical and dental benefits, all other benefits are prorated. Employees in phased retirement are allowed to build up their retirement accounts by making additional voluntary contributions before entering or while in the program.¹⁷

Other Studies

A recent survey of 521 of the largest corporations in the United States was conducted for The Conference Board, a national organization that provides conferences, research, and other services to employers. The survey found that more than 93 per cent of the firms offered some type of alternative work schedule of which the most common arrangements were part-time work and flextime. Nine per cent of the firms offered phased retirement. The researcher conducting the survey noted that conditions in local labor markets, projected labor shortages, and increasing demands on employees to meet work-family needs have provided the momentum for flexible work schedules. The researcher concluded that although companies reported dramatic increases during the mid-1980's in the use of independent contractors and temporary workers, they expect to decrease the hiring of people off the regular payroll and increase their use of flexible work arrangements that encourage valuable employees to continue working and that respond to their work-family needs.¹⁸

Another survey, sponsored by the American Society for Personnel Administration and Commerce Clearing House, of human resource personnel management professionals revealed an interesting finding. Although flexible retirement policies are widely advocated by experts and are frequently mentioned in literature regarding older workers, the survey found that such policies are not in widespread use, nor does there appear to be great enthusiasm for them. Top management support was perceived as lacking and current public policies provided disincentives for both employees and employers.¹⁹ The social security earnings penalty; income taxes; and the ERISA regulation suspending pension benefits to workers who work for former employers more than forty hours a month are disincentives for the employee. The ERISA requirement that employers provide pension benefit accrual for employees who work more than 1000 hours a year and the requirement under the Tax Equity and Fiscal

Responsibility Act that employers provide health insurance for employees who continue to work beyond age sixty-five even though these employees are covered under Medicare, are disincentives for the employer. The researchers analyzing the survey results indicated that much more needs to be done on alternative public policies that remove the financial disincentives and other obstacles in the path of developing flexible policies for the future.²⁰

IV. The American Public Sector Experience

The Bureau surveyed the legislatures of the forty-nine other states to determine which states had or were planning to implement a phased retirement program. While the concept is not new to public colleges and universities,²¹ the Bureau found that it was a relatively unfamiliar concept among state legislatures. Of the thirty-seven states that responded to the Bureau's inquiries, only three states, California, Iowa, and Nevada reported having programs that cover general public employees, and one state, New York, reported having seriously considered implementing a program. Most of the states have never considered the phased retirement concept. Since the work schedules and working conditions of college and university faculty differ greatly from general employees, this section deals only with the general employee programs of the foregoing states.

California's Partial Retirement Program

California's program covers all employees except those in the University of California and safety and patrol positions. Employees are eligible to participate when they qualify for normal retirement. (See Appendix C for the text of the law and Appendix D for the program guidelines.) The program is aimed at protecting the fiscal soundness of the retirement system, increasing retirement options for employees, enhancing the quality of public service by retaining longer the skill and expertise of senior employees, and indirectly reducing the social costs of the premature departure of older workers from the labor market.

An interested employee submits an application to the appointing authority requesting participation in the program. Acceptance of the employee as a participant depends on whether or not the employee and the appointing authority can mutually agree upon a reduced work schedule. The participant's work schedule can be reduced by at least 20 per cent but not more than 60 per cent so that the participant is working at least 40 per cent but not more than 80 per cent of full-time.²² The participant may elect to reduce the work schedule once every fiscal year or increase the work schedule once every five years.

The participant receives a prorated salary and a prorated retirement allowance. If the participant works 40 per cent of full-time, the participant receives a salary equivalent to 40 per cent of the full-time salary for the position and 60 per cent of the participant's retirement allowance calculated at the time of entry into the program. The participant can remain in the program indefinitely or return to full-time work if such work is available. The participant is

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considered an "employee" while in the phased retirement program and is entitled to most employee benefits such as vacation, sick leave, health benefits, and pay increases.

Due to the bifurcated nature of the employee's income under partial service retirement, the Department of Personnel Administration (DPA) and the California Public Employees Retirement System (CPERS) jointly administer the program. The DPA has the administrative responsibility; however, the CPERS has the responsibility for all aspects related to retirement.

In its 1992 report to the Legislature, the DPA reported that interest in the program has been much lower than anticipated. Initially 4,000 eligible employees were identified as eligible to participate; however, only seventy have participated since the program began on January 1, 1984. Forty have fully retired, three have died, one returned to full-time work, and twenty-six remain active in the program.²³ The DPA reported approximately \$510,076 in salary savings for fiscal year 1990-91 for the twenty-six employees and that the ongoing program costs are minimal due to the small number of participants. The DPA recommended that the Legislature repeal the law requiring the submission of an annual report to the Legislature.²⁴

The CPERS attributes the low participation rate and apparent lack of interest to a law which allows retirees to return to work for not more than 120 days or 960 hours per year without jeopardizing their pension.²⁵ This amounts to nearly half-time employment. Back in 1969, the law limited work to sixty working days. In 1975, the law was changed to ninety working days and in 1983 "or 720 hours" was added. Finally in 1989, the law was amended to 120 working days or 960 hours. The work schedule can be full-time or part-time as long as the maximum number of days or hours is not exceeded. Although there is no ceiling on the duration of participation, the statute clearly indicates that such employment is only for emergencies or specialized work of limited duration. The CPERS contends that employees view this method of reduced hours more beneficial than partial service retirement.

Unlike the DPA which reported minimal program cost due to the small number of participants, the CPERS believes that the program is not cost-efficient since administration of the program is mostly a manual process. Accordingly, the CPERS suggested that the partial service retirement program be reviewed to determine whether it should be continued considering the low participation rate.²⁶

Iowa's Phased Retirement Program

Iowa's program was established for the purpose of cutting payroll costs by reducing its workforce at the high end. (See Appendix E for the text of the law and applicable Administrative Rules.) Eligibility under Iowa's program is sixty years with twenty years of service, the requirements for normal retirement. The participant remains in the program for five years or less if the participant advances the retirement date. The participant receives a

prorated salary and a bonus that is 10 per cent of the full-time salary and continues to receive most employee benefits.

According to Jerry Groff of the Iowa Department of Personnel, the program has not been successful. Currently, there are only two participants and that number has varied little since the program's inception. Because the program is intended to reduce the workforce, backfilling of the position is not allowed and the appointing authority loses the position count when the five-year period is over or earlier if the employee advances the retirement date. State departments must authorize an employee's participation in the program and pay for any attendant costs out of its appropriations. Since Iowa has undergone repeated downsizing efforts resulting in numerous layoffs, departments have been unwilling or unable to voluntarily cut back on full-time equivalents by approving employee participation.²⁷ Iowa attributes its problems to the unwillingness of appointing authorities to participate because it means reducing their staff and the concern of employees that the prorated service and salary credit earned during the five-year period will reduce their final retirement benefit.

Nevada's Phase-in Program

Nevada's Public Employees' Retirement Law provides for a phase-in program which has been in existence since 1979. (See Appendix F for the text of the law.) The program allows an employee to receive full service credit for part-time work if:

- (1) The employee and employer enter into a contractual agreement which is approved by the Public Employees' Retirement Board;
- (2) The employee will have reached the age and completed the years of service necessary for retirement, without actuarial reduction of the employee's benefit, at the expiration of the term of the agreement;
- (3) Works half-time or more, but less than full-time, according to the regular schedule established by the employer for the employee's position;
- (4) And contributions to the retirement system are made based on the full-time employment of the employee;

The agreement is limited to a five-year period and the employee must agree in writing to forfeiture of service credit not earned by actual work in the event the employee returns to full-time employment with any public employer at any time during the agreement period (except for elective office) or continues in part-time employment beyond the five-year period of the agreement.

According the Nevada Public Employees' Retirement System, the program has been used very sparingly since its inception, mostly by professional staff of the University system

prior to the establishment of a separate retirement system for University staff. While statistical data has not been compiled nor has there been any evaluation of the phase-in program, it is estimated that in the last ten years, not more than twenty have participated in the program. It is speculated that interest is low because employees simply cannot afford or do not want to work part-time despite the full service credit incentive, and that appointing authorities may not be willing to allow such reduction in work schedules.²⁸

Like California, Nevada laws allow the rehiring of retirees, however, on a more restrictive basis as retirees cannot be rehired unless they have been retired for at least ninety days. Rehired retirees are also limited to earning not more than one-half of the average salary of the retirement system's membership which currently amounts to \$14,000.²⁹

New York's Proposed Phased Retirement Program

In 1983, the New York State Office for Aging conducted a study on the feasibility of structuring phased retirement for New York state government employees. The study was conducted as part of the State's effort to explore alternative work options and schedules to enhance the delivery of services to its citizenry by responding to the needs of the service providers, the state employees. While various programs such as "job-sharing", "voluntary reduction-in-work schedule", and "take off the summer" were initiated, those options did not appeal to the older employees since they affected future retirement benefits. Phased retirement was viewed as an option for the older workers.³⁰

The study was a comprehensive three-year process involving, among others, the Office of Aging, Department of Civil Service, employee unions, the American Association of Retired Persons, the Governor's Office of Employee Relations, and the Business Council of New York. Despite recommendations that the state implement a phased retirement program for New York state employees, a program has not been implemented to date. An agreement on the final details of the program could not be reached due to a variety of factors. The employers and unions disagreed on such items as the amount of service credit a participant should earn and the use of the full-time salary equivalent for computing the final average compensation for calculating the final pension. The program required problematic changes to the already complex retirement system law to accommodate what would amount to a new class of members in the retirement system. Finally, a downturn in the Northeast economy caused concern that the proposed program would be viewed negatively as a benefit to state employees at a time when the economy was bad.³¹

ENDNOTES

1. Constance Swank, Phased Retirement: The European Experience, National Council for Alternative Work Patterns, Inc. (Washington, D.C.: 1982).
2. Ibid., 203-205.

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3. Ibid., 11-14.
4. Ibid., 20.
5. Ibid., 22.
6. Ibid., 19.
7. Ibid., 48.
8. Ibid., 25.
9. Congress, Senate, Special Committee on Aging, Aging and the Work Force: Human Resource Strategies, (Washington, D.C.: GPO, 1982), 15, 58-59.
10. Congress, Senate, Special Committee on Aging, Personnel Practices for an Aging Work Force: Private-Sector Examples, (Washington, D.C.: GPO, 1985), 10.
11. Ibid., 23-24.
12. Ibid., 36-37.
13. Ibid., 38-39.
14. Ibid., 41-42.
15. Ibid., 47-48.
16. Ibid., 50-51.
17. Ibid., 52-53.
18. Kathleen Christensen, "Here We Go Into the 'High Flex' Era", Across The Board, July/August 1990, 22-23.
19. Benson Rosen and Thomas H. Jerdee, "Retirement Policies: Evidence of the Need for Change", Human Resource Management, Spring 1989, Vol. 28, Number 1, 87-103.
20. Ibid.
21. In the late 1970's and early 1980's, an increasing number of public colleges and universities offered early, partial, and phased retirement programs for their faculty. These programs were developed for a variety of reasons, chief among them were: (1) the 1978 amendments to the Age Discrimination in Employment Act which precluded mandatory retirement before age 70; (2) financial constraints on institutions; (3) age and tenure status of faculty; and (4) student enrollment problems. Jay L. Chronister and Aileen C. Trainer, "Early, Partial and Phased Retirement Programs in Public Higher Education: A Report on Institutional Experiences", Journal of the College and University Personnel Association, Winter 1985, 27-31.
22. Public Employees' Retirement System Circular Letter Number 100-254, January 5, 1983.

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23. Of the twenty-six active participants:

15 began in 1991
5 began in 1990
2 began in 1989
2 began in 1988
1 began in 1986
1 began in 1984

Letter from Barbara Hegdal, Chief, Benefit Application Services Division, California Public Employees' Retirement System to Robert Painter, Department of Personnel Administration, January 31, 1992.

24. California, Department of Personnel Administration, 1992 Report to Legislature - Partial Service Retirement Program, 2.

25. Section 21153 of the Government Code provides:

"§21153 Service during emergency or to provide specialized work of limited duration. A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by this system upon appointment by the appointing power of a state agency or any other employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing work of limited duration. These appointments shall not exceed a total for all employees of 120 working days or 960 hours in any calendar year, and the rate of pay for the employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties."

26. Letter from Barbara Hegdal, Chief, Benefit Application Services Division to Robert Painter, Department of Personnel Administration, January 31, 1992.

27. Letter from Jerry Groff, Iowa Department of Personnel, to Susan Claveria, July 16, 1992.

28. Telephone interview with George Pyne, Operations Officer, Nevada Public Employees' Retirement System, October 29, 1992.

29. Nevada Revised Statutes, sections 286.520, 286.521, 286.525.

30. Telephone interview with William Spellecy, New York State Office for the Aging, July 10, 1992.

31. Ibid.

Chapter 3

WORKFORCE DEMOGRAPHICS

I. The National Workforce

The Aging of the Baby Boom Generation

The baby boom generation consists of about 76 million persons born after World War II, between 1946 and 1964. Researchers predict that the twenty-first century will see an unprecedented growth in the elderly population primarily due to the aging of the baby boom generation. The Bureau of Census reported that nearly 31 million Americans in 1989 were sixty-five years or older, and projects that this group will more than double, increasing to over 68 million by 2050.¹ The first members of the baby boom generation will reach age fifty-five by the year 2001 with the last reaching age fifty-five in 2019. Because of the size of the baby boom population and its comparatively lower birth rate, a greater proportion of the civilian labor force will be eligible to retire during this period than at any point in American history.² This increase in the retiree population means that if current retirement and employment patterns continue, there will be a disproportionately small corps of younger workers to generate the taxes to support the government programs and services on which retirees on limited income depend.

In a study conducted on the implications of the aging of postwar baby boomers as they leave the labor force, researchers found that Americans are leaving the labor force earlier.³ There was a significant decline from 1968 to 1989 in the labor force participation of older men and a relative decline for older women. Those who remain employed are more likely to be working part-time.⁴ Studying exit patterns of workers age fifty-eight to sixty-three from career jobs, researchers found that the least likely transition was to part-time work on the career job, but noted that it may have been because this option was generally not available to workers or because workers chose to leave in order ensure maximum pension benefits as some pension plans inadequately reward continued work and discourage part-time work where the earnings base on which pension allowances are calculated is the last as opposed to the highest few years.⁵

Traditional retirement was most common in the unionized manufacturing sector, and least common in construction, trade, and services. Nontraditional transitions, such as moving to part-time or full-time work in another job or changing to part-time status in a career job, were most frequent among white-collar workers. Researchers predict an increase in part-time and full-time work on new postcareer jobs due to the easing of social security employment disincentives and the penalties realized by continuing in the career job.⁶

In another study conducted by the Employee Benefit Research Institute on the work and retirement patterns of older workers it was found that:

- (1) Social security is likely to increase the frequency of postcareer employment and partial retirement because those who are under age seventy will reduce their work hours to remain below the earnings test ceiling;
- (2) Defined benefit pension plans in which the actuarial value of the pension is frequently maximized at a time when the worker is fairly young provide strong incentives for earlier retirement, but also may encourage gradual labor market transitions where workers move into bridge employment rather than withdraw from the labor force;
- (3) Nearly six in ten workers leave career employment before age sixty, 71 per cent do so by age sixty-two, and fewer than 10 per cent remain in career positions until age sixty-five. White males, college educated persons, and pension-covered workers remain in career employment longer. Career jobs are not synonymous with lifetime employment. Almost two-thirds of workers remain in the labor force following the end of their longest held job, and more than one-third continue to work for ten years or more.⁷

As part of a series of reviews of the federal government's ability to attract and retain quality employees, the United States General Accounting Office (GAO) examined the implications of two widely noted 1987 reports regarding the changing workforce and the need for employers to transform their human resource systems in response to those changes. The GAO emphasized the importance of developing workforce policies that respond to the changing workforce demographics in order to gain a competitive edge in attracting and retaining employees and improving productivity.⁸ The GAO warned, however, that policies should be carefully considered and should be tailored to the particular demographic conditions of individual agencies and the needs of employees.⁹ As to the expected increase in the number of employees eligible for retirement in the first half of the twenty-first century, the GAO suggests that changes in employment conditions and policies may be needed to encourage continued employment of older workers or to better accommodate their needs.¹⁰

Retirees and Their Desire to Work

A survey by the American Association of Retired Persons (AARP) found that one-third of its thirty million members were earning paychecks and one-third of the retirees wanted to return to full- or part-time employment. The pool of older workers is a mosaic of individuals with different backgrounds, experience, skills, and interests. The pool includes retirees who are bored with retirement and looking for some structure in their lives; mid-life career changers; those who are in need of health insurance coverage and building up retirement security; those who receive social security benefits or other pension benefits, but who need to supplement their retirement income; and those looking for social and psychological benefits of gainful employment. Some may be interested in full-time employment, but most are interested in part-time work and flexible hours.¹¹

II. Hawaii's State and County Workforce

The Bureau is not able to provide precise demographic data on the state and county workforce as there was no single source that had current data on all state and county employees that could be easily extracted for the purposes of this report. General data on age and years of service for state employees were obtained through the Information and Communications Services Division (ICSD) of the Department of Budget and Finance with the assistance of the Department of Personnel Services. Comparable data for county employees were obtained through the county personnel departments; however, one county only provided data on civil service employees because of the time involved in manually compiling the information requested by the Bureau. Finally, specific demographic analyses of civil service employees of the executive branch which amounts to about one-half of the public employee group was obtained through a study prepared for the Department of Personnel Services by the Social Science Research Institute of the University of Hawaii at Manoa. Despite this assorted collection, the Bureau believes that the data herein provide a sufficient picture of the State and county public employee population for the purposes of this study.

State Executive Branch Civil Service Workforce

In 1991, the Social Science Research Institute of the University of Hawaii conducted a detailed analysis of demographic data of the 21,554 civil service employees in the executive branch for the Department of Personnel Services.¹² Since this group represents almost one-half of the public employees in the Employees' Retirement System, the analysis should be representative of the entire state and county public employee workforce and is useful for the purposes of this study.

The study reported that age demographics show potential problems in retirement and workforce composition as baby boomers approach retirement and young workers enter the labor market. The retention of mid-career personnel and potential retirees will become a major concern as with the disproportionately high number of older employees as well as younger employees. Among state civil service employees, 60 per cent are female and 40 per cent are male,¹³ with more females than males in office/clerical, paraprofessional, and professional occupations.¹⁴ Males tend to remain in civil service for longer periods of time; women have higher turnover and fewer years of service.¹⁵

The study found that almost two-thirds (63.7 per cent) of the employees have less than ten years of service. Those with less than five years make up 41.8 per cent of the civil service and those with five to nine years, 21.9 per cent. Employees with ten to nineteen years of service totalled 26.2 per cent. This pattern showing a disproportionately high percentage of employees with less than ten years of service is attributed in part to a significant increase in

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state civil service hires since 1986 and the higher than average turnover in age groups under thirty-five.¹⁶

The highest numbers of workers are in salary ranges (SR) 8, 9, 20, and 22; the length of service of persons in SR-8 and below is relatively short. With the age of retirement of state civil service employees moving downward toward the fifty-five to fifty-nine range and the relationship of length of service to age, the SR-31, SR-30, and SR-28 levels are clearly vulnerable to the loss of seniority and expertise.¹⁷

Professionals (24 per cent), office and clerical (22 per cent), and service and maintenance workers (20 per cent) are the largest occupational groups; however, the groups most susceptible to the effects of retirement are officials and administrators with a median age in the fifty to fifty-four range.¹⁸ Occupations most vulnerable to personnel depletion by retirement age are service/maintenance with almost 42.7 per cent of the 4,368 employees over fifty-five and 61.1 per cent over fifty; skilled craftpersons with 29.1 per cent of 1,512 employees over fifty-five and 44.3 per cent over fifty; office/clerical with 27.4 per cent of 4,712 employees over fifty-five and 38.7 per cent over fifty; and officials/administrators with 23.8 per cent of 289 employees over fifty-five and 46.3 per cent over fifty.¹⁹

Departments with potential problems due to age demographics are the Department of Accounting and General Services with 24.2 per cent of its 815 employees over fifty-five and 36.8 per cent over fifty; the Department of Education with 21.9 per cent of its 5,050 employees over fifty-five and 36.4 per cent over fifty; the University of Hawaii with 19.2 per cent of its 1,631 employees over fifty-five and 31.4 per cent over fifty; and the Department of Transportation with 19.0 per cent of its 2,107 employees over fifty-five and 33.0 per cent over fifty.²⁰

*Resignations show the trend of a definite increase in percentage while retirements decrease. If resignations continue to grow, there may be problems in maintaining quality of service.*²¹ Resignations are heavy in the age twenty-five to twenty-nine and thirty to thirty-nine range while retirements are heavy in the fifty-five to fifty-nine range. The resignation trend suggests that there is an increasing outflow of mid-career employees leaving for personal reasons and better employment opportunities.

The Social Science Research Institute alluded to recent reports about the federal civil service describing a "quiet crisis" of turnover and retention problems which threatens public service.

The "quiet crisis" refers to a growing abandonment of government service by employees when their experience base enables them to strengthen government operations. It is "quiet" because resignation rates are not showing significant increases, but employees from the mid-career group, among whom may be the best and brightest, are a greater proportion of those leaving. This

loss has been attributed to issues of pay, benefits, morale, and advancement.²²

The Social Science Research Institute suggests that there is a corresponding crisis in the state civil service as there is an increasing outflow of mid-career workers leaving for personal reasons and better employment opportunities. This pattern among state civil service employees is more pronounced in the thirty-five to forty-four range which is part of the baby boom population. Since Hawaii's age distribution is similar to the national picture, the effect of the retiring baby boomers is expected to have a greater impact on government service than any other group in previous generations. The Social Security Administration expects this effect to commence in 1996.²³

The Aggregate Public Sector Workforce

Although the data obtained from the state and county personnel departments are not as refined as that provided in the Social Science Institute's analysis of the state civil service workforce, they do provide a general picture of the aggregate state and county workforce, including most of the noncivil service employees. As of July 15, 1992, the aggregate workforce was nearly 54,000.²⁴ Of that number, roughly 35,000 are civil service employees and 19,000 are either exempt from civil service or under a different personnel system such as the Department of Education certificated personnel and the University of Hawaii Board of Regents appointees (faculty and administrative, professional, technical employees). State employees account for approximately 40,000 or nearly 75 per cent of Hawaii's public employees.

Approximately 26 per cent of the public employee workforce is age fifty or over (see Table 1). The problem of an aging workforce appears to be more of a problem at the State rather than county level. For the State alone, the percentage is 28 per cent. The age thirty-four and under group accounts for approximately 23 per cent. Over 65 per cent of the public employee workforce falls in the age thirty-five to fifty-four category. As noted earlier in this chapter, the federal workforce in this age range was nearly 60 per cent while the nonfederal workforce was less than 40 per cent.

The compiled data revealed that the problem of a disproportionately high percentage of employees with less than ten years of service found in the state civil service workforce is not as severe in the aggregate workforce, although the pattern is still evident. Nearly fifty-two per cent of the aggregate workforce had less than ten years of service, of which 33.6 per cent had less than five years of service (see Table 2). Employees with ten to nineteen years of service totalled 25.2 per cent. Those with twenty or more years of service amounted to 23.3 per cent compared to 10.2 per cent in the state civil service workforce.

Table 1

Employees in Active Service as of July 15, 1992
By Age Groups*

	Under 20	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	TOTAL
20												
State	20	724	3,115	4,361	5,876	7,319	7,569	5,416	3,302	1,843	565	40,110
% of Column	(58.8)	(59.3)	(67.4)	(68.0)	(71.3)	(75.2)	(79.1)	(80.2)	(79.7)	(82.8)	(81.6)	(74.8)
% of Row	(.05)	(1.8)	(7.8)	(10.9)	(14.7)	(18.2)	(18.9)	(13.5)	(8.2)	(4.6)	(1.4)	
Honolulu C & C	10	327	1,066	1,409	1,607	1,565	1,382	935	579	282	101	9,263
% of Column	(29.4)	(26.8)	(23.1)	(22.0)	(19.5)	(16.1)	(14.4)	(13.9)	(14.0)	(12.7)	(14.6)	(17.3)
% of Row	(0.1)	(3.5)	(11.5)	(15.2)	(17.3)	(16.9)	(14.9)	(10.1)	(6.3)	(3.0)	(1.1)	
Hawaii	0	54	153	297	338	417	281	165	118	41	11	1,875
% of Column	(0.0)	(4.4)	(3.3)	(4.7)	(4.1)	(4.3)	(2.9)	(2.4)	(2.8)	(1.8)	(1.6)	(3.5)
% of Row	(0.0)	(2.9)	(8.2)	(15.8)	(18.0)	(22.2)	(15.0)	(8.8)	(6.3)	(2.2)	(0.1)	
Kauai**	2	26	84	92	150	144	112	80	49	20	2	761
% of Column	(5.9)	(2.1)	(1.8)	(1.4)	(1.8)	(1.5)	(1.2)	(1.2)	(1.2)	(0.9)	(0.3)	(1.4)
% of Row	(0.1)	(3.4)	(11.0)	(12.1)	(19.7)	(18.9)	(14.7)	(10.5)	(6.4)	(2.6)	(0.1)	
Maui	2	91	203	251	268	287	229	156	95	39	13	1,634
% of Column	(5.9)	(7.4)	(4.4)	(3.9)	(3.3)	(2.9)	(2.4)	(2.3)	(2.3)	(1.8)	(1.9)	(3.0)
% of Row	(0.1)	(5.6)	(12.4)	(15.4)	(16.4)	(17.6)	(14.0)	(9.5)	(5.8)	(2.4)	(0.1)	
Column Total	34	1,222	4,621	6,410	8,239	9,732	9,573	6,752	4,143	2,225	692	53,643
% of Row	(.06)	(2.28)	(8.61)	(11.95)	(15.36)	(18.14)	(17.85)	(12.59)	(7.72)	(4.15)	(1.29)	

*Excludes student help, temporary hires, and substitute teachers.

**Does not include contractual or exempt employees.

Source: Data compiled from information submitted to LRB by the state and county personnel offices.

Table 2

Employees in Active Service as of July 15, 1992
By Years of Service

	Under 5	5-9	10-14	15-19	20-24	25-30	31+	TOTAL
State	13,415	7,129	5,421	4,402	5,676	3,091	976	40,110
% of Column	(74.4)	(74.0)	(71.7)	(74.2)	(76.2)	(81.7)	(77.8)	(74.8)
% of Row	(33.4)	(17.8)	(13.5)	(11.0)	(14.2)	(7.7)	(2.4)	
Honolulu C & C	3,026	1,732	1,391	1,013	1,286	571	244	9,263
% of Column	(16.8)	(18.1)	(18.4)	(17.1)	(17.2)	(15.1)	(19.4)	(17.3)
% of Row	(32.7)	(18.7)	(15.0)	(10.9)	(13.9)	(6.2)	(2.6)	
Hawaii	652	341	347	235	219	68	13	1,875
% of Column	(3.6)	(3.5)	(4.6)	(4.0)	(2.9)	(1.8)	(1.0)	(3.5)
% of Row	(34.8)	(18.2)	(18.5)	(12.5)	(11.7)	(3.6)	(0.7)	
Kauai	225	137	170	92	117	14	6	761
% of Column	(1.2)	(1.4)	(2.3)	(1.5)	(1.6)	(0.4)	(0.5)	(1.4)
% of Row	(29.6)	(18.0)	(22.3)	(12.1)	(15.4)	(1.8)	(0.8)	
Maui	720	291	227	189	153	38	16	1,634
% of Column	(4.0)	(3.0)	(3.0)	(3.2)	(2.1)	(1.0)	(1.3)	(3.0)
% of Row	(44.0)	(17.8)	(13.9)	(11.6)	(9.4)	(2.3)	(1.0)	
Column Total	18,038	9,630	7,556	5,931	7,451	3,782	1,255	53,643
% of Row	(33.6)	(17.9)	(14.1)	(11.1)	(13.9)	(7.1)	(2.3)	

Source: Data compiled from information submitted to LRB by state and county personnel offices.

III. Implications for Public Policy in Hawaii

The trend in retirement at earlier ages and the anticipated ballooning of the retirement population in the next decade suggest that responsive human resource planning for the impending workforce changes is critical. Planning, however, should not only be based on demographic trends, but should also address the specific needs of older employees, of particular occupational groups, and of the appointing authorities. In determining the feasibility of programs such as phased retirement, policymakers must consider a myriad of issues, including but not limited to: Whether or not employees really want to continue in their career jobs or would they prefer new post-career jobs? Are there differences in the desire to continue working in career jobs between general office personnel and public safety personnel where physical and mental stresses on the job may be more intense? Will there be a reversal in the trend toward early retirement by employees in the noncontributory plan of the retirement system who will be receiving lower pension allowances?

In view of the high percentage of employees at the age thirty-five to forty-nine range and at the less than ten years of service level, the more immediate problem in Hawaii is the loss of mid-career personnel through resignations. If this trend is allowed to continue, the impact of retirement will be more severe as there will be insufficient numbers of mid-career personnel to assume top-level positions vacated by retirees. Programs to retain employees may be in order to avert continuity problems in the effective execution of governmental operations.

ENDNOTES

1. U.S., General Accounting Office, Long-term Care: Projected Needs of the Aging Baby Boom Generation, (Washington, D.C.: GPO, 1991).
2. U.S., General Accounting Office, The Changing Workforce: Demographic Issues Facing the Federal Government, (Washington, D.C.: 1992), 27-30.
3. Joseph F. Quinn, Richard V. Burkhauser, Daniel A. Myers, Passing the Torch: The Influence of Economic Incentives on Work and Retirement, W.E. Upjohn Institute for Employment Research (Kalamazoo: 1990)
4. Ibid., 23.
5. Ibid., 177.
6. Ibid., 247.
7. Christopher J. Ruhm, "The Work and Retirement Patterns of Older Americans", EBRI Issue Brief, No. 121, December 1991.
8. U.S., General Accounting Office, The Changing Workforce, 68-69.
9. Ibid., 71.
10. Ibid., 68.

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11. Joan L. Kelly, "What Went Wrong?", Personnel Journal, January 1990, 43-55.
12. Hawaii, Social Science Research Institute, University of Hawaii, Civil Service Demographic Analysis, prepared for the Department of Personnel Services, (Honolulu: 1991).
13. *Ibid.*, 3-10.
14. *Ibid.*, 2-8.
15. *Ibid.*, 3-10.
16. *Ibid.*, 2-9.
17. *Ibid.*, 2-13.
18. *Ibid.*, 2-13.
19. *Ibid.*, 3-22.
20. *Ibid.*, 3-23.
21. *Ibid.*, 3-6.
22. *Ibid.*, 3-26.
23. *Ibid.*, 3-26.
24. According to the Employees' Retirement System's Sixty-sixth Annual Actuarial Valuation, the number of employees in active service as of March 31, 1991 was 53,595. so this figure is within the ball park.

Chapter 4

RETIREMENT UNDER THE CURRENT SYSTEM

The Employees' Retirement System

The Employees' Retirement System (ERS) consists of all state and county employees except for per diem employees who elect to withdraw or not become members; legislators and elected officers who elect not to be members; and part-time and temporary employees excluded by rules of the board of trustees.¹ The ERS has two benefit plans: contributory and noncontributory. The contributory plan has been in effect since the inception of the ERS. In 1984, the Legislature established the noncontributory plan which would apply to all new employees hired after June 30, 1984, and employees in the contributory plan who elected to join the new plan.² Excluded from the noncontributory plan are police officers, firefighters, corrections officers, investigators of the departments of the Prosecuting Attorney and the Attorney General, narcotics enforcement investigators, judges, elected officials, and persons not covered by Social Security. Although the employers contribute the same amount to the ERS for both contributory and noncontributory members, contributory members contribute a portion of their salary to the annuity savings fund while noncontributory members do not. Accordingly, the pension allowances are higher for contributory members. The noncontributory plan was instituted on the assumption that employees could benefit more by investing in their own annuity savings plans which would earn more than the 4.5 per cent interest that employee contributions to the ERS earned. Moreover, since contributions for such annuity savings plans were deductible from income before taxes, the employee's take home pay would be larger.

The ERS membership is categorized into three classes:

- (1) Class A consists of contributory members who entered service prior to July 1, 1984, who are covered by Title II of the Social Security Act for service creditable under the ERS law; judges; elective officers; chief clerks, assistant clerks, sergeant at arms, and assistant sergeant at arms of either house of the legislature; department heads and deputies; investigators of the department of the attorney general; and narcotics enforcement investigators.
- (2) Class C consists of all noncontributory members who entered service after June 30, 1984, and those who entered service prior to July 1, 1984, but elected to become a class C member; and
- (3) Class B members are all those who are neither class A or class C. Generally speaking, these are employees who are not covered under the Social Security Act.³ Included in this category are police officers, firefighters, and members who, in 1957, elected not to join social security.⁴

RETIREMENT UNDER THE CURRENT SYSTEM

Class A members contribute 7.8 per cent of their salary to the ERS.⁵ They can retire upon reaching age fifty-five if the member has at least five years of credited service.⁶ The retirement allowance is 2 per cent of the average final compensation (AFC) multiplied by the years of service. Early retirement is permitted at any age if the member has at least twenty-five years of service, but the member will be subject to a reduced benefit.⁷

A class C member can retire upon reaching age sixty-two if the member has at least ten years of credited service or at age fifty-five if the member has thirty years of service.⁸ A class C member is eligible for a reduced early retirement at age fifty-five if the member has at least twenty years of credited service.⁹ The reduction is 0.5 per cent for each month the member is less than age sixty-two.¹⁰ If a class C member retires but later returns to service, the member's benefits will be suspended until the member again retires and a new allowance is calculated.¹¹

Class A members who have at least ten years of credited service as a judge; elective officer; or chief clerk, assistant clerk, sergeant at arms, or assistant sergeant at arms of the legislature, may retire at any age.¹² They receive a pension of 3.5 per cent of AFC as well as an annuity for each year of such service in any of the foregoing positions up to a maximum of 75 per cent of the members average final compensation.¹³ Legislators who attain age sixty-five may retire and receive a retirement allowance while continuing in elective office.¹⁴

Police officers, firefighters, corrections officers, investigators of the departments of the Prosecuting Attorney and the Attorney General, and narcotic enforcement investigators contribute 12.2 per cent of their monthly salary¹⁵ to the ERS instead of 7.8 per cent and they can retire at age fifty-five with ten years of service or at any age with twenty-five years of service. The retirement benefit is calculated at 2.5 per cent of AFC for each year of service up to a maximum of 80 per cent of the member's AFC; provided the last five years consist of service in any of these occupations.¹⁶

Sewer workers in specified classifications may retire at any age and receive an unreduced normal benefit (2 per cent of AFC) if they are credited with twenty-five years of such service with the last five or more years in the eligible classification.¹⁷

Besides the retirement allowance, the ERS also offers disability and death benefits for active members and free health plan coverage for retired members. (See Appendix G for a chart illustrating the differences in benefits between the contributory and the noncontributory plans.)

An employee who delays retirement beyond the date of eligibility for normal service retirement without any reduction in benefit, receives a higher retirement allowance since extended employment generally means increased service credit and a higher average final compensation (assuming there are annual pay increases). Table 3 shows the percentage of final average compensation a retiree gains with the increase in years of service. The Table

also clearly illustrates that the retirement benefit is far greater for the contributory member and why the noncontributory member may be more inclined to delay retirement to earn a higher retirement allowance.

Table 3
Normal Retirement Benefits as Percentage
of Average Final Salary

Years of Service	Age at Retirement			
	55		62 or older	
	Contributory	Noncontributory	Contributory	Noncontributory
5	10%	*	10%	*
10	20%	*	20%	12.50%
15	30%	*	30%	18.75%
20	40%	*	40%	25.00%
25	50%	*	50%	31.25%
30	60%	37.50%	60%	37.50%
35	70%	43.75%	70%	43.75%
40	80%	50.00%	80%	50.00%

*Under the noncontributory plan, normal retirement benefits are not payable if employee is age 55 and has less than 30 years of service. However, reduced early retirement benefits are payable at age 55 if employee has 20 years of service, and vested benefits become payable at age 65 if employee leaves employment before age 62 and has 10 years of service.

Source: Adapted from Hawaii, Employees' Retirement System, Now You Have a Choice: Stay in Present Contributory Retirement Plan or Join New Noncontributory Retirement Plan, July 1984, 8.

The most obvious disadvantage to the employee for delaying retirement is that the employee does not receive the "free" health plan coverage which is part of the retirement benefit.¹⁸ At the July 1, 1992 premium rate, employees pay in the range of \$532.32 to \$692.64 per year for a self only plan and \$1,629.92 to \$2,010.08 for a family plan, including drug, vision care, and dental coverage. A retiree's pension is augmented by the savings realized from the free health care coverage. Because of the high and continually escalating cost of health care, the free health plan coverage is a significant incentive for retirement. Another disadvantage to delaying retirement is that the employee remains in a higher tax bracket.

The ERS Membership Data

As of March 31, 1991, there were 53,595 active employees in the ERS.¹⁹ Of that number, 34,553 or 64.5 per cent, were noncontributory members. Contributory members amounted to 19,042 or 35.5 per cent. When compared with noncontributory members, contributory members tend to be older, with more years of service and higher salaries.²⁰ As time passes, the number of contributory members will be substantially smaller as those who opted in 1984 to remain in the contributory plan retire, leaving only those who are required to be contributory members, such as police officers, firefighters, corrections workers, and elected officials.

Of the total active members, 15,285, or 28.5 per cent, were age fifty and over.²¹ Approximately 591 noncontributory members and 4,453 contributory members were already eligible for retirement.²² However, of those numbers, only 1,160 retired on service retirement.²³

Retirements under the ERS appear to average around 1,100 to 1,200 a year which amounts to less than one-fourth of those eligible to retire. Table 4 shows a comparison of the number of members eligible to retire from 1985-1991 and the actual retirements for those years. For actuarial valuation purposes, the assumed retirement age is sixty for general employees, fifty-eight for teachers, and age fifty-three to fifty-five for police officers, firefighters, and corrections officers. For noncontributory members, the assumed age is sixty-four.²⁴ From June 30, 1990, to March 31, 1991, the distribution by age of the 1,160 new service retirees in 1991 and the percentage of new service retirees by age group over a five-year period up to June 30, 1991, are displayed in Tables 5 and 6.

Social Security

The social security system was established by the enactment of the Social Security Act of 1935 to provide a social insurance program tailored to meet the risks of old age and unemployment. The system is comprised of various benefit programs, of which the largest is the Old-Age, Survivors, and Disability Insurance (OASDI). The OASDI, commonly referred to as "social security" is an income-maintenance program which provides monthly cash benefits designed to replace, in part, the income a worker and the worker's family loses when the worker retires in old age, becomes severely disabled, or dies.²⁵ Funds for the program come from taxes paid by workers, along with matching funds paid by their employers, up to the annual taxable maximum (\$55,500 for social security and \$130,200 for Medicare in 1992) which is automatically adjusted as wages rise. Self-employed persons pay taxes on their annual earnings up to the maximum at the combined employer-employee rate. The taxes constitute more than ninety-five per cent of the program revenues.²⁶

Table 4

Active Members Eligible to Retire
and Actual Number Retiring
1985 - 1991

Year	Eligible Contributory	% of Total Contributory	Eligible Noncontributory	% of Total Noncontributory	Total Eligible	% of Total Active Members	Actual No. Service Retirees	% of Total Active Members
1985	4,918	(18.4)	216	(1.1)	5,134	(11.3)	1,244	(2.7)
1986	4,963	(19.3)	175	(0.9)	5,138	(11.1)	1,177	(2.6)
1987	4,642	(19.4)	220	(1.0)	4,862	(10.4)	1,690	(3.6)
1988	5,039	(21.7)	355	(1.4)	5,394	(11.1)	864	(1.8)
1989	5,030	(22.4)	410	(1.5)	5,440	(11.0)	1,130	(2.3)
1990	4,588	(23.0)	408	(1.3)	4,996	(9.7)	1,225*	(2.4)
1991	4,453	(23.4)	591	(1.7)	5,044	(9.4)	1,160**	(2.2)

*This figure is for a 15-month period.

**This figure is for a 9-month period.

Source: Employees' Retirement System, Annual actuarial valuation reports for years ending June 30, 1985 through June 30, 1991.

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Table 5

Service Retirees (1990-1991)

	<u>< 55</u>	<u>55-59</u>	<u>60-65</u>	<u>65 ></u>	<u>All Ages</u>
General Employees	16	298	275	152	741
Teachers	8	215	76	29	328
Police, Fire & Corrections	63	25	3	0	91
Total	87	538	354	181	1,160

Source: Hawaii, Employees' Retirement System of the State of Hawaii, Report of the Board of Trustees on the Sixty-Sixth Annual Actuarial Valuation as of June 30, 1991, p. 8.

Table 6

Percentage of New Service Retirees by Age Group

	<u>< 55</u>	<u>55-59</u>	<u>60-65</u>	<u>65 ></u>	<u>All Ages</u>
1986-87	5.3%	47.0%	34.6%	13.1%	100%
1987-88	6.5%	43.9%	33.7%	15.9%	100%
1988-89	6.9%	45.4%	31.2%	16.5%	100%
1989-90	7.8%	46.1%	31.9%	14.2%	100%
1990-91	7.5%	46.4%	30.5%	15.6%	100%

Source: Hawaii, Employees' Retirement System of the State of Hawaii, Report of the Board of Trustees on the Sixty-Sixth Annual Actuarial Valuation as of June 30, 1991, p. 8.

A 1950 amendment to the Social Security Act extended coverage to state and local employees who were not covered under a public retirement system. A subsequent amendment in 1954 extended coverage to employees covered by a public retirement system on a group basis provided that their employers would not reduce their retirement benefits. Finally, in 1956, the Act was amended to allow a "divided retirement system" approach to electing coverage whereby those who wanted coverage could have it and those opposed to coverage could reject it. As a result of an election held in 1957, the ERS was split between those who wanted social security (the present class A) and those who did not (the present class B). All subsequent employees who became members of the ERS were automatically covered with the exception of police officers and firefighters who remained excluded.²⁷

The ERS benefits are not integrated with social security and, therefore, are calculated independently. A study conducted by Alexander Grant & Company in 1976 on the continued participation in social security by ERS members noted that because benefits are calculated

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independently of each other, the total retirement benefits to a career employee could exceed the payments required to maintain the employee's preretirement standard of living.²⁸ Accordingly, a contributory member who is age sixty-two with at least thirty years of service could receive an ERS retirement allowance plus social security which together replaces 80, 90, or even 100 per cent of the member's pre-retirement final gross earnings depending on the specific salary level. Such replacement rates can actually exceed the pre-retirement take-home pay.²⁹ Obviously, with the noncontributory system where the retirement benefit is much lower, an employee would not be able to achieve such a high replacement rate unless the employee has invested in other retirement benefit plans which in combination with the ERS and social security benefits would equal what the employee would have received as a contributory member.

To be eligible for social security benefits, a worker must have been employed in a position covered by social security for a specified time which is measured in social security credits. An employee may acquire up to four credits per year, depending on annual earnings. Beginning in 1991, one credit is acquired for each \$540 in covered earnings.³⁰ Generally, a person is required to have forty quarters of covered work to be eligible for coverage and must be at least age sixty-two. Benefits are based on the person's lifetime earnings in covered work. Monthly benefits are calculated by computing the worker's average indexed monthly earnings or average monthly wage.³¹ In 1989, the average monthly benefit for newly awarded benefits were: \$541 for a retired worker; \$566 for a disabled worker, and \$527 for nondisabled widows and widowers.³²

Table 7 shows the hypothetical monthly benefit amounts calculated by the Social Security Administration which would have been payable to covered workers claiming benefits in January 1990.

Table 7
Hypothetical Social Security Benefit Amounts
January 1990

<u>Wage Status</u>	<u>Age 62</u>	<u>Age 65</u>
Worker who had always earned--		
an amount equal to 45% of average earnings.....	\$351	\$437
an amount equal to average wages in covered		
employment.....	\$578	\$720
the maximum subject to Social Security taxes.....	\$774	\$975

Source: Office of the Actuary, Social Security Administration.

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Although full benefits are provided to retirees at age sixty-five, many retire at age sixty-two, but they are subject to a 20 per cent reduction in benefits. For every month after age sixty-two that retirement is deferred, the 20 per cent penalty is reduced by 0.56 per cent (or 6.67 per cent a year) so that by age 65 there is no penalty.³³ If a person delays retirement after age 65, the person receives a delayed retirement credit of 3.8 of 1 per cent (or 4.5 per cent for each full year) for each year no benefits are paid between age sixty-five and seventy.³⁴ This credit will increase to 5 per cent for workers attaining age sixty-two in 1993-94 until it reaches 8 per cent for workers reaching age sixty-two in the year 2005 or later.³⁵ Retirees who work are limited to earning a specified amount after which the benefit amount is reduced. For 1992, beneficiaries under age sixty-five receive a reduction in benefits of \$1 for every \$2 of earnings over \$7,440 while beneficiaries aged sixty-five to sixty-nine receive a reduction of \$1 for every \$3 over \$10,200. After age seventy, there are no reductions.³⁶ Beginning with the year 2000 the age for receiving full benefits will gradually increase from age sixty-five to sixty-seven.³⁷

Up to one-half of social security benefits may be subject to income taxation for persons whose income exceeds \$32,000 for a married couple filing jointly, \$0 for a married individual filing separately who lived with spouse anytime during the year, and \$25,000 for individuals in all other filing categories.³⁸

Deferred Compensation and Other Annuity Savings Plans

In 1981, the Legislature authorized the State and counties to establish deferred compensation plans for their employees in accordance with section 457 of the Internal Revenue Code of 1954, as amended.³⁹ As a result, employees have the opportunity to enroll in an retirement plan which can supplement their ERS and social security incomes during their retirement years. Annuity savings plans authorized under section 457 of the Internal Revenue Code of 1954, as amended, typically provide for a deferral of income tax on a person's contributions to the plan. The maximum annual contribution is 33.33 per cent of the participant's includable compensation or \$7,500, whichever is lower, and withdrawals from a person's account are permitted after the person reaches age fifty-nine and one-half. Early withdrawal is subject to a penalty.⁴⁰

Implications For Policy Considerations

When the noncontributory program commenced in January, 1985, approximately 16,600 employees who were ERS members in the contributory plan elected to switch to the noncontributory plan. As of March 31, 1985, of the 26,709 members in the contributory plan, 23,212 were those who elected to remain in that plan.⁴¹ These contributory members tended to be the older employees who had many years of government service. The group had an average age of forty-six, average years of service of fourteen and one-half and an average

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salary of \$22,890. As of March 31, 1991, the count was down to 14,685 and these contributory plan members had an average age of forty-seven and one-half, average service period of seventeen years, and an average salary of \$34,654.⁴² As of March 31, 1991, 4,453, or 23.4 per cent, of the entire contributory population were eligible for normal retirement. Within the next decade most of those who opted for the contributory plan will retire. The contributory employee group accounts for most of the eligible retirees every year and employees in this group are probably less inclined to delay retirement because the incentives to retire are greater for this group. Contributory members who have thirty or more years of service upon retirement and are eligible for social security benefits will have a comfortable retirement income level. They would no longer have to contribute 8 per cent of their gross salaries to the ERS, nor would they have to pay for their health plan coverage.

Changes in the social security law could mean that in the next century, workers will be more inclined to work longer either because they will need the income or because the penalty for earned income will not be as harsh. Noncontributory members will be impacted more by those changes than contributory members.

ENDNOTES

1. Hawaii Rev. Stat., sec. 88-42.
2. 1984 Haw. Sess. Laws, Act 108.
3. Hawaii Rev. Stat., sec. 88-47.
4. Alexander Grant & Company, Study on Continued Participation in Social Security by Members of the Employees' Retirement System, (Honolulu: 1976), I-4.
5. Hawaii Rev. Stat., sec. 88-45.
6. Hawaii Rev. Stat., sec. 88-73(1).
7. Hawaii Rev. Stat., sec. 88-74(1).
8. Hawaii Rev. Stat., sec. 88-281(a).
9. Hawaii Rev. Stat., sec. 88-281(c).
10. Hawaii Rev. Stat., sec. 88-282(b).
11. If the retirant has less than three years of credited service during the period of reemployment, the new allowance would equal the benefit that was suspended upon the member's return to service plus the benefit earned for the period of the return to service based on the years of service and salary of the reemployment period. If the retirant had three or more years of credited service, the allowance is recomputed as if the retirant was retiring for the first time, but the amount shall not be less than if the allowance was recomputed for a member with less than three years of reemployment. Hawaii Rev. Stat., sec. 88-98.

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12. Hawaii Rev. Stat., sec. 88-73(1).
13. Hawaii Rev. Stat., sec. 88-74(3).
14. Hawaii Rev. Stat., sec. 88-73(2).
15. Hawaii Rev. Stat., sec. 88-45.
16. Hawaii Rev. Stat., sec. 88-74(1).
17. Ibid.
18. Hawaii Rev. Stat., sec. 87-6(c).
19. Martin E. Segal Company, Inc., Report of the Board of Trustees on the Sixty-Sixth Annual Actuarial Valuation as of June 30, 1991, prepared for the Employees' Retirement System of the State of Hawaii, December 1991, 1.
20. Ibid., 6.
21. Ibid., 12.
22. Ibid., 13-14.
23. Ibid., 8.
24. Ibid., 20.
25. U.S., Department of Health and Human Services, Social Security Administration, "Social Security Programs in the United States", Social Security Bulletin, September 1991, Vol. 54, No. 9, 6.
26. U.S., Department of Health and Human Services, Social Security Administration, Social Security Bulletin Annual Statistical Supplement, 1991, 13.
27. Alexander Grant & Company, I-4.
28. Ibid., III-4.
29. Ibid., XV-1.
30. Social Security Bulletin, 11.
31. Social Security Bulletin Annual Statistical Supplement, 9.
32. U.S., Department of Health and Human Services, Social Security Administration, Office of Research and Statistics, Fast Facts & Figures About Social Security, August 1990, 13.
33. Diane E. Herz and Philip L. Rones, "Institutional Barriers to Employment of Older Workers", Monthly Labor Review, April 1989, 15.
34. Social Security Bulletin, 12 (note 2 of Table 1).
35. Social Security Bulletin, 15.

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- 36. Social Security Bulletin Annual Statistical Supplement, 21.
- 37. Social Security Bulletin, 9.
- 38. Social Security Bulletin Annual Statistical Supplement, 21.
- 39. 1981 Sp. Haw. Sess. Laws, Act 7. See Hawaii Rev. Stat., chapter 88E. Unlike the State plan, county plans are not subject to chapter 88E, but must be in compliance with applicable federal laws and regulations.
- 40. See Hawaii Administrative Rules, secs. 14-41-1 to 14-44-38.
- 41. The remaining 3,497 were police, fire, and corrections employees who were excluded from the noncontributory plan
- 42. Martin E. Segal Company, Inc., 6.

Chapter 5

ISSUES FOR CONSIDERATION

The phased retirement experiences of the European countries and the other states offer valuable lessons for Hawaii. European employers reported that American employers would have to consider the same issues they were confronted with--economic and social costs to the firm, production demands and productivity impact, administrative and managerial hurdles, workforce utilization and morale, and future personnel needs.¹ The American experiences in the public and private sectors point out the importance of acceptance of and commitment to the program by employers, including supervisory personnel, and employees. A phased retirement program for all state and county employees will require extensive planning discussions between the employers and the public employee unions prior to implementation in order to identify potential problems affecting all employees or which may be peculiar to a particular class of employees. This chapter covers those issues which should be addressed before a decision on program implementation is made.

I. Impact on Employers and Employees

The employer benefits from a phased retirement program primarily through the prolonged service of quality workers with extensive knowledge and experience and valuable skills. Phased retirement also provides an opportunity to gradually adjust to unavailability of an experienced employee and to effectively use the transitional period to train a prospective replacement, experiment with or implement flexible work options such as job sharing, or improve work force planning and staff utilization. Employee morale can be positively affected if there is minimal disruption caused by the retirement of an experienced employee and if persons awaiting retirement feel that phased retirement is beneficial to them.

The greatest disadvantage to the employer is the additional administrative responsibilities that accompany phased retirement. Supervisors will have the added burden of scheduling work to ensure appropriate coverage and production levels. In situations where shift work is involved, timekeeping and bookkeeping for overtime work can be problematic. If the participation rate is high, there will be added administrative responsibility in terms of scheduling the work of several phasing employees within an office and calculating the phasing employees' salaries and retirement allowances. The employer may experience problems in filling vacancies, especially if it is limited to compensating a new full-time hire with the funds realized through salary savings from the phasing employee's salary or to hiring a part-time employee only for the hours not worked by the phasing employee. Depending on limits imposed on the employer in hiring replacements, the employer may be paying more in salaries and benefits for the phasing employee and the new employee than what was paid for the phasing employee prior to participation in the program. Finally, morale and resentment

problems could develop if other workers must assume additional responsibilities or if certain employees are denied requests to participate.

Employees stand to benefit through phased retirement by having the opportunity to work less than full-time, without a substantial cut in income. For an employee who wants to work longer, phased retirement provides them the opportunity to extend the employee's work life with the same employer rather than having to find another part-time job. A reduced work schedule during the last few years before full retirement also provides an older employee who is weary from a long work life with increased leisure time to spend with the family or to pursue other interests which in turn could result in a more positive attitude toward work. Participation in phased retirement acknowledges the employer's continued need for the employee's services and can, therefore, provide the employee with a sense of purpose and usefulness up to the last day of work before full retirement.

The disadvantages to the employee are primarily economic. The employee's standard of living could be affected if there is insufficient income resulting from a reduced work schedule. Depending on the program design, an employee may also experience a negative impact on retirement and social security benefits. Often, an employee may find that it is more economically beneficial to fully retire from the current job, collect the pension, and find some other part-time job. On the noneconomic side, the employee may experience a devaluation of influence and status on the job due to the reduced work schedule. If a supervisor is not adept at scheduling work assignments, compression rather than reduction of responsibilities could result and a phasing employee may find work even more stressful.

As the workforce changes, work options and policies must also change. The role of the public employee union is to examine and advocate working arrangements which enhance the quality and continuity of their members' work lives. Major considerations for the unions with respect to phased retirement include the nature of incentives offered, the overall impact of the program on in-service and retirement benefits and working conditions, and equitable treatment of employees as to participation.

II. Program Design Issues

Job coverage and productivity - Phased retirement is intended to reduce work time, not compress a full-time work load into a shorter period of time. Accordingly, alternatives to fill the workload void created by a participant's reduced hours must be available either through job-sharing or other part-time hiring arrangements, the temporary reassignment of staff and responsibilities, or the hiring of a full-time entry-level employee with the savings from the participant's salary.

A determination must be made as to the parameters for the hiring of personnel to cover the portion of the work schedule vacated by the participant. Should the appointing authority be allowed to hire part-time personnel or entry level full-time personnel? If the

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program is aimed at saving money, hiring could be controlled by limiting compensation of the new hire to the savings realized from the participant's salary. The impact on agency operations and the workload of nonparticipating employees must be taken into account when determining the hiring parameters for the program.

Status of Employee - A determination must be made regarding the status of the participant either as an "employee" or "retiree" to ensure certain benefits. A new class of "phased retirees" or "partial service" would have to be statutorily recognized to authorize their unique partial employment and partial retirement arrangements and protect their benefits.

Position Count - Appointing authorities would be hesitant to participate in a program which could result in a reduction in their agency's position count. If the intent of the program is to reduce payroll costs and positions are to be eliminated, employers must be provided with some other incentive to participate.

Health/Safety Shift Employees - The scheduling of shift employees with reduced hours can be problematic for certain health and safety positions such as nurses, police officers, firefighters, and corrections officers. Employers, unions, and employees would have to agree on terms and conditions for phased retirement that might be suitable for such work. The application of any uniform allowance, auto allowance, shift differential, and overtime pay would also have to be addressed.

Supervisory/Managerial Employees - Is it feasible for supervisory or high-level managerial employees to work on a reduced schedule given their oversight responsibilities? How high up the managerial ladder should phasing be allowed?

Pay Increases and Promotions - A determination must be made as to whether or not participants would be eligible for pay increases and promotions and under what conditions.

Morale - If job coverage and productivity problems are not properly addressed, or if employees believe participation is based on favoritism, employee morale can be adversely affected. Hostility between workers and supervisors, or co-workers and phasing employees can develop. Production may be affected and there may be an increase in grievance filings.

Service Credit - A determination must be made regarding the service credit earned by the participant during the phasing period. If full service credit is earned by a person working part-time, the employers would incur added cost for the higher retirement allowances resulting from the unearned service credit.

Fiscal - All factors that could potentially impact the employer's cost should be examined, e.g., additional salary for replacements or temporary hires; fringe benefits for two employees rather than one during the phasing period; recruitment and training costs for replacements; additional office space, equipment, etc.; increase in grievance filings by employees disgruntled by denial of participation in program or by heavier workload resulting

from participation of co-workers; incentives such as unearned service credit or unreduced salary for reduced work schedule which have a price tag for the employers.

III. Existing Options for Flexible Work Arrangements

Part-time Employment; Job Sharing

Employers currently have the flexibility of offering part-time employment, including job sharing, to their employees. Although the statutes do not explicitly prohibit employment of employees for less than half-time, the laws relating to the Employees' Retirement System,² Public Employees Health Fund,³ and collective bargaining⁴ exclude from coverage employees who are employed for less than half-time. Accordingly, persons who are employed less than half-time do not receive the benefits of regular employees.

Job sharing has long been advocated by the Legislature as a flexible work option for public employees. In 1978 the first job-sharing pilot project was established in the Department of Education for full-time, certificated teachers. In 1982, a pilot project was established for librarians in the public library system, and later for library assistants and technicians. In 1986 and 1988, pilot projects were authorized for nurses in the Department of Health. Finally, in 1989, the Legislature established a four-year statewide job-sharing pilot project covering the Offices of the Governor, Lieutenant Governor, all executive branch departments, the Judiciary, the Legislative Reference Bureau, the Office of the Auditor, and the Office of the Ombudsman.

As a result of the early pilot projects, the Legislature established permanent job-sharing programs for full-time, tenured, certificated personnel (excluding educational officers) of the Department of Education and for full-time employees of the public libraries in 1986. A law establishing a permanent program in the Department of Health was vetoed by the Governor in 1990 on the ground that it would be better to wait for the results of the 1989 pilot project.

When the first job-sharing pilot project was initiated, it was viewed as a means for those nearing retirement to gradually reduce their workload and ease the transition from full employment to full retirement. However, senior employees did not want to work part-time during their last few years before retirement when they are at the peak of their earning power. During this time most senior employees try to maximize their accumulation of service credit and their salaries in order to obtain a higher retirement allowance. Part-time work would mean earning less service credit and lower salaries.⁵

The Legislative Auditor in its 1981 evaluation of the first pilot project noted that participation of near retirees would be beneficial to the State where job-sharing teams are composed of a near retiree and a new hire. Greater cost savings would result since the near retiree is likely at the higher end of the salary scale and a new hire is at the entry level.

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Moreover, the near retiree could assist in the orientation and training of the new hire. The Auditor suggested that if encouraging near retirees to participate in job sharing is continued as a program objective, the Legislature should consider and examine incentives to attract those nearing retirement such as: (1) cash bonuses (to be funded from savings realized from salary differentials of job-sharing teams); allowing the purchase of service credit by making contributions based on full-time salaries; or (3) giving them a full year of service credit for each job-sharing year.⁶

After the first few months of the job sharing pilot project authorized by Act 244, SLH 1989, the Auditor found that interest was low. Reasons cited by employers for the lack of interest included that employees need full-time salaries, employers prefer full-time workers, certain types of work are not suited to job sharing, and other options are available to those who might want to work part-time. The Auditor also noted that the job-sharing requirements themselves, because they reduce administrative flexibility, may discourage agencies from participating.⁷

Personal Contracts; Rehiring of Retirees

Currently, state and county employers are allowed to hire employees on a part-time or contractual basis as the need arises and such arrangements are made on a case-by-case basis. Occasionally, retirees who are already drawing a retirement allowance, are asked to return to work on a contract. In such instances, the terms of the contract are drawn to ensure that the retiree status is not jeopardized so that the retiree can continue to collect the retirement allowance. The contract amount may be much lower than the employee's preretirement salary; however, when the amount is added to the retirement allowance, the retiree could be making as much if not more than the salary the retiree earned prior to retiring. While there are general guidelines for personal services contracts which must be followed, there are no rules or guidelines for the rehiring of retirees.

The University of Hawaii Early Incentive Retirement Program

Since 1983, the University of Hawaii has had an incentive early retirement program adopted by the Board of Regents (BOR).⁸ Under this BOR policy, all BOR appointees who are eligible for retirement under the Employees' Retirement System may participate. An agreement for an incentive early retirement program must be mutually agreeable among individuals as to the terms and must meet the test of being beneficial to the University. An agreement may provide for part-time work that does not exceed 40 per cent of full-time for a period of up to three years. Since employees must retire to be eligible for participation, they receive a full pension in addition to their part-time salary. They are also eligible for any benefits and privileges not inconsistent with their retirement status, state laws, and BOR policies. Participants are paid salaries based on the salary received prior to retirement proportionate to the reduced hours. While not specifically covered in the policy guidelines,

the University can hire another employee with the savings realized from the remainder of the participants full salary. (See Appendix H for full text of the policy guidelines.) Essentially, this program is a formalized version of the practice employed by other state and county employers to rehire retirees on contracts.

The University has not compiled statistical data nor conducted an evaluation of this program. However, an informal poll revealed that since 1987, there have been a total of eighty-eight participants, of which eighty were faculty, seven were administrative, professional, technical personnel, and one was an executive managerial position.⁹ The program is deemed successful in providing the University with the flexibility of negotiating contracts with those retirees who are difficult to replace. While extensions beyond the three years are allowed, it is only used on rare occasions where a replacement cannot be found.¹⁰

IV. Early Retirement As a Budget Saving Option

Sluggish economies nationwide have driven eighteen states and hundreds of localities to implement early retirement programs as a means of quickly trimming budgets and reducing deficits.¹¹ The incentives offered are varied and include a reduction of the minimum age or years of service for retirement, the addition of a bonus of 5 to 10 per cent on the credit calculated for years of service, lump-sum bonuses, or continued health insurance coverage for a longer period of time during retirement. Savings are achieved to the extent that the positions left vacant by retirees are not filled or are filled by younger, lower-paid new hires. However, as employers have found that they lose good employees as well as deadwood, some have found it necessary to rehire retirees on a temporary basis to ensure against disruption in government services. Such temporary hires will reduce the amount of savings the employer realizes. Washington State established strict guidelines by prohibiting the rehiring of retirees as temporary or project employees on personal service contracts, but exceptions can still be granted.¹²

A troublesome area in early retirement programs is the long-term cost for health benefits (for those jurisdictions that provide health care coverage for retirees) and pensions. Employers face heavy and unfunded costs as the number of retirees increases. The Pension Commission Clearinghouse warned two years ago that with the skyrocketing medical coverage costs, paying health benefits to both retirees and their replacements could cost more than the savings anticipated from an early retirement program.¹³

If Hawaii follows the lead of other states and implements an early retirement program, it will have a negative effect on a phased retirement program since the same employees would be eligible for both programs and most would choose early retirement.

V. Impact on the Employees' Retirement System

Administration of the Program

The primary concern of the Employees' Retirement System (ERS) regarding administration of a phased retirement program is the status of the participant. Whether the participant is deemed an "employee" or a "retiree" would impact on the benefits provided by the ERS, e.g., in-service disability and death benefits. Consequently, the participant's status must be made clear in the law. The ERS is also concerned that the proposed program would require more administrative work in the processing of retirement papers. If participants are allowed to periodically increase or decrease their work hours, recalculation of salaries and pension payments would be necessary. If participants are not allowed to make any changes once in the program, there is still a need for a second and final calculation of retirement benefits when the participant goes into full retirement.

The ERS would have to work closely with the Department of Accounting and General Services and the counties to effectively implement the dual payment process where a participant receives separate prorated salary and pension checks.

Changes to the ERS Law

New category of members - The phased retirement concept would create a new category of members under the Employees' Retirement System. The retirement system law would have to be amended to recognize this new category of members and to allow for the status of "partial" retirement that would be created.

Employment of retirees - Retirees may return to service without jeopardizing their retirement allowance if they return in positions which are ineligible for membership.¹⁴ Those who return to service are precluded from receiving a retirement allowance during such period if they come under the definition of "employee" under the ERS law¹⁵ since membership for those who meet that definition is mandatory.¹⁶

Section 88-73, Hawaii Revised Statutes, allows a legislator who is at least sixty-five years of age to retire and receive a service retirement allowance although the legislator continues to serve in that elective position. An Attorney General Opinion on this law held that any other retirant who reenters public service may not continue to receive a retirement allowance during the period of re-employment.¹⁷

A provision in the ERS law¹⁸ currently requires a retirant who returns to employment requiring membership to reenroll as an active member whereupon the retirant's retirement allowance is to be suspended. That provision and other parts of the law would have to be amended to specifically allow the partial retirement of a phasing employee and to allow that employee to receive a partial service retirement allowance.

PHASED RETIREMENT FOR PUBLIC EMPLOYEES

Service credit - Service credit in the ERS can only be earned by persons who qualify as members defined under the ERS law¹⁹ and who are not specifically excluded by statute.²⁰ The law delineates the situations under which credit for membership service can be earned by contributory and noncontributory members, respectively.²¹ Finally, the law requires the suspension of a retirant's retirement allowance if a retirant returns to employment which requires active membership.²² All of these sections would have to be amended to allow a phased retirement participant to receive a partial pension while continuing to work for the State or a county and to earn service credit for the time worked.

VI. Impact on the Public Employees Health Fund

The health fund law defines "employee" as a person who is employed by the State or a county for at least three months in a position that is at least a 50 per cent full-time equivalent.²³ A "retired member" is an employee who has retired from active employment and is currently receiving a retirement allowance from a state or county retirement system.²⁴ A retired member who returns to work for the State or a county may continue to receive free health fund benefits only if the member works in a 50 per cent or more full-time equivalent position for less than three consecutive months or in a less than 50 per cent full-time equivalent position irrespective of the duration.

Since the Bureau's proposed model requires that a participant already be eligible for retirement, the Health Fund does not foresee significant problems with a phased retirement program as long as the definitions of "employee" and "retired member" remain the same.²⁵

ENDNOTES

1. Constance Swank, Phased Retirement: The European Experience, National Council for Alternative Work Patterns, Inc. (Washington, D.C.: 1982), 24.
2. Hawaii Rev. Stat., sec. 88-43, and Hawaii Administrative Rules, sec. 6-21-14(5).
3. Hawaii Rev. Stat., sec. 87-1(5)(B)(iii).
4. Hawaii Rev. Stat., sec. 89-6(c).
5. Hawaii, Office of the Auditor, Job Sharing Pilot Project in the Department of Education: Final Evaluation (Honolulu: 1981), 49.
6. *Ibid.*
7. Hawaii, Office of the Auditor, First Status Report on Job Sharing in Hawaii State Government, Report No. 91-7, (Honolulu: 1991), 7-10.
8. Board of Regents Bylaws and Policies, Section 9-13f.

ISSUES FOR CONSIDERATION

9. The poll was taken by the University's Director of Personnel and covered the period from August 1, 1987 to July 1, 1992.
10. Response to LRB survey, September 25, 1992.
11. Anne Jordan, "The 'Gold Watch' Plan for Cutting Budgets", Governing, July 1992, 25-27.
12. Ibid.
13. Ibid.
14. See Hawaii Rev. Stat., sec. 88-43, and Hawaii Administrative Rules, sec. 6-21-14.
15. Hawaii Rev. Stat., sec. 88-21.
16. Hawaii Rev. Stat., sec. 88-42.
17. The Attorney General noted that since the principal purpose of the reduction in retirement age from sixty-five to fifty-five was to encourage early retirement in the interest of improved government efficiency, "...the continued payment of retirement benefits to retirants who accept government re-employment would be contrary to the philosophy of early retirement and would tend to defeat the purpose of improving efficiency in government." Att. Gen. Op. 66-26.
18. Hawaii Rev. Stat., sec. 88-98.
19. Hawaii Rev. Stat., sec. 88-42.
20. Hawaii Rev. Stat., sec. 88-43, and Hawaii Administrative Rules, sec. 6-21-15.
21. Hawaii Rev. Stat., secs. 88-51 and 88-272.
22. Hawaii Rev. Stat., sec. 88-98.
23. Hawaii Rev. Stat., sec. 87-1(5).
24. Hawaii Administrative Rules, sec. 6-30-2.
25. Telephone interview with Cenric Ho, Health Fund Administrator, September 8, 1992.

Chapter 6

SURVEYING THE NEED

To determine whether or not a phased retirement program is desirable for Hawaii state and county employees, the Bureau surveyed the employers, employees, and the public employee unions. This chapter reports the results of those surveys.

A Conceptual Model

For discussion purposes, the Bureau developed a conceptual model for a phased retirement program it believed could be implemented for Hawaii's public employees. The program model was based on the following assumptions:

- (1) The goal of the program would be to provide an incentive for knowledgeable and experienced employees to delay their retirement to avert situations where public programs and services are adversely impacted by retirement. The incentive would be the ability to work part-time and draw a partial retirement allowance which supplements the part-time salary.
- (2) The program would be aimed at those employees who would like to continue to work but on a part-time basis and without a substantial cut in income.

The program as explained in the survey letters had the following components:

- (1) **Eligibility** - All employees who have the age and/or service to qualify for normal retirement under the Employee's Retirement System where the benefit is not subject to reduction (age fifty-five with at least five years of service for contributory members; age fifty-five with at least ten years of service or any age with twenty-five years of service for police officers and firefighters; age sixty-two with twenty-five years of service or age fifty-five or over with thirty years of service for noncontributory members). This criteria was selected since the program is intended to delay an employee's full retirement so that the employer can continue to benefit from the employee's service.
- (2) **Duration** - A participant would work under a reduced schedule for a period of up to three years. Three years was chosen because the University of Hawaii's experience with its early incentive retirement program indicates that three years is a reasonable period.
- (3) **Participation** - Participation would be voluntary. An employee desiring to participate would submit a request to the appointing authority who approves the

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request based on operational considerations. The employee and appointing authority must agree upon a work schedule. Criteria for denial by the appointing authority and an appeal process would be established. Agreement between the employee and the employer is critical because the employer must have control over the operational workload and workschedule.

- (4) **Compensation** - The participant would be paid a prorated salary and a prorated retirement allowance based on the reduced work schedule. For example, a participant working 40 per cent of full-time would receive 40 per cent of the full-time salary and 60 per cent of the retirement allowance. This idea of a partial retirement allowance serves as the incentive for employees to delay retirement since their income would not be as severely cut.
- (5) **Status of participant regarding benefits** - a participant in a phased retirement program would be considered an "employee if working 50 per cent of full-time or more and would earn prorated vacation, sick leave, and service credits. A participant working less than 50 per cent of full-time would be considered a "retiree" and though ineligible for vacation, sick leave, and service credit, would be receiving the free health plan coverage which is part of the retirement benefit package.

Using this model, the Bureau surveyed the public employers, public employees age forty-five and over, and the unions to obtain their views with respect to the feasibility or desirability of a phased retirement program for Hawaii's public employees.

The Employer Response

The Bureau surveyed a total of twenty-three employers (state executive branch departments, including the Department of Education and the University of Hawaii; the Judiciary; and county personnel departments) to obtain the employer's viewpoint on phased retirement. (See Appendix I for copy of the survey sent to state employers.) As could be expected, the employers are primarily concerned about operational and administrative problems they anticipate in a phased retirement program. Many appeared to be supportive of the proposed program; however, most still indicated that they would prefer to maintain the existing practice of rehiring retirees on a part-time basis when the situation necessitates such retention. The Bureau surmises that support of the proposed program may be due to the fact that the "phased retirement" concept is unfamiliar to most, but they are open to new ideas. A few respondents, however, felt strongly that the proposed model would not generate much interest from employees ready to retire as there are no incentives for them to participate. One noted that the proposed model appeared more beneficial to the employer than the employee.

When asked the extent of difficulty in finding replacements for senior level employees who retire, most responded sometimes while one responded usually and three reported no

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difficulty. Most employers reported being moderately concerned with only one being seriously concerned and one unconcerned about losing senior level employees who are knowledgeable and experienced. Two respondents noted that if there is an adequate career ladder with a built-in structure of progressive training and development within the department, the availability of qualified replacements at various levels should not be a problem.

All but one employer reported the practice of rehiring retired employees on an emergency hire or consultant basis. Retirees were usually hired because the appointing authority was unable to find a qualified person to replace the retiree or to complete an important project. Other reasons for such hiring were to assist in training the replacement; to ensure continuity of service prior to the hiring of a replacement; retiree wanted to continue working but not on a full-time basis; and it was more cost-effective to rehire on part-time basis or contract than to fill the position.

All but three would prefer to maintain the current practice of rehiring retirees. Two departments that would like to maintain the current practice also believed that phased retirement was a good idea that could be a useful option. One department suggested that reduced hours are better "after" retirement while another suggested that phased retirement would likely be seen as more beneficial to the employer rather than the worker. Another suggested that employers should be prohibited from exceeding the amount allocated to the preretirement salary of the retiring employee when considering such contracts and hiring an additional employee.

When asked about the job-sharing pilot program, all reported little or no experience in job-sharing. For those with any experience, interest and participation has been minimal.

Most felt that additional staff would have to be hired to maintain current service if phased retirement is implemented; however, they also anticipate a problem with accommodations since office space is limited. One felt it would be difficult to find qualified employees willing to assume and remain in part-time positions if hiring was limited to filling the time slot vacated by the phasing employee. Many felt it would be difficult to make adjustments to work schedules. One anticipated operational problems if supervisory/management positions participated.

Four respondents felt there would be little participation because most employees of retirement age want to maximize their potential earnings to increase their retirement benefit and current practice permits a retiree to accept a position on a part-time basis while at the same time drawing a full pension.

Regarding the program components, most felt that the program should be limited to two years and limited to a range of options with a minimum of 25 per cent and a maximum of 75 per cent of full-time to be determined on a case-by-case basis by an agreement between the participant and the appointing authority.

The Employee Response

The Bureau surveyed 400 full-time state and county employees, age forty-five and over, who are active members of the Employees' Retirement System. (See Appendix J for copy of the survey sent to employees.) A total of 210 responses were received, thus providing a 53 per cent response rate with a sampling margin of error between ± 6 and ± 7 per cent. Although a larger number of responses would have been more desirable, the Bureau is confident that the responses are adequately representative of the target group.

Of the 210 respondents, 176 or 83.8 per cent were state employees and 32 or 15.2 per cent were county employees. Interestingly, the respondents were evenly split between contributory and noncontributory members. The largest group of respondents was the teachers which made up 27.1 per cent; followed by the white collar workers (19.5 per cent); and the professional, scientific personnel (14.8 per cent). While the overall response appeared proportionate to the representation of these groups to the whole employee population, one group (the blue collar workers) was underrepresented. The Bureau cannot be certain as to the reason since a stratified representative sampling was not made to ensure that each employee group was proportionately represented in the sample. Nevertheless, a logical conclusion is that the blue collar employees may not have wanted to take the time to read through the explanatory material and complete the survey.

A good portion (46.2 per cent) of the respondents fell in the salary range of \$31,000 to \$45,000. Over 65 per cent of the respondents had sixteen or more years of service, so most would be eligible for retirement in the next ten years, if not already eligible.

When asked if they would be interested in a phased retirement program, 84 per cent were not interested, 38 per cent were interested, and 21.9 per cent were not sure. Of those interested, most (56 per cent) were noncontributory members and from the white collar nonsupervisory, teachers, University faculty, and profession, scientific occupational groups. Of those not interested, 45.2 per cent wanted to remain in their jobs on a full-time basis as long as they could; 26.1 per cent wanted to find some other part-time job after retirement; 7 per cent wanted to find some other full-time job after retirement; and 21.4 per cent just wanted to retire. There was no significant correlation between interest in phased retirement and salary level.

When asked to indicate what type of reduced schedule the respondent would be interested in, most (50.5 per cent) chose half-time. As for the duration of participation, 27.1 per cent preferred three to five years, 19.5 per cent preferred one to two years, and 19.5 per cent preferred an indefinite period. Regarding the co-worker participation in phased retirement, 41.0 per cent would have no problem, 42.9 would not object as long as their workload was not increased, and 8.1 per cent would not like it because they believe that everyone should work full-time.

The Union Response

The Bureau sent letters to the six unions that are exclusive representatives under the public sector collective bargaining law. (See Appendix K for a copy of the letter.) The union response to the proposal for a phased retirement program was generally lukewarm. Only three of the six unions provided a response. The Bureau attributes this unenthusiastic response to the following:

- (1) General unfamiliarity with the concept;
- (2) Other priorities during this fiscally tight period when they are faced with contract negotiations;
- (3) The proposed model does not provide sufficient incentive for an employee to delay full retirement; and
- (4) Current practice appears adequate in meeting the employers' demands for retaining certain employees and is more beneficial to the employee than the proposed model.

Chapter 7

FINDINGS AND RECOMMENDATIONS

Findings

1. Phased retirement has experienced success in the private sector where the employee receives full compensation even if the work hours are reduced. In such instances, the benefits to both the employer and employee are evident. The employee works less for the same salary and/or benefits, feels needed and useful, has a more positive attitude about retiring, and therefore, is productive up to the last day of work and is more willing to train a replacement.

2. Phased retirement in the public sector has not achieved similar success as in the private sector because employees and employers generally do not view the program as particularly beneficial to them. Like the job-sharing program in state and county governments where participation has been minimal, supervisors fear the additional administrative burdens caused by having two bodies for one position and employees nearing retirement are concerned about maximizing their retirement benefits by the higher salaries and additional service credit earned during their final years of employment on a full-time basis.

3. Incentives for employee participation must be present in a phased retirement program, otherwise, participation will be disappointingly low. However, during fiscally austere times, it would be difficult for government to offer cost-bearing incentives such as reduced hours without a cut in salary or full-time service credit for part-time work. The only incentive that can realistically be offered is an opportunity to work at a reduced work schedule while collecting a prorated salary plus a partial pension. Ordinarily, a person working half-time would only receive a salary for the hours worked.

4. A key disincentive to participation in a phased retirement program is the loss of eligibility for the free health plan coverage if the participant is not given retiree status.

5. The cost-effectiveness of phased retirement is difficult to ascertain. Phased retirement can be cost-effective if restrictions are placed on the hiring of a replacement or a part-time co-worker, or if job-sharing between an older out-going worker and a younger incoming worker can be maximized. Costs, however, can be increased with phased retirement in situations where the employer pays for such things as uniform allowance, mileage, travel, and other costs, and the employer must acquire more space, equipment, for two employees per position.

6. Phased retirement does not appear to have a broad enough appeal to various types of employee groups so as to be an effective program to address the breadth of problems posed by a changing workforce. Phased retirement may appeal to those who want to reduce

their work schedule, but without much loss of income, and who are hesitant to take a chance on retirement for fear of not being able to find an appropriate part-time job. This need for a sustained income for a longer period of time beyond retirement eligibility is more apt to occur with those in the noncontributory system rather than the contributory system when partial salary and partial pensions are calculated. However, noncontributory members in the future may feel compelled to continue to work full-time until a much later age because their pensions will be low.

Phased retirement would also appeal to those who are ready for retirement but would be willing to delay their retirement for a few years to help out the employer. However, such employees would be better off if they retired and then resumed work under a temporary contractual arrangement with the employer.

7. The current dismal fiscal outlook nationally and for the State does not bode well for employment in the future. Although studies show that many retirees want to work or may feel compelled to work to maintain a decent standard of living, if the economy remains depressed and unemployment continues to rise in the next few years, there will be fewer job opportunities for retirees. The trend nationally is toward implementing early retirement programs that offer attractive bonuses aimed at reducing payroll costs and creating jobs for the younger unemployed. If an early retirement program is instituted in this State, there will be less interest in a phased retirement program as employees will find it more beneficial to fully retire, collect a full pension, then seek a part-time job, not necessarily in government.

8. State and county employers currently have flexibility to allow employees to work part-time or to rehire valuable employees who have retired. Although most older employees are not interested in part-time work prior to retirement, the current practice of rehiring retirees on a temporary basis without jeopardizing their retirement benefits appears to be an effective means of delaying the complete departure of senior employees with special knowledge and skills from the state and county workforce. Typically, the retiree is hired at full-time for a duration of less than three months or for a longer duration at less than half-time status.

This method is beneficial to both the employee and the employer because the employee is able to collect a full pension, maintain eligibility for the free health plan coverage, and earn an additional salary. When an employer is able to contract for the temporary or part-time services of a valued retiree, the employer has a lot more flexibility in determining how best to fill the operational void caused by the retirement of an experienced worker. Hiring a full-time replacement can be delayed or a lower salaried replacement or temporary part-timer can be hired if the budget is tight or an appropriate replacement cannot be found. A problem with this practice is that there are no guidelines for this program. It is handled at the discretion of the appointing authority and employees are generally not aware of this alternative so those who need or want to reduce their work schedule without a substantial loss of income, may not have access to this avenue. The University of Hawaii's incentive early retirement program essentially accomplishes the same objectives, however, there are written guidelines for that program.

FINDINGS AND RECOMMENDATIONS

9. There appears to be a slight trend of retirement at earlier ages among members of the Employees' Retirement System (ERS). If this trend continues along with the growing abandonment of government service by experienced mid-career employees, the State and counties could be faced with a rapid depletion of experienced workers in the next ten years. Whether or not there is a substantial increase in annual retirements, there is a legitimate concern about the large numbers of mid-career employees leaving government service.

10. From the year 2000, most of the ERS members ready to retire will be noncontributory members. Those who did not invest in a supplemental retirement plan will find it difficult to live on their ERS pensions and, consequently, may delay retirement for as long as possible or retire and look for another job to supplement their pensions. The plausibility of this scenario becomes stronger as the penalty for working under the social security law is diminished and older workers are encouraged to continue working beyond retirement age. If this occurs, there may not be as much of a drain of knowledgeable and experienced employees from the workforce. Many employees are still uncertain about what they will do and will not make a decision until they are eligible for retirement and can actually calculate their pension allowances. It is still unclear whether or not a mass exodus of senior employees will occur in the next ten years since there is no means of predicting how the noncontributory system may impact on retirement decisions.

11. The low participation rates in the California, Iowa, and Nevada phased retirement programs attest to the need for comprehensive planning and discussion among the employers, employees, and unions to ensure that all are in agreement with the concept and the terms of the program. However, the current mood among these parties in this State can be described as "indifferent" as phased retirement addresses a problem that is not of significant priority today.

Before the Legislature considers amending the retirement system law to facilitate the implementation of a phased retirement program, the employers and the employees and their unions should at least regard the program seriously enough to meet and confer on the concept. A phased retirement program could not be successful without a consensus among the parties on the program goals, objectives, and design. The degree of difficulty in administering a phased retirement program may differ among occupational groups and operational functions. Where employees work on a shift basis, the scheduling of part-timers may pose additional burdens on the supervisory personnel. Where the phasing employee is a supervisor or administrator, how is the rank and authority of that position handled? These types of concerns are better addressed in labor-management rather than legislative forums.

12. Implementation of a phased retirement program at this time does not appear to be feasible or desirable. There does not appear to be a pressing need among employers or an overwhelming desire among employees for a phased retirement program as embodied in the Senate and House Resolutions. The interviews and surveys revealed that there is very little knowledge and experience among government officials, unions, and employees concerning

PHASED RETIREMENT FOR PUBLIC EMPLOYEES

the concept of partial retirement and partial employment. Any interest in the program observed by the Bureau appears to stem from "curiosity" rather than an actual need.

Recommendations

1. The Legislature should not implement a phased retirement program at this time. If the Legislature is concerned about losing knowledgeable and experienced personnel, it should consider formalizing the current practice of rehiring retirees who have special knowledge and skills through a statewide law which specifies the conditions under which the hiring of retirees is permissible and requiring the employers to develop appropriate guidelines. The phased retirement concept should be kept on the back burner, however, in the event that the employers and unions collectively believe that the flexibility offered in phased retirement may be needed by those employees who cannot afford to retire as soon as they are eligible and who may not have special knowledge and skills that the appointing authority may contract for on a temporary basis. Further consideration of phased retirement should be in the context of a holistic approach to flexible work options where it is only one of many different options designed to meet the needs of the changing workforce.

2. The Legislature should encourage and support the Department of Personnel Services and the counties in stepping-up efforts to improve the retention of mid-career personnel since such retention will mitigate the loss of knowledgeable and experienced workers to the state and county workforce.

3. The Department of Personnel Services, in conjunction with the Employees' Retirement System, should conduct a study on noncontributory members to ascertain the extent to which these employees have been saving for their retirement. If it is found that many have not invested in supplemental retirement plans, there may be a need in the future for partial retirement where employees can work part-time and draw partial pension.

THE SENATE
SIXTEENTH LEGISLATURE, 1992
STATE OF HAWAII

S.R. NO.

80

MAR 12 1992

SENATE RESOLUTION

REQUESTING A STUDY ON THE FEASIBILITY OF IMPLEMENTING "PHASED RETIREMENT" IN THE PUBLIC SECTOR.

WHEREAS, the ability of the State and the counties to provide high quality services to the general public bears a close relationship to their ability to successfully compete with the private sector for the most qualified workers; and

WHEREAS, the demographics of Hawaii's work force, including public employees, are rapidly changing; and

WHEREAS, currently, twenty-eight percent of the public work force is fifty years or older; and

WHEREAS, traditionally, retirement benefits have been one of the strongest incentives for persons to choose a career in the public sector; and

WHEREAS, retirement serves the interests of all parties by rewarding a worker for dedicated service and at the same time providing opportunities for younger individuals to enter public service or obtain tangible recognition for meritorious service; and

WHEREAS, there are at present few alternatives to traditional retirement, and programs such as job-sharing have achieved minimal success and do not really meet the needs of persons nearing retirement age or contemplating early retirement; and

WHEREAS, "phased retirement," under which an employee is permitted to gradually reduce work hours and collect appropriately adjusted retirement benefits, is an alternative that has received the unqualified endorsement of the Civil Service Reform Conference comprised of representatives of the State, the counties, and public employee unions; and

WHEREAS, "phased retirement" might have a desirable impact on public employment by allowing older workers to phase out their

retirement a few years early, thus providing space at lower levels for new employees to enter public service or for internal promotions; and

WHEREAS, implementation of "phased retirement" would require adjustment of civil service laws, rules, and policies and would impact on various public agencies; and

WHEREAS, before adopting "phased retirement," the Legislature needs to know what impact it would have on the quality of public employment, including the ability of the State and counties to attract and retain qualified employees and the effect the program would have on eligible employees and their employing agencies; now, therefore,

BE IT RESOLVED by the Senate of the Sixteenth Legislature of the State of Hawaii, Regular Session of 1992, that the Legislative Reference Bureau is requested to study and report on the feasibility and anticipated impact of implementing "phased retirement" in the public sector; and

BE IT FURTHER RESOLVED that the Bureau, in conducting this study, is requested to consult with the Personnel and Finance Directors of the State and counties; appropriate representatives of the Judiciary, the Employees' Retirement System, and the Public Employees Health Fund; and the exclusive representatives of Collective Bargaining Units (1) through (13); and

BE IT FURTHER RESOLVED that the study shall include recommendations regarding the eligibility requirements, specific options for reduced hours of work, participant responsibilities, and compensation and benefits that would be appropriate should the program be implemented; and

BE IT FURTHER RESOLVED that the Legislative Reference Bureau is requested to submit to the Legislature a report of findings and recommendations pursuant to this Resolution prior to the convening of the Regular Session of 1993; and

S.R. NO. 80

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Personnel and Finance Directors of the State and the counties; the Judiciary; the Employees' Retirement System; the Public Employees Health Fund; and the exclusive representatives of Collective Bargaining Units (1) through (13).

OFFERED BY:

Tom Mink

Don M. Nelson

Stuart Cobb

Mary Jane McMurdo

James Ahi

Malone Jones

HOUSE OF REPRESENTATIVES
SIXTEENTH LEGISLATURE, 1992
STATE OF HAWAII

H.R. NO. 123

HOUSE RESOLUTION

REQUESTING A STUDY TO DETERMINE THE FEASIBILITY AND IMPACT OF
ESTABLISHING A PHASED RETIREMENT PROGRAM FOR STATE AND
COUNTY EMPLOYEES.

WHEREAS, the state and county governments, as employers,
wish to attract and retain good employees so that they may better
serve the public; and

WHEREAS, in order to attract and retain such employees, the
employers must be provided with various methods to respond to the
needs of a work force whose demographics are changing; and

WHEREAS, as of today, twenty-eight percent of the State's
civil service work force is fifty years old and above; and

WHEREAS, an area that should be explored is to provide
additional alternatives to traditional retirement; and

WHEREAS, present alternatives to traditional retirement,
such as job-sharing programs, where an employee may share a full-
time position with another employee, have experienced minimal
participation and may not fully meet the needs of an employee who
is contemplating retirement; and

WHEREAS, phased retirement, under which an employee may be
permitted to gradually reduce his or her hours of work and
collect adjusted retirement benefits, is one such alternative;
and

WHEREAS, phased retirement was identified as a priority item
at the Civil Service Reform Conference, where representatives
from the State, counties, and unions met to discuss ways to
improve the civil service system; and

WHEREAS, such a program would involve changes to various
state laws, rules, and policies and have an impact on various
agencies; now, therefore,

BE IT RESOLVED by the House of Representatives of the
Sixteenth Legislature of the State of Hawaii, Regular Session of
1992, that the Legislative Reference Bureau, in cooperation with
the heads of the personnel agencies of the separate political

jurisdictions, including the Judiciary, the Employees' Retirement System of the State of Hawaii, the Public Employees Health Fund, and the public sector unions, is requested to conduct a study to determine the feasibility and impact of establishing a phased retirement program; and

BE IT FURTHER RESOLVED that the study include: determining eligibility requirements, specifying the options for reduced hours of work, determining the responsibilities of the participants, as well as compensation and benefits; and

BE IT FURTHER RESOLVED that the Legislative Reference Bureau submit its findings and recommendations to the Legislature at least twenty days prior to the convening of the Regular Session of 1993; and

BE IT FURTHER RESOLVED that certified copies of this Resolution be transmitted to the Legislative Reference Bureau, the heads of the personnel agencies of each separate political jurisdiction, including the Judiciary, the Employees' Retirement System Administrator, and the Health Fund Administrator.

OFFERED BY: 

Appendix C

Deering's Annotated California Code

GOVERNMENT CODE

§ 19996.33

ARTICLE 1.7

Reduced Worktime for Partial Service Retirement

[Added by Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.]

Section

- 19996.30. Citation of article
- 19996.31. Legislative intent
- 19996.32. Eligibility for participation
- 19996.33. "Reduced worktime for partial service retirement"
- 19996.34. Policy; Intent
- 19996.35. Filing grievance
- 19996.36. Counting employees for purposes of personnel ceiling
- 19996.37. Priority to permanent employees voluntarily reducing worktime; Elections
- 19996.38. Conflict with memorandum of understanding
- 19996.39. Proportionally reduced compensation; Benefits
- 19996.40. Report to Legislature

§ 19996.30. Citation of article

This article shall be known and may be cited as the "Partial Service Retirement Act."

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

§ 19996.31. Legislative intent

It is the intent of the Legislature in adopting this article to pursue the following objectives:

- (a) To protect the fiscal soundness of the Public Employees' Retirement System.
- (b) To increase the number and kinds of retirement options available to members of the system.
- (c) To enhance the quality of service to the general public by retaining longer, on the average, the skill and expertise of our most experienced public servants.
- (d) To reduce insofar as possible by this indirect means the social costs attributable to inappropriate or premature severance of connection with the labor market by retirees.
- (e) To conduct and disseminate studies determining the extent to which the concepts embodied in this article are effective in achieving such objectives in hopes that, if successful, the program established under this article may be useful as a guide for extension of the concept to other retirement systems, public and private.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

§ 19996.32. Eligibility for participation

Any state employee, or legislative employee, who is a state miscellaneous or industrial member working standard hours on a full-time basis, other than a university member, of the Public Employees' Retirement System and who is eligible to retire pursuant to Section 20953 may elect to participate in reduced worktime for partial service retirement pursuant to this article, provided that the participation may be modified only pursuant to Section 19996.37.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984; Amended Stats 1984 ch 268 § 27.11, effective June 30, 1984. Amended Stats 1989 ch 752 sec 1.

Amendments:

1984 Amendment: Added ", or legislative employee,".

1989 Amendment: (1) Added "or industrial" after "miscellaneous"; and (2) substituted "is eligible to retire pursuant to Section 20953" for "has attained the age of 62 years and is eligible to retire pursuant to Article 1 (commencing with Section 20950) of Chapter 8 of Part 3".

Cross References:

Partial retirement for service status upon written application: Gov C § 20953

Reduced service retirement allowance: Gov C § 21251.14

Basic or special death benefits: Gov C § 21360.

Monthly allowance payable upon death of member: Gov C § 21365.51

§ 19996.33. "Reduced worktime for partial service retirement"

"Reduced worktime for partial service retirement" means any arrangement of worktime agreeable to both the appointing authority and the employee which aggregates no less, on a monthly basis, than a 20 percent reduction nor more than a 60 percent reduction from what would in that classification be considered full-time employment, combined with the concurrent payment of proportionally reduced compensation and proportionally reduced retirement benefits. As used in this section, and Section 19996.37, "appointing authority" means, with respect to legislative employees, the Joint Rules Committee, the Joint Legislative Budget Committee, the Joint Legislative Audit Committee, the Senate Rules Committee, and the Assembly Rules Committee.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984; Amended Stats 1984 ch 144 § 129, ch 268 § 27.12, effective June 30, 1984.

Amendments:

1984 Amendment: Added the last sentence. (As amended by Stats 1984, ch 268, compared to the section as it read prior to 1984. This section was also amended by an earlier chapter, ch 144. See Gov C § 9605.)

§ 19996.34. Policy; Intent

It is the policy of the state that reduced worktime for partial service retirement shall be made available to state employees and legislative employees eligible pursuant to Section 19996.32 who do not desire to work standard working hours on a full-time basis. Further, it is the intent of the Legislature that nothing in this act shall be used to reduce the number of full-time equivalency positions authorized to any department.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984; Amended Stats 1984 ch 268 § 27.13, effective June 30, 1984.

Amendments:

1984 Amendment: Added "and legislative employees" in the first sentence.

§ 19996.35. Filing grievance

(a) Any employee who is being coerced, or who has been required, by the appointing power, a supervisor, or another employee, to involuntarily reduce his or her worktime for partial service retirement contrary to the intent of this article, or who has been unreasonably denied the right to participate in this program, may file a grievance in accordance with either the applicable memorandum of understanding or rules and regulations of the department.

(b) Nothing in this article shall impair the employment or employment rights or benefits of any employee.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

§ 19996.36. Counting employees for purposes of personnel ceiling

In counting the number of employees any state agency employs for purposes of any personnel ceiling, an employee employed on a reduced worktime basis for partial service retirement shall be counted as a fraction which is determined by dividing 40 hours into the average number of hours that an employee works each week.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

§ 19996.37. Priority to permanent employees voluntarily reducing worktime; Elections

(a) A permanent state employee or legislative employee who voluntarily reduces his or her worktime for partial service retirement pursuant to this article shall, upon request and subject to subdivision (b), be given priority for returning to a full-time work schedule to the extent that such full-time work is available; provided, that any employee who so voluntarily returns to full-time work shall be ineligible for five years thereafter to again participate pursuant to this article. The appointing authority may require a participating employee to return to full-time employment only if a state of emergency has been declared pursuant to Section 8558 which affects the area of the state in which the employee works.

(b) A state employee or a legislative employee who is participating pursuant to this article in reduced worktime for partial service retirement may: (1) elect only once in each fiscal year to further reduce his or her worktime; (2) elect only once in five years to increase his or her worktime to another less than full-time schedule.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984; Amended Stats 1984 ch 268 § 27.14, effective June 30, 1984.

Amendments:

1984 Amendment: (1) Substituted "state employee or legislative employee" for "employee" in the first sentence of subd (a); and (2) added "or a legislative employee" in subd (b).

Cross References:

Status of participant in partial service retirement: Gov C § 20013.6

Participant in partial service retirement not excluded from retirement system: Gov C § 20334.

Reinstatement from partial retirement: Gov C § 21100.5

Pensions for members reinstated from partial service retirement: Gov C § 21251.15

§ 19996.38. Conflict with memorandum of understanding

If the provisions of this article are in conflict with the provisions of a memorandum of understanding reached pursuant to Section 3517.5, the memorandum of understanding shall be controlling without further legislative action, except that if such provisions of a memorandum of understanding require the expenditure of funds, the provisions shall not become effective unless approved by the Legislature in the annual Budget Act.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

§ 19996.39. Proportionally reduced compensation; Benefits

All persons employed in reduced worktime positions for partial service retirement pursuant to this article, shall receive proportionally reduced compensation and, on a pro rata basis, except for benefits provided under the Public Employees' Medical and Hospital Care Act, the State Employees' Dental Care Act, and the California Dental Service program, all benefits customarily available to full-time employees of state agencies in similar classes or positions. With regard to benefits provided under the Public Employees' Medical and Hospital Care Act, persons employed in reduced worktime positions for partial service retirement shall receive the same benefits as are provided by law for employees under the same circumstances who are employed, full time. The department may, for purposes of administrative efficiency, treat the class of partially retired employees as fully employed with respect to health care benefits, provided that such administrative treatment does not impair the level of benefits to which the class would be entitled if treated administratively another way.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984; Amended Stats 1984 ch 268 § 27.15, effective June 30, 1984.

Amendments:

1984 Amendment: Substituted ", the State Employees' Dental Care Act, and the California Dental Service program," for "and the State Employees Dental Care Act" in the first sentence.

§ 19996.40. Report to Legislature

The department, in cooperation with the Public Employees' Retirement System, shall prepare and submit to the Legislature, for referral to the appropriate policy and fiscal committees of each house, a report by June 30 of the calendar year after this article becomes effective, and a follow-up report by June 30, of every even-numbered year thereafter. Such reports shall include, but not be limited to, the following:

- (a) The extent that reduced worktime programs for partial service retirement are in use.
- (b) The cost effectiveness of reduced worktime programs for partial service retirement.
- (c) The actuarial impact of reduced worktime programs for partial service retirement.
- (d) Recommendations on continuation of reduced worktime programs for partial service retirement and suggested statutory changes.

Added Stats 1983 ch 1258 § 1.5, effective September 30, 1983, operative January 1, 1984.

Appendix D



George Deukmejian, Governor

TO: PERSONNEL MANAGEMENT LIAISONS

REFERENCE CODE: MM 90-02

EFFECTIVE DATE: September 24, 1989

EXPIRATION DATE: Indefinite

DATE OF ISSUE: March 20, 1990

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:

Personnel Officers
Employee Relations Officers

THIS MEMORANDUM SUPERCEDES MM88-21

SUBJECT: Administrative Guideline for Partial Service Retirement (Government Code Sections 19996.30-19996.40)

This memorandum updates the Administrative Guidelines for the Partial Service Retirement Act (PSRA) originally issued January 1, 1984. Assembly Bill 2363 amended Section 19996.32 of the Government Code, revising the age and service eligibility requirements and providing for State industrial retirement members to participate in the PSRA program.

The PSRA program offers voluntary partial service retirement to eligible employees where feasible. PSRA employees are considered to be "active" employees with a reduced time base. The appointing authority has the discretion to approve or deny an employee's request to reduce their worktime for partial service retirement.

FlexElect, the cafeteria benefit plan administered by the Department of Personnel Administration (DPA) has been added to the list of benefits for which the PSRA participants are eligible. PSRA employees' benefits are the same as allowed for full-time permanent employees.

The following guidelines apply to all permanent full-time employees excluded from collective bargaining. Refer to the Memoranda of Understanding (MOU) for represented employees before applying these guidelines. Where provisions of this law are in conflict with the provisions of an MOU reached pursuant to Section 3517.5, the MOU shall be controlling.

If you have any questions regarding this memorandum, please contact Elizabeth Houser at (916) 324-0446, ATSS 454-0446.

Frank Tanaka, Senior Section Manager
Classification and Compensation Division

Attachment

DEPARTMENT OF PERSONNEL ADMINISTRATION
Management Memorandum

ADMINISTRATIVE GUIDELINES FOR THE
PARTIAL SERVICE RETIREMENT ACT

SB 922, Chapter 1258, Stats of 1983 enacted the Partial Service Retirement Act (PSRA). The Act allows certain employees to reduce their work time, on a monthly basis, from not less than 20 percent to not more than 60 percent and also receive a partial retirement allowance. The Department of Personnel Administration (DPA) has the administrative responsibility for the PSRA; however, each appointing power has the discretion to consider and approve requests for employee participation in the PSRA to the extent that necessary work at the department will continue to be performed.

The following information is provided to explain the policy, eligibility criteria, employee benefits and program restrictions contained in the PSRA.

I. ELIGIBILITY CRITERIA

Full time State miscellaneous or industrial employees are eligible to request participation if they are:

- A. Credited with at least 20 years of state service and are either:
1. in the First Tier retirement plan with an attained age of 50 years or
 2. in the Second Tier retirement plan with an attained age of 55 years.

OR

- B. Have the required years of service with the necessary attained age for retirement under the First Tier or the Second Tier and the sum of his/her age, when added to his/her service, equals or exceeds 65 years. To qualify under this pattern the employee must meet the minimum age and service credit requirements under the applicable retirement plan. Under the First Tier plan the minimum age is 50 and the minimum service credit is five years. Under the Second Tier retirement plan the minimum age is 55 and the minimum service credit is ten years. (For example an aged 60 employee with 10 years of service would qualify under this pattern; however, an aged 45 employee with 20 years of service would not qualify.)

Employees are not eligible to participate if:

1. They are employed by the University of California.
2. They are classified as State safety or patrol members.

II. CHANGE IN FRACTIONAL TIME BASE

The following are restrictions to changes in time base and must be approved by the appointing power:

- . A fractional time base can be further reduced once each fiscal year.
- . A fractional time base can be increased once each five years.
- . Employees who receive department approval to voluntarily return to full time are ineligible to participate in the PSRA for five years. Participants can be required to return to full-time employment by the appointing power only if a state of emergency is declared pursuant to Government Code Section 8558 that affects the area of the State in which the employee works.

III. EMPLOYEE BENEFITS

Employees participating in PSRA are not considered "retired" until they elect full retirement. Therefore, benefits are earned in the following manner:

- . HEALTH AND DENTAL BENEFITS: All participants, regardless of fractional time base are entitled to the same health and dental benefits as are provided by law for employees under the same circumstances who are employed full time.
- . FLEXELECT BENEFITS: All participants, regardless of fractional time base are eligible to participate in the FlexElect cafeteria benefits program as provided by law for employees under the same circumstances who are employed full time.
- . HOLIDAYS (includes Personal Holiday):
 1. Compensation is the proportionate amount of the work day based on time base. For example: a half-time employee would receive four hours compensation for each holiday in the pay period.
 2. Holiday credit for holidays falling on nonwork days is credited as excess hours; excess time must be supplemented for holidays falling on an eight-hour work day.
- . LIFE INSURANCE: The life insurance benefit is provided to employees who are members of PERS regardless of time base.
- . INDUSTRIAL DISABILITY LEAVE (IDL): Participants are eligible for IDL regardless of their fractional time base.
- . NONINDUSTRIAL DISABILITY INSURANCE (NDI): Participants are eligible for NDI regardless of their fractional time base.

- . MERIT AND SPECIAL IN-GRADE SALARY ADJUSTMENTS (MSA AND SISA): Participants are eligible to receive a prorated amount of the MSA or SISA after completion of the required six or twelve months of continuous service.
- . SICK LEAVE: Sick leave is credited on a prorated basis on the first day of the monthly pay period following completion of a qualifying month; for example, a half-time employee receives four hours sick leave credit each month.
- . RETIREMENT CONTRIBUTIONS: Employees coordinated with Social Security will continue to pay 5 percent of their total monthly salary in excess of \$513.00 per month. Employees who are not coordinated with Social Security will continue to pay 6 percent of their total monthly salary in excess of \$317.00 per month.
- . SERVICE RETIREMENT CREDIT: Service credits are accumulated until they equal one month of full-time service; for example, employees working half-time (50 percent) must work two months to earn one month of full-time service.
- . VACATION: Vacation is credited on pro rata basis on the first day of the monthly pay period following a qualifying pay period. For example, a half-time employee receives half of the hours of credit allowed per vacation group.

NOTE: Where provisions of this law are in conflict with the provisions of a Memorandum of Understanding (MOU) reached pursuant to Government Code Section 3517.5, the MOU shall be controlling.

IV. METHOD OF PAYMENT

Participants will receive two warrants; one warrant represents the retirement allowance and is issued from PERS. Retirement allowances are recalculated only when the employee has a change in time base or applies for service retirement.

The second warrant represents the corresponding portion of the full-time monthly rate for the employee's classification; participants are taxed on the earned income portion of the fractional time base; any taxes and all payroll deductions will be taken from this warrant. It is the employee's responsibility to ensure there is enough net income to cover any deductions.

V. EMPLOYEE STATUS

- A. Extension of probationary periods that may be required because of the reduction of worktime feature must comply with State Personnel Board (SPB) Rule 321.

- B. Order of Layoff - Participants cannot routinely be subject to layoff ahead of full-time employees; however, they are subject to the same seniority and other layoff considerations as full-time employees in determining the order of layoff.
- C. Promotional Opportunities - Employees may compete in promotional examinations for which they qualify; however, promotional opportunities could be affected if employees limit themselves to part-time eligibility in the exam.
- D. Earned Income Credit - Employees in this program that reduce their gross income enough to qualify for Earned Income Credit should contact the State Controller.

VI. APPLICATION

An application Form DPA-062 (Application for Partial Service Retirement) should be used by employees who have departmental approval for participation. To ensure that the retirement allowance is issued concurrent with the first warrant reflecting the fractional time base, employees should allow 45 to 60 days for PERS to process the retirement application.

Department of Personnel Administration
PARTIAL SERVICE RETIREMENT APPLICATION
DPA-062 (1/84)

APPLICANTS SHOULD SUBMIT THIS FORM TO THE PUBLIC EMPLOYEES RETIREMENT SYSTEM 45 DAYS BEFORE PARTIAL RETIREMENT IS TO BEGIN. PARTIAL RETIREMENT MUST BEGIN ON THE 1ST DAY OF A PAY PERIOD.

TO: BENEFITS DIVISION
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
P. O. BOX 942711
SACRAMENTO, CA 94229-2711

I HEREBY ELECT TO PARTICIPATE IN PARTIAL SERVICE RETIREMENT AS FOLLOWS:

1. SOCIAL SECURITY NUMBER: _____ 2. BIRTHDAY: _____
MONTH DAY YEAR

3. NAME: _____ 4. HOME TELEPHONE: () _____
FIRST MIDDLE LAST WORK TELEPHONE: () _____

5. _____
STREET/P. O. BOX

CITY STATE ZIP CODE

6. ACTION I AM TAKING (COMPLETE ONLY ONE; A, B, OR C)

A. ☐ ENTERING PARTIAL RETIREMENT AT _____ \$ RETIREMENT, EFFECTIVE _____
MONTH DAY YEAR
OR

B. ☐ CHANGING \$ PARTIAL RETIREMENT FROM _____ \$ TO _____ \$ EFFECTIVE _____
MONTH DAY YEAR
OR

C. ☐ RETURNING TO FULL-TIME EMPLOYMENT EFFECTIVE _____
MONTH DAY YEAR

7. YOUR PARTIAL RETIREMENT ALLOWANCE WILL BE BASED ON YOUR SALARY FOR THE LAST 36 CONSECUTIVE MONTHS. IF YOU THINK YOU HAVE A 36-MONTH PERIOD OF HIGHER SALARY, GIVE US THE DATES: _____

8. I UNDERSTAND I MAY ONLY REDUCE MY WORKTIME ONCE EACH FISCAL YEAR AND ONLY INCREASE MY WORKTIME ONCE IN 5 YEARS AND FOR ANY CHANGE IN TIMEBASE, I MUST SUBMIT A NEW PARTIAL RETIREMENT ELECTION DPA-062 TO THE PUBLIC EMPLOYEES RETIREMENT SYSTEM.

EMPLOYEE'S SIGNATURE

DATE

9. I CERTIFY THAT THIS APPLICANT HAS BEEN APPROVED TO PARTICIPATE IN THE PARTIAL SERVICE RETIREMENT PROGRAM. THE EMPLOYEE IS AUTHORIZED TO REDUCE/CHANGE HIS/HER WORKTIME TO _____ \$ AND DRAW A PARTIAL RETIREMENT ALLOWANCE FOR THE REMAINING _____ \$ OF THE TIME.

PERSONNEL OFFICER/AUTHORIZED DESIGNEE

DATE

DEPARTMENT

()
PHONE NUMBER

Appendix E

Code of Iowa

79.30 Establishment of phased retirement program.

There is established a voluntary employee phased retirement incentive program for full-time state employees who are at least sixty years of age and have completed at least twenty years as full-time state employees.

The phased retirement incentive program is a retirement system for purposes of section 20.9, but is not retirement for purposes of chapter 97A, 97B, or 602 or for the employees who are members of the teachers insurance annuity association-college retirement equity fund.

84 Acts, ch 1180, §1

79.31 Eligibility.

The phased retirement incentive program requires that participants work a maximum of thirty-two hours per week and a minimum of twenty hours per week for the first year after entering the program. After the fourth year of participation in the program, participants shall work a maximum of twenty hours per week.

84 Acts, ch 1180, §2

79.32 Phased retirement program.

The phased retirement incentive program is a voluntary program that provides that an employee may participate in the program for not more than five years and provides for the following:

1. Payment of a salary based upon the participant's salary on a full-time basis reduced proportionally by the number of hours of employment plus ten percent of the budgeted full-time salary. A participant is eligible for cost of living increases granted to all state employees.

2. Continuation of eligibility by the participant for membership in the state life insurance program with continuation of state payments at the rate paid for full-time employees.

3. Continuation of eligibility by the participant for membership in the state health or medical insurance program and continuation of state payments at the rate paid for full-time employees.

4. Continuation of membership in the state employees disability insurance program. During the five-year period, monthly earnings of the employee for purposes of the disability insurance program equal the monthly earnings as if the participant were

5. Accrual of vacation and sick leave based upon section 79.1 as it applies to part-time employees.

84 Acts, ch 1180, §3

79.33 Participation plan.

A state employee meeting the requirements of section 79.31 may file a request to participate in the program with the head of the employee's state department, agency, or commission. The employee shall specify the number of hours per week the employee intends to work for each of the five years of participation. Participation in the program is dependent upon the approval of the head of the department, agency, or commission. The cost to the state department, agency, or commission shall be paid from the funds appropriated to the department, agency, or commission for salaries, support, maintenance, and miscellaneous purposes.

An employee who participates in the program is not eligible to return to state employment as a permanent full-time employee. Once an employee reduces the employee's hours of participation, that employee shall not subsequently increase the hours of participation.

84 Acts, ch 1180, §4

79.34 Appropriation.

Annually after June 30 of each fiscal year, the department of personnel shall determine the cost during the preceding fiscal year to the Iowa public employees' retirement fund of participation of state employees in the phased retirement program. Annually, there is appropriated from the general fund of the state to the Iowa public employees' retirement fund an amount sufficient to reimburse the retirement fund for the costs of the phased retirement program.

84 Acts, ch 1180, §5

79.35 and 79.36. Reserved.

79.37 Collective bargaining agreements.

Administrative rules adopted by the director of the department of personnel pursuant to this chapter shall not supersede provisions of collective bargaining agreements negotiated under chapter 20.

86 Acts, ch 1245, §240

Administrative Rules

IAC 2/20/91

Personnel[581]

Ch 8, p.1

CHAPTER 8 APPOINTMENTS (Effective 12/10/86)

581—8.1(19A) Filling vacancies. Unless otherwise provided for in these rules or the Iowa Code, the filling of all vacancies in the state personnel system shall be subject to the provisions of these rules. No vacant position in the executive branch shall be filled until the position has been classified in accordance with Iowa Code chapter 19A and these rules.

An employee who has participated in the phased retirement program shall not be eligible for permanent employment for hours in excess of those worked at the time of retirement. An employee who has participated in the early retirement or early termination program shall not be eligible for any state employment.

Eff.3/30/90

A person who has served as a commissioner or board member of a regulatory agency shall not be eligible for employment with that agency until two years after termination of the appointment.

581—8.2(19A) Probationary appointment. Probationary appointments may be made only to authorized and established positions unless these rules provide otherwise. Appointments to positions covered by merit system provisions shall be made in accordance with Chapter 7 when applicable.

Eff.3/29/91

581—8.3(19A) Project appointment. The director may approve a project appointment to an unauthorized position when a particular job, project, grant, contract, or other employment situation is of limited duration or funding, provided funds are available. Certification shall be in accordance with 581—Chapter 7 when applicable. Persons hired shall be given either probationary, intermittent, statutory, temporary, or permanent status according to the provisions of these rules and shall be subject to these rules and acquire benefits in accordance with the status assigned. The initial appointment of an individual to any one particular project will be approved for no more than one year. The director may extend the appointment. At the expiration of the appointment an employee with permanent status may be transferred, demoted, or promoted to an established position or to another project appointment. Otherwise, an employee covered by merit system provisions shall be subject to a reduction in force; an employee not covered by merit system provisions shall be terminated.

Eff.9/16/87

581—8.4(19A) Provisional appointment. If the director is unable to certify the names of at least six available applicants from a nonpromotional eligible list for a position covered by merit system provisions, an appointing authority may provisionally appoint a person who meets the minimum qualifications for the class to fill the position pending the person's examination, certification and appointment from a nonpromotional eligible list.

No provisional probationary appointment shall be continued for more than 30 calendar days after an adequate eligible list has been established, nor for more than a total of 180 calendar days after the date of original appointment. No provisional intermittent appointment shall be continued for more than 30 calendar days after an adequate eligible list has been established, nor for more than a total of 120 calendar days after the date of appointment.

Successive provisional appointments shall not be permitted. An employee with provisional status shall not be eligible for promotion, demotion, transfer, or reinstatement to any position nor have reduction in force or appeal rights, but provisional probationary employees shall be eligible for vacation and sick leave and other employee benefits.

An employee shall receive credit for time spent in provisional status toward the period of probationary status.

Eff.9/16/87

581—8.5(19A) Intermittent appointment. Where the scheduling of work requires the services of an employee(s) on an intermittent basis, selection shall be made in accordance with subrule 7.3(2) when applicable.

An intermittent appointment may be made to established intermittent positions or to permanent positions, or on an overlap basis to unauthorized positions.

An intermittent appointment shall not exceed 700 work hours in a fiscal year. Hours worked in noncontract classes during the period provided for seasonal appointment in rule 581—8.11(19A) shall not accumulate toward this 700-hour maximum. If appointed to a class requiring certification from an eligible list, intermittent employees may continue to work without recertification in the same class, under the same certification conditions for the same appointing authority in succeeding years. Failure of an appointee to work during any succeeding year shall require recertification for appointment if the position is covered by merit system provisions.

Where intermittent service immediately precedes a probationary appointment in the same class in the same agency in which the intermittent service was performed, the current intermittent service shall constitute a part of the probationary period and shall be credited to a maximum of 120 calendar days. Otherwise, intermittent service shall not be credited toward the probationary period. When intermittent service is credited toward the probationary period, vacation and sick leave shall be given retroactively based on the number of hours worked during the 120 calendar day period immediately preceding the probationary appointment. An intermittent employee may be given a probationary appointment in the same class, agency and location, and under the same certification conditions without recertification.

The acceptance or refusal of an intermittent appointment shall not affect an applicant's standing on an eligible list nor eligibility for a probationary appointment. An intermittent employee shall not be eligible for any right of appeal, transfer, demotion, promotion, reinstatement, or other rights of position, nor be entitled to vacation, sick leave, or other benefits.

An intermittent employee in a contract class shall only be given another temporary type of appointment to the extent that the total number of hours worked in all temporary appointments in a fiscal year does not exceed 700. Prior to accruing 700 hours worked, the employee shall either be given a probationary or permanent appointment, given a temporary appointment in a noncontract class, or terminated.

ff.11/23/90

581—8.6(19A) Reinstatement. A former permanent employee who separated for other than just cause may be reinstated with permanent, probationary, or intermittent status to any class for which qualified at the discretion of an appointing authority. Reinstatement shall not require certification from a list of eligibles. The period of reinstatement eligibility shall be equal to the period of continuous state employment immediately prior to the employee's separation, to a maximum of two years. A former permanent employee who is reinstated with intermittent status shall continue to be eligible for reinstatement with probationary or permanent status during the balance of the original reinstatement period. Current employees are not eligible for reinstatement.

An employee who has participated in the phased retirement program shall not be eligible for reinstatement to permanent employment for hours in excess of those worked at the time of retirement. An employee who has participated in the early retirement or early termination program shall not be eligible for reinstatement to any state employment.

A permanent employee occupying a position covered by merit system provisions that has been changed to be not covered by merit system provisions shall be eligible for reinstatement to a merit system covered position while in the position not covered and for a period equal to the period of the continuous state employment, not to exceed two (2) years, following separation from the position for other than just cause.

A permanent employee who demotes may at any time be reinstated to a position in the class occupied prior to the demotion at the discretion of the appointing authority. Reinstatement shall not require promotional certification from a list of eligibles. The employee shall be paid in accordance with the rules on promotion in subrule 4.5(4).

ff.9/16/87

581—8.7(19A) Emergency appointment. An appointing authority may make an emergency appointment of a person to an unauthorized position without regard to other provisions of these rules governing certification and selection. An employee with emergency status shall work no more than 350 hours for any or all state agencies during a fiscal year. Hours worked in noncontract classes during the period provided for seasonal employment in rule 581—8.11(19A) shall not accumulate toward this 350-hour maximum. An emergency employee

CHAPTER 11
SEPARATIONS, DISCIPLINARY ACTIONS
AND REDUCTION IN FORCE

Eff.12/10/86 581—11.1(19A) Separations.

11.1(1) *Resignation, retirement, phased retirement, early retirement, or early termination.*

Eff.9/16/87 a. To resign or retire in good standing an employee must give the appointing authority at least 14 calendar days' prior notice unless the appointing authority agrees to a shorter period. A written notice of resignation or retirement shall be given by the employee to the appointing authority, with a copy forwarded to the director by the appointing authority at the same time. An employee who fails to give this prior notice may, at the request of the appointing authority, be barred from certification or appointment to that agency for a period of up to two years. Resignation or retirement shall not be subject to appeal under Chapter 12 unless it is alleged that it was submitted under duress.

Employees who are absent from duty for three consecutive workdays without proper authorization from the appointing authority may be considered to have voluntarily terminated employment. The appointing authority shall notify the employee by registered letter (return receipt requested) that they must return to work within two workdays following receipt of the notification or be removed from the payroll. If the appointing authority receives notice from the U.S. post office that the letter was undeliverable, the employee may be removed from the payroll five days following receipt of that notice. The appointing authority shall consider requests to review circumstances.

Eff.7/1/88 b. A full-time employee who is at least 60 years of age and who has completed at least 20 years as a full-time employee may, with approval of the appointing authority, participate in the phased retirement program. The request for participation shall specify the number of hours per week the employee intends to work for each year of the program.

Participants shall be in pay status a maximum of 32 hours per week and a minimum of 20 hours per week during the first four years in the program. After the completion of four years in the program, participants shall be in pay status a maximum of 20 hours per week. An employee may not increase the number of hours in pay status once a reduction has been made. An employee may participate for a maximum of five years in the program.

An employee participating in the phased retirement program shall receive holiday pay and accrue vacation and sick leave on a pro rata basis in accordance with the number of hours in pay status in the pay period. During the period of participation in the program, all other benefits shall be commensurate with full-time employment.

Participation in the phased retirement program shall serve as a written notice of intent to retire on the date specified in the agreement unless the employee retires, resigns, is discharged, or receives long-term disability prior to that date. Participants are eligible to elect early retirement or early termination incentives in lieu of completing the phased retirement agreement.

An employee who participates in the phased retirement program shall not be eligible to return to permanent employment for hours in excess of those worked at the time of retirement.

Eff.12/10/86 c. Employees who received early retirement or early termination incentives provided by the 1986 Iowa Acts, Senate File 2242, shall not be eligible for further state employment.

Eff.9/1/89 d. Separation from employment for purposes of induction into military service shall be in accordance with subrules 14.6(2) and 14.9(2).

Eff.3/30/90 e. A person who has served as a commissioner or board member of a regulatory agency shall not be eligible for employment with that agency until two years after termination of the appointment.

11.1(2) *Expiration of appointment.* When an employee is separated upon the expiration of an appointment of limited duration, the appointing authority shall immediately report the separation to the department on forms prescribed by the director.

Appendix F

Nevada Revised Statutes

286.477 Credit for part-time employment; loss of credit.

1. Except as otherwise required as a result of NRS 286.537, an employee may receive full service credit for part-time employment if:

(a) The employee and his employer enter into an agreement covering his part-time employment and the agreement is approved by the board;

(b) The employee will have reached the age and completed the years of service necessary for retirement, without actuarial reduction of his benefit, at the expiration of the term of the agreement;

(c) The employee works half time or more, but less than full time, according to the regular schedule established by the employer for his position;

(d) The employee and the employer make contributions equal to the lesser of:

(1) The amount which a person serving on a full-time basis in the position would contribute and which his employer would contribute for him; or

(2) The amount which the employee and employer contributed during the last 12 months of the employee's full-time employment, adjusted to include increases to offset higher costs of living provided to similarly situated employees of the same public employer;

(e) Employment ends on or before the fifth anniversary of the day on which the agreement became effective; and

(f) The employee agrees in writing to the forfeiture of credit provided in subsection 2.

2. An employee loses all service credit which he did not earn by actual work and which has accrued pursuant to this section if he:

(a) Returns to full-time employment in the service of any public employer at any time after beginning part-time work under the agreement, except for full-time employment as an elected public officer as a result of appointment to an elective office.

(b) Continues in his part-time employment beyond the fifth anniversary of the day on which the agreement became effective.

(Added to NRS by 1979, 495; A 1981, 452; 1983, 481; 1991, 2363)

Appendix G


16		EMPLOYEES' RETIREMENT SYSTEM	PLAN STATEMENT
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Table 1
Provisions of Noncontributory and Contributory Benefit Plans

	Noncontributory Plan	Contributory Plan
Employee Contributions	No employee contributions	7.8% of salary
Normal Retirement		
Eligibility	Age 62 & 10 years service OR Age 55 & 30 years service	Age 55 & 5 years service
Benefit	1¼% of average final compensation times years of service (Average final compensation or AFC is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation or if System membership occurred prior to 1/1/71, AFC may be an average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation.)	2% of average final compensation times years of service (Average final compensation or AFC is an average of the highest salaries during any three years of credited service, excluding any salary paid in lieu of vacation or if System membership occurred prior to 1/1/71, AFC may be an average of the highest salaries during any five years of credited service including any salary paid in lieu of vacation.)
Early Retirement		
Eligibility	Age 55 & 20 years service	Any age & 25 years service
Benefit	Normal benefit reduced 6% per year under age 62	Normal benefit reduced 5% per year under age 55 plus 4% per year under age 50
Deferred Vesting		
Eligibility	10 years service	5 years service and contributions left in the System
Benefit	Accrued normal benefit payable at age 65	Accrued normal benefit payable at age 55
Ordinary Disability		
Eligibility	10 years service	10 years service
Benefit	Accrued normal benefit	1¼% AFC for each full year of service with a minimum of 30% AFC
Service-Connected Disability		
Eligibility	Any age or service	Any age or service
Benefit	Accrued normal benefit, but not less than 15% AFC	Totally disabled: lifetime pension of 66-2/3% AFC plus annuity Occupationally disabled: same benefit (66-2/3% pension + annuity) paid for 3 years and then pension is reduced to 33-1/3% AFC

**Table 1 (Continued)****Ordinary Death**

Eligibility	Active employee at time of death with at least 10 years of service	Active employee at time of death with at least 1 year of service
Benefit	Surviving spouse and dependent children receive pension equal to a percentage of member's accrued normal benefit	Lump sum payment of member's accumulated contribution plus a percentage of final year's salary Option 2 benefit if eligible for retirement and one beneficiary designated or Option 3 benefit if not eligible for retirement, credited with 10 years of service and one beneficiary designated

Service-Connected Death

Eligibility	Any age or service	Any age or service
Benefit	Surviving spouse and dependent children receive pension equal to a percentage of member's accrued normal benefit, based on minimum accrued normal benefit of 15% AFS	Lump sum payment of member's accumulated contributions, plus pension of 50% AFS to surviving spouse, dependent children or dependent parents

The contributory plan provisions summarized above apply to teachers and most general employees covered by that plan. Special provisions applicable to certain groups of employees covered by the contributory plan are outlined below:

A) Police officers, firefighters, corrections officers, investigators of the Department of the Prosecuting Attorney and the Attorney General, and narcotic enforcement investigators contribute 12.2% of their monthly salary to the System instead of 7.8%. These members may retire at age 55 with 10 years of service or at any age with 25 years of service and receive a retirement benefit of 2½% of average final compensation (AFC) for each year of such service up to a maximum of 80% AFC, provided the last 5 years is service in any of these occupations.

B) Judges and elected officers may retire at age 55 with at least 5 years of credited service or at any age with at least 10 years of credited service and receive a pension of 3½% of AFC for each year of such service plus an annuity provided by contributions allocable to the period of such service. This benefit cannot exceed 75% of the AFC.

C) Sewer workers in specified classifications who are members of either the contributory or noncontributory plan, may retire at any age and receive an unreduced normal benefit if they are credited with 25 years of such service with the last 5 or more years in the eligible classification.

Post Retirement Benefit

Every retirant's basic retirement allowance is increased by 2½% on each July 1 following the calendar year of retirement. This cumulative benefit is not compounded and increases each year by 2½% of the basic retirement allowance without maximum limitation (2½% of the basic retirement allowance the first year, 5% the second year, 7½% the third year, etc.).

Taxation of Benefits

Retirement benefits are subject to Federal income taxes but are exempt from Hawaii State income taxes. Arrangements to initiate voluntary withholding of Federal income tax can be made at retirement.

The Retirement System also provides a 1099-R tax form on or before January 31 of each year that enables retirees to file their Federal income tax returns for the preceding year.

**Additional Benefits Available to Retired Members**

Retirants are also eligible for health and life insurance benefits from the Hawaii Public Employees Health Fund (Health Fund). Retirants credited with at least ten years of service, excluding sick leave credit qualify for free medical insurance premiums; however, retirants with less than ten years must assume a portion of the monthly premiums. Effective July 1, 1989, all disability retirants who retired after June 30, 1984, with less than 10 years of service also qualify for free medical insurance premiums. Free life insurance coverage and dental coverage for dependents under age 19 are also available. Retirants covered by the medical portion (Part B) of Medicare are eligible to receive a reimbursement of the basic medical coverage premiums if an application is filed with the Health Fund Office.

An update of benefits should be obtained from the Health Fund Office prior to retirement in the event changes have occurred.

Applying for Benefits

A member must file a service retirement application with the Retirement System no less than 30 days but not more than 90 days prior to the effective date of retirement. Once the application has been filed, cancellation prior to the effective date of retirement is permitted; however, the law requires mandatory retirement upon the third application. Members residing on the neighbor islands may obtain retirement application forms from the Department of Budget & Finance at the following locations:

Hawaii District Office
101 Aupuni Street, Suite 203
Hilo, Hawaii 96720

Maui District Office
State Office Bldg., No. 2
2264 Aupuni Street
Wailuku, Hawaii 96793

Kauai District Office
4829 Iiwi Road
Kapaa, Hawaii 96746

Counseling Service

It is the policy of the Retirement System to render every possible service to its members; however, as thousands of inquiries are received and answered annually, in addition to the actual processing of claims and benefits, present staff and facility appropriations restrict this activity to attending to the needs of members whose immediate welfare is dependent upon the prompt settlement of benefits. As such, members without serious intention of immediate retirement but who are interested in determining their benefit status, should contact the Retirement System for the worksheets and tables that will enable them to do their own calculations. Members who are definite about retirement should contact the Retirement System to request formal estimates of their retirement benefits.

RETIREMENT OPTIONS**CONTRIBUTORY PLAN**

MAXIMUM ALLOWANCE: The member receives a lifetime maximum allowance and at death, the difference between the value of the member's contributions at the time of retirement and the retirement allowance paid prior to death, as well as the prorated amount from the last payment up to and including the date of death, are paid to the designated beneficiary(ies) or estate.

OPTION ONE: The member receives a reduced lifetime allowance based on age and at death, the difference between the initial insurance reserve and the retirement allowance paid prior to death is paid to the designated beneficiary(ies) or estate.

Source: Martin E. Segal Company, Inc., Report of the Board of Trustees on the Sixty-Sixth Annual Actuarial Valuation as of June 30, 1991, 16-18.

Appendix H

Prepared by V.P. for
Administration

UNIVERSITY OF HAWAII

March 1983
Revised October 1986

EXECUTIVE POLICY - ADMINISTRATION

P 1 of 2

E9.204 Incentive Early Retirement

I. Introduction

This Executive Policy implements Section 9-13c, Incentive Early Retirement, of the Board of Regents Bylaws and Policies and provides the guidelines necessary for administrators to consider, review and process, agreements to participate in the Incentive Early Retirement Plan.

II. Objectives

To establish systemwide guidelines to administer the Incentive Early Retirement Program.

III. Guidelines

Guidelines for Incentive Early Retirement (IER) appointments shall be as follows:

- A. All Board of Regents appointees, who are eligible for retirement under existing Hawaii State Employees Retirement System rules, may participate in the University IER program.
- B. Participation in the University IER program is voluntary for eligible employees.
- C. Given the variation in age, years of service, and retirement entitlements among employees who wish to participate in the IER program, the IER plan contracted between the University and its employees will vary among individuals. However, all agreements must:
 1. be mutually agreeable as to terms;
 2. meet the test of being beneficial to the University.

3. not exceed the equivalent of .40 FTE in post-retirement employment;
 4. be contracted for no more than three (3) years.
- D. A formal agreement between the University and the employee is to be prepared setting forth the provisions of the IER plan, including a description of the services to be performed by the employee and rate of compensation.
- E. The IER commitment between the University and the employee may be reduced or terminated by mutual agreement of the parties.
- F. The agreement shall also abide by the provisions of the Board of Regents' Policy regarding teaching assignments of instructional faculty.
- G. Any extension of the IER agreement beyond the allowable three years shall be based on the needs of the University and shall be limited to one year at a time.
- H. Delegation: Vice Presidents, Chancellors, Manoa Deans and Directors are delegated authority to approve IER agreements on behalf of the University, provided that such agreements do not extend three years beyond the date of the participant's retirement. Extensions (one year) shall require the specific approval of the respective Vice President or Chancellor.

IV. Rights, Privileges, and Obligations

Consistent with the terms of their individual agreements and except as otherwise specified, personnel in the Incentive Early Retirement Program shall enjoy the same rights and privileges and be under the same obligations applicable to faculty and staff to the extent that these rights, privileges, and obligations are not inconsistent with their retirement status, the laws of the State of Hawaii and the policies and regulations of the University of Hawaii.

MEMORANDUM OF AGREEMENT

THIS AGREEMENT is made between the University of Hawaii
(University) and _____ (Appointee) _____,
(name) (rank)

_____ of the _____
(department/unit) (school or college)

to provide the Appointee part-time, post-retirement employment under the University's Incentive Early Retirement Program.

The University and the Appointee agree to the following:

- (1) The Appointee shall retire from the service of the State of Hawaii under the applicable rules and procedures of the State of Hawaii Employees' Retirement System effective _____.

- (2) The Appointee will be reappointed (check one)

☐ In the rank and salary rate in effect at time of retirement for the period _____ to _____ at _____ FTE (maximum .40) at \$_____ per month.

OR

☐ As Lecturer with rank equivalency of _____ for the period _____ to _____ to teach _____ credit hours per semester (maximum six credits per semester) at \$_____ per credit hour.

- (3) The rate of compensation will be increased automatically if the established rate for other Appointees is increased.
- (4) The Appointee's duties shall consist of :

Page 2

- (5) The Appointee's salary shall be paid semi-monthly and subject to applicable federal and state taxes.
- (6) Unless a new Agreement is entered into, this Agreement shall terminate on _____.

Recommended:

Appointee

Department/Unit

School/College

Approved for
University of Hawaii

by _____
Chancellor/Vice President

Date _____

Attachment
(Appointee copy only)
Executive Policy E9.204

Distribution:
Original - BOR Employment
Copy with Attachment - Appointee
Other - As required by Campus

Appendix I

PHASED RETIREMENT SURVEY INSTRUCTIONS

This survey has been designed to obtain the opinions of appointing authorities of the State and counties regarding the desirability of implementing a phased retirement program for state and county employees who are members of the Employees' Retirement System.

"Phased retirement" refers to a concept under which employees, when they are eligible for retirement, are allowed to work on a reduced work schedule prior to full retirement. The concept evolved out of a humanistic concern that workers should be allowed a period of adjustment to ease the transition from full-time work to full retirement. In helping older workers prepare for retirement, phased retirement has also provided a means for the training of new workers to succeed the outgoing workers and an incentive for older workers, who so desire, to remain in their jobs. While this concept has been very popular in the private sector and in colleges and universities (the University of Hawaii has such a program), only two states, California and Iowa, have enacted such a program for general public employees. The interest in the feasibility of a program for Hawaii's public employees arises from a concern that with nearly thirty per cent of the workforce at age fifty or over, there will be a sudden depletion of skills, knowledge, and expertise in government in the next five to ten years.

There is no single model program for phased retirement as the program design depends on its intent. California's program differs substantially from Iowa's, though both began in 1984. California covers all employees except those in the University of California and safety and patrol positions and employees are eligible to participate when they qualify for normal retirement. The program is aimed at protecting the fiscal soundness of the retirement system, increasing retirement options for employees, enhancing the quality of public service by retaining longer the skill and expertise of senior employees, and indirectly reducing the social costs of the premature departure of older workers from the labor market. The participant's work schedule can be set anywhere from twenty to eighty per cent of full-time and can be reduced once every fiscal year or increased once every five years. The participant receives a prorated salary and retirement allowance and can remain in the program indefinitely or return to full-time work if such work is available. The participant is considered an "employee" while in the phased retirement program and is entitled to most employee benefits such as vacation, sick leave, health benefits, and pay increases.

Iowa's program was established for the purpose of cutting payroll costs by reducing its workforce at the high end. Eligibility under Iowa's program is sixty years with twenty years of service (normal retirement is age sixty with twenty years of service). The participant remains in the program for five years or less if the participant advances the retirement date. The participant receives a prorated salary and a bonus that is ten per cent of the full-time salary and continues to receive most employee benefits.

Neither California nor Iowa has experienced much success with their programs. In California, retirees are allowed to collect full retirement and work nearly half-time; therefore, employment as a retired annuitant is more beneficial to an employee than partial retirement. Iowa attributes its problems to the unwillingness of appointing authorities to participate because it means reducing their staff and the concern of employees that the prorated service and salary credit earned during the five-year period will reduce their retirement benefit.

The University of Hawaii's incentive early retirement program has been in place since 1983. Under this Board of Regents (BOR) policy, all BOR appointees who qualify for retirement under the ERS are eligible to continue working on contract at not more than forty per cent of full-time for a period of up to three years. The participant is retired and draws a full pension and is eligible for any benefits and privileges not inconsistent with their retirement status, state laws, and BOR policies. This practice has worked well for the University system since a new faculty member can be hired with the sixty per cent savings from the retiree's salary.

In considering the feasibility of a phased retirement program for Hawaii, there are many issues to be resolved. In broad terms, the major issues are:

- (1) The status of a participant -- If compensation is a combination of salary and retirement allowance, the status of the participant raises many concerns. Whether the participant is deemed an employee or a retiree, there will be impacts on benefits regarding disability, death, vacation, sick leave, and the health fund.
- (2) The operational workload; service delivery -- If appointing authorities are not allowed to hire additional personnel to cover the portion of the work schedule vacated by the participant, the impact on agency operations and the workload of nonparticipating employees must be taken into account.
- (3) The cost to an employee -- If an employee continues to work as an "employee" beyond normal retirement, how does this status affect the employee's retirement plans such as deferred compensation and social security and the payment of taxes.
- (4) The benefits of such a program as compared to other alternatives -- Existing mechanisms such as the hiring of retirees at less than half-time by contract and job-sharing.

For discussion purposes, the following model for a phased retirement program for state and county employees is proposed:

Eligibility -- All employees eligible for retirement under the Employees' Retirement System (age fifty-five or over with twenty-five years of service for contributory members; twenty-five years

of service for police officers and firefighters; age sixty or over with twenty-five years of service or age fifty-five or over with thirty years of service for noncontributory members).

Duration -- An employee works under a reduced schedule for a period of up to three years.

Participation -- Participation is voluntary. An employee desiring to participate submits a request to the appointing authority who approves the request based on operational considerations. The employee and appointing authority must agree upon a work schedule. Criteria for denial by the appointing authority and an appeal would be established.

Work schedule -- The work schedule would be limited to a minimum of twenty-five per cent of full-time to a maximum of seventy-five per cent of full-time; however, once an employee and appointing authority agree upon a schedule, that schedule cannot be changed for the three-year phasing period.

Compensation -- The participant would be paid a prorated salary and a prorated retirement allowance based on the reduced work schedule. For example, a participant working forty per cent of full-time would receive forty per cent of the full-time salary and sixty per cent of the retirement allowance.

Status of participant regarding benefits -- A participant in a phased retirement program would be considered an "employee" if working fifty per cent of full-time or more and would earn vacation, sick leave, and service credits. A participant working less than fifty per cent of full-time would be considered a "retiree" and though ineligible for vacation, sick leave, and service credit, would be receiving the free health plan coverage.

Please complete the attached survey as if the above model is the adopted program for state and county employees. Please answer the questions by filling in the blank or circling the number of the response that best describes your opinion. Do not circle more than one number per question. After completing the survey, please use the preaddressed, stamped envelope to return the survey by August 20, 1992.

Your assistance on this survey is very important and greatly appreciated. Thank you very much.

**PHASED RETIREMENT
APPOINTING AUTHORITY OPINION SURVEY**

Department: _____

Name of Person Completing Survey: _____

Phone No.: _____

1. How many full-time employees are in your department?
_____ Civil Service _____ Noncivil Service
2. When an employee in a senior level position retires, do you have difficulty finding an appropriate successor?
a. Usually b. Sometimes c. No
3. Do you now have senior level positions occupied by persons 50 years of age or older with no intermediate level employees in line to assume those senior level positions?
a. Yes, quite a lot b. Yes, a few c. No
4. How concerned are you about the possibility of losing knowledgeable and experienced senior employees in the next five years?
a. Seriously concerned b. Moderately concerned c. Not concerned
5. Have you ever re-hired an employee who retired?
Yes _____ No _____
6. If the answer to #5 is yes:
 - a. How was that retired employee re-hired?
 - (1) Temporary employee working less than twenty hours per week.
 - (2) Consultant on a personal service contract.
 - (3) Emergency hire.
 - (4) Other _____
 - b. Why was the retired employee re-hired?
 - (1) Unable to find qualified person to replace retiree.
 - (2) To complete an important project.
 - (3) To assist in training replacement.
 - (4) More cost-effective to re-hire on part-time basis or contract than to fill position.

(5) Retired employee wanted to continue working but not on a full-time basis.

(6) Other _____

7. If the answer to #5 is no, was it due to:

- a. Absence of a need to rehire.
- b. Insufficient funds.
- c. Absence of authority to contract such services
- d. Concerns expressed by bargaining unit representatives regarding such practice.
- e. Other. Please explain.

8. If a phased retirement program is made available as an option for all state and county employees in the retirement system, would you prefer to continue the current practice (as indicated in #5) of re-hiring retired employees on an as needed basis?

Yes_____

No_____

9. What has been your department's experience with the State's job-sharing pilot program authorized by Act 244, Session Laws of Hawaii 1989?

10. If a phased retirement program is made available as an option for all state and county employees in the retirement system, which of the following can be anticipated? (Circle all applicable items.)

- a. There should be no problem as there are few employees in this department who would be eligible for retirement and participation in the phased retirement program at the same time.
- b. It would be difficult to make adjustments to work schedules to ensure that there is adequate workload coverage.
- c. Additional staff would have to be hired to maintain current service.
- d. If additional staff is hired, there would be a problem with accommodations as office space is limited.
- e. Other _____

The following questions are aimed at your opinions regarding the design of a phased retirement program for Hawaii.

11. Enrollment should:

- a. Apply to all full-time employees.

- b. Exclude certain job classes from participation. (Please indicate which classes and why they should be excluded, e.g., police officers because of public safety or nurses because they are in a shortage category.)

12. The period an employee is in phased retirement should be:

- a. Limited to two years
- b. Limited to three years
- c. Limited to five years
- d. Unlimited and should end when the employee is ready for full retirement.
- e. Other. Please explain.

13. The part-time work options should be:

- a. Limited to half-time work for all participants.
- b. Limited to a range of options with a minimum of 25% and a maximum of 75% of full-time to be determined on a case-by case basis by an agreement between the participant and the appointing authority.
- c. Limited only by a maximum ceiling to be set by law, with the actual work time determined on a case-by-case basis between the participant and appointing authority.
- d. Should be left entirely to participant and appointing authority to determine on a case-by-case basis.

14. The work schedule options should be:

- a. Limited to reduced workday.
- b. Limited to reduced workweek.
- c. Limited to reduced workmonth.
- d. Limited to reduced workyear.
- e. Left entirely to participant and appointing authority to determine on a case-by-case basis.

15. General comments:

Appendix J

Samuel B. K. Chang
Director

Research (808) 587-0666
Revisor (808) 587-0670
Fax (808) 587-0720



LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

September 16, 1992

4770-A

Dear State or County Employee:

Subject: Phased Retirement Study

The Legislative Reference Bureau is conducting a study on the feasibility of implementing a phased retirement program for full-time employees who are active members of the Employees' Retirement System. You are one of 400 state and county employees age 45 or over who have been randomly selected by computer to complete the attached survey.

The purpose of this survey is to find out whether or not employees would participate in a phased retirement program. For the purpose of answering questions 14 through 17, the term "phased retirement" refers to a program under which employees who are eligible for retirement are allowed to work on a reduced work schedule prior to full retirement. The program the LRB believes may be feasible for Hawaii would be as follows:


- (1) **Eligibility** -- All employees when they are eligible for normal retirement under the Employees' Retirement System
- (2) **Duration** -- An employee works under a reduced schedule for a period of up to three years.
- (3) **Participation** -- Participation is voluntary. An employee desiring to participate submits a request to the appointing authority who approves the request based on operational considerations. The employee and appointing authority must agree upon a work schedule.
- (4) **Work schedule** -- The work schedule would be limited to a minimum of 25% of full-time to a maximum of 75% of full-time; however, once an employee and appointing authority agree upon a schedule, that schedule cannot be changed for the three-year phasing period.
- (5) **Compensation** -- The participant would be paid a partial salary and a partial retirement allowance based on the reduced work schedule. For example, a participant working 40% of full-time would receive 40% of the full-time salary and 60% of the retirement allowance.
- (6) **Status of participant regarding benefits** -- A participant in a phased retirement program would be considered an "employee" if working 50% of full-time or more and would earn vacation, sick leave, and service credit. A participant working less

September 16, 1992

than 50% of full-time would be considered a "retiree" and though ineligible for vacation, sick leave, and service credit, would be receiving free health plan coverage.

It should take you only about 5-10 minutes to complete the survey. When you are finished, please use the enclosed self-addressed, stamped envelope and mail it back to us by September 30, 1992. Your assistance is very important to our study. Thank you very much for your cooperation.

Sincerely,


Samuel B. K. Chang
Director

SBKC:ay
Enc.

**LEGISLATIVE REFERENCE BUREAU
EMPLOYEE OPINION SURVEY ON RETIREMENT PLANS**

Please answer the questions below by circling the letter of the answer that best describes you or your opinion. Do not circle more than one answer per question.

1. How old are you?
 - a. Under 45 years old
 - b. 45-49 years old
 - c. 50-54 years old
 - d. 55-59 years old
 - e. 60-64 years old
 - f. 65 years old and over

2. What type of employee are you:
 - a. State
 - b. County

3. In what range is your annual salary?
 - a. Under \$20,000
 - b. \$20,000 - \$25,000
 - c. \$26,000 - \$30,000
 - d. \$31,000 - \$35,000
 - e. \$36,000 - \$40,000
 - f. \$41,000 - \$45,000
 - g. \$46,000 - \$49,000
 - h. \$50,000 - \$55,000
 - i. \$56,000 - \$60,000
 - j. \$61,000 - \$65,000
 - k. \$66,000 - \$70,000
 - l. \$71,000 and over

4. Which employee unit do you belong to? (If your position is excluded from collective bargaining which unit would you be in if you were not excluded?)
- a. Unit 1 (Nonsupervisory blue collar)
 - b. Unit 2 (Supervisory blue collar)
 - c. Unit 3 (Nonsupervisory white collar)
 - d. Unit 4 (Supervisory white collar)
 - e. Unit 5 (Teachers and other DOE personnel on same salary schedule)
 - f. Unit 6 (Educational officers and other personnel on same salary schedule)
 - g. Unit 7 (UH faculty)
 - h. Unit 8 (UH personnel other than faculty)
 - i. Unit 9 (Registered professional nurses)
 - j. Unit 10 (Institutional, health, and correctional workers)
 - k. Unit 11 (Firefighters)
 - l. Unit 12 (Police officers)
 - m. Unit 13 (Professional and scientific employees other than registered professional nurses)
5. How many total years of service do you have as a state and/or county employee?
- a. Less than 5 years
 - b. 5-9 years
 - c. 10 years
 - d. 11-15 years
 - e. 16-20 years
 - f. 21-25 years
 - g. 26-30 years
 - h. more than 30 years
6. How many years have you been with the department or agency you are in now?
- a. Less than 5 years
 - b. 5-10 years
 - c. 11-15 years
 - d. 16-20 years
 - e. 21-25 years
 - f. 26-30 years
 - g. more than 30 years

7. What is your status under the Employees' Retirement System:
- a. Contributory member - (I make monthly contributions to the retirement system)
 - b. Noncontributory member - (I do not make monthly contributions to the retirement system)
8. What is your marital status?
- a. Married
 - b. Not married
9. If you have children, will any of them still be in school or college when you are eligible for retirement?
- a. Yes
 - b. No
10. As best as you can estimate at this time, when do you plan to retire from the State or county?
- a. Before age 55
 - b. At age 55
 - c. After 55 but before 62
 - d. At age 62
 - e. After 62 but before 65
 - f. At age 65
 - g. After age 65
11. Are you looking forward to retirement?
- a. Yes, definitely
 - b. Yes, for the most part
 - c. I have mixed feelings
 - d. No
 - e. I have not seriously thought about it

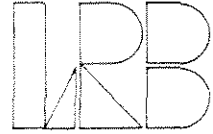
12. a. If you circled a or b in question #11, what is the main reason for your answer?
- (1) I do not enjoy my job
 - (2) I would like to spend more time with my family and on my hobbies, other interests, travel, etc.
 - (3) I am financially secure, I do not have to work
 - (4) I would like to pursue a different career outside of government
 - (5) I would like to pursue a different career in government on a part-time basis
 - (6) Other (please explain) _____
- b. If you circled c or d in question #11, what is the main reason for your answer?
- (1) I love my job
 - (2) I prefer to work to keep myself busy
 - (3) I would not have enough income if I retire
 - (4) I have to work until my children complete their schooling
 - (5) Other (please explain) _____
13. How much planning have you done to ensure that you will have enough income upon your retirement?
- a. A lot
 - b. A little
 - c. Very little
 - d. None
14. When you are eligible for retirement, would you be interested in a phased retirement program where instead of full retirement you would be allowed to work part-time in the same job you now have for three years before you fully retire? (See cover letter for explanation of this program.)
- a. Yes, definitely
 - b. Yes, depending on the work schedule
 - c. Not sure
 - d. No, I want to remain in this job on a **full-time** basis as long as I am healthy and able.
 - e. No, I would fully retire and find some other **part-time** job that is different from my present job
 - f. No, I would fully retire and find some other **full-time** job that is different from my present job
 - g. No, I just want to retire

15. If a "phased retirement" program is made available, and you are interested in participating, which of the following reduced work schedules would you be most interested in?
- a. Quarter-time (25% of full-time)
 - b. Half-time (50% of full-time)
 - c. Three-quarter-time (75% of full-time)
 - d. Other (please explain) _____
16. If you were a participant in a "phased retirement" program, how long would you like to remain in the program?
- a. Until I qualify for social security
 - b. 1-2 years
 - c. 3-5 years
 - d. Indefinitely
17. If you would not be interested in participating, how would you feel about a co-worker participating?
- a. Okay, as long as my workload is not increased by my co-worker's reduced work schedule.
 - b. It would not bother me.
 - c. I would not like it, I think everyone should work full-time or retire.

Thank you very much for your time. Please mail this form in the envelope provided by October 12, 1992.

Appendix K

Samuel B. K. Chang
Director



Research (808) 587-0666
Revisor (808) 587-0670
Fax (808) 587-0720

LEGISLATIVE REFERENCE BUREAU
State of Hawaii
State Capitol
Honolulu, Hawaii 96813

July 30, 1992

4770A

Mr. Francis Kennedy
Business Manager
Hawaii Firefighters Association, Local 1463
2405 S. Beretania Street
Honolulu, Hawaii 96826

Dear Mr. Kennedy:

Pursuant to Senate Resolution No. 80 and House Resolution No. 123, the Legislative Reference Bureau (LRB) is conducting a study on the feasibility of implementing a phased retirement program for state and county employees. (Copies of the resolutions are enclosed for your information and files.)

The resolutions direct LRB to consult with the exclusive representatives of the thirteen public sector collective bargaining unit. As the researcher assigned to this study, I have completed most of the background research on the "phased retirement" concept and am now in the process of soliciting comments from the various parties listed in the resolution. The purpose of this letter is to obtain your views on phased retirement for Hawaii's public employees.

To provide you with some background, "phased retirement" refers to a concept under which employees, when they are eligible for retirement, are allowed to work on a reduced work schedule prior to full retirement. The concept evolved out of a humanistic concern that workers should be allowed a period of adjustment to ease the transition from full-time work to full retirement. In helping older workers prepare for retirement, phased retirement has also provided a means for the training of new workers to succeed the outgoing workers and an incentive for older workers, who so desire, to remain in their jobs. While this concept has been very popular in the private sector and in colleges and universities (the University of Hawaii has such a program), only two states, California and Iowa, have enacted such a program for general public employees. The interest in the feasibility of a program for Hawaii's public employees arises from a concern that with nearly thirty per cent of the workforce at age fifty or over, there will be a sudden depletion of skills, knowledge, and expertise in government in the next five to ten years.

There is no single model program for phased retirement as the program design depends on its intent. California's program differs substantially from Iowa's, though both began in 1984. California covers all employees except those in the University of California and safety and patrol positions and employees are eligible to participate when they qualify for normal retirement. The program is aimed at protecting the fiscal soundness of the retirement system, increasing retirement options for employees, enhancing the quality of public service by retaining longer the

skill and expertise of senior employees, and indirectly reducing the social costs of the premature departure of older workers from the labor market. The participant's work schedule can be set anywhere from twenty to eighty per cent of full-time and can be reduced once every fiscal year or increased once every five years. The participant receives a prorated salary and retirement allowance and can remain in the program indefinitely or return to full-time work if such work is available. The participant is considered an "employee" while in the phased retirement program and is entitled to most employee benefits such as vacation, sick leave, health benefits, and pay increases.

Iowa's program was established for the purpose of cutting payroll costs by reducing its workforce at the high end. Eligibility under Iowa's program is sixty years with twenty years of service (normal retirement is age sixty with twenty years of service). The participant remains in the program for five years or less if the participant advances the retirement date. The participant receives a prorated salary and a bonus that is ten per cent of the full-time salary and continues to receive most employee benefits.

Neither California nor Iowa have experienced much success with their programs. In California, retirees are allowed to collect full retirement and work nearly half-time; therefore, employment as a retired annuitant is more beneficial to an employee than partial retirement. Iowa attributes its problems to the unwillingness of appointing authorities to participate because it means reducing their staff and the concern of employees that the prorated service and salary credit earned during the five-year period will reduce their retirement benefit.

The University of Hawaii's incentive early retirement program has been in place since 1983. Under this Board of Regents (BOR) policy, all BOR appointees who qualify for retirement under the ERS are eligible to continue working on contract at not more than forty per cent of full-time for a period of up to three years. The participant is retired and draws a full pension and is eligible for any benefits and privileges not inconsistent with their retirement status, state laws, and BOR policies. This practice has worked well for the University system since a new faculty member can be hired with the sixty per cent savings from the retiree's salary.

For discussion purposes, the following model for a phased retirement program for state and county employees is proposed:

Eligibility - All employees eligible for retirement under the Employees' Retirement System (age fifty-five or over with twenty-five years of service for contributory members; twenty-five years of service for police officers and firefighters; age sixty or over with twenty-five years of service or age fifty-five or over with thirty years of service for noncontributory members).

Duration - An employee works under a reduced schedule for a period of up to three years.

Participation - Participation is voluntary. An employee desiring to participate submits a request to the appointing authority who approves the request based on operational considerations. The employee and appointing authority must agree upon a work schedule. Criteria for denial by the appointing authority and an appeal would be established.

Work schedule - The work schedule would be limited to a minimum of twenty-five per cent of full-time to a maximum of seventy-five per cent of full-time; however, once an employee and appointing authority agree upon a schedule, that schedule cannot be changed for the three-year phasing period.

Compensation - The participant would be paid a prorated salary and a prorated retirement allowance based on the reduced work schedule. For example, a participant working forty per cent

of full-time would receive forty per cent of the full-time salary and sixty per cent of the retirement allowance.

Status of participant regarding benefits - A participant in a phased retirement program would be considered an "employee" if working fifty per cent of full-time or more and would earn vacation, sick leave, and service credits. A participant working less than fifty per cent of full-time *would be considered a "retiree" and though ineligible for vacation, sick leave, and service credit, would be receiving the free health plan coverage.*

In considering the feasibility of a phased retirement program for Hawaii, there are many issues to be resolved. In broad terms, the major issues are:

- (1) The status of a participant - If compensation is a combination of salary and retirement allowance, the status of the participant raises many concerns. Whether the participant is deemed an employee or a retiree, there will be impacts on benefits regarding disability, death, vacation, sick leave, and the health fund.
- (2) The operational workload; service delivery - If appointing authorities are not allowed to hire additional personnel to cover the portion of the work schedule vacated by the participant, the impact on agency operations and the workload of nonparticipating employees must be taken into account.
- (3) The cost to an employee - If an employee continues to work as an "employee" beyond normal retirement, how does this status affect the employee's retirement plans such as deferred compensation and social security and the payment of taxes.
- (4) The benefits of such a program as compared to other alternatives - Existing mechanisms such as the hiring of retirees at less than half-time by contract and job-sharing.

Given the brief information above, I would appreciate your views regarding phased retirement and how it can be beneficial or detrimental to your bargaining unit members. If you would prefer to respond by telephone or by a personal interview, please call me at 587-0666.

Thank you very much for your time and assistance.

Sincerely,



Susan K. Claveria
Researcher

SKC:ay
Enc.