
OFFICE OF GOVERNOR RONNIE MUSGROVE
INTEROFFICE MEMORANDUM

TO: GOVERNOR

FROM: RILEY
GILBERT

SUBJECT: IHL'S PROPOSAL FOR EARLY RETIREMENT PACKAGE

DATE 2/28/01

CC: FILE

We met with Jim Rhodes, Pam Smith and Karen Smith of IHL last Thursday (2/22/01) to discuss concerns IHL has regarding the impact of the budget reserves. Rhodes presented IHL's idea of an early retirement package whereby employees eligible for retirement could do so and then come back to work full-time at part-time pay. Rhodes said that the employees would collect 10-15% more take-home pay and the state could save an estimated 50% of current expenses for these employees. Employees with more than 25 years of service will see a larger increase in take-home pay.

IHL currently has a \$132 million payroll on approximately 2,100 employees who are eligible to retire. Rhodes projected that most of these employees are tenured faculty. Rhodes conducted an informal survey of 20 of these employees and 15 (75%) of them said that they would participate in the early retirement package discussed above.

Rhodes said that this could be a time-limited program, say for five years, with those eligible to participate given a one-year window of opportunity to enlist in the program. Rhodes said that he has presented the idea to Frank Ready at PERS, but that Ready has some reservations regarding the plan's impact on the stability of the PERS fund. Rhodes said that this concern could be addressed by doubling the employer's retirement contribution rate on participating employees' part-time pay, which would contribute the same amount to retirement as standard rate on full-time pay. State agencies would still save 50% in salaries on these employees. Rhodes pointed out that PERS could suffer more from total loss of contributions if agencies eliminate positions under the budget reserves.

Rhodes said that HB 1182 offers the vehicle for this idea. HB 1182 authorizes retired employees to be employed and receive retirement for working not more than half-time and for no more than half pay for a position.

We'll be happy to discuss this with you further or to obtain any additional information you might like concerning this matter. Please advise.