

Beacon Hill Byline by Mary Rogeness

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Can Early Retirement Help Our Towns?

We all know that money is tight at all levels of government this year. The federal government can deal with the shortfall by engaging in deficit spending, but state and local budgeters must search for ways to make the existing dollars go farther.

One of many strategies in use by state government is an early retirement offer to longtime state employees. The legislature just approved a similar program for municipalities, and that program for municipalities, and that program is the subject of this week's Byline.

The bill passed with unanimous support in the legislature, and it allows municipalities to offer enhanced retirement benefits to employees as a way to reduce workforce and payroll obligations. Local governments save money only to the extent that both staffing and payroll are reduced, so towns with a small workforce may choose not to participate. However, if a town is facing layoffs of workers in order to balance the budget, the program may be attractive. Here are the provisions of the law. My apologies to the readers who are unfamiliar with some of the employment terms; the details are important to employees who may be affected.

Eligible employees must be an employee of the city, town, county, authority, or district or be a member of the city, town, county, authority, district, or regional retirement system at the time the provisions of the bill are accepted. These employees must have 20 years of creditable service unless they are 55 years of age or older. In that case they must have at least 10 years of creditable service.

The incentive would provide an additional credit up to five years of age, or up to five years of creditable service, or some combination of the two, not to exceed five, for any eligible individual.

If an eligible employing entity chooses to craft an incentive, it will apply to Group 1, Group 2 and Group 4 employees. Teachers were offered an enhanced retirement several years ago, so they are not eligible for the new program.

Employers can limit the total number of people eligible or the total number of people eligible or the total number in each retirement group eligible. The retirement of employees with longer service shall be approved first.

A city, town, county, authority or district is eligible to accept the provisions of this bill any time prior to November 1, 2002. Upon acceptance, the employer will set an application deadline and a retirement date for its employees, provided that the application deadline for employees is not later than December 31, 2002. Employees of a county or regional retirement board will have a retirement date of January 30, 2003.

The program is not a panacea for budgetary woes. Each organization must weigh the added cost of payments to the retirement system the need to replace retirees against any payroll savings. Used wisely, it will assist us as we work our way through this difficult economic year.

