

# BUDGET LETTER

<b>SUBJECT:</b> EARLY RETIREMENT PROGRAM	<b>NUMBER:</b> 02-33
<b>REFERENCES:</b> EXECUTIVE ORDER D-63-02	<b>DATE ISSUED:</b> October 10, 2002
	<b>SUPERSEDES:</b>

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Personnel Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**Budget Officers are required to forward a copy of this Budget Letter (BL) to Departmental Personnel and Labor Relations Officers.**

Under the provisions of Government Code Section 20901 and Education Code Section 22715, the Governor has issued [Executive Order D-63-02](#), to authorize an Early Retirement Program for State employees. The program is available to all Appointing Powers that<sup>1</sup> can clearly show that participation would generate General Fund and/or Special Fund savings. Each Appointing Power is required to review its program needs and the Early Retirement Program requirements immediately. Appointing Powers that wish to participate in the Early Retirement Program must complete their proposals and the Early Retirement Program Certification as outlined in this Budget Letter (BL) and send them to the Department of Finance (Finance) and the Department of Personnel Administration (DPA) no later than **October 31, 2002**. Those Appointing Powers not wishing to participate must still send the Early Retirement Program Certification with the appropriate box checked to DPA and Finance no later than October 31, 2002.

## Program Provisions

Under the provisions of law and the Executive Order:

- An employee must be otherwise eligible to retire without the use of the additional service credit.
- An employee must be within a group that an Appointing Power has designated to be eligible to participate in this program. The group can be a job classification, organizational unit, or a job classification within an organizational unit.
- Employees who retire between December 3, 2002, and February 1, 2003, and who are in an eligible group, will receive two additional years of employer paid service credit toward retirement.
- With the exception of the two-year service credit, all other retirement criteria and benefits remain in force.
- Each participating Appointing Power shall complete separate Attachments II and III, for each eligible job classification and organizational unit that shows the anticipated costs and savings by fund source for each position, and any other required information.

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<sup>1</sup> All departments, boards, bureaus, commissions, or any other appointing powers.

- Each participating Appointing Power shall submit, by October 31, 2002, Attachments II and III and the Early Retirement Program Certification to Finance and DPA. The DPA will provide guidance to Finance and Appointing Powers regarding any labor relations impact.
- A participating Appointing Power must reimburse the California Public Employees' Retirement System (CalPERS) for the actuarial value of the two years of service credit. This may be paid in a lump sum amount or in annual installments up to a maximum of four years. Details on the reimbursement process will be provided at a future date.
- In 2002-03, a budget executive order will be issued to reduce departmental appropriations for the increased current year costs of annuitant health benefits. Departmental budgets will be adjusted for future fiscal years.
- Agency Secretaries and other Cabinet members are responsible for ensuring that the Early Retirement Program is implemented consistent with Executive Order D-63-02 and the provisions of Government Code Section 20901 and Education Code Section 22715. Finance is responsible for ensuring compliance by participating constitutional officers and other agencies that do not report to the Governor through a Cabinet member.
- Finance will notify Appointing Powers in mid-November of decisions regarding participation in the Early Retirement Program.
- By February 14, 2003, Appointing Powers must send Finance an updated Participation Plan that reflects the actual employees that retired under the Early Retirement Program.

### **Participation Standards**

The purpose of the Early Retirement Program is to generate savings by encouraging early retirement of personnel and then holding vacant the positions held by the retiring personnel for as long as necessary to realize net savings. Finance will not approve any deficiency requests in 2002-03 or any budget augmentation requests for 2003-04 that are submitted as a result of the Early Retirement Program. The Early Retirement Program may not be used in cases where it would otherwise result in a general need to replace the employees accepting early retirement. Savings must be realized on a position-by-position basis.

### **Government Code Section 12439**

Finance will consider reestablishing any position abolished by Government Code Section 12439 because the position was held vacant to generate savings for the Early Retirement Program.

### **Instructions for Attachment II Worksheet**

1. Appointing Powers are to conduct employee surveys to determine which employees will be likely to participate in the Early Retirement Program.
2. On a separate Attachment II worksheet for each job classification and organizational unit, complete columns A through J for all employees who would participate in the Early Retirement Program.
3. For positions funded with multiple funding sources, use a separate line for each funding source and repeat the position number.
4. Select the appropriate actuarial factor shown on Attachment I, and enter it in column K on the Attachment II worksheet for each employee, based upon the employee's sex, age, and retirement category.

5. Include interest costs if the retirement costs will be paid in annual installments (12.4 percent of total retirement cost for 4 installments, 10 percent of total retirement cost for 3 installments, and 5.9 percent of total retirement costs for 2 installments).
6. Since the purpose of this program is to generate savings by encouraging early retirement of personnel and then holding vacant the positions held by the retiring personnel for as long as necessary to realize net savings, costs that might otherwise be attributable to reimbursements, federal funds, General Obligation bonds, or other funds whose use may be restricted, but cannot be recovered from these sources, must be recovered by holding vacant other currently filled positions that are funded by State sources.

### **Instructions for Attachment III Worksheet**

1. On a separate Attachment III worksheet for each job classification and organizational unit, complete columns A through K for each position that would be held vacant to generate savings.
2. For positions funded with multiple funding sources, use a separate line for each funding source and repeat the position number.
3. Only count savings that would be realized by June 30, 2004.
4. Since the purpose of this program is to generate savings by encouraging early retirement of personnel and then holding vacant the positions held by the retiring personnel for as long as necessary to realize net savings, savings that might otherwise be attributable to reimbursements, federal funds, General Obligation bond funds, or other funds whose use may be restricted, but cannot be recovered from these sources, may not be included on Attachment III.
5. For marginal OE&E in column J, use 5 percent of the position's salary unless specific documentation is provided to demonstrate that the position should be allocated a greater percentage of OE&E.

### **Treatment of Budget Documents**

Appointing Powers are not to adjust any budget documents (e.g., Budget Galley, Schedule 10s, Planning Estimates) for the fiscal impact reflected on Attachments II and III. Finance will reflect the total fiscal impact using a statewide item.

### **CalPERS Retirement Notification**

All Appointing Powers are asked to submit Attachment IV to CalPERS at the time of retirement for any employee who retires under the Early Retirement Program. After an agency receives approval to participate in the Early Retirement Program, the form should be signed and given to each eligible employee to submit with their retirement application.

If your department has questions or needs assistance in implementing the Early Retirement Program, please contact the appropriate staff listed below.

Department of Personnel Administration  
Contact your DPA Labor Relations Officer for the respective bargaining unit

Department of Finance  
Jeff Carosone, Associate Finance Budget Analyst  
(916) 445-3274

California Public Employees' Retirement System  
Susan Smith, Sacramento Regional Office  
(916) 795-0777

/s/ KATHRYN RADTKEY-GAITHER

KATHRYN RADTKEY-GAITHER  
Assistant Director

Attachments

EARLY RETIREMENT PROGRAM  
CERTIFICATION

Under the provisions of Government Code Section 20901 and Education Code Section 22715, the Governor has issued Executive Order D-63-02, to authorize an Early Retirement Program for State employees. The program is available to all Appointing Powers that can clearly show that participation would generate General Fund and/or Special Fund savings.

I hereby certify, as appointing authority, that:

- The Participation Plan being submitted to the Department of Finance contains my best estimate of the number of employees that would participate in the Early Retirement Program and the estimated cost and savings of the program.
- If the Participation Plan is approved, sufficient savings will be generated, on a position-by-position basis, so that there will be savings to the State.
- There are sufficient reserves in each fund to pay for the costs of the Early Retirement Program.
- The Department of Finance is given approval to reduce any of the departments' Items of Appropriation to capture savings generated by the Early Retirement Program.

**OR**

My department will not participate in the Early Retirement Program

Signature of Appointing Power	Title	Date
Typed or Printed Name	Name of Department	Telephone

