



## MEMORANDUM

To: Directors and Fiscal Officers of Departments, Agencies, Boards and Commissions

From: J. Pari Sabety, Director 

Date: January 31, 2008

Re: Additional Guidance for Early Retirement Incentive (ERI) Plans

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As discussed in January 7, 2008 guidance regarding Early Retirement Incentive (ERI) plans, Governor Strickland and the Office of Budget and Management (OBM) are committed to assisting agencies in exploring cost-containment options in light of challenging economic times. After inquiries from a number of agencies on the specifics of the January 7<sup>th</sup> guidance and upon further review, the following issues merit clarification.

First, with respect to inquiries regarding which employees are eligible to participate in ERIs, OBM and the Governor's Office appreciate the concern that restricting a plan to certain types of employees may impact significant cost-savings that could be recognized by opening an agency's plan to a broad class of employees. However, while certain employees may be statutorily eligible to participate in ERI plans, OBM discourages offering ERIs to directors, assistant directors, deputy directors, and other similarly-appointed employees. Given the state's current financial condition, agencies must act prudently and responsibly when using the state's limited resources and direct those resources to the areas with the most critical needs.

To this end, OBM can assist agencies in defining the parameters of an employing unit, including any subordinate designations of an employing unit, in order to effectively capture eligible employees and to achieve maximum cost savings. All agencies should be mindful that, in order to receive OBM approval, ERIs must meet all of the following general criteria: the plan ensures the fiscal well-being of the state, the plan will result in an effective use of state resources, and the plan achieves management objectives not otherwise available.

As noted in our earlier guidance, all ERIs proposed by state agencies will first be reviewed and approved by OBM. In turn, OBM will notify each agency of its decision and, if approved, the Public Employees Retirement System (PERS). However, newly-amended PERS rules require 60 days notice from the agency prior to the plan's effective date. Thus, in order to reduce administrative delay in implementing a plan, it is imperative that an agency notify PERS when it submits a proposed plan to OBM.

Agencies that desire to offer either a voluntary or mandatory ERI to its employees may review PERS's "A Model for Writing a Retirement Incentive Plan" (attached to this memorandum) and use this document as a guide. However, agencies are cautioned to ensure that their plan is individualized and clearly documents the affordability of the plan within the agency's appropriations. Plans that do not conform to these standards will routinely be denied.

Finally, we encourage those persons at the agency level who may currently be drafting a plan to notify their agency director of their potential interest in or eligibility for participation in the plan, **prior** to developing and administering the plan.

If you have any additional questions, please contact Anthony Perry (614-466-6551) at OBM.