



STATE OF ALABAMA
Department of Finance
Office of the Director

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Robert Bentley
Governor

Clinton Carter
Deputy Finance Director

Marquita F. Davis, Ph.D.
Director of Finance

October 22, 2012

MEMORANDUM

To: Department Heads, Payroll and Personnel Officers

From: Clinton Carter
Deputy Finance Director

SUBJECT: Voluntary Retirement Incentive

Governor Robert Bentley anticipates introducing legislation during the next legislative session to offer a retirement incentive to eligible State employees who voluntarily retire from State service.

Pending legislative approval, the Voluntary Retirement Incentive (VRI) is a one-time opportunity for State employees who meet the program criteria to receive an additional retirement benefit in return for voluntarily retiring from State service no later than the end of the second month after the effective date of the legislation. Qualified State employees include executive branch employees, legislative branch employees, and judicial branch employees who meet the minimum retirement eligibility requirements as determined by the Retirement Systems of Alabama. Elected officials, local government employees and quasi or non-State agency or organization employees are not eligible to participate in the program. A separate Teacher Voluntary Retirement Incentive plan may be proposed at a later period.

Program Features:

- Employees have the **choice of ONE** of the following options:

Option 1: Post-Retirement Group Health Insurance Coverage

- The State will pay the retiree's monthly premium for non-tobacco users up to 5 years for member-only coverage or up to 2.5 years for family coverage or until the retiree qualifies for Medicare or reaches age 65, whichever comes first. If the employee or his or her covered spouse is a tobacco user, the employee will be responsible for paying the difference between the non-tobacco user premium and the tobacco user premium.

– OR –

Option 2: Cash incentive payment of \$15,000

- Cash incentive payment would be made in 2 installments (one payment the month following retirement and one payment in January 2014).

Proposed Program Description:

- **VRI is a VOLUNTARY program.**
- **Accrued unused sick leave (up to 600 hours) and annual leave (up to 480 hours) will be paid in 2 installments.**
 - By accepting the VRI incentive, the participant agrees to receive the cash incentive payment (if selected) as well as half of any accrued sick leave (maximum of 600 hours) and annual leave (maximum of 480 hours) in two installments.
 - No employee will be paid for more than the maximum of 600 hours of sick leave or 480 hours of annual leave. One-half (½) of the sick leave (maximum of 300 hours) and one-half (½) of the annual leave (maximum of 240 hours) will be paid in the month following retirement and the remaining one-half (½) will be paid in January 2014 following retirement.
- The VRI program will NOT increase the amount of service credit, nor will service credit purchases be allowed under the program, other than currently allowed by law. Benefits will be calculated based on the member's actual service or as otherwise allowed by law.
- All VRI applications will be reviewed on a classification basis by each department. Approval for a classification to participate in the VRI will require the determination of the appointing authority (i.e. Department Head, Board, Commission). Participation by certain agencies may be limited or excluded.
- The State expects to eliminate many of the positions of those who retire, although we recognize that critical positions will need to be refilled to ensure the viability of essential State functions. Requests for critical replacements will be considered on a case-by-case basis and will require the approval of the State Finance Director and the State Personnel Director for the executive branch, the Chief Justice of the Alabama Supreme Court for the judicial branch and the appropriate appointing authorities for the legislative branch.
- Pending passage of this legislation, applicants would have a limited enrollment period in which to apply. If approved, applicants would agree to leave employment no later than the end of the second month after the effective date of the legislation.
- Cash incentive payments, including installment payments, are taxable; however, these payments will not count as earnable compensation for retirement purposes.

Eligibility:

- All participants must be retirement-eligible as defined by the Retirement Systems of Alabama as of the date of separation.
- **PARTICIPANTS may not accept any form of employment with the State for a period of 5 years after retirement, other than in the Retired State Employee classification (subject to the maximum salary limitation set forth in Section 36-27-8.2) or as an elected official.**
 - Prohibited forms of employment include all temporary, part-time, or full-time employment with the State (including contract positions or positions with any entity doing business with the State where that person is assigned to work with the State).
 - A person hired in the Retired State Employee classification after participating in the VRI program must remain off the State payroll until the number of hours off equates to the terminal annual leave payment made to the employee upon retirement. (For example, if an employee is paid for 80 hours of annual leave upon retirement, the employee may not return to State service for 10 work days, which is the equivalent of 80 hours).
- **DROP Participants - Any employee who is a current participant in the Deferred Retirement Option Program is not eligible to participate in the Voluntary Retirement Incentive program.**
- Employees of local governments and other quasi or non-State agencies or organizations who participate in the Retirement Systems of Alabama are not eligible to participate.
- Elected officials are not eligible to participate in the program.
- Additional program information will be provided at a later date.

**PLEASE DISTRIBUTE THIS MEMORANDUM AND APPLICATION
TO EMPLOYEES**

Voluntary Retirement Incentive Application

Employees should submit this completed form to the State Personnel Department, attention VRI.

Email form(s) to: VRI@personnel.alabama.gov
or fax to: (334) 353-3320
or mail to: P.O. Box 2390
Montgomery, AL 36102

Agency/Department Name: _____

Employee SS#: XXX - XX - ____ - ____ Classification _____

Employee Name: _____

Anticipated Retirement Effective Date (non-binding): ____ / ____ / ____

Employee Signature: _____

Applicant to Complete (Please select **ONE** of the following options):

➤ **Option 1: Post-Retirement Group Health Insurance Coverage ****

Check One:

_____ **Member-Only Coverage:** State will pay the employee's share of the State employee rate for up to 5 years for member-only coverage or until the employee qualifies for Medicare or reaches age 65, whichever comes first

_____ **Family Coverage:** State will pay the employee's share of the State employee rate for up to 2.5 years for member-plus-dependent coverage or until the employee qualifies for Medicare or reaches age 65, whichever comes first

➤ **Option 2: Cash Incentive Payment ****

_____ I choose to receive the cash incentive payment of \$15,000. Cash incentive will be payable in two installments (one payment upon retirement and one payment in January 2014).

**** Regardless of the Option chosen, by retiring under the VRI, I understand my terminal leave payment will be paid in two separate installments (one payment upon retirement and one payment in January 2014).**

Internal Use Only (Applicant should leave this section blank):

RSA Verification of Retirement Eligibility: Verified By: _____

State Personnel Department: Verified By: _____

Employing Agency/Department: Verified By: _____