



## STATE OF OREGON

## INTEROFFICE MEMO

TO: All Department Staff Members

DATE: February 11, 1982

FROM: Verne A. Duncan

SUBJECT: Options for Early Retirement (OFER)

The last legislature passed some significant changes in the Retirement System Law which have caused some people to examine the advantages and disadvantages of early retirement. Three of these changes are as follows:

SB 148, which provided for an adjustment in the final average salary for staff members retiring during the year rather than the end of the calendar year.

SB 149, provided a new formula for figuring benefits.

SB 494, which provides for full retirement benefits at age 58 (no reduction in benefits for early retirement) and full retirement benefits at age 55 if a person has been a member of PERS for 30 years.

With these changes, some individuals may find it to their advantage to consider "employment plus retirement" alternatives. One which has developed out of discussions with my staff advisory group is presented in the attachments to this memo. But first, a few words of caution.

I do not want this proposal or any other to be viewed as a device to force anyone into early retirement. Retirement is a highly personal decision with numerous and sometimes complex individual factors to be considered. However, with the recent retirement system changes and the state's budgetary problems, there may be situations where early retirement will be to the benefit of the staff member and the agency. This is a plan developed because of budget crisis concern -- but the idea is good. Even if the crisis were over tomorrow, we would still present the plan. It is my hope that the attached plan provides some options for consideration.

Essentially, Options for Early Retirement (OFER), where possible, would provide the retired staff member an opportunity to work up to the PERS 600 hour per year maximum. It is necessary to say "where possible" because it might not be possible either programmatically and/or financially to offer the 600 hours of employment to all who might be interested. For example, a staff member might want to utilize OFER, but due to his/her individual skills and expertise and/or the needs of the agency, an acceptable arrangement would not be possible. Also the opposite could be true. The agency can guarantee employment only to

the extent of its biennial resources. Therefore, the long-term certainty of the program can't be guaranteed. If you are interested to see situations where this concept would fit, discuss them with your manager, Ron Burge or myself.

Remember at this point in time, this is simply a very promising approach through which the agency can meet its responsibilities to the field and simultaneously provide some continued employment for employees who choose to retire early. Read through the attached material and be sure to share your ideas with the members of the staff advisory group as we work to refine OFER. Ron and Dess will be available to answer questions you may have on February 21, 1982, at 8:15 a.m. in Board Room A.

Members of Staff Advisory Group

Susie Ayers  
Larry Ashley  
Don Fineran  
Charles Howell  
Terry Karmer  
Dorothy Langley  
Penny Ricketts  
James Sanner  
Bob Williams  
Donna Zahn

If you are considering retirement prior to June 30, 1983, and wish to participate in this plan, we need to know by March 15, 1982, if at all possible. This will enable us to modify and adjust our program and budget plans for fiscal year 1982-83 during April and May. If managers know well in advance of a planned early retirement, it will increase the possibility they will be able to accommodate the wishes of staff members.

In addition, if you think you will want to utilize OFER during the 1983-85 biennium, you should make application by June 30, 1982. This will help us in planning the 1983-85 budget which has to be completed by September 1.

VAD:zs

Attachments:

Page	1	Retirement Factors to Consider
"	2	Limitations to Retirement Earnings
"	3	Early Retirement Example - 1
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"	7	" " " - 3
"	9	Health Insurance Costs
"	10	Letter of Intent
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## RETIREMENT FACTORS TO CONSIDER

Retirement is an individualized matter. Therefore, each individual case must be handled separately. Some general statements and examples such as the attached can be used as guidelines. However, each person must ask himself/herself some questions in order to arrive at his/her own decision about when to retire.

The following is not an exhaustive list, but is meant to stimulate your thinking about retirement. The earlier a person starts planning, the more likely he/she is to be prepared, both financially and emotionally.

1. Will PERS and Social Security benefits be my major source of income when I retire?
2. Is it likely that the Department of Education or any other PERS covered employer will be able to provide me with up to 600 hours of employment after I retire? What assurance do I have that such employment would continue until Social Security benefits are available? Do I want or need such employment?
3. How would I handle my finances if I retire before age 62 if:
  - a. the minimum age for drawing social security benefits is changed to a higher age?
  - b. the percent of permanent reduction of benefits is changed to a larger figure?
4. How much will early retirement affect my social security and PERS benefit amounts?
5. What happens to my tax sheltered annuity if I work some after my retirement? (The answer to this depends on your contract.)
6. If I am depending on working some after I retire, what will I do if the legislature changes the law to further limit the amount of time that can be worked and not affect PERS benefits?
7. How well can I live on my anticipated benefits if inflation continues as it has in the past,
  - a. for the next 10 years?
  - b. for the next 20 years?



EARLY RETIREMENT EXAMPLE - 1

Education Program Specialist 2, age 57, married, 2 exemptions, 32 years in PERS, 950 hours accumulated sick leave.

Calculations do not include future increases in salary or retirement benefits.

A. If the staff member continued to work as of January 1, 1982, income for 1982 would be:

	<u>Month</u>	<u>Annual</u>
Gross	\$2,689.00	\$32,268.00
Deductions:		
Federal withholding tax	462.42	5,549.04
State withholding tax	154.00	1,848.00
Social Security	180.17	2,162.04
Worker's Compensation	<u>2.31</u>	<u>27.72</u>
Net	\$1,890.10	\$22,681.20

B. If the staff member had retired December 31, 1981, income for 1982 would be:

Three highest years of salary:

1979 (Jan-July)	\$16,366.00	
1979 (Aug-Dec)	<u>\$11,690.00</u>	\$28,056.00
1980		28,770.00
1981		33,655.00 (1)
		<u>\$90,481.00</u>
PERS Pick-up of 6% since July 1, 1979		<u>4,446.90</u>
		\$94,927.90
Average Salary (\$94,927.90 ÷ 36)		\$ 2,636.89
Credit ½ sick leave		200.69
Final Average Salary		<u>\$ 2,837.58</u>
Factor		x .0167
		<u>47.39</u>
No. years in PERS		x 32
Monthly benefit		<u>\$ 1,516.48</u>
Annual Benefit		\$18,197.76 (2)

C. If the staff member retired and worked 600 hours as an Education Program Specialist 2, income for 1982 would be:

Annual income from PERS		\$18,197.76 (3)
600 hours employment		
Gross	\$9,306.00	
Deductions:		
Federal withholding tax	1,524.85	
State withholding tax	526.00	
Social Security	623.59	
Worker's Compensation	<u>7.98</u>	
Net		<u>6,623.58</u>
1982 Income		\$24,821.34

D. Comparison (annual basis) of working vs. retirement plus 600 hours of employment.

Working employe net income	\$22,681.20
Retired employe working 600 hours	<u>24,821.34</u>
Increase	\$ 2,140.14

Consideration must be given to the fact that if this staff member continues working in 1982 he/she would receive approximately \$1,100 in paid health and dental insurance, while the retired person working 600 hours must pay approximately \$1,100<sup>(4)</sup> for health insurance.

- (1) Includes final payment which gives 13 months pay during final year, but does not include an amount for accumulated vacation.
- (2) Based on a full benefit option.
- (3) Exempt from Federal income tax for at least the first 2 years.
- (4) Using the cost for CNA (see page 9).

EARLY RETIREMENT EXAMPLE - 2

Secretary, age 55, single, 1 exemption, 30 years in PERS, 900 hours accumulated sick leave.

Calculations do not include future increases in salary or retirement benefits.

A. If the staff member continued to work as of January 1, 1982, income for 1982 would be:

	<u>Month</u>	<u>Annual</u>
Gross	\$1,106.00	\$13,272.00
Deductions:		
Federal withholding tax	170.26	2,043.12
State withholding tax	67.00	804.00
Social Security	74.10	889.20
Worker's Compensation	<u>2.31</u>	<u>27.72</u>
Net	\$ 792.33	\$ 9,507.96

B. If the staff member had retired December 31, 1981, income for 1982 would be:

Three highest years of salary:

1979 (Jan-July)	\$6,538.00	
1979 (Aug-Dec)	<u>4,670.00</u>	\$11,208.00
1980		11,493.00
1981		<u>13,633.00</u> (1)
		\$36,334.00

PERS Pick-up of 6% since July 1, 1979

1,787.76  
\$38,121.76

Average Salary (\$38,121.76 ÷ 36)

\$ 1,058.94

Credit ½ sick leave

76.38

Final Average Salary

\$ 1,135.32

Factor

x .0167

\$ 18.96

No. years in PERS

x 30

Monthly benefit

\$ 568.80

Annual Benefit

\$6,825.60 (2)

C. If the staff member retired and worked 600 hours as a Secretary, income for 1982 would be:

Annual income from PERS		\$ 6,825.60 (3)
600 hours of employment		
Gross	\$3,820.68	
Deductions:		
Federal withholding tax	554.84	
State withholding tax	226.00	
Social Security	255.98	
Worker's Compensation	<u>7.98</u>	
Net		\$ <u>2,775.88</u>
1982 Income		\$ 9,601.48

D. Comparison (annual basis) of working vs. retirement plus 600 hours of employment.

Working staff member net income	\$ 9,507.96
Retired staff member working 600 hours	<u>9,601.48</u>
Increase	\$ 93.52

Consideration must be given to the fact that if this staff member continues working in 1982 he/she would receive fully paid health and dental insurance, while the retired person working 600 hours must pay approximately \$600 (4) for health insurance.

- (1) Includes final payment which gives 13 months pay during final year, but does not include an amount for accumulated vacation.
- (2) Based on a full benefit option.
- (3) Exempt from Federal income tax for at least the first 2 years.
- (4) Using the cost of CNA (see page 9).



EARLY RETIREMENT EXAMPLE - 3

Administrative Assistant, age 58, married, 0 exemption, 19 years in PERS, 600 hours accumulated sick leave.

Calculations do not include future increases in salary or retirement benefits.

- A. If the staff member continued to work as of January 1, 1982, income for 1982 would be:

	<u>Month</u>	<u>Annual</u>
Gross	\$1,383.00	\$16,596.00
Deductions:		
Federal withholding tax	204.52	2,454.24
State withholding tax	88.00	1,056.00
Social Security	92.66	1,111.92
Worker's Compensation	<u>2.31</u>	<u>27.72</u>
Net	\$ 995.51	\$11,946.12

- B. If the staff member had retired December 31, 1981, income for 1982 would be:

Three highest years of salary:

1979 (Jan-July)	\$8,246.00	
1979 (Aug-Dec)	<u>5,890.00</u>	\$14,136.00
1980		14,498.00
1981		17,127.00 <sup>(1)</sup>
		<u>\$45,761.00</u>

PERS Pick-up of 6% since July 1, 1979

2,250.90  
\$48,011.90

Average Salary (\$48,011.90 ÷ 36)  
Credit ½ sick leave  
Final Average Salary  
Factor

\$ 1,333.66  
64.08  
\$ 1,397.74  
x .0167  
\$ 23.34  
x 19  
\$ 443.46

No. years in PERS  
Monthly benefit  
Annual Benefit

\$5,321.52<sup>(2)</sup>

C. If the staff member retired and worked 600 hours as an Administrative Assistant, income for 1982 would be:

Annual income from PERS \$5,321.52<sup>(3)</sup>

600 hours of employment

Gross \$4,777.57

Deductions:

Federal withholding tax 673.56

State withholding tax 295.00

Social Security 320.09

Worker's Compensation 7.98

\$3,480.94

1982 Income \$8,802.46

D. Comparison (annual basis) of working vs. retirement plus 600 hours of employment.

Working staff member net income \$11,946.12

Retired staff member working 600 hours 8,802.46

Decrease \$ 3,143.66

Consideration must be given to the fact that if this staff member continues working in 1982 he/she would receive fully paid health and dental insurance, while the retired person working 600 hours must pay approximately \$1,100<sup>(4)</sup> for health insurance.

- (1) Includes final payment which gives 13 months pay during final year, but does not include an amount for accumulated vacation.
- (2) Based on a full benefit option.
- (3) Exempt from Federal income tax for at least the first 2 years.
- (4) Using the cost of CNA (see page 9).

HEALTH INSURANCE

(Self Pay Cost -- Under 65)\*

		Bargaining Unit Employees				Management Service Employees
		CNA	CAPITOL HEALTH CARE	HMO	KAISER	BLUE CROSS PLAN 2
Staff Member	Monthly	\$ 54.47	\$ 68.37	\$ 74.83	\$ 41.87	\$ 37.19
	Annually	653.64	820.44	897.96	502.44	446.28
Staff Member & Spouse (under 65)	Monthly	\$ 121.65	\$ 117.35	\$ 147.88	\$ 83.74	\$ 74.83
	Annually	1,459.80	1,408.20	1,774.56	1,004.88	897.96
Staff Member & Spouse (over 65)	Monthly	\$ 88.05	109.69	133.85	66.07	54.92
	Annually	1,056.60	1,316.28	1,606.20	792.84	659.04
Staff Member & Child	Monthly	N/A	N/A	N/A	\$ 83.74	N/A
	Annually	N/A	N/A	N/A	1,004.88	N/A
Staff Member & Children	Monthly	\$ 83.40	\$ 129.59	\$ 139.09	\$ 125.61	\$ 61.10
	Annually	1,000.80	1,555.08	1,669.08	1,507.32	733.20
Staff Member, Spouse (under 65) & Children	Monthly	\$ 158.68	\$ 159.18	\$ 191.21	\$ 125.61	\$ 77.70
	Annually	1,904.16	1,910.16	2,294.52	1,507.32	932.40
Staff Member, Spouse (over 65) & Children	Monthly	\$ 119.41	\$ 151.53	\$ 177.19	\$ 107.94	\$ 76.77
	Annually	1,432.92	1,818.36	2,126.28	1,295.28	921.24

State contribution 1981-82: Health \$1,013.40  
Dental 128.52

\* Staff members who retire early may retain their health insurance coverage but must pay all of the premium.

Department of Education

LETTER OF INTENT

OPTIONS FOR EARLY RETIREMENT  
(OFER)

It is the intent of the Department of Education to employ \_\_\_\_\_  
\_\_\_\_\_ for \_\_\_\_\_ hours during each of the following  
fiscal years: \_\_\_\_\_. Work shall be  
scheduled and assigned by the Superintendent of Public Instruction accord-  
ing to the needs of the Department. The rate of pay shall be consistent  
with the level of work assigned and benefits shall consist only of those  
provided for temporary staff members by the rules and policies of the  
Executive Department, Personnel Division.

This letter of intent can be voided only by the holder or by action of the  
State Board of Education upon recommendation of the Superintendent of  
Public Instruction.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Superintendent of Public Instruction

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman, State Board of Education

\_\_\_\_\_  
Date

\_\_\_\_\_  
Staff Member

Department of Education

APPLICATION

OPTIONS FOR EARLY RETIREMENT  
(OFER)

NAME \_\_\_\_\_ DATE \_\_\_\_\_  
CLASS \_\_\_\_\_

Planned Retirement Date \_\_\_\_\_

After retirement I would be interested in:

- The following assignments: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- The following work schedule (Hours per day, days per week, months each year): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- Working until I'm \_\_\_\_\_, or until \_\_\_\_\_  
age date

\_\_\_\_\_  
Staff Member