ADVISORY GROUP ON **Civil Service and Employee Benefits** **PROPOSAL #:** **AGCS #33**

SUBJECT: **Separation package: cost effectiveness** **DATE ADOPTED BY ADVISORY GROUP:** **November 23, 2009**

COMMISSION ACTION: ______________ **DATE:** ______________

RECOMMENDATION: Any proposal of a separation package, whether it takes the form of an early retirement program, a retirement incentive, a buyout plan in exchange for voluntary separation, or a severance package for involuntary separation, should be carefully analyzed to ensure that the total projected expense of the plan, including any actuarial costs to retirement systems or increases in the premium amounts paid for group health insurance, does not outweigh the savings to the state; specifically the recurring savings of the state should pay for the costs of the package within ten years of implementation. Additionally, the state should route 50% of the annual savings resulting from the severance of employees receiving the separation package to the retirement system and the group health insurance provider to help fund the additional direct or indirect costs, if any, associated with implementation of the separation package. Further, the inclusion of provisions prohibiting reemployment of the voluntary participants and requiring elimination of positions held by all employees severed from employment should be strategically included in the package design to avoid "double dipping" and to maximize savings.

Summary Description/Nature of Change	Key/Implementation Responsibilities	Need	Action Needed	Benefit/Saving	Done/ Study
The expense of any separation package should not outweigh the savings to the state; specifically the recurring savings of the state should pay for the costs of the package within ten years of implementation. Fifty percent of the annual savings resulting from the severance of employees receiving the separation package should be directed to the retirement system and the group health insurance provider to help fund any additional costs associated with implementation of the separation package. The package should include provisions prohibiting reemployment of the voluntary participants and requiring elimination of positions held by all employees severed from employment.	Legislature	To reduce the state's expenses for employee salaries and associated benefits without creating new liabilities unnecessarily and without allowing the payoff of the liabilities created to extend more than ten years.	Statutory changes.	If positions vacated are eliminated, annual savings to the state should be 50% of salary plus benefits, less (1) the cost of continued insurance premium payments and (2) additional unfunded accrued liability payments to retirement system.	