

## Early Retirement Incentive Plans

### What is it?

In December 1986 a law was passed that allows public employers to provide an early retirement plan to their employees. The plans are known as retirement incentive plans (ERIP).

Essentially, this law allows a state or local government body to buy up to one-fifth of an employee's Public Employees Retirement System (PERS) service credit, or five years of the employee's PERS service credit, whichever is less.

PERS works with the employee's employing unit to determine the cost of such a plan and which individuals meet the plan's eligibility criteria.

It is important to note that an ERIP is a cost to the employing unit. Consequently, the financial strength of the employing unit will determine how much time it can afford to offer for purchase to an employee.

### How does an ERIP come in to being?

There are two types of plans. The first is a voluntary plan. If the employer chooses to establish a voluntary plan, the plan must remain in effect for at least one year and the "employing unit" must give employees at least 30 days advance notice before ending the plan. The second is a mandatory type of plan which comes into effect when 1) the state proposes to close a state correctional facility or a state institution for the mentally retarded or mentally ill; or 2) within a 6 month period the employer lays off at least 350 employees or 40% of the number of employees in an employing unit or state institution. The mandatory plan must be in effect from the time a layoff or proposed closing is announced until the effective date of the layoffs or closing.



### What is an employing unit?

Ohio Revised Code section 145.297 (A) defines an employing unit as a municipality, municipal corporation, legislative authority, park district, conservancy district, sanitary district, health district, township, department of a township designated by the board of township trustees, metropolitan housing authority, public library, county law library, union cemetery, joint hospital, governmental subdivisions or local government units, and counties and county agencies. For state employees it also includes an agency, department, institution of higher learning, board, bureau, commission, council, office, or administrative body.

As can be seen from this broad definition, the boundaries as to what can truly be an employing unit are not strictly defined. When the employee's employing unit is in question the Code provides that the "unit through whose payroll the employee is paid" is the employing unit.

### Plan Requirements

Retirement incentive plans must follow these guidelines: (1) the plan must be in writing; (2) the plan must include provisions for resolution of grievances and disputes; (3) no employing unit may have more than one plan in effect at any time; (4) the plan shall provide for purchasing the same amount of service credit for each participating employee, (5) the plan must be offered to a minimum of 5% of the employing unit's employees.

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## Rules for ERIP participation.

The following are guidelines for participation: (1) the participating employee must be a contributing member of PERS; (2) the participating employee must qualify to retire or will qualify to retire when the service time is purchased on an age and service benefit. The employee must meet appropriate age and service requirements within the time period of the specific ERIP plan (ERIP purchased service time will be included in the determination); (3) even though the participating employee may not retire until after the plan terminates, the employee cannot use that extra time to determine eligibility for participation in ERIP; (4) the participating employee cannot be an elected official, member of a board or commission, or a person elected or appointed to serve a fixed length (other than an actual employee of the employing unit); (5) the participating employee agrees to retire within 90 days after being informed by PERS that service credit has been purchased for him/her; (6) if participation in ERIP is not open to everyone in the employing unit, then the employer can impose a time frame by which the employee must notify the employer of his/her decision to participate. In these situations, the plan can also carry a penalty for failing to respond timely as losing place in line for requesting ERIP; (7) employees who retire on disability benefit are not eligible for ERIP; (8) IMPORTANT NOTE: Service credit purchased under ERIP is not used in determining eligibility for health insurance under PERS. Ten years of service is required to receive health insurance.

## How to participate in your employing unit's retirement incentive plan.

The process is as follows:

(1) The employee must notify the employing unit of his/her decision to participate. If the ERIP limits the number of

employees who can participate, the employee may have a limited period of time to notify the employer, but that time period may not be less than 30 days after the employee receives written notice that the employee may participate in the plan. If the employee fails to notify the employing unit in that time period, the employee may lose any priority he/she may have had over other employees with less service, or even lose the right to participate.

(2) Upon notifying the employing unit of his/her decision to participate, the employee and the employing unit shall agree upon a date for payment or contracting of payment in installments to PERS for the cost of the service credit to be purchased.

(3) The employing unit must submit to PERS a written request for determination of the cost of the employee's service credit. PERS must respond to the request within 45 days.

(4) The employing unit shall begin to pay or contract to pay in installments the cost of the service credit to PERS on the date agreed to by the employing unit and the employee in Step Two.

(5) PERS shall notify the member when the member is credited with the purchased credit. If the employee does not retire within 90 days of receiving the notice, PERS shall refund to the employing unit the amount paid for the service credit.

## Questions

You should direct all questions about your retirement incentive plan to your employer and/or PERS.

## References

ORC 145.297; ORC 145.298

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