

## INCENTIVE, RETIREMENT AND RETRAINING PROGRAM

The Incentive, Retirement and Retraining Program, “Law 70, July 2, 2010”, was created to offer eligible government employees the option to retire or voluntarily resign from their jobs with the Puerto Rico government. As a benefit for participating in the Program, the employee will receive a life pension incentive and a life annuity or an economic incentive, among others. With this Program, the Government will attain the additional savings for the General Fund by reducing its payroll expenditure, which is the main purpose of Law 70. Additionally, this will allow to achieve a restructuring and reorientation of the agencies, an action aimed to obtain higher government efficiency and responsiveness, with less operational expenses.

All agencies, departments, offices, commissions, boards, administration, organisms and other instrumentalities of the Executive Branch, whose budget is funded, all or in part, with resources from the General Fund, to the effective date of this law can participate in this program.

In order to guarantee the savings expected by the participation in the Program, the positions that are not occupied through transfers will remain vacant and would be eliminated by the Office of Management and Budget. Moreover, only those career employees that do not offer a direct service, that are not essential for the Agency’s operations and/or whose jobs can be occupied through internal or interagency transfers, could participate in the Program. These measures were aimed to guarantee that the Program would not affect the services offered to the public.

The Program established two periods to submit the participation request to the Agency’s Human Resources Office. These were established between October 1 to 30, 2010 and November 1 to 30, 2010. Participant employees filled a Selection Application, prepared by the Department of Labor and provided by their Agency. The Nomination Authority of each agency was responsible for approving the Application of those eligible employees.

### ***Incentive, Retirement and Retraining Program Components***

Every Eligible Employee could opt to participate in one (1) of the three (3) Program components, subject to the criteria, terms and conditions of each alternative. The first component was a plan of voluntary resignation; the second component was a plan to incentivize early retirement and the third component an incentivized retirement plan. The description of each one of them follows:

- First Component: ***Voluntary Resignation for Economic Incentive***
  - An economic incentive, based on the time of employment in the public sector, a health care insurance coverage for one (1) year and the opportunity to participate in retraining programs and assistance in the job search, for those career employees that decide to leave their jobs.
- Second Component: ***Life Retirement Pension as an Incentive for Early Retirement***
  - Incentive retirement was offered to those career employees with fifteen (15) to twenty nine (29) years of service in the public sector. This offered the employee the opportunity to opt for an early retirement and enjoy a higher pension than the one offered based on the years of service. Those employees that didn’t have the time of service required to qualify could request their corresponding Agency to use the accumulation of vacation and

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sickness time in order to complete the required time of service they need. Furthermore, a medical insurance plan for one (1) year was included. The economic component would not be accessible for these participants.

- Third Component: ***Economic Incentive for Eligible Employees with thirty (30) or more years of service and the required age***
  - This component is divided into two parts:
    - The first one offers those employees with the thirty (30) or more years of service and the required age necessary to opt for the retirement benefits (under the law governing the retirement plan for which he is applicable and that adjusts to it) that in addition to receiving the corresponding annuity, they could receive the economic incentive provided in the first component. Additionally, they could have the opportunity to offer their services, in a voluntary manner, to the community they have served and to which they have dedicated their professional life.
    - In the second part, the employees that qualify are those with the required age to opt for the retirement benefits under the law governing the corresponding retirement plan, but who have not completed the required time; in other words, thirty (30) years in the Retirement System. Participants could use the economic incentive of up to six (6) months of salary offered by the Government in the first component, in order to pay for the time of service worked, but not accrued, and in this manner could opt for the retirement.

### ***Program's Statistical Data***

With the purpose of collecting the necessary statistical data, the Office of Management and Budget (OMB) designed and sent to its 84 agencies participating in the Law Num.70, the form ***Budgetary Impact Report (Requests submitted to the Retirement System Administration (RSA) and authorized by the Nominating Authority)***.

Component	Total Participating Employees	Projected Savings Fiscal Year 2012
I – Voluntary resignation	90	\$ 2,993,753
II – Early Retirement Incentive	1,342	23,385,404
III – Retirement Plan Incentive	559	22,069,592
<b>Total</b>	<b>1991</b>	<b>\$ 48,448,749</b>

This data is based on the information provided by the Agencies participating in the Incentive, Retirement and Retraining Program, at the time of preparation of this document.

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### *Excluded Agencies and Corporations*

With the objective of achieving a higher control over all of the Puerto Rican Government public expenditure, the Public Corporations that operate with their own income those Agencies excluded by the definition of the Law, could put a similar program into practice, with prior authorization of their Board of Directors or Management Team and approved by the Program Administrator<sup>1</sup>. The economic impact determined by the corresponding Retirement System Administrator, will be funded with those corporations or agencies own resources. These cases require a previous certification by the Board of Directors or Management Team, ratified by the Office of Management and Budget (OMB). To guarantee the no-hiring for five (5) years of the participating employees, those job positions can be occupied by internal transfers. Under this category, the Program Administrator approved a total of ten (10) programs. The statistics certified by the Retirement Systems Administration follows.

### *Statistical Data for the Programs Approved by the Excluded Agencies or Corporations*

Component	Total Participating Employees
I – Voluntary resignation	55
II – Early Retirement Incentive	365
III – Retirement Plan Incentive	120
<b>Total</b>	<b>540</b>

Source: Retirement Systems Administration for the Government Employees and the Judiciary

**Law No. 70, July 2, 2010, “Incentive, Retirement and Retraining Program Law”** will be current until December 31, 2012, which allows for its future re-utilization. With this, our Government reiterates its firm commitment to continue with a fiscal responsibility policy that does not affect the rendering of efficient and prompt services to the people of Puerto Rico.

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<sup>1</sup> Article 2- Definitions: (a) “Program Administrator will be understood as the Committee created by this Law, which will be presided by the Secretary of the Department of Labor and Human Resources of the Government of Puerto Rico. All other members of the Committee will be the Director of the Office of Management and Budget and the Administrator of the Government of Puerto Rico Employees’ Retirement System, who will direct the phase of the Retirement.”