

INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM

By the approval of Act 70-2010, known as the "Incentivized Retirement and Retraining Program Act", a Program is set up to offer eligible government employees the opportunity to retire early, retire with incentives or to voluntarily terminate their employment with the Government of Puerto Rico. The Incentive, Retirement and Retraining Program is one of the alternatives adopted by our Government to reduce the budget deficit inherited from previous administrations and to stabilize the finances of the retirement systems. With the implementation of this Program, we have achieved cost savings in the General Fund's payroll. Furthermore, it makes it possible to restructure and redirect the Agencies, in order to achieve governmental efficiency and responsiveness at lower operational costs.

PARTICIPANTS OF THE INCENTIVE, RETIREMENT AND RETRAINING PROGRAM

Eligible career employees from the agencies, departments, offices, committees, boards, administrations, bodies and other instrumentalities of the Executive Branch of Puerto Rico, whose budget is funded in whole or in part with resources from the General Fund, may participate in the Program.

The Public Corporations that operate with their own resources and the Agencies excluded from the application of Act 70-2010 have the power to implement similar programs.

PROVISIONS AND EXCLUSIONS TO NOT AFFECT SERVICES

To ensure that implementation of the Program would not adversely affect the services offered to our citizens, several eligibility exclusions were established, as well as general provisions to guarantee the savings expected from participation in the Program. Only career employees who do not offer direct services and those whose functions can be restructured, consolidated or eliminated and those whose positions can be filled by internal or inter-agency transfer may participate in the Program.¹ Furthermore, it is provided that the positions of those participants in the Program which are not filled by through transfers would remain vacant and would be eliminated by the Office of Management and Budget.

COMPONENTS OF THE INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM

The Program is comprised of three (3) components: the first component is an incentivized voluntary resignation plan; the second component is an incentivized early retirement plan; and the third component is an incentivized retirement plan. All eligible employees may opt to participate in one (1) of the three (3) components of the Program, subject to the criteria, terms and conditions for each alternative.

- First Component: ***INCENTIVIZED RESIGNATION PLAN***

The First Component provides an economic incentive, based on the term of employment in the public service, a medical coverage plan for one (1) year and the opportunity to participate in retraining programs and employment searches for those career employees who decide to resign from their jobs.

¹ The following employees are excluded from participating in the program: firemen; correctional officers; teachers in the Department of Education; active police officers with patrolling duties and who provide security patrol service; health professionals; employees in the Internal Revenue division of the Treasury Department; employees of the Information Technology division of the Treasury Department; salaried, temporary and per-diem employees; and employees that hold jobs which provide direct services to citizens or essential services for the operation of the agency.

INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM

- Second Component: ***INCENTIVIZED EARLY RETIREMENT PROGRAM***

The Second Component offers the opportunity for incentivized early retirement to career employees with fifteen (15) to twenty-nine (29) years of service in the public sector. This component provides eligible employees with the opportunity to choose early retirement and enjoy a larger pension than what would be applicable to them, based on their years of service. Furthermore, these participants will have a medical coverage plan for one (1) year. This component will not be available to participants of the first component.

- Third Component: ***INCENTIVIZED RETIREMENT PLAN***

The Third Component is divided into two parts (Part A and Part B):

PART A: ECONOMIC INCENTIVES FOR ELIGIBLE EMPLOYEES WHO HAVE THIRTY (30) YEARS OF SERVICE OR MORE AND ARE THE REQUIRED AGE

This Part applies to those eligible employees who have thirty (30) years or more of accredited service and are of the required age to receive retirement benefits. These employees, in addition to receiving their annuity that applies to them, may receive the economic incentive listed in the first component. They will also have the opportunity to provide their services, on a voluntary basis, to the community which they have served and to which they have dedicated their professional life.

PART B: ECONOMIC INCENTIVES FOR ELIGIBLE EMPLOYEES WHO ARE OF THE REQUIRED AGE BUT WHO HAVE NOT COMPLETED THE FULL AMOUNT OF TIME REQUIRED UNDER THE RETIREMENT SYSTEM

This Part applies to those employees who are of age to receive retirement benefits under the Retirement System to which they belong, but who have not worked the required thirty (30) years of public service. The participants may make use of the economic incentives of up to six (6) months' salary offered by the Government in the first component, vacation time and cumulative sick days, and their own funds to pay for the time of service worked but not been counted in order to select this Component.

PERIODS FOR SELECTION AND PARTICIPATION IN THE PROGRAM

Act 70-2010 offers an initial Selection Period to participate in the Program on or before October 30, 2010. It also provides that the Program Administrator may establish any additional thirty-day Selection Period on or before December 31, 2012.

To date, three Periods for Selection and Participation in the Program have been established. The first Selection Period established was from October 1 to 30, 2010. The second Election period was November 1 to 30, 2010. The third Selection Period was from March 1 to 30, 2012. Since Act 70-2010 is in effect until December 31, 2012, the possibility exists that additional periods may be established, if the Program Administrator so determines.

INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM

SAVINGS GENERATED IN THE FIRST TWO SELECTION PERIODS

A total of 2,761 employees participated in the first two Selection Periods. The employees who participated in the First Component (Incentivized Resignation Plan) totaled 135, while 1,854 eligible employees signed up for the second component (Incentivized Early Retirement Plan). Similarly, a total of 772 eligible employees benefitted from the Third Component (Incentivized Retirement Plan).

The participation of these 2,761 employees in the different components of this Program generated savings as explained in the following table:

<i>SUMMARY OF SAVINGS OF THE FIRST TWO ELECTION PERIODS</i>		
<i>COMPONENTS OF THE INCENTIVE, RETIREMENT AND RETRAINING PROGRAM</i>	<i>NUMBER OF EMPLOYEES WHO PARTICIPATED</i>	<i>NET SAVINGS</i>
<i>INCENTIVIZED RESIGNATION PLAN</i>	135	\$4,480,169
<i>INCENTIVIZED EARLY RETIREMENT PROGRAM</i>	1,854	\$32,386,368
<i>INCENTIVIZED RETIREMENT PLAN</i>	772	\$30,358,572
<i>TOTAL</i>	2,761	\$67,225,109

PROJECTED SAVINGS FOR THE THIRD ELECTION PERIOD

The Third Selection Period has approximately 3,108 eligible employees interested in participating in this Program. This number is a projection, since the final figures will be determined in May, when employees finally decide whether or not they will participate in one of the Components of the Program. That number will also depend on whether the services offered by these employees are direct or not, whether or not the functions that they perform can be restructured, consolidated or eliminated and whether their positions can be filled by internal or inter-agency transfers.

To date, the number of employees who have shown an interest in participating in the Third Selection Period of the Program is broken down in the following manner: 107 employees for the First Component (Incentivized Resignation Plan), 2,189 employees for the Second Component (Incentivized Early Retirement Plan) and 812 employees for the Third Component (Incentivized Retirement Plan).

We note that the ten (10) agencies with the highest participation in this Third Selection Period for the Program are the Police of Puerto Rico, the Department of Education, the Treasury Department, the Bureau of Corrections, the Health Department, the Department of Transportation and Public Works, the Administration for the Development of Agricultural Companies, the Administration of Mental Health Services and Services against Addiction, the Administration of Juvenile Institutions and the Administration of Natural Resources.

INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM

It is projected that savings for the Third Selection Period will be as follows:

<i>Summary of Projected Savings for the Third Selection Period</i>		
<i>COMPONENTS OF THE INCENTIVIZED RETIREMENT AND RETRAINING PROGRAM</i>	<i>NUMBER OF EMPLOYEES WHO HAVE SHOWN INTEREST IN PARTICIPATING</i>	<i>PROJECTED SAVINGS</i>
<i>INCENTIVIZED RESIGNATION PLAN</i>	107	\$3,553,098
<i>INCENTIVIZED EARLY RETIREMENT PROGRAM</i>	2,189	\$41,683,530
<i>INCENTIVIZED RETIREMENT PLAN</i>	812	\$33,628,521
<i>TOTAL</i>	3,108	\$78,865,149

Lastly, it is important to reiterate that Act 70, *supra*, will be in effect until December 31, 2012, which makes it possible that additional selection periods might be opened so that eligible employees could benefit from the Program. This demonstrates the commitment of our Government to moving ahead with a firm policy of fiscal responsibility, but without negatively affecting the responsive and efficient services provided to the People of Puerto Rico.