

IMPLEMENTING EARLY RETIREMENT INCENTIVE PROGRAMS: A STEP-BY-STEP GUIDE

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INTRODUCTION

At different times in the life of an organization, business leaders find themselves in the position of having to reduce their workforce. While saving money is the typical reason for this need, there are many other more positive business strategies designed to enhance profits or improve services or products that

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could be behind a reduction. When it comes to reducing the workforce, organizations have typically used the approach of an involuntary reduction-in-force. This approach, however, brings about a host of concerns, including reduction in productivity, poor employee morale, and the threat of lawsuits.

In the current business environment, we need to be smarter and look for solutions that minimize risks and support business initiatives. When thinking about reducing staff, we should begin to turn toward an approach that would support not just the organization but also its employees. One such approach is the use of voluntary programs. While they may not work in all circumstances that warrant a reduction in staff, there are many circumstances in which they could be very successful.

A voluntary program takes time to develop and while it may involve a lengthier process than involuntary programs, it has some distinct advantages. Employees who voluntarily leave employment are less likely to raise claims; and, if the program is structured

properly, individuals are required to sign a release of claims that would protect the organization from litigation. This approach may also reduce or eliminate the need for involuntary layoffs, which would help support positive employee morale. Overall, voluntary programs are a cooperative way for organizations to achieve their goals and objectives while supporting those employees who desire to move into retirement, giving employees a feeling of control over their futures. The very notion that employees make well-informed decisions empowers them to take responsibility for their futures. This positions both the employer and employee in a much less adversarial relationship at the time of the employees' departure.

Some organizations will think beyond traditional layoffs and seek other innovative ways to reduce costs. Typically these programs, such as job sharing, reduction of hours, furloughing, and wage freezes, often do not have the desired financial impact that the organization may require. The disruption and adverse affects on morale often

outweigh any positive benefits. Employers typically shy away from voluntary programs, such as the type described in this article because they view it is a lengthy, difficult and daunting task. Little guidance is available in this area, which touches upon significant business, legal, actuarial, financial and human resources considerations. As a result, human resources practitioners typically do not have a great deal of experience in this area even though voluntary programs may be the most appropriate solution to a variety of business challenges.

While there are a number of voluntary programs an organization can consider, this article will focus on one such program, an Early Retirement Incentive Program (ERIP). An ERIP is a carefully designed program that provides incentives geared toward encouraging employees who are approaching or at retirement age to voluntarily retire earlier than they might have otherwise. An ERIP can be used to support a number of organizational objectives, including headcount reduction, replacement of higher salaried employees with lower salaried employees or to support plans or programs designed to further the organization's goals and missions.

The purpose of this article is to provide a step-by-step framework for the development of an ERIP. We will explore the business and legal issues that must be considered when undertaking this type of program and we will bring you through the steps of putting a program together including the release, eligibility, window, incentives, costs and announcement. While each business is unique, the guidance that follows should be suitable for many organizations

and can be modified to suit the needs of any organization.

CONSIDERATIONS

Business Considerations

When considering whether you want to take a traditional approach to reducing headcount by using an involuntary reduction-in-force or if a voluntary ERIP will work for your organization, you should focus on why the reduction is necessary. Will an ERIP program support the organization's immediate needs as well as long-term goals? Will it target those individuals or areas that need to be impacted? Which individuals will this potentially impact and will this have a negative impact on business operations? If so, would an involuntary reduction-in-force, which may rely on lay-off criteria such as length of service or rating, be a better way to go?

To provide an example of a situation where an ERIP might work well, let's consider a large service provider who upgrades to an automated telephone answering system. The new system, which is able to record and process customer orders automatically, has reduced the number of customer service representatives needed to answer the balance of the customer phone calls that do not require any specialized knowledge or understanding. After analyzing the flow and number of calls, it is determined that headcount must be reduced. Currently, the position of customer service representative is filled by individuals who have varying years of service, a broad range of salaries and a number of individuals who are at or close to retirement. Additionally, all representatives are currently rated at meeting or exceeding their accountabilities and there are a number of individuals who have been

with the organization for many years who are being paid the top of the market for this type of position.

If you took an involuntary reduction-in-force approach and used years of service and/or evaluation rating as your basis, you would most likely impact the newer employees who are at the lower end of the salary range. If you utilized a voluntary ERIP to address this, however, you would be able to offer those individuals who had been with the organization for an extended period of time, who are presumably at the higher end of the salary scale, the opportunity to retire with incentives. The remaining employees would be at the lower end of the salary range and, as specialized knowledge and understanding is not needed to handle the calls, service would not be impacted by the loss of the more tenured representatives. In the end, you could achieve your headcount reduction objectives, retain employees at the lower-end of the salary scale and reward your longer-service employees.

Legal Considerations

Whether you use a voluntary or involuntary approach to a reduction-in-force, these events come along with a number of legal considerations. While we will discuss some of those on the federal level, it is prudent to look at any additional laws or regulations on a state and local level that may be applicable to an organization.

The following are some of the laws you will want to become familiar with before you begin to formalize an ERIP.

Worker Adjustment and Retraining Notification Act (WARN)—This Act applies to employers who employ 100 or more full-time employees or 100 full or part-time workers who, in the aggregate,

work at least 4,000 hours per week, exclusive of overtime.¹

If you have a “plant closing” or “mass layoff” occurring at a single site of employment, there are a number of obligations to be aware of under the WARN Act. One is the requirement to provide at least 60 calendar days prior written notice of the lay-off or plant-closing. This notification must be given to all non-union employees, representatives of any unionized employees, as well as designated state and local government officials.²

Age Discrimination in Employment Act (ADEA)—This Act bars employment discrimination on the basis of age, and applies to individuals who are age 40 and above.

If an individual is asked to sign a release, this must be voluntary and there are a number of factors you can address so it is viewed as such. These include:

The Older Worker's Benefit Protection Act (OWBPA)—The ADEA does not prohibit the use of an ERIP, however, the OWBPA, which amended ADEA, imposes requirements on any employment release that purports to waive age discrimination claims under the ADEA. Some of these requirements include that the individual signing the release must receive something of value to which they were not already entitled (called “consideration”), the release be voluntary and be part of an agreement between the employee and employer, that the release be in plain English, state that the employee is waiving his/her rights under the ADEA and, in addition, must be limited to claims or rights that arose before its execution. The individual must also be advised to seek counsel. In the case of a group termination under an ERIP, OWBPA requires individ-

uals be given a 45 day period in which to consider any written agreement and an additional seven day revocation period (individual terminations require only 21 days to consider, with the same revocation period). An additional group requirement is to provide, in writing, the job titles and ages of all individuals eligible for the program.³ In other words, ensure the person has adequate time to make a decision, give eligible individuals accurate and complete information, and do not threaten or coerce individuals into signing the release.

Employee Retirement Income Security Act (ERISA)—ERISA governs employee benefit plans and one of the characteristics of an ERISA plan is an ongoing administrative scheme to pay benefits and, in general, a severance arrangement would be considered an ERISA plan if the arrangement was ongoing. As it is a one time severance program providing a limited window for participation in conjunction with a reduction-in-force, an ERIP may not be subject to ERISA depending on all the facts and circumstances.⁴

The above are just a few of the legal considerations to keep in mind when developing and implementing an ERIP. It is in an organization's interest to seek advice from an employment and/or benefits attorney during the formulation and announcement of such a program.

STEPS TO DEVELOP AN ERIP

We've outlined what an ERIP is, why it makes good business sense and provided a brief understanding of some of the business and legal considerations. Now, let's proceed, step-by-step, through the implementation.

1. Determining the Eligibility Group

The eligibility group is the set of individuals that will be offered the opportunity to participate in the ERIP. When determining eligibility, consider your business objectives. What are you trying to achieve? Is there a certain job title, department or geographic location that you need to reduce headcount in? Will only certain classes of employees be eligible? You may choose to set a minimum age and/or minimum number of years of service to participate. You may offer to all employees or limit to a subset. This could be done by position (managers, non-exempt, and secretaries), departments (accounting, production) or geographic location (New York, Los Angeles). Are there particular skill sets of employees within your organization that have become obsolete or that are particularly valuable? What would be the impact on your business of the departure of these employees?

As this is a retirement incentive program, it is recommended that you consult your applicable benefit plan documents, such as pension and/or health insurance plans, before you begin looking at this to see if there is any criteria that may influence your decision regarding the eligibility group. If, for example, your pension plan has a five-year vesting provision or stipulates that a retirement pension cannot be drawn prior to a certain age, you may want to incorporate these requirements into your eligibility.

Once you have reviewed the applicable plan documents that will provide you a better view of the group of individuals you may consider for eligibility, gather a list of employees who may meet these requirements. The number of individuals you need to reduce head-

count by and the number of individuals on the list will help you begin to more narrowly define your eligibility criteria.

Let's look at an example of the process of defining eligibility. Based on business objectives and needs, you have determined that you need to reduce your headcount by ten within a certain job title. To begin, develop a list that provides the names of all individuals within this group. Then, based on what you discovered when reviewing applicable plan documents, begin reducing this list. If, for example, your pension plan allows those who are at least 60 years of age and have at least five years of service to begin collecting their pension, narrow the list to just these individuals. Based on the number of potentially eligible individuals on the list, you need to make an educated guess if more or less than ten of them would accept the package. If the list has 40 people, chances are good that you may end up with more than ten accepting. If the list has twenty, your chances are better you may meet, and not exceed, your target of ten. If you think more individuals than you want to reduce will accept, then you would consider setting your eligibility at an age and/or years higher than 60 and five years of service. Remember, this process is not an exact science. You may get more people than you anticipated accepting or you may get less. If you target your eligibility correctly, however, you should be able to minimize the mystery.

Whatever you decide, the criteria should be strictly objective, support the business objectives set for the program and make sound business sense. Additionally, you need to be careful not to expose

your organization to any legal claims, including discrimination.

Sample Eligibility Requirement: All full-time non-management staff members who, on the date of the announcement, are classified as Customer Service Representatives and have at least five years of service and will be at least 60 years of age on the Retirement Effective Date.

2. Retirement Effective Date

The Retirement Effective Date is the date the retirement will be effective and, typically, will be the individuals' last work day. When determining this date, look at your business needs and the amount of time that will be needed to exit individuals once their acceptance of the package becomes effective after the OWPA consideration and revocation periods. This may be as little as two weeks but could go as high as four to six depending on your internal processes and needs. It is recommended that the period of time between the end of the window and the Retirement Effective Date be kept as short as possible. This will help both departing and remaining employees to stay positive through the transition and allow you to reach your business objectives as quickly as possible.

Sample Retirement Effective Date: December 31, 2005

3. Retirement Incentive Window

The Retirement Incentive Window is the period of time you will give individuals to consider participating in the program. Individuals should be given a period of time to decide; and this "window" should be sufficient enough in length for them to properly consider the offerings. Generally, the window period is finite and begins with the announcement and ends on a date

decided by the organization. While the length of this period is not mandated, it is recommended, that at a minimum, the guidelines set forth in the OWBPA be followed. As such, a minimum window of 45 days should be used.

One consideration for the length of the window is that of timing, and whether other business needs and requirements will interfere with or be impacted by the announcement date and/or subsequent Retirement Effective Date. You may need to confer with others within your organization to more fully explore this.

You must be prepared, on or before the first day of the window, to announce the program and provide eligible individuals with all the documentation necessary for consideration. This would include a written announcement, the release agreement and other materials, such as projected pension calculations. On the day the window closes, you should be prepared to begin the necessary paperwork to exit those accepting the package properly.

Sample Retirement Incentive Window: October 31, 2005 thru December 16, 2005 (Note this is a few days greater than 45 so as to allow the minimum 45 days we discussed earlier).

4. Program Offerings

As mentioned earlier, an ERIP provides an opportunity for the organization to meet its goals and objectives by providing employees an incentive to retire. The program will not be successful, however, unless it sufficiently motivates an individual to participate. The incentives must be structured in a way that attract participants but are not cost prohibitive to the organization. The cost of such a program is an integral part of your

consideration to move forward with this type of program and, as such, we will discuss how to determine and analyze the costs of an ERIP in Step 5.

Offerings typically include incentives such as severance, continuation of health insurance coverage, and pension enhancements. Although not usual for those looking to retire, ERIP's may also include outplacement services. Whatever offerings you decide on, keep in mind that to be successful, the employees must deem them worthwhile.

a. Pension Plan

Voluntary programs typically provide pension plan incentives, such as adding years to an individual's age and/or service so as to increase the value of the individual's pension. Some also provide the ability to collect on a pension prior to normal retirement age without reduction for withdrawals prior to normal retirement age.

It is recommended that you work closely with your Plan Administrator to determine pension incentives. Even if you know your plan, it is important to have your Administrator involved early in the process to ensure your plan allows for these types of incentives, and determine whether the plan needs to be amended accordingly. Additionally, the Administrator will need to perform the actuarial calculations of the incentives to determine the cost of the offerings.

Depending on the provisions of your pension plan, you may wish to consider one or more of the following:

Age Credit: Under a typical pension plan, an individual's age may be used to determine the amount of the benefit at retirement. By adding years to an individual's age, benefits under the

pension plan may increase and/or an individual may be entitled to begin collecting under a pension plan earlier than he/she otherwise might have been entitled.

Employment Credit: Under a typical pension plan, an individual's compensation and/or years of credited service may be used to determine the amount of the benefit at retirement and, by adding years of employment credit, the individual's benefits under the pension plan may increase.

Commonly, age 65 is considered "normal" retirement age, with some plans providing the ability to retire early. If an individual chooses to collect his/her pension earlier, there are often actuarial reductions of the benefit level to account for the early commencement of payments.

Compensation Adjustment: If offering employment credit, you may want to provide an assumed compensation increase for each of these years as, presumably, the individuals would have continued to receive increases had they remained employed. This could be determined by using the target increase percentage of your organization, historical increase percentages for your organization or historical market percentage increases based on external survey data. If you choose to offer this, you should identify the date the increase would be effective, as this will be needed to project your program costs as well as provide more accurate pension calculations.

When deciding upon pension enhancements, your Plan Administrator should provide you with preliminary calculations on a number of incentive alternatives you are considering. This will help you decide on the final incentive offerings by providing you an opportunity to

view the cost differences of these options. These differences will help guide you by providing an understanding of the cost of the incentive, as well as the value of the offering to the eligible individual.

When calculations are performed on the final incentives, have them completed assuming: 1) the employee retires at normal retirement age and, 2) that the employee accepts and retires on the Retirement Effective Date. These two calculations will be important to the eligible individuals, as they will be able to make an informed decision regarding the value of the offerings by comparing the benefit available under the ERIP to the benefit which would be available at normal retirement.

Sample Pension Offerings: Employees will receive an additional three years of credited service and age under the pension formula and the organization will assume a 3% increase in salary, compounded annually, would have been granted January 1st for each of these years.

b. Health Insurance

One of the major factors that prohibit individuals from retiring prior to age 65 is health insurance. While the Social Security Administration provides Medicare Part A to cover hospital insurance and Medicare Part B to provide major medical coverage, these programs are not available until an individual reaches age 65. If your organization provides for retiree benefits, this may not be an issue. If the organization does not provide retiree health benefits, however, this will be critical to the outcome of the program, as it will likely only be successful if it closes this gap.

If you are considering an incentive to continue coverage under your group health plan after retirement and you do not currently

provide retiree health insurance coverage, consult with the providing carrier(s). You will want to ensure they will allow for any exceptions to your plan eligibility requirements should you desire to offer continuation under any of the group plans.

To determine the incentive, you may want to consider the length of time individuals may need the benefit. Will you coordinate this time with COBRA coverage? What level of benefits do you want to offer? Will you pay all or part of COBRA premiums if you do not want or cannot cover them under your group plans? If continuing them under your group plan, will they be responsible for any participant contributions? Will this be a fixed amount for the duration of time they will have coverage or could/will this amount increase over time?

Sample Health Insurance Offerings: If currently enrolled, eligible employees will be able to continue their current level of participation in the organization's medical and dental plans at the applicable participant contribution rates until the end of the month in which they turn 65 years of age.

c. Termination Incentive Bonus

Although not legally required, similar to a severance payment an individual might receive upon leaving an organization involuntarily, it is a customary practice to provide a termination incentive bonus in the form of a lump-sum payment or payable in installments, which occur over time.

While termination incentive bonus amounts vary, general guidelines for the number of weeks for each year of service you may want to follow are:

- **Non-exempt**—One week with a minimum of four weeks to a maximum of two months.
- **Exempt**—two or three weeks with a minimum of two to a maximum of nine months.
- **Vice President/Officer**—three weeks for each year of service with a minimum of four months to maximum of one year.

Depending on the time of the year this program may be offered and the amount of the incentive payment, you may want to consider the timing of the payment in regard to tax implications. If the individual worked a significant portion of the year and will be eligible to receive an incentive bonus, the tax implications may make the ERIP offerings less desirable to them.

If you consider providing payments in installments, refer to The American Jobs Creation Act of 2004, which restricts decisions regarding the timing and frequency of deferred compensation distributions.

Sample Incentive Bonus Offering: Employees will receive a termination incentive payment equal to two weeks of salary for each year of service, subject to applicable taxes and withholdings, up to a maximum of thirty weeks. This payment will be paid on the Retirement Effective Date of December 31, 2005.

5. Program Costs

To ensure the ERIP will meet its financial objectives, it is important that the costs and savings of the program be thoroughly analyzed, as it would not make sense to introduce a program that would not save money or that would be too costly for the organization.

To analyze the costs effectively, it is recommended that you create a

spreadsheet, similar to Exhibit 1, which outlines the costs and savings of a hypothetical program. While this is a simplified version of a full analysis, it provides you a basic framework. You will need to adapt it, as necessary, for your organization. Please note that the costs outlined in Exhibit 1 are projected through calendar year 2010 as, in this example, this is the year the youngest eligible participant would reach 65 years of age and the organization's obligation to pay health premiums and the added value of the pension incentives, based on program offerings, would end.

Begin by gathering the following information and data:

- Cost of all incentive offerings including pension, health and any incentive bonus
- Salaries and hire dates of all eligible individual
- Cost of benefits within your organization⁵
- If any positions need to be replaced, the salaries at which they will be replaced
- Attorney fees associated with the program
- Pension Administrator fees associated with the program

Once you gather this data, you can start to develop the spreadsheet. Remember the following as you begin to enter the data and calculate your costs:

- The analysis should be structured so as to look at the costs and savings on an annualized basis, as well as the recurring costs and savings over each of the upcoming years. It is necessary to look at the costs and savings in the upcoming years as pension credits, continuation of health benefits

and termination incentive bonuses will be incurred over time and not all within the first year.

- When projecting costs and savings into the future, remember to apply an increase percentage to those items that you can reasonably assume will increase (health benefits, salaries etc.). Items such as health benefits and compensation will almost always be higher in subsequent years. Additionally, remember to include the average cost of benefits (typically 35-38%) on top of an individual's base compensation.
- Your analysis should include the costs associated with implementing the program, such as utilization of outside attorneys, pension plan administrator or actuarial costs.
- To properly evaluate the effectiveness and cost-savings of the proposed program, it is necessary to consider the possibility that every eligible individual accepts the incentive offer.
- If every eligible individual participates, determine if any of these individuals will need to be replaced. If so, will they be replaced at a comparable, lower or higher salary than the incumbent? What will the timing of the replacement be and will there be any recruiting costs associated with the replacement?

Once you have decided on your eligibility criteria, program offerings and calculated the cost-savings of the ERIP, it is important to weigh the program objectives against this to ensure they support

each other. Once you are sufficiently assured you can reach organizational goals and objectives with this approach, you are ready to move forward.

6. Release

In return for the benefits and other consideration included in the incentive package that will be offered, an organization should require all individuals who elect to participate in the program to sign a waiver. The waiver releases the organization from any and all claims by departing employees resulting from their employment prior to the time the waiver was signed and, among other things, confirms their agreement not to file any legal actions or claims against the organization. As a release waives all claims up to the date of execution, you may wish to have them sign the release on the Retirement Effective Date.

An employment release should be written by or under the direction of an employment attorney to ensure it sufficiently describes the offerings, as well as contains all legally required language. As discussed earlier, the ADEA, as amended by OWBPA, contains a number of requirements and procedures that must be included when drafting the release.

7. Preparing for the Announcement

Once you have decided on the eligibility criteria and the program offerings, analyzed costs, and gotten the "go-ahead" from your attorney, you are ready to begin drafting the announcement and release agreement, as well as having the final actuarial calculations performed. Typically, the release will be drafted by an attorney, but at a minimum, the release and announcement should be reviewed by an employment attorney.

When drafting the announcement, take care to touch on the areas of eligibility criteria, an explanation of program offerings, other benefits that may be affected, and any appropriate OWBPA requirements. It should include a statement that the organization has no current plans to offer other programs of this type in the future but reserves the right to do so. It should also be made clear that if eligible employees choose not to take the ERIP, that their decision not to participate will not affect their employment status or benefits in any way. We need to understand and communicate, however, that continued employment is never guaranteed. As mentioned earlier, if an ERIP does not provide sufficient departures an involuntary approach may be needed and this could impact their employment.

Be sure to address how eligible employees accept or decline participation. It is recommended that you have them respond in writing. While an executed release is sufficient for those accepting, consider requiring those declining to document their decision so there are no misunderstandings.

8. The Announcement

Once the announcement, release and pension calculation statements are ready, it is important to consider how the announcement will be made. To ensure consistency in the information provided, you may want to have one individual conduct all the meetings. You should ensure that all packages are ready prior to the announcement date and, if any of the individuals will not be at work on the announcement date, make appropriate arrangements to contact them at home or meet with them immediately upon their return. Be sure,

however, that you provide sufficient time for them to consider the offering. For individuals who may be housed in other locations, you may want to send the announcement packages out earlier and have them held by local management pending further instructions.

It is advisable to prepare a script, in advance of the conversations, so all eligible employees are given a consistent message. The announcement and package contents should be discussed individually with each person. Eligible employees should know what they are expected to do and whom they can speak with should they have questions. This may be emotional for some employees, so you should be prepared for this. The most important advice is to have open communication and dialogue with the employees. If they feel anything is being hidden, they will become defensive and this could adversely impact the success of the program. Supervisors and managers should

also be warned against telling any employee that if he/she does not take the ERIP and the ERIP does not achieve the targeted goal, that he/she will be one of the employees who will be subject to a subsequent involuntary layoff.

CONCLUSION

The development of an ERIP is a lengthy process that takes a good deal of thought and effort. Practitioners often overlook the opportunity to implement an ERIP based on the mistaken belief that it is difficult, and costly. Approached in a methodical and analytical manner, the ERIP represents a viable alternative for organizations seeking to reduce staff. In order for the ERIP to be successful, the program coordinator must understand the business objectives and goals that the organization is trying to obtain, provide a desirable incentive package to eligible employees and perform a thorough cost-savings analysis.

If all of these steps are completed, a carefully crafted announcement and positive communication with eligible employees should ensure its success. At the end of the day, the organization will have been successful at empowering employees to take control of their futures and reducing the potential for litigation all while meeting business objectives.



NOTES:

1. 29 C.F.R. 639.9 (1989).
2. 29 C.F.R. 639.2 to .6 (1989).
3. For a more detailed discussion of informational requirements in connection with notice to groups, see, 29 CFR §1625.22 (f), available at: http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/cfr_2002/julqtr_29cfr1625.22.htm (last visited July 23, 2005).
4. 29 C.F.R. 1625.22 (f)(iii)(D) (2002).
5. Karyn-Siobhan Robinson, Benefits Surpass 42 Percent of Payroll Costs, US Chamber Reports, available at: http://www.shrm.org/hmeus_published/archivesCMS_007198.asp. Research in this area varies considerably. We, therefore, suggest that you consider your own actual benefit costs in this calculation.

EXHIBIT 1

**Early Retirement Incentive Program
Projected Cost-Savings Analysis**

| | Annualized | Calendar Year |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Total | 2006 | 2007 | 2008 | 2009 | 2010 |
| Outlays | | | | | | |
| Offerings | | | | | | |
| Pension Incentives | \$ 125,131 | \$ 55,057 | \$ 43,657 | \$ 19,423 | \$ 6,127 | \$ 867 |
| Medical Premium Payments ** | \$ 97,236 | \$ 42,783 | \$ 33,925 | \$ 15,093 | \$ 4,761 | \$ 674 |
| Termination Incentive Bonus (8 Years Avg Service) | \$ 207,600 | \$ 207,600 | - | - | - | - |
| Pension Actuarial Calculation Costs | \$ 11,250 | \$ 11,250 | - | - | - | - |
| Attorney Fees | \$ 25,000 | \$ 25,000 | - | - | - | - |
| Total | \$ 466,217 | \$ 341,690 | \$ 77,582 | \$ 34,516 | \$ 10,888 | \$ 1,541 |
| Annualized Replacements Costs w/35% benefits *** | | | | | | |
| 5 Customer Service Representatives (Avg Sal 35,000) **** | \$ 236,250 | \$ 243,338 | \$ 250,638 | \$ 258,157 | \$ 265,902 | \$ 273,879 |
| Total Replacement Costs | \$ 236,250 | \$ 243,338 | \$ 250,638 | \$ 258,157 | \$ 265,902 | \$ 273,879 |
| TOTAL OUTLAYS (A) | \$ 702,467 | \$ 585,028 | \$ 328,220 | \$ 292,673 | \$ 276,790 | \$ 275,420 |
| Savings | | | | | | |
| Current Personnel Costs w/35% benefits *** | | | | | | |
| 15 Customer Service Representatives (Avg Sal 45,000) | \$ 911,250 | \$ 938,588 | \$ 966,745 | \$ 995,747 | \$ 1,025,620 | \$ 1,056,389 |
| Total Current Personnel Costs | \$ 911,250 | \$ 938,588 | \$ 966,745 | \$ 995,747 | \$ 1,025,620 | \$ 1,056,389 |
| TOTAL SAVINGS (B) | \$ 911,250 | \$ 938,588 | \$ 966,745 | \$ 995,747 | \$ 1,025,620 | \$ 1,056,389 |
| PROJECTED COST / (SAVINGS) OF ERIP (A-B) | \$ (208,783) | \$ (353,560) | \$ (638,525) | \$ (703,074) | \$ (748,830) | \$ (780,969) |

* A 15% net increase in benefit premiums was estimated for each year beginning in January 2006

** Participant contributions have been deducted from premium costs

*** A 3% compensation adjustment was estimated for each year beginning with January 2006

**** Assumes replacements will begin on January 1, 2006