



State of Vermont
Agency of Human Services
Office of the Secretary
208 Hurricane Lane, Suite 103
Williston, VT 05495
www.humanservices.vermont.gov

Douglas A. Racine, Secretary

[phone] 802-871-3009
[fax] 802-871-3001

September 14, 2012

Mr. Robert Aaronson
Director, Division of Cost Allocation
Department of Health and Human Services
26 Federal Plaza, Room 41-122
New York, NY 10278

RE: Request for Approval to Claim Vermont State Hospital's Retirement Incentive Program to Federal Programs.

Dear Mr. Aaronson:

I respectfully submit this proposal for your approval as Vermont's cognizant federal agency to claim the Vermont State Hospital's Retirement Incentive Program to federal programs. This request is being made in accordance with OMB Circular A-87, Attachment B, Paragraph 11.g.(3) and ASMB C-10-Implementation Guide for OMB Circular A-87.

Background

When Hurricane Irene passed over the Vermont State Complex in Waterbury on August 28, 2011, the Vermont State Hospital was flooded and had to be evacuated. Along with much of the Complex, the State Hospital is being evaluated by FEMA and state officials to determine which buildings can be rehabilitated and which will need to be demolished. We do not plan to move the State Hospital back into its former site. Since the flood, the patients have been housed in existing medical facilities and in a state facility in Springfield. Moving forward, the state plans to open one or more smaller facilities.

A portion of the staff was reassigned to work at the other medical facilities to augment existing staff and others were utilized to staff the patients who were housed in the ward at the state facility. There were staff members whose positions were no longer necessary at the state hospital or in other locations. These positions would be subject to a Reduction in Force (RIF) program. Some of these staff members were eligible for the retirement incentive program.

Overview of the Program

The identified staff who had worked at the Vermont State Hospital were encouraged to retire by issuing incentive payments not to exceed \$15,000 per employee. An employee shall receive the retirement payment in equal installments, the first within 90 days of the employee's retirement date. The second payment will be paid within 90 days of the first year anniversary of the employee's retirement date.

The program was offered to all eligible Vermont State Hospital employees.

For further details about the program, please refer to Attachment A (Enabling Legislation) and Attachment B (Details of the Program Issued to All Eligible VSH Employees).

Provision for re-hiring retirees

Employees who receive the incentive payment may not return to State employment for two full fiscal years following the employee's retirement date. An employee who receives the Incentive Benefit will have no mandatory reemployment rights to a VSH successor facility and will not be eligible to collect unemployment compensation.

Incentive Payment Costs

The total cost of the incentive payments will be \$162,750 over the two year period, with \$81,375 due in both state fiscal year 2013 and state fiscal year 2014. Thirteen staff members participated (10 at \$15,000, 2 at \$4,500 and 1 at \$3,750). After allocating this cost to all activities in the Department of Mental Health, we project that 58.75% will be paid by federal programs, resulting in a total projected federal participation of approximately \$95,600.

Allocation to Federal Programs

Retirement incentive payments meet the definition of "mass severance" as found in Circular A-87, Attachment B and are an allowable cost. As such, we are requesting approval for federal financial participation as noted above.

We propose to charge these payments at a department level rather than a statewide level. These costs will be charged to the Department of Mental Health's topmost administrative cost pool to be allocated to all programs within the department, both state and federal. We have notified business managers that we are seeking approval to claim these costs in this manner, and will not charge federal programs until approval is granted.

The following is our justification as to why we feel charging at a department level is appropriate and equitable.

- Enabling legislation for this program did not designate funding for the program.
- Legislative intent was for the Department of Mental Health to bear the cost of these incentive payments through its budgets, to be offset by the savings resulted from the position being eliminated.
- The mechanics of processing incentive payments are through the State of Vermont payroll system. This system is designed to charge the appropriate department for each employee when a payment is made. It would have taken considerable effort and expense to modify this system so that it charged these payments at a state level rather than at a department level.
- We feel it is equitable to charge these incentive payments to the department in which the employee last worked, since the employee was a part of the functions and programs within that department while they were employed.

We appreciate your prompt attention to this request. If you have any questions, please do not hesitate to contact Jim Giffin at (802) 871-3005 or Jim.Giffin@state.vt.us. Thank you for your time and consideration of this very important matter.

Sincerely,



Douglas A. Racine
Secretary
Agency of Human Services

cc: Arthur Douglas, CMS

Attachments:

Attachment A – Enabling Legislation

Attachment B – Details of Program Issued to Eligible VSH Employees

Attachment A – Enabling Legislation

*** * * Vermont Employees Retirement System * * ***

Sec. 11. 3 V.S.A. § 455 is amended to read:

§ 455. DEFINITIONS

(a) Unless a different meaning is plainly required by the context, the following words and phrases as used in this subchapter shall have the following meanings:

*** * ***

(28) “Successor in interest” means the mental health hospital owned and operated by the state that provides acute inpatient care and replaces the Vermont State Hospital.

Sec. 12. 3 V.S.A. § 459(d)(2)(A) is amended to read:

(2)(A) Upon early retirement, a group F member, except facility employees of the department of corrections and department of corrections employees who provide direct security and treatment services to offenders under supervision in the community and Woodside facility employees, shall receive an early retirement allowance which shall be equal to the normal retirement allowance reduced by one-half of one percent for each month the member is under age 62 at the time of early retirement. Group F members who have 20 years of service as facility employees of the department of corrections, as department of corrections employees who provide direct security and treatment services to offenders under supervision in the community or as Woodside facility employees or as Vermont state hospital State Hospital employees, or as employees of its successor in interest, who provide direct patient care shall receive an early retirement allowance which shall be equal to the normal retirement allowance at age 55 without reduction; provided the 20 years of service occurred in one or more of the following capacities as an employee of the department of corrections, Woodside facility[, or the Vermont state hospital] State Hospital, or its successor in interest: facility employee, community service center employee, or court and reparative service unit employee.

Attachment B – Details of Program Issued to Eligible VSH Employees

March 19, 2012

TO: All Classified VSH Employees

From: VSEA, DMH, VSH and the Department of Human Resources (DHR)

RE: DMH Retirement Incentive Program

The Vermont Treasurer's Office, VSEA and the Department of Human Resources have worked together to introduce a Retirement Incentive Program into the provisions of the H.630 Mental Health Bill. It is hoped that by offering a monetary incentive to Employees currently eligible to retire from state service, that additional jobs may be preserved to avoid and/or mitigate the impact of VSH layoffs. If you are an interested employee, please read the eligibility and benefits information outlined below.

The Retirement Incentive Program includes the following criteria for eligibility:

- You must have been employed by DMH as of March 1, 2012 and working at VSH as on August 28, 2012.
- You cannot have initiated the purchase of additional service credit after March 1, 2012.
- You must meet one of the following 3 service/age criteria for retirement eligibility:
 - 1- 30 years of creditable service as of April 13, 2012 and any age.
 - 2- 5 years of creditable service as of April 13, 2012 and age 62 years or older as of April 13, 2012.
 - 3- 20 years of creditable service as of April 13, 2012 as a facility employee who provides direct security and treatment services as defined by 3 VSA 459(2)(A) for early retirement and age 55 years or older as of April 12, 2012.

The Retirement Incentive Program includes the following benefits for Employees eligible to retire as defined above and who apply for retirement on or before April 13, 2012 for a retirement date on or before May 1, 2012:

- Continued Health Insurance coverage at 80 % of the premium paid by the State.
- \$ 750 per complete year of service if the employee has more than 5 years but less than 15 years of creditable service.
- \$ 1,000 per complete year of service if the employee has more than 15 years of creditable service, capped at a \$ 15,000 total benefit per individual employee.
- The Incentive Benefit will be paid in two equal installments. The first payment will be paid within 90 days of the employee's retirement date. The second payment will be paid within 90 days of the first year anniversary of the employee's retirement date.

The Retirement Incentive Program will include the following restrictions for those who receive the benefit:

- An employee who receives the Incentive Benefit will be prohibited from re-entry into state service for 2 full fiscal years following the employee's retirement date.
- An employee who receives the Incentive Benefit will have no mandatory reemployment rights to a VSH successor facility.
- An employee who receives the Incentive Benefit will not be eligible to collect unemployment compensation.