

## **Incentives for Older Workers Act**

- **Prohibition of Benefit Reduction due to Phased Retirement**

- Under this proposal, the average compensation taken into account under a defined benefit plan may not be reduced by reason of a participant's phased retirement. More specifically, the proposal would apply to any participant in a defined benefit plan (1) who has attained age 50 or 30 years of service, (2) who begins working on a reduced schedule or with modified responsibilities, and (3) whose compensation is reduced by reason of such reduced schedule or modified responsibilities.
- If the proposal applies to a participant, the proposal would require the plan not to reduce the compensation taken into account with respect to the participant's service prior to the reduction in compensation. For example, assume that a 55-year old participant with 20 years of service moves to a part-time schedule, thus reducing his pay from \$100,000 to \$60,000. Assume further that the defined benefit plan in which he participates provides benefits equal to 1 percent of final average pay multiplied by years of service. Under the proposal, the participant's benefit attributable to his first 20 years of service must be based on compensation that is not less than the participant's final average pay as of the day before the reduction to \$60,000.

- **Allowance of Delayed Retirement Social Security Credits Until Age 72**

- Social Security benefits are increased (by a certain percentage depending on a person's date of birth) if retirement is delayed beyond full retirement age. Increases based on delaying retirement no longer apply when people reach age 70, even if they continue to delay taking benefits. The proposal would allow people to earn delayed retirement credits up until age 72, instead of age 70.

- **Reduction in Social Security Benefit Offset Resulting From Certain Earnings**

- The proposal will reduce the amount of Social Security benefits lost to workers under the NRA. Older workers under the NRA would lose \$1 in benefits lost for every \$3 earned above the lower exempt amount, rather than the current \$1 loss for every \$2 earned. Budget effects would be minimized by the increases in FICA taxes collected from elder workers.

- **Create a National Resource Center on Aging and the Workforce**

- To collect, organize and disseminate older worker information, a National Resource Center on Aging and the Workforce should be created within the Department of Labor. This center's work would be dedicated specifically to age and workforce/workplace issues and would address these goals:
  - Act as a national information clearinghouse on workforce issues, challenges and solutions planning for older workers that would serve employers, community and government organizations, as well as public and private agencies. Services could include the cataloging, organizing, and summarizing of existing research, resources and scholarship in this area.
  - Identify best practices across the United States that have enjoyed success in productively engaging older Americans in the workforce.
  - Create toolkits for employers, trade associations, organized labor and not-for-profit employers that would feature a series of issue papers outlining specific tasks and activities for engaging older individuals in select industries.

- Distribute information to government planners and policymakers, employers, organizations representing and serving older adults, and others through an interactive Web site; articles in periodicals, pamphlets, brochures, and reports; as well as national and international conferences and events.
  - Provide targeted and ongoing technical assistance to select units of government, private corporations, and nonprofit organizations.
- **Remove the Penalty under the Civil Service Retirement System for Part-time Service**
  - The proposal would change the computation of Civil Service Retirement System (CSRS) annuities involving part-time service by correcting an anomaly that is a disincentive for employees nearing the end of their careers who would like to phase into retirement by working part-time schedules. Specifically, the proposal would clarify that CSRS annuities based in whole or in part on part-time service should be pro-rated for the period of service that was performed on a part-time basis. The correction allows agencies, as part of their succession planning efforts, to retain the expertise of senior staff who wish to work on a part-time basis at the end of their federal careers.
- **Improve the Workforce Investment Act (WIA) for Older Workers**
  - The bill would require states to include older worker representatives on the state and local workforce investment boards (at least one). The older worker rep would be a representative from the local area agency on aging or the local Title V grantee.
  - The bill would include a five percent set-aside for older individuals from funds allocated for adults under WIA.
- **Expand Eligibility of the Work Opportunity Tax Credit (WOTC) to Include Older Workers**
  - WOTC allows employers credits against wages for hiring individuals from one or more of nine targeted groups (such as recipients of public assistance, qualified veterans on assistance, and “high risk youth”). The proposal would modify WOTC to allow the credit for employers that hire older workers.
- **Clarification of Normal Retirement Age**
  - The proposal would clarify that an applicable plan would be permitted to have a normal retirement age that is the earlier of (1) attainment of a specified age, or (2) attainment of 30 or more years of benefit accrual service. The specified age would be required to meet the requirements applicable under regulations published during 2007 by the Treasury Department. In addition, the proposal clarifies that any applicable plan using such a normal retirement age would not be treated as failing to satisfy ERISA or the qualification requirements of the Code (including the backloading rules) or as failing to have a uniform normal retirement age under the Code solely by reason of the use of such normal retirement age. For purposes of this proposal, an "applicable plan" is a defined benefit plan that, on date of introduction, defined normal retirement age as the earlier of an otherwise permitted age or the attainment of 30 or more years of benefit accrual service.