

## Attachment A

### Background Information on Early Retirement Incentive Programs Previously Enacted

Minnesota has utilized several early retirement incentives in connection with its public employee workforce over the past several years. Prior to 1982, there was little systematic legislative experience with early retirement incentives for Minnesota public employees other than the teacher mobility provisions of the mid-1970s. Since 1982, the following early retirement incentives have been enacted to apply to Minnesota public employees:

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Year	Citation	Coverage Group(s)	Retirement Plan Based Early Retirement Incentive	Other Employment Benefit Early Retirement Incentive
1982	Laws 1982, Ch. 522, Sec. 1 and 2	State employees and University of Minnesota employees	None	Pre-age 65 state paid health insurance coverage
1984-1987	Minnesota Statutes, Sec. 356.70	Members of MSRS-General, PERA-General, TRA, First Class Teachers	Full accrued benefit without reduction when "Rule of 85" reached	N/A
1990	Laws 1990, Ch. 591, Art. 2, Sec. 6	MSRS-General, MSRS-Correctional, State Patrol	N/A	Pre-age 65 state paid health insurance coverage
1991	Laws 1991, Ch. 345, Art. 1, Sec. 112	Various state and retirement plan employees	N/A	Pre-age 65 state paid health insurance coverage
1992	Laws 1992, Ch. 499, Art. 7, Sec. 12 and 13	Teachers	N/A	Pre-age 65 employer paid health insurance coverage
1992	Laws 1992, Ch. 513, Art. 4, Sec. 58 and 59	Various state, retirement plan, and public employees, teachers	N/A	Pre-age 65 employer paid health insurance coverage
1993	Laws 1993, Ch. 192, Sec. 108	Members of MSRS-General, PERA-General, or MERF	Additional benefit of 0.25 percent of final average salary for each year of service up to 30 years	Alternative benefit of pre-age 65 employer-paid health insurance coverage
1993	Laws 1993, Ch. 224, Art. 8, Sec. 17 and 18	Members of TRA or First Class City Teachers	Additional benefit of 0.10 percent of final average salary for each year of service up to 30 years	Additional benefit of pre-age 65 employer-paid health insurance coverage
1994	Minnesota Statutes, Sec. 122.23, Subd. 20	Teachers in consolidating school districts	Purchase of up to five additional years of service credit	Pre-age 65 employer-paid health insurance coverage, extended leaves of absence, or severance payment
1994	Laws 1994, Ch. 518	Various local government employees	Same as Laws 1993, Ch. 192, Sec. 108	Same as Laws 1993, Ch. 192, Sec. 108
1994	Laws 1994, Ch. 572, Sec. 3	Displaced higher education employees	Purchase of up to two additional years of service credit	Pre-age 65 employer-paid health insurance coverage
1995	Laws 1995, Ch. 262, Art. 1, Sec. 17-25	Metropolitan Council employees; Minnesota Historical Society employees	Additional benefit of 0.25 percent of final average salary for each year of service up to 30 years for MSRS-General, PERA-General, or MERF members and additional benefit of 0.10 percent of final average salary for each year of service up to 30 years for TRA or first class city teacher retirement fund association members	Alternative benefit of pre-age 65 employer-paid health insurance coverage
1999	Laws 1999, Ch. 222, Art. 7	Employees of the Metropolitan Council	Additional benefit of 0.25 percent of final average salary for each year of service up to 30 years	None
2002	Laws 2002, Ch. 392, Art. 14, Sec. 1	State employees	N/A	Permits voluntary leaves up to 320 hours of leave without losing seniority rights, insurance, and pension and other benefits for the period ending June 30, 2003

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2003	Laws 2003, First Special Session, Ch. 1, Art. 2, Sec. 130	State employees	N/A	State government appointing authorities may allow employees to take leaves without pay for up to 1040 hours prior to June 30, 2005. Vacation, sick leave, seniority, and health care benefits continue to accrue during the leave period in the applicable pension plan; employee and employer contributions must be made to the applicable plan. An appointing authority may, at its discretion, pay the employee contributions on behalf of the employee
2003	Laws 2003, First Special Session, Ch. 12, Art. 1	PERA-General, PERA-P&F, PERA-Correctional	N/A	Public employees who previously worked at least half time may enter into an agreement with the employer to reduce work hour to less than half time. Contributions may be made to the applicable PERA plan as though the individual had not reduced hours. Thus, the employment reduction does not harm the individual's eventual retirement annuity. The second program involves voluntary leaves. If the individual makes the employee contribution to the applicable retirement plan during the leave, the employer must make the applicable employer contribution. Under both programs, all other benefits including health care coverage as provided under the collective bargaining agreement are retained. The programs apply to the period ending June 30, 2005. Inclusion in either program requires an agreement between the employee and employer, and the employer is authorized to designate job classifications or positions that qualify for each option
2003	Laws 2003, First Special Session, Ch. 12, Art. 3	TRA; First Class City Teacher Retirement Fund Associations	For TRA-covered districts only, the employer may enter into agreements with the exclusive bargaining representative of the teachers in the district to cover, for specific individual teachers, all or a portion of the employee contribution to the retirement plan while the teacher is on an extended leave of absence.	School districts may enter into agreements with the exclusive bargaining representative of the teachers in the district to cover, for specific individual teachers, all or a portion of health care coverage premiums while the teacher is on an extended leave of absence
2005	Laws 2005, Ch. 156, Art. 3, Sec. 3	State employees	N/A	State employees who previously worked at least half time may enter into an agreement with the employer to reduce work hours to less than half time. Contributions may be made to the applicable MSRS plan as though the individual had not reduced hours. Thus, the employment reduction does not harm the individual's eventual retirement annuity. Expires June 30, 2007.
2005	Laws 2005, Ch. 156, Art. 3, Sec. 4	State government appointing authorities	N/A	State government appointing authorities may allow employees to take leaves without pay for up to 1040 hours prior to June 30, 2005. Vacation, sick leave, seniority, and health care benefits continue to accrue during the leave period in the applicable pension plan; employee and employer contributions must be made to the applicable plan. An appointing authority may, at its discretion, pay the employee contributions on behalf of the employee. Expires June 30, 2007.

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2005	Laws 2005, Chapter 156, Article 3, Section 2	Employees of the Executive branch of state government; MSRS staff, Legislative Auditor staff, Metropolitan Council	N/A	An eligible employee who retires with at least five years of covered employment from a half-time or greater position, and who is eligible for an unreduced retirement annuity can accept a post-retirement employment, not to exceed half-time and representing at least a 25 percent reduction from previous work hours. The arrangement can be renewed annually up to five years. Post-retirement annuity reduction provisions are waived while in the position. Payments are made toward healthcare coverage, not to exceed 75 percent of employee-only full time employment coverage.
2005	Laws 2005, First Special Session, Ch. 1, Art. 4, Sec. 98	IRRRB	N/A	IRRRB employees age 60 or more or any age with 30 years of service can be eligible for paid health care to age 65 or cash incentives. Expires June 30, 2006.
2006	Laws 2006, Ch. 271, Art. 3, Sec. 43	Executive branch or legislative branch of state government; Board of Public Defense; Minnesota Historical Society; Minnesota State Colleges and Universities System; school districts.	\$17,000 payment, which could be used to purchase additional service credit to qualify for a "Rule of 90" retirement or to purchase an additional annuity from the MSRS Unclassified State Employees Retirement Program.	\$17,000 payment alternatively could be deposited in the Minnesota Healthcare Savings Plan.
--	Collective Bargaining Agreement	Patrol, BCA, Conservation Officers	N/A	Employer-paid health and dental insurance premiums
--	Collective Bargaining Agreement	State University Faculty	N/A	Severance payment; employer-paid health insurance premium for one year
--	Collective Bargaining Agreement	State University Administrative Personnel	N/A	Severance payment; employer-paid health insurance premium for one year
--	Collective Bargaining Agreement	Community College Faculty	N/A	Severance payment; employer-paid health insurance premium for one year
--	Personnel Policy	Displaced Higher Ed Board Excluded Administrators	N/A	Severance payment
--	Personnel Policy	Community College Unrepresented Administrators	N/A	Severance payment; employer-paid health insurance premium for one year

The various early retirement incentives have been enacted or implemented for a variety of reasons. Most of the early retirement incentives were apparently implemented to assist in resolving state budget difficulties by encouraging retirements instead of layoffs or other involuntary terminations. Those early retirement incentives were enacted not primarily to benefit public employees, but to use a potentially advantageous benefit to induce higher-paid, longer-service employees to terminate active public employment at an earlier age than they otherwise would retire. The savings that potentially will accrue to the public employer in this circumstance are dependent on the employer not filling the employment position with another employee or on the employer filling the employment position with another employee at a much smaller salary.

When a public pension plan provides an early retirement incentive, the public pension plan is fulfilling its prescribed function within the overall personnel compensation and benefit system. Public employee pension plans exist primarily to assist the public employer's personnel system by aiding in the recruitment of new public employees, the retention of existing trained and productive public employees, and the predictable systematic out-transitioning of public employees who have reached the end of their regularly expected productive working career. This is done by adopting a retirement plan that provides a sufficient post-retirement income (adequate based on pre-retirement earnings) and that is competitive with other potential employers. In providing an early retirement incentive, the public employee pension plan is emphasizing the out-transitioning function and is attempting to speed up its timing. Other employment benefit coverage, such as severance pay or employer-paid early retirement health insurance premiums, can also assist in this out-transitioning function.