



## H.F. 2128

(Murphy, M., by request)

## S.F. 1760

(Betzold)

### **Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* Public Employees Retirement Association (PERA) Staff  
*Relevant Provisions of Law:* Minnesota Statutes, Section 43A.346  
*General Nature of Proposal:* Adds PERA staff to post-retirement option participation provision  
*Date of Summary:* April 27, 2007

### **Specific Proposed Changes**

- Adds PERA staff to the list of those eligible to participate in the post-retirement option provided under Minnesota Statutes, Section 43A.346.

### **Policy Issues Raised by the Proposed Legislation**

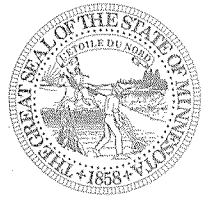
1. Public purpose for adding PERA staff.
2. Scope: Appropriateness of adding PERA staff but not local government employees covered by PERA.
3. Scope: Possible inclusion of TRA.
4. Removing ambiguity.

### **Potential Amendments**

H2128-1A defines "unreduced retirement" to exclude any "Rule of 90" benefit.

H2128-2A, an alternative to H2128-1A, clarifies that a "Rule of 90" benefit is considered to be an unreduced benefit.

H2128-4A clarifies the application of this provision for MSRS-Unclassified Program members by requiring that the individual must commence receipt of an annuity or lump sum distribution on or after the normal retirement age under defined benefit plans to be eligible for a post-retirement option position.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Director *EB*

RE: H.F. 2128 (Murphy, M., by request); S.F. 1760 (Betzold): Adding PERA Staff to Post-Retirement Option Participation Provision

DATE: March 21, 2007

Summary of H.F. 2128 (Murphy, M., by request); S.F. 1760 (Betzold)

H.F. 2128 (Murphy, M., by request); S.F. 1760 (Betzold) adds Public Employees Retirement Association (PERA) staff to the list of those eligible to participate in the post-retirement option provided under Minnesota Statutes, Section 43A.346.

Background Information

- A. Minnesota Statutes, Section 43A.346, Postretirement Option. Background information on Minnesota Statutes, Section 43A.346, is set forth in Attachment A.
- B. Previous Early Retirement Incentive Programs. Background information on early retirement incentive programs previously enacted by the Legislature is set forth in Attachment B.

Discussion and Analysis

H.F. 2128 (Murphy, M., by request); S.F. 1760 (Betzold) adds PERA staff to the list of those eligible to participate in the post-retirement option provided under Minnesota Statutes, Section 43A.346.

The bill raises the following pension and related public policy issues:

1. Public Purpose for Adding PERA Staff. The issue is the public purpose served by adding PERA staff to the provision. In 2005, when the legislation coded as Section 43A.346 was enacted, a similar policy issue was raised about including MSRS staff in the eligible list. If the chief purpose of the 2005 provision was to address a short-term state budget shortfall, including MSRS staff did not serve that purpose because the staff of MSRS are not paid from the state budget. MSRS staff salaries are an administrative expense covered by MSRS retirement plan assets. Similarly, PERA salaries are covered as an administrative expense charged to PERA retirement funds. If the primary purpose of Section 43A.346 is not budgetary, but rather is intended as a tool to help maintain the high quality of state government services as baby-boomers transition into retirement, then the Legislature as a whole, including the Commission, may wish to review and fine-tune this and other tools.
2. Scope/Appropriateness of Adding PERA Staff but not Local Government Employees Covered by PERA. The issue is the proper scope of the proposal. Adding PERA staff to the eligibility list for this provision of law will create pressure to extend the treatment to local government employees covered by PERA.
3. Scope, Possible Inclusion of TRA. The issue is whether to consider adding TRA staff to the eligible group, since MSRS staff is already included and the bill would add PERA staff. TRA staff has reviewed the bill and, at least as of this writing, does not wish to be included.
4. Removing Ambiguity. Since the Commission is being asked to add a group (PERA staff) to Minnesota Statutes, Section 43A.346, the Commission may wish to also consider revising ambiguous or confusing language to provide greater clarity. A copy of Section 43A.346 is attached.

One area of possible confusion is the meaning of "unreduced annuity." Minnesota Statutes, Section 43A.346, subdivision 2, clause (3), states that to be eligible the individual must retire with "an unreduced annuity." Unreduced annuity is not a defined term. An annuity taken at normal retirement age (age 65 or later in the MSRS and PERA general employees plans, age 55 in various public safety plans) is clearly an "unreduced annuity." What is not clear is whether a "Rule of 90" benefit qualifies as an "unreduced annuity." If an individual's age and years of service total at least 90, and the individual commenced covered employment before July 1, 1989, the individual can retire without application of an explicit early retirement reduction factor. However, under a "Rule of 90"

calculation the accrual rate used for the first ten years of service is reduced, being 1.2 percent rather than 1.7 percent per year. Thus, although a specific early retirement reduction factor is not applied to the final annuity computation, one is built into the calculation through the accrual rates. Some might consider a "Rule of 90" benefit to be an unreduced annuity, while an equally compelling case can be made that it is a reduced annuity. Subdivision 5 of the statute (Appointing Authority Discretion) suggests that the employer (appointing authority), and not the retirement plan, is the entity that decides whether an individual qualifies under this section of statute and whether the individual will be offered a post-retirement option position. Given that employing units rather than the retirement system will interpret what is meant by an "unreduced annuity," and given that the term is not defined, inconsistencies across employing units could occur.

Another area that could be clarified is the application of this provision to members of the MSRS Unclassified State Employees Retirement Program (MSRS-Unclassified), or for any other defined contribution plan that may in the future be included under this provision. Subdivision 2, the eligibility provision, states that a retiring member of the Unclassified Program is eligible if the employee "meets the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfies requirements for the commencement of the retirement annuity or elects a lump-sum payment." Within this statement "unreduced retirement annuity" has no meaning for a defined contribution plan. If an individual chooses to retire under a defined contribution plan, the annuity is the annuity that can be paid given the account value and the individual's remaining life expectancy. That is true at any given retirement age, whether the individual retires at age 55, the earliest permitted age under the plan, or at any later age prior to death.

#### Potential Amendments for Commission Consideration

Before considering amendments H2128-1A and H2128-2A, the Commission may wish to hear testimony from MSRS, PERA, and the Department of Employee Relations to determine how the term "unreduced annuity" has been interpreted to date, and whether it has been interpreted consistently.

Amendment H2128-1A defines "unreduced retirement" to exclude any "Rule of 90" benefit. Under this amendment, those retiring under a "Rule of 90" benefit would not be eligible for a post-retirement option position.

Amendment H2128-2A is an alternative to H2128-1A. If the Commission concludes that "Rule of 90" benefits should qualify for coverage under this provision, then Amendment H2128-2A can be used to clarify that a "Rule of 90" benefit is considered to be an unreduced benefit.

Amendment H2128-4A clarifies the application of this provision for MSRS-Unclassified Program members by requiring that, to be eligible for a post-retirement option position, the individual must commence receipt of an annuity or lump sum distribution on or after the normal retirement age under defined benefit plans. This amendment could be used if Amendment H2128-2A is adopted, but it would have the effect of creating different criteria for defined benefit plans (where "Rule of 90" members could qualify for the post-retirement option) compared to retirees from a defined contribution plan, where individual would need to retire at normal retirement age to qualify for a post-retirement option.

## **Attachment A**

### **Background Information on Minnesota Statutes, Section 43A.346, Postretirement Option**

Minnesota Statutes, Section 43A.346, defines a “state employee,” for purposes of that section, as an individual in a civil service position in the state government executive branch, or an employee of the Minnesota State Retirement System (MSRS), the Office of the Legislative Auditor, or the Metropolitan Council. Under that section, a state 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 from an MSRS or PERA plan, can accept a “postretirement employment position” with the same or a different employing unit. That post-retirement employment position must not be more than half-time and must represent at least a 25 percent reduction from previous work hours. The arrangement is for one year, but can be extended for up to five years. While in this position the individual is deemed to be in the unclassified service, but is not covered by any pension plan for the post-retirement employment. Post-retirement annuity redirections to a savings account do not apply while the individual remains in the position. Payments are made toward health care coverage, not to exceed 75 percent of employee-only full-time employment coverage.

Various subdivisions within Section 43A.346 currently include reference to PERA and to PERA’s reemployed annuitant provision, rather than just to those of MSRS because there are some state employees who are covered by PERA, including some employees of the courts. These employees became state employees a few years ago when the state assumed responsibility for administering the courts.

Minnesota Statutes, Section 43A.346 is based upon provisions in 2005 Session H.F. 1953 (Cornish); S.F. 1845 (Larson), and was passed as part of an Omnibus State Government Finance Bill as Laws 2005, Chapter 156, Article 3, Section 2. That same omnibus bill contained a voluntary hour reduction provision and a voluntary unpaid leave of absence provision.

## Attachment B

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

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:

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

Year	Citation	Coverage Group(s)	Retirement Plan Based Early Retirement Incentive	Other Employment Benefit Early Retirement Incentive
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.

Year	Citation	Coverage Group(s)	Retirement Plan Based Early Retirement Incentive	Other Employment Benefit Early Retirement Incentive
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	IRRB 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.

#### 43A.346 POSTRETIREMENT OPTION.

Subdivision 1. **Definition.** For purposes of this section, "state employee" means a person currently occupying a civil service position in the executive branch of state government, the Minnesota State Retirement System, or the Office of the Legislative Auditor, or a person employed by the Metropolitan Council.

Subd. 2. **Eligibility.** This section applies to a state or Metropolitan Council employee who: (1) for at least the five years immediately preceding separation under clause (2), has been regularly scheduled to work 1,044 or more hours per year in a position covered by a pension plan administered by the Minnesota State Retirement System or the Public Employees Retirement Association;

(2) terminates state or Metropolitan Council employment;

(3) at the time of termination under clause (2), meets the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfies requirements for the commencement of the retirement annuity or, for an employee under the unclassified employees retirement plan, meets the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfies requirements for the commencement of the retirement annuity or elects a lump-sum payment; and

(4) agrees to accept a postretirement option position with the same or a different appointing authority, working a reduced schedule that is both (i) a reduction of at least 25 percent from the employee's number of regularly scheduled work hours; and (ii) 1,044 hours or less in state or Metropolitan Council service.

Subd. 3. **Unclassified service.** Notwithstanding any law to the contrary, state postretirement option positions shall be in the unclassified service but shall not be covered by the Minnesota State Retirement System unclassified employees plan.

Subd. 4. **Annuity reduction not applicable.** Notwithstanding any law to the contrary, when an eligible state employee in a postretirement option position under this section commences receipt of the annuity, the provisions of section 352.115, subdivision 10, or 353.37 governing annuities of reemployed annuitants, shall not apply for the duration of employment in the position.

Subd. 5. **Appointing authority discretion.** The appointing authority has sole discretion to determine if and the extent to which a postretirement option position under this section is available to a state employee. Any offer of such a position must be made in writing to the employee by the appointing authority on a form prescribed by the Department of Employee Relations and the Minnesota State Retirement System or the Public Employees Retirement Association. The appointing authority may not require a person to waive any rights under a collective bargaining agreement or unrepresented employee compensation plan as a condition of participation.

Subd. 6. **Duration.** Postretirement option employment shall be for an initial period not to exceed one year. During that period, the appointing authority may not modify the conditions specified in the written offer without the employee's agreement, except as required by law or by the collective bargaining agreement or compensation plan applicable to the employee. At the end of the initial period, the appointing authority has sole discretion to determine if the offer of a postretirement option position will be renewed, renewed with modifications, or terminated. Postretirement option employment may be renewed for periods of up to one year, not to exceed a total duration of five years. No person shall be employed in one or a combination of postretirement option positions under this section for a total of more than five years.

Subd. 7. **Copy to fund.** The appointing authority shall provide the Minnesota State Retirement System or the Public Employees Retirement Association with a copy of the offer, the employee's acceptance of the terms, and any subsequent renewal agreement.

Subd. 8. **No service credit.** Notwithstanding any law to the contrary, a person may not earn service credit in the Minnesota State Retirement System or the Public Employees Retirement Association for employment covered under this section, and employer contributions and payroll deductions for the retirement fund must not be made based on earnings of a person working under this section. No change shall be made to a monthly annuity or retirement allowance based on employment under this section.

Subd. 9. **Insurance contribution.** Notwithstanding any law to the contrary, the appointing authority must make an employer insurance contribution for a person who is employed in a postretirement option position under this section and who is not receiving any other state-paid or Metropolitan Council-paid employer insurance contribution. The amount of the contribution must be equal to the percent time worked in the postretirement option position (hours scheduled to be worked annually divided by 2,088) times 1.5 times the full employer contribution for employee-only health and dental coverage. The appointing authority must contribute that amount to a health reimbursement arrangement.

Subd. 10. **Subsequent employment.** If a person has been in a postretirement option position and accepts any other position in state or Metropolitan Council-paid service, in the subsequent state or Metropolitan Council-paid employment the person may not earn service credit in the Minnesota State Retirement System or Public Employees Retirement Association, no employer contributions or payroll deductions for the retirement fund shall be made, and the provisions of section 352.115, subdivision 10, or section 353.37, shall apply.



1.1 ..... moves to amend H.F. No. 2128; S.F. No. 1760, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Sec. 2. Minnesota Statutes 2006, section 43A.346, subdivision 2, is amended to read:

1.4 Subd. 2. **Eligibility.** This section applies to a state or Metropolitan Council  
1.5 employee who:

1.6 (1) for at least the five years immediately preceding separation under clause (2), has  
1.7 been regularly scheduled to work 1,044 or more hours per year in a position covered by  
1.8 a pension plan administered by the Minnesota State Retirement System or the Public  
1.9 Employees Retirement Association;

1.10 (2) terminates state or Metropolitan Council employment;

1.11 (3) at the time of termination under clause (2), ~~meets the~~ is at least normal retirement  
1.12 ~~age and service requirements necessary to receive an unreduced retirement annuity~~  
1.13 ~~from~~ as defined in law for the applicable plan and satisfies any other requirements for  
1.14 the commencement of the retirement annuity or, for an employee under the unclassified  
1.15 employees retirement plan, meets the age and service requirements necessary to receive  
1.16 an unreduced retirement annuity from the plan and satisfies requirements for the  
1.17 commencement of the retirement annuity or elects a lump-sum payment; and

1.18 (4) agrees to accept a postretirement option position with the same or a different  
1.19 appointing authority, working a reduced schedule that is both (i) a reduction of at least 25  
1.20 percent from the employee's number of regularly scheduled work hours; and (ii) 1,044  
1.21 hours or less in state or Metropolitan Council service."

1.22 Page 1, line 14, delete "Section 1 is" and insert "Sections 1 and 2 are"

1.23 Renumber the sections in sequence and correct the internal references

1.24 Amend the title accordingly

..... moves to amend H.F. No. 2128; S.F. No. 1760, as follows:

Page 1, after line 12, insert:

"Sec. 2. Minnesota Statutes 2006, section 43A.346, subdivision 2, is amended to read:

Subd. 2. **Eligibility.** (a) This section applies to a state or Metropolitan Council employee who:

(1) for at least the five years immediately preceding separation under clause (2), has been regularly scheduled to work 1,044 or more hours per year in a position covered by a pension plan administered by the Minnesota State Retirement System or the Public Employees Retirement Association;

(2) terminates state or Metropolitan Council employment;

(3) at the time of termination under clause (2), meets the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfies requirements for the commencement of the retirement annuity or, for an employee under the unclassified employees retirement plan, meets the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfies requirements for the commencement of the retirement annuity or elects a lump-sum payment; and

(4) agrees to accept a postretirement option position with the same or a different appointing authority, working a reduced schedule that is both (i) a reduction of at least 25 percent from the employee's number of regularly scheduled work hours; and (ii) 1,044 hours or less in state or Metropolitan Council service.

(b) For purposes of this section, an unreduced retirement annuity includes a retirement annuity computed under a provision of law which permits retirement, without application of an earlier retirement reduction factor, whenever age plus years of allowable service total at least 90."

Page 1, line 14, delete "Section 1 is" and insert "Sections 1 and 2 are"

Renumber the sections in sequence and correct the internal references

2.1 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 2128; S.F. No. 1760, as follows:

1.2 Page 1, after line 12, insert:

1.3 "Sec. 2. Minnesota Statutes 2006, section 43A.346, subdivision 2, is amended to read:

1.4 Subd. 2. **Eligibility.** This section applies to a state or Metropolitan Council  
1.5 employee who:

1.6 (1) for at least the five years immediately preceding separation under clause (2), has  
1.7 been regularly scheduled to work 1,044 or more hours per year in a position covered by  
1.8 a pension plan administered by the Minnesota State Retirement System or the Public  
1.9 Employees Retirement Association;

1.10 (2) terminates state or Metropolitan Council employment;

1.11 (3) at the time of termination under clause (2), meets the age and service  
1.12 requirements necessary to receive an unreduced retirement annuity from the plan and  
1.13 satisfies requirements for the commencement of the retirement annuity or, for an employee  
1.14 under the unclassified employees retirement ~~plan program~~ under chapter 352D, ~~meets the~~  
1.15 is at least normal retirement age as defined in section 352.01, subdivision 25, and service  
1.16 ~~requirements necessary to receive an unreduced retirement annuity from the plan and~~  
1.17 ~~satisfies requirements for the commencement of the retirement~~ commences receipt of an  
1.18 annuity under that program or elects a lump-sum payment or distribution; and

1.19 (4) agrees to accept a postretirement option position with the same or a different  
1.20 appointing authority, working a reduced schedule that is both (i) a reduction of at least 25  
1.21 percent from the employee's number of regularly scheduled work hours; and (ii) 1,044  
1.22 hours or less in state or Metropolitan Council service."

1.23 Page 1, line 14, delete "Section 1 is" and insert "Sections 1 and 2 are"

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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **2128**

March 14, 2007

Authored by Murphy, M., by request

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act  
1.2 relating to retirement; adding staff of the Public Employees Retirement  
1.3 Association as eligible to participate in the postretirement option; amending  
1.4 Minnesota Statutes 2006, section 43A.346, subdivision 1.  
1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 43A.346, subdivision 1, is amended to  
1.7 read:

1.8 Subdivision 1. **Definition.** For purposes of this section, "state employee" means  
1.9 a person currently occupying a civil service position in the executive branch of state  
1.10 government, the Minnesota State Retirement System, the Public Employees Retirement  
1.11 Association, or the Office of the Legislative Auditor, or a person employed by the  
1.12 Metropolitan Council.

1.13 Sec. 2. **EFFECTIVE DATE.**

1.14 Section 1 is effective the day following final enactment.