



**S.F. 713**  
(Pappas)

**H.F. 872**  
(Kahn)

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

*Affected Pension Plan(s):* MnSCU  
*Relevant Provisions of Law:* Minnesota Statutes, Section 136F.481  
*General Nature of Proposal:* Eliminates 2014 early retirement incentive sunset date  
*Date of Summary:* February 6, 2014

### **Specific Proposed Changes**

- Eliminates the June 30, 2014, date by which the authority expires, making the authority for MnSCU permanent, thus continuing to allow MnSCU college or university presidents or the Chancellor, with respect to the Chancellor's office, to offer to system employees who are at least age 55, who have been employed by MnSCU for at least five years, and who comply with other eligibility requirements formulated by the MnSCU board of trustees, one or a combination of two potential incentives: 1) a cash payment, not to exceed one year of base salary, and 2) employer contributions to the post-retirement Health Care Savings Plan, without any specific limit.

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

1. Extent of past use of the MnSCU early retirement incentives.
2. Appropriateness of sunset elimination; potential lack of periodic systematic review of authority and its use.
3. Need for revised/reformulated incentive eligibility requirements.

### **Potential Amendments**

- S0713-1A places a June 30, 2017, sunset date for the authority, replicating the length of the original authority.
- S0713-2A requires the MnSCU board of trustees to revise the eligibility requirements for early retirement incentives periodically.

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TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: S.F. 713 (Pappas); H.F. 872 (Kahn): MnSCU; Elimination of June 30, 2014, Early Retirement Incentive Sunset Date

DATE: February 6, 2014

Summary of S.F. 713 (Pappas); H.F. 872 (Kahn)

S.F. 713 (Pappas); H.F. 872 (Kahn) amends Minnesota Statutes, Section 136F.481, derived from Laws 2009, Chapter 169, Article 6, Section 1, by eliminating the June 30, 2014, date by which the authority expires, making the authority for MnSCU permanent, thus continuing to allow MnSCU college or university presidents or the Chancellor, with respect to the Chancellor's office, to offer to system employees who are at least age 55, who have been employed by MnSCU for at least five years, and who comply with other eligibility requirements formulated by the MnSCU board of trustees, one or a combination of two potential incentives: 1) a cash payment, not to exceed one year of base salary, and 2) employer contributions to the post-retirement Health Care Savings Plan, without any specific limit.

Discussion and Analysis

S.F. 713 (Pappas); H.F. 872 (Kahn) eliminates the 2014 sunset date on the MnSCU authority or fashion a cash incentive, or an employee contribution to the post-retirement Health Care Savings Plan incentive, or a combination.

The proposed legislation raises a number of pension and related public policy issues for consideration and possible discussion by the Commission, as follows:

1. Extent of Past Use of the MnSCU Early Retirement Incentives. The policy issue is the experience of MnSCU in utilizing its early retirement incentive authority and whether or not that experience substantiates a continuation of the authority beyond June 30, 2014. MnSCU is required to report on its utilization of the early retirement incentive annually. The 2010-2012 reports indicate the following:

Institution Type	FY2010	FY2011	FY2012	FY2013	Total
Community-Technical College	43	54	23	9	129
State University	70	136	9	0	215
System Office	0	26	12	0	38
Total	113	216	44	9	382

Fiscal Year	Cash Only	Health Care Savings Only	Both	Total
FY2010	0	5	108	113
FY2011	0	5	211	216
FY2012	0	5	39	44
FY2013	0	5	4	9
Total	0	20	362	382

Fiscal Year	Cash	Health Care Savings	Total
FY2010	\$1,921,151	2,718,425	4,639,575
FY2011	6,316,474	4,802,842	11,119,320
FY2012	835,671	1,120,449	1,956,120
FY2013	81,071	243,309	324,380
Total	\$9,154,367	\$8,885,025	\$18,039,395

**Incentives by Institution**

Institution	FY2010					FY2011				
	#	HCSP	Cash	Total	Average	#	HCSP	Cash	Total	Average
Alexandria Tech. & Comm. College	1	\$5,500	--	\$5,500	\$5,500	3	\$34,026	\$5,921	\$39,947	\$13,316
Anoka Tech. College	9	\$239,795	\$122,572	\$362,367	\$40,263	10	\$179,175	\$260,161	\$439,336	\$43,934
Anoka/Ramsey Comm. College	3	\$56,614	\$94,045	\$150,658	\$50,219	4	\$132,551	\$20,916	\$153,468	\$38,367
Bemidji State University	14	\$350,144	\$110,527	\$460,671	\$32,905	9	\$94,579	\$592,350	\$686,929	\$76,325
Century College	--	--	--	--	--	7	\$196,502	\$43,712	\$240,214	\$34,316
Hibbing Comm. College	2	\$32,297	\$36,990	\$69,287	\$34,644	4	\$78,248	\$23,740	\$101,988	\$25,497
Inver Hills Comm. College	--	--	--	--	--	--	--	--	--	--
Itasca Comm. College	1	\$20,000	--	\$20,000	\$20,000	--	--	--	--	--
Lake Superior College	7	\$142,344	\$154,232	\$296,576	\$42,368	2	\$41,100	\$38,179	\$79,279	\$39,640
Mesabi Range Comm. & Tech. College	1	\$20,000	--	\$20,000	\$20,000	--	--	--	--	--
MN West Comm. & Tech. College	1	\$83,859	\$-	\$83,859	\$83,859	1	\$61,227	\$59,129	\$120,355	\$120,355
MN State Comm. & Tech. College	--	--	--	--	--	--	--	--	--	--
MN State University, Moorhead	25	\$744,489	\$364,346	\$1,108,835	\$44,353	6	\$119,351	\$283,378	\$402,729	\$67,122
MN State University, Mankato	12	\$78,405	\$647,774	\$726,179	\$60,515	38	\$444,445	\$1,990,965	\$2,435,410	\$64,090
Normandale Comm. College	--	--	--	--	--	8	\$217,527	\$110,269	\$327,795	\$40,974
Northland Comm. & Tech. College	6	\$98,763	\$36,913	\$135,676	\$22,613	5	\$100,000	\$23,223	\$123,223	\$24,645
Northwest Tech. College, Bemidji	--	--	--	--	--	1	\$48,650	\$19,850	\$68,500	\$68,500
Rainy River Comm. College	--	--	--	--	--	1	\$32,928	--	\$32,928	\$32,928
Ridgewater	10	\$136,696	\$195,077	\$331,773	\$33,177	--	--	--	--	--
Riverland Comm. College	1	\$42,992	--	\$42,992	\$42,992	2	\$50,130	--	\$50,130	\$25,065
Rochester Comm. & Tech. College	--	--	--	--	--	1	\$15,000	--	\$15,000	\$15,000
Southwest MN State University	2	\$21,496	\$33,319	\$54,815	\$27,408	7	\$193,961	\$45,830	\$239,790	\$34,256
St. Cloud State University	--	--	--	--	--	59	\$1,306,578	\$2,355,901	\$3,662,480	\$62,076
St. Paul College	--	--	--	--	--	4	\$122,944	\$8,004	\$130,948	\$32,737
System Office	--	--	--	--	--	26	\$809,211	\$228,511	\$1,037,722	\$39,912
Vermillion Comm. College	1	\$23,801	\$16,070	\$39,871	\$39,871	1	\$26,430	--	\$26,430	\$26,430
Winona State University	17	\$621,230	\$109,287	\$730,517	\$42,972	17	\$498,284	\$206,435	\$704,719	\$41,454
<b>TOTAL:</b>	<b>113</b>	<b>\$2,718,425</b>	<b>\$1,921,151</b>	<b>\$4,639,575</b>	<b>\$41,058</b>	<b>216</b>	<b>\$4,802,846</b>	<b>\$6,316,474</b>	<b>\$11,119,320</b>	<b>\$51,478</b>

**Incentives by Institution**

Institution	FY2012					FY2013				
	#	HCSP	Cash	Total	Average	#	HCSP	Cash	Total	Average
Alexandria Tech. & Comm. College	1	\$19,669	--	\$19,669	\$19,669	1	\$30,000	--	\$30,000	\$30,000
Anoka Tech. College	1	\$27,731	\$32,995	\$60,726	\$60,726	1	44,454	--	44,454	44,454
Anoka/Ramsey Comm. College	--	--	--	--	--	--	--	--	--	--
Bemidji State University	--	--	--	--	--	--	--	--	--	--
Century College	8	\$184,458	\$110,023	\$294,481	\$36,810	--	--	--	--	--
Hibbing Comm. College	1	\$26,564	\$12,230	\$38,794	\$38,794	--	--	--	--	--
Inver Hills Comm. College	--	--	--	--	--	3	56,705	0	56,705	18,902
Itasca Comm. College	--	--	--	--	--	--	--	--	--	--
Lake Superior College	--	--	--	--	--	--	--	--	--	--
Mesabi Range Comm. & Tech. College	--	--	--	--	--	--	--	--	--	--
MN West Comm. & Tech. College	--	--	--	--	--	--	--	--	--	--
MN State Comm. & Tech. College	4	\$206,148	\$57,188	\$263,336	\$65,834	1	26,647	3,914	30,561	30,561
MN State University, Moorhead	3	\$143,069	\$-	\$143,069	\$47,690	--	--	--	--	--
MN State University, Mankato	6	\$7,807	\$389,000	\$396,807	\$66,135	--	--	--	--	--
Normandale Comm. College	1	\$39,338	\$-	\$39,338	\$39,338	3	108,236	54,424	162,680	54,227
Northland Comm. & Tech. College	3	\$74,489	\$474	\$74,963	\$24,988	--	--	--	--	--
Northwest Tech. College, Bemidji	--	--	--	--	--	--	--	--	--	--
Rainy River Comm. College	--	--	--	--	--	--	--	--	--	--
Ridgewater	--	--	--	--	--	--	--	--	--	--
Riverland Comm. College	--	--	--	--	--	--	--	--	--	--
Rochester Comm. & Tech. College	4	\$45,000	\$13,853	\$58,853	\$14,713	--	--	--	--	--
Southwest MN State University	--	--	--	--	--	--	--	--	--	--
St. Cloud State University	--	--	--	--	--	--	--	--	--	--
St. Paul College	--	--	--	--	--	--	--	--	--	--
System Office	12	\$346,176	\$219,908	\$566,084	\$47,174	--	--	--	--	--
Vermillion Comm. College	--	--	--	--	--	--	--	--	--	--
Winona State University	--	--	--	--	--	--	--	--	--	--
<b>TOTAL:</b>	<b>44</b>	<b>\$1,120,449</b>	<b>\$835,671</b>	<b>\$1,956,120</b>	<b>\$44,457</b>	<b>9</b>	<b>\$266,042</b>	<b>\$58,338</b>	<b>\$324,400</b>	<b>\$178,144</b>

**Incentives by Institution**

Institution	TOTAL				
	#	HCSP	Cash	Total	Average
Alexandria Tech. & Comm. College	6	\$89,195	\$5,921	\$95,116	\$15,853
Anoka Tech. College	21	\$491,155	\$415,728	\$906,883	\$43,185
Anoka/Ramsey Comm. College	7	\$189,165	\$114,961	\$304,126	\$43,447
Bemidji State University	23	\$444,723	\$702,877	\$1,147,600	\$49,896
Century College	15	\$380,960	\$153,735	\$534,695	\$35,646
Hibbing Comm. College	7	\$137,109	\$72,960	\$210,069	\$30,010
Inver Hills Comm. College	3	56,705	0	56,705	18,902
Itasca Comm. College	1	\$20,000	0	\$20,000	0
Lake Superior College	9	\$183,444	\$192,411	\$375,855	\$41,762
Mesabi Range Comm. & Tech. College	1	\$20,000	0	\$20,000	0
MN West Comm. & Tech. College	2	\$145,086	\$59,129	\$204,214	\$102,107
MN State Comm. & Tech. College	5	\$210,062	\$83,835	\$293,897	\$58,779
MN State University, Moorhead	34	\$1,006,909	\$647,724	\$1,654,633	\$48,666
MN State University, Mankato	56	\$530,657	\$3,027,739	\$3,558,396	\$63,543
Normandale Comm. College	12	\$365,101	\$164,693	\$529,794	\$44,150
Northland Comm. & Tech. College	14	\$273,252	\$60,610	\$333,862	\$23,847
Northwest Tech. College, Bemidji	1	\$48,650	\$19,850	\$68,500	\$68,500
Rainy River Comm. College	1	\$32,928	0	\$32,928	\$32,928
Ridgewater	10	\$136,696	\$195,077	\$331,773	0
Riverland Comm. College	3	\$93,122	0	\$93,122	\$31,041
Rochester Comm. & Tech. College	5	\$60,000	\$13,853	\$73,853	\$14,771

Institution	Incentives by Institution				
	TOTAL				
	#	HCSP	Cash	Total	Average
Southwest MN State University	9	\$215,457	\$79,149	\$294,605	\$32,734
St. Cloud State University	59	\$1,306,578	\$2,355,901	\$3,662,480	\$62,076
St. Paul College	4	\$122,944	\$8,004	\$130,948	\$32,737
System Office	38	\$1,155,387	\$448,419	\$1,603,806	\$42,205
Vermillion Comm. College	2	\$50,231	\$16,070	\$66,301	\$33,150
Winona State University	34	\$1,119,514	\$315,722	\$1,435,236	\$42,213
TOTAL:	382	\$8,885,030	\$9,154,368	\$18,039,397	\$47,224

Omitted Institutions. The early retirement incentive authority was not utilized in the following institutions over the period FY2010-FY2013:

Central Lakes College	Minneapolis Community & Tech. College
Dakota County Tech. College	North Hennepin Community College
Fond du Lac Tribal & Community College	Pine Technical College
Hennepin Technical College	South Central College
Metropolitan State University	St. Cloud Tech. & Community College

The reports on the early retirement incentives provided no information on the salary and related compensation savings, so it is not possible to ascertain from the reports the success of the program in meeting system financial difficulties arising out of the 2008 Great Recession.

The utilization of the early retirement incentives, where used, ranged from more than 30 incentives at the high end (St. Cloud State University-59, Minnesota State University Mankato-56, System Office/Chancellor's Office-38, Minnesota State University Moorhead-34, and Winona State University-34) to one incentive only (Itasca Community College, Mesabi Range Community & Technical College, Northwest Technical College, and Rainy River Community College). The incentives ranged from a high average of \$102,107 at the Minnesota West Community & Technical College, an overall average for all years and institutions of \$47,224, and a low average of \$15,853 at the Alexandria Technical & Community College.

2. Appropriateness of Sunset Elimination; Potential Lack of Periodic Systematic Review of Authority and Its Use. The policy issue is the question of whether or not it is appropriate to eliminate, rather than extend, the current June 30, 2014, sunset date on the MnSCU early retirement incentive authority and whether or not a sunset date elimination would cause a lack of any future systematic periodic review of the MnSCU early retirement incentive authority. The MnSCU early retirement incentive program legislation was enacted in response to the Great Recession of 2008 and was intended to provide a tool for MnSCU to use in dealing with the economic challenges that were caused by that event. Since economic downturns have been cyclical in the past and are followed by economic recoveries, which would either eliminate the need for this tool or require the development of new tools, the original imposition of a sunset date was appropriate on the authority. Now the Inter-Faculty Organization (IFO), one of the MnSCU faculty collective bargaining organizations, and apparently MnSCU are arguing for a continuation of the early retirement incentive authority after the economic downturn that gave rise to it has begun to pass. It is likely that the early retirement incentive authority, initially intended as a tool to accommodate an economic disruption, is being repurposed by one or both entities, without clearly articulating the new purpose for the authority. The IFO argues for the need for the authority to provide an alternative means to replace disallowed prior mandatory retirement ages in cycling out older faculty members and creating room for younger faculty members. The IFO does this at the same time that it argues for other proposed legislation providing an increase in the permissible compensation without annuity reductions for reemployed retired faculty members. If the sunset date on the authority was eliminated, it is unclear when the authority would ever be reviewed and reassessed by the Commission or by the Legislature.
  - **Amendment S0713-1A** places a June 30, 2017, sunset date for the authority, replicating the length of the original authority.
  
3. Need for Revised/Reformulated Incentive Eligibility Requirements. The policy issue is the question whether or not the MnSCU board of trustees should be required to revisit the eligibility requirements for the early retirement incentive program and reformulate them periodically if the incentive authority is to become permanent. The current statute, contingent on a short-term early retirement incentive program, required the MnSCU board to follow a public disclosure and input process, including filing its proposed eligibility requirements with the legislative committees with policy and fiscal jurisdiction, holding a public hearing on the topic, and posting the document on the MnSCU website. If the authority is to be permanent, the 2009 eligibility requirements may not be the optimal long-term set and may need periodic revisions to adapt to system needs.
  - **Amendment S0713-2A** requires the MnSCU board of trustees to revise the eligibility requirements for early retirement incentives periodically.

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1.1 ..... moves to amend S.F. No. 713; H.F. No. 872, as follows:

1.2 Page 2, after line 28, insert:

1.3 "(j) The early retirement incentive authority under this section expires on June  
1.4 30, 2017."

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1.1 ..... moves to amend S.F. No. 713; H.F. No. 872, as follows:

1.2 Page 1, line 17, after "establish" insert "and periodically revise"

1.3 page 1, line 19, after "proposed" insert "revised"

1.4 Page 2, line 2, strike "their" and insert "the" and after "adoption" insert "of the

1.5 proposed revised eligibility requirements"

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**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH LEGISLATURE**

**S.F. No. 713**

(SENATE AUTHORS: PAPPAS, Saxhaug, Goodwin, Rosen and Johnson)

DATE	D-PG	OFFICIAL STATUS
02/25/2013	383	Introduction and first reading Referred to Higher Education and Workforce Development

1.1 A bill for an act  
 1.2 relating to retirement; Minnesota State Colleges and Universities; extending the  
 1.3 duration of an early retirement incentive program; amending Minnesota Statutes  
 1.4 2012, section 136F.481; Laws 2009, chapter 169, article 6, section 1.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2012, section 136F.481, is amended to read:

1.7 **136F.481 EARLY SEPARATION INCENTIVE PROGRAM.**

1.8 (a) Notwithstanding any provision of law to the contrary, the Board of Trustees  
 1.9 of the Minnesota State Colleges and Universities may offer a targeted early separation  
 1.10 incentive program for its employees.

1.11 (b) The early separation incentive program may include one or both of the following:

1.12 (1) cash incentives, not to exceed one year of base salary; or

1.13 (2) employer contributions to the postretirement healthcare savings plan established  
 1.14 under section 352.98.

1.15 (c) To be eligible to receive an incentive, an employee must be at least age 55  
 1.16 and must have at least five years of employment by the Minnesota State Colleges and  
 1.17 Universities System. The board of trustees shall establish the eligibility requirements for  
 1.18 system employees to receive an incentive. The board of trustees shall file a copy of its  
 1.19 proposed eligibility requirements with the chairs and ranking members of the senate  
 1.20 committee ~~on~~ with higher education within its jurisdiction and the ~~Higher Education~~  
 1.21 ~~budget and Policy~~ senate finance ~~division of the senate Committee on Finance~~ with higher  
 1.22 education within its jurisdiction and with the chair and ranking members of the ~~Higher~~  
 1.23 ~~Education and Workforce Development Finance and Policy Division of the Finance~~  
 1.24 committee ~~of~~ in the house of representatives with higher education within its jurisdiction

2.1 and of the house of representatives Committee on Ways and Means, at least 30 days before  
 2.2 their final adoption by the board of trustees, shall post the same document on the system  
 2.3 Web site at the same time, and shall hold a public hearing on the proposed eligibility  
 2.4 requirements. The type and any additional amount of the incentive to be offered may vary  
 2.5 by employee classification, as specified by the board.

2.6 (d) The president of a college or university, consistent with paragraphs (b) and  
 2.7 (c), may designate:

2.8 (1) specific departments or programs at the college or university whose employees  
 2.9 are eligible to be offered the incentive program; or

2.10 (2) positions at the college or university eligible to be offered the incentive program.

2.11 (e) The chancellor, consistent with paragraphs (b) and (c), may designate:

2.12 (1) system office divisions whose employees are eligible to be offered the incentive  
 2.13 program; or

2.14 (2) positions at the system office eligible to be offered the incentive program.

2.15 (f) Acceptance of the offered incentive must be voluntary on the part of the employee  
 2.16 and must be in writing. The incentive may only be offered at the sole discretion of the  
 2.17 president of the applicable college or university.

2.18 (g) A decision by the president of a college or university or by the chancellor not to  
 2.19 offer an incentive may not be challenged.

2.20 (h) The cost of the incentive is payable by the college or university on whose behalf  
 2.21 the president offered the incentive or from the system office budget if the chancellor offered  
 2.22 the incentive. If a college or university is merged, the remaining cost of any early separation  
 2.23 incentive must be borne by the successor institution. If a college or university is closed,  
 2.24 the remaining cost of any early separation incentive must be borne by the board of trustees.

2.25 (i) Annually, the chancellor and the president of each college or university must  
 2.26 report on the number and types of early separation incentives which were offered and  
 2.27 utilized under this section. The report must be filed annually with the board of trustees and  
 2.28 with the Legislative Reference Library on or before September 1.

2.29 Sec. 2. Laws 2009, chapter 169, article 6, section 1, the effective date, is amended to  
 2.30 read:

2.31 **EFFECTIVE DATE; SUNSET.** This section is effective the day following final  
 2.32 enactment ~~and expires June 30, 2014.~~

2.33 Sec. 3. **EFFECTIVE DATE.**

2.34 Sections 1 and 2 are effective the day following final enactment.