



Retirement Incentive

December 2008

**REPORT
TO THE
LEGISLATURE**

**As required by
Minnesota Statutes
Section
356.351
Subd. 5**

COMMISSIONER:

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Upon request, this report can be made available in alternative formats.

Estimated Cost of Preparing this Report

This report required the collection of information that the Minnesota Department of Education does not collect as part of its normal business functions. It was therefore, necessary to gather and analyze information in order to prepare this report. The cost of preparing this report includes estimates of the Department of Education information collection costs as well as the estimated costs of the providers of the information.

Special funding was not appropriated to cover the costs of preparing this report.

The estimated cost incurred by the Minnesota Department of Education and the school district for the preparation of this report is \$1,759.

Retirement Incentive Utilization Report

Statutory Directive

Minnesota Statute § 356.351, Subdivision 5, reads as follows:

Subd. 5. Utilization report.

On August 1, 2008, and annually thereafter, the commissioner of finance, with respect to the executive branch of state government, the commissioner of education, with respect to school districts, and the chancellor of the Minnesota State Colleges and Universities System, with respect to the system, shall report to the chair of the house of representatives Finance Committee, the chair of the house of representatives Governmental Operations, Reform, Technology and Elections Committee, the chair of the senate Finance Committee, the chair of the senate State and Local Government Operations and Oversight Committee, and the executive director of the Legislative Commission on Pensions and Retirement on the utilization of the early retirement incentive. The report must include the total number of employees who utilized the incentive, the age of each retiring employee, the length of service of each retiring employee, the incentive amount paid to each retiring employee, the amount of salary savings through the previous June 30 obtained for each retiring employee, and the amount of any other financial or budgetary impact related to each retiring employee.

Background

Incentive Utilization Program

In 2007, the Legislature amended Laws 2006, chapter 271, article 3, section 43 by extending retirement incentives to employees who meet specific eligibility requirement. The incentive allows employees who separate from state service between May 26, 2007 and July 15, 2009 to receive this incentive. Before offering this incentive an appointing authority must be experiencing employee layoffs due to budget shortfalls or a reorganization that would be offset by offering the incentive. The appointing authority must also document that the incentive payment is equal to or less than the cost of the employee layoff and must determine specific positions or job classifications that will be eligible for a retirement incentive.

Eligibility

The incentive is at the discretion of an eligible appointing authority. If offered, an employee is eligible for an early retirement incentive if the employee:

1) has at least 15 years of allowable service in one or more of the funds listed in section [356.30, subdivision 3](#), or has at least 15 years of coverage by the individual retirement account plan governed by chapter 354B and upon retirement is immediately eligible for a retirement annuity or benefit from one or more of these funds;

(2) terminates service after the effective date of this section, and before July 15, 2009; and

(3) is not in receipt of a public retirement plan retirement annuity, retirement allowance, or service pension during the month preceding the termination of qualified employment.

(b) An eligible appointing authority is any Minnesota governmental employing unit which employs one or more employees with retirement coverage by a retirement plan listed in section [356.30](#) by virtue of that employment.

(c) An elected official is not eligible to receive an incentive under this section.

Incentive

An appointing authority may provide an eligible employee who terminates between May 26, 2007 and July 15, 2009 up to \$17,000. The incentive may be used for:

1. Deposit in the employee's account in the health care savings plan established by Minn. Stat. § 352.98.
2. Purchase of service credit for unperformed service sufficient to enable the employee to retire under Minn. Stat. § 352.116, subdivision 1 (b); 353.30; 354.44, subdivision 6 (b), or 354.A.31 subdivision 6 (b) whichever applies. An employee is eligible if they use money from a deferred compensation account that, combined with the amount of the early retirement incentive payment, would be sufficient to purchase enough service credit to qualify for retirement under Minn. Stat. § 352.116, subdivision 1 (b), 353.30, subdivision 1 a; or 354.44, subdivision 6 (b), or 354.31, subdivision 6 (b), whichever applies. The cost to purchase service credit must be made in accordance with Minn. Stat. § 356.551, or;
3. Purchase of a lifetime annuity or an annuity for a specific number of years from the applicable retirement plan to provide additional benefits as described below:
 - a. The annuity purchase must be made using annuity factors derived from the applicable factors used by the applicable retirement plan to transfer amounts to the Minnesota postretirement investment fund and to calculate optional annuity forms. The purchased annuity must be the actuarial equivalent of the incentive amount.

The appointing authority must choose one of the above options and apply it to all of their eligible employees.

Reemployment Prohibition

No appointing authority is permitted to employ or retain as a consultant an individual who received an early retirement incentive under Minn. Stat. §356.351 for a period of three years after the receipt of the incentive. This provision does not prohibit a school district from employing as a substitute teacher an individual who received an early retirement incentive.

Utilization of the Early Retirement Incentive Program

Three school districts participated in the Early Retirement Incentive Program. A total of 8 employees utilized the incentive program. The average age of the employees was 58, average length of service 34 years and average incentive amount was \$13,608. The average salary savings was \$37,317 and average fringe benefits savings was \$8,336. The following table lists retirement data by individual retiree.

District Number	District Type	District Name	Name of Employee	Age at Retirement	Length of Service	Incentive Amount Paid	Salary Savings	Fringe Benefit Savings
549	1	Perham	Kathleen Rehborg	58	32	\$17,000	\$23,724	\$3,358
549	1	Perham	Delvin Bahls	59	30	\$5,000	\$6,303	\$893
88	1	New Ulm	Barbara Fenske	56	35	\$16,818	\$54,718	\$6,846
88	1	New Ulm	Sandra Fritz	58	37	\$16,818	\$53,410	\$6,846
88	1	New Ulm	Ingrid Liedman	62	39	\$16,818	\$48,236	\$15,696
88	1	New Ulm	Robert Pederson	56	34	\$16,818	\$53,410	\$15,696
88	1	New Ulm	Susan Witte	60	37	\$16,818	\$53,410	\$15,696
2154	1	Eveleth Gilbert	David Johnson	57	29	\$2,774	\$5,324	\$1,656
Total Amounts						\$108,864	\$298,535	\$66,687