DOER Department of Employee Relations

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DATE: July 24, 2007 PERSL #1402

TO: Agency Heads

FROM: Patricia Anderson
Commissioner

RE: Retirement Legislation

In 2007, the Legislature amended Laws 2006, chapter 271, article 3, section 43 by extending retirement incentives to employees who meet specific eligibility requirements. The 2006 legislation allowed this incentive for only a very short period of time. This new language allows employees who separate from state service between May 26, 2007 and July 15, 2009 to receive this incentive with the approval of the Commissioner of Finance. 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. Appointing authorities must also document that the incentive payment is equal to or less than the cost of the employee layoff.

Eligibility

The incentive may be offered at the discretion of the agency head and with approval from the Commissioner of Finance. If offered, an employee is eligible for an early retirement incentive if they:

1. Have at least 15 years of allowable service in one or more of the funds listed in M.S. 356.30, subdivision 3, or has at least 15 years of coverage by the individual retirement account plan governed by Minnesota Statutes, chapter 354B, and upon retirement is immediately eligible for a retirement annuity or benefit from one or more of these funds and;
2. Terminate state service between May 26, 2007 and July 15, 2009 and;
3. Are not in receipt of a public retirement plan retirement annuity, retirement allowance, or service pension during the month preceding the termination of qualified employment and;
4. Work for a state agency which employs one or more employees with retirement coverage by a retirement plan listed in Minnesota Statutes, section 356.30, by virtue of that employment and;
5. Are not an elected official.

Incentive

An agency may provide an eligible employee who terminates between May 26, 2007 and July 15, 2009 **up to** $17,000. At the discretion of the appointing authority, the incentive may be used for:

1. Deposit in the employee's account in the health care savings plan established by M.S. section 352.98.
2. Purchase of service credit for unperformed service sufficient to enable the employee to retire under M. S. 352.116, subdivision 1 (b); 353.30; 354.44, subdivision 6 (b), or 354A.31 subdivision 6 (b), whichever applies; not withstanding M.S. 352.01, subdivision 11 or 354.05, subdivision 13, 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 M.S. 352.116, subdivision 1 (b); 353.30, subdivision 1a; 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 M.S. section 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 in the next sentence. The annuity must be purchased 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.

NOTE: The appointing authority must choose one option and apply it to all their employees using this incentive. It is strongly recommended that appointing authorities consult with a representative from MSRS before making a final decision.

Application of Legislative Provisions

This retirement incentive plan is at the discretion of the agency head and must be approved by the Commissioner of Finance. However, as specified in the legislation, the following conditions must be present:

- The agency must be experiencing layoffs due to budget shortfalls or reorganization,
- The cost of this retirement incentive would offset such layoffs,
- The agency must be able to document that the incentive payment is equal to or less than the cost of the employee layoff.

Where the above conditions can be met, the agency head must determine specific positions or job classifications that will be eligible for a retirement incentive.

An employee who is eligible for an incentive, is offered an incentive, and who accepts the incentive offer must do so in writing. The acceptance document must state which of the three (3) incentive options the agency will provide to its employees. A copy of the acceptance document must be provided by the appointing authority to the applicable retirement plan within 15 days of its execution.

Appointing authorities may not employ or retain as a consultant any individuals who received a retirement incentive for a period of three years after the receipt of the incentive.

Agencies should develop an internal process for approval of retirement incentive plans to ensure compliance with the statute. Since the legislation requires documentation verifying that the retirement incentive will cost less than layoffs, we recommend that agency budget directors and your executive budget officer at Finance be part of the review and approval process.

Reporting to Employee Relations

DOER is required to report August 1, 2008, and annually thereafter to the Legislature regarding the utilization of this retirement incentive. Please use the attachment titled "Utilization Reporting for Retirement Incentive" to collect the information that is required. E-mail the report to Laurie.M.Hansen@state.mn.us no later than July 15, 2008 for employees utilizing the incentive between May 26, 2007 and June 30, 2008 and by July 20, 2009 for employees utilizing the incentive between July 1, 2008 and July 15, 2009.

Also enclosed is an updated report titled "Average Cost of Layoff by Bargaining Unit" and a costing documentation template.

Questions may be directed to Laurie Hansen at 651-259-3620.

cc: HR Directors

UTILIZATION REPORTING
FOR
RETIREMENT INCENTIVE
July 2007

The following documentation is required for reporting of the retirement incentive under Laws 2006, Chapter 271, Article 3, Section 43 as amended.

AGENCY NAME: sasaasfsf

TOTAL NUMBER OF EMPLOYEES WHO UTILIZED THE INCENTIVE: fsadfasf

To answer the following questions, please fill out the table below for each retiring employee:

AGE OF EACH RETIRING EMPLOYEE

AMOUNT OF SALARY SAVINGS THROUGH THE PREVIOUS JUNE 30TH OBTAINED FOR EACH RETIRING EMPLOYEE

LENGTH OF SERVICE OF EACH RETIRING EMPLOYEE

THE INCENTIVE AMOUNT PAID TO EACH RETIRING EMPLOYEE

THE AMOUNT OF ANY OTHER FINANCIAL OR BUDGETARY IMPACT RELATED TO EACH RETIRING EMPLOYEE

	Age	**Salary Savings**	**Length of Service**	**Incentive Amount Paid**	**Amount of Other Financial Impact**
Employee 1		$		$	$
Employee 2		$		$	$
Employee 3		$		$	$
Employee 4		$		$	$
Employee 5		$		$	$
Employee 6		$		$	$
Employee 7		$		$	$
Employee 8		$		$	$
Employee 9		$		$	$
Employee 10		$		$	$

Email your final report to Laurie.m.hansen@state.mn.us **by July 15, 2008** for employees retiring May 26, 2007 through June 30, 2008 or **by July 20, 2009** for employees retiring July 1, 2008 through July 15, 2009.

Average Additional Cost Of A Layoff For Retirement Incentive Calculations

Data as of June 11, 2007

	Unemployment Comp*	Insurance Continuation*****	Total
MLEA	$ 9,561.71	$ 6,127.04	$ 15,688.75
AFSCME-202	$ 7,129.30	$ 6,988.01	$ 14,117.31
AFSCME-203	$ 5,488.84	$ 5,114.59	$ 10,603.43
AFSCME-204	$ 6,197.54	$ 5,068.39	$ 11,265.93
MNA	$ 11,306.48	$ 5,655.89	$ 16,962.37
AFSCME-206	$ 6,039.21	$ 4,896.11	$ 10,935.32
AFSCME-207	$ 7,292.97	$ 5,414.71	$ 12,707.67
AFSCME-208	$ 6,825.35	$ 5,338.97	$ 12,164.32
MGEC	$ 11,351.91	$ 5,589.28	$ 16,941.18
Comm Plan-Health	$ 13,390.00	$ 5,877.22	$ 19,267.22
MAPE	$ 9,237.19	$ 5,035.91	$ 14,273.10
SRSEA	$ 9,985.52	$ 5,287.32	$ 15,272.84
MMA	$ 10,811.64	$ 5,579.95	$ 16,391.59
Comm Plan	$ 8,245.94	$ 4,980.34	$ 13,226.27
Comm Plan-Sev	$ 11,687.09	$ 5,521.22	$ 17,208.31
Managers Plan	$ 13,390.00	$ 5,701.35	$ 19,091.35
AFSCME-225	$ 6,898.64	$ 5,618.80	$ 12,517.45

*Unemployment compensation is based on one third an employees base wage for 26 weeks with a maximum of $515 per week ($13,390 for 26 weeks)
*****Insurance Continuation is based on 26 weeks of average benefits.

1.Includes full time classified unlimited employees.
2.Excludes faculty in the State University and Community College Systems.

COSTING DOCUMENTATION
FOR
RETIREMENT INCENTIVE
July 2007

The following documentation is required for administration of the retirement incentive under Laws 2006, Chapter 271, Article 3, Section 43, as amended.

Number of positions by bargaining unit subject to layoff due to budget shortfall or reorganization.

Number of Positions	**Bargaining Unit**
	Total Positions All Units

Cost of layoffs for above positions. (Use the attached chart of average costs for the first two reasons.)

Reason	**Cost**
Unemployment Compensation Claims	
Insurance Continuation	
Agency or position specific costs; for example, relocating or retraining	
Total Cost	

Estimated layoff cost per employee (Total Cost divided by Total Positions) $_____

Proposed early retirement incentive cost per employee $_____

Average Cost Of A Layoff By Bargaining Unit

Data as of May 14, 2008

	Unemployment Comp*	Severance Pay**	Vacation Payoff***	Other****	Insurance Continuation*****	Total
MLEA	$ 13,988.00	$ 6,729.64	$ 5,980.31	$ 614.93	$ 6,419.50	$ 33,732.38
AFSCME-202	$ 10,994.19	$ 3,571.30	$ 3,603.23	$ 822.48	$ 6,065.38	$ 25,056.57
AFSCME-203	$ 8,407.45	$ 2,277.65	$ 2,239.36	$ 280.73	$ 5,256.33	$ 18,461.52
AFSCME-204	$ 9,593.88	$ 1,720.07	$ 2,137.45	$ 541.52	$ 5,334.13	$ 19,327.05
MNA	$ 13,988.00	$ 3,914.60	$ 4,372.21	$ 349.02	$ 5,945.17	$ 28,569.00
AFSCME-206	$ 9,267.66	$ 2,228.48	$ 2,366.90	$ 75.06	$ 5,162.75	$ 19,100.86
AFSCME-207	$ 11,289.23	$ 3,916.54	$ 3,463.74	$ 377.08	$ 5,483.69	$ 24,530.29
AFSCME-208	$ 10,680.57	$ 2,162.77	$ 2,297.38	$ 136.19	$ 5,701.51	$ 20,978.41
MGEC	$ 13,988.00	$ 10,435.55	$ 6,379.21	$ 62.04	$ 5,870.42	$ 36,735.20
Comm Plan-Health	$ 13,988.00	$ 7,638.57	$ 7,612.68	$ 41.94	$ 6,366.62	$ 35,647.80
MAPE	$ 13,988.00	$ 4,551.21	$ 4,073.73	$ 97.76	$ 5,316.19	$ 28,026.89
SRSEA	$ 13,988.00	$ 3,722.14	$ 3,264.77	$ 70.82	$ 5,480.81	$ 26,526.54
MMA	$ 13,988.00	$ 10,371.54	$ 6,211.51	$ 266.55	$ 5,820.90	$ 36,658.51
Comm Plan	$ 12,834.11	$ 4,852.17	$ 4,200.67	$ 76.48	$ 5,193.26	$ 27,156.68
Comm Plan-Sev	$ 13,988.00	$ 12,643.02	$ 6,385.54	$ 23.56	$ 5,741.86	$ 38,781.98
Managers Plan	$ 13,988.00	$ 16,172.45	$ 8,795.05	$ 5.19	$ 6,075.39	$ 45,036.08
AFSCME-225	$ 10,688.77	$ 3,153.01	$ 2,583.57	$ 481.92	$ 5,438.53	$ 22,345.80

*Unemployment compensation is based on one third an employees base wage or 26 weeks at a calculated weekly benefit whichever is less (a max of $13,988 or $538 per week)

**Severance pay represents average severance cost (35% or 40% of all sick leave hours or 40% of first 900 hrs of sick balance and 12.5% of total remaining sick bank hours depending on bargaining unit)

***Vacation Payoff represents average cost of vacation liquidation with a max liquidation of 260 hours

****Other consists of liquidating Comp Time, Alt Holidays, Administrative Time at 100%.

*****Insurance Continuation is based on 26 weeks of average benefits.

1.Includes full time classified unlimited employees.

2.Excludes faculty in the State University and Community College Systems.