MINNESOTA
Management
& Budget

2010 Early Retirement Incentive

Report to the Legislature
April 2, 2011

As required by
Laws of 2010, Chapter 337

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An Equal Opportunity Employer

A. Summary of Laws of 2010, Chapter 337

1. **Who was eligible to receive this early retirement incentive?** An employee of the Executive, Legislative or Judicial branch (including employees of MnSCU, MSRS, PERA, and TRA) who had at least 15 years of allowable service or coverage in and was immediately eligible to receive a retirement benefit from one or more of the following:

- MSRS General State Employees Retirement Plan
- MSRS Correctional State Employees Retirement Plan
- MSRS Unclassified Employees Retirement Program
- State Patrol Retirement Plan
- Legislators Retirement Plan
- Elective State Officers Retirement Plan
- General Employees Retirement Plan of the Public Employees Retirement Association
- Public Employees Police and Fire Retirement Plan of the Public Employees Retirement Association
- Local Government Correctional Service Retirement Plan of the Public Employees Retirement Association
- Teachers Retirement Association
- Minneapolis Employees Retirement Fund
- St. Paul Teachers Retirement Fund Association
- Duluth Teachers Retirement Fund Association
- Judges Retirement Fund
- Individual Retirement Account Plan under chapter 354C

Elected officials were not eligible for this incentive nor were employees who were already eligible for any other early retirement incentive or employer-paid post-separation benefit. For example, if an employee was covered by the Correctional Employees Retirement Plan and eligible for employer-paid health insurance until age 65 under the provisions of a labor agreement, he or she was not eligible to receive this benefit.

2. **What was the incentive?** Agencies were allowed to offer an incentive based upon the value of 24 months of the employer's contribution to health and dental insurance premiums at the level of coverage the employee is receiving at the time of separation (single, family, full-time, part-time, etc.). This amount is being deposited into the employee's Health Care Savings Plan (HCSP) account, which is administered by MSRS.

3. **What were the time frames for offering and accepting the incentive?** The legislation required the employee to accept an offered early retirement incentive no later than December 31, 2010.

4. **What is the latest date that the employee can retire under the incentive?** June 30, 2011.

5. **Were there any restrictions on re-hiring employees who accepted the incentive**? Yes. The legislation prohibits the agency from rehiring any employee or using any employee as a consultant for three years from the date of the employee's separation.

6. **Did MMB exercise any oversight of the process?** Yes. The legislation required executive branch agencies to obtain the approval of MMB before offering the incentive to any employees in their agency. MMB required the agencies to submit a proposed plan that set forth why the incentive was being offered and the process that would be followed in offering the incentive.

B. Number of Employees in Executive, Judicial and Legislative Branches Accepting the Early Retirement Incentive (ERI)

Executive Branch	1008
Judicial Branch	0
Senate	11
LCC	8
House	declined to report
TRA	3
PERA	0
MSRS	0
TOTAL	**1030**

C. Executive Branch Cost Savings
7/1/10 through 6/30/2013

	Number of Employees	
Estimated refilled positions reduction	594	$ 40,608,000
Estimated non-refilled positions reduction	414	$ 29,652,000
		$ 70,260,000
Cost of 24 months of insurance		- 23,545,000
Anticipated total saving – **ALL FUNDS**		**$ 46,715,000**

D. Executive Branch Retirements by Month and Year

July 2010	2
August 2010	20
September 2010	45
October 2010	66
November 2010	30
December 2010	183
January 2011	83
February 2011	42
March 2011	50
April 2011	58
May 2011	46
June 2011	383
Total	1,008

E. Status of Positions Vacated

	Positions Refilled	Permanent Reduction	Total Retirements
Executive Branch	594	414	1008
Senate	7	4	11
LCC	7	1	8
House	declined to report		
TRA	2	1	3
	610	**420**	**1030**

F. Number of Employees Accepting the Early Retirement Incentive by Executive Branch Agency

ADMINISTRATION	6
ADMINISTRATIVE HEARINGS	4
AGRICULTURE	24
ANIMAL HEALTH BOARD	1
COMMERCE	5
CORRECTIONS	49
EDUCATION	21
ECONOMIC DEVELOPMENT	128
HEALTH	19
HOUSING FINANCE AGENCY	12
HUMAN SERVICES	104
LABOR AND INDUSTRY	22
BUREAU MEDIATION SERVICES	2
MN MANAGEMENT & BUDGET	2
MINNESOTA STATE ACADEMIES	15
NATURAL RESOURCES	120
OFFICE OF ENT. TECHNOLOGY	11
OPTOMETRY BOARD	1
POLLUTION CONTROL AGENCY	21
PUBLIC SAFETY	17
TRANSPORTATION	415
VETERANS AFFAIRS	4
ZOOLOGICAL BOARD	5

TOTAL **1008**

G. Average Years of Service of Employees Accepting the Early Retirement Incentive in Executive Branch

ADMINISTRATION	32.3
ADMINISTRATIVE HEARINGS	29.5
AGRICULTURE	29.2
ANIMAL HEALTH BOARD	26.0
COMMERCE	29.2
CORRECTIONS	32.6
EDUCATION	23.6
ECONOMIC DEVELOPMENT	32.2
HEALTH	35.5
HOUSING FINANCE AGENCY	22.8
HUMAN SERVICES	29.4
LABOR AND INDUSTRY	29.3
BUREAU MEDIATION SERVICES	16.0
MMB	34.0
MINNESOTA STATE ACADEMIES	31.5
NATURAL RESOURCES DEPT	31.4
OFFICE OF ENT. TECHNOLOGY	28.8
OPTOMETRY BOARD	23.0
POLLUTION CONTROL AGENCY	32.6
PUBLIC SAFETY DEPT	30.5
TRANSPORTATION DEPT	31.4
VETERANS AFFAIRS DEPT	23.0
ZOOLOGICAL BOARD	31.6

OVERALL AVERAGE **28.9**

G. Executive Branch Retirements by Bargaining Unit

Professional Employees (**MAPE**)	274
Supervisors (**MMA**)	141
Craft, Maint., Labor (**AFSCME**)	123
Service (**AFSCME**)	20
Health Care Non-Prof (**AFSCME**)	27
Clerical (**AFSCME**)	112
Technical (**AFSCME**)	137
Nurses (**MNA**)	9
Engineers (**MGEC**)	66
Health Care Professional	1
Teachers (**SRSEA**)	4
Confidential	32
Severed	4
Managerial	56
Others	2
TOTAL	**1008**

H. Recommendations

1. Under the 2010 incentive, the value of 24-months worth of insurance coverage is being placed in the employee's HCSP. For employees with single health insurance coverage that amount is approximately $11,000; for employees with family coverage that amount is approximately $30,000. In addition to this large disparity in the incentive amount, basing an incentive amount on the future cost of SEGIP health insurance premiums when those future costs are unknown is not advisable.

2. Placing the incentive amount in the HCSP is beneficial to the employee because the amount is received tax free. This arrangement is also beneficial to the state because no federal employer taxes need to be paid.

3. It is not advisable to place a total restriction on refilling the positions that have been vacated due to the ERI. Agencies need the ability to refill critical positions and the flexibility to restructure how the work will be done in the future. Significant cost savings can still be accomplished through a mix of not refilling positions immediately, refilling positions at a lower salary and making strategic permanent reductions.

4. Determining the time frame for offering and accepting the incentive must be at the agency's discretion. The 2010 ERI required agencies to offer and employees to accept an incentive by December 31, 2010. This deadline motivated employees to make a decision and allowed agencies the certainty necessary to manage the costs of the incentive in the current biennium.