



Saint Louis County

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FREQUENTLY ASKED QUESTIONS – SLC PHASED RETIREMENT PROGRAM August 2010

1. Q: What is the phased retirement option?

A: The phased retirement option (“PRO”) is a program adopted by the Minnesota Legislature in 2009 (see Minn. Stat. §353.371) which allows for phased retirements by eligible PERA members. It is intended to facilitate a transition into retirement for a PERA member while providing employers with a workforce planning tool that can help transfer knowledge from long-time employees to new or less tenured employees. The law allows employers, at their discretion, to offer a phased retirement option (“PRO appointment”) to an eligible employee. If the employee accepts the appointment, s/he terminates PERA membership, begins collecting a pension, and continues to work (in the same or a different position) with a reduction in hours for a limited period of time. The PRO waives the usual requirement of a 30-day break in service with no return-to-work agreement between an employee and his/her PERA-covered employer. It also eliminates the earnings limit for people in PRO appointments, i.e., they collect the full PERA pension for which they are eligible as well as the wages they are paid for the PRO appointment. The County Board approved St. Louis County’s participation in the PRO program via Resolution No. 361, adopted on July 13, 2010.

2. Q: Who is eligible?

A: A *Coordinated Plan employee* is eligible to be offered a PRO appointment if the employee:

- has been employed for at least 1,044 hours per year for the five years immediately preceding the PRO appointment;
- is age 62 or older; and
- is eligible (“vested”) for a monthly PERA retirement benefit.

3. Q: Are there any other program requirements?

A: Yes. The position to which the employee is appointed under a PRO Agreement must meet the following conditions:

- the work schedule is at least 25% fewer hours than the employee’s pre-PRO schedule;
- the total number of hours worked cannot exceed 1,044 hours in a 12-month period;
- the PRO appointment is temporary: the initial PRO appointment may not exceed 12 months, but may be renewed annually in increments of up to one year for a maximum of 5 years; and
- the PRO appointment must begin within 6 months following the end of the employee’s current appointment.

4. Q: Are there any conditions unique to St. Louis County?

A: Yes. Under the County’s PRO policy and procedures:

- the PRO position must be allocated to the appropriate class for the work to be performed;
- the employee must be paid within the range for that class;

- the PRO position is non-complement, that is, it does not count against the department's authorized complement of positions;
- a department must have funds available within its budget to pay for the PRO position;
- the PRO appointment must be approved by the County Administrator;
- an employee on a PRO appointment is not eligible for benefits, that is, they are treated the same as other temporary employees.

5. Q: How do I apply for a PRO appointment?

A: You don't. The offer of a PRO must come from the County. The employer has sole authority to determine whether PRO appointments will be offered and to whom they will be offered. In St. Louis County, the County Board has approved the County's participation in the PRO program and has authorized department heads to offer a PRO appointment to a County employee *if there is a business need*. If you're planning to retire and are interested in a PRO appointment, you could let your supervisor know that, but your supervisor will not be able to offer you a PRO appointment unless your department head believes there is a business need for it and has the funding available to pay for it. It also requires the approval of the County Administrator.

6. Q: How will a Department Head decide who they will offer PRO appointments to?

A: The decision must be based on business need such as the need to train a new employee, transfer knowledge to other employees, work on a special project, or any business need where the appointment would be in the best interest of the County. In addition, since there is no special funding for this purpose, the Department Head must have the money available in his/her budget to pay for the PRO appointment.

7. Q: Can I agree to enter a PRO Agreement before I terminate my PERA membership?

A: Yes. Under normal retirement rules, reemployment agreements prior to retirement are prohibited. For the PRO program, the PRO Agreement **must** be completed *prior to* termination of PERA membership.

8. Q: What does "terminate PERA membership" mean?

A: It's defined in law. It simply means that you are no longer eligible for further contributions into PERA. When you retire, you are terminating your PERA membership. When you enter into a PRO Agreement, you are also terminating your PERA membership.

9. Q: Can I enter into a PRO Agreement after I terminate my PERA-covered employment?

A: No. However, you can enter into a PRO Agreement before you retire and begin the PRO appointment later provided that the PRO appointment starts within 6 months of terminating your PERA membership.

10. Q: If I enter into a PRO Agreement, when will my pension start?

A: If the "Begin Date" of your PRO appointment is the first of the month, that will also be the begin date of your pension; if the "Begin Date" of your PRO appointment is any other date of the month, your pension will begin the first day of the following month. If the "Termination Date" on the retirement application you submit is different from the "Begin Date" on the PRO Agreement you submit, the "Begin Date" on the PRO Agreement will determine when your retirement benefit begins (either the first of the month if the PRO Begin Date is also the first, or the first day of the month following the "Begin Date"). For more information about your retirement benefits, please contact PERA.

11. Q: Does the PRO position have to be related to my current job? Or even in the same department?

A: No. The PRO appointment can be for any work assignment in any department or even in another PERA-covered employer such as a different county. You can also work in multiple PRO positions as long as the program requirements specified in # 3 above are met. For example, you can work in 2 different PRO positions as long as the total number of hours is at least 25% less than you worked pre-PRO and the total number of hours does not exceed 1,044 hours in a 12-month period.

12. Q: Why don't employees on PRO appointments get benefits?

A: These employees will be ending their employment in PERA-covered positions, so the County will be separating them from their permanent classified positions, paying off any accumulated comp time and transferring the value of any unused sick and vacation leave into the employee's Post-Retirement Health Care Savings Plan (PRHCSP). They will then be appointed to the temporary PRO positions. Employees on PRO appointments are not eligible for vacation, sick or personal leave because they are temporary employees and temporary employees are not eligible for benefits. In other words, employees on temporary PRO appointments are treated the same way we have always treated temporary employees. However, as retirees, they will be able to continue their insurance coverages for the usual periods of time at their own expense. They will be able to pay their health and dental insurance premiums from their PRHCSPs.

13. Q: I thought the County's Civil Service Rules limited temporary appointments to 3 months?

A: That's correct. However, state law take precedence over our rules, and the law that authorized PRO appointments describes them as temporary appointments in that they may only be for up to one year and can be renewed in increments for up to one year for a maximum of five years. We will be creating and using a special payroll code that will allow for PRO appointments of up to 5 years in accord with the law governing the PRO program. That code will also allow us to easily provide annual reports to the County Board on PRO appointments.

14. Q: Do I have to terminate my employment at the end of my PRO Agreement?

A: Yes. Unless the department head has offered to extend your PRO appointment, your county employment will terminate at the end of your PRO Agreement. At that point, your termination will be viewed by PERA as your final retirement and, as such, their usual rules apply, that is, you must have no agreement to return at a later date and you must remain out of PERA-covered employment for at least 30 calendar days.

15. Q: What kinds of work schedules are possible on PRO appointments?

A: Let's assume you're now a full-time employee (75 hours per pay period) and you've been offered a PRO appointment. The most you can work is 75% time (56.25 hours per pay period). You are also limited to a maximum of 1,044 hours in the 12 month period that starts on the end date of your previous appointment. So some scheduling options might be:

- Working 75% time for 18 pay periods
- Working 50% time the full 12 months (26 pay periods)
- Any other combination that is at least a 25% reduction in the hours you previously worked and which doesn't exceed 1,044 hours in the 12-month period.

16. Q: If I am in a part-time position now, am I eligible for a PRO Agreement?

A: Yes, provided you have worked at least 1,044 hours per year for the past 5 years and meet the other eligibility requirements. Also, you must reduce your hours by at least 25% when compared to

the hours you are working immediately before entering a PRO Agreement, and you cannot work more than 1,044 total hours annually. So if you were already working 75% time as a part-time employee, you could work no more than 56% time (42 hours per pay period) on a PRO appointment. The tricky part is that if you work 50% time now in a 75-hour per pay period job, you will not be eligible because 50% for you is less than the 1,044 hours that you are required to have worked for the last 5 years. (1,044 hours is 50% time for people on 80-hour per pay period schedules.)

17. Q: Will I be eligible for disability benefits if I become disabled while working under a PRO Agreement?

A: No. Part of your eligibility for a retirement benefit under a PRO Agreement is that your membership in PERA will be terminated, so your right to any benefit other than the retirement benefit for which you become eligible under a PRO Agreement also terminates.

18. Q: Is there a maximum length of time for a PRO Agreement?

A: Yes. The PRO Agreements may only be up to one year in length, but may be renewed annually for up to five years. The renewal is at the discretion of your department head and is subject to the approval of the County Administrator.

19. Q: Is it true that the PRO Program expires June 30, 2014? If I am working under a PRO Agreement, does the expiration date mean that I can really only work under a PRO for about four years?

A: Yes and no. The law does contain a sunset date of June 30, 2014, but it only means that no one can start a new PRO Agreement after that date. It allows anyone already working under the terms of a PRO Agreement before June 30, 2014 to continue for up to the allowable five years.

20. Q: Why does the provision expire on June 30, 2014?

A: The PERA Board wanted a chance to make sure there is no adverse impact on the funding of the plan by the phased retirement option. The Board's actuarial consultants have indicated that there should be no negative impact on the plan, but the Board wants to review actual experience before making this provision a permanent part of PERA's benefit structure. The original sunset date of 2011 was extended to 2014 because there has been very little participation in the program so far, and PERA wanted more time and experience with the program to be able to judge its impact.

21. Q: Can I work in a PERA-covered position at the end of the PRO Agreement?

A: Yes. You may return to work with the same employer at the end of the PRO Agreement. However, you will have to have a 30-day separation from the employment for which you had the PRO Agreement and must not have an agreement to return to employment with that employer prior to the end of the agreement. If you are under age 65, you would also be subject to the reemployed retiree earnings limit.

22. Q: Can a person receive a payout from his/her deferred compensation account as he/she continues to work under the PRO?

A: Yes. Distributions would be allowed from Deferred Compensation accounts while under a PRO appointment. Contributions, however, would not be allowed.

23. Q: If I elect to take Social Security, would PRO earnings decrease my Social Security benefit?

A: Possibly. The only way to know for sure is to contact Social Security directly. PRO earnings are reported as regular wages on form W-2 at the end of each calendar year.