St. Louis County Employee Relations Department Policy & Procedures

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PHASED RETIREMENT OPTION ("PRO")
OPERATING POLICY & PROCEDURES
ERD # 2010 – 2

A. INTRODUCTION

In 2009, the Minnesota Legislature adopted a law (Minn. Stat. §353.371) which allows for phased retirements by eligible PERA members. The phased retirement program 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.

This option waives the usual requirements that there must be no return-to-work agreement with an employee prior to his/her retirement and that there is a 30-day break in service before the employee returns to work for a 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.

B. PROVISIONS

1. PRO appointments are entirely at the discretion of a Department Head based on a business need such as succession planning, transfer of knowledge, special project, or something similar.
2. The offer of a PRO appointment must be made to an eligible employee (see "Eligibility" below) prior to the employee retiring.
3. A PRO appointment is a temporary appointment to a non-complement position with a work schedule which is:
    a. at least 25% fewer hours than the employee's pre-PRO schedule, *and*
    b. no more than 1,044 hours per year.
4. An initial PRO appointment may be for up to one year in duration and may be renewed in one-year increments for a maximum of five years.
5. The PRO position must be allocated to the appropriate class for the work to be performed, and the employee's pay must be within the salary range for the class.
6. The County and the employee must complete and submit to PERA the Phased Retirement Agreement.
7. The PRO appointment must begin within 6 months following the employee's retirement date.

8. The County must report all PRO appointment earnings under the Exempt Plan, but there are no employer or employee contributions payable based on the PRO earnings.
9. The County must notify PERA when a PRO appointment ends.

C. ELIGIBILITY

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

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

D. BENEFITS WHILE ON A PRO APPOINTMENT

Employees on PRO appointments are not eligible for County benefits such as sick leave; vacation leave; personal leave; holiday pay; health, dental or life insurance; or participation in deferred compensation or flexible spending plans. Since they will be collecting their full pensions, the County will process the change in status as regular retirements. As such, the employee will receive the cash value of any unused comp time and the cash value of unused vacation and sick leave will be deposited to the employee's Post-Retirement Health Care Savings Plan (PRHCSP). As a retiree, the employee will have the option of continuing in the County's insurance plans at the employee's own cost for the period of time allowed for retirees. Premiums may be paid using PRHCSP funds.

E. PROCEDURES

1. An employee announces his/her intent to retire.

2. The employee's supervisor considers whether to offer the employee a PRO appointment:
    a. Is there a business need?
    b. Is the employee eligible?
    c. Will the department head approve a PRO appointment?

3. If the answer to each question is "yes:"
    a. The supervisor should consult with Employee Relations to identify any other relevant considerations.
    b. If all seems good to go, the supervisor may offer a PRO appointment to the employee:
        1. Describe the job duties and responsibilities.
        2. Discuss the work schedule, keeping in mind the PRO restrictions.
        3. Determine the PRO appointment start date which must be within 6 months following the effective date of the employee's retirement.
        4. Discuss any other relevant factors.
    c. If the employee accepts the offer, the supervisor/department head and the employee complete the PRO agreement.

4. The supervisor/department head sends the completed PRO agreement to Employee Relations at least 3 weeks prior to the employee's retirement date.

5. Employee Relations will do the following:
    a. Depending on the provisions of the applicable collective bargaining agreement, negotiate a memorandum of understanding (MoU) with the relevant exclusive representative to make it clear that employees on PRO appointments are not eligible for benefits. If the union declines to sign the MoU, the employee will not be eligible for a PRO appointment.
    b. Review the proposed duties of the PRO position and determine the appropriate classification of the position and compensation for the employee. (If there are any compensation options, these will be discussed with the department head.)
    c. Route the forms to Administration to obtain the Administrator's signature.
    d. At the appropriate time, end the employee's current appointment, pay off the employee's accrued comp time, deposit the cash value of the employee's accrued vacation and sick leave into the employee's PRHCSP, and enroll the employee in his/her elected retiree insurances.
    e. Establish the temporary, non-complement PRO position in the appropriate class and appoint the employee to it. The employee's compensation will be handled as provided in civil service rules and the applicable collective bargaining agreement.
    f. Send the completed PRO agreement to PERA along with the employee's completed *Application for PERA Retirement Benefits*.

6. When the PRO appointment end date approaches:
    a. The supervisor/department head decides if the appointment will be extended and, if so, discusses it with the employee.
    b. If the employee agrees to the extension, they will execute a new PRO agreement which the supervisor/department head will send to Employee Relations at least 3 weeks prior to the current PRO appointment end date.
    c. If the decision is that the appointment will not be extended, the supervisor will notify Employee Relations at least 3 weeks prior to the current PRO appointment end date.
    d. Employee Relations will take the appropriate actions, including notification of PERA of the employee's status change.

F. REPORTING

The Employee Relations Director will provide to the County Board an annual report on the County's use of the phased retirement option. At a minimum, the report must include the number of PRO appointments and the following information for each:

- Department
- Business need being fulfilled by the PRO assignment
- Job class
- Type of work being performed
- Percentage of time
- Duration of current appointment and whether it is an original appointment or an extension
- Number of times (years) an appointment has been extended
- Annual cost for the assignment
- Future plans for the assignment
- Other relevant information