Minnesota Department of Education

Retirement Incentive

December 2009

REPORT TO THE LEGISLATURE

As required by Minnesota Statutes Section 356.351 Subdivision 5

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Minnesota Statutes Section
356.351
Subdivision 5

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 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 Statutes § 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 requirements. 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 they:
1) have at least 15 years of allowable service in one or more of the funds listed in section 356.30, subdivision 3, or at least 15 years of coverage by the individual retirement account plan governed by chapter 354B and, upon retirement are immediately eligible for a retirement annuity or benefit from one or more of these funds;
(2) terminate service after the effective date of this section, and before 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.
(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 Minnesota Statutes § 352.98.
2. Purchase of service credit for unperformed service sufficient to enable the employee to retire under Minnesota Statutes § 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 Minnesota Statutes § 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 Minnesota Statutes § 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 Minnesota Statutes §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

Fifteen school districts participated in the Early Retirement Incentive Program between July 1, 2008 and July 15, 2009, compared to three districts participating for the period of May 26, 2007 through June 30, 2008. A total of 59 employees utilized the incentive program. The average age of the employees was 59, average length of service 28 years and average incentive amount was $11,468. The average salary savings was $25,628 and average fringe benefits savings was $6,246. The attached table lists retirement data by individual retiree.

Retirement Incentive Utilization Report
for Employees Receiving a Retirement Incentive
between July 1, 2008 and July 15, 2009

District Number	Dist. Type	District Name	Name of Employee	Age at Retirement	Length of Service	Incentive Amount Paid	Salary Savings	Fringe Benefit Savings	Other Impact
14	1	Fridley	Christine Wishart	58	36	$5,000	$37,750	$2,344	$5,400
14	1	Fridley	Kathleen Rainville	57	36	$5,000	$28,648	$0	$5,400
14	1	Fridley	Adele Munsermann	57	32	$5,000	$16,251	$2,189	$5,400
31	1	Bemidji	Eileen Spilman	63	17	$10,000	$16,922	$9,348	$0
31	1	Bemidji	Cynthia Behrens	60	29	$10,000	$22,840	$5,314	$0
31	1	Bemidji	Kristine (Bristow) Hucke	61	31	$10,000	$21,800	$4,492	$0
31	1	Bemidji	Jennifer Schwarzrock	59	15	$10,000	$23,882	$4,414	$0
31	1	Bemidji	David Jansen	59	17.4	$10,000	$12,607	$8,409	$0
31	1	Bemidji	Lyman Brink	60	32	$10,000	$32,461	$5,795	$0
31	1	Bemidji	Patricia Brink	60	32	$10,000	$23,193	$4,159	$0
31	1	Bemidji	Dale Goodyear	59	24	$10,000	$24,581	$4,906	$0
31	1	Bemidji	Nedyne Gustafson	57	29	$10,000	$27,259	$5,638	$0
31	1	Bemidji	Linda Philips	62	25	$10,000	$17,641	$3,973	$0
85	1	Springfield	Jean DeZeeuw	62	39	$10,000	$21,513	$2,829	$0
85	1	Springfield	Sharon Leopold	60	36	$10,000	$21,513	$2,829	$0
192	1	Farmington	Linda Raehl	57	34	$10,000	$34,908	$4,591	$709
196	1	Rosemount-Apple Valley	Sandra Bergsten	59	36	$10,000	$11,767	$5,410	$0
196	1	Rosemount-Apple Valley	Bertha Carter	66	29	$10,000	$73,017	$23,320	$0
196	1	Rosemount-Apple Valley	Cheryl Nelson	59	16	$10,000	$69,152	$10,110	$0
196	1	Rosemount-Apple Valley	Richard Podmers	66	25	$10,000	$20,960	$5,584	$0
196	1	Rosemount-Apple Valley	Robert Sadek	66	30	$10,000	$73,017	$29,822	$0
196	1	Rosemount-Apple Valley	Renae Spande	58	23	$10,000	$73,017	$23,891	$0
196	1	Rosemount-Apple Valley	Mary Swanson	55	18	$10,000	$17,514	-$3,412	$0
196	1	Rosemount-Apple Valley	Barbara Taffe	56	34	$10,000	$73,107	$23,678	$0
196	1	Rosemount-Apple Valley	Kenneth Thurmes	61	33	$10,000	$26,178	$16,582	$0
196	1	Rosemount-Apple Valley	Paul Trewick	60	35	$10,000	$46,813	$24,774	$0

District Number	Dist. Type	District Name	Name of Employee	Age at Retirement	Length of Service	Incentive Amount Paid	Salary Savings	Fringe Benefit Savings	Other Impact
196	1	Rosemount-Apple Valley	Karla Viland	58	37	$10,000	$47,294	$20,281	$0
196	1	Rosemount-Apple Valley	JoAnn Vucinovich	56	34	$10,000	$12,776	$8,511	$0
196	1	Rosemount-Apple Valley	Linda Ziegler	59	16	$10,000	-$1,568	-$2,696	$0
204	1	Kasson-Mantorville	Judy Hutton	60	21	$10,000	$17,809	-$1,117	$0
204	1	Kasson-Mantorville	Joanne Snyder	59	21	$10,000	$9,145	$8,227	$0
480	1	Onamia Public Schools	Timothy Dejonghe	60	29	$10,171	$2,020	$2,883	$6,000
508	1	St. Peter Public Schools	Marcia Applen	58	29	$5,000	$45,889	$6,032	$0
508	1	St. Peter Public Schools	Patrick Duenwald	59	30	$5,000	$50,239	$7,984	$0
508	1	St. Peter Public Schools	James Siewert	58	23	$5,000	$4,960	$1,162	$0
508	1	St. Peter Public Schools	Dawna VanOtterloo	62	38	$5,000	$17,733	$14,315	$0
508	1	St. Peter Public Schools	Ronda Zechert	60	18	$5,000	$22,123	$2,922	$0
676	1	Badger	Gerald Willilam Wilhelmi	63	40	$12,000	$13,118	$1,724	$5,871
676	1	Badger	Marcia Marie Wilhelmi	59	38	$12,000	$17,722	$2,330	$285
891	1	Canby	Catherine A. Cleveland	61	40	$16,200	$9,960	$1,309	$0
891	1	Canby	Judith A. Dillon	60	39	$16,200	$24,057	$3,163	$0
891	1	Canby	Betty K. Scheuble Gehrking	61	39	$16,200	$3,586	$472	$0
891	1	Canby	Deborah J. Hoyme	59	31	$16,200	$9,230	$1,214	$0
820	1	Sebeka	Dianne Sharon Ament	62	19	$24,000	$7,975	$1,128	$0
820	1	Sebeka	Bradley P. Carlson	56	34	$24,000	$21,391	$2,813	$0
820	1	Sebeka	James S. Dragseth	59	32	$24,000	$40,755	$5,362	$0
820	1	Sebeka	James A. Eckman	62	22	$24,000	$14,656	$2,074	$0
820	1	Sebeka	Richard C. Mattson	50	31	$24,000	$25,070	$3,548	$0
820	1	Sebeka	Eileen E. Roberts	61	37	$24,000	$25,096	$3,666	$0
820	1	Sebeka	Mark C. Ristinen	50	19	$24,000	$24,429	$3,457	$0
820	1	Sebeka	Rosalie Laverne Schmith	57	24	$24,000	$15,215	$2,153	$0
876	1	Annandale	Robert J. Payne	63	14	$8,000	$27,700	$0	$4,000
876	1	Annandale	Mark L. Nelson	56	27	$8,000	$24,800	$3,200	$4,000
876	1	Annandale	Ardis c. Nelson	56	15	$17,000	$22,300	$3,200	$4,000
876	1	Annandale	Pamela R. Petersen	57	33	$8,000	$24,800	$0	$4,000

District Number	Dist. Type	District Name	Name of Employee	Age at Retirement	Length of Service	Incentive Amount Paid	Salary Savings	Fringe Benefit Savings	Other Impact
2071	1	Lake Crystal-Wellcome	Donna Ristrom	55	32	$1,000	$17,852	$10,540	$0
2448	1	Martin County West	Jeffrey Ross	57	29	$17,000	$12,495	$6,343	$0
2899	1	Plainview-Elgin-Millville	Diane Hart	65	15	$3,221	$16,107	$7,700	$0
2899	1	Plainview-Elgin-Millville	Barbara M. Haley	51	18	$3,401	$17,003	$3,652	$0
		Totals	**59**			**$676,593**	**$1,512,048**	**$368,541**	**$45,065**