



Request for City Council Committee Action from the Department of Human Resources

Date: August 20, 2009

To: Ways & Means / Budget

Referral to: City Council

Subject: PERA Phased Retirement Option

Recommendation:

That the City Council pass a resolution:

- 1) authorizing the City of Minneapolis to participate in the Public Employees Retirement Association of Minnesota (PERA) Local Government Post Retirement Option (also referred to as the PERA Phased Retirement Option), and
- 2) designating the Director Human Resources or designee to coordinate implementation of the program for eligible City of Minneapolis employees.

Previous Directives:

N/A

Department Information

Prepared by: Joyce Traver, Benefits Manager

Approved by: _____

Pamela French
Director Human Resources

Steven Bosacker
City Coordinator

Presenters in Committee: Pamela French, Joyce Traver

Financial Impact

- Action is within the Business Plan

Supporting Information

The Omnibus Pension Bill passed by the Minnesota legislature in 2009 allows eligible members of PERA's basic and coordinated plans to begin receiving a PERA pension while working reduced hours. The decision to make the new "phased retirement option" available is strictly up to the employer. The phased retirement option is set to expire on June 30, 2011. Until then, PERA will be evaluating the program's effectiveness and its impact on funding.

Human Resources recommends that the City Council take action to authorize PERA's phased retirement option where such arrangements would benefit the City. Examples of circumstances where a phased retirement option may benefit the City include:

- Due to department reorganization, an employee's job will be reduced to part time and the job will be eliminated at the end of the phased retirement period
- The retiring employee will be replaced and in order to train a replacement, a job overlap is required for a limited period of time – not to exceed a pre-determined number of months

To qualify for phased retirement, a member of the PERA basic or coordinated plan must:

- Be employed at least half time in a PERA-covered position for the five years immediately preceding participation in the phased retirement program
- Be age 62 or older
- Reduce hours worked by at least 25% and limit hours worked to 1,044 per year

If mutually agreeable between the PERA member and his or her employer:

- The member may enter into a phased retirement agreement
- The initial agreement may not exceed one year
- The agreement can be renewed for periods of up to a year for a total of five years
- The employer is under no obligation to renew a phased retirement agreement
- An employee who has reached the full Social Security retirement age is limited to a one year phased retirement period – no renewals are permitted.

Under the phased retirement option:

- The employee may begin collecting a PERA benefit without the normally required 30-day break in service and the prohibition against having any agreement to return to work with employer
- Participants are exempt from the PERA earnings limits that apply prior to full Social Security retirement age
- Neither the employee nor the employer is required to make any further contributions to PERA
- The employee stops earning service credits and there would be no future adjustment to the high-five average salary