SENATE
STATE OF MINNESOTA
EIGHTY-SEVENTH LEGISLATURE

S.F. No. 81

(SENATE AUTHORS: DALEY, Parry, Thompson and Lillie)

DATE	D-PG	OFFICIAL STATUS
01/20/2011	69	Introduction and first reading Referred to State Government Innovation and Veterans
03/14/2011	492a	Comm report: To pass as amended and re-refer to Finance

A bill for an act

relating to state government; requiring a reduction in the state workforce; creating an early retirement program; proposing coding for new law in Minnesota Statutes, chapter 43A.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[43A.347] REDUCTION IN STATE WORK FORCE; EARLY RETIREMENT PROGRAM.**

Subdivision 1. **Required reduction.** The state of Minnesota shall reduce the state government workforce and associated costs by at least 15 percent by June 30, 2015, by using any or all of the following: early retirement, furloughs, layoffs, a hard hiring freeze, a wage freeze, and by restructuring pension programs to defined contribution plans. The early retirement program in this section shall assist the state and its employees to comply with the required 15 percent reduction.

Subd. 2. **Early retirement program; actuarial analysis.** Following enactment of this section and prior to implementation of the early retirement program in this section, the Department of Management and Budget shall perform an actuarial analysis to determine:

(1) a minimum and maximum number of retirees allowable under the early retirement program specified in this section; and

(2) the percentage of the early retirement program savings to be returned to the pension fund over a prescribed period of time in order to cover the cost to the pension fund of the early retirement program specified in this section. The department shall use the findings in implementing the early retirement program.

Subd. 3. **Early retirement program.** Notwithstanding any law to the contrary, a state employee who terminates state service before a date to be determined by the commissioner of management and budget, not to be more than the number of allowable employees determined by the department, may apply for and receive a normal retirement annuity without any reduction due to retirement before the normal retirement age from the public pension plan of which the employee is a member, if the following conditions are met:

(1) the employee must have at least eight years of service credit in the person's public pension plan on the date of termination, and the employee's combination of age and years of service in that pension plan on the date of termination must be equal to or greater than 70;

(2) the employee must be at least 50 years old on the date of termination; and

(3) for purposes of this section, the employee must not have received a retirement annuity from a Minnesota public pension plan before the date of terminating state service.

Subd. 4. **Purchase of additional service credit.** If an employee's combination of age and years of service in the person's public pension plan is not equal to or greater than 70, the person may purchase up to five years of service credit, in increments of one month, by making an additional contribution to the pension plan. For each month of service credit purchased, the required contribution is the employee contribution rate for the person's pension plan multiplied by the employee's monthly salary at the time the purchase is made. A person may purchase service credit under this subdivision only if the person terminates state service upon making the purchase.

Subd. 5. **Deferred annuity.** A person who meets the conditions of subdivision 2 at the time of termination but who is not at least 50 years old may terminate state service and apply for and receive the unreduced annuity specified in subdivision 2 when the person attains the age of 50.

Subd. 6. **Extension of deadline.** To ensure that the efficient operation of state government is not jeopardized by the simultaneous retirement of large numbers of key personnel, an appointing authority may extend the June 30, 2015, deadline for terminating state employment by notifying the executive director of the Minnesota State Retirement System in writing.

Subd. 7. **Best practices.** In implementing this section, the commissioner of management and budget and affected agencies shall utilize best practices as identified by other states that have implemented early retirement programs.

Subd. 8. **Hiring freeze.** To promote streamlined government and reduced costs, no state appointing authority may fill a position vacated through state employee participation in the early retirement program unless the existence of the specific position is mandated by law.

Subd. 9. **Reemployment prohibition.** An employee who receives a higher annuity as a result of retiring under this section, instead of retiring under law in effect before enactment of this section may not be reemployed with the state or receive payment from the state as a consultant for five years after termination.

Subd. 10. **Pension fund return.** The commissioner of management and budget must determine the annual savings realized by each state appointing authority as a result of not paying compensation to employees who terminate service under this section. The commissioner must transfer from the appropriation to the appointing authority the percentage of the cost savings realized by the appointing authority through the early retirement program under this section over the number of years determined by the actuarial analysis in subdivision 2 to the applicable pension fund to cover the increased cost to the pension fund of the early retirement incentive.

Subd. 11. **Pension reform.** Following implementation of the early retirement program, the commissioner of management and budget shall establish a panel to study and make recommendations for reforming the state employee retirement pension program.

Subd. 12. **Not applicable to elected officials.** A state elected official is not a state employee for purposes of this section.