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## Phased Retirement FAQs

October 2018

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During the 2017-2019 bargaining process, the State entered into collective bargaining agreements with MAPE, MMA, and MGEC to initiate a pilot program with participating Appointing Authorities to allow eligible employees an option for phased retirement. The Commissioner's Plan and the Managerial Plan also incorporated the phased retirement pilot. The terms of the pilot are set to expire at the end of the contract period, on June 30, 2019.

This phased retirement option is intended to assist in the knowledge transfer process. At the discretion of the Appointing Authority, an eligible retiring employee may reduce their schedule for a limited period of time prior to their retirement date, while maintaining employer benefits as if employed full-time. The employer and employee enter into an agreement to plan the employee's work during the phased retirement period allowing for knowledge transfer and succession planning in anticipation of the retiring employee's departure from the workforce.

During the phased retirement, the employee's work schedule must be at least fifty percent (50%) time. The phased retirement period must not exceed three (3) months, unless the employee and Appointing Authority mutually agree in writing to extend the phased retirement period up to a cumulative total of no more than six (6) months.

The following questions and answers are designed to assist Appointing Authorities in the implementation of the Phased Retirement Pilot Program.

### *Eligibility*

#### **1. Who is eligible for phased retirement?**

Phased retirement is an option available at the discretion of participating Appointing Authorities\* for employees represented by **MAPE, MMA, or MGEC**, or employees covered by the **Commissioner's or Managerial Plans**, who meet all the following eligibility criteria:

- Are employed full-time
- Are age 55 or more
- Have ten (10) or more years of continuous State service, and
- Have provided written notice of their retirement date to the Appointing Authority

\*See Attachment A for a complete listing of participating Appointing Authorities.

#### **2. Is the Appointing Authority required to hire a replacement for the phasing out employee during the phased retirement period?**

No. The Appointing Authority may enter into phased retirement agreements with employees that best meet the Appointing Authority's workforce and succession planning needs. Examples may include hiring a replacement employee to have training overlap with the retiring employee, engaging the retiring employee in a special project to facilitate knowledge transfer and/or succession planning efforts, or other arrangement.

**3. *What is the definition of “full-time” employee?***

A full-time employee is an employee who is normally scheduled to work an average of 80 hours per pay period.

**4. *What does “ten (10) or more years’ continuous State service” mean?***

An employee must have at least one period of continuous State service history of at least ten (10) years to be eligible for phased retirement. The ten (10) years must be consecutive (i.e., years of service cannot be accumulated if there are breaks of service in between), but does not have to immediately precede the request for phased retirement.

**Example 1:** Employee worked at the State from March 1991 until March of 2011. Employee was rehired at the State in June 2012 and requests phased retirement in June 2018. Even though the employee’s most recent employment period has not been for 10 continuous years, her prior 20 years of continuous service from 1991 to 2011 satisfies the requirement of having ten (10) or more continuous service years, making her eligible for phased retirement.

**Example 2:** Employee worked at the State from May 2005 to May 2011, when he separated. Employee was hired again from May 2012 through May 2018. Although the Employee has a combined total of ten (10) or more years of State service, there is no point at which the employee served at least 10 years of continuous service, so he would not be eligible for phased retirement.

**5. *How does an employee submit their written notice of retirement and request phased retirement?***

It is strongly advised that Appointing Authorities ask employees to use Attachment B to submit their notice of retirement and request for phased retirement.

This form can be accessed on the HR Toolbox site.

**6. *Is the Appointing Authority required to offer eligible employees phased retirement?***

No. The Appointing Authority has the discretion to determine whether phased retirement is appropriate. No employee is entitled to participate in phased retirement.

**7. *Can the Appointing Authority require an employee to pursue phased retirement?***

No. Employees’ participation in phased retirement is entirely voluntary.

***Implementation***

**8. *Does MMB have to approve phased retirement requests?***

No. The approval of phased retirement agreements is at the Appointing Authority’s discretion. If you have questions about phased retirement, contact your MMB Labor Relations Consultant.

**9. *Does the Employer need to create a new position description for the part-time work?***

No. It is not necessary to create a new position description for the reduced schedule work of the employee during the phased retirement period.

**10. How should phased retirement be reflected in SEMA4 on the position and job record?**

- a. What position updates need to be made?
  - Do not make any updates to the position.
- b. What job record updates need to be made?
  - Add a row effective when the employee begins the phased retirement program
  - Use Data Change / PRP (phased retirement program) for the action / reason
  - On the Additional Employment Info page, enter the Appointment End Date
  - SAVE
    - Do not make any changes to the employment condition (e.g. work hours, FTE, leave authority codes, retirement code, or special eligibility code [code remains MF12])
    - Use of the Comment field is optional

**11. Can an employee in phased retirement and the newly hired employee share the same position number?**

Yes. Two employees may share the same position number temporarily during the phased retirement period.

**12. What payroll earn code should the employee on phased retirement enter on their timesheet?**

Employees should use the earning code **PRA** on their timesheet to record time not worked under the phased retirement pilot program to receive their full leave accruals.

**13. What are the scheduling requirements for an employee on phased retirement?**

During phased retirement, the employee's work schedule must be at least fifty percent (50%) time or at least 0.5 FTE. The Appointing Authority and the employee may agree on any scheduling arrangement that equals or exceeds 0.5 FTE. Adjustments to the agreed-upon schedule can be made by mutual agreement at any time during the phased retirement period.

**14. Can an employee use accrued vacation and sick leave while on phased retirement?**

Yes. An employee may use accrued vacation and sick leave during the phased retirement period, in accordance with the terms and conditions of the applicable labor agreement or plan.

**15. If a supervisory position is double filled with a phased retirement employee and a new employee, who is responsible for the supervisory duties?**

Supervisors approved for phased retirement are expected to carry out the agreed-upon job duties and expectations as outlined in the phased retirement request form. Before phased retirement may begin, the Appointing Authority and Supervisor will determine a plan for the division of duties and the transfer of duties between the Supervisor who is phasing into retirement and the new Supervisor, including the designation of who will be the assigned supervisor of the work unit during the phased retirement and if/when supervisory authority will transfer during the phased retirement.

**16. *Must all phased retirement agreements be completed by the end of the pilot period, on June 30, 2019?***

Yes. The phased retirement program is a pilot program set to expire on June 30, 2019. Therefore, all phased retirement agreements for approved employees must end no later than June 30, 2019.

**17. *Are there forms available?***

Yes. Please see Attachment B for the Phased Retirement Request Form.

## ***Benefits***

**18. *What sick and vacation leave accruals and holiday pay do employees receive during phased retirement?***

An employee on phased retirement will be entitled to all of the same rights and benefits as full-time employees subject to the terms and conditions of their labor agreement or plan. If an employee cancels their participation in the phased retirement program, however, any benefits the employee received that the employee would not have been entitled to but for the phased retirement will be considered an overpayment to the employee, and will be subject to the collection of overpayment process.

**19. *How does phased retirement affect an employee's "high-five" salary for pension purposes?***

The employee's high-five salary is based on the highest consecutive sixty (60) months of compensation in an employee's career. It is possible that the employee's phased retirement period would not be considered as part of the highest consecutive sixty (60) months, because an employee in phased retirement will be working fewer hours and receiving less compensation.

Employees should contact the Minnesota State Retirement Systems (MSRS) Service Center to understand how phased retirement might affect their pension: 1-800-657-5757.

**20. *Will employees on phased retirement be eligible for full service credit for retirement pension purposes?***

Yes. An employee working 50% time or more on phased retirement is eligible for full MSRS service credit. Since the phased retirement pilot requires an employee to be working at least 50% time, the employee's retirement service credit will not be affected by participation in phased retirement.

**21. *Who pays the employee contribution toward the retirement pension and at what percentage?***

During phased retirement, the employee continues to pay the portion of pension contributions for the time they are working. The employee and the employer pay retirement contributions based on the salary the employee is receiving.

**22. *Does the employee begin collecting their pension during the phased retirement?***

No. Phased retirement is a program available to eligible employees prior to their separation from employment through retirement. As such, the employee does not begin collecting a pension until after they have ended employment.

**23. *What must an employee do to notify MSRS of upcoming retirement?***

The process for requesting phased retirement is separate from the notification to MSRS of an employee's impending retirement. An employee must submit a retirement application to MSRS to begin receiving pension benefits. This application may be submitted no sooner than sixty (60) days prior to the employee's retirement date.

Visit the MSRS website for more information: <https://www.msrs.state.mn.us/apply-for-retirement>.

**24. *Will the employee be responsible for their full-time insurance contribution during phased retirement?***

Yes. The employee contributions necessary to maintain full-time insurance benefits during the phased retirement period will be the responsibility of the employee, and will be deducted from the employee's paycheck accordingly. The employer will contribute its portion toward the employee's full-time insurance benefits coverage. If an employee cancels their participation in the phased retirement program, however, any benefits the employee received that the employee would not have been entitled to but for the phased retirement will be considered an overpayment to the employee, and will be subject to the collection of overpayment process.

**25. *Does phased retirement count as a "qualifying event" for insurance coverage change purposes?***

No. Because phased retirement enables the employee to continue to receive a full employer contribution toward insurance benefits, phased retirement is not considered a "qualifying event" that would allow the employee to make changes to their insurance coverage.

***General/Miscellaneous***

**26. *What is the difference between phased retirement and post retirement option (PRO)?***

Phased retirement is a program provided for on a pilot basis through applicable labor agreements and plans available to eligible employees prior to their separation from employment by retirement. The PRO is only available to eligible employees after they have ended employment with the State, and is governed by Minnesota Statutes § 43A.346. Participation in phased retirement does not preclude an employee from pursuing a PRO appointment after they have retired. See HR/LR Policy #1408 Post-Retirement Option for more information on PRO appointments.

**27. *Must an employee retire and separate at the end of phased retirement?***

Separation and retirement are two different transactions. The employee may cancel their participation in the phased retirement program at any time and choose not to retire, and the Appointing Authority may not force the employee to retire upon separation. However, once the Appointing Authority has accepted, in writing, the employee's resignation date, the Appointing Authority may enforce the employee's resignation, even if the employee cancels their participation in the phased retirement program.

**28. *Can the employee rescind (cancel) their phased retirement agreement?***

Yes, the employee can cancel their participation in the phased retirement program at any time. However, a cancellation is subject to the process for collection of overpayments. Please consult with

your MMB Labor Relations Consultant if an employee wishes to cancel a phased retirement agreement. Also refer to questions 27 and 29.

**29. *Can the Appointing Authority cancel the phased retirement agreement?***

Yes. The appointing authority may, at its discretion, cancel an employee's participation in the phased retirement program. If the cancellation occurs prior to the resignation date, the employee will return to their regular full-time schedule, except as otherwise provided in the applicable compensation plan or collective bargaining agreement (for example, disciplinary discharge or demotion, or the ending of an unclassified appointment). Please consult with your MMB Labor Relations Consultant if you are considering cancellation of a phased retirement agreement.

**30. *What happens if an employee enters into a leave status during phased retirement?***

The employee is eligible to use any leaves available to them in their contract/plan or under State or federal law. If you have questions, please contact your MMB Labor Relations Consultant.

**31. *Is phased retirement grievable or may it be appealed?***

No. An Appointing Authority's decision not to approve an employee's phased retirement request is within the Appointing Authority's discretion, and the decision cannot be grieved or appealed. However, if a request for phased retirement is denied, the Appointing Authority must provide the reason(s) for the denial to the employee in writing within ten (10) days.

**32. *What other resources are available?***

MMB Enterprise Talent Development has free resources available to support a knowledge transfer and/or succession planning process. Contact 651-259-3646 for more information.

Some of these resources are:

- 1) Knowledge Capture: Bring us in to lead a facilitated conversation with the person entering into the phased-retirement process, or with a team of employees looking to capture expert knowledge.
- 2) Knowledge Transfer: Learn how to capture knowledge and provide it best to those who need it either with current staff or through onboarding programs.
- 3) Knowledge Management Resources: Visit the [HR Toolbox's Workforce Planning](#) site for tools and templates to assist in this process.

See Attachment C for more information.