PERA

EMPLOYER EDUCATION
September 2018

FACT SHEET

PERA Phased Retirement Option (PRO)

An Option for General Plan Members Over Age 62

Under specific circumstances, public employees may be able to phase their way into retirement. By entering into a Phased Retirement Agreement with an employer, employees can begin to work fewer hours and begin to collect on their PERA pensions while remaining employed. The decision to make Phased Retirement available to members is strictly up to the employer.

1. Eligibility

First, the member's employer or another PERA-covered employer has sole discretion on offering the PRO to an employee. The initial offer must not exceed one year, but it can be renewed for periods of up to a year for a total of five years. An employer is under no obligation to renew a Phased Retirement agreement.

To qualify, a member must:

- Meet all other requirements for a pension from PERA;
- Be at least 62 years of age;
- Have worked a minimum of 1,044 hours in each of the five years immediately prior to beginning Phased Retirement; and
- Not be eligible for the State Employee Post-retirement Option program (for PERA members who are state employees).
- In addition, the member must also agree to a reduction of hours worked of at least 25 percent, not to exceed 1,044 hours per year— essentially half time or less. To participate, the member and employer must file a Phased Retirement Agreement form with PERA available at mnpera.org.

2. Process

If mutually agreeable between the member and his or her employer, the member may begin collecting a PERA benefit without the normally required 30-day break in service and prohibition against having any agreement to return to work with the current employer. Participants are also exempt from PERA's earnings limits that apply prior to full Social Security retirement age. In addition, neither the member nor the employer are required to make any further contributions to PERA.

Since the member is now receiving a pension, he or she will cease to earn service credits and there will be no future adjustment to the high-five average salary.

At the conclusion of the Phased Retirement Agreement, participation in PERA's phased retirement

Public Employees Retirement Association of Minnesota

program stops at the conclusion of the employee's initial or renewed agreement, whichever is later. The employer must complete and submit the Conclusion of PRO – Employment and Verification Status form to PERA at the conclusion of the PRO agreement.

The employee is not required to terminate public employment associated with the PRO agreement or any other public employment at the end of your PRO Agreement. If the employee continues working in the public position after the PRO agreement ends or begin a new position covered by PERA and is:

- **Under full Social Security age**: the employee will be under the post-retirement annual earnings limits
- **Over full Social Security age**: no post-retirement annual earnings limits

A current retiree cannot participate in the program. The option is set to sunset with no new PRO agreements permitted after June 30, 2019.

3. Employer Responsibilities

Once an agreement has been made between the employer and employee to utilize the PRO, the Phased Retirement Agreement form must be completed. The form consists of two components. Part A is for the employer to complete. Part B is for the employee to complete and sign. Either the employee or the employer may submit the completed form to PERA. However, the agreement must be entered into and received before the start of employment under the PRO.

An employer must enter a PRO agreement with a current employee before the employee's PERA membership is discontinued. In addition, an employer may not establish a PRO agreement with someone who is already drawing a benefit from PERA, regardless of whether the person retired for one week, one month, or one year ago. These restrictions are in place because the phased retirement program is intended to facilitate a transition into retirement for a PERA member who is approaching full retirement provide employers with a workforce planning tool that can help transfer knowledge from the long-time employee to a new worker.

Employers that have a PRO agreement stop making contributions to PERA on the day the employee's Coordinated or Basic Plan membership is discontinued. Employers must, however, enroll employees participating in the PRO in PERA's Exempt Plan. (The Exempt Plan was established as a way for PERA to receive earnings information from employers on re-employed benefit recipients who are under full Social Security retirement age.) Therefore, the earnings of these individuals must be reported on the Salary Deduction Report (SDR).

To report wages of the employee/retiree working under a PRO agreement, include the individual's name and Social Security number on the SDR under the plan type of Exempt. You may include PRO participants on the SDRs you regularly submit to PERA, whether they are demographic data files, web reports created through the Employer Reporting and Information System (ERIS), or paper SDRs. Please include earnings data on these employees, but do not withhold PERA deductions or pay employer contributions.

If the PRO is renewed, the employer and employee must complete and submit another Phased Retirement Agreement form to PERA.

Employers must advise PERA once an individual's employment under a PRO agreement has concluded and/or when the employee terminates public service. This can be submitted through demographic files, by updating the individual's employment status through ERIS, or, by sending a Member Information Change report to PERA. Be sure to include the plan type of Exempt when reporting the termination status and effective date.