

[Back to Web Site](#)

Public Employees Retirement Association of Minnesota Administering and Promoting Sustainable Retirement Plans

Phased Retirement Option

Legislation passed in 2009 allows Coordinated and Basic members age 62 and over the option to begin receiving a PERA pension without formally resigning. However, the decision to make *Phased Retirement* available to members is strictly up to the employer, and participants must agree to substantially reduce the hours they work.

In order to qualify for *Phased Retirement*, a number of requirements must be met.

Requirements

First, the member's employer or another PERA-covered employer has sole discretion on offering the phased retirement option 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 (half time) in each of the five years immediately prior to beginning phased retirement; and
- Not be eligible for the State Employee Postretirement 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.

The Benefit

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.

Upon the completion of the phased retirement, a member must meet the requirements normally applied to someone who is terminating public service, including the prohibition of any future employment agreement, and the minimum 30-day break in public service. If the retiree later returns to PERA-covered employment, the earnings limits would apply.

A current retiree cannot participate in the program. **The option is set to sunset June 30, 2019.**

Links

[Phased Retirement Brochure](#)

[Phased Retirement Agreement Form \(For Employers\)](#)
[Employer Responsibilities](#)

Frequently Asked Questions (FAQs)

1. Q: Do I contact PERA in order to enter a Phased Retirement Option (PRO) Agreement?

A: No. The PRO Agreement is between you and your employer, so the offer of a PRO must come from your employer – your employer has sole authority to determine whether PRO Agreements are going to be offered and to whom PRO Agreements are offered.

2. Q: Can I agree to enter a PRO Agreement before I terminate my PERA membership?

A: Yes. While retirement requires a separation without an agreement to return, entering a PRO Agreement naturally occurs prior to any termination of PERA membership – you are not required to terminate employment in order to be eligible to enter a PRO Agreement.

3. Q: Can I enter a PRO Agreement after I terminate my PERA-covered employment?

A: **No.** You may not enter a PRO Agreement after you retire, regardless of whether you retired one week, one month, or one year ago. These agreements are not intended to apply to individuals who retired from public employment and now want to return to the PERA-covered workforce. The PRO Agreements are intended to allow a transition into retirement for someone approaching full retirement while providing employers with a workforce planning tool that can, for example, help transfer knowledge from the long-time employee to a new person.

4. Q: Do I have to be eligible for the Rule of 90 to be eligible for a PRO Agreement?

A: **No.** To be eligible for a PRO Agreement, you must be offered a PRO Agreement by your employer, you must meet all other retirement benefit eligibility requirements, be at least age 62, you must have worked at least half-time in a PERA-covered position for a minimum of five years immediately prior to entering a PRO Agreement, and not be eligible for the State Employee Postretirement Option program.

5. Q: If I am eligible for the Rule of 90 but not yet age 62, am I eligible for a PRO Agreement?

A: **No.** You must be at least age 62 to be eligible for a PRO Agreement regardless of whether you are eligible for the Rule of 90. PERA allows early full retirement for persons who qualify for the Rule of 90 (when age plus years of service equal 90), even if they meet the Rule of 90 before age 62. The Internal Revenue Service has regulations in place that direct when a person can collect a retirement benefit while continuing to work in the same job for which the person earned that benefit. The regulations state that a person can only collect the retirement benefit while continuing to work in the same job if he or she is at least age 62.

6. Q: Can I enter a PRO Agreement to take a position covered by MSRS or TRA?

A: **No.** PERA members who are eligible for a PRO and offered a PRO by their employer only terminate PERA membership for purposes of entering a PRO Agreement – the PRO position must be one that would otherwise be covered by PERA.

7. Q: I am in PERA's Police and Fire Plan, can I enter a PRO Agreement?

A: **No.** The PRO program is available only to PERA Coordinated Plan participants.

8. Q: If I enter a PRO Agreement, do I have to begin collecting my retirement benefit right away?

A: **No.** Since PERA cannot accept an application for retirement benefits more than six months prior to the effective date of the benefits, both your benefit and your PRO employment must begin within six months of your termination of membership. If the "Termination Date" on your Retirement Application is more than a month prior to the "Begin Date" on the PRO Agreement you submit, the PRO agreement effective date determines the effective date of your retirement benefit. If the "Begin Date" of your PRO employment is the first of the month, that will also be the begin date of your retirement benefit; if the "Begin Date" of your PRO employment is any other date of the month, your benefit will begin the first day of the following month.

9. Q: Does my employer have to do anything specific for me to enter a PRO Agreement?

A: **Yes.** First, your employer's governing body must vote to participate in offering PRO Agreements to eligible employees. Second, your employer must offer a PRO Agreement to you. However, the law does not require that your employer offer a PRO to any employee.

10. Q: Do I have to terminate my employment at the end of my PRO Agreement?!

A: **Yes.** You must terminate public employment at the end of your PRO Agreement, have no agreement to return at a later date, and remain out of PERA-covered employment for at least 30 calendar days. You should also know that, while an initial PRO Agreement may only be one year in length, PRO Agreements may be renewed annually for up to five years of total PRO participation. Again, any offer of a PRO and any renewal are at the discretion of your employer.

11. Q: Do I have to start work under a PRO within 30 days of terminating PERA membership?

A: **No.** When you begin work after terminating membership is largely between you and your employer. However, you must begin working under the PRO within six months of terminating membership in PERA. (See FAQ #8.)

12. Q: Can I take an additional PERA-covered position with a different employer during employment under a PRO Agreement?

A: **No.** While employment with multiple employers in PERA-covered positions under PRO Agreements is allowed, all employment in PERA-covered positions under PRO Agreements must begin prior to the beginning of any PRO Agreement (at the time of termination of membership and beginning of retirement). However, the "different" employer must offer you a PRO Agreement and your total hours worked in all PERA-covered positions must represent at least a 25 percent reduction of your pre-PRO regularly scheduled hours and not exceed 1,044 hours in a year.

13. Q: Can I take a position with my current employer that is different than my current position?

A: **Yes**, provided all other criteria (hour reduction of at least 25 percent for no more than 1,044 hours annually, you are at least age 62, etc.) are met.

14. Q: Can a PERA-covered employer other than my current employer offer me a PRO Agreement?

A: **Yes**. But remember, the PRO Agreement must be entered prior to any termination of employment with your current employer and the agreement must adhere to the employment hour reduction requirement (at least 25 percent when compared to your pre-PRO hours and a maximum of 1,044-hours annually) and all other PRO eligibility criteria.

15. Q: Can I take an additional position with the same employer with whom I've entered a PRO Agreement?

A: **Yes**. However, your combined hours worked would have to be a reduction of at least 25 percent when compared to your pre-PRO hours and you would not be able to exceed the annual 1,044-hour limit.

16. Q: Will I accrue vacation and sick leave or be covered by employer health insurance while working under a PRO Agreement?

A: **Perhaps**. Whether you accrue vacation and sick leave or are covered by an employer health insurance plan while working under a PRO Agreement will be up to the agreement between you and your employer – PERA has no authority to direct what, if any, other benefits will be made available. Employers participating in PERA each have their own “other employee” benefit provisions, either through collective bargaining or personnel agreements.

17. Q: If my employer allows me to accrue vacation, sick and holiday leave while working under the PRO, will the hours associated with the leave pay, when taken, count towards the maximum number of hours I may work under the PRO?

A: **Yes**. The hours you take off from work – for which you receive pay – will count towards the maximum number of hours you may work.

18. Q: Will I be eligible for disability benefits from PERA if I become disabled while working under a PRO Agreement?

A: **No**. Part of your eligibility for a retirement benefit under a PRO Agreement is that your membership in PERA will be terminated, so your right to any benefit other than the retirement benefit for which you become eligible under a PRO Agreement also terminates.

19. Q: Is there a maximum length of time for a PRO Agreement?

A: **Yes**. The PRO Agreements may only be a maximum of one year in length, but may be renewed annually for up to five years. Any renewal beyond the first agreement is negotiated between you and your employer.

20. Q: The PRO Program expires June 30, 2019. If I am working under a PRO Agreement, does the

expiration date mean that I can really only work under a PRO prior to that date?

A: **No.** The law allows for anyone already working under the terms of a PRO Agreement before June 30, 2019 to continue for up to the allowable five years.

21. Q: Why does the provision expire on June 30, 2019?

A: The PERA Board wanted a chance to make sure there is no adverse impact on the funding of the plan by the phased retirement option. The Board's actuarial consultants have indicated that there should be no negative impact on the plan, but the Board wants to review actual experience before making this provision a permanent part of PERA's benefit structure. Originally scheduled to expire in 2014, the program was extended an additional five years to allow more time for evaluation.

22.Q: If I am in a part-time position now, am I eligible for a PRO Agreement?

A: **Yes**, provided you are offered a PRO from your employer and you have worked at least 1,044 hours per year for the past 5 years. Also, you must reduce your hours by at least 25% when compared to the hours you are working now, immediately before entering a PRO Agreement, and you cannot work more than 1,044 total hours annually.

23.Q: Can I work full-time for a certain period and then not work at all for the remainder of a year covered by a PRO Agreement?

A: **No.** You must reduce your regularly scheduled hours of work by at least 25%. If you were scheduled to work 80 hours per pay period prior to the PRO, you may not work more than 60 hours in any pay period covered by the PRO, and you may not work more than 1,044 total hours for the year.

24.Q: Does the PRO Agreement have to cover 12 consecutive months or can the agreement cover more than one calendar year?

A: PRO Agreements may only cover 12 consecutive calendar months from the date you terminate PERA membership for the purpose of entering the PRO Agreement. The agreement may be renewed at the end of those 12 months if you and your employer agree to do so.

25.Q: Can I work in a PERA-covered position at the end of the PRO Agreement?

A: **Yes.** You may return to work with the same employer at the end of the PRO Agreement. However, you will have to have a 30-day separation from the employment for which you had the PRO Agreement and must not have an agreement to return to employment with that employer prior to the end of the agreement. If you are under Social Security's full retirement age, you would also be subject to PERA's reemployed retiree earnings limit.

26.Q: If I have already reached my normal retirement age (age 65 to 66, depending on your birthday), can I still enter a PRO Agreement?

A: **Yes**, provided your employer offers you a PRO Agreement and you meet the other eligibility criteria (see requirements above).

27.Q: Will I lose my PERA life insurance if I enter into a Phased Retirement Agreement?

A: **No.** If you wish to continue your PERA life insurance, you can do so and PERA will deduct your monthly premium from your pension check. Your employer will no longer deduct the insurance payments from your paycheck.

28.Q: If I currently have employment with more than one PERA-covered employer and want to continue working for these employers, do I have to enter a PRO with those PERA-covered employers?

A: **Yes,** if you intend to continue employment with multiple PERA-covered employers, you have to enter a PRO Agreement with each employer for whom you will continue to work.

If you enter a PRO Agreement with one employer and not others (and continue to work for multiple PERA employers), your PRO Agreement will be considered invalid and all retirement benefit payments will have to be returned to PERA when PERA is notified of the employment for which no PRO Agreement was entered.

In order to remain eligible for your retirement benefit under a PRO, you must either 1) terminate the employment not covered by a PRO Agreement (and remain out of that employment for at least 30 days without an agreement to return) or 2) enter a PRO Agreement for any position you intend to maintain during the term of a PRO Agreement.

29.Q: Can I work in an elected position under a PRO?

A: **No.** An elected position does not fit the provisions authorizing the PRO outlined in Minn. Stat. § 353.371.

A PRO agreement is available when the eligibility requirements of Minn. Stat. § 353.371, subd. 1, are met. In addition, the governing body of the governmental subdivision must have the sole discretion to determine whether a PRO will be offered and the terms and duration of the PRO Agreement under Minn. Stat. § 353.371, subd. 3 and 4. As an elected official, the voters, not the governing body, have discretion over the position. Additionally, Minn. Stat. § 353.371, subd. 1, includes eligibility requirements regarding hours worked that are inconsistent with how elected positions are monitored or compensated.

30.Q: If I am a Minneapolis employee active in MERF, can I participate in PRO agreements available to PERA Coordinated Plan members?

A: No, the PRO offered under Minn. Stat. §353.371 is not available to MERF members. Benefit options available to MERF members remain governed by Minn. Stat. Chapter 422A, which does not include provision for PRO agreements.