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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. 2028

March 12, 2007

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The bill was read for the first time and referred to the Committee on E-12 Education

1.1 A bill for an act  
1.2 relating to education finance; creating an early retirement incentive for school  
1.3 district employees for school districts experiencing declining enrollment;  
1.4 appropriating money.

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

1.6 Section 1. **EARLY RETIREMENT INCENTIVES FOR DISTRICTS WITH**  
1.7 **DECLINING ENROLLMENT.**

1.8 Subdivision 1. **District eligibility.** A school district that serves fewer students in  
1.9 average daily membership in fiscal year 2007 than in fiscal year 2006, and fewer students  
1.10 in average daily membership in fiscal year 2006 than in fiscal year 2005 is eligible to offer  
1.11 an employee an early retirement benefit under this section.

1.12 Subd. 2. **Qualifying employee.** The board of directors of a school district may grant  
1.13 an employee with at least 25 years of allowable service credit in the applicable pension  
1.14 plan an early retirement incentive under subdivisions 3, 4 and 5. The qualifying employee  
1.15 must terminate employment with the district after the effective date of this section and  
1.16 before September 1, 2007.

1.17 Subd. 3. **Employee benefit; additional service credit.** (a) An employee with at  
1.18 least 25 years of allowable service credit in the applicable pension plan who accepts  
1.19 an early retirement under this section may purchase up to two additional years of  
1.20 allowable service credit from the applicable pension plan. To do so, the former employee  
1.21 must pay the member contributions to the pension plan annually in a manner and in  
1.22 accord with a schedule specified by the executive director of the applicable fund. If the  
1.23 former employee makes the member contribution, the board shall make the applicable  
1.24 employer contribution. The salary used to determine these contributions is the salary of

2.1 the employee in the last year that the former employee was employed by the district.  
 2.2 During the period of continuing member and employer contributions, the person is not  
 2.3 considered to be an active member of the applicable pension plan, is not eligible for  
 2.4 any active member disability or survivorship benefit coverage, and is not included in  
 2.5 any postemployment termination benefit plan changes unless specifically authorized to  
 2.6 do so by other legislation.

2.7 (b) Continued eligibility to purchase service credit under this subdivision expires if  
 2.8 the qualifying former employee is subsequently employed during the service purchase  
 2.9 period by a public employer with retirement coverage under a pension plan specified in  
 2.10 Minnesota Statutes, section 356.30, subdivision 3.

2.11 Subd. 4. **Employee benefit; employer-paid health insurance.** The board may  
 2.12 offer a former employee continued employer-paid health insurance coverage. Coverage  
 2.13 may not extend beyond the earliest of:

2.14 (1) age 65;

2.15 (2) the former employee's receipt of Medicare; or

2.16 (3) the end of the first month in which the employee is eligible for employer-paid  
 2.17 health insurance coverage from a new employer.

2.18 For purposes of this subdivision, "employer-paid health insurance coverage" means  
 2.19 medical, hospitalization, or health insurance coverage provided through an insurance  
 2.20 company that is licensed to do business in the state and for which the employing unit pays  
 2.21 more than one-half of the cost of the insurance premiums.

2.22 Subd. 5. **Employee benefit; cast payment for specified purposes.** The board may  
 2.23 make a payment of up to \$..... to the qualifying employee. The payment must be used:

2.24 (1) for deposit in the employee's account in the health care savings plan established  
 2.25 by Minnesota Statutes, section 352.98; or

2.26 (2) notwithstanding Minnesota Statutes, section 352.01, subdivision 11, or 354.05,  
 2.27 subdivision 13, whichever applies, for purchase of service credit for unperformed service  
 2.28 sufficient to enable the employee to retire under Minnesota Statutes, section 352.116,  
 2.29 subdivision 1, paragraph (b); 353.30; or 354.44, subdivision 6, paragraph (b), whichever  
 2.30 applies or, if the employee uses money from a deferred compensation account that,  
 2.31 combined with the payment would be sufficient to purchase enough service credit to  
 2.32 qualify for retirement under the applicable retirement plan. The cost to purchase service  
 2.33 credit under this subdivision must be made in accordance with Minnesota Statutes, section  
 2.34 356.551.

2.35 Subd. 6. **Early retirement incentive aid.** A school district that offers an early  
 2.36 retirement incentive under this section qualifies for state aid equal to \$..... times the

3.1 number of qualifying employees that accept early retirement under this section. This aid is  
3.2 available for fiscal years 2008 and 2009 only.

3.3 **Sec. 2. APPROPRIATION.**

3.4 \$..... in fiscal year 2008 and \$..... in fiscal year 2009 are appropriated from the  
3.5 general fund to the commissioner of education for payment of early retirement incentive  
3.6 aid under section 1.