The Hennepin County Aging Initiative

Research highlights: Aging and the Hennepin County government workforce

This synopsis of published research about aging and the Hennepin County Government workforce was produced as part of Hennepin County's Aging Initiative. The Aging Initiative was created to help the County anticipate and understand the potential effects of changing age demographics for Hennepin County as an organization, and as a geographic and economic region, and to position the county to foster healthy aging for residents and clients through effective public policy.

More detailed discussion of the implications of retirement trends for asset development and retirement security can be found in the Aging Initiative report on aging, financial security and public finances.

Prepared by:

Research, Planning & Development
Sherrie Simpson, *Director*

Principal contributors:

Peter J. Bodurtha, *Pr. Planning Analyst*
Robert Hagen, *Admin. Manager*
Constance Osterbaan, *Research Manager*

April 2012

Top research findings

The following summary highlights key findings from the research about aging and the workforce. A detailed discussion of the following 6 items is included in the complete report attached to this summary.

1. The Hennepin County Government workforce is much older than the wider county workforce. Increasing retirement rates are likely to affect Hennepin County government before the rest of the labor market.
2. The median age of county government workers is 49 years, compared to just 40 among workers in the wider county workforce.
3. Conservative estimates of retirement rates indicate that about 10 percent of 2011 employees will retire by the end of 2015, 26 percent by the end of 2020, and 54 percent by 2030.
4. The Rule of 90 complicates the retirement picture. Among county government workers at the end of 2011, 6.5 percent qualified for unreduced PERA benefits under the Rule of 90.
5. Hennepin County government will lose a disproportionate amount of accumulated experience as retirement rates accelerate. The 10 percent of workers that are expected to retire by 2015 represent about 15 percent of the county's accumulated work experience.
6. The county government workforce has a distinct lack of younger workers. In 2011, 25-29 year olds made up just 5.8 percent of the county government workforce, compared to about 13.4 percent in the wider county.

The Hennepin County government workforce

The county government workforce is far older than the countywide workforce and is already experiencing the beginning of the retirement wave. The median age of county government workers was 49 in 2011,[a] compared to just 40 among workers residing in the wider county.[b] At the end of 2011, about 59 percent of county government employees were age 45-64, compared to just 38 percent[c] in the general county labor force.

---

[a] Among permanent employees

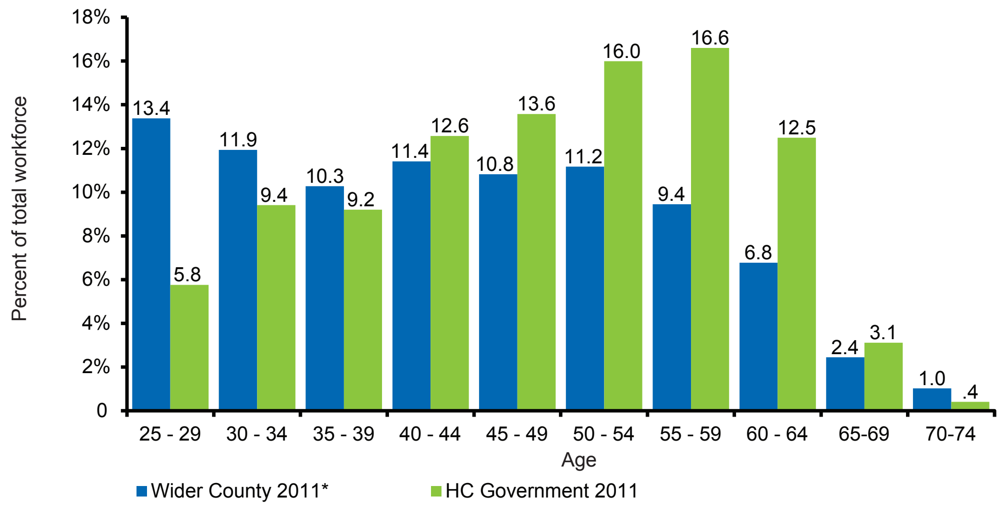
[b] 2010 American Community Survey (ACS), all those employed or looking for work

[c] Calculated by increasing ages in 2010 ACS by one year

Rule of 90

Retirement provisions common in government complicate the retirement picture for the Hennepin County government workforce. Most county employees who entered PERA before July 1, 1989 and have at least one year of PERA service are eligible to retire with unreduced benefits at age 65 or when age plus service-time equals 90, called the "Rule of 90." Those hired after July 1, 1989 and have completed at least one year of PERA service are eligible for unreduced benefits at their full Social Security retirement age or age 66, whichever comes first.[1]

Figure 1. Workforce comparison: Hennepin County government and total workforce



*Age values from 2010 ACS adjusted by one year

Source: 2010 American Community Survey, Hennepin County Human Resources
Calculations and figure by Hennepin County Research, Planning and Development

As of December 2011, 1,706[d] county government workers were set to qualify for the rule of 90 before age 65, about 24 percent of workers. Of these, 464, about 6.5 percent of the entire county government workforce, had already qualified for rule of 90 PERA benefits before age 65 in 2011.[2] A large number of county government workers who have reached the rule of 90 threshold, 162 to be exact, were age 62 to 64 in 2011. These workers could retire with full PERA benefits and some measure of Social Security benefits, yet have yet to do so. The number of workers qualifying for rule of 90 before age 66 (the normal age of unreduced PERA benefits) may remain relatively high for the next 10 years, peaking among workers who were age 59 in 2011 (144 workers). The number begins to trail off with 52 year olds and the youngest workers who qualify for rule of 90 turned age 42 in 2011.[3]

We do not have a good sense for how the rule of 90 affects retirement decisions. Qualification for unreduced PERA benefits is just one of many factors each worker must consider for their retirement. It will be important to track the rule of 90 status of county government retirees in order to predict how this sustained wave of rule of 90 qualifiers will affect retirement patterns at the county.

Forecasting retirement in Hennepin County

An older workforce, the prevalence of defined benefit pension plans and the availability of retiree health insurance for some employees means that Hennepin County government will experience an increase in retirement rates before the countywide workforce does. In fact, if retirement in the general economy is considered an iceberg, it may be more appropriate to call county government retirement projections a retirement tsunami.

RPD analysis of the separation rates of Hennepin County government workers age 58 and older between March 2008 and December 2011 suggests that eligibility for full Social Security benefits may be a reasonable, albeit somewhat conservative, approximation of retirement patterns in the county government workforce. Social Security eligibility is an interesting measure because nearly all workers qualify for Medicare and PERA before full Social Security benefits. It should be noted, as well, that analysis was conducted over a recessionary period – because the last recession increased workforce participation among older workers, retirement projections may be lower than they would be during normal economic times.

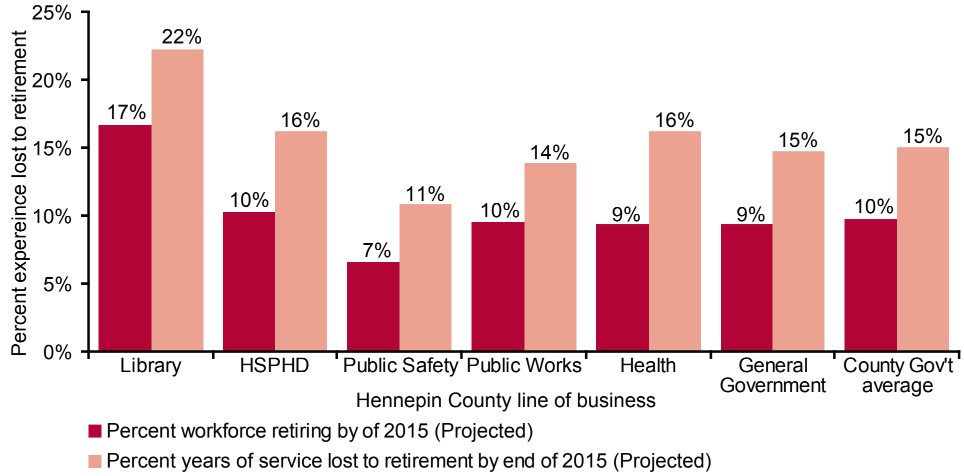
[d] Including those that have already qualified for PERA benefits under the Rule of 90

Using qualification for full Social Security benefits as a predictor of retirement, 684 employees – a little under 10 percent of all county government workers – would retire by the end of 2015. By the end of 2020, that figure would rise to 26 percent of all current workers. By 2030, over half of all current county government workers will have retired.[e]

Because retiring workers tend to have more years of service than average, projected retirement rates underestimate the human capital loss to the county government workforce. While most county governmental units will lose 9 to 10 percent of their workers to retirement by 2015, these retiring workers currently make up 14 to 16 percent of the total years of service. For this reason, the coming retirement wave may have an outsized effect on institutional capacity when compared to non-retirement-related workforce turnover.

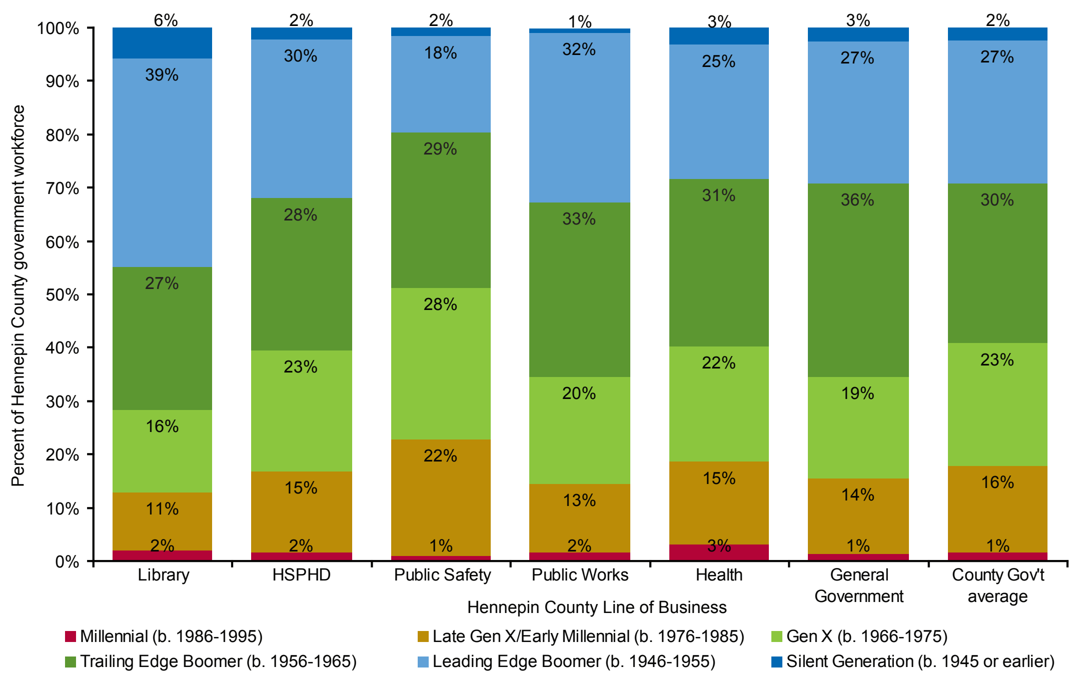
The prevalence of older workers in the county government workforce is compounded by a relative lack of younger workers. In the wider county, about 14 percent of workers were age 25 to 29 in 2010, the largest 5-year cohort of workers in the workforce and about three percentage points higher than the national average.[4] Hennepin County and the Twin Cities metro area may attract a disproportionate number of young people due to its large number of colleges and universities, job opportunities, immigration and its status as a regional cultural and economic center. Yet the Hennepin County government workforce does not reflect this relative abundance of younger workers in the region. In 2011, 25 to 29 year olds made up just 5.8 percent of the county government workforce, making them less than half as prevalent as in the wider county labor force.[5]

Figure 2. Projected years of service lost to retirement by end of 2015



Note: Permanent workers as of December 2011. Projection method: Social Security FRA.
Data source: Hennepin County Human Resources

Figure 3. Age structure by county line of business



Source: Hennepin County Human Resources (2011)

[e] These projections should be viewed as conservative rough estimates rather than precise forecasts.

Conclusion

The Hennepin County government workforce is older, more experienced and closer to retirement than the wider county workforce. Furthermore, retirement benefit structures in PERA such as the defined benefit retirement plan and the rule of 90 decrease incentives to delay retirement compared to the wider workforce, though we do not know for sure how much either of these factors will make a significant difference in county government retirement patterns. Ready or not, Hennepin County government will experience the issues related to an aging workforce very soon, potentially providing a glimpse of what is to come for the rest of the workforce.

References

1 Retirement Benefits. Public Employees Retirement Associate of MN. Last updated February 1, 2012. Retrieved from http://www.mnpera.org/index.asp?Type=B_BASIC&SEC={6CE0D75A-AB90-46D6-B252-D920E79A2F26}

2 Hennepin County Human Resources Data (December 2011). Author’s calculations

3 Hennepin County Human Resources Data (December 2011). Author’s calculations

4 Census 2010, Public Use Microdata Sample (PUMS). Author’s calculations.

5 Hennepin County Human Resources Data (December 2011). Author’s calculations