



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director
RE: Amendment Permitting Rollovers of Reemployed Annuitant Earnings Limitation Accumulations (LCPR05-245)
DATE: April 19, 2005

Amendment LCPR05-245 is a blind amendment that would amend Minnesota Statutes, Section 356.47, the provision governing the payment of accumulations in a separate account deposited by an annuitant who was reemployed in the public sector at an annual rate of compensation in excess of the applicable Social Security earnings test, by allowing a retiree to roll the account accumulation into a tax-qualified retirement savings vehicle under the federal Internal Revenue Code, including the Minnesota State Deferred Compensation Plan.

Amendment LCPR05-245, if federal tax law permits the rollover, would give a retiree flexibility in the receipt of these mandatorily deferred benefit amounts. The added flexibility does not seem to be at odds with the 2002 legislation that added Minnesota Statutes, Section 356.47.

Amendment LCPR05-245, however, probably has limited application. To have a large enough accumulation to merit tax planning as the amendment would allow, the retiree would need to earn a very large reemployment compensation amount (substantially in excess of \$31,800 annually) and to do so for several years.

Amendment LCPR05-259 attempts to implement some additional clarifying language suggested by the Retirement Services Tax Counsel of the Variable Annuity Life Insurance Company (VALIC). Amendment LCPR05-259, however, omits the portion of the suggested language relating to ex spouses under domestic relations orders, since the amounts in the reemployed annuity earnings limitation account are already deductions from the annuity payable to the reemployed annuity and should not raise marriage dissolution division issues and since the inclusion of the language would raise questions about conformity with Minnesota Statutes, Section 518.58.