

**S.F. 765**

(Pappas)

H.F. 870

(Kahn)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MnSCU: MSRS-General, TRA, and first class city teachers
Relevant Provisions of Law: Minnesota Statutes, Sections 352.115; 354.445; 354A.31
General Nature of Proposal: Increases the MnSCU reemployed annuitant earnings limitation.
Date of Summary: March 11, 2013

Specific Proposed Changes

- Relating to MSRS-General and to TRA, increases the amount that a MnSCU retiree, upon reemployment part-time by MnSCU, can earn without triggering the usual reemployed annuitant earnings limitations from \$46,000 annually to two-thirds of full-time employment.

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of continuing the MnSCU faculty retiree reemployed annuity withholding exemption.
2. Unclear establishment of a need for an increase in the withholding exemption amount.
3. Need to fashion appropriate application of the exemption for recipients of a MnSCU early retirement incentive.

Potential Amendments

- S0765-1A increases the 2000 dollar figures by a rounded-up amount based on the cost of living increase since 2000.
- S0765-2A replicates S0765-1A for Fiscal Year 2014 and increases that amount by the increase in the federal Consumer Price Index each fiscal year after June 30, 2014.
- S0765-3A adds an eligibility limitation to the proposed legislation disqualifying early retirement incentive recipients from the reemployed annuitant earnings limitation exception.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *LAM*
RE: S.F. 765 (Pappas); H.F. 870 (Kahn): MnSCU; Increase in the Maximum Salary for the Annuitant Return-to-Work Provision
DATE: March 7, 2013

Summary of S.F. 765 (Pappas); H.F. 870 (Kahn)

S.F. 765 (Pappas); H.F. 870 (Kahn) amends Minnesota Statutes, Sections 352.115, Subdivision 1 and 4, 354.445. and 354A.31, Subdivision 3a, the MnSCU reemployment annuity withholding exemption provisions of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) and of the Teachers Retirement Plan (TRA), and of the first class city teachers retirement fund association law, by replacing the \$46,000 exemption figure with a two-thirds of full-time employment compensation exemption.

Background Information

- **Attachment A:** Background information on the reemployed annuitant earnings limitations.

Discussion and Analysis

S.F. 765 (Pappas); H.F. 870 (Kahn), relating to MSRS-General and to TRA, increases the amount that a MnSCU retiree, upon reemployment part-time by MnSCU, can earn without triggering the usual reemployed annuitant earnings limitations from \$46,000 annually to two-thirds of full-time employment.

The proposed legislation raises the following pension and related public policy issues for consideration and possible discussion by the Commission:

1. Appropriateness of Continuing the MnSCU Faculty Retiree Reemployed Annuity Withholding Exemption. The policy issue is the appropriateness of continuing to exempt from the reemployed annuitant earnings limitations provision of MSRS-General or TRA some portions of the subsequent part-time MnSCU employment compensation. The provision, when first enacted, was presented as necessary to meet a narrow problem of faculty retirements in subject matter areas which had limited offerings and which were difficult to fill, making the use of retired faculty hired on a part-time basis a very cost effective mechanism. The exemption has been in effect for such a long period and with such limited legislative oversight that the exemption likely has expanded in its use from its original narrow purpose and has been engrained in MnSCU. Indications from the IFO have been that the withholding exemption has been a useful personnel sorting mechanism to induce some faculty to phase out into retirement and free up employment for younger faculty members. Public pension plans are frequently criticized in the popular press for allowing "double dipping" when those plans permit retirees to be reemployed after retirement by the same employer and receive substantial reemployment compensation in addition to this provision. Before potentially increasing a practice that could be labeled by the media as a double-dipping expansion, the Commission would be well advised to request sufficient information on past utilization of the withholding exemption to justify the proposed change in the exemption from charges of encouraging double-dipping.
2. Unclear Establishment of a Need for an Increase in the Withholding Exemption Amount. The policy issue is whether or not the proponents of the proposed legislation have established a need for an increase in the amount of the reemployed annuitant earnings limitation exemption. If the need for an exemption is clear after consideration of policy issue #1, the basis for establishing a need for an exemption amount increase should be demonstrated. The simple passage of time for a narrowly focused purpose program is unlikely to be a sufficient demonstration of need. A better method for documenting a need for an increase would be the documentation of instances where MnSCU desired to retain a portion of the teaching services of a retiring faculty member and was not able to reemploy the-retired faculty member on a part-time basis because \$46,000 annual compensation was insufficient. If the passage of time is determined to be the appropriate measure of need, the cost of living increase from July 1, 2000, to December 31, 2012, has been 38.14%, which would translate to a

figure of \$63,544. According to the IFO, two thirds of the top full-time MnSCU State University faculty would be \$79,000, or a 71.74% increase.

Amendment S0765-1A increases the 2000 dollar figures by a rounded-up amount based on the cost of living increase since 2000.

Amendment S0765-2A replicates Amendment S0765-1A for Fiscal Year 2014 and increases that amount by the increase in the federal Consumer Price Index each fiscal year after June 30, 2014.

3. Need to Fashion Appropriate Application of the Exemption for Recipients of a MnSCU Early Retirement Incentive. The policy issue is the appropriate relationship between the exemption changed in this proposed legislation and the MnSCU early retirement incentive program, where MnSCU makes cash payments or health care savings plan contributions, or both, to induce MnSCU faculty members to retire earlier than they otherwise would. If there is potential for perceived “double dipping” by a retired MnSCU faculty member who is reemployed part-time at \$46,000 without having any portion of the member’s annuity reduced or withheld, if the MnSCU faculty member also received an early retirement incentive of a significant cash or health care savings plan amount, the perception of inappropriate compensation practices would be reinforced. It may be appropriate to modify either this exemption provision or the MnSCU early retirement incentive program provision to exclude eligibility for the benefit of both provisions.

Amendment S0765-3A adds an eligibility limitation to the proposed legislation disqualifying early retirement incentive recipients from the reemployed annuitant earnings limitation exception.

Background Information on Reemployed Annuitant Exempt Earnings Limits

1. Reemployed Annuitant Earnings Limitations under Social Security. Since the creation of the Old Age and Survivors Insurance Program (Social Security) in the 1930s, Social Security benefits have been subject to an employment earnings limitation, known as the earnings test. The Social Security Administration maximum salary earnings limitations for continued receipt of full benefit amounts under the federal Old Age, Survivors and Disability Insurance Program are used by the Social Security Administration to determine whether Social Security benefits must be reduced because the individual has salary or self-employment income in excess of the maximums permitted under federal law for continued full receipt of those benefits.

The following table summarizes the annual maximum earnings permissible by Social Security benefit recipients for each year from 1985 onward, which a benefit recipient may receive without incurring a reduction in Social Security benefits. In the table these maximums are referred to as exempt amounts, since they indicate the highest salary earnings, which are exempt from a penalty—a reduction in the Social Security benefits that otherwise would be received. Under Social Security law, the exempt amount differs with the age of the individual. If an individual is under the Social Security full retirement age, once 65 and now between age 65 and age 67, depending on the person's year of birth, but drawing Social Security Old Age Insurance benefits, the maximums are fairly low. The exempt amount for the year in which the Social Security full retirement age is reached is notably higher. The following table has three columns, which are the applicable year, the maximum (exempt) amount under age 65 (before 2000) or under the full normal retirement age (after 1999), and the maximum amount for age 65-69 (before 2000) or for the full normal retirement age year (after 1999):

Year	Under Age 65	Age 65-69	Year	Prior to Year of Full Retirement Age	Year of Full Retirement Age
1985	\$5,400	\$7,320	2000	\$10,080	\$17,000
1986	\$5,760	\$7,800	2001	\$10,680	\$25,000
1987	\$6,000	\$8,160	2002	\$11,280	\$30,000
1988	\$6,120	\$8,400	2003	\$11,520	\$30,720
1989	\$6,480	\$8,880	2004	\$11,640	\$31,080
1990	\$6,840	\$9,360	2005	\$12,000	\$31,800
1991	\$7,080	\$9,720	2006	\$12,480	\$33,240
1992	\$7,440	\$10,200	2007	\$12,960	\$34,440
1993	\$7,680	\$10,560	2008	\$13,560	\$36,120
1994	\$8,040	\$11,160	2009	\$14,160	\$37,680
1995	\$8,160	\$11,280	2010	\$14,160	\$37,680
1996	\$8,280	\$12,500	2011	\$14,160	\$37,680
1997	\$8,640	\$13,500			
1998	\$9,120	\$14,500			
1999	\$9,600	\$15,500			

If the Social Security benefit recipient is under the full retirement age, the reduction is one dollar of Social Security benefits for each two dollars of earnings in excess of the maximum amount earned. For the year in which the full retirement age is attained, the reduction is one dollar for each three dollars of earnings in excess of the maximum amount earned. After full retirement age is reached, no reduction applies.

2. Reemployed Annuitant Earnings Limitations under the Minnesota Public Pension Plans. Among Minnesota public pension plans, but unlike Social Security, the public employee must terminate from active public employment with the employing unit to initially qualify to receive the public employee retirement annuity. If the individual's public pension plan has a reemployed annuitant earnings limit provision, the individual often (but not always) will be subject to that reemployed earnings limit if the individual returns to public employment with pension coverage in the same public pension system.

These reemployed annuitant provisions in Minnesota public pension plans bear a great similarity to the Social Security System but are far less global in scope. Under Social Security, the benefit reductions would be applied to any Social Security benefit recipient under the full retirement age who exceeded the maximum permissible exempt salary earnings, regardless of the employer, applicable for the individual's age. In contrast, if a Minnesota public pension plan has a reemployed annuitant earnings provision, reductions or suspension of the annuity by the plan will occur for those with salary income

in excess of exempt amounts only from employment covered by the same pension plan or system. An annuitant from the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) who becomes reemployed in a position covered by the Minnesota State Retirement System (MSRS), the Teachers Retirement Association (TRA), or any other public pension system, would not be subject to the reemployed annuitant provisions in PERA law. Also, no Minnesota public pension plan benefit reductions would occur if the annuitant becomes employed by a governmental employer in another state, by the federal government, or in the private sector.

Even within the same public pension system, reemployed annuitant reductions may not apply if the individual becomes employed in a position covered by another plan within the system. Typically, the laws have been constructed or interpreted in a way that applies reemployed annuitant earnings provisions if an annuitant from one plan in a system becomes employed by another plan in that same system providing that both plans were originally created within that system. A Public Employees Police and Fire Retirement Plan (PERA-P&F) annuitant who becomes employed in PERA-General covered employment will be subject to PERA's reemployed annuitant provision because PERA-P&F was spun out of PERA-General in 1959. However, a retiree from the State Patrol Retirement Plan who becomes reemployed in an MSRS-General covered position faces no reemployed annuitant penalties because the State Patrol Plan was originally not administered by MSRS, but was moved into MSRS for administrative purposes in 1969. The State Patrol Retirement Plan has no reemployed annuitant earnings provision in the plan, and the provision in MSRS-General law has been interpreted as not applying to State Patrol annuitants.

Reemployed annuitant earnings limitations in Minnesota law support the requirement that a public employee must terminate the employment relationship in order to receive a retirement benefit. The limitations ensure that politically connected public employees cannot manipulate the personnel system and also maximize their income by drawing a full retirement benefit along with a full salary. In doing this, the reemployed annuitant earnings limitations follow one of the traditional purposes for a retirement plan, which is to assist the personnel system in producing an orderly and systematic outtransitioning of senior employees who have reached the end of their normal working lifetime.

However, when reemployed annuitant earnings limitations do not apply uniformly, when some plans have no limits, when the limitations impact differently when applicable, or when no limitations apply to most reemployed annuitant situations (i.e., a public plan annuitant employed by a private sector employer or by a public sector employer of a different level or branch of government), the basic fairness of the limitations can be questioned.

The following chart provides information on the reemployed annuitant earnings limitation laws in Minnesota's public plans:

Retirement Plan	Applicable Compensation	Limit Threshold	Effect After Threshold Exceeded	Reemployment Period Retirement Coverage	Exceptions
General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General)	Salary or wages from state of from employer of MSRS-General members.	Social Security maximums (\$14,160 annually if under the Social Security normal retirement age; \$37,680 in year in which Social Security normal retirement age is reached; no limit thereafter).	Suspension of annuity for the balance of the calendar year or until reemployment termination, with the suspended annuity amounts deposited in a separate account, earning 6% compound annual interest prior to January 1, 2011, payable one year after the reemployment ends.	No retirement coverage.	No application to service as temporary legislative employee. Suspension lifted during any sick leave.
MSRS Correctional State Employees Retirement Plan (MSRS-Corr.)	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.
State Patrol Retirement Plan	No provision.	No provision.	No provision.	No provision.	No provision.
Legislators Retirement Plan	No provision.	No provision.	No provision.	No provision.	No provision.
Elective State Officers Retirement Plan	No provision.	No provision.	No provision.	No provision.	No provision.
Judges Retirement Plan	No provision.	No provision.	No provision.	No provision.	No provision.

Retirement Plan	Applicable Compensation	Limit Threshold	Effect After Threshold Exceeded	Reemployment Period Retirement Coverage	Exceptions
MSRS Unclassified State Employees Retirement Program (MSRS-Unclassified)	No provision.	No provision.	No provision.	No provision.	No provision.
Public Employees Retirement Association (PERA)	Salary from governmental subdivision employment or public employee labor union employment.	Social Security maximums (\$14,160 annually if under the Social Security normal retirement age; \$37,680 in year in which Social Security normal retirement age is reached; no limit thereafter).	Suspension or reduction, whichever produces higher annual amount. Suspension of amount is for the balance of the calendar year or until reemployment termination. Reduction is one-half of the excess over the maximum if under the Social Security full retirement age and one-third of the excess over the maximum if at the Social Security full retirement age. The reduction or suspended amount is deposited in a separate account, earning 6% compound annual interest prior to January 1, 2011, payable one year after the reemployment ends.	No retirement coverage.	No application to service as a local government elected official.
Public Employees Police & Fire Fund (PERA-P&F)	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.
Teachers Retirement Association (TRA)	Income from teaching for employing unit covered by TRA, income from consultant or independent contractor teaching services for employing unit covered by TRA, or income received by comparable position if greater than actual income received.	\$46,000 annually until Social Security normal retirement age; no limit thereafter.	Reduction in following calendar year annuity of one-half of the excess over the maximum, with the annuity reduction amount deposited in a separate account earning 6% compound annual interest prior to January 1, 2011, payable one year after the reemployment ends.	No retirement coverage.	No application to interim superintendents during a lifetime limit of three 90-day exemption periods or to reemployed retired Minnesota State Colleges and Universities faculty working between 33.3% and 66.7% of full time with salary under \$46,000.
First Class City Teacher Retirement Fund Associations	Same as TRA, except for applicable employers.	Same as TRA.	Same as TRA, except reduction is one-third of excess over the maximum; and for the DTRFA payment of interest ends June 30, 2010; for the SPTRFA, 6% interest continues until paid.	Same as TRA.	Same as TRA.
Minneapolis Employees Retirement Fund (MERF)	No provision.	No provision.	No provision.	No provision.	No provision.
Local Police or Salaried Firefighter Relief Associations	Typically no provision.	Typically no provision.	Typically no provision.	Typically no provision.	Typically no provision.

3. Example of MSRS Reemployed Annuitant Earnings Limitation Provision. The current Minnesota State Retirement System (MSRS) limit, Minnesota Statutes, Section 352.112, Subdivision 10, provides for a suspension of the year's annuity when earnings exceed the Social Security limitation, which is \$14,160 annually (\$1,180 monthly) in 2011 for retirees before the year in which Social Security normal retirement age is reached (between age 65 and age 66 for retirees with birth years between 1937 and 1955) and is \$37,680 annually for the year of attaining the Social Security full retirement age.

MSRS Annuitant Retiring at Age 63 with 30 Years Service

Final Five Years' Salary

Year 1	48,430
Year 2	50,850
Year 3	53,390
Year 4	56,060
Year 5	58,858

Highest Five Successive Years Average Salary	\$53,517.65
Benefit Accrual Percentage (30 Years x 1.7)	<u>x .51</u>
	\$27,294 (\$2,274.50/month) ¹

	Situation 1 MSRS Annuitant without any Reemployment		Situation 2 MSRS Annuitant with \$25,000 Reemployment Income	
Year 1	MSRS Annuity	\$27,294	Reemployed Earnings	\$25,000
	Total	\$27,294	MSRS Annuity	\$27,294
Year 2			Total	\$52,294
	MSRS Annuity	\$27,294	Exempt Earnings Limit	\$14,160
			Portion of Annuity Received	\$15,925
			Portion of Annuity Deferred	\$11,369
			Reemployed Earnings	\$25,000
			Portion of Annuity Received	\$15,925
	Total	\$27,294	Reemployed Earnings Plus Portion of Annuity Currently Received	\$40,925

\$25,000 in annual earnings is equal to \$2,083 per month. At that monthly rate the reemployed annuitant will exceed the exempt earnings limit in the seventh month, by which time the individual will have received \$15,925 in monthly annuity payments for the year. The remaining annual annuity amount, \$11,369, will be placed in a reemployed annuitant account and be released to the individual upon application one year after the reemployment ends. If the individual were older, in the year in which Social Security retirement age is reached, the exempt earnings limit would be \$37,680, which exceeds the reemployment earnings, so the individual would receive the full annuity with no deferral. After attaining Social Security retirement age, the individual is exempt from any exempt earnings limits.

¹ Does not include any reduction due to early receipt of the annuity.

1.1 moves to amend S.F. No. 765; H.F. No. 870, as follows:

1.2 Page 1, line 19, reinstate the stricken language and delete the new language and
1.3 strike "\$46,000" and insert "\$64,000"

1.4 Page 1, line 20, delete everything before "in"

1.5 Page 1, line 23, reinstate the stricken language

1.6 Page 1, line 24, reinstate "than " and delete the new language and insert "\$64,000 "

1.7 Page 2, line 3, reinstate "over" and delete the new language and insert "\$64,000"

1.8 Page 2, line 16, reinstate "earn a salary of more than " and delete the new language
1.9 and insert "\$64,000"

1.10 Page 2, line 17 delete everything before "in"

1.11 Page 2, line 32, reinstate "earns more than "

1.12 Page 2, line 33, delete the new language before "in" and insert "\$64,000"

1.13 Page 3, line 2, reinstate "over " and delete the new language and insert "\$64,000"

1.14 Page 3, line 18, reinstate "earn a salary of more than " and delete the new language
1.15 and insert "\$64,000"

1.16 Page 3, line 19, delete "of a full-time basis "

1.1 moves to amend S.F. No. 765; H.F. No. 870, as follows:

1.2 Page 1, line 19, reinstate the stricken language and delete the new language and
1.3 strike "\$46,000" and insert "\$64,000 before July 1, 2014, and a figure increased by the
1.4 percentage increase in the federal Consumer Price Index for urban wage earners and
1.5 clerical workers all items published by the Bureau of Labor Statistics of the united States
1.6 Department of Labor from June 30, 2014, to the preceding June 30"

1.7 Page 1, line 20, delete everything before "in"

1.8 Page 1, line 23, reinstate the stricken language

1.9 Page 1, line 24, reinstate "than " and delete the new language and insert "\$64,000
1.10 before July 1, 2014, and a figure increased by the percentage increase in the federal
1.11 Consumer Price Index for urban wage earners and clerical workers all items published by
1.12 the Bureau of Labor Statistics of the united States Department of Labor from June 30,
1.13 2014, to the preceding June 30 "

1.14 Page 2, line 3, reinstate "over" and delete the new language and insert "\$64,000
1.15 before July 1, 2014, and a figure increased by the percentage increase in the federal
1.16 Consumer Price Index for urban wage earners and clerical workers all items published by
1.17 the Bureau of Labor Statistics of the united States Department of Labor from June 30,
1.18 2014, to the preceding June 30"

1.19 Page 2, line 16, reinstate "earn a salary of more than " and delete the new language
1.20 and insert "\$64,000 before July 1, 2014, and a figure increased by the percentage increase
1.21 in the federal Consumer Price Index for urban wage earners and clerical workers all items
1.22 published by the Bureau of Labor Statistics of the united States Department of Labor from
1.23 June 30, 2014, to the preceding June 30 "

1.24 Page 2, line 17 delete everything before "in"

1.25 Page 2, line 32, reinstate "earns more than "

1.26 Page 2, line 33, delete the new language before "in" and insert "\$64,000 before July
1.27 1, 2014, and a figure increased by the percentage increase in the federal Consumer Price
1.28 Index for urban wage earners and clerical workers all items published by the Bureau of
1.29 Labor Statistics of the united States Department of Labor from June 30, 2014, to the
1.30 preceding June 30"

1.31 Page 3, line 2, reinstate "over " and delete the new language and insert "\$64,000
1.32 before July 1, 2014, and a figure increased by the percentage increase in the federal
1.33 Consumer Price Index for urban wage earners and clerical workers all items published by
1.34 the Bureau of Labor Statistics of the united States Department of Labor from June 30,
1.35 2014, to the preceding June 30"

2.1 Page 3, line 18, reinstate "earn a salary of more than " and delete the new language
2.2 and insert "\$64,000 before July 1, 2014, and a figure increased by the percentage increase
2.3 in the federal Consumer Price Index for urban wage earners and clerical workers all items
2.4 published by the Bureau of Labor Statistics of the united States Department of Labor from
2.5 June 30, 2014, to the preceding June 30 "

2.6 Page 3, line 19, delete "of a full-time basis "

1.1 moves to amend S.F. No. 765; H.F. No. 870, as follows:

1.2 Page 1, after line 14, insert

1.3 "(3) was not a recipient of an early retirement incentive under section 136F.481 or
1.4 any similar early retirement incentive program;"

1.5 Page 1, line 15, strike "(3)" and insert "(4)"

1.6 Page 1, line 17, strike "(4)" and insert "(5)"

1.7 Page 2, after line 12, insert

1.8 "(3) was not a recipient of an early retirement incentive under section 136F.481 or
1.9 any similar early retirement incentive program;"

1.10 Page 2, line 13, strike "(3)" and insert "(4)"

1.11 Page 2, line 14, strike "(4)" and insert "(5)"

1.12 Page 3, after line 13, insert

1.13 "(3) was not a recipient of an early retirement incentive under section 136F.481 or
1.14 any similar early retirement incentive program;"

1.15 Page 3, line 14, strike "(3)" and insert "(4)"

1.16 Page 3, line 16, strike "(4)" and insert "(5)"

2.1 through reemployment in the Minnesota State Colleges and Universities system following
 2.2 retirement, the annuity reduction provisions of section 352.115, subdivision 10, apply only
 2.3 to income ~~over \$46,000~~ for employment in excess of two-thirds of a full-time basis.

2.4 Sec. 3. Minnesota Statutes 2012, section 354.445, is amended to read:

2.5 **354.445 NO ANNUITY REDUCTION.**

2.6 (a) The annuity reduction provisions of section 354.44, subdivision 5, do not apply
 2.7 to a person who:

2.8 (1) retires from the Minnesota State Colleges and Universities system with at least
 2.9 ten years of combined service credit in a system under the jurisdiction of the Board of
 2.10 Trustees of the Minnesota State Colleges and Universities;

2.11 (2) was employed on a full-time basis immediately preceding retirement as a faculty
 2.12 member or as an unclassified administrator in that system;

2.13 (3) begins drawing an annuity from the teachers retirement association; and

2.14 (4) returns to work on not less than a one-third time basis and not more than a
 2.15 two-thirds time basis in the system from which the person retired under an agreement in
 2.16 which the person may not ~~earn a salary of more than \$46,000~~ be employed for more
 2.17 than two-thirds of a full-time basis in a calendar year ~~from~~ through employment after
 2.18 retirement in the system from which the person retired.

2.19 (b) Initial participation, the amount of time worked, and the duration of participation
 2.20 under this section must be mutually agreed upon by the president of the institution where
 2.21 the person returns to work and the employee. The president may require up to one-year
 2.22 notice of intent to participate in the program as a condition of participation under this
 2.23 section. The president shall determine the time of year the employee shall work. The
 2.24 employer or the president may not require a person to waive any rights under a collective
 2.25 bargaining agreement as a condition of participation under this section.

2.26 (c) Notwithstanding any law to the contrary, a person eligible under paragraphs (a)
 2.27 and (b) may not, based on employment to which the waiver in this section applies, earn
 2.28 further service credit in a Minnesota public defined benefit plan and is not eligible to
 2.29 participate in a Minnesota public defined contribution plan, other than a volunteer fire plan
 2.30 governed by chapter 424A. No employer or employee contribution to any of these plans
 2.31 may be made on behalf of such a person.

2.32 (d) For a person eligible under paragraphs (a) and (b) who ~~earns more than \$46,000~~
 2.33 is employed in excess of two-thirds of a full-time basis in a calendar year ~~from~~ through
 2.34 employment after retirement due to employment by the Minnesota state colleges and

3.1 universities system, the annuity reduction provisions of section 354.44, subdivision 5, apply
3.2 only to income ~~over \$46,000~~ for employment in excess of two-thirds of a full-time basis.

3.3 (e) A person who returns to work under this section is a member of the appropriate
3.4 bargaining unit and is covered by the appropriate collective bargaining contract. Except
3.5 as provided in this section, the person's coverage is subject to any part of the contract
3.6 limiting rights of part-time employees.

3.7 Sec. 4. Minnesota Statutes 2012, section 354A.31, subdivision 3a, is amended to read:

3.8 Subd. 3a. **No annuity reduction.** (a) The annuity reduction provisions of
3.9 subdivision 3 do not apply to a person who:

3.10 (1) retires from the technical college system with at least ten years of service credit
3.11 in the system from which the person retires;

3.12 (2) was employed on a full-time basis immediately preceding retirement as a
3.13 technical college faculty member;

3.14 (3) begins drawing an annuity from a first class city teachers retirement association;
3.15 and

3.16 (4) returns to work on not less than a one-third time basis and not more than a
3.17 two-thirds time basis in the technical college system under an agreement in which the
3.18 person may not ~~earn a salary of more than \$46,000~~ be employed for more than two-thirds
3.19 of a full-time basis in a calendar year from through the technical college system.

3.20 (b) Initial participation, the amount of time worked, and the duration of participation
3.21 under this section must be mutually agreed upon by the employer and the employee. The
3.22 employer may require up to a one-year notice of intent to participate in the program as a
3.23 condition of participation under this section. The employer shall determine the time
3.24 of year the employee shall work.

3.25 (c) Notwithstanding any law to the contrary, a person eligible under paragraphs
3.26 (a) and (b) may not earn further service credit in a first class city teachers retirement
3.27 association and is not eligible to participate in the individual retirement account plan or
3.28 the supplemental retirement plan established in chapter 354B as a result of service under
3.29 this section. No employer or employee contribution to any of these plans may be made on
3.30 behalf of such a person.

3.31 Sec. 5. **EFFECTIVE DATE.**

3.32 Sections 1 to 4 are effective July 1, 2013.

