



H.F. 284
(O'Driscoll)

S.F. 54
(Pappas)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): TRA
Relevant Provisions of Law: Minnesota Statutes, Chapter 354
General Nature of Proposal: Administrative provisions.
Date of Summary: March 19, 2015

Specific Proposed Changes

- The reemployed annuitant earnings limit for Teachers Retirement Association (TRA) retirees reemployed by the Minnesota State Colleges and Universities System (MnSCU) is shifted from a calendar year to a fiscal year period, effective retroactively to January 1, 2015.
- For strike periods and leave periods, the interest-free period on service credit acquisition payments is extended by six months.
- To comply with the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) and retain the plan's exemption from federal income tax, for post-December 31, 2006, military member deaths, additional benefits obtainable from any Minnesota public pension plan had the military service member returned to active plan coverage before dying are extended to the survivors, retroactive to January 1, 2007.
- To comply with the federal Internal Revenue Code, for optional annuity forms, the optional annuity must be converted to a single life annuity using the plan's interest rate and mortality table or a default interest rate and mortality table, whichever produces a greater amount, retroactive to January 1, 2005.

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of MnSCU reemployed annuitant earnings limit waiver change.
2. Appropriateness of a benefit improvement in an administrative bill.
3. Remaining lack of uniformity in payments for leaves or strike periods.
4. Appropriateness of retroactive effective dates.

Potential Amendments

H0264-1A would add the identical reemployed annuitant earnings limit waiver change for MSRS and the first class city teacher retirement plans.

H0294-2A would make the interest payment commencement provision in TRA consistent with MSRS and PERA.

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TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JAM*
RE: H.F. 284 (O'Driscoll); S.F. 54 (Pappas): TRA; 2015 Administrative Provisions
DATE: March 19, 2015

General Summary of H.F. 284 (O'Driscoll); S.F. 54 (Pappas)

H.F. 284 (O'Driscoll); S.F. 54 (Pappas) amends portions of Minnesota Statutes, Chapter 354, the Teachers Retirement Association (TRA) law, and Chapter 356, retirement generally, by making the following changes requested on behalf of the TRA board of trustees:

1. Annuitant Earnings Limit Waiver Timeframe When Reemployed by MnSCU. The reemployed annuitant earnings limit for TRA retirees reemployed by the Minnesota State Colleges and Universities System (MnSCU) is shifted from a calendar year to a fiscal year period, effective retroactively to January 1, 2015 (*Sec. 1*);
2. Leave/Strike Period Service Credit Purchase Interest-Free Period. For strike periods and leave periods, the interest-free period on service credit acquisition payments is extended by six months (*Sec. 2*);
3. USERRA Survivor Rights Extension Compliance. To comply with the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) and retain the plan's exemption from federal income tax, for post-December 31, 2006, military member deaths, additional benefits obtainable from any Minnesota public pension plan had the military service member returned to active plan coverage before dying are extended to the survivors, retroactive to January 1, 2007 (*Sec. 3*); and
4. Federal Internal Revenue Code Benefit Amount Limit Compliance. To comply with the federal Internal Revenue Code, for optional annuity forms, the optional annuity must be converted to a single life annuity using the plan's interest rate and mortality table or a default interest rate and mortality table, whichever produces a greater amount, retroactive to January 1, 2005 (*Sec. 4*).

Section-by-Section Summary

A section-by-section summary of H.F. 284 (O'Driscoll); S.F. 54 (Pappas) is attached.

Background Information on Relevant Topics

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Reemployed annuitant earnings exempt earnings limits.
- **Attachment B:** Leaves of absence or strike period provisions.
- **Attachment C:** Side-by-side comparison of short-period leave of absence contribution equivalent payment procedure provisions.
- **Attachment D:** The Uniformed Services Employment and Reemployment Rights Act (USERRA).

Discussion and Analysis

H.F. 284 (O'Driscoll); S.F. 54 (Pappas) the Teachers Retirement Association 2015 administrative bill, revises the TRA annuity reduction waiver provision for certain Minnesota State Colleges and Universities (MnSCU) reemployed annuitants by basing permitted maximums on fiscal year earnings rather than calendar year earnings; by extending the length of time under which TRA members may make payment without interest to receive service credit for strike periods and periods of leave, other than extended leaves; by clarifying for all Minnesota public plans survivor benefit rights of those members who die while on active military duty; and by clarifying how benefit forms other than single life annuity amounts are to be treated for purposes of compliance with benefit limitations in federal Internal Revenue Code.

The proposed legislation raises several pension and related public policy issues for consideration by and possible discussion between members of the Commission, including the following:

1. Appropriateness of MnSCU Reemployed Annuitant Earnings Limit Waiver Change. The policy issue is the appropriateness of the change proposed by the Teachers Retirement Association (TRA) in the

timing for the period to determine the reemployed annuitant earnings limit for annuitants reemployed by the Minnesota State Colleges and Universities System (MnSCU). This TRA reemployed annuitant waiver provision has been part of TRA law since 1994, and from that year TRA has based the excluded income limits on calendar year earnings. Now, 20 years after this provision was first enacted, TRA is proposing to base the comparisons on fiscal year earnings rather than calendar year earnings. It is unclear what situation has developed within TRA or within MnSCU that makes the change necessary or administratively more workable. Many MnSCU faculty are covered by TRA, but a number are covered by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), with Minnesota Statutes, Section 352.1155, applicable or by the St. Paul Teachers Retirement Fund Association (SPTRFA), with Minnesota Statutes, Section 354A.31, Subdivision 3a, applicable, but the same change is not being proposed for those two retirement plans, leading to the conclusion that no change in MnSCU made the proposed legislation necessary. If the TRA provision is revised while the first class city teacher retirement plan and MSRS provisions remain unchanged, this will cause inconsistent treatment of similarly situated individuals.

- If the Commission concludes that the change is inappropriate or unnecessary, Section 1 of the proposed legislation could be eliminated.
- If the Commission concludes that the identical provisions should be made in the MSRS and in the first class city teacher retirement plan law, **Amendment H0264-1A** would add the identical change for those retirement plans.

2. Appropriateness of a Benefit Improvement in an Administrative Bill. The policy issue is whether or not it is appropriate to include in proposed legislation intended to make administrative or technical corrections or revisions in retirement law provisions that provide a benefit improvement to plan members or that increase the actuarial accrued liability of the retirement plan. Section 2 of the proposed legislation extends by six months the period of time without the obligation to pay interest for plan members who make payments to obtain allowable service credit for most leave periods or for strike periods. Proposed pension legislation consisting of changes of an administrative or technical nature are undoubtedly necessary for a retirement plan to respond to changing circumstances or to correct a misdrafted or obsolete portion of retirement plan law are likely to be given a certain latitude or deference in scrutiny by the Commission, but the inclusion of benefit improvement or liability-creating provisions with administrative legislation may be viewed as violating that general understanding. Lengthening the time period during which the payment for most leaves of absence or for strike periods can be made without paying interest is a clear advantage to the applicable plan members and foregoes assets that otherwise strengthen the pension plan's fiscal health. With an annual average member contribution of \$4,227 for Teachers Retirement Association (TRA) members, a six-month additional interest-free period would diminish TRA revenue by \$180 for every member with a one-year leave on top of the foregone revenue for the interest-free period already provided for under current law. Because TRA has funding problems, any diminishment of revenue by extending an interest-free period for leave payments should be forwarded only if there is a considerable countervailing benefit to the retirement plan or the existence of an insurmountable administrative problem in obtaining the interest payment. No evidence of either condition has been forwarded by TRA and the interest-free leave payment period extension may simply represent an attempt by TRA staff to avoid complaints and criticisms by TRA members.

The following summarizes the funded condition and funding requirements for TRA under both the actuarial value of assets basis (i.e., official actuarial results) and the market value of assets basis for July 1, 2013, and July 1, 2014:

	TRA Fiscal Year 2014				TRA Fiscal Year 2013			
	Actuarial Value of Assets		Market Value of Assets		Actuarial Value of Assets		Market Value of Assets	
Membership								
Active Members	77,243		77,243		76,765		76,765	
Service Retirees	53,774		53,774		52,331		52,331	
Disabilitants	563		563		568		568	
Survivors	4,472		4,472		4,269		4,269	
Deferred Retirees	12,907		12,907		12,614		12,614	
Nonvested Former Memb.	<u>29,984</u>		<u>29,984</u>		<u>28,881</u>		<u>28,881</u>	
Total Membership	178,943		178,943		175,428		175,428	
Funded Status								
Accrued Liability	\$24,528,506,000		\$24,528,506,000		\$23,418,629,000		\$23,418,629,000	
Current Assets	<u>\$18,181,932,000</u>		<u>\$20,289,594,000</u>		<u>\$16,774,626,000</u>		<u>\$18,015,194,000</u>	
Unfunded Accr. Liability	\$6,346,574,000		\$4,238,912,000		\$6,644,003,000		\$5,401,435,000	
Funding Ratio	74.13%		82.72%		71.63%		79.50%	
Financing Requirements								
Covered Payroll	\$4,353,988,000		\$4,353,988,000		\$4,205,399,000		\$4,205,399,000	
Benefits Payable	\$1,580,120,000		\$1,580,120,000		\$1,521,477,000		\$1,521,477,000	
Normal Cost	8.70%	\$378,843,000	8.70%	\$378,843,000	8.40%	\$353,335,000	8.40%	\$353,335,000
Administrative Expenses	0.22%	\$9,579,000	0.22%	\$9,579,000	0.23%	\$9,672,000	0.23%	\$9,672,000
Amortization	<u>10.23%</u>	<u>\$445,413,000</u>	<u>6.83%</u>	<u>\$297,493,815</u>	<u>10.78%</u>	<u>\$453,342,000</u>	<u>8.76%</u>	<u>\$368,557,000</u>
Total Requirements	19.15%	\$833,835,000	15.75%	\$685,915,815	19.41%	\$816,349,000	17.39%	\$731,564,000

	TRA Fiscal Year 2014				TRA Fiscal Year 2013			
	Actuarial Value of Assets		Market Value of Assets		Actuarial Value of Assets		Market Value of Assets	
Employee Contributions	7.50%	\$326,573,000	7.50%	\$326,573,000	7.00%	\$294,416,000	7.00%	\$294,416,000
Employer Contributions	7.70%	\$335,309,000	7.70%	\$335,309,000	7.19%	\$302,454,000	7.19%	\$302,454,000
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.48%	\$21,001,000	0.48%	\$21,001,000	0.47%	\$19,954,000	0.47%	\$19,954,000
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Admin. Assessment	0.00%	\$0	0.00%	\$0	0.00%	\$0	0.00%	\$0
Total Contributions	15.68%	\$682,883,000	15.68%	\$682,883,000	14.67%	\$616,824,000	14.67%	\$616,824,000
Total Requirements	19.15%	\$833,835,000	15.75%	\$685,915,815	19.41%	\$816,349,000	17.39%	\$731,564,000
Total Contributions	15.68%	\$682,883,000	15.68%	\$682,883,000	14.67%	\$616,824,000	14.67%	\$616,824,000
Deficiency (Surplus)	3.47%	\$150,952,000	0.07%	\$3,032,815	4.74%	\$199,525,000	2.72%	\$114,740,000

The Fiscal Year 2014 TRA actuarial valuation results do not include the impact of the merger with the Duluth Teachers Retirement Fund Association (DTRFA), which will have a likely negative impact on TRA's funded condition and a likely positive impact on TRA's funding requirements.

3. Remaining Lack of Uniformity in Payments for Leaves or Strike Periods. The policy issue is the question of uniformity among the major Minnesota general employee public pension plans and the difference between the Teachers Retirement Association (TRA), the Minnesota State Retirement System (MSRS), and the Public Employees Retirement Association (PERA) with respect to the payment of interest on contribution equivalent amounts for leave periods. **Attachment C** provides a comparison of the leave payment provisions of the three retirement systems, with the chief difference being the date on which interest on the contribution equivalent begins under current law, which is a difference increased in magnitude by Section 2 of the proposed legislation. Additionally, the St. Paul Teachers Retirement Fund Association (SPTRFA) lacks a comparable provision aggregating its various leave payment provisions into a single statutory section and reflecting the practice in the other general employee retirement plans.
 - If the Commission wishes to increase uniformity in the interest payment initiation requirement between TRA, PERA, and MSRS rather than increasing the disparity, **Amendment H0264-2A** would make the interest payment commencement provision in TRA consistent with MSRS and PERA.
4. Appropriateness of Retroactive Effective Dates. The policy issue is the appropriateness of three of the four "administrative" changes being made retroactively. The reemployed annuitant earnings limitation waiver for certain Minnesota State Colleges and Universities System (MnSCU) employees is made retroactive to January 1, 2015, the start of the calendar year, for a change in the determination period to fiscal years. The two tax law conformity provisions have extended retroactive effect, with the military decedent survivor coverage change retroactive to 2007 and the optional annuity maximum benefit determination procedure change retroactive to 2005. Since both of the tax conformity provisions relate to benefit payments, prior to any favorable recommendation, the Commission may be well advised to query the various retirement administrators about whether or not back survivor benefits would be payable under one of the provisions and whether benefit overpayments and tax penalties may be involved in the other. If the tax conformity provisions are more than simple face value compliance and actually involve some benefit impact, a more explicit and detailed retroactive effective date is likely to be necessary. If the tax conformity changes are simply catching up with prior current tax compliance changes, it may be necessary to take testimony from TRA and/or its tax consultant on why these compliance changes were not raised in a more timely fashion, not potentially eight and ten years late.

Section-by-Section Summary of H.F. 284 (O'Driscoll); S.F. 54 (Pappas)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
1	1.9	354.445	TRA	The reemployed annuitant annuity reduction waiver provision applicable to certain rehired /MNSCU annuitants is revised by basing maximum excluded earnings limits on fiscal year rather than calendar year earnings.
2	2.23	354.72, Subd. 2	TRA	The authorized leave of absence and strike period service credit purchase procedure is revised by extending the period under which interest-free payment is permitted for strike periods or leaves other than an extended leave of absence, from June 30 of the year of the leave until the following December 31.
3	3.21	356.635, Subd. 9	Retirement generally	The Internal Revenue Code compliance military service provision is revised by clarifying for all Minnesota public pension plans survivor benefit rights for survivors of those who die while on active military service. These survivor benefit rights must be consistent with the Uniformed Services Employment and Reemployment Rights Act (USERRA), including any benefits which are ordinarily contingent on the member's death occurring following reemployment, and treating qualified military service as qualifying for vesting purposes. The revisions apply to deaths occurring after December 31, 2005.
4	4.1	356.635, New Subd. 10	Retirement generally	The Internal Revenue Code compliance provision is amended by adding a subdivision on benefit limitations specifying how, for purposes of applying benefit limitations required by Section 415(b) of the federal IRC, any benefit is to be adjusted to its actuarially equivalent single life annuity amount for purposes of determining compliance.

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Background Information on Reemployed Annuitant Exempt Earnings Limits

1. Purpose of Reemployed Annuitant Limitations. Reemployed annuitant earnings limitations are a feature of some defined benefit retirement plans that require either a forfeiture or withholding of all or a portion of a retirement annuity if the retiree becomes reemployed after retirement by an employer who is an employing unit covered by the retirement plan.

Although reemployed annuitant earnings limitations were not part of the original enactments of the major Minnesota retirement plans, they were enacted more than four decades ago no documentation exists as to the policy ends arguing for their addition. Five policy considerations could have provided the rationale, in whole or in combination, for the addition of reemployed annuitant savings limitations, as follows:

2. Financial/Funding Considerations. The use of reemployed annuitant earnings limitations, especially if the limitation includes a forfeiture of some or all of the retiree's annuity, will produce an actuarial gain (i.e., liability release) when imposed, that will improve the financial or actuarial condition of the retirement plan. Additionally, the limitation can influence behavior, potentially causing delays in retirements by individuals in a position to retire earlier than the normal retirements age and to become reemployed at more than an incidental level of compensation with an employer also covered by the retirement plan, which will lead to actuarial gains in the short run and to reduced calculated actuarial normal costs when the behavior becomes fully reflected in the retirement age and withdrawal actuarial assumptions.
3. Enhance Recognition of Retirement as Employment Conclusion. The use of reemployment earnings limitations will encourage active pension plan members to begin receiving retirement annuities no earlier than at the age when their regular substantial employment concludes, enhancing "normal retirement" as the regular or usual age for drawing a retirement annuity. This is consistent with the purpose for a retirement plan specified in the Pension Policy Principles of the Legislative Commission on Pensions and Retirement (Principle II. A. 1.), which is

...to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic out-transitioning of existing public employees at the normally expected conclusion of their working careers or the systematic phasing-out of existing employees who are nearing the normally expected conclusion of their full-time working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.

4. Dissuade Early Retirement Funding A Second Career. The use of reemployment earnings limitations could function to dissuade active retirement plan members from retiring before the normal retirement age and use their early retirement annuity to finance the creation of a second career, which has never been a stated purpose of a Minnesota public retirement plan.
5. Replication of Social Security Benefit Practices. The use of reemployed annuitant earnings limitations paralleled or replicated the practice of the Social Security System, which utilizes an "earnings test" originally in connection with all Social Security benefit recipients and currently in connection with pre-age 65/age 66/age 67 Social Security benefit recipients.
6. Address Public Displeasure with Actual or Perceived Double-Dipping. The use of reemployed annuitant earnings limitations can mollify any displeasure voiced by the general public over public retirement plan annuitants also being employed in substantial post-retirement public employment, a practice sometimes referred to as "double dipping". Where the reemployed annuitant earnings limitation results in a forfeiture of some or all of the retirement annuity when the earnings limitation has been exceeded, the acceptability of double compensation at the same time by a reemployed annuitant is addressed.
7. 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 (SSA) 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 SSA 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 table summarizes the annual maximum earnings permissible by Social Security benefit recipients for each year from 1995 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 reduction in the Social Security benefits that otherwise would be received. Originally, in 1935, there was no exempt amount and reemployment in a month by a Social Security benefit recipient in another gainful occupation would result in a reduction in the monthly Social Security benefit of an amount equal to one month's benefit. In 1939, an "exempt amount" was added to the Social Security earnings test, set at \$15 per month, with a dollar-for-dollar reduction above that figure. In 1950, the exempt amount was increased to \$50 per month and the earnings test was discontinued for Social Security recipients at age 75 or older. In 1952, the exempt amount was again increased, to \$1,200 per year. In 1954, the earnings test was changed from a monthly earnings amount to an annual earnings amount and the earnings test discontinuation age was reduced from age 75 to age 72. In 1960, the reduction for earnings above the exempt amount was modified, with the reduction of \$1 dollar for every \$2 dollars earned imposed on earnings between \$1,200 and \$1,500 and dollar-for-dollar over \$1,500. In 1972, the earnings test amounts were indexed to the increase in average earnings, effective in 1975. 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
1975	\$2,520	\$2,520
1976	\$2,760	2,760
1977	3,000	3,000
1978	3,240	4,000
1979	3,480	4,500
1980	3,720	5,000
1981	4,080	5,500
1982	4,440	6,000
1983	4,920	6,600
1984	5,160	6,960
1985	\$5,400	\$7,320
1986	\$5,760	\$7,800
1987	\$6,000	\$8,160
1988	\$6,120	\$8,400
1989	\$6,480	\$8,880
1990	\$6,840	\$9,360
1991	\$7,080	\$9,720
1992	\$7,440	\$10,200
1993	\$7,680	\$10,560
1994	\$8,040	\$11,160
1995	\$8,160	\$11,280
1996	\$8,280	\$12,500
1997	\$8,640	\$13,500
1998	\$9,120	\$14,500
1999	\$9,600	\$15,500
	Prior to Year of Full	Year of Full
Year	Retirement Age	Retirement Age
2000	\$10,080	\$17,000
2001	\$10,680	\$25,000
2002	\$11,280	\$30,000
2003	\$11,520	\$30,720
2004	\$11,640	\$31,080
2005	\$12,000	\$31,800
2006	\$12,480	\$33,240

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.

8. 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 become 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 out-transitioning 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	Reempl. Period Retirement Coverage	Exceptions
MSRS-General [352.115, Subd. 10]	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 1/1/2011, 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 [352.951]	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.	Same as MSRS-General.
State Patrol Plan	No provision.	No provision.	No provision.	No provision.	No provision.
Legislators Plan ¹	No provision.	No provision.	No provision.	No provision.	No provision.
Elective State Officers Plan	No provision.	No provision.	No provision.	No provision.	No provision.
Judges Plan ²	No provision.	No provision.	No provision.	No provision.	No provision.
MSRS-Unclassified	No provision.	No provision.	No provision.	No provision.	No provision.
PERA-General [353.87]	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.
PERA-P&F [353.68]	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.
PERA-Correctional [353E.08]	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.	Same as PERA.
TRA [354A.31, Subd. 3]	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 MnSCU faculty working between 33.3% and 66.7% of full time with salary under \$46,000.
First Class City Teacher Retirement Fund Associations [354.44 Subd. 5]	Income from teaching for employing unit covered by first class teacher retirement fund association, income from consultant or independent contractor teaching services for employing unit covered by first class teacher retirement fund association, 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 MnSCU faculty working between 33.3% and 66.7% of full time with salary under \$46,000.

¹ While there is no explicit provision of Minn. Stat. Ch. 3A, or other statutory chapter, the practice of the Minnesota State Retirement System since the resumption of legislative service by Representative Leo J. Reding in 1987 after retiring in 1982 has been to suspend the Legislators Retirement Plan annuity of a reelected retired legislator and to recompute the benefit based on any additional allowable service credit and increased final average salary.

² Minn. Stat. Sec. 2.724, Subd. 2-3, permits the Supreme Court, by rule, or the Chief Justice of the Supreme Court to temporarily assign a retired justice or judge to act as a Supreme Court justice, Court of Appeals, or district court judge until the unfinished duties of the position are completed. Retired justices or judges qualify for pay and expenses as established by the Supreme Court.

Minn. Stat. Sec. 480.21 provides that the Supreme Court may appoint a resigned Supreme Court justice who is not engaged in the practice of law to function as a court commissioner to perform assigned duties, with per diem compensation payments. The provision presumably applies to retired judges.

Minn. Stat. Sec. 484.61 provides that, upon appointment and assignment, after retirement from the Judges Retirement Plan, a retired judge can consent to function as a district court judge.

9. Example of Teachers Retirement Association (TRA) Reemployed Annuitant Earnings Limitation Provision. The current TRA limit, Minnesota Statutes, Section 354.44, Subdivision 5, provides for a reduction in the subsequent year’s annuity of one dollar for every two dollars earned in excess of the Social Security limitation, which is \$12,480 annually (\$1,040 monthly on a 12-month basis or \$1,387 monthly on a nine-month basis) in 2006 for retirees between age 65 and age 66 (the Social Security full retirement age for retirees with birth years between 1937 and 1955) and is \$33,240 for the year of attaining the Social Security full retirement age.

TRA Annuitant Retiring at Age 63
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) $\times .51$
\$27,294 (\$2,274.50/month)

	Situation 1	Situation 2	Situation 3
	TRA Annuitant without any Reemployment	TRA Annuitant with \$25,000 Reemployment, Current Law	TRA Annuitant with \$25,000 Reemployment, Reemployment Earning Limit of \$23,000
Year 1	TRA Annuity <u>\$27,294</u> Total <u>\$27,294</u>	Reemployed Earnings \$25,000 TRA Annuity <u>27,294</u> Total <u>\$52,294</u>	Reemployed Earnings \$25,000 TRA Annuity <u>27,294</u> Total <u>\$52,294</u>
Year 2	TRA Annuity \$27,294	Reemployed Earnings \$25,000 TRA Annuity: Year 1 Earnings 25,000 Earnings Limit <u>12,480</u> Excess Amount 12,520 \$1 for \$2 Reduction ² 6,260 TRA Base Annuity 27,294 Reduction <u>6,260</u> Remaining Annuity 21,034 Total <u>\$46,034</u>	Reemployed Earnings \$25,000 TRA Annuity: Year 1 Earnings 25,000 Earnings Limit <u>23,000</u> Excess Amount 2,000 \$1 for \$2 Reduction ² 1,000 TRA Base Annuity 27,294 Reduction <u>1,000</u> Remaining Annuity 26,294 Total <u>51,294</u>

¹ Year 2 annuity amount assumes no Minnesota Post Retirement Investment Fund post-retirement adjustments and assumes no increase in the Social Security earnings test amount, although both are likely.

² Reduction amount is deposited in a separate account, credited with 6% compound interest annually, payable at the later of age 65 or one year after termination of the reemployment.

10. Development of Reemployed Annuitant Earnings Limitation Provisions.

- a. In General. Before 1951, none of the Minnesota statewide or major public retirement plans had a reemployed annuitant earnings limitation and annuity reduction provision. By 1963, the three major statewide retirement plans all had a reemployed annuitant earnings limitation and annuity reduction provision.
- b. State Employees Retirement Plan/General State Employers Retirement Plan of the Minnesota State Retirement System (MSRS-General).
- In 1961 (Ex. Sess. Laws 1961, Ch. 67, Sec. 22, Subd. 2) as part of the “service in more than one retirement plan” portability provision, a provision was included that disallowed the payment of a retirement annuity from the State Employees Retirement Association to a former state employee who was an active member earning allowable service credit in either the Public Employees Retirement Association or the Teacher Retirement Association.
 - In 1963 (Laws 1963, Ch. 383, Sec. 32), a reemployed annuitant earnings limitation was added to the State Employees Retirement Association, providing that if any former member who again becomes entitled to a salary or wages from the state, the person’s annuity ceases if the employment is longer than a ten-day emergency appointment, but no member contribution deductions are payable from the annuitant’s salary or wages, and, if granted sick leave without

pay, the annuity resumes for the period of that leave, and resumes upon the termination of the reemployment without any change in amount by virtue of that reemployment.

- In 1965 (Laws 1965, Ch. 230, Sec. 4), the reemployed annuitant earnings limitation was modified by excluding annuitants reemployed as temporary legislation employees during the legislation session from its application by resetting the limitation at \$1,200 in any calendar year, and by providing that the reemployed annuitant earnings limitation must be constructed to be consistent with the 1961 service-in-more-than-one-retirement-plan provision restriction on annuity receipt while obtaining allowable service credit from another retirement plan.
 - In 1967 (Ex. Sess. Laws 1967, Ch. 57, Sec. 16), the reemployed annuitant earnings limitation amount was increased from \$1,200 to \$2,000, and it was clarified that a retiree's annuity resumes either upon reemployment termination or upon the beginning of a new calendar year.
 - In 1975 (Laws 1975, Ch. 368, Sec. 22), was increased the reemployed annuitant earnings limitation amount from \$2,000 to \$3,000.
 - In 1980 (Laws 1980, Ch. 342, Sec. 3) the reemployed annuitant earnings limitation was clarified to apply to reemployment by any employing entity with employees covered by the General State Employers Retirement Plan of the Minnesota State Retirement System and reset the limitation amount from \$3,000 to the applicable Social Security earnings test limitation amount.
 - In 1981 (Laws 1981, Ch. 224, Sec. 48), legislation clarified the title of the federal official administering Social Security and clarified the applicable Social Security earnings test limitation amount for retirees under age 62, the earliest Social Security old age benefit receipt age.
 - In 1987 (Laws 1987, Ch. 229, Art. 6) legislation updated the language and style of retirement plan provisions.
 - In 1999 (Laws 1999, Ch. 222, Art. 19, Sec. 3), a full-time employee of the Minnesota State Colleges and Universities System (MnSCU) full-time who retires from the General State Employees Retirement Plan with at least ten years of service and returns to MnSCU employment of at least one-third full time and no more than two-thirds of full-time with a salary that does not exceed \$35,000 is exempt from the reemployed annuitant earnings limitation.
 - In 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 2), the forfeiture aspect of the reemployed annuitant earnings limitation was eliminated with benefit reductions placed into a special deferral account with compound interest at six percent annually, payable at age 65 or the first of the month next following the termination of the reemployment, whichever is later.
 - In 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 3-4), the reemployment annuitant earnings limitation exemption amount for an MSRS-General annuitant who is reemployed by MnSCU was increased from \$35,000 to \$46,000.
 - In 2010 (Laws 2010, Ch. 359, Art. 1, Sec. 83, and Art. 2, Sec. 4), interest on a reemployed annuitant earnings limitation deferral account for the retirement plan is payable only up to January 1, 2011, and the reemployed annuitant earnings limitation was made inapplicable for salary and wages of a temporary employee of the Legislature during the legislative session.
- c. MSRS Correctional State Employees Retirement Plan (MSRS-Correctional).
- In 1981 (Laws 1981, Ch. 224, Sec. 60), a provision was added to the retirement plan statutes to specify that the provisions of MSRS-General apply to MSRS-Correctional unless otherwise specified.
 - In 1993 (Laws 1993, Ch. 307, Art. 1, Sec. 23), the general law applicability provision was extended to cover the Military Affairs Personnel Retirement Plan and the Transportation Pilots Retirement Plan.
 - In 2007 (Laws 2007, Ch. 134, Art. 2, Sec. 8), the general law applicability provision was extended to cover the Fire Marshal Employees Retirement Plan.
- d. General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General).
- In 1951 (Laws 1951, Ch. 22, Sec. 23), a reemployed annuitant limitation provision was added to the retirement plan, specifying that a person otherwise eligible for a retirement annuity loses that entitlement if receiving compensation for services as a public or state employee or a judicial officer or if receiving a public employee or state employee retirement benefit or pension if any period of PERA service credit was also required to establish eligibility for the retirement benefit or pension.
 - In 1955 (Laws 1955, Ch. 815, Sec. 6), the 1953 reemployed annuitant limitation relating to the receipt of another public retirement annuity was clarified to only apply if the retirement plan regional member contributions and the entire limitation was clarified to require a suspension of the PERA annuity on a monthly basis for months when disqualifying retirement compensation or a disqualifying annuity is received, does not increase when resumed by virtue of the

suspension, and no PERA member contributions are required on the disqualifying compensation.

- In 1957, (Laws 1957, Ch. 935, Sec. 17, 27), the prior reemployed annuitant limitation was repealed and was replaced with a suspension and forfeiture of a PERA retirement annuity if the annuitant reenters public employment in excess of 60 days in any 12 consecutive months or is receiving any other benefit or pension for a public or state employee if member contributions were required and any period of public service was used to qualify for the PERA annuity, with the suspension continuing for any month in which the disqualifying condition applies, and any subsequent employment does not increase the PERA annuity and no additional member contributions are required for the reemployment service. The limit does not apply to any federal law benefit to which the annuitant is entitled.
- In 1959, (Laws 1959, Ch. 650, Sec. 26), the prior disqualifying event of reemployment of 60 days in any 12 consecutive months was revised as reemployment of 60 days in any 12 or more consecutive months.
- In 1961 (Ex. Sess. Laws 1961, Ch. 87, Sec. 1), the 1957 reemployed annuitant limitation was further modified by exempting elected officials from the limitation, by specifying the time period for the 60 day reemployment trigger to a calendar year, by adding a dollar earning limit of \$75 per month, and by adding a special exemption for a particular 1953 retiree whose salary did not exceed \$80 a month.
- In 1963 (Laws 1963, Ch. 641, Sec. 31), clarified the annuity suspension for the duration of reemployment in a non-elective employment position in a governmental subdivision once compensation exceeds \$1,200 in any calendar year. Also in 1963 (Laws 1963, Ch. 853, Sec. 1-2), the special 1961 exemption from the reemployed annuitant earnings limitation was broadened to retirees between November 30, 1953 and before October 2, 1959, if the monthly average compensation year reemployment did not exceed \$95 per month and a special exemption for police officers who retired before August 1, 1959, and were reemployed as a police officer on an emergency basis and the average monthly earnings did not exceed \$95 per month, with any withheld annuity amount for the emergency service paid upon the end of the reemployment.
- In 1967 (Laws 1967, Ch. 711, Sec. 2), the reemployed annuitant earnings limitation triggering amount was increased from \$1,200 to \$2,000 annually.
- In 1971 (Laws 1971, Ch. 412, Sec. 2), the PERA reemployed annuitant earnings limitation was no longer made applicable to reemployment by the State of Minnesota.
- In 1973 (Laws 1973, Ch. 753, Sec. 63, 85), a specific reference to the PERA board in implementing the limitation was removed, an incorrect reference to benefit rather than annuity was corrected, an inapplicability provision relating to federal law benefits was eliminated and the 1961 and 1963 special exceptions were repealed.
- In 1975 (Laws 1975, Ch. 102, Sec. 18), the reemployed annuitant earnings limitation triggering amount was increased from \$2,000 to \$3,000 annually.
- In 1977 (Laws 1977, Ch. 429, Sec. 32), obsolete date references to 1959 were removed and a provision was added allowing a proportionate annuity for employees required to terminate employment under a uniform mandatory retirement policy or law even if employment as a substitute employee with compensation of less than \$3,000 per calendar year.
- In 1980 (Laws 1980, Ch. 342, Sec. 7), the reemployed annuitant earnings limitation triggering amount was increased from \$3,000 per year, by indexing the amount to the applicable Social Security earnings test amount, and the language style and usage of the provision were upgraded.
- In 1981 (Laws 1981, Ch. 224, Sec. 91- 92), the Social Security indexed reemployed annuitant earnings limitation was adapted for pre-age-62 retirements and obsolete references to the federal official administering Social Security.
- In 1988 (Laws 1988, Ch. 709, Art. 5, Sec. 21), the language style and usage of the provision was updated.
- In 1992 (Laws 1992, Ch. 440, Sec. 1), the reemployed annuitant earnings limitation provision was substantially revised, clarifying that annuities once the limitation is reached are reduced rather than suspended, the reemployment position triggering the limitation is governmental subdivision employment covered by the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) or the Public Employees Police and Fire Retirement Plan (PERA-P&F), the provision was divided into three paragraphs, and the amount of the reduction set at \$1 for \$2 in excess of the maximum if the annuitant was under the normal retirement age and was set at \$1 for every \$3 in excess of the maximum if the annuitant was over the normal retirement age and under age 70, with no reduction imposed after age 70, retroactive to January 1, 1992.
- In 1993 (Laws 1993, Ch. 307, Art. 4, Sec. 30), the reemployed annuitant earnings limitation provision was divided into paragraphs, clarified that the annuity suspension occurs on the first of the month after the month in which the salary maximum was met rather than in the following calendar year, clarified that no limit applies to an annuitant elected to a public

office, and clarified that the annuity resumed at the start of the next calendar year or the first of the month next following the termination of the reemployment, whichever is earlier.

- In 1994 (Laws 1994, Ch. 528, Art. 2, Sec. 9-11), the reemployed annuitant earnings provision was extended to person who return to work in a labor organization covered by PERA-General and was clarified to trigger an annuity resumption when the employment that caused the suspension termination.
 - In 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 5), the forfeiture aspect of the reemployed annuitant earnings limitation was eliminated, with benefit reductions placed in a special deferral account with compound interest at 6% annually, payable at age 65 or on the first of the month next following the termination of the reemployment, whichever is later.
 - In 2004 (Laws 2004, Ch. 267, Art. 7, Sec. 2-3), a definition of the term “retirement age” was added, indexed to the Social Security full benefit age, and the prior reduction provision was revised based on the inapplicability of reductions after age 65.
 - In 2010 (Laws 2010, Ch. 359, Art. 2, Sec. 12, and Art. 11, Sec. 10-14), provision is made for the payment of insurance premium amounts when a reemployment suspension or reduction occurs for retirees paying insurance premiums by way of an annuity deduction and the inapplicability of the reemployed annuitant earnings limitation for the MERF Division of PERA following that plan’s administration consolidation into PERA was specified, with corresponding cross-references.
- e. Public Employees Police and Fire Retirement Plan (PERA-P&F). The general applicability of the law governing the General Employees Retirement Plan of the Public Employees Retirement Association to PERA-P&F provision was enacted in 1959.
- In 1959 (Laws 1959, Ch. 650, Sec. 36), the provision specifying that the general provisions of Minnesota Statutes, Chapter 353, apply to PERA-P&F members except where otherwise specifically provided in Minnesota Statutes, Sections 353.63 to 353.68, with four transitional provisions governing the computation of disability benefits, deferred annuities, and survivor benefits in Subdivisions 2 to 5.
 - In 1961 (Laws 1961, Ch. 743, Sec. 3), a cross-reference in the 1959 survivor benefit transitional provision was corrected.
 - In 1963 (Laws 1963, Ch. 639, Sec. 2, Ch. 641, Sec. 35-37, and Ch. 659, Sec. 1), a fifth transitional subdivision was added to the provision, allowing a person who became a PERA member before June 30, 1957, and who had at least ten years of allowable service to take an alternative method for calculating an annuity or survivor benefit, a sixth subdivision limiting disability benefits to the period prior to age 58 was added to the provision, a seventh subdivision was added to the provision specifying that a PERA-P&F benefit is not to be diminished or impaired by any public pension earned in subsequent service, and the 1959 survivor benefit transitional subdivision was modified to clarify the age 62 benefit commencement age.
 - In 1965 (Laws 1965, Ch. 814, Sec. 2) the 1963 fifth transitional subdivision was amended by eliminating the vesting period on the alternative annuity or survivor benefit entitlement and by clarifying the benefit accrual formula rates used in the annuity or benefit computation.
 - In 1967 (Ex. Sess. Laws 1967, Ch. 37, Sec. 4), the 1963 sixth added subdivision setting an age 58 limit on disability coverage was modified with a restriction on survivor benefits after age 58.
 - In 1969 (Laws 1969, Ch. 940, Sec. 15), the 1959 transitional provision relating to disability benefit computation was amended to specify that the disability benefit was equal to the normal retirement age annuity plus a phasing-out supplementary benefit.
 - In 1971 (Laws 1971, Ch. 412, Sec. 3) the 1959 transitional provision relating to deferred annuities was amended to reference deferred annuity augmentation.
 - In 1973 (Laws 1973, Ch. 753, Sec. 78 and 8), the 1959 provision relating to deferred annuities was amended to reflect changes to the PERA-P&F benefit plan made in the same act and the other 1959 transitional provisions and the 1963 and 1967 additional provisions were repealed.
 - In 1992 (Laws 1992, Ch. 432, Sec. 24), the 1959 deferred annuities provision was further modified to eliminate any age specification and to update the language usage and style of the provision.
- f. Teachers Retirement Association (TRA).
- In 1953 (Laws 1953, Ch. 750, Sec. 5), the TRA defined contribution provision was amended with the addition of a reemployed annuitant earnings limitation, with the discontinuation of the person’s retirement annuity and forfeiture for the balance of the year if reemployed in teaching service and earning from that teaching service more than \$900.
 - In 1957 (Ex. Sess. Laws 1957, Ch. 16, Sec. 19), as part of a general revision of the TRA benefit plan, the reemployed annuitant earnings limitation provision was repealed.

- In 1959 (Ex. Sess. Laws 1959, Ch. 50, Sec. 12), a re-imposed annuitant earnings limitation was reemployed, with a discontinuation of the person's annuity and forfeiture of the amount in excess of the limitation amount in the following quarter if reemployed in teaching service and earning from that teaching service more than \$300.
- In 1963 (Laws 1963, Ch. 246, Sec. 1), the reemployed annuitant quarterly earnings limitation amount was increased from \$300 to \$600.
- In 1967 (Laws 1967, Ch. 693, Sec. 2), the reemployed annuitant quarterly earnings limitation amount was increased from \$600 to \$800 if under age 72 and without limit upon reaching age 72.
- In 1974 (Laws 1974, Ch. 289, Sec. 26), the language usage and style of the reemployed annuitant earnings limitation provision were revised.
- In 1980 (Laws 1980, Ch. 342, Sec. 11), the reemployed annuitant earnings quarterly limitation amount was reset from \$800 to the applicable Social Security earnings test limitation amount expressed quarterly if the annuitant is under age 72.
- In 1981 (Laws 1981, Ch. 224, Sec. 108), the reemployed annuitant earnings limitation provision was clarified with respect to the applicable quarterly equivalent Social Security test limitation amount for retirees under age 62, the earliest Social Security old age benefit recipient age.
- In 1983 (Laws 1983, Ch. 148, Sec. 3), the reemployed annuitant earnings limitation was shifted from a quarterly limitation to an annual limitation, with the excess over the limitation amount deducted and forfeited from the following year's annuity if the recipient is under age 70.
- In 1985 (1st Spec. Sess. Laws 1985, Ch. 7, Sec. 17), the reemployed annuitant earnings' limitation was extended to earnings by an annuitant as a consultant or an independent contractor for a TRA-covered employer.
- In 1987 (Laws 1987, Ch. 284, Art. 6, Sec. 6), the salary for implementation of the reemployed annuitant earnings limitation for independent contractors was augmented by imputing the salary based on the rate paid to the employment position with the same number of pupils at the same employment level as the person, if greater than the income received.
- In 1989 (Laws 1989, Ch. 319, Art. 2, Sec. 14), the reemployed annuitant earnings limitation reduction was clarified to apply to post retirement employment with any employing unit covering TRA members, shifted to a calendar year-based limitation, the forfeiture amount was reset at one-half of the amount in excess of the limitation amount in the preceding calendar year, the pre-age 62 limitation as the age 62 Social Security earnings test amount was clarified to apply fractionally if retirement occurs for a partial year, and eliminated any limitation after age 70.
- In 1989 (Laws 1989, Ch. 319, Art. 2, Sec. 15), an exemption from the reemployed annuitant earnings limitation reduction was added for persons reemployed by a school district as an interim superintendent due to the death, disability, termination or resignation of the previous superintendent for a 90-day reemployment period for compensation not to exceed the compensation rate of the previous superintendent if the exemption application is unanimously approved by the school district board and is submitted to TRA prior to re-employment, with only one exemption available for a school district per year and with no more than three exemptions available during the lifetime of an interim superintendent and no more than one exemption for any interim superintendent in any fiscal year.
- In 1994 (Laws 1994, Ch. 528, Art. 3, Sec. 19), the interim superintendent exemption for the reemployed annuitant earnings limitation was modified to clarify that the exemption does not apply to a person who retires from a school district and who returns to the same school district as an interim superintendent within one year after retirement.
- In 1994 (Laws 1994, Ch. 602, Sec. 2), a full-time employee of the State University System or the Community College System who retires from the Teachers Retirement Association (TRA) with at least ten years of service and returns to higher education employment of at least one-third full time and more than two-thirds of full time with a salary not in excess of \$35,000 is exempt from the reemployed annuitant earnings limitation.
- In 1995 (Laws 1995, Ch. 262, Art. 1, Sec. 4), the higher education exemption from the reemployed annuitant earnings limitation was extended to technical college employment and the exemption was clarified that any compensation in excess of \$35,000 is subject to a reduction.
- In 1998 (Laws 1998, Ch. 390, Art. 2, Sec. 9), the provision was clarified that the authority to approve a higher education exemption from the reemployed annuitant earnings limitation is with the president of the institution, that the reemployed annuitant could not be required to waive collective bargaining rights as part of the exemption approval, and that the reemployed annuitant is covered by the applicable collective bargaining contract.
- In 1999 (Laws 1999, Ch. 222, Art. 19, Sec. 4), the higher education system references in the higher education exemption to the reemployed annuitant earnings limitation were replaced with references to the Minnesota State Colleges and Universities System (MnSCU) and the

restriction on earning additional deferred benefit plan service credit during reemployment was broadened to also include defined contribution retirement plan coverage.

- In 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 6), the forfeiture aspect of the reemployed annuitant earnings limitation was eliminated, with benefit reductions placed into a special deferral account with compound interest at 6% annually, payable at age 65 or the first of the month next following the termination of the reemployment, whichever is later.
- Also in 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 7), the exemption amount in the higher education exemption to the reemployed annuitant earnings limitation was increased from \$35,000 to \$46,000.
- In 2004 (Laws 2004, Ch. 267, Art. 7, Sec. 5), the reduction exemption age was changed from age 70 to the Social Security full retirement age.
- In 2008 (Laws 2008, Ch. 349, Art. 3, Sec. 8), the reemployed annuitant limitation was changed from a reduction to a deferral when the reemployment compensation exceeds \$46,000.
- Also in 2008 (Laws 2008, Ch. 349, Art. 3, Sec. 9), pre-retirement agreements for annuitants to return to work for TRA employing units were authorized for teachers who are at least age 62.

g. First Class City Teacher Retirement Plans.

- In 1979 (Laws 1979, Ch. 217, Sec. 16, Subd. 3), as part of the codification of the coordinated programs for the three retirement plans, a limitation was specified upon the resumption of teaching service for the school district covered by the applicable retirement plan, applicable until age 72, set at \$800 per quarter, with a reduction and forfeiture for the amount in excess of the limit imposed against the annuity for the following quarter.
- In 1981 (Laws 1981, Ch. 224, Sec. 139), the limitation amount was increased to the applicable Social Security earnings test limitation amount.
- In 1989 (Laws 1981, Ch. 319, Art. 2, Sec. 22), the reemployed annuitant earnings limitation was reset at an annual amount for each calendar year, the reduction and forfeiture amount was set at \$1 for every \$2 in excess of the limit, the limit was set at the earliest Social Security earnings test amount for retirement ages before the earliest Social Security benefit age, and was imposed in the succeeding calendar year, but not after age 70.
- In 1992 (Laws 1992, Ch. 598, Art. 6, Sec. 15), the reduction and forfeiture amount was reduced from \$1 for every \$2 to \$1 for every \$3 dollars in excess of the limitation.
- In 1994 (Laws 1994, Ch. 542, Sec. 3), the reemployed annuitant earnings limitation was made applicable to basic program annuitants and teaching service income for the limitation was defined as the greater of actual income or the compensation paid to equivalent or substantially similar consultant or employment positions.
- In 1995 (Laws 1995, Ch. 262, Art. 1, Sec. 7), a full time employee of the State University System or the Community College System who retires from a first class city teacher retirement plan with at least ten years of service and returns to higher education employment of at least one-third full time and no more than two-thirds of full time with a salary not in excess of \$35,000 is exempt from the reemployed annuitant earnings limitation.
- In 2000 (Laws 2000, Ch. 461, Art. 2, Sec. 8-9), the reemployed annuitant earnings limitation provision was divided into lettered paragraphs and the forfeiture aspect of the reemployed annuitant earnings limitation was eliminated, with benefit reductions placed into a special deferred account with compound interest at 6% annually, payable at age 65 or the first of the next month following the termination of the reemployment, whichever is later, and the higher education exemption from the reemployment annuitant earnings limitation amount was increased from \$35,000 to \$46,000.
- In 2001 (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 23), a requirement was imposed on each employing unit covered by the teachers retirement fund association to report by February 15 annually to the retirement plan the income paid by the employer to reemployed annuitants during the previous calendar year.
- In 2008 (Laws 2008, Ch. 349, Art. 3, Sec. 10), the reemployed annuitant limitation was changed from a reduction to a deferral when the reemployment compensation exceeds \$46,000.
- In 2013 (Laws 2013, Ch. 111, Art. 13, Sec. 12), amounts in excess of the reemployed annuitant earnings limitation were shifted from a deferral to a forfeiture for the Duluth Teachers Retirement Fund Association (DTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA), after June 30, 2013.

Background Information on Leave of Absence/Strike Period Provisions

Plan	Statute	Nature of Provision	Treatment
MSRS-General	352.01, Subd. 11	General Leave of Absence	The length of the leave cannot exceed one year. Employee and all employer contributions; employer may pay employer contribution on behalf of employee. Payments must include 8.5% interest compounded annually if payment is not made within one year of the end of the leave. No time limit on payments.
MSRS-General	352.27	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
MSRS Plans	352.275	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
State Patrol	352B.01, Subd. 3a	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
State Patrol	352B.01, Subd. 3b	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (4)	Personal/Parental/ Medical Leave	The length of the leave cannot exceed one year. Employee, employer, and any employer additional contributions; the employer may pay the employer contributions on behalf of the employee. The contributions must include 8.5% interest from the end of the leave until paid. Payment must be made within one year of the end of the leave, or within 20 days following termination of employment, whichever is earlier.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (5)	Periodic/Repetitive Leave	Leave not to exceed 280 hours per annual work cycle. Employee pays employee contributions plus interest; employer pays employer contributions plus interest. Interest is at 8.5% from the end of the normal work cycle until paid. Payment must be made within one year of the end of the work cycle or within 20 days after termination of employment, whichever is earlier.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16, Cl. (7)	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
PERA-General PERA-P&F PERA-Corr.	353.01, Subd. 16a	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize Section 353.01. Subd. 16, Clause (7), in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
TRA	354.092	Sabbatical Leave	Employee must receive a minimum on one-third normal salary while on the leave. The employer will deduct the full-time equivalent employee contributions from pay and will also make the full-time equivalent employer contributions. Payments are made through normal payroll process.
TRA	354.093	Parental Leave	The length of the leave cannot exceed one year. The employee must pay the employee and all employer contributions by the end of the fiscal year following the fiscal year in which the leave ends.

Plan	Statute	Nature of Provision	Treatment
TRA	354.094	Extended Leave	Employee and employer contributions required by June 30 without interest or by September 30 with interest from June 30 until paid.
TRA	354.095	Medical Leave	Employee and employer contributions required with 8.5% interest from the end of the fiscal year in which the leave terminated to the end of the month in which payment is made. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
TRA	354.096	Family Leave	Employee and employer contributions without interest. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
TRA	354.53	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
TRA	354.533	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
First Class City Teacher Plans	354A.091	Extended Leave	Employee and employer contributions must be made by June 30 of each year of the leave.
First Class City Teacher Plans	354A.092	Sabbatical Leave	Employee and employer contributions based on full salary in the year prior to the leave. The employee contribution is due by June 30 in the year the leave terminates. The employer pays the employer contribution upon notification from the applicable association. No interest charged.
First Class City Teacher Plans	354A.093	Military Leave/ Break in Service	Employee makes employee contribution; employer pays employer contribution and 8.5% annual compound interest on employee and employer contributions from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received. Payment must be made in five years or less, depending upon the length of the military service.
First Class City Teacher Plans	354A.095	Parental and Maternity Leave	Up to one year of service credit may be purchased by making employee and employer contributions without interest by the end of the fiscal year following the fiscal year in which the leave terminates.
First Class City Teacher Plans	354A.096	Medical Leave	Up to one year of service by paying employee and employer contributions plus 8.5% interest from the end of the year in which the leave terminates until paid. Payment must be made within one year of the end of the fiscal year in which the leave terminates.
First Class City Teacher Plans	354A.097	Service Credit Purchase for Uncredited Military Service	Individuals with military service before becoming covered employees or who failed to utilize the Military Leave/Break-in-Service provision in a timely manner may purchase service credit at full actuarial value for the initial period of enlistment, induction, or call to active duty. Purchase must be made prior to retirement.
All Plans	356.195	Service Credit for Strike Period	Employee pays employee and employer contributions plus 0.071% monthly interest (equivalent to 8.5% annual interest) within one year of the end of the strike. If paid after one year of the end of the strike, employee pays full actuarial value. Payment cannot be made more than five years after the end of the strike.

Side-by-Side Comparison of Short-Period Leave of Absence Contribution Equivalent Payment Procedure Provisions

MSRS	PERA	TRA	TRA	First Class City Teachers
<p>352.017 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. Except for leaves or breaks in service covered by section 352.27, this section applies to all plans specified in this chapter for any period of authorized leave of absence without pay that does not exceed one year and for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.</p> <p>Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.</p> <p>(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.</p>	<p>353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.</p> <p>Subd. 2. Purchase procedure. (a) An employee covered by a plan specified in subdivision 1 may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.</p> <p>(b) If payment is received by the executive director within one year from the date the member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at a monthly rate of 0.71 percent from the last day of the leave period until the last day of the month in which payment is received.</p>	<p>354.72 AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>Subdivision 1. Application. This section applies to any strike period under section 354.05, subdivision 13, clause (9), and to any period of authorized leave of absence without pay under sections 354.093, 354.094, 354.095, and 354.096 for which the teacher obtains credit for allowable service by making payment as specified in this section to the Teachers Retirement Association fund. Each year of an extended leave of absence under section 354.094 is considered to be a separate leave for purposes of this section.</p> <p>Subd. 2. Purchase procedure. (a) A teacher may purchase credit for allowable and formula service in the plan for a period specified in subdivision 1 if the teacher makes a payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit, at its option, may pay the employer portion of the amount on behalf of its employees.</p> <p>(b) If payment is received by the executive director by June 30 of the fiscal year of the strike period or authorized leave included under section 354.093, 354.095, or 354.096, payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period commenced, or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave, multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit.</p>	<p>As proposed in H.F. 284 (O'Driscoll), S.F. 54 (Pappas)</p> <p>Subd. 2. Purchase procedure. (a) A teacher may purchase credit for allowable and formula service in the plan for a period specified in subdivision 1 if the teacher makes a payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit, at its option, may pay the employer portion of the amount on behalf of its employees.</p> <p>(b) If payment is received by the executive director by June 30 of the fiscal year of the strike period <u>or by December 31 of the fiscal year following an authorized leave included under section 354.093, 354.095, or 354.096, payment must equal the total employee and employer contribution rates, including amortization contribution rates if applicable, multiplied by the member's average monthly salary rate on the date the leave or strike period commenced, or for an extended leave under section 354.094, on the salary received during the year immediately preceding the initial year of the leave, multiplied by the months and portions of a month of the leave or strike period for which the teacher seeks allowable service credit. This paragraph also applies to an extended leave under section 354.094, except that payment must be received by June 30 of the year of the leave, and the salary used in the computation is the salary received during the year immediately preceding the initial year of the leave.</u></p>	<p>No comparable consolidated payment procedure provision.</p> <p>Leave provisions each have their own payment procedures.</p>

MSRS	PERA	TRA	TRA	First Class City Teachers
<p>352.017 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.</p>	<p>353.0161 AUTHORIZED LEAVE OF ABSENCE SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>(c) If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date the person terminates public service under section 353.01, subdivision 11a.</p>	<p>354.72 AUTHORIZED LEAVE OF ABSENCE AND STRIKE PERIOD SERVICE CREDIT PURCHASE PROCEDURE.</p> <p>(c) If payment is made after June 30 and before the following June 30 for a strike period or for leaves of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in which payment is received.</p> <p>(d) If payment is received by the executive director after the applicable last permitted date under paragraph (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.</p>	<p>As proposed in H.F. 284 (O'Driscoll), S.F. 54 (Pappas)</p> <p>(c) If payment is made after June 30 and before the following June 30 for a strike period, or for leaves after December 31 of the fiscal year following a leave of absence under section 354.093, 354.095, or 354.096, or for an extended leave of absence under section 354.094, and before July 1, the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 <u>for a strike period, or from December 31 for a leave under section 354.093, 354.095, or 354.096,</u> until the last day of the month in which payment is received. <u>If payment is made on or after July 1 and before the following July 1 for an extended leave of absence under section 354.094,</u> the payment must include the amount determined in paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 until the last day of the month in which payment is received.</p> <p>(d) If payment is received by the executive director after the applicable last permitted date under paragraph (c), the payment amount is the amount determined under section 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under this section may be made anytime before the effective date of retirement.</p>	<p>No comparable consolidated payment procedure provision.</p>

Background Information on the Federal Uniformed Services Employment and Reemployment Rights Act (USERRA)

The federal Uniformed Services Employment and Reemployment Rights Act (USERRA), passed in 1994, has the stated purpose to:

- a. encourage non-career service in the uniformed services by eliminating or minimizing the disadvantage to civilian careers and employment which can occur due to that uniformed service;
- b. provide for the prompt reemployment of individuals who provide uniformed service upon the completion of that service; and
- c. prohibit discrimination against persons because of the performance of uniformed service.

USERRA provisions apply to virtually all employers in the United States in situations where there is an employee/employer relationship.

For purposes of USERRA, uniformed service includes service in the Army, Navy, Marine Corps, Air Force, Coast Guard, the reserve components of any of these organizations, the Commissioned Corps of the Public Health Service, and any other category of persons so designated by the President in time of war or emergency.

With few exceptions, USERRA requires the employer of the individual who provided the uniformed service to rehire that individual at the end of that uniformed service. To be covered by this reemployment right, or any other provisions of USERRA including the pension-related provisions of the act:

- a. the individual must provide notice to the employer that the person is leaving to provide uniformed service (unless providing that notice is not possible due to the emergency nature of the situation);
- b. the period of uniformed service must not exceed five years;
- c. the person must not be released from uniformed service under dishonorable or other punitive conditions; and
- d. the person must report back to the civilian employer in a reasonable time period.

“Reasonable time period” depends upon the length of uniformed service provided. If service is less than 31 days, the individual can be required to return to employment within eight hours of returning home. If the length of service is between 31 and 180 days, the employee must apply for reemployment no later than 14 days after completion of uniformed service. If the length of uniformed service is 180 days or longer, the individual must return to employment no later than 90 days after completion of uniformed service.

Regarding pension rights, USERRA (USC Section 4318) states that “a person reemployed under this chapter shall be treated as not having incurred a break in service with the employer or employers maintaining the plan by reason of such person’s period or periods of service in the uniformed services.” In a plan that requires employee contributions, the individual must make the same contributions that the individual would have made if the individual had continued to work for the employer during the uniformed service period.

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1.1 moves to amend H.F. No. 284; S.F. No. 54, as follows:

1.2 Page 1, after line 8, insert:

1.3 "Section 1. Minnesota Statutes 2014, section 352.1155, subdivision 1, is amended to
1.4 read:

1.5 Subdivision 1. **Eligibility.** Except as indicated in subdivision 4, the annuity
1.6 reduction provisions of section 352.115, subdivision 10, do not apply to a person who:

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

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

1.12 (3) was not a recipient of an early retirement incentive under section 136F.481;

1.13 (4) begins drawing an annuity from the general state employees retirement plan of
1.14 the Minnesota State Retirement System; and

1.15 (5) returns to work on not less than a one-third time basis and not more than a
1.16 two-thirds time basis in the system from which the person retired under an agreement in
1.17 which the person may not earn a salary of more than \$62,000 in a ~~calendar~~ fiscal year
1.18 through employment after retirement in the system from which the person retired.

1.19 **EFFECTIVE DATE.** (a) This section is effective retroactively from January 1, 2015.

1.20 (b) For purposes of the period January 1, 2015, to June 30, 2015, the \$62,000 exempt
1.21 income limit must be prorated.

1.22 Sec. 2. Minnesota Statutes 2014, section 352.1155, subdivision 4, is amended to read:

1.23 Subd. 4. **Exemption limit.** For a person eligible under this section who earns more
1.24 than \$62,000 in a ~~calendar~~ fiscal year through reemployment in the Minnesota State

2.1 Colleges and Universities system following retirement, the annuity reduction provisions
2.2 of section 352.115, subdivision 10, apply only to income over \$62,000.

2.3 **EFFECTIVE DATE.** (a) This section is effective retroactively from January 1, 2015.
2.4 (b) For purposes of the period January 1, 2015, to June 30, 2015, the \$62,000 exempt
2.5 income limit must be prorated."

2.6 Page 2, after line 22, insert:

2.7 "Sec. 4. Minnesota Statutes 2014, section 354A.31, subdivision 3a, is amended to read:

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

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

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

2.14 (3) was not a recipient of an early retirement incentive under section 136F.481;

2.15 (4) begins drawing an annuity from a first class city teachers retirement association;
2.16 and

2.17 (5) returns to work on not less than a one-third time basis and not more than a
2.18 two-thirds time basis in the technical college system under an agreement in which the
2.19 person may not earn a salary of more than \$62,000 in a ~~calendar~~ fiscal year through the
2.20 technical college system.

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

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

2.32 **EFFECTIVE DATE.** (a) This section is effective retroactively from January 1, 2015.

2.33 (b) For purposes of the period January 1, 2015, to June 30, 2015, the \$62,000 exempt
2.34 income limit must be prorated."

2.35 Renumber the sections in sequence and amend the title accordingly

- 1.1 moves to amend H.F. No. 284; S.F. No. 54, as follows:
- 1.2 Page 2, line 29, delete the new language
- 1.3 Page 3, line 6, reinstate the stricken language and delete the new language
- 1.4 Page 3, line 7, reinstate the stricken language
- 1.5 Page 3, line 8, reinstate the stricken language and delete the new language
- 1.6 Page 3, line 9, strike "June 30" and delete "for" and insert "the end of the leave"
- 1.7 Page 3, delete line 10
- 1.8 Page 3, line 11, delete "354.096, "
- 1.9 Page 3, line 14, delete "June 30" and insert "the end of the leave"

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 284

01/22/2015 Authored by O'Driscoll

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to retirement; making administrative changes to the Teachers Retirement
1.3 Association; changing maximum excluded earnings limits from calendar year
1.4 to fiscal year; extending the interest-free period for leave of absence service
1.5 credit purchases; making federal conformity changes affecting all state pension
1.6 plans; amending Minnesota Statutes 2014, sections 354.445; 354.72, subdivision
1.7 2; 356.635, subdivision 9, by adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2014, section 354.445, is amended to read:

1.10 **354.445 NO ANNUITY REDUCTION.**

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

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

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

1.18 (3) was not a recipient of an early retirement incentive under section 136F.481;

1.19 (4) begins drawing an annuity from the Teachers Retirement Association; and

1.20 (5) returns to work on not less than a one-third time basis and not more than a
1.21 two-thirds time basis in the system from which the person retired under an agreement in
1.22 which the person may not earn a salary of more than \$62,000 in a calendar fiscal year
1.23 through employment after retirement in the system from which the person retired.

1.24 (b) Initial participation, the amount of time worked, and the duration of participation
1.25 under this section must be mutually agreed upon by the president of the institution where

2.1 the person returns to work and the employee. The president may require up to one-year
 2.2 notice of intent to participate in the program as a condition of participation under this
 2.3 section. The president shall determine the time of year the employee shall work. The
 2.4 employer or the president may not require a person to waive any rights under a collective
 2.5 bargaining agreement as a condition of participation under this section.

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

2.12 (d) For a person eligible under paragraphs (a) and (b) who earns more than \$62,000
 2.13 in a ~~calendar~~ fiscal year through employment after retirement due to employment by the
 2.14 Minnesota State Colleges and Universities system, the annuity reduction provisions of
 2.15 section 354.44, subdivision 5, apply only to income over \$62,000.

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

2.20 **EFFECTIVE DATE.** (a) This section is effective retroactively from January 1, 2015.

2.21 (b) For purposes of the January 1, 2015, to June 30, 2015, period, the \$62,000
 2.22 exempt income limit must be prorated.

2.23 Sec. 2. Minnesota Statutes 2014, section 354.72, subdivision 2, is amended to read:

2.24 Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and
 2.25 formula service in the plan for a period specified in subdivision 1 if the teacher makes a
 2.26 payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit,
 2.27 at its option, may pay the employer portion of the amount on behalf of its employees.

2.28 (b) If payment is received by the executive director by June 30 of the fiscal year
 2.29 of the strike period or by December 31 of the fiscal year following an authorized leave
 2.30 included under section 354.093, 354.095, or 354.096, payment must equal the total
 2.31 employee and employer contribution rates, including amortization contribution rates if
 2.32 applicable, multiplied by the member's average monthly salary rate on the date the leave
 2.33 or strike period commenced, ~~or for an extended leave under section 354.094, on the salary~~
 2.34 ~~received during the year immediately preceding the initial year of the leave,~~ multiplied
 2.35 by the months and portions of a month of the leave or strike period for which the teacher

3.1 seeks allowable service credit. This paragraph also applies to an extended leave under
 3.2 section 354.094, except that payment must be received by June 30 of the year of the leave,
 3.3 and the salary used in the computation is the salary received during the year immediately
 3.4 preceding the initial year of the leave.

3.5 (c) If payment is made after June 30 and before the following June 30 for a strike
 3.6 period, ~~or for leaves after December 31 of the fiscal year following a leave of absence~~
 3.7 ~~under section 354.093, 354.095, or 354.096, or for an extended leave of absence under~~
 3.8 ~~section 354.094, and before July 1,~~ the payment must include the amount determined in
 3.9 paragraph (b) plus compound interest at a monthly rate of 0.71 percent from June 30 for
 3.10 a strike period, or from December 31 for a leave under section 354.093, 354.095, or
 3.11 354.096, until the last day of the month in which payment is received. If payment is made
 3.12 on or after July 1 and before the following July 1 for an extended leave of absence under
 3.13 section 354.094, the payment must include the amount determined in paragraph (b) plus
 3.14 compound interest at a monthly rate of 0.71 percent from June 30 until the last day of
 3.15 the month in which payment is received.

3.16 (d) If payment is received by the executive director after the applicable last permitted
 3.17 date under paragraph (c), the payment amount is the amount determined under section
 3.18 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under
 3.19 this section may be made anytime before the effective date of retirement.

3.20 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.21 Sec. 3. Minnesota Statutes 2014, section 356.635, subdivision 9, is amended to read:

3.22 Subd. 9. **Military service.** Contributions, benefits, including death and disability
 3.23 benefits under section 401(a)(37) of the federal Internal Revenue Code, and service credit
 3.24 with respect to qualified military service must be provided according to section 414(u) of
 3.25 the federal Internal Revenue Code. For deaths occurring on or after January 1, 2007, while
 3.26 a member is performing qualified military service as defined in United States Code, title
 3.27 38, chapter 43, to the extent required by section 401(a)(37) of the federal Internal Revenue
 3.28 Code, survivors of a member in the system are entitled to any additional benefits that the
 3.29 system would have provided if the member had resumed employment and then died,
 3.30 including but not limited to accelerated vesting or survivor benefits that are contingent
 3.31 on the member's death while employed. In any event, a deceased member's period of
 3.32 qualified military service must be counted for vesting purposes.

3.33 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2007.

4.1 Sec. 4. Minnesota Statutes 2014, section 356.635, is amended by adding a subdivision
4.2 to read:

4.3 Subd. 10. **Benefit limitations.** For purposes of applying the limits of section
4.4 415(b) of the federal Internal Revenue Code, a retirement benefit that is payable in any
4.5 form other than a single life annuity and that is subject to section 417(e)(3) of the federal
4.6 Internal Revenue Code must be adjusted to an actuarially equivalent single life annuity
4.7 that equals, if the annuity starting date is in a plan year beginning after 2005, the annual
4.8 amount of the single life annuity commencing at the same annuity starting date that has
4.9 the same actuarial present value as the participant's form of benefit, using whichever of the
4.10 following produces the greatest annual amount:

4.11 (1) the interest rate and the mortality table or other tabular factor specified in the
4.12 plan for adjusting benefits in the same form;

4.13 (2) a 5.5 percent interest rate assumption and the applicable mortality table; or

4.14 (3) the applicable interest rate under section 417(e)(3) of the federal Internal
4.15 Revenue Code and the applicable mortality table, divided by 1.05.

4.16 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2005.