

Background Information on MnSCU Phased Retirement Program

The Minnesota State Colleges and Universities (MnSCU) phased retirement program was initially established in 1994 by Laws 1994, Chapter 602, Section 2, and coded in the Teachers Retirement Association (TRA) chapter as Minnesota Statutes, Section 354.445. Similar exemptions for MnSCU faculty were created later in first class city teacher plan law (Minn. Stat. Sec. 354.31, Subd. 3a), and, since a few MnSCU faculty might have General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) coverage, a similar provision was also added to law for that plan (Minn. Stat. Sec. 352.1155).

The program was promoted in 1994 by the MnSCU faculty bargaining representative, the Inter-Faculty Organization (IFO). The program was intended to permit MnSCU to retain key faculty members by allowing those faculty members to continue partial employment after retirement at the option of the system, without any reduction in their public retirement annuity. Aside from expanding this treatment of MnSCU faculty beyond TRA, the most significant change has been an increase in the exempt income amount (the amount of salary that can be earned through the reemployment without triggering deferral of retirement annuity amounts) from \$35,000 to \$46,000.

Under current law, MnSCU faculty members are eligible to participate in the phased retirement program if the person:

- a. has ten years of service credit from a public pension plan in which MnSCU is a participating employer;
- b. was employed prior to retirement on a full-time basis as a MnSCU faculty member or as a MnSCU administrator in the unclassified service;
- c. retires from MSRS-General, TRA, or from a first class city teacher plan; and
- d. returns to employment by MnSCU on at least one-third of full time and not more than two-thirds of full time under an agreement with a salary of no more than \$46,000 per calendar year.

Participation in the phased retirement program creates an exemption from MSRS-General, TRA, or the first class city teacher plan reemployed annuitant exempt earnings limit provision, which would otherwise apply whenever the applicable Social Security earnings limitation amount was reached, providing the reemployment income does not exceed \$46,000. Any income above that amount would be subject to treatment under the applicable plan reemployed annuitant exempt income provision.

Participation in the program, when the person will work, the amount of work, and the duration of participation are based on mutual agreement between the employee and employer. The employer may require up to a one-year notice from the employee of intent to participate in the program. No further service credit or contributions may be made to any plan due to this reemployment. In general, a person in the program is a member of the bargaining unit and covered by the applicable collective bargaining contract, subject to any provisions of the contract limiting rights of part-time employees.