



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *LAM*

RE: Unofficial Subcommittee Engrossment of S.F. 1321 (Pogemiller); H.F. 1462 (Mares): TRA; Prior Service Credit Purchase Payment Amount Determination Procedure Expiration Date Extension

DATE: March 22, 2001

Summary of Unofficial Subcommittee Engrossment of S.F. 1321 (Pogemiller); H.F. 1462 (Mares)

S.F. 1321 (Pogemiller); H.F. 1462 (Mares) amends portions of Minnesota Statutes, Chapter 354, the Teachers Retirement Association law; Chapter 354B, the law governing the Minnesota State Colleges and University (MnSCU) Individual Retirement Association Plan (IRAP); and Chapter 356, the law governing retirement plan generally, by making the following changes:

1. Tribal School and Foreign Public School Purchase. Minnesota Statutes, Section 354.534, Subdivision 1, the TRA prior out-of-state public school teaching service purchase, is amended to also include educational institutions established and operated by an American Indian tribe or by a foreign country public educational institution.
2. College Supplemental Available For Refund Repayments And New Service Credit Purchases. Minnesota Statutes, Section 354.539, the authorization to use the MnSCU College Supplemental Fund account to pay various service credit purchases, is amended to permit its use in repaying TRA refunds and making two new purchases.
3. Prior University of Minnesota Teaching Service Purchase. Minnesota Statutes, Section 354.541, is added to permit a full actuarial value payment service credit purchase for prior uncredited University of Minnesota teaching service.
4. Deferred TRA Retiree/Active IRAP Member Purchase Authorization. Minnesota Statutes, Section 354.542, is added to permit current IRAP members who are deferred TRA members to purchase from TRA any of the various TRA service credit purchases.
5. Authority to Transfer TRA Accounts to IRAP. Minnesota Statutes, Section 354B.32, is added to permit current IRAP participants with less than ten years of prior TRA service credit to transfer the TRA member contributions and six percent interest to IRAP, forfeiting an eventual TRA benefit. The provision expires on July 1, 2004.
6. Extension of Current Prior Service Credit Payment Determination Procedure. Minnesota Statutes, Section 356.55, Subdivision 7, repealer is extended from 2001 to 2003.

Discussion

S.F. 1321 (Pogemiller); H.F. 1462 (Mares) additionally allow the repayment of Teachers Retirement Association (TRA) member refunds from the Minnesota State Colleges and Universities System (MnSCU) College Supplemental Retirement Fund, authorizes deferred TRA retirees in the MnSCU Individual Retirement Account Plan (IRAP) to make various current law service credit purchases from TRA, authorizes current MnSCU IRAP participants with less than ten years of prior TRA service credit to elect to have their TRA member contributions, plus six percent interest, transferred to IRAP, and extends the 2001 expiration date for the current full actuarial value purchase payment determination procedure to 2003.

The proposed legislation raises a number of pension and related public policy issues that merit discussion and consideration by the Commission, including the following:

1. Appropriateness of the American Indian Tribal School Teaching Service Credit Purchase (Section 1). The policy issue is the appropriateness of authorizing TRA members to purchase TRA service credit for prior teaching service with an American Indian tribal school at full actuarial value. The 1999 TRA service credit purchases were broad, but did not include tribal school teaching. The Subcommittee

should consider taking some testimony about the comparability of tribal schools to the out-of-state or federal schools covered by the 1999 legislation. Some clarification may be needed about which tribal schools are intended to be covered. Not every Indian tribe is recognized as such by the federal government. Amendment LCPR01-38 limits the provision to that subset of all potential tribes. It is also not clear that the reference to American Indian tribes includes various Alaska natives or indigenous groups in American territories. Additionally, not all educational institutions serving American Indians were established and operated by a tribe and hence would not be covered by the purchase and would become the basis for subsequent proposed legislation.

2. Appropriateness of the Foreign Country Public Educational Institution Teaching Service Credit Purchase (Section 1). The policy issue is the appropriateness of authorizing TRA members to purchase TRA service credit for prior teaching service in a public educational institution in a foreign country. The legal principle of comity requires one state to recognize and to defer to the regulatory judgement of other states, but that level of comity frequently is not extended to foreign jurisdictions. Additionally, the language of the proposed purchase is not clear, since it refers to “an educational institution established and operated by... a public educational institution in a foreign country.” If what is intended is to cover teaching service in a public or private high school established by a public college or university in Canada or some similar situation, the provision accomplishes that. But, if the intent is to cover Canadian public high school teaching service, it is not clear that the language accomplishes that.
3. Appropriateness of Permitting The Repayment of TRA Refunds From the MnSCU College Supplemental Fund (Section 2). The policy issue is the appropriateness of expanding the use of the partially employer-financed Minnesota Colleges and Universities System (MnSCU) faculty College Supplemental Retirement Plan and Fund to repay a refund to the Teachers Retirement Association (TRA). In 2000, at the request of the MnSCU State Universities Interfaculty Organization (IFO), the Commission recommended and the Legislature authorized faculty members covered by the College Supplemental Retirement Plan to use the Supplemental Plan accumulations to make service credit purchases. The College Supplemental Retirement Plan was created in 1967, apparently to correct for various deficiencies for higher education faculty members in the TRA benefit plan at that time. Although the TRA benefit plan has been substantially and repeatedly upgraded since 1967, the Supplemental Retirement Plan remains and its purpose has not been clearly redefined by the Commission or the Legislature. Although the current legislative purpose of the College Supplemental Plan is unclear, thus making the analysis of proposed changes in it more difficult, the plan has always required the termination of teaching service before a participant could gain access to the plan asset accumulation. This change would extend the 2000 precedent for a pre-termination opportunity to benefit from a transfer out of the Supplemental Retirement Plan, although the transfer is to another pension plan and is not directly payable to the participant. The Subcommittee should consider whether it wishes to extend this very recent precedent from pre-termination distribution from a retirement plan, since many other potential retirement related pre-termination distributions could give rise to a similar request. Additionally, transfers to purchase TRA service credit from the Supplemental Retirement Plan include significant amounts of employer contributions. Refunds are authorized to permit former pension plan members to gain some financial benefit from pension plan coverage when the person does not intend to eventually receive a retirement annuity. Repayments of refunds permit these former members who resume plan membership to reverse that decision. Refund repayments are as potentially damaging to the funding condition of a pension plan as a subsidized service credit purchase. It is not clear that this level of encouragement of refund repayment, with a distribution from the College Supplemental Plan prior to retirement and partially employer funded, is appropriate. If the Commission has concerns about the propensity of the proposed change, Amendment LCPR01-45 would delete it.
4. Appropriateness of the University of Minnesota Teaching Service Credit Purchase (Section 3). The policy issue is the appropriateness of authorizing TRA members to purchase TRA service credit for prior teaching service rendered for the University of Minnesota with a full actuarial cost payment. The University of Minnesota is a governmental entity largely separate from the State of Minnesota, due to its creation by the Minnesota Territorial Legislation and its special status under the Minnesota Constitution (Article 8, Section 4) and the Minnesota Supreme Court decision in *State v Chase* (175 Minnesota 259, 220 NW 951). The University of Minnesota faculty (and upper-end administrators) are covered by a fully portable defined contribution pension plan with immediate (no minimum period of service credit) vesting. While University of Minnesota clerical and administrative personnel are covered by a defined benefit plan, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the only defined benefit coverage for faculty members (i.e., personnel rendering teaching services) relates solely to some long term faculty member covered by a

supplemental plan. As a consequence, any University of Minnesota faculty member has pension coverage for that teaching service that totally survives the person's departure from the University. The 1999 prior service credit purchase legislation, the precedent for this proposed legislation, was intended to fill pension coverage gaps and was not intended to create double pension coverage. While the Subcommittee should take testimony about the University of Minnesota faculty pension coverage currently and over time, the proposed service credit purchase appears to create duplicative pension coverage for affected potential TRA purchasers.

5. Appropriateness of Allowing Deferred TRA Retirees Who Are IRAP Members To Purchase TRA Service Credit (Section 4). The policy issue is the appropriateness of permitting current Minnesota State Colleges and Universities System (MnSCU) Individual Retirement Account Plan (IRAP) participants with at least three years of Teachers Retirement Association (TRA) service credit to make the 1999/2000 Session service credit purchases from TRA. IRAP participants are covered by a defined contribution plan, where the amassed account assets are the benefit, while TRA is a defined benefit plan, where the benefit is dependent on a formula. The 1999/2000 Session service credit purchases were intended to allow TRA members to cover gaps in their defined benefit pension coverage from prior military service, family leaves and employment breaks, and various types of teaching experiences. It is unclear why the requested authority for defined contribution pension plan members to purchase defined benefit prior service credit is of benefit to most IRAP members, but it is even less clear what benefit MnSCU, TRA, or the public would gain from the proposed purchase authority. If the Commission is troubled by this requested authority, Amendment LCPR01-43 eliminates this proposed change.
6. Appropriateness of Authorizing Some Former TRA Members To Cash Out Their TRA Coverage Into IRAP (Section 5). The policy issue is the appropriateness of the proposal authorizing former TRA members who have less than ten years of TRA allowable service and who are now MnSCU IRAP members to transfer the person's TRA member contributions, plus six percent compound interest, to the person's IRAP account. IRAP was created in 1988 (Laws 1988, Chapter 709, Article 11), but was not implemented until 1989. In 1989, TRA members with less than three years of TRA allowable service were authorized to transfer their accumulated member contributions, plus five percent compound interest (Laws 1989, Chapter 319, Article 18, Sections 5 and 6). In 1990, the interest rate on the transfers was increased to six percent, retroactive for the 1989 transfers (Laws 1990, Chapter 570, Article 3, Sections 8 and 10). Additional transfer issues have been brought to the Commission in subsequent sessions. With the number of times that the Commission has dealt with this issue for various IRAP groups and individual members, it is unclear why the issue arises again. Additionally, it is unclear why the group of IRAP members eligible for the transfer has been broadened by increasing the maximum amount of service credit in the eligibility requirement to ten years. The Subcommittee should consider taking additional testimony from MnSCU, IRAP member representatives, and TRA about the consequences of this proposal. If the Subcommittee is troubled by the provision, Amendment LCPR01-49 would delete the provision from the proposed legislation.
7. Appropriateness of a Two-Year Extension In The Prior Service Credit Purchase Payment Determination Procedure (Section 6). The policy issue is the appropriateness of extending the sunset date on the Minnesota Statutes, Section 356.55, prior service credit purchase payment determination procedure from 2001 to 2003. The Minnesota Statutes, Section 356.55, prior service credit purchase payment determination procedure was enacted in 1998, and was recommended by the Commission after an extended interim study. The procedure was proposed by TRA and was developed in large measure by the consulting actuary retained by the Commission. The procedure was intended to represent a less severe or expensive calculation of the actuarial accrued liability associated with a service credit purchase. Minnesota Statutes, Section 356.551, the eventual successor for the Minnesota Statutes, Section 356.55, procedure, is the traditional service credit purchase payment amount determination procedure used by the Commission in previously enacted special law service credit purchases. The Minnesota Statutes, Section 356.55, procedure was sunsetted because of considerable doubts about the accuracy of the procedure when compared to the actuarial accrued liability increase for a public pension plan associated with a purchase. Those doubts appear to have been well founded. The 2000 actuarial valuation summary report prepared by Milliman & Robertson, Inc. indicates that 224 prior service credit purchases during fiscal year 2000 produces a total net loss of \$45,467. The Minnesota Statutes, Section 356.55, procedure never replicated the calculated actuarial accrued liability increase in any of the 224 Fiscal Year 2000 purchases, but produced either gains (164 instances) or losses (60 instances). The following compares the experience of the five pension plans.

Plan	Gain Produced From Purchase			Loss Produced From Purchase		
	Number	High	Low	Number	High	Low
MSRS-General	1	\$9,632	-	1	\$906	-
PERA-General	1	4,401	-	4	16,044	1,385
TRA	139	56,177	87	46	63,223	86
DTRFA	2	5,138	1,003	5	23,913	475
StPTRFA	21	66,066	140	4	21,436	367
Total	164	\$66,066	\$87	60	\$63,223	\$86

A pattern also emerges from the Fiscal Year 2000 service credit purchases, with most gains coming from active member service credit purchases (i.e., purchases made by members not retiring in the year of purchase) and most losses coming from retired member service credit purchases (i.e., purchases made by members who retire during the year of purchase). The total loss experienced system-wide is problematic, meaning that Minnesota pension plans did subsidize service credit purchases in 2000. The fact that the 164 service credit purchases that produced gains did not offset the 60 service credit purchases that produced losses raises two problems, which are that some purchases are subsidizing other purchases and that, when a loss did occur, the losses are relatively very large. If the Subcommittee feels that the recent experience with the Minnesota Statutes, Section 356.55, prior service credit purchase payment determination procedure does not merit its continuation for two years as proposed, Amendment LCPR01-47 would delete the section.

8. Omissions of Other Pension Plans From Various Purchase Authorizations. The policy issue is the appropriateness of the omissions of other pension plans from the various prior service credit purchase authorizations. If another pension plan has the same potential service credit purchase as the purchase proposed, the proposed legislation will become a precedent for a subsequent extension. With respect to S.F. 313 (Larson); H.F. 303 (Cassell), members of the State Patrol Retirement Plan may also have prior service in a municipal police force covered by a local police relief association, akin to PERA-P&F members. With respect to S.F. 370 (Wiger); H.F. 465 (Marko), members of the State Patrol Retirement Plan, the MSRS-Correctional Employees Retirement Plan (MSRS-Correctional) or the PERA-Local Correctional Retirement Plan (PERA-Correctional) also may have military service for which they may desire to purchase service credit. With respect to S.F. 1321 (Pogemiller); H.F. 1462 (Mares), members of the first class city teachers retirement fund associations may have the same service credit and related situations as do TRA members. Amendment LCPR01-52 extends the various purchases and related provisions to these other pension plans.
9. Appropriateness Of The Underlying Impetus For The Service Credit Purchase And This Indirect Encouragement of Early Retirement. The policy issue is the appropriateness of the Legislature in rewarding the apparent underlying impetus for many recent service credit purchase demands, which is the acquisition of access to early retirement. Since the 1989 inclusion of MSRS-General and TRA in the "Rule of 90" early normal retirement age authority (unreduced retirement benefit payable when the sum of age and accrued service credit totals at least 90), the demands for service credit purchases have grown. A purchased year of service credit gains a public pension plan member a six month earlier potential retirement age under the Rule of 90 among a general public employee population that appears to seek to retire at its earliest possible opportunity. Given the manner in which Social Security is funded (i.e., an intergenerational fund transfer), given the growing actual or perceived shortage of workers in the economy, and given the cost of providing health insurance coverage to retirees, there are reasons for the Legislature to adopt a policy that encourages delayed retirement ages rather than one that promotes early retirement ages. If the growing early retirement trend among general public employees has public policy problems, proposed pension legislation that tends to favor early retirement should be scrutinized by the Subcommittee, the Commission and the Legislature very carefully.

#### Technical Commission Staff Amendments

The Commission staff has proposed Amendment LCPR01-48 to improve the language style, usage, and clarity of the proposed legislation.

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. 1462, as follows:  
3 Page 2, line 8, delete "an" and insert "a federally  
4 recognized"

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. No. 1462, as  
3 follows:

4 Page 2, line 19, delete "or to repay"

5 Page 2, line 20, delete the underscored language

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. 1462, as follows:  
3 Page 3, delete section 4  
4 Renumber the sections in sequence  
5 Correct internal crossreferences  
6 Amend the title accordingly

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. 1462, as follows:  
3 Page 4, delete section 6  
4 Amend the title accordingly



1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. 1462, as follows:  
3 Page 3, line 35, delete "contribution" and insert  
4 "accumulated member contributions" and after "plus" insert  
5 "compound"  
6 Page 4, line 1, delete "shall be" and insert "are"  
7 Page 4, line 3, after "receive" insert "direct payment of"  
8 Page 4, line 4, after the first "the" insert "contribution"  
9 Page 4, line 5, before "service" insert "allowable and  
10 formula" and delete "with" and insert "in" and delete "shall"  
11 and insert "associated with the transferred amount is forfeited."  
12 Page 4, delete line 6  
13 Page 4, line 7, after "The" insert "executive director of  
14 the" and after "association" insert ", in cooperation with the  
15 chancellor of the Minnesota state colleges and universities  
16 system,"  
17 Page 4, line 9, after "amount" insert "that" and after  
18 "shall" insert an underscored comma  
19 Page 4, line 10, after "request" insert an underscored  
20 comma and after the second "The" insert "chancellor of the"  
21 Page 4, line 14, before "This" insert "Authority to elect a  
22 transfer under"

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. No. 1462, as  
3 follows:

4 Pages 3 and 4, delete section 5

5 Renumber the sections in sequence

6 Amend the title accordingly

1 M ..... moves to amend the unofficial  
2 subcommittee engrossment of S.F. No. 1321; H.F. No. 1462, as  
3 follows:

4 Page 3, line 33, after "association" insert "or a teachers  
5 retirement fund association"

6 Page 3, line 35, and page 4, lines 5 and 7, after  
7 "association" insert "or the teachers retirement fund  
8 association"

9 Page 4, line 12, after "association" insert "and the  
10 teachers retirement fund association"

11 Page 4, after line 24, insert:

12 "Sec. 7. Minnesota Statutes 2000, section 354A.098,  
13 subdivision 1, is amended to read:

14 Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] (a) A  
15 teacher who has at least three years of allowable service credit  
16 with one of the retirement fund associations under this chapter  
17 and who rendered out-of-state teaching service for an  
18 educational institution established and operated by another  
19 ~~state, governmental subdivision of another state, or the federal~~  
20 ~~government~~ governmental entity specified in paragraph (b) is  
21 entitled to purchase up to ten years of allowable service credit  
22 for that out-of-state service by making payment under section  
23 356.55, provided the teacher is not entitled to receive a  
24 current or deferred age and service retirement annuity or

1 disability benefit and has not purchased service credit from  
2 another defined benefit public employee pension plan for that  
3 out-of-state teaching service. Payment must be made before the  
4 teacher's effective date of retirement.

5 (b) An eligible governmental entity for purposes of  
6 paragraph (a) is:

7 (1) another state of the United States;

8 (2) a governmental subdivision of another state of the  
9 United States;

10 (3) the federal government;

11 (4) an American Indian tribe; or

12 (5) a public education institution in a foreign country.

13 Sec. 8. Minnesota Statutes 2000, section 354A.106, is  
14 amended to read:

15 354A.106 [USE OF COLLEGE SUPPLEMENTAL RETIREMENT FUNDS TO  
16 PURCHASE SERVICE CREDIT.]

17 (a) Unless prohibited by or subject to a penalty under  
18 federal law, a teacher who is a participant in the college  
19 supplemental retirement plan established under chapter 354C may  
20 utilize the teacher's supplemental plan account to purchase  
21 service credit under sections 354A.097, 354A.098, 354A.099,  
22 354A.101, 354A.102, 354A.103, ~~and~~ 354A.104; 354A.107; and  
23 354A.108, or to repay a refund under section 354A.38.

24 (b) At the request of a member, if determined by the  
25 executive director of the applicable teachers retirement fund  
26 association to be eligible to purchase service credit, the  
27 executive director shall notify the board of the Minnesota state  
28 colleges and universities system of the cost of the purchase and  
29 shall request the transfer of funds from the member's college  
30 supplemental retirement account to the applicable teachers  
31 retirement fund association. Upon receipt of the full prior  
32 service credit purchase payment amount, the applicable teachers  
33 retirement fund association shall grant the requested allowable  
34 and formula service credit.

35 Sec. 9. [354A.107] [PRIOR UNIVERSITY OF MINNESOTA TEACHING  
36 SERVICE CREDIT PURCHASE.]

1        Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] A  
2 teacher who has at least three years of allowable service credit  
3 with the teachers retirement fund association is entitled to  
4 purchase up to ten years of allowable service credit for  
5 University of Minnesota teaching service by making payment under  
6 section 356.55, provided the teacher is not entitled to receive  
7 a current or deferred age and service retirement annuity or  
8 disability benefit and has not purchased service credit from  
9 another defined benefit public employee pension plan for that  
10 University of Minnesota teaching service.

11        Subd. 2. [APPLICATION AND DOCUMENTATION.] A teacher who  
12 desires to purchase service credit under subdivision 1 must  
13 apply with the executive director to make the purchase. The  
14 application must include all necessary documentation of the  
15 teacher's qualifications to make the purchase, signed written  
16 permission to allow the executive director to request and  
17 receive necessary verification of applicable facts and  
18 eligibility requirements, and any other relevant information  
19 that the executive director may require. Payment must be made  
20 before the teacher's effective date of retirement.

21        Subd. 3. [SERVICE CREDIT GRANT.] Allowable service credit  
22 for the purchase period must be granted by the teachers  
23 retirement association to the purchasing teacher on receipt of  
24 the purchase payment amount.

25        Sec. 10. [354A.108] [PRIOR TEACHING SERVICE CREDIT  
26 PURCHASE BY IRAP MEMBERS WITH DEFERRED TEACHERS RETIREMENT  
27 ASSOCIATION CREDIT.]

28        A teacher who is a participant in the individual retirement  
29 account plan authorized by chapter 354B and who has at least  
30 three years of allowable service credit with a teachers  
31 retirement fund association may purchase service credit as  
32 provided in sections 354A.091 to 354A.099 and 354A.101 to  
33 354A.107."

34        Amend the title accordingly

## 1 UNOFFICIAL SUBCOMMITTEE ENGROSSMENT

2 SF 1321 (POGEMILLER); HF 1462 (MARES)

3  
4 A bill for an act

5 relating to retirement; modifying teachers retirement  
6 provisions; providing for service credit purchases;  
7 permitting a transfer of funds; extending the prior  
8 service credit determination procedure; amending  
9 Minnesota Statutes 2000, sections 354.534, subdivision  
10 1; 354.539; and 356.55, subdivision 7; proposing  
11 coding for new law in Minnesota Statutes, chapters 354  
12 and 354B.

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

14 Section 1. Minnesota Statutes 2000, section 354.534,  
15 subdivision 1, is amended to read:

16 Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] (a) A  
17 teacher who has at least three years of allowable service credit  
18 with the teachers retirement association is entitled to purchase  
19 up to ten years of allowable and formula service credit for  
20 out-of-state teaching service by making payment under section  
21 356.55, provided the out-of-state teaching service was performed  
22 for an educational institution established and operated by  
23 another ~~state, governmental subdivision of another state, or the~~  
24 ~~federal government~~ governmental jurisdiction and the teacher is  
25 not entitled to receive a current or deferred age and service  
26 retirement annuity or disability benefit and has not purchased  
27 service credit from another defined benefit public employee

1 pension plan for that out-of-state teaching service.

2 (b) For purposes of paragraph (a), "another governmental  
3 jurisdiction" means:

4 (1) another state of the United States;

5 (2) a governmental subdivision of another state of the  
6 United States;

7 (3) the federal government;

8 (4) an American Indian tribe; or

9 (5) a country other than the United States.

10 Sec. 2. Minnesota Statutes 2000, section 354.539, is  
11 amended to read:

12 354.539 [USE OF COLLEGE SUPPLEMENTAL RETIREMENT FUNDS TO  
13 PURCHASE SERVICE CREDIT.]

14 (a) Unless prohibited by or subject to a penalty under  
15 federal law, a teacher who is a participant in the college  
16 supplemental retirement plan established under chapter 354C may  
17 utilize the teacher's supplemental plan account to purchase  
18 service credit under sections 354.53, 354.533, 354.534, 354.535,  
19 354.536, 354.537, ~~and~~ 354.538, 354.541, and 354.542 or to repay  
20 a refund under section 354.50.

21 (b) At the request of a member, if determined by the  
22 executive director to be eligible to purchase service credit,  
23 the executive director shall notify the board of the Minnesota  
24 state colleges and universities system of the cost of the  
25 purchase and shall request the transfer of funds from the  
26 member's college supplemental retirement account to the teachers  
27 retirement association. Upon receipt of the full prior service  
28 credit purchase payment amount, the teachers retirement  
29 association shall grant the requested allowable and formula  
30 service credit.

31 Sec. 3. [354.541] [PRIOR UNIVERSITY OF MINNESOTA TEACHING  
32 SERVICE CREDIT PURCHASE.]

33 Subdivision 1. [SERVICE CREDIT PURCHASE AUTHORIZED.] A  
34 teacher who has at least three years of allowable service credit  
35 with the teachers retirement association is entitled to purchase  
36 up to ten years of allowable and formula service credit for

1 University of Minnesota teaching service by making payment under  
2 section 356.55, provided the teacher is not entitled to receive  
3 a current or deferred age and service retirement annuity or  
4 disability benefit and has not purchased service credit from  
5 another defined benefit public employee pension plan for that  
6 University of Minnesota teaching service.

7 Subd. 2. [APPLICATION AND DOCUMENTATION.] A teacher who  
8 desires to purchase service credit under subdivision 1 must  
9 apply with the executive director to make the purchase. The  
10 application must include all necessary documentation of the  
11 teacher's qualifications to make the purchase, signed written  
12 permission to allow the executive director to request and  
13 receive necessary verification of applicable facts and  
14 eligibility requirements, and any other relevant information  
15 that the executive director may require. Payment must be made  
16 before the teacher's effective date of retirement.

17 Subd. 3. [SERVICE CREDIT GRANT.] Allowable and formula  
18 service credit for the purchase period must be granted by the  
19 teachers retirement association to the purchasing teacher on  
20 receipt of the purchase payment amount.

21 Sec. 4. [354.542] [PRIOR TEACHING SERVICE CREDIT PURCHASE  
22 BY IRAP MEMBERS WITH DEFERRED TEACHERS RETIREMENT ASSOCIATION  
23 CREDIT.]

24 A person in covered employment under section 354B.20,  
25 subdivision 4, who is a participant in the individual retirement  
26 account plan authorized by chapter 354B and who has at least  
27 three years of allowable service credit with the teachers  
28 retirement association may purchase service credit as provided  
29 in sections 354.533 to 354.538 and 354.541.

30 Sec. 5. [354B.32] [TRANSFER OF FUNDS TO IRAP.]

31 A participant in the individual retirement account plan  
32 established in this chapter who has less than ten years of  
33 allowable service under the teachers retirement association may  
34 elect to transfer an amount equal to the participant's  
35 contribution to the teachers retirement association, plus  
36 interest at the rate of six percent per annum, to the individual



1 retirement account plan. The transfers shall be irrevocable  
2 fund to fund transfers, and in no event may the participant  
3 receive the money transferred prior to retirement. If a  
4 participant elects the transfer, all of the participant's  
5 service credit with the teachers retirement association shall  
6 terminate.

7 The teachers retirement association shall notify  
8 participants who are eligible to transfer of their right to  
9 transfer and the amount they are eligible to transfer, and shall  
10 upon request provide forms to implement the transfer. The  
11 Minnesota state colleges and universities shall assist the  
12 teachers retirement association in developing transfer forms and  
13 in implementing the transfers.

14 This section expires on July 1, 2004.

15 Sec. 6. Minnesota Statutes 2000, section 356.55,  
16 subdivision 7, is amended to read:

17 Subd. 7. [EXPIRATION OF PURCHASE PAYMENT DETERMINATION  
18 PROCEDURE.] (a) This section expires and is repealed on July  
19 1, ~~2001~~ 2003.

20 (b) Authority for any public pension plan to accept a prior  
21 service credit payment calculated in a timely fashion under this  
22 section expires on October 1, ~~2001~~ 2003.

23 Sec. 7. [EXPIRATION OF PROVISION.]

24 Section 4 expires on May 16, 2002.