



**S.F. 1519**

(Pogemiller)

**H.F. 1615**

(Smith)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* Minneapolis Teachers Retirement Fund Association (MTRFA)  
*Relevant Provisions of Law:* Minnesota Statutes, Chapters 128D, 354, 354A, and 423  
*General Nature of Proposal:* Pension Obligation Bonds and Funding Changes  
*Date of Summary:* April 26, 2005

**Specific Proposed Change(s)**

- Authorizes Minneapolis public schools to issue pension obligation bonds to fund MTRFA.
- Consolidates the MTRFA Coordinated Program into TRA.
- Sets contribution rates for Minneapolis teachers covered by TRA at current TRA rates.
- Rededicates any unused MERF aid to MTRFA.
- Makes 1993 MTRFA and local additional contributions mandatory.
- Provides additional post-default state, city, and school district contributions.
- Limits MTRFA-Basic post-retirement adjustments to five percent.
- Eliminates minimum investment performance requirement on 1996 MTRFA aid.
- Resets MTRFA amortization date to 2030.
- Provides MTRFA staff protections.
- Repeals current MTRFA post-retirement adjustment mechanism.

**Policy Issues Raised by the Proposed Legislation**

1. Appropriateness of bonding for the MTRFA unfunded actuarial accrued liability.
2. Appropriateness of depositing the bond proceeds with the state board of investment.
3. Appropriateness of not considering MTRFA pension obligation bond proceeds as MTRFA assets.
4. Appropriateness of the proposed consolidation of MTRFA coordinated program retirees and all MTRFA active members.
5. Adequacy of the asset transfer proposed to accompany the partial MTRFA consolidation into TRA.
6. Appropriateness of rededicating portions of the MERF state aid.
7. Appropriateness of making voluntary Minneapolis city and Minneapolis school district/state aid-matched additional contributions mandatory.
8. Appropriateness of the proposed split in the additional MTRFA basic program funding requirement.
9. Appropriateness of funding MTRFA by local government aid and general education aid deductions.
10. Appropriateness of dropping investment performance as a condition for receipt of the 1996 additional amortization aid by MTRFA.
11. Appropriateness of extending the MTRFA full funding date to 2030.
12. Appropriateness of proposed MTRFA administrative staff protections.
13. Appropriateness of the repeal of the MTRFA post-retirement adjustment mechanism.
14. Resulting financial and actuarial impact of the proposed legislation on MTRFA and TRA.

**Potential Amendments**

Amendment LCPR05-130 (technical): Attempts to clarify the language and style of the bill consistent with its apparent intent.

Amendment LCPR05-131 (substantive): Requires SBI investment of all MTRFA assets.

Amendment LCPR05-132 (substantive): Requires investment of MTRFA bond proceeds in Minnesota Supplemental Investment Fund.

Amendment LCPR05-133 (substantive): Requires investment of MTRFA bond proceeds in Minnesota Combined Investment Funds.

Amendment LCPR05-258 (potentially technical): Clarifies that the transfer of active members is limited to MTRFA-Coordinated members.

Amendment LCPR05-134 (potentially technical): Attempts to clarify the current asset transfer amount determination language.

Amendment LCPR05-135 (potentially technical): Defines the MTRFA-Coordinated Program retiree group inclusively.

Amendment LCPR05-136 (potentially technical): Redirects MERF aid as ongoing (post-2004) redirection.

Amendment LCPR05-137 (potentially technical): Clarifies the determination of "unused" MERF aid.

Amendment LCPR05-138 (substantive): Excludes the St. Paul Teachers Retirement Fund Association from the 1999 State aid investment performance requirement.

Amendment LCPR05-139 (substantive): Limits the indexation to the Minnesota Post Retirement Investment Fund post-retirement adjustment to MTRFA-Coordinated Program members.

Amendment LCPR05-140 (potentially technical): Clarifies the replacement of the MTRFA post-retirement adjustment mechanism by the Minnesota Post Retirement Investment Fund for MTRFA-Basic Program retirees.