



S.F. 543

(Larson)

S.F. 838

(Gaither)

H.F. 914

(Beard)

H.F. xxx

Executive Summary of Commission Staff Materials

<u>Affected Pension Plan:</u>	Teachers Retirement Association (TRA)
<u>Relevant Provisions of Law:</u>	Minnesota Statutes, Proposed Coding as Section 354.551
<u>General Nature of Proposal:</u>	Provide a Portion of an Improved Money Purchase (IMP) Annuity to Certain Active Members and Retirees who Elected Options other than the IMP
<u>Date of Summary:</u>	April 19, 2005

Specific Proposed Changes

- Provides an additional benefit of 45 percent of difference between a formula (high-five) annuity and an IMP benefit, if IMP is higher, to various individuals who could have elected an IMP benefit but who chose other options.

Policy Issues Raised by the Proposed Legislation

1. Violation of Equity Concept. The bill asks the Commission and Legislature to reconsider proposals to assist the eligible group, when the general request has been rejected in the courts and rejected at least twice by past Commissions and the Legislature.
2. Validating a Perceived Grievance. Approving the bill would validate a perceived grievance and may lead to later requests to further increase the amounts to be given to the group made eligible by this bill.
3. Cost of the Proposal. The proposal would add \$212 million in liabilities to TRA.
4. Conflict with Commission Policies: Funding the Improvement. The Commission's policy statement says that an ad hoc post-retirement adjustment should be funded separately from the regular plan funding and not simply added to the plan's accrued liability. Alternatives are either a state general fund appropriation to cover the cost, or a surcharge on TRA employee and employer contributions, or a combination of the two approaches.
5. Pressure for Benefit Enhancements from Other Groups. Granting the request may lead to requests to increase benefits for other groups in TRA or other plans.
6. Opposition from TRA and Unions. The proposal is opposed by TRA and teacher unions.

Potential Amendments

Amendment LCPR05-043 (delete-all amendment) provides the benefit increase proposed under the bill, but it places a cap on the liabilities, to protect the fund from any errors in early cost estimates. If the benefit increase would create liabilities in excess of the cap, the increase would be prorated. The Commission could also use this amendment, with verbal amendments, to change the benefit increase provided from 45 percent of the difference between the formula annuity and an IMP benefit, to some other amount to be set by the Commission.

Amendment LCPR05-044 is a technical amendment revising the head note.

Amendment LCPR05-246 (drawn to LCPR05-043) would compensate TRA for the cost of the ad hoc benefit increase by providing a state appropriation to cover the added liabilities.

Amendment LCPR05-247 is identical to LCPR05-246, except that it appropriates half the total cost, leaving TRA members and employers to absorb the remainder.

Amendment LCPR05-248 is similar to LCPR05-246, except that it is drawn to the bill rather than to an amendment. If the Commission revises the bill to provide other than a 45 percent benefit, the Commission may wish to strike "\$212.1 million" where it appears in the amendment and insert the corresponding amount from Table 2.