S.F. 2247
S.F. 2248
(Author)

H.F. 2463
H.F. 2462
(Author)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): TRA, MnSCU IRAP, PERA
Relevant Provisions of Law: Uncoded
General Nature of Proposal: TRA Coverage Election and Service Credit Transfer
Date of Summary: January 24, 2006

Specific Proposed Changes

S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) permits prospective election of TRA coverage and transfer of past service from IRAP to TRA with the payment by the employee of contributions plus interest and the payment by the employer of the remainder of the full actuarial value.

S.F. 2248 (Skoglund); H.F. 2462 (Wagenius) permits prospective election of TRA coverage and transfer of past service from IRAP to TRA with the payment by the employee of the full actuarial value.

Policy Issues Raised by the Proposed Legislation

1. Existence of alternative resolutions.
2. Question of harm.
3. Personal responsibility.
4. Cost.
5. Appropriate scope of the bills.
6. Legislative pressure to hear somewhat related situations.

Potential Amendments

For S.F. 2247 (Skoglund); H.F. 2463 (Wagenius):

- LCPR-S2247-A1 adjusts payment dates and some plan coverage dates. (technical)

For S.F. 2248 (Skoglund); H.F. 2462 (Wagenius):

- LCPR-S2248-A1 adjusts the commencement date of TRA coverage. (technical)
- LCPR-S2248-A2 allows the individual to make a partial payment for prorated service credit. (substantive)

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: S.F. 2247 (Skoglund); H.F. 2463 (Wagenius): TRA/IRAP/PERA; Authorizing MnSCU Employee to Elect TRA Coverage and Transfer Past Service from IRAP to TRA – Contributions Plus Interest Payment by the Employee with the Remainder of the Full Actuarial Value Paid by the Employer

S.F. 2248 (Skoglund); H.F. 2462 (Wagenius): TRA/IRAP/PERA; Authorizing MnSCU Employee to Elect TRA Coverage and Transfer Past Service from IRAP to TRA – Full Actuarial Value Payment by the Employee

DATE: January 24, 2006

Summary of S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) and S.F. 2248 (Skoglund); H.F. 2462 (Wagenius)

S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) allows a class of individuals, defined narrowly to apply only to Ms. Shelly Siegel, to transfer prospective coverage retirement coverage from the Individual Retirement Account Plan to the Teachers Retirement Association (TRA), and past coverage to TRA beginning on January 1, 1995, the approximate date that the election of TRA coverage would have occurred if the individual had made a coverage election under Minnesota Statutes 1994, Section 354B.02, Subdivision 5. If an eligible individual elects this treatment, the value of the individual's IRAP account minus the value of that account on December 31, 1994, augmented by expected investment earnings on that amount to the current date, transfers to TRA. If post-January 1, 1995, employee contributions to TRA were higher than the employee contribution to IRAP, the employee contribution rate difference, plus 8.5 percent annual compound interest, must be paid by the eligible individual to TRA. The Minnesota State Colleges and Universities System (MnSCU) shall pay the remainder of the full actuarial value of the service credit purchase or have that amount deducted from state aid.

S.F. 2248 (Skoglund); H.F. 2462 (Wagenius) allows the prospective and past service transfer of coverage to TRA as described above, but the individual is responsible for paying the full actuarial value of the pension plan coverage change.

Public Pension Problem of Shelly Siegel

Ms. Shelly Siegel began employment with the Minnesota State Colleges and Universities System (MnSCU) in 1991. Ms. Siegel works at the North Hennepin Community College and is the Director of Student Support Services. When she was hired, the retirement plan available to new MnSCU employees was the Higher Education Individual Retirement Account Plan (IRAP), a defined contribution plan. A few years later, in 1994, the Legislature enacted legislation to merge Minnesota technical colleges into MnSCU, and the legislation included provisions which allowed technical college faculty and administrators to have a range of retirement options. The technical college faculty and administrators could become IRAP members, or they could elect coverage by the defined benefit plan that otherwise would cover these individuals – the Teachers Retirement Association (TRA), or one of the three first class city teacher plans (the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers Retirement Fund Association, or the St. Paul Teachers Retirement Fund Association), if applicable.

Since the new MnSCU employees from the technical colleges were being given a range of retirement options, it seemed reasonable that existing MnSCU employees should be given a similar option to revise retirement coverage. That authority for existing employees was provided by Laws 1994, Chapter 508, Article 1, Section 10, which was coded in Minnesota Statutes 1994. That section, which would have applied to Ms. Siegel since she was an existing MnSCU employee hired in 1991 and covered by IRAP, specified that members of IRAP as of July 1, 1994, who were first employed after June 30, 1989, may elect to remain with IRAP or to elect prospective TRA coverage. If TRA was elected, that coverage was to commence on the date the election was made. The individual's assets already invested in IRAP were to remain in IRAP and were not to be transferred to TRA. The election was irrevocable.

This 1994 law provided a brief window for Ms. Siegel and other existing IRAP members to elect defined benefit plan coverage. The provision was repealed in 1995, ending any statutory authority to transfer coverage.

While the legislation did not provide detail about how these elections were to occur or the precise election date, copies of letters from TRA to Ms. Siegel indicate that the elections occurred in late 1994 or early 1995. Individuals were given 90 days from the date the individual received notification from the IRAP administrator to revise retirement coverage.

The IRAP administrator used certified mail to contact eligible individuals. Ms. Siegel contends that she never received any notification and was not aware of this election option until 2003, when she attended a deferred compensation program meeting and a colleague mentioned that in the early 1990s MnSCU employees were given an option during a brief period to switch retirement plan coverage.

Ms. Siegel's contention that she was not notified is supported by a letter (dated April 2, 2003, to Ms. Siegel from Vicky Wavinak, Wells Fargo Retirement Plan Services (the plan administrator for IRAP)), which states that in 1994 Ms. Siegel should have received a form to elect TRA or to remain in IRAP. The letter continues, "It was not made clear until last Spring that you had not been given the election to make this decision. Both the Campus and Wells Fargo checked your files and found that there was no election, indicating to us that you were not given the election."

Ms. Siegel contacted MnSCU and TRA seeking to remedy the situation. In late May 2003, Ms. Siegel signed a TRA new member form, and in July 2003 contributions to TRA began. However, TRA soon concluded that it had no statutory authority to allow Ms. Siegel to be a prospective TRA member at this time, no authority to accept any transfer of assets relating to past service, and no authority to grant any past service credit back to late 1994 or early 1995, when a TRA election could have occurred under the now repealed 1994 law. TRA therefore stopped taking contributions from Ms. Siegel and returned the erroneous contributions.

Letters to Ms. Siegel (dated June 16, 2004, and August 12, 2004) from Gary Janikowski, MnSCU's personnel director, indicate that MnSCU met with TRA seeking to resolve this issue. However, the August 12, 2004, letter from Mr. Janikowski to Ms. Siegel concludes with a recognition that Ms. Siegel cannot be placed in TRA prospectively, or retroactive to 1995, without violating existing law.

Ms. Siegel remains interested in pursuing a remedy to her situation. Her interest in defined benefit plan coverage stems in part from a desire to retire with a "Rule of 90" benefit. The "Rule of 90" is a subsidized early retirement benefit offered under several Minnesota defined benefit plans, TRA and first class city teacher plans, the Public Employees Retirement Association (PERA) General Plan, and the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). The "Rule of 90" benefit is available to individuals who became a member of one of these defined benefit plans prior to July 1, 1989. Ms. Siegel indicates that in previous employment she was an MSRS-General member with PERA service credit, which presumably makes her eligible for the "Rule of 90". Ms. Siegel hopes to eventually retire from TRA and PERA using a "Rule of 90", combining the benefits from those two funds through another provision of law, the Combined Service Annuity provision (Minnesota Statutes, Section 356.30). Ms. Siegel currently is 46 years old.

Background Information on Defined Contribution Pension Plans and Defined Benefit Pension Plans

Pension plans, whether in the public sector or in the private sector, fall into two types, either a defined contribution plan or a defined benefit plan. The Higher Education IRAP is a defined contribution plan. An Individual Retirement Account (IRA) or an Internal Revenue Code Section 403(b) tax-sheltered annuity is a defined contribution plan. In contrast, TRA is a defined benefit plan.

In a defined contribution plan, the input (contributions) is fixed, while in a defined benefit plan the output (the pension benefit) is fixed by formulas, typically based on salary late in the individual's career and length of covered service. In a defined contribution plan the funding for the pension plan is fixed as a dollar amount or as a percentage of payroll and the fixed element of funding leaves a variable element, which is the benefit amount that is ultimately payable. The eventual benefit that results from those contributions is dependent upon the investment returns on the contributions. Thus, under a defined contribution plan, the plan member bears the inflation and investment risks. If there is poor investment performance, the plan member's pension assets will be depressed. If inflation is high, the plan member's benefit will be less adequate in meeting the person's pre-retirement standard of living. A defined contribution plan favors employees who are very employment mobile, where employment changes beyond a single employer or a multiple-employer group, because the value of the individual's account stays with the individual. Defined contribution plans also favors short-term employees in comparison to defined benefit plans. Again, the reason is that the individual is entitled to the full value of the individual's account. In contrast, under a defined benefit plan, the short-term employee who leaves covered service is likely to be entitled to only a refund of employee contributions with interest. The employer contributions that the employer made on behalf of the employee and all investment earnings on those contributions remain with the employer. Defined contribution plans also favor employees with very stable and modestly increasing salary histories and employees who work considerably beyond the plan's normal retirement age.

A defined benefit plan is a pension plan where the pension benefit amount that is ultimately payable is pre-determinable or fixed using a formula or comparable arrangement. Fixing the retirement benefit amounts leaves a variable element, which is the funding required to provide that benefit. As a defined benefit plan, TRA and the employing units covered by the plan have the inflation and investment risks. If the investment returns on plan assets are poor or if inflation produces ever-increasing final salaries and benefit payouts, that risk is borne by the plan and its associated employers. The member has the turnover risks. If a plan member terminates with modest service having been rendered or retires at an early age, the member will receive either a refund or an inadequate benefit. A defined benefit plan favors long-term or long-service employees. It also favors employees who receive regular promotions and sizable salary increases throughout their careers or who achieve substantial salary increases in their compensation at the end of their career. It also favors employees who retire at or before the plan's normal retirement age.

<u>Background Information on the Higher Education Individual Retirement Account Plan and the Higher Education Supplemental Retirement Plan</u>

IRAP was created in the late 1980s, when state university and state college teachers and related employees sought coverage by a defined contribution plan rather than TRA. The enacting legislation passed in 1988 (Laws 1988, Chapter 709, Article 11) and was coded as Minnesota Statutes, Chapter 354B, but was not implemented until mid-1989 due to problems in ensuring proper Social Security coverage. The plan was expanded to include technical college managerial employees in 1993, and technical college faculty in 1994. The Higher Education IRAP plan covers many faculty members and upper level administrator personnel at MnSCU, but does not cover faculty or administrators at the University of Minnesota.

When the Higher Education IRAP plan was initially implemented, IRAP coverage was mandatory for new hires unless they had prior covered service by a teacher plan. Those with prior coverage by TRA could continue with TRA or could elect IRAP. Election rights and election procedures were frequently revised over the years. In 1994, the current procedure was established, which permits individuals with prior defined benefit plan coverage to continue that coverage or elect IRAP, and permits new hires to choose between IRAP and the defined benefit plan that would otherwise provide the coverage. The election period is 90 days and the election is irrevocable.

The argument made by initial proponents of a defined contribution plan for higher education faculty and administrators is that higher education faculty, as a group, are highly mobile. If the individual changes employment to another college in another state, the individual retains the full value of the IRAP account, and that account continues to grow in value over time due to the continuing investment earnings on the account. A defined benefit plan may be a better choice for higher education faculty members who, through personal choice or lack of opportunity, are less mobile, particularly as these individuals become long-term employees. A defined benefit plan may also be best for higher education faculty members who have considerable prior TRA or first class city teacher plan covered service prior to hire, or due to their past higher education service benefit plan coverage.

The MnSCU higher education faculty is also covered by a plan called the Higher Education Supplemental Retirement Plan (SRP), which is also a supplemental defined contribution plan. Higher education faculty and administrators are covered by the SRP whether the individual is a TRA member or an IRAP member. The SRP was created in 1967. At that time, TRA provided the primary coverage for higher education faculty and the SRP was created to address deficiency in the benefits provided by TRA. Those deficiencies in TRA benefits were addressed decades ago when TRA moved to use high-five average salary to compute benefits, and benefits were further enhanced in more recent years. The problem that the SRP was intended to address has been eliminated. Given that elimination, the purpose for continuing the SRP currently is unclear.

<u>Background Information on the Combined Service Annuity</u>

The Combined Service Annuity provision, found in Minnesota Statutes, Section 356.30, was enacted in 1975. This law provides portability between the Minnesota public pension plans included in the provision.

Before 1975, if a person shifted employment between a city covered by the Public Employees Retirement Association (PERA), and state employment covered by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) or some other MSRS plan, or TRA, the person would receive separate benefits from each applicable pension plan calculated without reference to the other public employment. For an individual with PERA service who later moves to employment covered by TRA, the PERA benefit would be determined under the applicable laws at the time the individual left PERA covered employment. The TRA benefit would be determined under laws in effect when the individual left TRA-covered employment. The General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and TRA base the benefit to be received on the high-five average salary (the average salary during the five years of employment covered by the plan which produces the highest average), and the number of years of covered service. But the salaries used to compute the benefits would be different, since in our case the TRA benefit reflects recent salary while the PERA benefit may be based on salary received years or even decades earlier.

With the Combined Service Annuity law, the benefit calculations for a person with coverage by multiple public pension plans are very similar to those for a person who changed employment between employers covered by the same plan. To provide benefit treatment for the public employee who changed employment to another public employer covered by a different retirement system that is similar to that of a public employee who changes jobs all covered by the same retirement plan, the Combined Service Annuity law requires the benefit to be computed using a common high-five average salary, with the years used for determining the high-five average salary to include the most recent employment, the prior employment, or a combination of the two, whichever provides the highest average. The common high-five average salary is then used to compute the benefits from all plans to be included in the calculations. The accrual rate or rates (the portion of the high-five average salary to be received per year of service) and other plan features used to compute the benefits are those in effect for each included plans on the date the individual terminated from the last plan. Under the Combined Service Annuity provision, the individual is advantaged by receiving benefits from all the plans based on the recent high-five average salary, and the individual receives any benefit improvements or other plan changes that occurred since the individual terminated from the prior plan or plans. If two plans are involved, the benefit is computed by the first plan using the years of service credit the individual had under that plan. The second plan would compute its benefit based on the years of service credit the individual had under the second plan. Thus, an individual with 15 years of service under one plan and 5 years of service under another would receive two benefit checks, one from each plan, but the total of the two benefit checks should be the same, or very close, to the single retirement check received each month by a comparable individual, in comparable employment, with 20 years of service credit within a single plan.

<u>"Rule of 90" Benefit</u>

TRA, PERA-General, the first class city teacher plans, and MSRS-General all offer a "Rule of 90" early retirement benefit option to plan members who began public employment covered by one of the plans before July 1, 1989. An eligible individual is entitled to retire under a "Rule of 90" early retirement benefit whenever the individual's age plus years of covered service equal 90 or more. Under current law, the individual receives a benefit of 1.2 percent of the high-five average salary for each of the first ten years of covered service and 1.7 percent of the high-five average salary for each year thereafter. No further reduction is taken for retirement before normal retirement age (approximately age 65 or 66), although the individual may be drawing a benefit for many more years than an individual who retires at normal retirement age.

Because of this lack of a reduction, the "Rule of 90" is a subsidized benefit, and the added cost of this provision must be covered by the other plan members and employing units. The "Rule of 90" favors individuals who begin in public employment at an early age, who remain in public employment throughout their careers, and who do not shift employment during their careers to employers who are not included in the Combined Service Annuity provision. An issue, therefore, is that the "Rule of 90" provision adds cost to the pension plan which must be covered in part by individuals who will never be eligible for that provision. This excluded group includes individuals who do not begin public employment at an early age, individuals who have considerable gaps in coverage, individuals who are job mobile, and any individual first hired in applicable public employment on or after July 1, 1989.

For eligible individuals, the "Rule of 90" is available through the Combined Service annuity provision. The high-five average salary would be determined as previously described. Years of service under the applicable plans can be combined for purposes of determining eligibility for the "Rule of 90."

Analysis and Discussion

S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) presumes that MnSCU failed to provide to Ms. Siegel TRA-election forms in 1994, which would have allowed her to transfer coverage to the pension plan. This created harm; under the drafting MnSCU is required to remedy that harm. The bill allows Ms. Siegel to transfer prospective coverage retirement coverage from IRAP to TRA, and past coverage to TRA beginning on January 1, 1995, the approximate date that the election of TRA coverage would have occurred if the individual had made a coverage election under Minnesota Statutes 1994, Section 354B.02, Subdivision 5.

If the eligible individual elects this treatment, the value of the individual's IRAP account minus the expected current value of the account on December 31, 1994, transfers to TRA. If, for any portion of the post-January 1, 1995 period, the employee contribution to TRA was higher than the employee contribution to IRAP, the employee contribution rate difference plus 8.5 percent annual compound interest must be paid by the eligible individual to TRA. MnSCU shall pay to TRA the remainder of the full actuarial value of the service credit purchase, or have that amount deducted from state aid and transmitted to TRA.

The treatment provided by S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) is an effort to approximate the treatment that would have been provided under Laws 1994, Chapter 508, Article 1, Section 10, assuming that Ms. Siegel had transferred prospective coverage from IRAP to TRA under that provision. Documents suggest that the election was to occur in late 1994 or early 1995. The bills assume the election occurred on January 1, 1995. The 1994 provision did not transfer the individual's IRAP account to TRA. That amount was to be retained in IRAP on behalf of the member. Thus, if Ms. Siegel had made an election at the beginning of 1995, her IRAP account, funded by the employee and employer contributions to that account from her first employment date in 1991 to 1995, plus investment earnings on that account, would remain in an IRAP account for her. At the current time, the value of that account would be equal to the value of the account on January 1, 1995, compounded by investment earnings since that date. We can call this the compounded 1995 value. The actual current value of the IRAP account presumably exceeds the 1995 compounded value, because considerable employee and employer contributions have been made to the account since the start of 1995, and those contributions presumably earned investment returns.
S.F. 2247 (Skoglund); H.F. 2463 (Wagenius) transfers the actual current value of the IRAP account minus the compounded 1995 value. The amount to be transferred represents the post-January 1995 employee and employer contributions plus investment earnings on those amounts. The compounded 1995 value remains in Ms. Siegel's IRAP account. If the employee contribution rate to TRA exceeded the employee contribution rate to IRAP for any portion of the post January 1, 1995 period, Ms. Siegel must pay that amount to TRA with 8.5 percent interest. This 8.5 percent interest rate or investment return rate is the annual long-run investment return assumed in all actuarial reports for TRA and the other large Minnesota public pension plans.

In contrast, S.F. 2248 (Skoglund); H.F. 2462 (Wagenius) presumes that MnSCU did not cause harm. This bill allows the prospective and past service transfer of coverage to TRA as described above, but the individual is responsible for paying the full actuarial value of the pension plan coverage change.

The proposed legislation raises several pension and related public policy issues that may merit consideration and discussion by the Legislative Commission on Pensions and Retirement, as follows:

1. Alternative Resolutions. The issue is whether this matter warrants Commission and legislative time for consideration, given other matters before the Legislature and the existence of alternative methods of resolving this matter. This issue can be resolved by enacting a special law, but it could also be resolved by an arrangement between Ms. Siegel and MnSCU without legislative involvement. If the issue has merit, MnSCU could compensate Ms. Siegel for the estimated difference between the value of her retirement benefit (or benefits) under continued MnSCU coverage compared to the estimated lifetime value assuming she had elected TRA coverage back in late 1994 or early 1995. Another alternative is court action.

2. Question of Harm. The issue is whether MnSCU harmed the eligible individual. If the Commission concludes that MnSCU did harm the individual and should compensate other parties for that harm, then the Commission may choose to consider S.F. 2247 (Skoglund); H.F. 2463 (Wagenius). If the Commission concludes that MnSCU did not cause harm, or that remedial action by MnSCU is not justified, then the Commission may choose to consider S.F. 2248 (Skoglund); H.F. 2462 (Wagenius). To determine the issue of harm, the Commission may wish to hear testimony and to review available documentation. The attached April 2, 2003, letter from Vicky Wavinak with Wells Fargo Retirement Plan Services, the MnSCU plan administrator, seems to be an admission that Ms. Siegel was not given

an election form to elect TRA. Unless some other interpretation can be given to the letter, or there are other mitigating circumstances not covered in the letter, the Commission may conclude that MnSCU, through its agents, harmed Ms. Siegel.

3. Personal Responsibility. The Commission may wish to consider whether Ms. Siegel had some responsibility in this matter. While Ms. Siegel may not have been given an election form in 1994, presumably some notice was given in mailings or newsletters from MnSCU or from faculty unions or from other parties that legislation had passed in 1994 which provided an option for existing MnSCU employees to elect TRA coverage. The Commission may also wish to consider that the current legislation may not have been requested if the markets had provided an excellent return in recent years. This would make IRAP look far more attractive, compensating for the possible failure of MnSCU to offer Ms. Siegel in 1994 an election of TRA coverage.

4. Cost. The issue is the cost imposed by the bills, which would need to be accurately estimated for a legislative review. The value today of Ms. Siegel's IRAP account as of the end of 1994 would need to be made, escalated to the current time to add investment earnings on that amount since the beginning of 1995, and the full actuarial value of the liabilities to be imposed on TRA must be computed.

5. Appropriate Scope of the Bills. The issue is scope. If the Commission concludes that legislative action is justified in Ms. Siegel's case, a logical question is whether this is an isolated case or a systematic flaw in the 1994-1995 MnSCU/TRA elections which caused groups of MnSCU employees to be missed. If there are other individuals in a similar circumstance, there may be other legislative requests, with additional financial burdens on MnSCU.

6. Legislative Pressure to Hear Somewhat Related Situations. The Commission may be concerned that considering the situation addressed by these bills may lead to pressure to hear bills for other MnSCU faculty who wish to shift coverage to TRA, although the circumstances may be unrelated to the 1994-95 coverage elections. There are many individuals who elected IRAP but now wish they had TRA coverage. Commission staff has heard complaints from several individuals in the last few years who went to work for MnSCU as new employees and had a right to elect either TRA or IRAP. These individuals chose IRAP but now contend they were not given adequate guidance or information about the two plans, and with more complete knowledge they would have elected TRA. In part these claims stem from the bad investment markets during the early 2000s. Individuals who elected IRAP during the mid to late 1990s may have assumed that the extraordinary investment returns during the 1990s would continue, making IRAP an excellent choice. Following the losses during the first years of this new century, many wish they had elected TRA.

Potential Amendment to S.F. 2247 (Skoglund); H.F. 2463 (Wagenius)

LCPR-S2247-A1 is a technical amendment to adjust payment dates and some plan coverage dates. The bill was introduced in 2005 and the drafting assumed the bill would be acted upon in that year. Some of the payment deadlines stated in the language have already passed.

Potential Amendments to S.F. 2248 (Skoglund); H.F. 2462 (Wagenius)

LCPR-S2248-A1 is a technical amendment to adjust the commencement date of TRA coverage.

LCPR-S2248-A2 is a substantive amendment allowing the individual to make a partial payment rather than paying the full actuarial value back to 1995. If a partial payment is made, the service credit is prorated.

Ed Burek

From: Shelly Siegel [SSIEGEL@nhcc.edu]
Sent: Thursday, June 16, 2005 9:45 AM
To: Ed Burek
Subject: Fwd: Shelly Siegel

Hi Ed. Here's what TRA wrote to me today.

>>> "Mark Wirtanen" <Mark.Wirtanen@state.mn.us> 6/16/2005 8:50:27 AM
>>>
We have calculated the cost for Ms Siegel to purchase $38,848.28 (which we understand is the approximate value of her IRAP account) worth of ~~service credit~~ from TRA. This cost assumes she is covered by TRA and works from 7/1/05 through 1/31/19. This will allow her to purchase 5.71 years of service credit to reach the Rule of 90 on the above date.

If you have any further questions or need any further information please let me know.

Mark Wirtanen

Ed Burek

From: Mary.Vanek@state.mn.us
Sent: Wednesday, January 18, 2006 8:25 AM
To: Ed Burek
Subject: January 31, Agenda Item 14

Ed,

We've updated the actuarial cost numbers for SF 2247/HF 2463, the proposal to allow Shelley ~~Siegel to gain~~ credit in TRA, transferring from IRAP and which affects the ~~benefit to~~ which she'd be entitled from PERA under combined service provisions. The additional actuarial cost to PERA, calculated through July 1, 2006 is $10,757 up from $9,887 a year ago.

Please let me know if you have any additional questions.

Thanks,
Mary

==

MnSCU

Minnesota State Colleges & Universities

Defined Contribution Retirement Plan

April 2, 2003

Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Shelly,

This letter is to confirm for you that in 1994 you should have received an election to elect either Teachers Retirement (TRA) or to remain in the DCR Retirement Plan.

It was not made clear until last Spring that you had not been given the election to make this decision. Both the campus and Wells Fargo checked your files and found that there was no election indicating to us that you were not given the election.

Wells Fargo Retirement Plan Services is the Administrative Agent for the MnSCU DCR Plan and maintains copies of all elections for MnSCU.

North Hennepin was instructed by Wells Fargo to give the election and to indicate the effective date of when the election should have been given. In your case, that election should have been given to you in 1994.

If you have any questions I can be reached at 651/205-6196.

Sincerely,

Vicky Wavinak

Vicky Wavinak
Wells Fargo Retirement Plan Services
ASA for the MnSCU DCR Plan

FOR EDWARD BUREK
LEGISLATIVE COMMISION ON PENSIONS AND RETIREMENT
ROOM 55
STATE OFFICE BUILDING
100 REVEREND MARTIN LUTHER KING DRIVE
ST. PAUL, MN 55155

Shelly Siegel – MnSCU/IRAP/TRA Issue PHONE 762-424-0904
EMPLOYMENT START DATE AT
North Hennepin Community College: February 3, 1992

Timeline of Events – Letter attachments included in fax

April 10, 2003

- Attend Deferred Compensation meeting held on campus. Informal discussion with colleague brought to light that back in the early 90's there was an option to switch retirement programs.

April 11, 2003

- Contacted Mark Wirtanen at TRA who said that I should have received an election back in 1994. Asked me to contact HR and begin the process for switching. They stated that since I was never given the election I could be accepted retroactively.

April 12, 2003

- Received packet from NHCC HR titled, "MnSCU TRA or IRAP Which is the Best Program For You?".

April 18, 2003

- Completed form included in information packet mentioned above titled, "Optional Request for TRA/IRAP Retirement Income Comparison."

May 3, 2003

- Received two estimate letters from TRA and two from MNSCU. (SEE ATTACHMENTS: TRA, May 2, 2003 AND MNSCU April 23 and 29, 2003)

May 28, 2003

- Signed New Member TRA Plan Election Form and submitted it to HR.

July 1, 2003

- TRA begins taking funds from my paycheck. (SEE COPY PAYSTUB 07/01/03 thru 07/11/03)

August 21, 2003

- Called Mark W. TRA to find out when they would be transferring all funds into TRA. He said he was waiting for NHCC-HR to send him the years of service information from NHCC-HR so he could calculate my expected retirement date. He told me he was waiting for Wells Fargo to transfer of funds and that he hadn't calculated my expected retirement date at that point.

March 16, 2004

- Called Mark W. at TRA to see what was happening since I hadn't heard anything from him since August. He told me to contact Wells Fargo to see about the transfer of funds and that he hadn't calculated my expected retirement date at that point.
- Called Wellsfargo to see where they were in transfer process and ironically the person said it was being done that week.

March 18, 2004

- HR called me to say that I would need to pay up to 3000 dollars to make up for the difference in my contributions over the years I was contributing to IRAP.

March 20, 2004

- HR called to tell me that TRA decided not to accept my enrollment and everything would be retroactive to July and put back into IRAP.

March 22, 2004

Letter from TRA stating their decline to allow me into TRA from Lyle Nelson. (SEE ATTACHMENT)

April 2, 2004

Letter from Wells Fargo stating that I never received an election. (SEE ATTACHMENT)

April 13, 2004

- Phone conversation between me, my cousin Bobby Rubenstein (BR), Lyle Nelson; Same day phone conversation between me, my cousin BR, and Gary Janikowski (GJ) from MnSCU

- I faxed copies of letter from TRA (March 22) and also letter from Wells Fargo (April 2) to Gary that same day.

April 29, 2004

- Phone conversation between me, BR and GJ. Stating that there is to be a meeting between TRA and MnSCU about this issue.

May 3, 2004

- Letter from GJ confirming that a meeting will take place to try to determine who is responsible for the error that I never received an election. (SEE ATTACHMENT)

June 16, 2004

- Letter from GJ stating that the meeting took place and both parties are not responsible for the error. (SEE ATTACHMENT)

July 23, 2004

- Letter from me to MnSCU asking MnSCU to accept responsibility. (SEE ATTACHMENT)

August 12, 2004

- Letter from GJ stating MnSCU is unable to accommodate the request for them to accept responsibility.

MnSCU

Minnesota State Colleges & Universities

Defined Contribution Retirement Plan

April 23, 2003

Ms. Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Ms. Siegel:

You have requested a comparison of the estimated retirement income you may receive from TRA, a defined benefit plan, or IRAP, a defined contribution plan. The estimated income is based on the information you provided and the assumptions outlined. If your actual circumstances differ from these assumptions, your retirement income will be different. The information presented is for comparison purposes only and is not a guarantee of future retirement income.

We are also making the assumption that you will be eligible to make this election. Your eligibility is not being reviewed by TRA or Wells Fargo. The estimate does not represent an assertion that you will be eligible to make the plan election.

The following pages include the estimated IRAP retirement income comparisons requested. You will receive information on the TRA estimated retirement income under separate cover letter from TRA.

If you have any questions, please call either the Teachers Retirement Association at 651-296-2409 (1-800-657-3669 from outside the metro area) or Wells Fargo at 1-800-431-6543.

Sincerely,

Christine Kramer
MnSCU Administrative Services
Wells Fargo Retirement Plan Services

MnSCU

Minnesota State Colleges & Universities

Defined Contribution Retirement Plan

April 29, 2003
REVISED

Ms. Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Ms. Siegel:

You have requested a comparison of the estimated retirement income you may receive from TRA, a defined benefit plan, or IRAP, a defined contribution plan. The estimated income is based on the information you provided and the assumptions outlined. If your actual circumstances differ from these assumptions, your retirement income will be different. The information presented is for comparison purposes only and is not a guarantee of future retirement income.

We are also making the assumption that you will be eligible to make this election. Your eligibility is not being reviewed by TRA or Wells Fargo. The estimate does not represent an assertion that you will be eligible to make the plan election.

The following pages include the estimated IRAP retirement income comparisons requested. You will receive information on the TRA estimated retirement income under separate cover letter from TRA.

If you have any questions, please call either the Teachers Retirement Association at 651-296-2409 (1-800-657-3669 from outside the metro area) or Wells Fargo at 1-800-431-6543.

Sincerely,

Christine Kramer
MnSCU Administrative Services
Wells Fargo Retirement Plan Services

If IRAP Selected as your Retirement Plan of Choice

Ms. Shelly Siegel

Assumptions. Your monthly retirement income was calculated assuming:

- Your contributions were equal to 4.5% of your salary, and your employer's contributions were equal to 6.0% of your salary, each year until retirement in year **2015**.
- The average rate of return for your IRAP account was assumed to be **7%** until your retirement. The average rate of return was assumed to be 5% during retirement.
- Your 2002-2003 **salary is $51,387** and was used as the basis, along with assumed increases for the estimate in determining each year's contribution to the Plan.
- Your salary will increase 3.5% annually until retirement.
- You plan to begin receiving retirement income from IRAP in the year **2015**.
- Men are expected to live until the age of 84; women to the age of 88.

Estimated Retirement Income. Based on the assumptions outlined:

Your **IRAP** account balance would be approximately **$134,536** at the time of your retirement. You would determine when and how much you wanted to withdraw from your IRAP account to provide for, or supplement, your retirement income. Any amounts remaining in your account upon your death, would be payable to your beneficiary.

If you withdrew an equal amount until age 88, and did not plan for income to a spouse after your death, you could expect to withdraw **$699** each month.

Teachers Retirement Association

60 Empire Drive • Suite 400 • St Paul MN 55103-1855

May 2, 2003

Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Ms Siegel,

Thank you for contacting our office to obtain a retirement estimate based on your starting salary of $51,387.

Your ***estimated*** lifetime monthly benefit would be:

A-1 Straight Life Plan (No survivorship)	E-3 Survivorship Plan (75% coverage)
$2,364.00	$2,199.00

Please note that both estimated amounts are predicated on a 3½ percent assumed growth in your salary until you reach your planned retirement date of July 1, 2015 at age 56. The E-3 estimated amount assumes that you and your named beneficiary are of the same age.

If you have any further questions please contact our office at (800) 657-3669.

Sincerely,

Mark Wirtanen

Mark Wirtanen
Retirement Counselor

Enclosures

This estimate assumes all IRAP dollars and applicable years are transferred to TRA, so that you would meet the rule of 90.
This estimate also assumes that previous IRAP service was full time years.

Teachers Retirement Association

60 Empire Drive • Suite 400 • St Paul MN 55103-1855

May 2, 2003

Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Ms Siegel,

Thank you for contacting our office to obtain a retirement estimate based on your starting salary of $51,387.

Your ***estimated*** lifetime monthly benefit would be:

A-1 Straight Life Plan (No survivorship)	E-3 Survivorship Plan (75% coverage)
$1,005.00	$935.00

Please note that both estimated amounts are predicated on a 3½ percent assumed growth in your salary until you reach your planned retirement date of July 1, 2015 at age 56. The E-3 estimated amount assumes that you and your named beneficiary are of the same age.

If you have any further questions please contact our office at (800) 657-3669.

Sincerely,

Mark Wirtanen

Mark Wirtanen
Retirement Counselor

Enclosures

This estimate assumes TRA full-time service from years 2002-03 through 2014-15 only.

Shelly Siegel

Go To: Employee Self Service Home Page   View Leave Balance   For a prior pay period, click Paycheck Selection

State of Minnesota

Department	Pay Period End Date	Paycheck Issue Date
E26C533	07/01/2003	07/11/2003

Federal W4 Information

Status	Allowance	Addl Percent	Addl Amount
~~S~~	~~1~~	~~0.000~~	~~0.00~~

State W4 Information

State	Status	Allowance	Addl Percent	Addl Amount
~~MN~~	S	1	~~0.000~~	~~0.00~~

Gross to Net Information

	Total Gross	Federal Gross	FICA Gross	Medicare Gross	Total Taxes	Total Deductions	Net Pay
Current	~~2,016.81~~	~~1,722.28~~	~~1,973.50~~	~~1,973.50~~	~~500.67~~	~~306.53~~	~~[illegible]~~

Earnings (* = Taxable Business Exp/Relocation; # = Non-Paid)

Description	Hours	Rate	Amount
Regular	~~71.50~~	~~25.210000~~	~~1,802.52~~
Vacation	8.50	25.210000	214.29
Total:	80.00		2,016.81

Taxes

Description	Amount
Fed Withholdng	~~253.55~~
Fed MED/EE	~~28.62~~
Fed OASDI/EE	~~122.36~~
MN Withholdng	~~96.14~~
Total:	~~500.67~~

Before-Tax Deductions

Description	Amount
Medical	29.52
Dental	14.17
TSA 403B	75.00
Def Comp	75.00
TRA-Coord	100.84
Total:	294.53

After-Tax Deductions

Description	Amount
FDNOHENNPN	2.00
Labr Union	10.00
Total:	12.00

Employer Paid Benefits (* = Taxable)

Description	Amount
Admin Fee	4.01
Medical	417.71
Dental	28.65
Basic Life	5.72
Basic Life*	0.38
TRA-Coord	100.84
Total:	557.31

Net Pay Distribution

Payment Type	Paycheck Number	Account Type	Financial Institution	Amount
Direct Deposit		Checking	[redacted]	[redacted]

TRA

Teachers Retirement Association

60 Empire Drive • Suite 400 • St Paul MN 55103-4000

SSN[redacted]
March 22, 2004

Shelly R. Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Ms. Siegel:

This is in reference to your request to elect the Teachers Retirement Association as your defined benefit plan.

When you first became employed by the State Community College System during the 1991-92 school year, you automatically participated in the Individual Retirement Account Plan (IRAP); you did not have a choice. Minnesota Statute 354B.02 stated "...a person who was first employed in covered employment after June 30, 1989, shall participate in the plan." The plan means the Individual Retirement Account Plan.

Legislation passed in 1994 Session Laws allowed existing MnSCU faculty the opportunity to elect TRA or IRAP during a one time election process. This election was conducted during the spring of 1995. Had you elected TRA, your retirement coverage would have been prospective only, effective on the date the transfer election was made. Funds previously invested under IRAP with the financial institution selected by the member were not eligible to be transferred to this Association.

Since you were a member of IRAP, Norwest (Wells Fargo) was your plan administrator and was responsible for providing you with your election information. Upon receipt of this information, the transfer election had to be made within 90 days of the date that the plan administrator provided notification of the election and had to be made on forms prescribed by the plan administrator. The 1995 election process used certified mail to notify members eligible to transfer retirement coverage. No record was received from your plan administrator that you ever elected TRA as your retirement plan. Therefore, under the conditions described above, you are not eligible to have your account transferred from IRAP to this Association.

In addition, we are in the process of transferring the deductions that were recently sent to TRA in error to IRAP.

The administration of this fund must be in accordance with the laws governing it.

If you need clarification on the contents of this letter or have additional questions, please contact me at 651-297-2231. I will be happy to assist you.

Sincerely,

Lyle J. Nelson
Customer Services Director

Minnesota
STATE COLLEGES
& UNIVERSITIES

OFFICE OF THE CHANCELLOR

500 WELLS FARGO PLACE
30 EAST SEVENTH STREET
ST. PAUL, MN 55101-4946

ph 651.296.8012
fx 651.297.5550
www.mnscu.edu

May 3, 2004

Shelly Siegel
North Hennepin Community College
7411 85th Avenue North
Brooklyn Park, MN 55455

Dear Shelly:

This is to follow up on our recent discussions regarding your request to TRA to process your TRA election retroactively. We expect to have another conversation with TRA in the near future, to seek clarification of their decision. However, since the decision ultimately rests with TRA, I encourage you to continue working with them regarding your claim.

Sincerely,

Gary Janikowski

Gary Janikowski
System Director, Personnel

MnSCU

Minnesota State Colleges & Universities

Defined Contribution Retirement Plan

April 2, 2003

Shelly Siegel
4725 16th Ave S
Minneapolis, MN 55407

Dear Shelly,

This letter is to confirm for you that in 1994 you should have received an election to elect either Teachers Retirement (TRA) or to remain in the DCR Retirement Plan.

It was not made clear until last Spring that you had not been given the election to make this decision. Both the campus and Wells Fargo checked your files and found that there was no election indicating to us that you were not given the election.

Wells Fargo Retirement Plan Services is the Administrative Agent for the MnSCU DCR Plan and maintains copies of all elections for MnSCU.

North Hennepin was instructed by Wells Fargo to give the election and to indicate the effective date of when the election should have been given. In your case, that election should have been given to you in 1994.

If you have any questions I can be reached at 651/205-6196.

Sincerely,

Vicky Wavinak

Vicky Wavinak
Wells Fargo Retirement Plan Services
ASA for the MnSCU DCR Plan

OFFICE OF THE CHANCELLOR

500 WELLS FARGO PLACE
30 EAST SEVENTH STREET
ST. PAUL, MN 55101-4946

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www.mnscu.edu

Minnesota
STATE COLLEGES
& UNIVERSITIES

June 16, 2004

Shelly Siegel
North Hennepin Community College
7411 85th Avenue North
Brooklyn Park, MN 55455

Dear Ms. Siegel:

This is to follow up on questions you raised about your participation in the Individual Retirement Account Plan (IRAP) and your desire to elect participation in the Teachers Retirement Association (TRA) instead. We met with TRA representatives to discuss this matter. The TRA position remains unchanged since their last correspondence with you. There is no record of an election by you to participate in TRA, and you are not eligible to make an election at this time. Under Minnesota Statutes section 354B.21, subd. 2(b), which governs IRAP, "for eligible persons who were employed by the former state university system or the former community college system before May 1, 1995, the person has the retirement coverage that the person had for employment immediately before May 1, 1995." Thus, since you were in IRAP immediately prior to May 1, 1995, you continue to be covered by that program.

Minnesota State Colleges and Universities is unable to take any action to accommodate your request for a retroactive election to TRA under applicable law.

Thank you for your patience as we reviewed this matter with TRA.

Sincerely,

Gary Janikowski

Gary Janikowski
System Director, Personnel

cc: Gail M. Olson, General Counsel
Karen Williamson, TRA

Mr. Gary Janikowski, System Director, Personnel
Minnesota State Colleges and Universities
500 Wells Fargo Place
30 East Seventh Street
Saint Paul, Minnesota 55101

July 23, 2004

Dear Mr. Janikowski,

I received your letter dated June 16, 2004, in which you stated "There is no record of an election by you to participate in TRA, and you are not eligible to make an election at this time." I was informed by Lyle J. Nelson of TRA in a letter to me dated March 22, 2004 (a copy of which was previously faxed to you and is enclosed again with this letter), that I should have had an opportunity for such an election in 1995, pursuant to legislation passed in 1994 Session Laws that allowed existing MnSCU faculty a one time election. I believe the election right was set out in Minn Stat 354B.02 Subd. 5. That subdivision included the following language: "(d) Transfer elections under this section must be made within 90 days from the date on which the executive director or plan administrator provides notification of the election and must be elected on forms prescribed by the plan administrator or executive director." (emphasis provided)

I did not receive any notification of the one time election as the statute required and I was not otherwise aware of the election. Enclosed (and also previously faxed to you) is a copy of a letter to me dated April 2, 2003, from the plan administrator Wells Fargo (formerly Norwest) confirming that I was not provided with the required notice.

If MnSCU and its agent failed to provide me with the required notice, can you please explain how I was supposed to know such a right existed so I could exercise it? Your suggestion that I "continue working with TRA" to try and resolve this issue completely disregards the fact that what caused the problem to begin with is the failure of MnSCU and its agent Norwest to provide me with the required notice.

I ask only this: If MnSCU made the mistake, accept responsibility for doing so and work with me to put me back as close as possible to the position I would have been in had MnSCU not made the mistake. Please write me to explain how I can appeal your decision within the MnSCU system.

Sincerely,

Shelly Siegel, MnSCU Employee

cc: Linda Skallman, Associate Vice Chancellor, Personnel

OFFICE OF THE CHANCELLOR

500 WELLS FARGO PLACE
30 EAST SEVENTH STREET
ST. PAUL, MN 55101-4946

ph 651.296.8012
fx 651.297.5550
www.mnscu.edu

Minnesota
STATE COLLEGES
& UNIVERSITIES

August 12, 2004

Shelly Siegel
North Hennepin Community College
7411 85th Avenue North
Brooklyn Park, MN 55445-2299

Dear Ms. Siegel:

This is in regard to your letter of July 23, 2004 in which you ask again that we allow you to exercise an election between TRA and IRAP. Please be advised that neither the Minnesota State Colleges and Universities nor TRA has the authority under current statutes to honor your request for a retroactive election between these two Plans. The provision of law that you cite was repealed in 1995.

I'm sorry that we are unable to accommodate your request under current provisions of the law.

Sincerely,

Gary Janikowski

Gary Janikowski
System Director, Personnel

Cc: Gail Olson
Karen Williamson, TRA

.... moves to amend S.F. No. 2247; H.F. No. 2463, as follows:

Page 2, line 13, delete "2006" and insert "2007"

Page 2, line 27, delete "2005" and insert "2006"

Page 3, lines 7, 12, and 15, delete "2005" and insert "2006"

Senator Skoglund introduced--

S.F. No. 2247: Referred to the Committee on State and Local Government Operations.

A bill for an act

relating to retirement; Teachers Retirement Association and the individual retirement account plan; correcting a plan election problem; authorizing eligible Minnesota State Colleges and Universities system employees to elect Teachers Retirement Association coverage and receive retroactive coverage.

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

Section 1. [TEACHERS RETIREMENT ASSOCIATION; PROSPECTIVE TEACHERS RETIREMENT ASSOCIATION COVERAGE; PURCHASE OF PAST SERVICE CREDIT.]

(a) An eligible person described in paragraph (b) is authorized to become a coordinated member of the Teachers Retirement Association, and to purchase service and salary credit in the Teachers Retirement Association coordinated plan retroactive from January 1, 1995, upon making an election under paragraph (c) and upon making all required payments under paragraphs (d) and (e).

(b) An eligible person is a person who:

(1) was born on September 10, 1958;

(2) has prior employment covered by the Public Employees Retirement Association general plan;

(3) is the director of student support services at North Hennepin Community College;

(4) began working at North Hennepin Community College on February 3, 1992, with coverage for that service by the higher

education individual retirement account plan; and

(5) was not offered an election of Teachers Retirement Association coverage, as required under Laws 1994, chapter 508, article 1, section 10.

(c) To be eligible for coverage by the Teachers Retirement Association, an eligible person must submit a written application to the executive director of the Teachers Retirement Association on a form provided by the Teachers Retirement Association. The application must include all documentation of the applicability of this section and any other relevant information that the executive director may require. Teachers Retirement Association plan membership commences as of January 1, 2006, for an applicable eligible person, and past salary and service credit is granted from January 1, 1995, as specified in this section, following receipt by the executive director of the written application specified in this paragraph and receipt of the payments specified in paragraphs (d) and (e). The authority granted by this section is voided if the applicable eligible individual terminates from Minnesota State Colleges and Universities system employment prior to receipt by the executive director of the Teachers Retirement Association of the application specified in this paragraph and amounts specified in paragraphs (d) and (e). Coverage by the Teachers Retirement Association is in lieu of coverage by the individual retirement account plan.

(d) If an eligible person makes an election under paragraph (c), the eligible person shall make, prior to December 31, 2005, a contribution equal to the excess, if any, of the employee contributions that the individual would have made if the Teachers Retirement Association had provided coverage from January 1, 1995, rather than the individual retirement account plan. These additional contribution amounts shall include 8.5 percent annual compound interest computed from the date the contribution would have been made if deducted from salary until paid. The total amount to be paid under this paragraph shall be determined by the executive director of the Teachers Retirement

Association and written notification of the amount required under this paragraph should be transmitted to the eligible individual.

(e) If payment is made under paragraph (d), the value of the applicable eligible person's higher education individual retirement account plan account shall be determined as of December 31, 2005. The executive director of the Teachers Retirement Association shall also compute that account's compounded 1995 value. The compounded 1995 value is the value of the applicable account as of January 1, 1995, plus 8.5 percent annual compound interest on that amount computed from January 1, 1995, to December 31, 2005. Notwithstanding any law to the contrary, if payment is made under paragraph (d), the value of the applicable eligible person's individual retirement account plan account as of December 31, 2005, minus the compounded 1995 value, shall be transferred to the Teachers Retirement Association on or before January 31, 2006.

(f) The Teachers Retirement Association shall determine the full actuarial value imposed upon the Teachers Retirement Association and the Public Employees Retirement Association by this section, under procedures specified in Minnesota Statutes, section 356.551, with recognition that this section may impose additional liabilities on the Teachers Retirement Association, the Public Employees Retirement Association, and any other plan covered under Minnesota Statutes, section 356.30, in which an eligible person had prior coverage. The Teachers Retirement Association is authorized to utilize the actuary jointly retained under Minnesota Statutes, section 356.214, to make the computations required under this paragraph.

(g) From the total amount computed under paragraph (f), the executive director of the Teachers Retirement Association shall subtract the amounts received under paragraphs (d) and (e). The Minnesota State Colleges and Universities system shall transmit the remaining amount, if any, to the executive director of the Teachers Retirement Association, which in turn shall allocate the amount received under this paragraph between the Teachers

Retirement Association and the Public Employees Retirement Association, or other applicable pension fund, as indicated by the actuarial work under paragraph (f).

(h) Any payment amount required from the Minnesota State Colleges and Universities system under paragraph (g) shall be transmitted to the Teachers Retirement Association within one month following receipt of amounts transmitted under paragraphs (d) and (e), and following notification from the executive director of the Teachers Retirement Association. If a payment is required from the Minnesota State Colleges and Universities system under paragraph (g) and payment is not made as required, the executive director of the Teachers Retirement Association must notify the commissioner of finance of this fact and the commissioner of finance must order that amounts required under paragraph (g) shall be deducted from appropriations or state aid to the Minnesota State Colleges and Universities system and be transmitted to the Teachers Retirement Association.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.

.... moves to amend S.F. No. 2248; H.F. No. 2462, as follows:

Page 2, line 16, delete "2006" and insert "2007"

.... moves to amend S.F. No. 2248; H.F. No. 2462, as follows:

Page 2, line 16, delete "2006" and insert "2007"

Page 3, after line 10, insert:

"(e) Notwithstanding paragraph (d), an eligible person may make a partial payment rather than the full payment specified under paragraph (d). If an eligible person makes a partial payment, then notwithstanding paragraphs (a) and (c), the eligible person shall receive service credit for only a portion of the period back to January 1, 1995, consistent with the ratio of the payment made under this paragraph to the full payment amount computed under paragraph (d)."

Senator Skoglund introduced--

S.F. No. 2248: Referred to the Committee on State and Local Government Operations.

A bill for an act

relating to retirement; Teachers Retirement Association and the individual retirement account plan; correcting a plan election problem; authorizing eligible Minnesota State Colleges and Universities system employees to elect Teachers Retirement Association coverage and receive retroactive coverage.

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

Section 1. [TEACHERS RETIREMENT ASSOCIATION; PROSPECTIVE TEACHERS RETIREMENT ASSOCIATION COVERAGE; PURCHASE OF PAST SERVICE CREDIT.]

(a) An eligible person described in paragraph (b) is authorized to become a coordinated member of the Teachers Retirement Association, and to purchase service and salary credit in the Teachers Retirement Association coordinated plan retroactive from January 1, 1995, upon making an election under paragraph (c) and upon making the required payment under paragraph (d).

(b) An eligible person is a person who:

(1) was born on September 10, 1958;

(2) has prior employment covered by the Public Employees Retirement Association general plan;

(3) is the director of student support services at North Hennepin Community College;

(4) began working at North Hennepin Community College on February 3, 1992, with coverage for that service by the higher

education individual retirement account plan; and

(5) was not offered an election of Teachers Retirement Association coverage, as required under Laws 1994, chapter 508, article 1, section 10.

(c)(1) To be eligible for coverage by the Teachers Retirement Association, an eligible person must submit a written application to the executive director of the Teachers Retirement Association on a form provided by the Teachers Retirement Association. The application must include all documentation of the applicability of this section and any other relevant information that the executive director may require. Following receipt by the executive director of the written application specified in this paragraph and receipt of the payment specified in paragraph (d):

(i) Teachers Retirement Association plan membership commences as of January 1, 2006;

(ii) individual retirement account plan coverage terminates for the applicable eligible person; and

(iii) past salary and service credit is granted from January 1, 1995, as specified in this section.

(2) The authority granted by this section is voided if the applicable eligible individual terminates from Minnesota State Colleges and Universities system employment prior to receipt by the executive director of the Teachers Retirement Association of the application specified in this paragraph and the amount specified in paragraph (d).

(d) To receive the treatment specified in this section, an eligible person shall make payment of the amount determined under Minnesota Statutes, section 356.551, to the executive director of the Teachers Retirement Association for the period from January 1, 1995. The individual is authorized to cover the payment using assets transferred from the eligible individual's individual retirement account plan account, or from any other sources permitted by law. The total amount to be paid under this paragraph shall be determined by the executive director of the Teachers Retirement Association. Written notification of the amount required under this paragraph should be transmitted to the eligible individual. The Teachers Retirement Association is authorized to utilize the actuary jointly retained under Minnesota Statutes, section 356.214, to make the computations required under this paragraph. The Teachers Retirement Association shall allocate the amount received under this paragraph between the Teachers Retirement Association and the Public Employees Retirement Association, or other applicable pension fund, as indicated by the full actuarial cost determination required under this paragraph.

Sec. 2. [EFFECTIVE DATE.]

Section 1 is effective the day following final enactment.