



**S.F. 764**  
(Pappas)

**H.F. 871**  
(Kahn)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* MnSCU-IRAP  
*Relevant Provisions of Law:* Minnesota Statutes, Section 354B.21, Subd. 2  
*General Nature of Proposal:* Eliminate sunset date on TRA coverage election eligibility.  
*Date of Summary:* March 11, 2013

**Specific Proposed Changes**

- Allows faculty members hired by the Minnesota State Colleges and Universities System (MnSCU) after June 30, 2014, to have an opportunity to elect between the higher education Individual Retirement Account Plan (IRAP) coverage, a defined contribution retirement plan, and the Teachers Retirement Plan (TRA), a defined benefit retirement plan, upon achieving tenure.

**Policy Issues Raised by the Proposed Legislation**

1. Appropriateness of sunset elimination; adequacy of MnSCU retirement coverage information and counseling.
2. Adverse selection risk.
3. Administrative burden on TRA to handle increased number of prior service credit purchase payment amount determinations.
4. Inconsistency of retirement coverage transfers with policy arguments on which the IRAP plan was based.

**Potential Amendments**

No suggested amendments by Commission staff.





TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Lawrence A. Martin, Executive Director *LAM*  
RE: S.F. 764 (Pappas); H.F. 871 (Kahn): MnSCU-IRAP; Eliminating a Sunset Date on Eligibility to Elect TRA Coverage  
DATE: March 6, 2013

Summary of S.F. 764 (Pappas); H.F. 871 (Kahn)

S.F. 764 (Pappas); H.F. 871 (Kahn) amends Minnesota Statutes, Section 354B.21, Subdivision 2, a portion of the higher education Individual Retirement Account Plan (MnSCU-IRAP) law, to eliminate from the retirement coverage election provision that permits a second chance coverage election upon a MnSCU faculty member achieving tenure a June 30, 2014, limitation on its applicability.

Background Information on Relevant Topics

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Background information on legislation mandating retirement coverage for MnSCU faculty members.
- **Attachment B:** Background information on the 2008 legislative mandate for a study of MnSCU faculty retirement coverage elections.

Discussion and Analysis

S.F. 764 (Pappas); H.F. 871 (Kahn) would allow faculty members hired by the Minnesota State Colleges and Universities System (MnSCU) after June 30, 2014, to have an opportunity to elect between the higher education Individual Retirement Account Plan (IRAP) coverage, a defined contribution retirement plan, and the Teachers Retirement Plan (TRA), a defined benefit retirement plan, upon achieving tenure.

The proposed legislation will raise several pension and related public policy issues for consideration and possible discussion by the Commission, including the following:

1. Appropriateness of Sunset Elimination; Adequacy of MnSCU Retirement Coverage Information and Counseling. The policy issue is whether or not it is appropriate to eliminate a 2014 sunset date on a special second chance election of retirement coverage for a MnSCU faculty member upon gaining tenure in light of mandated improvements in the retirement coverage information and counseling by MnSCU. The proposed legislation would eliminate a sunset provision almost 18 months before the sunset becomes effective and after MnSCU presumably has responded to legislative directives to improve its information and counseling procedures. The sunset provision undoubtedly was provided because the Legislature had reason to believe that any deficiencies in the MnSCU information provision and counseling procedures will have been remedied by 2014. MnSCU exists to educate individuals and MnSCU faculty members are professionals in acquiring information and in analyzing that information. If it is appropriate to eliminate the sunset on the retirement coverage second chance elections by MnSCU faculty members, it would be either because MnSCU faculty members are incapable of deciding their own retirement coverage at initial employment by MnSCU or because MnSCU continues to have substantial inadequacies in its information provision and benefit plan counseling procedures. The Commission should consider taking testimony from MnSCU on its retirement benefit plan coverage information provision and counseling procedures to determine the adequacy of those procedures and from the Inter-Faculty Organization (IFO) on the capacity of MnSCU faculty members to make the retirement plan coverage election upon employment by MnSCU.
2. Adverse Selection Risk. The policy issue is the likelihood that only that subgroup of post-2014 MnSCU faculty members with IRAP retirement coverage who would pay a prior service credit purchase payment amount that was smaller than the present value of the increased benefit that they would obtain by making the purchase would actually utilize the option and the impact of the consequent actuarial loss from that subgroup will have on the unfunded actuarial accrued liability of the Teachers Retirement Plan (TRA). The 2008 actuarial analysis of MnSCU faculty retirement coverage options, available on the Commission website (<http://www.commissions.leg.state.mn.us/lcpr/>)

*documents/otherpublications/act\_analysis\_mnscu.pdf*), indicates a strong likelihood that providing individual election authority to MnSCU faculty members risked adverse selection on their part, when few actual faculty member purchases that produce an actuarial gain would occur compared to many actual faculty member purchases that produce an actuarial loss. The funded condition and funding of TRA are problematic, with the retirement plan having the worst funded of the three major Minnesota defined benefit retirement plans with a 72.99% funded ratio and a \$6.2 billion unfunded actuarial accrued liability and having the largest contribution deficiency of the three major Minnesota defined benefit retirement plans with a 5.04% of covered payroll (or \$209 million annual) contribution deficiency. Although the conclusion of the 2008 Mercer actuarial analysis that the current prior service credit purchase payment calculation statute, Minnesota Statutes, Section 356.551, can produce actuarial losses for the retirement plan involved in the purchase is counterintuitive and is being reviewed by the Commission staff for accuracy, if an open MnSCU faculty election of a transfer of retirement coverage produces significant increases in the TRA unfunded actuarial accrued liability with retroactive transfers or produces significant increases in the TRA normal cost with prospective transfers, that eventuality would further jeopardize TRA's funding situation.

3. Administrative Burden on TRA to Handle Increased Number of Prior Service Credit Purchase Payment Amount Determinations. The policy issue is the likelihood that eliminating the sunset on the option for retirement coverage transfers, including retroactive coverage transfers through the purchase or prior service credit in TRA, will increase the administrative burden on TRA in calculating the prior service credit purchase payment amount for individuals who, prior to the coverage election, were not members of the retirement plan. Each prior service credit purchase payment determination is an individual calculation. Based on the 2008 actuarial analysis, about two-thirds of the MnSCU faculty at any time will have IRAP coverage and could consider making a retirement coverage transfer upon achieving tenure, or almost 7,000 faculty members if the number of MnSCU faculty members employed after 2014 results in a MnSCU faculty size similar to the 2008 count.
4. Inconsistency of Retirement Coverage Transfers with Policy Arguments on which the IRAP Plan was Based. The policy issue is the extent to which the pursuit of options for retirement coverage transfers between TRA, a defined benefit retirement plan, and IRAP, a defined contribution retirement plan, is consistent with the policy basis for the establishment of the IRAP plan in 1998-1999. The policy basis for IRAP was that defined contribution retirement plan coverage was more appropriate for higher education faculty than defined benefit retirement coverage under TRA. Coverage by IRAP for new faculty members was either mandatory or was the default option for most of IRAP's history. A request to allow current MnSCU faculty to reverse course and transfer from IRAP coverage to TRA coverage at and at any time after achieving tenure is inconsistent with the premise for IRAP that defined contribution retirement plan coverage is the most appropriate for higher education faculty members because of the nature of their employment and the individuals who enter into that employment.

## Background Information on Legislation Mandating Retirement Coverage for MnSCU Faculty Members

- Pre-1988 Retirement Coverage. Before 1988, faculty members of the Minnesota State Colleges and Universities System (MnSCU) or the various school district Area Vocational Technical Institutes (AVTIs) had retirement coverage primarily from the Teachers Retirement Plan (TRA), with faculty members in the former Special School District #1 AVTI with retirement coverage by the former Minneapolis Teachers Retirement Fund Association (MTRFA), with faculty members in the Independent School District # 625 AVTI with retirement coverage by the St. Paul Teachers Retirement Fund Association (SPTRFA), and with faculty members in the Independent School District #709 AVTI with retirement coverage by the Duluth Teachers Retirement Fund Association (DTRFA).
- Laws 1988, Chapter 709, Article 11, created the Individual Retirement Account Plan (IRAP), which initially applied to faculty members employed by the State University System or by the State Community College System. The IRAP coverage was mandatory for faculty members first employed after June 30, 1988, and was optional instead of TRA for faculty members with prior TRA retirement coverage.
- Laws 1989, Chapter 319, Article 18, reset the start date for the mandatory retirement coverage for new faculty members by the IRAP plan to June 30, 1989, permitted retirement coverage on an optional basis by IRAP for faculty members who were first employed in a covered employment position before July 1, 1989, and had less than three years of service, with a transfer of any TRA member contribution account balance, with 5% interest.
- Laws 1990, Chapter 570, Articles 3 and 12. Laws 1990, Chapter 570, Article 3, Sections 5, 6, and 11, excluded State University System faculty members and Community College System faculty members with an initial appointment of less than 25% of a full academic year, excluding summer session, from employment covered by IRAP and State University System and State Community College System faculty members first employed between June 30, 1988, and July 1, 1989, with no TRA allowable service credit before 1988, were permitted to elect IRAP coverage, with a transfer of member contributions to TRA, plus interest. Laws 1990, chapter 570, Article 12, Section 55, specified that the election of IRAP coverage by faculty members with at least three years of TRA allowable service credit was to be made before July 1, 1992, and was irrevocable.
- Laws 1992, Chapter 446, Sections 6 to 14, permitted higher education administrative personnel who previously had retirement coverage by the Unclassified State Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified) to elect as alternative retirement coverage the IRAP, included new administrative personnel in IRAP on a mandatory basis, and permitted technical college or higher education coordinating board employees to elect IRAP retirement coverage.
- Laws 1993, Chapter 239, Article 2, Sections 4-6, modified the option period for the retirement coverage election between MSRS-Unclassified or IRAP for higher education administrative personnel.
- Laws 1994, Chapter 508, Article 1, Sections 3, 5-11, included the faculty of the technical colleges in the membership provisions of the IRAP, allowing technical college faculty members to elect retirement coverage between IRAP and one of the defined benefit teacher retirement plans (TRA, DTRFA, MTRFA, or SPTRFA), with a transfer of member contributions plus interest, if the member had less than three years of TRA allowable service credit, and allowing other MnSCU faculty members covered by TRA as of July 1, 1994, or later to elect to have prospective IRAP coverage and allowing IRAP members on July 1, 1994, who were employed after June 30, 1989, to elect to have prospective TRA coverage.
- 1995 IRAP Codification. Laws 1995, Chapter 141, Article 4, was a recodification of the Individual Retirement Account Plan (IRAP), which made the following changes with respect to plan coverage and retirement plan coverage elections:
  - 1) Eliminated MSRS-Unclassified coverage for newly hired higher education board personnel with access to IRAP coverage.
  - 2) Revised cross-references to IRAP in TRA law and clarifies references to IRAP membership groups.
  - 3) Specified the coverage of the IRAP plan including state university, community college, and technical college faculty, unclassified positions in those institutions, and unclassified administrators of the Higher Education Coordinating Board; required coverage elections in 90 days and provided for default coverage (retention of coverage by prior plan) if no timely election is made; clarified coverage for persons appointed to acting positions; allowed for payments by payroll deduction for prior uncovered service due to temporary employee or part-time employee coverage exclusion (lump-sum payments will not be permitted); eliminated references to MSRS-Unclassified membership option; continued first class city teacher plan coverage unless individual changing employment elect IRAP; retained TRA or first class city teachers retirement plan coverage for former technical college faculty reclassified as non-faculty after higher education system merger.
  - 4) Specified that former TRA members who are now covered by IRAP have a deferred annuity right to a TRA benefit.

- 5) Specified that the MSRS-Unclassified coverage changes apply in the future and do not apply to current higher education board employees with coverage under that plan or to any active state employee.
- Laws 1997, Chapter 241, Article 8, Section 5. If the technical college faculty member fails to make a retirement coverage election, the default retirement coverage will be IRAP rather than TRA. If the individual fails to certify prior membership in TRA, then MnSCU will not be charged any interest on omitted deductions to TRA.
  - Laws 2001, First Special Session, Chapter 10, Article 6, Sections 9, 15. Higher Education IRAP-covered employees who were vested in TRA or a first class city teacher retirement plan were permitted, until May 16, 2002, to purchase TRA service credit under the various TRA or first class city teacher plan temporary full actuarial value service credit purchase provisions.
  - Laws 2004, Chapter 267, Article 1, Section 7. IRAP eligibility was expanded to include unclassified managers and professionals in academic and academic support programs employed by a state university or college, the Minnesota State Colleges and Universities System (MnSCU) Board, or the Higher Education Services Office, effective July 1, 2004, but applicable retroactive to the date of hire.
  - Laws 2005, First Special Session, Chapter 8, Article 4, Sections 7-8. Rather than requiring an election within 90 days of first employment between defined contribution plan coverage (IRAP) and defined benefit plan coverage (TRA), individuals have up to one year to make the election. Prior to making the election, the default coverage is generally IRAP. For individuals who elect TRA, purchases of TRA service credit for any period of MnSCU employment prior to making the election was prohibited.
  - Laws 2006, Chapter 271, Article 14, Section 8. MnSCU employees were authorized to transfer prospective retirement coverage from IRAP to TRA, and past coverage to TRA back to January 1, 1995, with the individual responsible for paying the full actuarial value of the pension plan coverage change.
  - Laws 2009, Chapter 169, Article 6, Section 3. A faculty member who was an IRAP member and who achieved tenure after June 30, 2009, was permitted to elect to transfer coverage to TRA. The election was required to be made within one year of achieving tenure and the individual is required to purchase in TRA past service for the entire period of time covered under IRAP and the purchase was at full actuarial value. This treatment expires on June 30, 2014.
  - Laws 2010, Chapter 359, Article 14, Section 2. An IRAP member whose employment position was upgraded on September 9, 2007, and who had retirement coverage transferred by operation of law to IRAP was permitted to transfer to TRA retroactive to September 9, 2007. The payment was at full actuarial value, except that repayment of refunds to prior plans was permitted to be made after the payment.
  - Laws 2011, First Special Session, Chapter 8, Article 2, Sections 12-19:
    - 1) The IRAP eligibility provision was revised by indicating that eligible employees have IRAP coverage unless coverage by another plan was elected or specified in other sections of the IRAP chapter.
    - 2) At least 90 days before the end of any applicable plan election period, generally one year after first becoming eligible for IRAP, MnSCU is required to provide the individual with information about the plan that would provide default coverage if no election is made, and with information about the alternative plan the individual may elect. The information is required to include phone numbers for contacting plan representatives and web site addresses. The election of coverage forms are required to include a certification that the individual has received and reviewed materials on the optional coverage plan prior to making an election.
    - 3) The IRAP coverage election provision was revised for clarity and by eliminating obsolete language.
    - 4) The IRAP default coverage provision was revised for new hires after June 30, 2011, and by moving language relating to technical college employees hired before June 30, 1997 to another subdivision. If the post-June 30, 2011, hire has no prior service under a combined service annuity plan, the default coverage remained IRAP; otherwise, the default coverage will be TRA. Combined service annuity plans are the defined benefit plans in MSRS, PERA, TRA, or a first class city teacher plan. MSRS-Unclassified, a defined contribution plan, is also a combined service annuity plan.
    - 5) Coverage procedures for certain technical college faculty when facilities were merged into MnSCU, those with pre-1997 TRA coverage or with pre 1995 first class city teacher plan coverage, were moved to a coverage continuation subdivision, permitting an election of alternative coverage within one year, rather than within 90 days, of a change in employment within the MnSCU system.
    - 6) The prior uncovered service provision and continuation of coverage provisions were clarified by including employees in unclassified administrative positions.
    - 7) MnSCU employees who did not qualify for IRAP coverage because their employment was part-time were required to certify whether they are TRA members. If the employee fails to certify, the employee rather than the employer was required to cover all delinquent employee and employer contributions to TRA, plus any applicable interest.

## Background Information on the 2008 Legislative Mandate for a Study of MnSCU Faculty Retirement Coverage Elections

Laws 2008, Chapter 349, Article 9, Section 7, required an actuarial impact study of a Minnesota State Colleges and Universities System (MnSCU) tenured faculty retirement plan coverage change, as follows:

### Sec. 7. ACTUARIAL IMPACT STUDY; MNSCU-TENURED FACULTY RETIREMENT PLAN COVERAGE CHANGE.

(a) The Teachers Retirement Association shall have the actuary retained under Minnesota Statutes, section 356.214, conduct a study of the likely actuarial impact on the Teachers Retirement Association of potentially permitting current tenure-track faculty members employed by the Minnesota State Colleges and Universities System who have not yet attained tenure or its equivalent to elect retroactive and prospective retirement coverage by the Teachers Retirement Association within one year of attaining tenure or its equivalent, with the retroactive coverage effected by a service credit purchase under Minnesota Statutes, section 356.551.

(b) The actuarial study must include an assessment of the likelihood that tenure-track Minnesota State Colleges and Universities System faculty members would elect retirement coverage by the Teachers Retirement Association that underlies any election assumption used in the study based on the experience of Minnesota State Colleges and Universities System faculty members employed during the most recent ten years. The Minnesota State Colleges and Universities System shall provide the Teachers Retirement Association with the data on its faculty members necessary to conduct the study.

(c) The actuarial study must assess the actuarial accrued liability that could be assumed by the Teachers Retirement Association from potential service credit purchases by Minnesota State Colleges and Universities System faculty members attaining tenure or its equivalent, the likely purchase payments related to those potential Minnesota State Colleges and Universities System faculty member service credit purchases, and the effect on the Teachers Retirement Association normal cost rate of the potential prospective inclusion of Minnesota State Colleges and Universities System faculty members upon attaining tenure.

(d) The report required under this section must be filed with the executive director of the Legislative Commission on Pensions and Retirement on or before January 15, 2009.

EFFECTIVE DATE. This section is effective July 1, 2008.

### 2009 Actuarial Analysis of MnSCU Retirement Coverage by TRA

In January 2009, in response to the 2008 legislative mandate, Mercer, the consulting actuarial firm retained by the Teachers Retirement Plan (TRA), filed a report with the Legislative Commission on Pensions and Retirement providing an analysis of MnSCU faculty retirement coverage and election of transfers to TRA coverage.

The study provided specific numeric answers to four issues and provided a generalized unspecific answer to one issue, as follows:

1. Actuarial Impact on TRA of Prospective and Retroactive MnSCU Faculty Coverage Elections. The actuarial impact on TRA of permitting MnSCU faculty in IRAP to elect prospective and retroactive TRA coverage upon the attainment of tenure, with retroactive service credit effected by a service credit purchase, assuming all MnSCU faculty members elect both prospective and retroactive TRA retirement coverage, would provide a modest (34/100ths of MnSCU faculty payroll) positive effect, although 44.17% of the 5,253-person MnSCU faculty group considered would produce a negative effect if electing retroactive retirement coverage and those individuals logically would be the most likely to make the retroactivity election.
2. Actuarial Accrued Liability to be Incurred by TRA from Potential Service Credit Purchases. The TRA actuarial accrued liability to result from all MnSCU faculty members electing both prospective and retroactive retirement coverage would be between \$361.31 million and \$363.21 million, depending on whether the 2008 TRA actuarial assumptions or a set of alternative actuarial assumptions more closely reflective of MnSCU faculty members were used.
3. Likely MnSCU Faculty Service Credit Purchase Payment Amounts. Derived from the actuarial information presented, estimating a net gain from all MnSCU faculty members making the service credit purchase, the total service credit purchase payment amount would be \$340.4 million, or an average of \$64,800 per MnSCU faculty member.
4. TRA Normal Cost Rate Impact from MnSCU Faculty Election of TRA Retirement Coverage. The inclusion, at their election, of MnSCU faculty members in TRA would result in a 4.45% increase in the TRA normal cost (0.39% of covered pay compared to 8.77% of covered pay normal cost of TRA) if only prospective service by all 2008 MnSCU faculty members would be involved or would result in

a 0.91% increase in the TRA normal cost (0.08% of covered pay compared to 8.77% of covered pay normal cost of TRA) if both past and prospective service by all 2008 MnSCU faculty members would be involved. The differences in the normal cost figures is a normal function of actuarial results under the Entry Age Normal Cost actuarial cost method used in Minnesota because of the difference in the entry age when first covered by TRA depending on prospective (later entry age) or retroactive (earlier entry age) service credit:

5. Likely Election of Any Past Service Credit Purchases in TRA by MnSCU Faculty Members. The report did not provide any numeric prediction or assessment of the likely past service credit purchases in TRA by tenure-track MnSCU faculty members, but did caution that election of past service credit purchases would tend to occur only by MnSCU faculty members who would achieve a gain in benefits, compared to the purchase payment, would make the purchase.

The following sets forth the total 2008 population of MnSCU faculty members who were covered by IRAP and could purchase prior service credit and compares the MnSCU populations who would produce a prior service credit gain to TRA or who would produce a prior service credit loss to TRA:

All MnSCU Faculty Covered by IRAP

Age	Under Five		Five or More		Total
	Years Service	% of Total	Years Service	% of Total	
20-24	9	0.17%	0	0.00%	9
25-29	159	3.03%	18	0.34%	177
30-34	313	5.96%	151	2.87%	464
35-39	362	6.89%	346	6.59%	708
40-44	264	5.03%	500	9.52%	764
45-49	223	4.25%	573	10.91%	796
50-54	191	3.64%	675	12.85%	866
55-59	164	3.12%	636	12.11%	800
60-64	86	1.64%	372	7.08%	458
65-69	28	0.53%	123	2.34%	151
70-74	7	0.13%	45	0.86%	52
75+	0	0.00%	8	0.15%	8
	1,806	34.38%	3,447	65.62%	5,253

Number of IRAP Service Purchases Resulting in Gain to TRA

Age	Year of Service								Total
	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+	
20 - 24	9								9
25 - 29	158	17		1					176
30 - 34	309	135	13	6					457
35 - 39	347	251	83	6					687
40 - 44	153	201	166	50	1				571
45 - 49	60	25	131	107	10	2	1		336
50 - 54	51		34	156	33	5			279
55 - 59	62	3	6	41	21	17	10	2	162
60 - 64	39	20	23	31	14	14	8	1	150
65 - 69	8	13	20	13	10		3	1	68
70 - 74	4	9	8	5	2	2	1	1	32
75+		3	1	1	1				6
Total	1,200	677	485	411	92	40	23	5	2,933

Number of IRAP Service Purchases Resulting in Loss to TRA

Age	Year of Service								Total
	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+	
20 - 24									0
25 - 29	1								1
30 - 34	4	2	1						7
35 - 39	15	6							21
40 - 44	111	74	2	1	5				193
45 - 49	163	233	40	2	20	2			460
50 - 54	140	218	164	24	36	2	3		587
55 - 59	102	174	153	129	57	19	4		638
60 - 64	47	87	59	74	29	11	1		308
65 - 69	20	36	9	16	1		1		83
70 - 74	3	11	4	2					20
75+			1	1					2
Total	606	841	433	249	148	34	9	0	2,320



**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH LEGISLATURE**

**S.F. No. 764**

(SENATE AUTHORS: PAPPAS, Saxhaug, Goodwin, Rosen and Johnson)

DATE	D-PG	OFFICIAL STATUS
02/25/2013		Introduction and first reading Referred to State and Local Government

1.1 A bill for an act  
 1.2 relating to retirement; Minnesota State Colleges and Universities system faculty  
 1.3 retirement coverage elections; eliminating a sunset date; amending Minnesota  
 1.4 Statutes 2012, section 354B.21, subdivision 2.

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

1.6 Section 1. Minnesota Statutes 2012, section 354B.21, subdivision 2, is amended to read:

1.7 Subd. 2. **Coverage; election.** (a) An eligible person employed by the board has  
 1.8 the default coverage specified in subdivision 3, or other subdivisions of this section,  
 1.9 whichever is applicable, and retains that coverage for the period of covered employment  
 1.10 unless a timely election to change that coverage is made as specified in this section.

1.11 (b) An eligible person under subdivision 3, paragraph (b) or (c), is authorized to elect  
 1.12 prospective Teachers Retirement Association plan coverage.

1.13 (c) An eligible person under subdivision 3, paragraph (d), is authorized to elect  
 1.14 prospective coverage by the plan established by this chapter.

1.15 (d) The election under paragraph (a) must be made within one year of commencing  
 1.16 eligible Minnesota State Colleges and Universities system employment. If an election  
 1.17 is not made within the specified election period due to a termination of Minnesota State  
 1.18 Colleges and Universities system employment, an election may be made within 90 days  
 1.19 of returning to eligible Minnesota State Colleges and Universities system employment.  
 1.20 Except as specified in paragraph (f), all elections are irrevocable.

1.21 (e) Except as provided in paragraph (f), a purchase of service credit in the Teachers  
 1.22 Retirement Association plan for any period or periods of Minnesota State Colleges  
 1.23 and Universities system employment occurring before the election under this section  
 1.24 is prohibited.

2.1 (f) Notwithstanding other paragraphs in this subdivision, a faculty member who  
 2.2 is a member of the individual retirement account plan may elect to transfer retirement  
 2.3 coverage to the teachers retirement plan within one year of the faculty member first  
 2.4 achieving tenure or its equivalent at a Minnesota state college or university. The faculty  
 2.5 member electing Teachers Retirement Association coverage under this paragraph must  
 2.6 purchase service credit in the Teachers Retirement Association for the entire period of  
 2.7 time covered under the individual retirement account plan and the purchase payment  
 2.8 amount must be determined under section 356.551. The Teachers Retirement Association  
 2.9 may charge a faculty member transferring coverage a reasonable fee to cover the costs  
 2.10 associated with computing the actuarial cost of purchasing service credit and making the  
 2.11 transfer. A faculty member transferring from the individual retirement account plan to the  
 2.12 Teachers Retirement Association may use any balances to the credit of the faculty member  
 2.13 in the individual retirement account plan, any balances to the credit of the faculty member  
 2.14 in the higher education supplemental retirement plan established under chapter 354C, or  
 2.15 any source specified in section 356.441, subdivision 1, to purchase the service credit in the  
 2.16 Teachers Retirement Association. If the total amount of payments under this paragraph are  
 2.17 less than the total purchase payment amount under section 356.551, the payment amounts  
 2.18 must be refunded to the applicable source. ~~The retirement coverage transfer and service  
 2.19 credit purchase authority under this paragraph expires with respect to any Minnesota State  
 2.20 Colleges and Universities System faculty initially hired after June 30, 2014.~~

2.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.