

**S.F. 1557**  
(Betzold)

**H.F. 1738**  
(Murphy)

### **Executive Summary of Commission Staff Materials**

Affected Pension Plan(s): Minnesota State Colleges and Universities Individual Retirement Account Plan and Teachers Retirement Association

Relevant Provisions of Law: Minnesota Statutes, Section 354B.21, Subdivisions 2 and 3

General Nature of Proposal: Allow Election between Individual Retirement Account Plan and Teachers Retirement Association up to Five Years rather than 90 days of Hiring by Minnesota State Colleges and Universities System

Date of Summary: April 5, 2005

### **Specific Proposed Changes**

- Allows Minnesota State Colleges and Universities System (MnSCU) faculty to choose between Individual Retirement Account Plan (IRAP) and Teachers Retirement Association (TRA) coverage up to five years, rather than 90 days, after first employment.

### **Policy Issues Raised by the Proposed Legislation**

1. The proposal is inconsistent with plan election time periods for other public employee groups.
2. Will cause adverse selection problems for TRA, increasing TRA cost and causing non-MnSCU, TRA-covered employees and employers to subsidize MnSCU employees who elect TRA.
3. Will create pressure on future legislatures to permit service credit purchases in TRA for months or years of MnSCU employment that occurred before TRA was elected.

### **Potential Amendments**

#### **Substantive Amendments:**

Amendment LCPR05-147 permits the Commission to specify a different maximum election period rather than the proposed five years.

Amendment LCPR05-148 establishes additional employee and employer TRA contribution rate to be paid by MnSCU employees who elect TRA after more than 90 days and by the employer, in an amount to be determined by the Commission, to avoid shifting cost to the non-MNMSCU, TRA-covered employees and employers.