

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: S.F. 648 (Betzold, by request); H.F. 1374 (Erickson): Adding a School Administrator to the TRA Board of Trustees

DATE: March 15, 2005

Summary of S.F. 648 (Betzold, by request); H.F. 1374 (Erickson)

S.F. 648 (Betzold, by request); H.F. 1374 (Erickson) amends the Teachers Retirement Fund Association (TRA) board provision (Section 354.06, Subdivision 1) by expanding the board from eight to nine trustees through the addition of a person licensed by the Minnesota Board of School Administrators (MBSA) as an elected TRA board member with a four year term, with the first term to begin on July 1, 2007.

TRA Board Membership

Under current law, TRA has eight board members, five who are elected and three who are appointed. The elected members consist of four teachers as defined in TRA law who are elected by the active plan members and one retiree who is elected by the plan retirees and survivors. The three appointed members are the Commissioner of Finance, the Commissioner of Education, and a representative of the School Boards Association. The five elected members presumably will ensure that the active members of the plan and the retirees are well represented, while the three appointed members provide input reflecting financing and broad social policy. The School Boards Association and the Commissioner of Finance reflect the state's financial interest in funding public education throughout the state and funding the pension plans of teachers. The Commissioner of Education represents the state interest in education policy in general.

The elections for the various elected members are staggered, so not all elected member seats are up for election at the same time. The elections are for four year terms. For the active member seats, two are elected in an odd year, and the other two are elected in the next odd year. The retiree seat is up for election every other odd year.

All board members, both elected and appointed, serve in a fiduciary capacity.

TRA Board Powers and Responsibilities

The TRA board is responsible for electing the board president and electing (or hiring) the Executive Director. The board, with Executive Director's assistance, hires and retains other key plan officials and the administrative staff for the fund. There currently are approximately 90 TRA employees. The TRA board approves TRA's budget, which is then funded out of the body of the TRA fund or the incoming contribution stream, with the remainder being certified to the State Board of Investment (SBI) for investing. The board establishes bylaws to govern the plan and the organization consistent with state law, and amends these bylaws as needed overtime.

As plan fiduciaries, the board is responsible for all aspects of the plan, including authorizing proper expenses, ensuring that TRA properly determines eligibility for membership, receiving the contributions required by law, properly determining and computing benefits, and maintaining membership and financial records.

In practice, the Executive Director and staff make the benefit determination decisions, but through an appeal process, some cases are brought before the board. Sometimes these appeals deal with benefit amount determinations. For example, the Executive Director and his staff may conclude that various payments provided to a retiring member do not meet TRA's salary definition and thus should not be included in the high-five average salary used to compute the annuity. These determinations might then be appealed to the board. The most typical appeals are disability benefit claims. The Executive Director may denied a disability claim or a continuation of disability due to a conclusion that the individual does not meet TRA's disability definition, and the case is appealed by the individual to the board.

## Minnesota Board of School Administrators

Minnesota Statutes, Chapter 122A, Teachers and Other Educators, subdivides teachers into two broad groups, one group being comprised largely of classroom teachers, and the second group consisting of school supervisory and upper level administrators. The Minnesota Board of School Administrators (MBSA) has responsibilities for this second group. The MBSA consists of nine members and was created by the 2001 Legislature at the request of education administration organizations. Applicable provisions were coded in Minnesota Statutes, Chapter 122A. The MBSA licenses all school administrators, a group comprised of superintendents, principals, and professional employees who devote 50 percent or more of their time to administrative or supervisory duties other personnel. Other board responsibilities include reviewing and approving training programs for school administrators, processing requests for continuing education units, and enforcing a code of ethics. Under Chapter 122A, a separate board, the Board of Teaching, is given somewhat similar responsibilities regarding the first group mentioned above, the classroom teachers.

## TRA's Definition of Teacher

Under TRA law, individuals who are teachers are covered by the plan. "Teacher" is defined in TRA law (Section 354.05, Subd. 2), more broadly than in Chapter 122A. In TRA law (Section 354.05, Subd. 2) "teacher" includes all public school teachers outside of the first class cities working as a "teacher, supervisor, principal, superintendent," and a host of other school related positions (librarian, nurse, counselor, social worker, therapist, etc.). Teacher also includes all individuals fitting into TRA's teacher definition who are in charter schools throughout the state including the first class cities.

## Discussion

S.F. 648 (Betzold, by request); H.F. 1374 (Erickson) would expand the TRA board by adding one more elected seat, to be filled by a TRA member licensed by the Board of School Administrators. The term is for four years.

Policy issues raised by the bill include:

1. Possible Misunderstanding. The Commission may wish to begin by assuring itself, through brief testimony if necessary, that the bill request is not due to a misunderstanding. It is possible that the requesting parties assumed that the definitions of teacher under chapter 122A and in TRA law, chapter 354, are identical. They are not. TRA's definition includes all the school supervisory and management personnel. If an individual were not aware of this, he might erroneously conclude that the elected active member positions on TRA's board are by law open only to classroom teachers, and not to supervisory personnel and administrators.
2. Teacher /Management Issues. If this bill is not due to a misunderstanding about who is eligible to be on TRA's board, then the request indicates dissatisfaction with the current situation, on the part of the MBSA or the supervisors, managers, and superintendents who are part of that organization. Teacher unions have considerable influence over the elections, and unions tend to represent the interests of the classroom teacher. While a principal or superintendent is eligible to run for an active member TRA board seat, he or she is unlikely to be elected. The bill reserves a seat for higher level school administrators. The Commission may wish to explore this power/representation issue through testimony.
3. Interests of the Superintendents and Other High Level Administrators. The Commission may choose to consider that adding MBSA member to TRA's board will change, to an extent, the interests and priorities of the TRA board, and the legislative initiatives which the board may propose and support. TRA's Executive Director has stated that superintendents and other high level school administrators are interested in being eligible for a defined contribution plan. The full portability of defined contribution plans has appeal to individuals who are highly mobile. The current TRA board does not support defined contribution plans or any expansion of coverage by this type of plan. Also, in recent years TRA's staff and the board have spent considerable time identifying and correcting high-five average salary abuses. These have often involved high level administrators, who have the power to develop specialized compensation packages which include shifts of compensation over time or include other forms of payment which are not properly included as salary under TRA's salary definition. If an MBSA member is added to TRA's board, the board as a whole may be less likely to decide that a particular action is an abuse of the high-five average salary system, or to support staff actions to review these situations.

4. Adding an Additional Member versus Replacing an Existing Seat. The issue is whether a new seat should be added rather than replacing an existing active member seat. Replacing an existing active member seat with a seat reserved for MBSA members would bring unions and management into direct conflict. Instead, the bill would add a new seat, which may somewhat lessen the conflicting interests. But this alters the mix of elected seats compared to appointed seats. The appointed seats (the Commissioner of Finance, Commissioner of Education, and School Board's Association member) presumably represent the interests of the general public, the taxpayers. Adding another elected member seat would mean that the appointed seats would represent 33% of the seats on TRA's board, rather than the current 37%. An argument for not reducing the percentage of the board seats devoted to the appointed members is that the taxpayers bear the risk for this pension fund. In the past they have been asked to make employer contributions to this fund which are at least the same as the employees, and often greater. Whenever pension funds have unfunded liabilities, it is generally the employer who makes the additional contribution needed to amortize that unfunded liability. Given that responsibility and risk, one could contend that the percentage of state representation on this board should be increased, rather than be allowed to erode by adding another employee representative.
5. Implications of Reserving a Seat for a Subgroup of the Active Membership. The Commission may wish to consider the implications of reserving a board seat for a particular subgroup of TRA's active membership. If the bill is enacted, it is possible that some other subgroup within TRA, such as charter school teachers, Minnesota State Colleges and Universities employees, or retirees who want access to Improved Money Purchase (IMP) annuities may demand a guaranteed position on the board. In addition to the specific interests of the subgroup wanting IMP benefits, the retired membership group as a whole may demand more representation. Adding an active member position weakens the relative position of the retirees. Currently, there are four active member positions and one retiree; the retiree position represents 20% of the elected positions on the board. If the bill is enacted, the retiree position would represent 16.6% of the elected board positions. The most recent actuarial work for TRA indicates that TRA had 37,600 retirees and 72,000 active members, or about half as many retirees as active members. This creates an argument for adding another retired member to the board if proportional representation is deemed to be an appropriate goal.
6. Scope. The issue is scope. If there is an argument for adding an MBSA position to TRA's board, the same justification applies to adding a position to the boards of the three first class city teacher fund associations.
7. TRA and Union Position. The issue is whether TRA supports the proposed change, and whether there is union support.
8. Drafting/Policy Issues. A problem with the bill as drafted is the lack of language to indicate when the school administrator election is to occur. The existing language states on page 1, lines 21 to 25 and page 2, lines 1 and 2, that, "In every odd-numbered year there shall be elected two members of the association to the board of trustees for terms of four years commencing on the first of July next succeeding their election. In every other odd-numbered year one retiree of the association must be elected to the board of trustees for a term of four years commencing on the first of July next succeeding the election." That takes care of the existing active and retired seats on the board, but it does not address when the periodic election of the new MBSA member is to occur. Technical amendment LCPR05-040 addresses this issue and makes stylistic changes.

Appendix A compares the structure and responsibilities of various retirement boards: Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), Teachers Retirement Association (TRA), Minneapolis Employees Retirement Association (MERF), Duluth Teachers Retirement Fund Association (DTRFA), Minneapolis Teachers Retirement Fund Association (MTRFA), and St. Paul Teachers Retirement Fund Association (SPTRFA).

Appendix A

Minnesota Public Pension Plans – Board Structure and Responsibilities

Membership	
MSRS	11 board members. [352.03, Subd. 1]
PERA	11 board members. [353.03, Subd. 1]
TRA	8 board members. [354.06, Subd. 1]
DTRFA	9 board members. [Article V]
MTRFA	7 board members. [Articles, Art. 7, Sec. 7.2]
SPTRFA	10 board members. [Articles, Art. V; Bylaws Art. III, Sec. 1]
MERF	7 board members. [422A.02]
Active Member Representation	
MSRS	4 state employees elected by state employees covered by the system. [352.03, Subd. 1]
PERA	4 active members, elected by active and retired membership of the various plans administered by the association, of which one must be a police and fire plan member. [353.03, Subd. 1]
TRA	4 teachers elected by the active plan membership. [354.06, Subd. 1]
DTRFA	5 active members of the association elected by and from the active plan membership. [Article V]
MTRFA	6 members of the association elected by the MTRFA membership. [Articles, Art. 7, Section 7.2]
SPTRFA	9 SPTRFA members elected by the SPTRFA membership. [Articles, Art. V; Bylaws Art. III, Sec. 1]
MERF	Up to three legally qualified voters, selected by the active members who may form an association for that purpose. [422A.02]
Ex Officio Representation	
MSRS	3 governor appointees, one a constitutional officer, two public members knowledgeable in pension matters. [352.03, Subd. 1]
PERA	The state auditor or the auditor’s designee and 5 governor appointees of which one represents school boards, one represents cities, one represents counties, one is a PERA annuitant, and one is a public member who is knowledgeable in pension matters. [353.03, Subd. 1]
TRA	3 members; the commissioner of finance; the commissioner of children, families and learning; and a representative of the Minnesota School Boards Association. [354.06, Subd. 1]
DTRFA	One member of ISD No. 709 appointed by the school board chair and the superintendent of ISD No. 709 or the designee of the superintendent. [Article V]
MTRFA	A member of the Special School District No. 1 board of education appointed by the school board chair. [Articles, Art. 7, Sec. 7.2]
SPTRFA	Chair of ISD No. 625 (St. Paul) or another school board member appointed by the ISD No. 625 board. [Articles, Art. V]
MERF	2 members, the mayor or mayor’s designee, and city council member, selected by the council. [422A.02]
Retiree Representation	
MSRS	1, elected by system disabled and retired members. [352.03, Subd. 1]
PERA	1, elected by the active and retired membership of the various plans. [353.03, Subd. 1]
TRA	1, elected by the retirees of the plan. [354.06, Subd. 1]
DTRFA	2, elected by the retirees of the plan. [Article V]
MTRFA	No specific provision.
SPTRFA	No specific provision.
MERF	At least 2 legally qualified voters, also selected by the Minneapolis Employees Retirement Association. [422A.02]
Other Appointed Representation	
MSRS	1, appointed by the Metro Council Transit Operation employee union. [352.03, Subd. 1]
PERA	None.
TRA	None.
DTRFA	None.
MTRFA	None.
SPTRFA	None.
MERF	None.
Other Elected Representation	
MSRS	2, with 1 elected by the state patrol plan membership and 1 elected by the MSRS-Correctional plan membership. [352.03, Subd. 1]
PERA	None.
TRA	None.
DTRFA	None.

## Other Elected Representation

MTRFA	None.
SPTRFA	None.
MERF	None

## Exclusions and Restrictions

MSRS	MSRS employees and state employees on leave of absence are excluded. [352.03, Subd. 1]
PERA	For elected board positions, non-public /non-PERA members are excluded. [353.03, Subd. 1]
TRA	Elected trustees must be members in good standing at time of election. Teacher union employees who are members are excluded from board service. [354.06, Subd. 1, and 354.41, Subd. 7]
DTRFA	Elected active member trustees must be contributing members of the association and cessation of that active membership automatically terminates board membership, except that upon retirement, the trustee may continue board service until the next annual association meeting. The trustee representing the school board must be a member of the board of ISD No. 709 and cessation of service on the school board automatically terminates DTRFA board membership. A trustee representing the active membership who takes a leave of absence from ISD No. 709 employment for more than 60 days for any reason will have the person’s position on the board declared vacant. [Article V]
MTRFA	Board members are required to be members of the MTRFA. [Articles, Art. 7, Sec. 7.2]
SPTRFA	No specific provision.
MERF	For elected board positions, the person must be a legally qualified voter. No board member may participate in any deliberation or vote on a matter for which the person has a direct measurable personal gain interest. [422A.02; 422A, Subd. 2b]

## Term, Duration, and Frequency

MSRS	4 years and until successor qualifies, staggered for the four elected board members. [352.03, Subd. 1]
PERA	To January 31 of fourth year of service and, for elected board members, until the successor qualifies. [353.03, Subd. 1]
TRA	Four years; staggered for the elected board members. [354.06, Subd. 1]
DTRFA	The term of the board representative is three years and until the successor qualifies. The term of the active or retired membership trustees is two years or three years, staggered and until the successor qualifies. The term of the school board representative commences on the first regular DTRFA board meeting held after the person’s appointment. The term of active or retired member representatives commences on November 15 of the year of the election. [Article V; and Bylaws III]
MTRFA	Three years, staggered, for elected board members. The appointed board member serves for the period determined by the Special School District No. 1 board chair and until the successor has been appointed. The elected board members are divided into three groups, with two board members subject to election every year. [Articles, Art 7, Sec. 7.3]
SPTRFA	3-year terms, staggered, for elected board members. Elected board members are divided into three classes of three trustees each, with an election of a class each year at the annual meeting. [Bylaws Art. III, Sec. 1]
MERF	3 years, to January 1, staggered, and until the successor is duly elected. [422A.02]

## Conduct of Election

MSRS	In a manner fixed by the board. [352.03, Subd. 1]
PERA	Board position filings October 1-7, annually; petition must be signed by a minimum of 25 PERA members; withdrawal until October 15; candidate statement corresponding to Secretary of State approved board requirements mailed by PERA to the membership; candidates with \$100 in contributions or expenditures required to file within 30 days after the election with the Campaign Finance and Disclosure Board; vote may be cast for only one candidate; no incumbency designation permitted; ballots and voting must ensure secrecy; Secretary of State must supervise the election. [353.03, Subd. 1]
TRA	Board position filings with minimum of ten plan member signatures; election must be completed by June 1 of each odd-numbered year. [354.06, Subd. 1]
DTRFA	Board members who are representatives of the membership must be elected at the annual membership meeting, to be held on the last Monday in October at 4:00 p.m. [Article V]
MTRFA	Nominations for board positions are required to be made from the floor at the annual meeting. Persons nominated are required to file a written consent to the nomination or the nomination is invalid. If the number of nominees is equal to or fewer than the number of board positions, the nominees are elected. If the number of nominees is greater than the number of board positions, a secret ballot election by mail must be conducted. A three-person election committee is required to be appointed within two days of the annual membership meeting to act as election judges and to conduct the election. The president must appoint three committee members, with one designated as the committee chair. Each candidate may appoint an association member (other than a trustee or a candidate) to the committee. The election committee is governed by majority votes. Between 10 and 15 business days of the annual meeting, the board is required to prepare uniform printed ballots and mail them to the membership, with candidate names arranged by random drawing, and without any annotation other than an indication of the number of trustees to be elected and an indication that the number of votes should be limited to the number of positions for election. The board is required to cause a fair and reasonable equal space and opportunity candidate description to be mailed with the ballot. The board is required to provide the election committee with a restricted access postal box for ballot collection. Ballots received before the close of the 15th business day following the day on which the ballots were mailed must be counted. Received ballots must be validated against a membership list, with the ballot removed after validation and the outer postage paid mailing envelope destroyed. The ballots must be promptly counted and the election committee may employ tellers to assist. After the count, the election committee is required to certify the results with a certificate signed by the committee or by a majority of the committee. The candidate with highest vote total is elected. For

## Conduct of Election

	special elections to fill vacancies, the candidates with the highest vote count receive the longest term and successive candidates receive the partial terms in relationship to their vote count. [Articles, Art. 7, Sec. 7.3]
SPTRFA	Candidates for election to the board are required to be nominated by at least ten members of the association on a form prescribed by the board and available from the association office. The form is required to be filed with association office by December 1 prior to the election date. Nominations of candidates for the board also are permitted from the floor at the annual meeting, where the election is held by ballot. [Bylaws Art. IV]
MERF	Election by the Minneapolis Employees Retirement Association must be conducted in the first week of December annually. [422A.02]

## Compensation

MSRS	As provided in Section 15.0575. [352.03, Subd. 1a]
PERA	No compensation for board service, but reimbursement of board member from PERA fund required for actual and necessary expenses. Public employee board members are not permitted to suffer loss of regular compensation as a result of board service. [353.03, Subd. 2]
TRA	No compensation for board members, but reimbursement of board members from TRA fund for necessary expenses related to board duties and reimbursement of the employer for a substitute teacher hired to cover the absence of the board member. Board members are not permitted to suffer loss of regular compensation as a result of board service. [354.06, Subd. 4]
DTRFA	Board of trustee members are required to render their services without compensation, except for the treasurer, who shall be compensated as the board determines. [Articles, Art. V; Bylaws IV]
MTRFA	Board members are authorized to be compensated for their services as set by the membership. Board members may be reimbursed for necessary expenses actually incurred as authorized by the board. [Articles, Art. 7, Sec. 7.7]
SPTRFA	The secretary and the treasurer are to be paid a salary in an amount to be set by the trustees. Other members of the board are not permitted to receive any compensation for their board services, but are entitled to receive reimbursement for expenses that are reasonably and necessarily paid or incurred in the performance of their duties. [Bylaws Article V, Section 7]
MERF	No compensation for board members, but reimbursement for necessary expenditures. Board members who are city employees are not permitted to suffer a loss of salary or wages for board service. [422A.04, Subd. 1]

## Indemnification of Board Members

MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	No specific provision.
MTRFA	To the extent permitted by state law, trustees, officers, employees, agents, and contractors of the association must be indemnified for their actions solely taken in that capacity, including attorney’s fees, to the extent not otherwise Indemnified by another entity. The indemnification continues beyond the service that gave rise to it and inures to heirs and estates of the person. The association is permitted to purchase and maintain insurance for persons and acts open for indemnification. [Articles, Art. 9]
SPTRFA	The association is permitted to indemnify board members and employees from loss, damage, and liability incurred by, sustained by, or arising out of the performance of association duties unless willful misconduct, gross negligence, or bad faith is involved. [Bylaws Article V, Section 8]
MERF	No specific provision.

## Removal

MSRS	As provided in Section 15.0575. [352.03, Subd. 1a]
PERA	No explicit provision.
TRA	No explicit provision.
DTRFA	A vacancy is required to be declared by the board if a representative of the membership goes on a leave of absence greater than 60 days. [Bylaws III]
MTRFA	No specific provision.
SPTRFA	No specific provision.
MERF	No specific provision, but removal referenced in Section 422A.02. [422A.02]

## Oath

MSRS	No provision.
PERA	No provision.
TRA	No provision.
DTRFA	No provision.
MTRFA	No provision.
SPTRFA	No provision.
MERF	Board members are required to take an oath of office similar to city employee oaths, subscribed by the board member, and filed with the city clerk. [422A.04, Subd. 1]

Resignation	
MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	No specific provision.
MTRFA	A board member is permitted to resign at any time by giving written notice to the board, or to the president, or to the secretary. Acceptance of the resignation is not required for the resignation to be effective. The resignation is effective at the time specified in the notice, or if none, upon its delivery. [Articles, Art. 7, Sec. 7.5]
SPTRFA	No specific provision.
MERF	No specific provision.
Filling Vacancies	
MSRS	Vacancy in elected membership filled by board for the unexpired duration of the term; the transit representative vacancy must be filled by the union. [352.03, Subds. 1a & 2]
PERA	Vacancy by death, resignation, removal, or public employment termination filled for the duration of the term by the board for elected board members or by the governor for appointed board members. [353.03, Subd. 1a]
TRA	Vacancy in elected membership filled by the remainder of the board until next election, with elected replacement’s service to continue to the end of the original term. [354.06, Subd. 1]
DTRFA	A vacancy in a board position representing the membership is filled by the remainder of the board, with the replacement continuing until the next annual membership meeting, where the membership selects a successor for the balance of the original trustee’s term. [Bylaws III]
MTRFA	A vacancy in an elected board member position is required to be filled by the remainder of the board, even if less than a quorum. The replacement board member serves only until the next annual trustee election. [Articles, Art. 7, Sec. 7.4]
SPTRFA	A vacancy in an elected member board position is required to be filled by the remainder of the board, even if less than a quorum. The replacement board member serves until the next annual election, when the position is filled by election for the remainder of the original term. [Bylaws Article III, Section 1]
MERF	Vacancies in elected board positions caused by death, resignation or removal must be filled by an election by the Minneapolis Employee Retirement Association. [422A.02]
Public Members	
MSRS	As provided in Section 15.0575. [352.03, Subd. 1a]
PERA	No explicit provision.
TRA	No explicit provision.
DTRFA	No specific provision.
MTRFA	No specific provision.
SPTRFA	No specific provision.
MERF	No explicit provision.
Other Requirements	
MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	No specific provision.
MTRFA	No specific provision.
SPTRFA	No specific provision.
MERF	Board officers must include at least one representative of active city employees. Board president must preside over board meetings if present. Board vice president must preside in president’s absence. The secretary is required to keep a record of the proceedings of the board. Roberts rules of order govern the board proceedings unless the board otherwise specifically adopts. [422A.03, Subds. 3 and 4]
Powers and Duties	
MSRS	<ol style="list-style-type: none"> <li>(1) Elect the board chair;</li> <li>(2) appoint the executive director;</li> <li>(3) establish system rules;</li> <li>(4) transact the business of the system;</li> <li>(5) advise director on matters and functions; and</li> <li>(6) oversee Deferred Compensation Plan administration.</li> </ol> [352.03, Subd. 4]
PERA	<ol style="list-style-type: none"> <li>(1) Elect the president and vice president of the board;</li> <li>(2) approve the staffing complement for the system;</li> <li>(3) adopt bylaws for system governance and management;</li> <li>(4) establish and enforce system rules;</li> <li>(5) pass on membership applications and decide withdrawal and benefit claims;</li> <li>(6) adopt appropriate mortality table;</li> <li>(7) provide for fund expense and benefit payments;</li> <li>(8) decide on executive director recommendations and actions;</li> </ol>

## Powers and Duties

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- (9) examine evidence and witnesses for applications and claims;
  - (10) establish benefit eligibility and amount review process;
  - (11) establish board expense reimbursement procedures, with all out-of-state travel subject to board approval, consistent with Department of Finance, Department of Administration, and Department of Employee Relations rules and policies;
  - (12) appoint executive director with the advice and consent of the Senate; and
  - (13) promulgate rules for system administration.
- [353.03, Subds. 3 and 3a; and 353.18]

### TRA

- (1) Elect the board president;
  - (2) elect the executive director;
  - (3) employ the administrative staff of the plan;
  - (4) frame bylaws for its government and for plan administration and to alter or amend them;
  - (5) enforce board rules;
  - (6) pass on membership applications and service credit;
  - (7) pass on withdrawal and benefit applications;
  - (8) adopt appropriate mortality table;
  - (9) provide for the payment of fund expenses and benefits;
  - (10) examine evidence and witnesses for applications and claims;
  - (11) certify plan money to the State Board of Investment for investment;
  - (12) keep record of receipts and disbursements and separate member accounts;
  - (13) determine annual interest earnings of the fund and credit interest to member accounts; and
  - (14) conduct benefit eligibility and amount appeals.
- [354.07, Subds. 1, 2, 4, and 5; 354.071]

### DTRFA

- (1) Elect a president, a vice president, and a treasurer from the board membership;
- (2) elect a secretary, who does not need to be a board member;
- (3) designate a bank or banks for deposit of DTRFA funds and provide for the care and safekeeping of DTRFA securities;
- (4) invest DTRFA funds with the care, prudence, and good faith required for trust funds, and to sell, transfer or dispose of investments;
- (5) maintain IRA and tax-shelter programs;
- (6) turn over to the qualified successor the office and all books, records, accounts, papers, and other property pertaining to the board office;
- (7) establish and maintain a reserve fund sufficient to reimburse the plan for any loss, plus expenses, but not to exceed three percent of the face value of DTRFA investments and invested only in governmental obligations;
- (8) establish and enforce rules which are not inconsistent with the Articles or Bylaws deemed necessary for the management of the association, which must be in the form of a resolution and which must be adopted on a recorded board vote;
- (9) assign to any officer any duty not expressly provided for in the Articles or the Bylaws;
- (10) provide for the collection of all mortgage loans, interest payments, and other indebtedness;
- (11) provide for and maintain an office in Duluth, which must be kept open during business hours;
- (12) determine the amount for deposit in each depository bank if more than one depository bank is designated by the board;
- (13) determine the amount of the surety bond to be required of the treasurer, with a minimum of \$200,000, and of the secretary and of any other person handling DTRFA funds, with payment for the bonds from the association;
- (14) appoint a replacement secretary or a replacement treasurer in the event of the vacancy in either office; and
- (15) attend and be present for all board meetings. The president presides over membership and board meetings, and when authorized by the board, together with the secretary, executes all instruments requiring the corporate seal on behalf of the association.

The vice president performs the duties of the president in the absence of the president.

The secretary is required to keep permanent minutes of membership and board meetings and keep all records, books and accounts to fully disclose the transactions by or on behalf of the association for members or otherwise. The secretary is also required to keep a permanent membership record and separate membership accounts, with member's payments and interest earnings credited. The secretary is also required to maintain a general ledger for the transactions of the association.

The treasurer is required to receive and deposit all DTRFA revenues, make a report at the membership meeting of the financial transactions of the association for the preceding year. The treasurer duties may be delegated to the secretary if the board so directs by resolution.

[Articles, Arts. V and VII; Bylaws IV]

### MTRFA

- (1) Receive, hold, and disburse association moneys;
- (2) make rules and regulations for the transaction of association business, for control of the funds and accounts of the fund, and for the determination and payment of benefits;
- (3) employ necessary clerical, actuarial, legal, accounting, medical and other services and fix the compensation for those services;
- (4) establish and maintain a reserve to insure the fiscal solvency of the fund;
- (5) have necessary actuarial valuations performed and investigate the actuarial experience of the plan;
- (6) determine the annuity rates for the determination of benefits and revise them for accuracy;
- (7) determine the benefits payable and pay the benefits;
- (8) maintain member records, credit member contributions and, for Basic Program members, credit employer contributions, credit annual accrued interest, and issue account statements;
- (9) hire the MTRFA executive secretary and other clerical or administrative personnel, who serve at the pleasure of the board, and fix their salaries;
- (10) elect a president, vice president, secretary, and treasurer;
- (11) manage the business of the association.

The president presides at membership and board meetings, put membership and board resolutions into effect,



**Powers and Duties**

	<p>make appointments to standing and other committees, and serve as ex officio member of all committees.</p> <p>The vice president has the powers and duties delegated by the board and exercises the powers of the president upon the absence or incapacity of the president.</p> <p>The secretary attends membership and board meetings, arrange for proper notice of meetings to be given, and arranges for minutes to be taken for membership and board meetings.</p> <p>The treasurer reviews the financial record keeping of association revenues and disbursements and reviews all accounting statements. [Articles, Arts. 7, Sec. 7.6, and 8, Secs. 8.1, 8.2, 8.3, 8.6, 8.7, 8.8, and 8.9]</p>
SPTRFA	<p>(1) Manage the affairs of the association consistent with law, the restated Articles of Incorporation, and the bylaws;</p> <p>(2) employ any services necessary to properly conduct the business of the association; and</p> <p>(3) elect board officers (president, vice president, secretary, treasurer, and other officers) at the annual meeting, The secretary and the treasurer must be association members, but need not be board members, and may be a combined office. The president and vice president must be board members; and</p> <p>(4) elect a five-member executive committee (president, treasurer, and three board members). The president is required to preside at board and membership meetings, is an ex officio member of all committees, is required to execute, with the secretary, all documents to be executed on behalf of the association, is required to perform other duties incidental to the office, and is required to perform duties assigned by the members, the board, or the bylaws. The vice president is required to perform the president’s duties in the case of the president’s incapacity or absence and to perform duties delegated by the president or assigned by the membership or by the board.</p> <p>The secretary is required to maintain a list of association members with necessary benefit eligibility and amount data, is required to attend and to keep a record of all membership and board meetings, is required to file notices, make reports and perform all other duties incidental to the office or imposed by law, by the Articles, by the Bylaws, by the membership, or by the board. The treasurer is required to receive and deposit association revenue, issue checks that are countersigned by the president, account for association assets in the treasurer’s possession, give a bond to the association in an amount specified by the board, and make financial reports at the annual meeting and at other times required by the board. The treasurer is also required to prepare and submit to the board or its executive committee a budget for the association for the successive year, including estimates of receipts and disbursements.</p> <p>[Bylaw Articles III, Sections 1 and 2; V, Sections 1, 3, 4, 5, and 6; and VII, Section 2]</p>
MERF	<p>(1) Meet monthly on third Tuesday of each month;</p> <p>(2) appoint an executive director with at least a four sevenths vote;</p> <p>(3) annually, at January meeting, elect board president, board vice president, and board secretary-treasurer;</p> <p>(4) establish rules and regulations for administering the fund;</p> <p>(5) maintain in convenient form the data needed to have an actuarial valuation performed;</p> <p>(6) adopt appropriate mortality tables based on the experience of the plan; and</p> <p>(7) function as trustees and custodians of the retirement fund, with exclusive control, management, and investment of its assets through outside investment firms for post-1993 assets;</p> <p>(8) fix the compensation of the executive director and other administrative staff;</p> <p>(9) prepare itemized statement of the financial requirements of the plan and the city and other employer contributions;</p> <p>(10) determine investment rate to be credited to contributions and funds; and</p> <p>(11) perform whatever functions are required to execute Chapter 422A.</p> <p>[422A.03, Subds. 1,3, and 4; 422A.04, ; 422A.05, Subd. 1; and 422A.101]</p>

**Additional Permissive Powers and Duties**

MSRS	<p>(1) Consider and make recommendations on retiree needs;</p> <p>(2) disseminate retiree information;</p> <p>(3) supply names and addresses of retirees to employing units;</p> <p>(4) supply retiree organization(s) with retiree names and addresses</p> <p>[352.03, Subd. 4a]</p>
PERA	<p>(1) Authorize the sale of member life insurance under pre-1/1/1985 insurance program;</p> <p>(2) may purchase fiduciary liability insurance and official bonds for board members and system staff;</p> <p>(3) may purchase property insurance; and</p> <p>(4) may establish self-insurance risk reserve, including data processing insurance and “extra-expense” coverage.</p> <p>[353.03, Subd. 3]</p>
TRA	<p>(1) May conduct investigations to determine validity of claims; and</p> <p>(2) use Department of Administration, Information Services Division, for data processing or contract for data processing services.</p> <p>[354.07, Subds. 2 and 7]</p>
DTRFA	None.
MTRFA	None.
SPTRFA	The board is permitted to employ an executive director as a nonvoting officer of the association, serving at the pleasure of the board, with those duties delegated by the board, at a salary determined by the board. [Bylaws Article V, Section 9]
MERF	<p>(1) May make loans to purchasers of Minnesota situs non-farm residential real estate owned by MERF, if secured by mortgages or deeds of trust;</p> <p>(2) establish special funds supplementing individual contributions by MERF members;</p> <p>(3) receive, invest and disburse donations, gifts, legacies, bequests, or private party contributions for members generally or for any class of members;</p> <p>(4) offer through the executive director an opportunity for retirees to pay health insurance premiums from deductions from pension benefits;</p> <p>(5) require disabilitants to undergo annual medical examinations to verify status;</p>

## Additional Permissive Powers and Duties

- (6) possesses the powers and privileges of a corporation; and
  - (7) empowered to issue subpoenas and compel the attendance of witnesses.
- [422A.05, Subds. 2c, 6, & 8; 422A.18, Subd. 4]

## Board Committees

MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	<p>Standing and other committees are to be appointed by the board president and announced before the first regular monthly board meeting. Special committees may be appointed from time to time. Three standing committees are established. The committee on annuities, comprised of three members, recommends annually, at each September board meeting, the benefit amounts payable to each benefit recipient. The committee also must report on the payment of retirement allowances, service credits, benefit applicant salary records, and disability benefit recipient or applicant conditions.</p> <p>The Finance Committee, comprised of four members, including the president and the treasurer, is to recommend retirement annuities. It also is required to consider investment of funds and mortgage loans and other investments.</p> <p>The Membership Committee, comprised of three members, is required to recommend applicants for membership and all claims for credit for prior teaching service and for service credit for leaves of absence. [Bylaws X, XI, XII, and XIII]</p>
MTRFA	No specific provision.
SPTRFA	The board is required to establish an executive committee and is permitted to establish other committees. The executive committee is required to exercise the powers of the board between meetings of the board. All actions of the executive committee are subject to ratification by the board at the next successive board meeting. The executive committee is required to direct the investments of the association, with a report to the board. The executive committee is permitted to approve applications for benefits other than disability benefits if no board meeting is scheduled within 30 days of the application filing. The executive committee is permitted to investigate disability applications, require the examination of the applicant, and make recommendations to the board. The executive meeting may be called by the president with 24-hour prior written notice, or any time with a waiver of notice from all committee members. The executive committee may meet with a majority of its members as a quorum, but if only three committee members are present, all actions must be unanimously approved. Other committees are subject to the same call and conduct requirements as the executive committee. [Bylaws Article VI]
MERF	No specific provision.

## Rationale

MSRS	Performs policy making function. [352.03, Subd. 1]
PERA	Performs management function. [353.03, Subd. 1]
TRA	Performs management function. [354.06, Subd. 1]
DTRFA	Governance of the association and the management of its affairs. [Articles, Art. V]
MTRFA	Manages the business of the association. [Articles, Art. 7, Sec. 7.6]
SPTRFA	Vested with the management of the association’s affairs. [Bylaw Article III, Section 1]
MERF	No specific purpose indicated.

## Fiduciary Obligation

MSRS	Chapter 356A. [352.03, Subd. 7]
PERA	Chapter 356A. [353.03, Subd. 1]
TRA	Chapter 356A. [354.06, Subd. 1a]
DTRFA	Chapter 356A. Additionally, the board is required to exercise the care, diligence, and faithfulness in protecting the funds and investments of the association. No officer, board member, agent or employee is permitted to be interested directly or indirectly in any DTRFA investment or transaction, nor to borrow from the association, nor to make personal use of association property or to profit or achieve advantage from association property. [354A.021, Subd. 6; Bylaw IV and Bylaw V]
MTRFA	Chapter 356A. MTRFA officers are required to discharge their duties by acting in good faith and with the diligence and care that an ordinarily prudent person in a like position would exercise in similar circumstances. Trustees also are required to discharge their duties in good faith, and with the care and diligence under the circumstances then prevailing, that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but in regard to the permanent disposition of their funds. [354A.021, Subd. 6, Articles, Arts. 7, Sec. 7.8; & 8, Sec. 8.2]
SPTRFA	Chapter 356A. [354A.021, Subd. 6]
MERF	Chapter 356A plus additional fiduciary obligation provisions. [422A.05, Subd. 2a]

## Status Determination

MSRS	Board has the power to make final status determination of any state employee. [352.03, Subd. 10]
PERA	Board has the power to make final status determination of governmental subdivision employees. [353.18]
TRA	TRA records, as determined to be correct by the board, govern the rights, benefits, and status of the membership. [354.64]
DTRFA	No specific provision.
MTRFA	Board has the power to determine the benefit or annuity payable to a member. [Articles, Art. 7, Sec. 7.6]

Status Determination	
SPTRFA	No specific provision.
MERF	No specific provision.
Legal Representation and Powers	
MSRS	The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general. [352.03, Subd. 11]
PERA	The attorney general is the board legal advisor of the board. The board has the power to sue and be sued, represented by the attorney general. [353.08]
TRA	The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general. [354.07, Subd. 3]
DTRFA	No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.
MTRFA	No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.
SPTRFA	No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.
MERF	No specific legal representation requirement; board has the power to sue and be sued. [422A.04, Subd. 4]
Appeals Process	
MSRS	Board required to hear appeals of benefit termination or denial. [352.031]
PERA	Board required to establish appeals process, which is exempt from Chapter 14 contested case Laws. [353.03, Subd. 3]
TRA	Board required to hear appeals of benefit termination or denial. [354.071]
DTRFA	No specific appeals process.
MTRFA	No specific appeals process.
SPTRFA	No specific appeals process.
MERF	No specific appeals process.
Application of Laws	
MSRS	No explicit provision.
PERA	State agency and statewide jurisdiction agency laws apply to PERA. [353.03, Subd. 5]
TRA	No explicit provision.
DTRFA	No explicit provision.
MTRFA	No explicit provision.
SPTRFA	No explicit provision.
MERF	No explicit provision.
Annual and Special Membership Meetings	
MSRS	None required.
PERA	None required.
TRA	None required.
DTRFA	An annual meeting of the membership is required to be held at 4:00 p.m. on the last Monday in October at a convenient place in Duluth, Minnesota, as designated by the board. A special membership meeting must be called by the secretary upon the written request of the president, upon a written request by a majority of the board, or upon a written request by 25 percent of the active DTRFA members. The special meeting request must state the purpose for the meeting and the meeting agenda is restricted to the stated purpose. The meeting notice, indicating its time, place, and purpose, must be sent to each member by the secretary at least one week before the meeting. A failure to receive the notice does not invalidate the meeting proceedings or actions and a statement by the secretary that the notice was sent is conclusive. A quorum for an annual or special meeting is 50 members present in person. A number less than a quorum may adjourn the meeting to another date. Each member at the meeting is entitled to one vote. No proxy voting is allowed. An order of business is established for the annual meeting (Reading of Minutes (1), Communications (2), Reports of Officers (3), Reports of Committees (4), Election of Trustees (5), Unfinished Business (6), and New Business (7)). Roberts Rules of Order, as revised, govern the conduct of meetings unless contrary to their articles, bylaws, or Minnesota Statutes. [Bylaws, Bylaw I]
MTRFA	An annual membership is required to be held on the date and at the place each year specified by the board. The president and the secretary, a majority of the board, or 25 percent of the membership may call other regular or special meetings of the membership. A demand for a meeting must specify the purpose for the meeting. Written notice of the time, place, and purpose of a meeting must be mailed to last known address of all voting members of the association at least five and not more than 30 days before the meeting. A quorum for any transaction other than adjournment is at least 25 members in person. Members are entitled to appoint any person to be a proxy. The proxy appointment must be in writing and filed with the executive director prior to the close of business of the business day immediately prior to the meeting day. Unless it expires on its own terms before that date, all proxies expire 11 months after issuance. A member in attendance can suspend a proxy appointment, with notice to the secretary of the meeting, during the member’s attendance, but does not revoke the proxy authority when the member is not in attendance. No cumulative voting is permitted. [Articles, Art. 6, Secs. 6.5, 6.6, 6.7, 6.8, and 6.9]

## Annual and Special Membership Meetings

SPTRFA	An annual membership meeting is required to be held on the third Thursday in January annually, in St. Paul, at a time and in a place as designated by the board. The president, the vice president in the president’s absence, three board members, or 30 members filing a signed written request with the president may call a special meeting at any time. Written notice from the secretary of the meeting, stating time, place, and the purpose for a special meeting, must be provided to each board member and to each active member at the person’s last known address no later than five days or earlier than 30 days of the meeting. 100 members constitute a quorum of the meeting, in person or by proxy. Proxies must be designated in writing filed with the secretary at least two days before the meeting. The proxy is valid for the period specified by the member, or 11 months if no expiration date is noted, or 12 months, whichever is earlier. Death does not revoke a proxy unless written notice of the death is filed with the association before the vote is cast and the authority exercised. Each association member is entitled to one vote by voice or ballot. Proxy holders may cast all proxies on a single signed ballot indicating the number of proxies voted. Cumulative voting is not permitted. A minimum number of agenda items for the meeting are specified, although the membership may determine the order of business for the meeting. [Bylaws Article II]
MERF	No specific provision.

## Application of Laws

MSRS	No explicit provision.
PERA	State agency and statewide jurisdiction agency laws apply to PERA. [353.03, Subd. 5]
TRA	No explicit provision.
DTRFA	No explicit provision.
MTRFA	No explicit provision.
SPTRFA	No explicit provision.
MERF	No explicit provision.

## Board Meeting Requirements

MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	The board is required to meet on the second Thursday of each month, other than July and August, at the association offices. The board may change the time and place of the board meeting by resolution. Special board meetings must be called by the secretary upon the written request of the president or upon the written request filed with the secretary by three board members. The special meeting call must indicate the time, place, and purpose for the meeting. The special meeting agenda is restricted to the purpose set forth in the meeting notice. Notice of the meeting must be given to each board member by the secretary 24 hours before the meeting. Five board members constitute a quorum, but a smaller number may adjourn the meeting to another time, or if no board member is present, the meeting may be adjourned by the secretary. A meeting order of business is specified (Minutes (1), Communications (2), Reports of Officers (3), Reports of Committees (4), Membership (a), Annuities (b), Finance (c), Special (d), Unfinished Business (5), New Business (6), and Officer and Trustee Election (7). Board meetings are required to be conducted under Robert’s Rules of Order, as revised, unless contrary to the Articles, Bylaws, or Minnesota Statutes. [Bylaws, Bylaw II]
MTRFA	Board meetings may be held at any place within the City of Minneapolis that is designated by the board. A majority of the board constitutes a quorum and an act by a majority of board members at a meeting with a quorum present is an act of the board. Proxies are not permitted at board meetings. [Articles, Art 7, Sec. 7.9]
SPTRFA	The board is required to hold an annual meeting immediately following the annual membership meeting. The board also is required to hold regular meetings in June and in September annually, in a place and at a time the board determines. Special meetings may be called by the president, by the vice president in the president’s absence, or by any three board members. A written notice of the meeting must be mailed to each board member’s last known address from the St. Paul Post Office at least two days before the meeting, specifying the meeting time, the meeting place, and the purpose for the special meeting. Board members may waive the notice requirement before, at, or after the meeting, in writing, signed by the trustee, and filed with the secretary. A board member’s appearance at a meeting is deemed to be a waiver unless that appearance is solely for the purpose of asserting the illegality of the meeting. Six board members constitute a meeting quorum for the transaction of business other than adjournment. A majority of the board members present at a meeting where a quorum is present is sufficient to express the will and determination of the board. Each board member is entitled to one vote and proxy voting is not permitted. Actions taken without a board meeting are valid if the action could be taken at a board meeting and if all board members authorize the procedure in writing by signature. [Bylaws Article III, Sections 3, 4, 5, 6, 7 and 8]
MERF	No specific provision.

## Member Liability

MSRS	No specific provision.
PERA	No specific provision.
TRA	No specific provision.
DTRFA	No specific provision.
MTRFA	Association members have no personal liability for association, officer, employee, or agent acts or omissions solely by virtue of membership. [Articles, Art. 6, Sec. 6.10]
SPTRFA	No specific provision.
MERF	No specific provision.