**S.F. xxx****H.F. xxx; LCPR05-356**
(Smith)**Executive Summary of Commission Staff Materials**

Affected Pension Plan(s): Teachers Retirement Association
Relevant Provisions of Law: Special Law Provision
General Nature of Proposal: Reopening Optional Annuity Form Selection
Date of Summary: January 27, 2006

Specific Proposed Change(s)

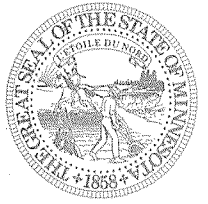
- Permits Robert S. Chase to change from an expired 15-year term certain optional annuity in favor of his sons to a 100 percent joint and survivor optional annuity in favor of his second spouse.

Policy Issues Raised by the Proposed Legislation


1. Conformity with Commission policy; past precedent.
2. Favorable and adverse equitable considerations.
3. Availability of alternatives.

Potential Amendments

No Commission staff suggested amendments.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director 

RE: S.F. xxx; H.F. xxx (Smith): TRA; Change Optional Annuity Form Election (Document LCPR05-356)

DATE: January 27, 2006

Summary of Draft Special Legislation LCPR05-356

Draft proposed special legislation LCPR05-356 would permit Robert S. Chase, described as a member of a class narrowly drawn to be limited to him only rather than specified by name, to change his Teachers Retirement Association (TRA) optional annuity form election made in 1985 and shift from an expired 15-year term-certain optional annuity to a 100 percent joint-and-survivor optional annuity form with his current wife as the second covered life, with the amount of his benefit actuarially adjusted (i.e., reduced) to account for the change in the optional annuity form.

Retirement Complaint of Robert Chase

Robert Chase is a 76-year-old retired teacher from Mound, Minnesota, who is currently receiving a term-certain optional annuity from the Teachers Retirement Association (TRA), having retired in May 1985, under the "Rule of 85" at age 56 with 33 years of teaching service. When Mr. Chase initially applied for a TRA retirement annuity in May 1985, he initially selected a 100 percent joint-and-survivor optional retirement annuity, but upon his divorce from his wife of 34 years in August 1985, because he had not negotiated any of his retirement annuity checks, Mr. Chase was permitted by TRA to change from a 100 percent joint-and-survivor optional retirement annuity with Donna J. Chase as the second covered life to a 15-year term-certain and life thereafter optional annuity form, with Mr. Chase's two sons as the beneficiary to receive the annuity for any remaining portion of the 15-year term-certain period if he died before its conclusion. In 1987, Mr. Chase changed the beneficiary designation on the term-certain optional annuity form from his two sons to his second wife, Margaret Chase. In 2000, Mr. Chase's term-certain period expired, so upon his death, no further TRA benefit will be payable to Mr. Chase's survivors or estate. Mr. Chase has been a substitute teacher in Mound, Minnesota, since his retirement from full-time teaching in 1985.

Mr. Chase now desires to elect a different optional annuity from TRA, a 100-percent joint-and-survivor annuity covering his second wife, Margaret Chase, as the second covered life. Mr. Chase argues that this change is appropriate because he had initially selected a 100 percent joint-and-survivor annuity form, covering Donna Chase and because Donna Chase left him a few months following his retirement.

Background Information on Optional Retirement Annuity Forms

Background information on the nature of optional retirement annuity forms in Minnesota public pension plans is set forth in Attachment A.

Discussion and Analysis

Draft proposed special legislation LCPR05-356 permits Robert S. Chase to terminate his current optional retirement annuity form, an expired 15-year term certain optional annuity in favor of his sons, and to elect a new optional retirement annuity form, a joint and survivor optional annuity in favor of his second wife.

Draft proposed special legislation LCPR05-356 raises several pension and related public policy issues for Commission consideration and discussion, as follows:

1. Conformity with Commission Policy; Past Precedent. The policy issue is the conformity of Mr. Chase's request and the draft potential proposed legislation with the Commission's policy principles. The Principles of Pension Policy of the Legislative Commission on Pensions and Retirement, last reviewed and revised by the Commission in 1996, provide, in Principle II.C.13, that "Reopenings of optional annuity elections should not be permitted." In the past, only two instances have occurred where special legislation has permitted an optional annuity election to be changed after retirement and the receipt of benefits; one, in 1987 (Laws 1987, Chapter 157, Section 20), a Senate floor amendment, permitted a former Edina City employee, covered by the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), whose second marriage was dissolved to change from a joint-

and-survivor optional annuity to a single life annuity, and the other, in 1994 (Laws 1994, Chapter 526) permitted a formerly married couple, both PERA-General retirees who each had elected optional annuity forms covering the other, to replace the joint-and-survivor optional annuity forms with single life annuities. The 1987 special legislation was not recommended by the Commission, while the 1994 special legislation was recommended by the Commission. Mr. Chase's request and the implementing special legislation would directly violate the applicable Commission principle. The last time the Commission was faced with this optional retirement annuity form modification/substitution issue was in connection with 2004 Session H.F. 1795 (Swenson); S.F. xxx, where a retired Mankato city employee requested a joint-and-survivor optional annuity second life designation change after a marriage dissolution, which was not recommended for enactment by the Commission after hearing from the constituent.

2. Favorable and Adverse Equitable Considerations. The policy issue is how the favorable and adverse equitable considerations present in Mr. Chase's request and the draft potential proposed legislation balance. Mr. Chase basically makes an equitable consideration argument for his request to be able to modify his optional annuity form to now provide survivorship coverage for his spouse from a marriage subsequent to his retirement, citing his intention in 1985 to elect a 100 percent joint-and-survivor optional annuity to cover his wife, citing the timing of his divorce, and citing his 1985 election as made only with the encouragement of TRA. Mr. Chase's equitable argument is not compelling. Mr. Chase is not requesting that he be allowed to take a joint-and-survivor optional annuity with Donna Chase, his first wife, as the covered second life, but is seeking to substitute his second wife. The timing of Mr. Chase's divorce in 1985 was most unfortunate, but was not a factor governed by the retirement plan or by legislation. The role of TRA regarding Mr. Chase's optional annuity form choice, on the face of the choice and the facts then known, appears to be fully in accord with the provision of good benefit counseling. In 1985, either during the divorce proceedings or after his divorce, if Mr. Chase wanted to ensure that someone receive value in the event that he suffered a premature (before the applicable actuarial projection) death, a term-certain optional annuity form was objectively Mr. Chase's best choice. There are adverse equitable considerations to Mr. Chase's request and proposal, primarily the fact that Mr. Chase's current optional annuity form expired in 2000 and now, understandably, he wants to provide survivorship protection to his second spouse that is not possible under current state law. Margaret Chase had survivorship coverage under the term-certain annuity form as the beneficiary from 1990 to 2000. Mr. Chase, in choosing an optional annuity form in 1985, was insuring against a financial loss for himself and his beneficiaries if he died at a relatively early age, and his continued longevity has made this insurance now valueless, although it had value for the full 15 years during which it was in force. If Mr. Chase is now to be allowed to elect a different optional annuity form, to purchase additional insurance at this stage, the optional annuity form would require a further reduction in the amount of his current annuity amount, based on the difference in life expectancies actuarially between him and his second spouse. If his second spouse is significantly younger than he is, Mr. Chase's actuarial reduction would be significant. Mr. Chase has received the value of the insurance he purchased in 1985 when he elected an optional annuity form. The optional annuity forms are not equivalent commodities that can be substituted one for another without damaging the financial situation of the pension plan. Mr. Chase initiated his optional annuity substitution request in a 2004 letter to TRA and received a complete explanation of the circumstances at that time. Mr. Chase already has received the benefit of the TRA administrative practice in 1985 that allowed him to reverse his initial joint-and-survivor optional annuity election (because he had not yet cashed any of the checks), because otherwise his ex-spouse would now be the covered second life on his initially elected option, without any survivor coverage to his second wife during the period 1990-2000, and his annuity reduction would likely have been greater in amount.
3. Availability of Alternatives. The policy issue is the appropriateness of the requested second choice of an optional annuity form in light of available alternatives. Mr. Chase can provide desired survivorship coverage for his second spouse by simply purchasing term life insurance with his second spouse as the named beneficiary. This alternative was pointed out to Mr. Chase in 2004 by TRA in response to his initial request. Mr. Chase apparently was unimpressed with TRA raising this option, at least when there is a potential for special legislation on his behalf that would subsidize some or all of the actuarial cost of providing this survivorship coverage. If Mr. Chase were to compare the financial impact of term insurance from a licensed insurance company with the full required actuarial reduction that would be required for reopening an optional annuity selection and the substitution of a 100 percent joint-and-survivor option. Mr. Chase may find that the insurance coverage alternative is competitive if he is in good health and that the insurance coverage alternative will be more flexible than the TRA joint-and-survivor annuity options. If Mr. Chase is not in good health currently, outside insurance would not be competitive financially, but that situation would also mean that an optional annuity substitution authority would likely impose a considerable unfunded risk on TRA.

Attachment A

Background Information on Optional Retirement Annuity Forms

Most statewide and major local Minnesota public pension plans provide a retirement annuity in the form of a single life annuity. This means that the retirement annuity is payable solely for the duration of the retired lifetime of the annuitant. To accommodate the needs and desires of annuitants, most major and statewide Minnesota public pension plans have established optional annuity forms.

An optional annuity form allows the annuitant to potentially extend the time period over which an annuity will be paid and to potentially include other recipients. The recipients must be natural persons, rather than legal persons (trusts or corporations), so that there is an actual lifetime over which the value can be predicted. The optional annuity form is typically provided on an actuarial equivalent basis, so the longer period of potential payment or the inclusion of additional recipients is accounted for by a reduced annuity amount. The most typical optional annuity forms are joint-and-survivor optional annuities or term-certain optional annuities. A joint-and-survivor optional annuity pays a reduced annuity amount to the annuitant, but upon the death of the primary annuitant, all or a portion of the prior monthly benefit continues to be paid for the remaining life of the designated survivor. Joint-and-survivor annuities are often elected by married couples to ensure continued income for the surviving spouse. The amount of the reduction is a function of the actuarial life expectancy of the annuitant, the actuarial life expectancy of the potential survivor, and the extent of increased benefit payment duration caused by the differences in the ages. A term-certain optional annuity pays a reduced annuity amount to the annuitant, and if the annuitant dies before a designated period of time of receipt has elapsed, an equal annuity amount to the annuitant's survivors or estate for the remaining unelapsed period of time. The amount of the reduction is a function of the actuarial life expectancy of the annuitant and the length of the period of guaranteed annuity payments. An accelerated annuity (or Social Security leveling optional annuity) provides a benefit in a greater amount during the initial years of retirement, followed by a lower benefit amount for the remainder of the retired lifetime, typically intended to assist public employees who retire at ages earlier than when Social Security benefits are payable (earliest is age 62) or when full Social Security benefits are payable (age 65 if born earlier than 1938, increasing to age 67 if born later than 1959).

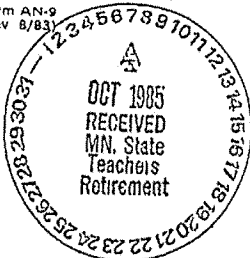
Optional annuity forms are likely elected by retirees or disabilitants for a number of potential motivations. The most clear motivation is a concern about the financial situation of a potential survivor (spouse, child, or other survivor) that underlies the selection of joint and survivor optional annuity forms. The motivation for the pre-age 62 accelerated optional annuity form is presumed to be an equalization of total benefit payouts to account for the delay in eligibility for Social Security benefits until age 62. The motivation for selecting term certain optional annuity forms is unclear. Because of its time limitations, the term certain optional annuity forms are not generally considered to be survivor benefits, although some term certain optional annuity forms may be utilized for specialized survivor coverage concerns. The motivation for selecting accelerated annuity forms is the accommodation of retirement ages earlier than the earliest Social Security benefit age of age 62.

The "bounceback" in a joint-and-survivor annuity means that the annuity amount returns from the joint and survivor actuarially reduced amount back to the single life annuity amount if the intended survivor predeceases the annuitant. The bounceback is subsidized because no additional actuarial reduction in the retiree's retirement annuity amount is required for the feature beyond the joint and survivor optional annuity form actuarial equivalence reduction. The bounceback feature has not been included as part of term-certain or other optional annuity forms.

Under Minnesota Statutes, Section 356.371, enacted in 1981, there is a procedure that must be followed in electing an optional retirement annuity. Public pension plans are required to provide the retiree and the retiree's spouse before retirement with a summary of all optional retirement annuity forms with the retirement application, a calculation of the benefit reduction required to take each option, and the procedure to be used to gain more information on optional forms, and to provide the retiree and the retiree's spouse with a post-election notification to the spouse of actual retirement election.

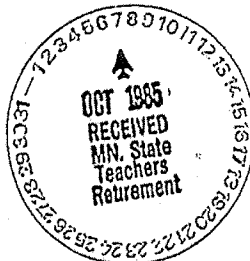
Since optional annuity forms are established to be the actuarial equivalent of a single life annuity at the time of retirement, any reopening of an optional election form will threaten to disrupt the actuarial situation under which the option was calculated. Also, since the optional annuity form election frequently establishes rights to a potential eventual retirement benefit in other people, any reopening of or any modifications in the optional annuity form will affect their rights and, consequently, would be inappropriate.

Form AN-9
(Rev. 8/83)



Orig. rec'd 4-9-85
6-1-85
1

STATE OF MINNESOTA
TEACHERS RETIREMENT ASSOCIATION
302 Capitol Square Building
St Paul, Minnesota 55101
(612) 298-2409
MINNESOTA TOLL FREE 1 800-652-9747



APPLICATION FOR RETIREMENT ANNUITY

To Board of Trustees
State of Minnesota
Teachers Retirement Fund

Date (see "NOTE" below)
OCT 7, 1985

I hereby make application for a retirement annuity and elect to receive from the Teachers Retirement Fund with the amount to my credit in the said Fund the following annuity as provided in the law

Name of Annuity Plan* (one of the 6 annuity plans listed below)

LIFE PLAN C-3

Last day of required Minnesota public school teacher attendance for which salary is paid or the termination date for any school board approved leave of absence, whichever is later 5-31-, 1985

Date of receipt of final salary check from school district 5-31-, 1985

NOTE You must be at least age 55 and have credit for at least 10 years of allowable service or have credit for at least 30 years of allowable service at any age before submitting this application for retirement

This application for retirement may not be submitted sooner than 60 days before termination of teaching service. Termination date for teaching service is defined as the last day of required Minnesota public school teacher attendance for which salary is paid or the termination date for any school board approved leave of absence, whichever is later. The annuity payment shall begin to accrue on the first or sixteenth day of the month, whichever is earlier, following the latest of these dates: (1) The date of termination of teaching service; (2) The date the application is filed with the TRA Board. In no event shall an annuity begin to accrue more than one month before receipt of final check on which TRA deductions were required.

Have you ever made contributions to another Minnesota public retirement system? ☒ No ☐ If Yes, Name of System

Signature of Witness (Beneficiary May Not Be Witness)

Charles Elliott

Address

City, State, Zip

Hastings, MN.

Signature of Member

Robert S. Chen

Address

6020 ASPIN LANE

City, State, Zip

MOONDA, MN 55364

This information is needed to identify your retirement account, compute your retirement benefit, report your retirement income to the IRS, issue your benefit checks and mail them to the proper address. You are not required by law to give this information, however, if you do not give complete and accurate information we will be unable to pay your retirement benefits to you.

Membership Number

39465

Name of Spouse, if Living

DONNA

Member's Date of Birth

6/30/29

Member's Social Security No

PLEASE READ CAREFULLY

ANNUITY PLANS

*Life A-1 — no refund

All payments cease with the death of the annuitant. No refund of any part of the annuitant's accumulated contributions may be made to the beneficiary or estate in case of death if the annuitant has cashed the first check or if six months have passed following the effective date of retirement. Any unpaid annuity due for the full month during which death occurs may be paid to the beneficiary, or to the estate of the annuitant, if no beneficiary survives.

*Life B-1 — guaranteed refund

The annuity so purchased will be payable to the annuitant for life with the guarantee that in the event of death an amount equal to any remaining balance of accumulated deductions and interest will be payable in monthly installments to the designated beneficiary. Where no designated beneficiary survives, any remaining guaranteed annuity payments shall be commuted and paid in a lump sum to the estate of the annuitant.

*Life C-3 — 15 years certain and life thereafter

The annuity so purchased will be payable to the annuitant for life, thereafter, if the annuitant has not received payments for the 15-year guarantee period, such payments would continue to the designated beneficiary for the remainder of the period certain. Where no designated beneficiary survives, any remaining guaranteed payments shall be commuted and paid in a lump sum to the estate of the annuitant.

*Life E-1 — survivorship in full

The annuity so purchased will be payable to the annuitant for life, thereafter, such payments will continue in full to the beneficiary for life, if the beneficiary survives.

*Life E-2 — survivorship in half

The annuity so purchased will be payable to the annuitant for life, thereafter, the beneficiary designated by the annuitant will receive an amount equal to 1/2 of the annuity paid to the annuitant, if the beneficiary survives.

353 138

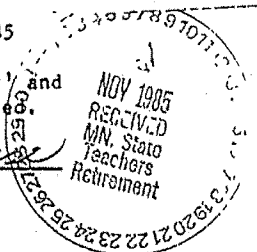
#29465 (35) Robert Chase 6-1-85

I have reviewed my spouse's 'Application for Retirement Annuity' and I understand the provisions of the Life C-3 annuity plan selected.

11-7-85
(Date)

Ronna G. Chase
(Signature of Spouse)

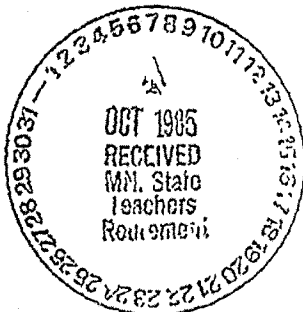
AN EQUAL OPPORTUNITY EMPLOYER



ck sent
11-8-85 kw

BENEFICIARY DESIGNATION

To Board of Trustees
State of Minnesota
Teachers Retirement Fund
302 Capitol Square Bldg
St Paul, Minnesota 55101



St Paul MN
(CITY) (STATE)
10/7/ 19 85

Check Block Which Applies

☐ For Life A - 1 - No Refund

I hereby request and direct that in case of my death after my retirement in the Minnesota State Teachers Retirement Fund has become fixed, the payment of that portion of the annuity due at the time of my death be paid to
(For names of beneficiaries - use only primary and contingent beneficiary areas below)

☒ For Optional Annuities - Life B-1, Life C-3, Life E-1, Life E-2

I hereby request and direct that in case of my death after retirement in the Minnesota State Teachers Retirement Fund the unpaid balance of my LIFE C-3 annuity shall be paid as provided by law, to
(For names of beneficiaries - use only primary and contingent beneficiary areas below. Contingent beneficiaries may not be designated under the Life E-1 and E-2 plans. A certified copy of the birth certificate for the designated primary beneficiary is required under the Life E-1 and E-2 plans.)

ALL prior beneficiary designations are hereby revoked

COMPLETE NAMES OF BENEFICIARIES

(Use the first names of married women, not the husband's first name or initials)

PRIMARY BENEFICIARY

ADDRESS

RELATIONSHIP, IF ANY

STEVEN R. CHASE

6020 ASPIN LANE
MOUND, MN 55369

SON

If more than one primary beneficiary is named, payment will be share and share alike, survivor or survivors to have all (Cross out the above sentence if not desired)

CONTINGENT BENEFICIARIES

ADDRESS

RELATIONSHIP, IF ANY

MARK, M. CHASE

21 RANGE RD.
NAHANT, MA.
BOSTON MA. 01908

SON

If more than one contingent beneficiary is named, payment will be share and share alike, survivor or survivors to have all (Cross out the above sentence if not desired)

SIGNATURES OF WITNESSES TO MEMBER'S SIGNATURE
(Beneficiaries may not be witnesses)

Name

Address

Name

Address

MEMBER'S SIGNATURE

Name

Address

Membership Number

Date of this Designation

(If submitted in duplicate, one copy returnable for member's record)

Copy to member

45041

Form D-31
Rev 6/87

BENEFICIARY OR OPTIONAL JOINT ANNUITANT DESIGNATION

To Board of Trustees
State of Minnesota
Teachers Retirement Fund
Suite 500, Gallery Professional Bldg
17 W Exchange St
St Paul, MN 55102



(CITY) (STATE)

19__

Check Block Which Applies

For Annuities - ☐ Life-A-1, ☐ Life B-1 or ☒ Life E-3

I hereby request and direct that in case of my death after my retirement in the Minnesota State Teachers Retirement Fund has become fixed, the payment of any portion of the annuity due at the time of my death be paid to
(For names of beneficiaries - use only primary and contingent beneficiary areas below)

For Optional Annuities - ☐ Life E-1 or ☐ Life E-2

I hereby request and direct that in case of my death after retirement in the Minnesota State Teachers Retirement Fund the unpaid balance of my optional joint annuity shall be paid as provided by law, to
(For name of optional joint annuitant - use only primary beneficiary area below. Contingent beneficiaries may not be designated under the Life E-1 and E-2 plans. A certified copy of the birth certificate for the optional joint annuitant is required under the Life E-1 and E-2 plans.)

All Prior beneficiary designations are hereby revoked

COMPLETE NAME OF OPTIONAL JOINT ANNUITANT OR BENEFICIARY
(Use the first names of married women, not the husband's first name or initials)

PRIMARY BENEFICIARY(IES) or
OPTIONAL JOINT ANNUITANT

ADDRESS

RELATIONSHIP, IF ANY

MARGARET A. CHASE
4365 WILSHIRE BLVD.
MOUND, MN. 55364

4365 WILSHIRE BLVD
MOUND, MN 55364

WIFE

If more than one primary beneficiary is named, payment will be share and share alike, survivor or survivors to have all (Cross out the above sentence if not desired)

CONTINGENT BENEFICIARY(IES)
(Not applicable to E-1 or E-2)

ADDRESS

RELATIONSHIP, IF ANY

If more than one contingent beneficiary is named, payment will be share and share alike, survivor or survivors to have all (Cross out the above sentence if not desired)

SIGNATURES OF WITNESSES TO MEMBER'S SIGNATURE
(Beneficiaries or optional joint annuitants may not be witnesses)

MEMBER'S SIGNATURE

Name Linda A. Moran

Name Rakut S Chase

Address Mound, MN

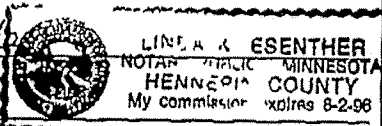
Address 4365 WILSHIRE BLVD

Name Linda Esenther

Membership Number A35 02946500 6-1-85

Address Shorewood, MN

Date of this Designation 10/4/90



(If submitted in duplicate, one copy returnable for member's record)

One Copy Rec. 10-12-90 DS 45m

Robert and Margaret Chase
1616 Essex Road
Minnetonka, MN 55305

October 12, 2004

Mr. Curtis D. Hutchens
President
Minnesota Teachers Retirement Assoc.
10830 57th Street
Clear Lake, MN 55319

Dear Mr. Hutchens,

I graduated from Mankato State in 1951. Since that time I have completed my Masters Degree plus work toward a PHD.

My teaching experience in Minnesota has been:

Osakis Minnesota, Public School	1951-1954	3 years
Winnebago, Minnesota, Public School	1954-1961	6 years
Mound, Minnesota, Public School	1961-1985	24 years
Mound, Minnesota, Substitute Teaching	1985-2004	19 years

I retired in May 1985 under the rule of '85 for a total of 33 years teaching in the State of Minnesota.

In May of 1985 when I retired I had been married for 34 years. At my pre-retirement conference in 1985, I chose the Life E-1 Plan with my wife as the beneficiary.

In August of 1985 my wife left me. I contacted TRA and was told I could change my plan, as I hadn't cashed any retirement checks. I was further encouraged to take the Life C-3 Plan, as I had no one in my life eligible as my beneficiary.

On December 8, 1989 I married a wonderful lady. We have now been married 14+ years.

Because of the timing of my divorce and the fact that my first choice for a retirement plan was Life E-1 with my wife as beneficiary, I feel I should be granted the right to change back to Life E-1 to protect my present wife as much as possible.

I am requesting that my retirement plan be changed back to the original choice of Life E-1 with my wife, Margaret A. Chase, as beneficiary.

Sincerely,

Robert S. Chase

Robert S. Chase
Membership #29465

C3 15 years certain
C.15 - need up.



Teachers Retirement Association

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

November 5, 2004

Mr. Robert S. Chase
1616 Essex Road
Minnetonka, MN 55305

Dear Mr. Chase:

I am responding to your October 12, 2004 letter to Curtis Hutchens, TRA Board of Trustees President.

By statute, TRA retirement plan options are set at the time of retirement and can not be subsequently modified due to changing life situations. The ability to change annuity plans such as what you did in 1985 is allowed for a 60-day period after the effective date of the retirement but not after that date. You voluntarily chose to change from the E-1 payment plan to the C-3 plan and the TRA plan does not allow subsequent changes.

The primary reason for this rigidity is that an annuity contract payable for your life is set at the beginning of your payment stream. TRA calculates an lump-sum amount based on your highest five-years of salary and total service credit. This lump sum is then divided into monthly payments calculated by using your life expectancy at retirement plus the additional known guarantee that payments would continue at least 15 years. Because there was a specific statistical probability that you could have died during that first 15 years after retirement and payments would have continued through June 2000, the amount of your C-3 benefit was less than the straight-life A-1 annuity plan payment option. Under the A-1 plan, all payments would have ceased upon your death. When the C-3 guarantee period expires, the annuity benefit essentially turns into an A-1 benefit which ceases upon the death of the retiree.

Once the benefit payment stream is set, few changes can be made without upsetting the mathematical and actuarial integrity of the original calculation. When you remarried in 1989, we did allow you to change your post-retirement beneficiary to your new wife. Essentially, the key factor to allow this change is that the guarantee period was known at the time of retirement and you were insuring a period of time, not the lifetime of another person. It was irrelevant for the TRA Fund to know the age of your second wife since in the event of your death during the 15 year guarantee period, we would have paid her monthly payments for the remaining guarantee period, not for the remainder of her life.

TRA has received letters from retirees who wish to change annuity plans shortly after retirement. In some cases, a terminal illness or sudden death of the member or their beneficiary occurred shortly after cashing of the first check. Once again, those cases are sad and tragic but there is nothing TRA can do to change the retirement plan option for these individuals since the risk of these events occurring are factored into the life expectancies used in the determination of the original benefit amount. The same circumstance also occurs

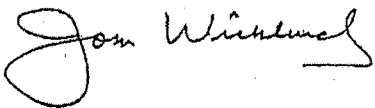
Mr. Robert S. Chase
November 5, 2004
Page 2

when a retiree loses a spouse through death or divorce. Financial protection of a new spouse can not be added after the fact since the annuity contract is defined at retirement. Retirees with changing family situations after retirement need to consider alternative ways of protecting family members who were not in the picture at the time the original TRA retirement decision was made.

One possibility for you to consider is seeking professional financial planning advice to best position your wife's financial security in the event of your death. As you know, your TRA benefit is payable for the remainder of your life but will cease upon your death. A financial planner could review your comprehensive financial picture including social security and recommend various options for your consideration. TRA does not endorse or recommend any specific financial planning providers to our members who are seeking such services.

If you have any further questions, please call our Customer Service Information Center at (651) 296-2409.

Sincerely,



John Wicklund
Assistant Executive Director-Administration

- c Curt Hutchens, TRA President
- c Vern Jackels, TRA Retiree Board Representative

A bill for an act
relating to retirement; Teachers Retirement Association; authorizing a second
optional annuity form election in certain instances.

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

Section 1. **TEACHERS RETIREMENT ASSOCIATION; CERTAIN OPTIONAL
ANNUITY SECOND ELECTIONS.**

(a) An eligible person described in paragraph (b) may make the second choice
optional annuity form election specified in paragraph (c).

(b) An eligible person is a person who:

(1) was born on June 30, 1929;

(2) graduated from Mankato State University in 1951;

(3) taught in the Osakis public school system during the 1951-1954 school years;

(4) taught in the Winnebago public school system during the 1955-1961 school years;

(5) taught in the Mound public school system during the 1962-1985 school years;

(6) retired from the Teachers Retirement Association on May 31, 1985, under the
"rule of 85" temporary early normal retirement provision with a 15 year term certain
optional annuity form;

(7) had the first marriage dissolved in 1985 and remarried in 1990; and

(8) rendered substitute teaching service for the Mound public school system during
the 1986-2004 school years.

(c) An eligible person may waive a prior election of a 15 year term certain optional
annuity form from the Teachers Retirement Association and may elect a joint and survivor
optional annuity form from the Teachers Retirement Association covering the current
spouse of the eligible person, subject to a reduction in the annuity amount so that the

2.1 joint and survivor optional annuity is the actuarial equivalent of the term certain optional
2.2 annuity form of the eligible person as of the date on which the second chance election
2.3 occurred. The second chance election must be made on a form prescribed by the executive
2.4 director of the Teachers Retirement Association and the provisions of Minnesota Statutes,
2.5 section 356.46, apply.

2.6 (d) This section expires on July 1, 2007.

2.7 Sec. 2. **EFFECTIVE DATE.**

2.8 Section 1 is effective on the day following final enactment.