

**S.F. 1736**

(Day)

**H.F. 1978**

(Ruth)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* TRA  
*Relevant Provisions of Law:* Uncoded  
*General Nature of Proposal:* Service Credit Purchase for Out-of-State Teaching Service  
*Date of Summary:* January 23, 2006

**Specific Proposed Changes**

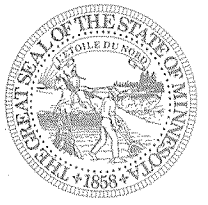
- Permits full actuarial value service credit purchase for out-of-state teaching service

**Policy Issues Raised by the Proposed Legislation**

1. Sufficient need to consider given no clear pension problem.
2. Possible misunderstanding of service credit purchase procedures.
3. Cost of the service credit purchase.
4. Consistency with Commission Principles of Pension Policy.
5. Consistency with repealed law.
6. Impact of request for both waving the requirements of the law and permitting the individual to have treatment similar to Section 354.534 after that provision has been repealed.
7. Precedent concerns.

**Potential Amendments**

No Commission staff amendments.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: S.F. 1736 (Day); H.F. 1978 (Ruth): TRA; Purchase of Service Credit for Montana Teaching Service

DATE: January 23, 2006

#### Summary of S.F. 1736 (Day); H.F. 1978 (Ruth)

S.F. 1736 (Day); H.F. 1978 (Ruth) allows Mr. Tim Biegert, identified by his date of birth and employment information, to purchase at full actuarial value up to ten years of service credit in the Teachers Retirement Association (TRA) for out-of-state teaching service in Montana.

#### Mr. Biegert's Situation

Mr. Biegert, who now teaches at Northfield Middle School, is a TRA member due to service at that Minnesota school. Mr. Biegert is not yet vested in TRA, which requires three years of TRA-covered service, but he indicates in his correspondence that he will have three years of TRA-covered service as of June 4, 2005. He previously taught in Montana at the Pine Hills School in Miles City and has 11.2 years of service credit in the Montana teachers plan. He is vested and therefore is entitled to an annuity from the Montana Teachers Retirement System because that system has a five-year vesting requirement. Mr. Biegert seeks to have ten of his years of service under the Montana system transferred or otherwise recognized as service credit in TRA.

Minnesota does not have any provision of general law that allows service credit to be transferred between public plans in different states, or among Minnesota public plans.

#### TRA's Expired Out-of-State Teaching Service Purchase Provision

Mr. Biegert's request may stem from a recently expired full actuarial value service credit purchase provision which had been in TRA law for several years. Minnesota Statutes, Section 354.534, which was enacted in 1999, allowed TRA members who are vested (have at least three years of TRA service) to purchase service credit in TRA for teaching service provided in another state. The service credit purchase was at full actuarial value, applied only to public school teaching, and was not allowed if the individual was entitled to receive an annuity due to that teaching service in another state. The provision is no longer in law, having expired in 2004.

Mr. Biegert did not qualify for this provision while it was effective because he was not yet vested in TRA. Even if he were vested, he may not have qualified to use the provision. Since he was vested in the Montana plan, he was entitled to an annuity from that plan. He could have taken a refund from the Montana plan and by that action terminated any right to an annuity from the Montana plan, but it is possible that TRA would not have allowed the service credit purchase anyway, depending on how TRA interpreted Section 354.534. Section 354.534 could be interpreted as permitting service credit purchases only for periods for which the individual was not entitled to an annuity because of lack of coverage by any plan or because the individual left before vesting. TRA may have not permitted purchases in cases where the individual was seeking, in effect, to swap one annuity for another. If this bill is heard by the Commission, the Commission might desire to have brief testimony from TRA on that matter.

#### Background Information on the Minnesota and Montana Teacher Retirement Plans

- a. Minnesota Teachers Retirement Association (TRA). TRA is a defined benefit plan that provides benefits to K-12 public school teachers throughout the state, except for teachers in cities of the first class, who have their own pension plans. TRA also provides coverage to many teachers in the Minnesota State Colleges and Universities System (MnSCU). TRA is a large plan with 72,000 active members, 10,800 vested terminated members, and 38,000 retirees, survivors, and other benefit recipients. The term "defined benefit" means that the benefits provided by the plan are defined in statute through formulas and depend on salary and years of service credit. Nearly all active TRA

members are currently coordinated members, meaning that in addition to making contributions to TRA, the teachers and their employers also contribute to Social Security. When a coordinated teacher retires, that teacher will receive both Social Security benefits and a TRA benefit. Under current law, a TRA member who retires age 65 or 66 (normal retirement age for this plan) will receive a TRA benefit that equals 1.7 percent of the high-five average salary for each year of service. The 1.7 percent multiplier is referred to as an accrual rate. The high-five average salary is the five successive years of covered employment that provides the highest average. For most teachers who work full time-up to retirement, the high-five years are those years just prior to retirement. If the coordinated TRA member retires at normal retirement age with 30 years of service credit and a high five average salary of \$40,000, the annual TRA benefit is \$20,400 (thirty years x 1.7 percent x \$40,000 = \$20,400). During retirement, the retired teacher receives benefit increases provided through the investment operations of the State Board of Investment Post Fund. These increases match inflation up to 2.5 percent. Investment performance based adjustments can provide further increases, but no increases above the capped inflation match are expected for many years due to several recent years of depressed investment markets.

The contribution rates to TRA by the employee and employer are 5.0 percent of salary each. Members are vested (entitled to an annuity upon retirement) with as little as three years of service, although the benefit would be minimal.

- b. Montana Teachers Retirement System. The Montana Teachers Retirement System is a defined benefit system and thus shares similarities with the Minnesota TRA, but also differs in some features. The plan has five-year vesting requirement instead of Minnesota's three-year requirement, and has a slightly lower accrual rate than TRA, 1.667 percent per year rather than TRA's 1.7 percent, but several other features of the plan are more generous than the Minnesota plan. The Montana plan has generous service credit purchase provisions, allowing individuals to obtain additional service credit and boosting their eventual retirement benefits. Under the Montana system, individuals can purchase up to five years in total from all of the service credit provisions offered under the plan, and the terms may be highly subsidized. Some individuals are permitted to receive up to four years of military service credit for free. Out-of-state teaching service can be purchased, providing the individual forfeits the service credit in the other state (individuals are not allowed to have service credit for the same years in two different plans). The plan uses a high-three average salary rather than a high-five average salary. Normal retirement age is age 60, although individuals can retire as early as age 50 with 25 years of service.

These generous benefit terms come at a considerable cost; the Montana plan is expensive. The employees contribute 7.15 percent of salary while the employer rate is 7.47 percent of salary, for a combined contribution rate of 14.62 percent of pay. The Minnesota TRA combined contribution rate of 10.0 percent of pay is much lower.

#### Background Information on the Commission's Principles of Pension Policy

The Commission's Principles of Pension Policy states in Principle II.C.10, as follows:

##### 10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if, on a case-by-case basis, it is determined that the period to be purchased is public employment or substantially akin to public employment, that the prior service period must have a significant connection to Minnesota, that the purchase payment from the member or from a combination of the member and the employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan, and that the purchase must not violate notions of equity.

This principle has the following elements:

1. Individual Review. The Commission considers each service credit purchase request separately, whether the request is proposed legislation for a single person or is proposed legislation relating to a group of similarly situated individuals.
2. Public Employment. The period requested for purchase should be a period of public employment or service that is substantially akin to public employment.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection.

4. Presumption of Active Member Status at the Time of Purchase. The principle states that contributions should be made by the member or in combination by the member and by the employer. It is presumed that the individual covered by the service purchase request is an active employee, because retirees generally are not considered to be “members” of a plan and these individuals no longer have a public employer.
5. Presumption of Purchase in a Defined Benefit Plan. The prior service credit purchase contributions in total should match the associated actuarial liability. The specific procedures in Minnesota Statutes and law for computing service credit purchase amounts, Minnesota Statutes, Sections 356.55 and 356.551, presume that the purchase is in a defined benefit plan with a benefit based on the individual’s high-five average salary.
6. Full Actuarial Value Purchase. The pension fund should receive a payment from the employee, or from the employee and employer in combination, which equals the additional liability placed on the fund due to the purchase. This amount is referred to as the full actuarial value of the service credit purchase.
7. No Violation of Equity Considerations. Purchases of service credit should not violate equity considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. Persistent request to reconsider an action the Commission has taken can be considered a violation of equity. Another is a request to purchase service credit after the individual failed to take advantage of earlier laws that permitted the service credit purchase.

#### Overview of Generalized Service Credit Purchase Provisions Enacted After 1998

The Commission followed this policy statement rather faithfully for many years, through 1998. In 1999, the Commission began to depart from these policy statements, at least in certain cases involving groups of individuals. The Commission was persuaded to support several proposed generalized service credit purchase provisions applicable to TRA and the first class city teacher retirement fund associations (the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association). Under these provisions, classes of individuals (those with prior military service before becoming a Minnesota public employee, or with a break in service from the public employer but who failed to use the military break in service provision in a timely manner; out-of-state teaching service in a public K-12 situation; individuals who taught in parochial schools, or in private schools; provided Peace Corps service; and various other categories) were permitted to purchase service credit in the applicable Minnesota plan for the specified service. These provisions, which were strongly supported by teacher groups, conflicted with the Commission’s policy statement in several ways. All lacked any requirement of an individual review of the circumstance. Others allowed purchases for periods that were not public service or had no Minnesota connection.

In 2000, more service credit purchase provisions were added to law, this time for non-teacher plans (MSRS, the State Patrol Retirement Plan, and the PERA plans), providing a full actuarial value service credit provision for individuals who had military service prior to becoming a public employee, or who failed to pay contribution requirements in a timely manner under other military leave service credit purchase provisions. These provisions enacted in 2000 were comparable to the military service credit provisions added to teacher plan law a year earlier. In 2000, teacher plan law was also revised to permit full actuarial value service credit purchases for nonprofit community-based teaching service.

In 2001, several other service credit purchase provisions were enacted. An out-of-country teaching service credit purchase provision was created in teacher plan law, and also one for Development Achievement Center teaching. These new provisions included sections of law permitting purchase of service credit, not to exceed ten years, in the teacher plans for service while teaching at the University of Minnesota which was not covered by a pension plan at the University. These provisions stemmed from a legislative request for the executive director of the Minneapolis Employees Retirement Fund MERF), who many years earlier taught some accounting courses at the University while employed in a position that was excluded from pension plan coverage. The final generalized service credit provision enacted was a family leave provision permitting individuals who may be covered by a teacher plan, or any of several other general employee and public safety plans, to purchase service credit for the past family leaves or family-related breaks in service.

#### Justification of Legislative Support – 1998 through 2001 Provisions

There are a few reasons why the Commission and Legislature may have supported the above provisions. First, the provisions were intended to be temporary. Each was set to expire a few years after enactment. The departure from policy may have been viewed as a short-term departure from established policy to

address short-term market conditions for teachers. Second, the Legislature was given assurances that the provisions created no financial harm to the pension funds because the purchases would be at full actuarial value. The methodology to compute full actuarial value purchase prices had been revised in 1998, and the teacher unions and the administrators of the teacher pension funds expressed confidence that the procedures would produce accurate price estimates, thereby shielding other fund contributors from subsidizing these purchases.

When the revised methodology was enacted in 1998 as Section 356.55, the section included a provision requiring data to be retained and analyzed on every service credit purchase made using the procedure, and the section included an expiration date. If legislative review of these purchases suggested that the procedure was not accurate and was causing subsidies to occur, the section would be permitted to expire. If it expired, a previous procedure used to estimate full actuarial value, coded as Section 356.551, would again become effective. That prior procedure in Section 356.551 tended to produce higher cost estimates than the revised procedure. Teacher unions and other constituent groups favored continuing the revised procedure in Section 356.55, because it tends to produce lower prices. From a policy standpoint, the Section 356.55 procedure is better if it is more accurate than the prior procedure. If the lower prices are resulting in subsidies, its use harms the pension funds.

### 2003 Commission Study

The various group full actuarial value service credit purchase provisions enacted in the 1998 to 2001 period, and the method to compute the full actuarial value prices to be charged under Section 356.55, were all temporary provisions, subject to expire a few years after initial enactment. As the repeal date for these provisions approached, the repeal dates were extended by the Legislature without much study of the issues, due to strong support for these provisions from the teacher unions and other constituent groups. Most of the provisions were extended more than once.

During the 2003 Interim, the Commission studied the impact of these general law service credit purchase provisions and the full actuarial value methodology over the course of three meetings, hearing testimony from fund directors, teacher union representatives and other interested parties, and considered the three Commission staff memos provided for those meetings. The first meeting was on September 9, 2003, and the staff memo provided a general overview. The second meeting was on October 7, 2003, and the staff memo reviewed each generalized service credit purchase provision enacted after 1998, noted conflicts with the Commission's policy document and other policy concerns, and reviewed the accuracy of the service credit purchase methodology. To review that methodology, Commission staff examined the purchase price produced by the procedure and paid by the individual to the pension plan, and compared that to the additional liability created in the next actuarial valuation due to the specific purchase. The plans and the actuary were required by law to retain and report that information to permit study of the procedure. In reviewing several hundred purchases, in no case did the purchase price match the liability due to that purchase as reflected in the plan actuarial valuation following the purchase. Differences tended to be large, generally several thousands of dollars, and in many cases tens of thousands of dollars. This raised concerns that the pricing method was not accurately estimating the full actuarial value of the service credit purchases, resulting in considerable subsidies in many cases, and possible overcharges in others.

The review of results from the full actuarial pricing methodology concerned Commission members. Commission members were aware that the various full actuarial value service credit purchase provisions enacted in 1999 and later conflicted with the Commission's policy statement, by including purchases for periods of private or nonprofit employment rather than public employment, and in other cases by lack of any Minnesota connection. But these policy departures were believed to create no burden on the pension funds. The Commission's review of results of those purchases raised considerable doubt about the accuracy of the current pricing method, and also whether any system could be devised that can be consistently accurate, because any method must use assumptions about future events. If the Commission cannot be confident in the pricing mechanism, it cannot be confident that the pension funds are not being harmed. Departures from policy, which were assumed to cause no financial harm, may have monetary consequences.

### 2004 Commission Action

In 2004, bills were introduced to either extend the various general law service credit purchase provisions or to make them permanent. Similarly, the method used to estimate the full actuarial purchase prices, Section 356.55, was to be made permanent. After review these bills and in light of the 2003 interim study, the Commission and the Legislature decided to allow Section 356.55 to expire. In its place, an alternative procedure for computing the full actuarial value became effective, coded as Section 356.551.

This procedure, which actually is the procedure the Commission used before Section 356.55 was enacted, tends to produce higher estimates of price. The Commission also recommended that all the general law full actuarial value service credit purchase provisions, except for the provisions to purchase service credit in the plans for military service periods, should be allowed to expire. Thus, Section 356.55 and most of the full actuarial value service credit purchase procedures expired in 2004, while the Commission and Legislature chose to extend the military service provisions for two more years, to 2006.

### Discussion and Analysis

S.F. 1736 (Day); H.F. 1978 (Ruth) allows Mr. Tim Biegert, identified by his date of birth and employment information, to purchase at full actuarial value up to ten years of service credit in the Teachers Retirement Association (TRA) for out-of-state teaching service in Montana.

The bill raises the following policy issues:

1. Sufficient Need to Consider. The issue is whether there is sufficient need to consider this bill, given that there is no clear pension problem. The individual should not have any uncovered service, since he was vested in the Montana system. Presumably, he simply wishes to transfer service from one fund to another. The Commission may request testimony from Mr. Biegert regarding why he wants to transfer that service.
2. Possible Misunderstanding of Service Credit Purchase Procedures. The individual may not fully understand the Minnesota service credit purchase procedures. Unless there is convincing documentation that the Minnesota pension fund administration caused harm, the price of the service credit purchase is set at the full actuarial value, which is an amount intended to cover the full additional value of the annuity due to the service credit purchase. There is no net gain to the individual if the price is correctly computed. It is only worthwhile from a financial standpoint if some other party covers part of the cost. TRA did not harm the individual and the Montana pension system will not volunteer to subsidize this individual's purchase of service in a Minnesota plan. Presumably, the individual intends to take a refund from the Montana plan, but the cost of the Minnesota service credit purchase is likely to greatly exceed the value of that refund.
3. Cost. The issue is the cost of the service credit purchase under a full actuarial value purchase and whether the individual is willing to cover that cost. If he is not, there is no purpose in further considering the bill. Hopefully, TRA will have a cost estimate for the proposed service credit purchase.
4. Consistency with Commission Principles of Pension Policy. The Commission's policy statement includes a section on service credit purchases. The purchase under this bill draft would be at full actuarial value, as recommended in the principle statement, but there is no Minnesota connection. The Commission might also conclude that requesting service credit for a period currently covered by another plan violates equity notions and therefore does not warrant Commission consideration.
5. Consistency with Repealed Law. The individual may contend that he would have purchased service credit under the now repealed Section 354.534 prior out-of-state teaching service credit purchase provision, if he had been a vested TRA member while the provision was in law. The issue is whether or not this purchase, which seeks to swap one annuity for another, would have been permitted under that law assuming he was vested. The Commission may wish to have brief testimony from TRA on this issue.
6. Impact of Request for Waiver. The bill attempts to provide a service credit purchase similar to that allowed under Section 354.534 by an individual who did not meet the vesting requirements of that law. The request would be less controversial if the bill request occurred prior to the repeal of Section 354.534. At the current time, the bill requires both waving requirements of the law and permitting the individual to have treatment similar to Section 354.534 after that provision has been repealed.
7. Precedent Concerns. The Commission may be concerned that recommending the bill to pass will lead to requests by others who did not meet requirements of Section 354.534 and to teacher union pressure to reinstate Section 354.534 into law. The Commission and the Legislature removed Section 354.534 and many other similar group service credit purchase provisions due to growing concern that the provisions conflicted with longstanding policy and may harm the pension funds if there are inaccuracies in the approach used to compute full actuarial value estimates.

From: "tim biebert" <tbiebert@bevcomm.net>  
To: "Sen.Dick Day" <Sen.Dick.Day@senate.mn>  
Date: 3/5/2005 6:35:13 AM  
Subject: Re: TRA

1-31-59 date  
of birth

Mr. Day,

Thank you for your help. I am current teaching at Northfield Middle School. In June I will have completed my third year of teaching in Minnesota. So I will be fully vested on June 4th. I taught in Montana (Pine Hills School, Miles City) for 11.2 years, and would like transfer 10 of those years into Minnesota TRA. I have left the money in my Montana TRA account. My TRA # is 150659 (Minnesota). Is there any other information you need.

Tim Biebert  
1606 Wedgewood Drv. NE  
Owatonna, MN 55060

----- Original Message -----

From: "Sen.Dick Day" <Sen.Dick.Day@senate.mn>  
To: <tbiebert@bevcomm.net>  
Sent: Friday, March 04, 2005 3:33 PM  
Subject: TRA

- > You are correct that the pension commission chose not to extend the
- > transfer rule when it expired last year. Their preferred method of
- > handling transfers is currently on a case-by-case basis. If you will
- > send me all information related to your employment, I will bring it
- > before the commission the next time it meets.
- >

*Northfield Middle School,  
150 # 659*

Table of contents for Chapter 354

**354.534 Prior out-of-state teaching service credit purchase.**

Subdivision 1. **Service credit purchase authorized.** A teacher who has at least three years of allowable service credit with the teachers retirement association is entitled to purchase up to ten years of allowable and formula service credit for out-of-state teaching service by making payment under section 356.55, provided the out-of-state teaching service was performed for an educational institution established and operated by another state, governmental subdivision of another state, or the federal government and the teacher is not entitled to receive a current or deferred age and service retirement annuity or disability benefit and has not purchased service credit from another defined benefit public employee pension plan for that out-of-state teaching service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require. Payment must be made before the teacher's effective date of retirement.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the teachers retirement association to the purchasing teacher on receipt of the purchase payment amount.

HIST: 1999 c 222 art 16 s 2

\* NOTE: This section, as added by Laws 1999, chapter 222, article 16, section 2, is repealed effective May 16, 2002. Laws 1999, chapter 222, article 16, section 16.

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**Repealed May 16, 2004**



## Minnesota Statutes 2004, 356.551

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### Minnesota Statutes 2004, Table of Chapters

#### Table of contents for Chapter 356

#### **356.551 Post July 1, 2003, prior service credit purchase payment amount determination procedure.**

Subdivision 1. **Application.** Unless the prior service credit purchase authorization special law or general statute provision explicitly specifies a different purchase payment amount determination procedure, and if section 356.55 has expired, this section governs the determination of the prior service credit purchase payment amount of any prior service credit purchase.

Subd. 2. **Determination.** The prior service credit purchase amount is an amount equal to the actuarial present value, on the date of payment, as calculated by the chief administrative officer of the pension plan and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the public pension plan specified in section 356.215, subdivision 4d, and the mortality table adopted for the public pension plan. The calculation must assume continuous future service in the public pension plan until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including section 356.30, are met with the additional service credit purchased. The calculation must also assume a full-time equivalent salary, or actual salary, whichever is greater, and a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in section 356.215, subdivision 4d. Payment must be made in one lump sum within one year of the prior service credit authorization. Payment of the amount calculated under this section must be made by the applicable eligible person. However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the period or periods of prior service applied to the actual salary rates in effect during the period or periods of prior service, plus interest at the rate of 8.5 percent a year compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 290 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

Subd. 3. **Documentation.** The prospective purchaser must provide any relevant documentation required by the chief administrative officer of the public pension plan to determine eligibility for the prior service credit under this section.

Subd. 4. **Payment precondition for credit grant.** Service credit for the purchase period must be granted by the public pension plan to the purchaser upon receipt of the purchase payment amount specified in subdivision 2.

HIST: 1998 c 390 art 4 s 2; 2002 c 392 art 11 s 41

Senator Day introduced--

S.F. No. 1736: Referred to the Committee on State and Local Government Operations.

1 A bill for an act

2 relating to retirement; Teachers Retirement  
3 Association; authorizing purchase of prior service  
4 credit for teaching service in Montana.

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

6 Section 1. [TEACHERS RETIREMENT ASSOCIATION; PURCHASE OF  
7 PRIOR SERVICE CREDIT FOR MONTANA TEACHING SERVICE.]

8 (a) An eligible person described in paragraph (b) is  
9 authorized to purchase service credit, in accordance with  
10 Minnesota Statutes, section 356.551, from the Teachers  
11 Retirement Association coordinated program for a period of  
12 teaching service in Montana public schools, not to exceed ten  
13 years.

14 (b) An eligible person is a person who:

15 (1) is currently an active member of the Teachers  
16 Retirement Association for teaching service at the Northfield  
17 Middle School in Independent School District No. 659;

18 (2) was born on January 1, 1959; and

19 (3) was a teacher at the Pine Hills School in Miles City,  
20 Montana, for 11.2 years with coverage for that service by the  
21 Montana Teachers Retirement System.

22 (c) An eligible person described in paragraph (b) is  
23 authorized to apply with the executive director of the Teachers  
24 Retirement Association to make the service credit purchase under  
25 this section. The application must be in writing and must

1 include all necessary documentation of the applicability of this  
2 section, and any other relevant information which the executive  
3 director may require. The payment required under this section  
4 to receive the service credit must be received by the executive  
5 director of the Teachers Retirement Association before December  
6 31, 2005, and before the eligible person's retirement or  
7 termination from service. The service credit authorized by this  
8 section shall be granted upon receipt of the service credit  
9 purchase payment by the executive director.

10 (d) The authority under this section is voided if an  
11 eligible person under paragraph (b) retains a right to an  
12 annuity from the Montana Teachers Retirement System.

13 Sec. 2. [EFFECTIVE DATE.]

14 Section 1 is effective the day following final enactment.