



**H.F. 1328**  
(Peterson, S.)

**S.F. 1325**  
(Rest)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* St. Paul Teachers Retirement Fund Association (SPTRFA)  
*Relevant Provisions of Law:* Uncoded special law provision  
*General Nature of Proposal:* Purchase of prior service credit authorization  
*Date of Summary:* March 27, 2007

**Specific Proposed Changes**

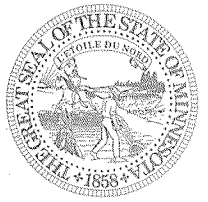
- Authorizes a current Minneapolis teacher with prior St. Paul early childhood and family education teaching service to purchase St. Paul Teachers Retirement Fund Association (SPTRFA) service credit for uncredited portion.

**Policy Issues Raised by the Proposed Legislation**

1. Unclear status of teaching service as creditable service.
2. Equitable considerations.
3. Purchase payment amount and allocation.
4. Precedent.

**Potential Amendments**

None



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *LM*

RE: H.F. 1328 (Peterson, S.); S.F. 1325 (Rest): TRA, SPTRFA; Service Credit Purchase, Uncredited St. Paul Prior Teaching Service

DATE: March 26, 2007

Summary of H.F. 1328 (Peterson, S.); S.F. 1325 (Rest)

H.F. 1328 (Peterson, S.); S.F. 1325 (Rest) permits Sherri Rutman, described by a set of factual elements that in combination are likely to be unique to her, to purchase two years of service credit in the St. Paul Teachers Retirement Fund Association (SPTRFA) for two years of early childhood teaching service under the auspices of Independent School District No. 625 in 1979-1981, with her payment of the applicable member contribution amounts, plus interest, and with a mandated payment of the balance of the full actuarial value service credit purchase payment by the St. Paul school district.

Public Pension Problem of Sherri Rutman of Crystal, MN

Sherri Rutman is a current Minneapolis public schools early childhood and family education teacher who was a teacher in a St. Paul early childhood and family education program from 1979 to 1985, but did not receive any service credit from the St. Paul Teachers Retirement Fund Association (SPTRFA) during the 1979-1980 and 1980-1981 school years. With the expected retirement of her husband in August 2009, Ms. Rutman also plans to retire in anticipation of moving to Arizona and desires to obtain public pension plan service credit for the previously uncredited service credit to improve her eventual retirement annuity.

In materials provided to the Commission staff, Ms. Rutman indicates that her service was rendered under the Council on Quality Education in St. Paul prior to the creation of the St. Paul public schools community education program and that her employment was through a grant given to the St. Paul school district and through a sub-grant from the school district to a City of St Paul Family/Community Center. As part of repaying a SPTRFA refund in 2003, Ms. Rutman sought to gain credit for the 1979-1980 and 1980-1981 school years service, but her request was denied because SPTRFA concluded that her employment prior to August 31, 1981, was only under the auspices of the St. Paul school district, with its funding and her earnings derived from a source other than the school district, and did not constitute covered employment.

Analysis and Discussion

H.F. 1328 (Peterson, S.); S.F. 1325 (Rest) would permit Sherri Rutman to purchase two years of previously uncredited service credit from the St. Paul Teachers Retirement Fund Association (SPTRFA) for teaching service that occurred during the 1979-1980 and 1980-1981 school years with the payment of the unpaid member contributions plus interest and a larger payment by the St. Paul public schools.

The proposed legislation raises a number of pension and related public policy issues for Commission consideration and discussion, as follows:

1. Unclear Status of Teaching Service as Creditable Service. The policy issue is whether or not the early childhood teaching service rendered by Sherri Rutman during the 1979-1980 and 1980-1981 school years at the West Seventh Street Family/Community Center was creditable service by the St. Paul Teachers Retirement Fund Association (SPTRFA) at the time that the service was rendered. If the teaching service was not creditable service at the time that it was rendered, the Commission generally declines to approve its purchase. The issue is the nature of the teaching service rendered by Ms. Rutman, the entity actually employing Ms. Rutman, and the source of the funding for Ms. Rutman's employment. In 1979, the definitions of "allowable service," "service," and "teacher" governing credit for teaching service (see Minnesota Statutes 1979 Supplement, Section 354A.011, Subdivisions 4, 25, and 27) were not as precise as current law, with the 1979 law only requiring that the service be rendered in a public school district in a first class city, while current law requires that the service be rendered for a public school district in Duluth or St. Paul. Where the law is ambiguous or unclear, administrative practice generally governs and it appears that the SPTRFA, as a practice, does not credit teaching service unless the service was rendered in the direct employ of Independent School

District No. 625. Since the employment arrangement of Sherri Rutman during the 1979-1980 and 1980-1981 school years, when she was not covered by SPTRFA, is unclear and since the potential change between the 1980-1981 school year and the 1981-1982 school year, when she gained SPTRFA coverage, is also unclear, additional information about her employment situation in St. Paul will be needed to resolve the issue. If Ms. Rutman's employment situation during the 1979-1980 and 1980-1981 school years was substantially identical to that of the 1981-1982 school year, when she had SPTRFA coverage, the period would likely be creditable service.

2. Equitable Considerations. The policy issue is whether or not there are adverse equitable considerations that outweigh supportive equitable considerations with respect to Sherri Rutman's requested service credit purchase. In processing service credit purchase proposals, the Commission has followed the policy since 1978 that requires the purchase be accompanied by a full actuarial value payment from some source or sources and that requires adverse equitable considerations for the purchaser not outweigh competing supportive equitable considerations. The potential adverse considerations that can be identified with respect to this proposed service credit purchase are the time that has elapsed since the uncredited service was rendered, some 25 years, and the time that has elapsed since Ms. Rutman last apparently pursued the issue in 2003. With a long delay in pursuing an issue of uncredited service, the documentation frequently needed to verify service, determine compensation and contribution amounts, and determine the responsibility for any mistake is frequently unavailable. When a purchaser does not attempt to correct any errors in a timely way, when corrections may be possible without special legislation and with less fiscal impact, the purchaser violates the equitable maxim that the person seeking equity must do equity. Testimony should be sought from Ms. Rutman about the reasons for the delay in pursuing the correction in this service credit gap.
3. Purchase Payment Amount; Allocation. The policy issue is whether or not the purchase will be accompanied by a full actuarial value purchase payment, as required by longstanding Commission service credit purchase policy. The proposed legislation requires, in total, that a payment be made equal to the actuarial value of the additional benefit obtained by the purchased service credit, in conformity with the Commission policy. The bulk of the purchase payment under the draft proposed legislation, reflecting the likely view of Sherri Rutman, is allocated to the St. Paul public school system, with Ms. Rutman's payment limited to her equivalent contributions for the 1979-1980 and 1980-1981 school years, plus 8.5 percent compound interest. The general Commission policy on payment allocation is that the purchaser is responsible for the full actuarial value payment, with the current or former employer permitted, but not required, to pay a portion of the total up to the balance beyond the equivalent member contribution amount plus interest. In recent years, the Commission has deviated from this general policy and has mandated former employer payments of the purchase amount balance when the employer is responsible for the lost service credit. While the letter from Verne M. Melberg, Ms. Rutman's supervisor during the 1979-1980 and 1980-1981 school years, is consistent with the view that there was an error by Independent School District No. 625 that caused the service credit loss, the letter from Mr. Melberg does not address the point directly and is not likely to be determinative of the issue. The St. Paul school district should be afforded with an opportunity to address the issue and to oppose the imposition of what is likely to be a mandatory payment of several tens of thousands of dollars.
4. Precedent. The policy issue is whether or not there is any precedent for the special legislation that is on point and potentially determinative of the question and whether or not the draft proposed legislation will likely set a precedent for the Commission and the Legislature that may be difficult to distinguish in the future if there are identical or comparable demands. While there are numerous prior special laws permitting service credit purchases from Minnesota public pension plans (see Laws 2006, Chapter 271, Article 14, Sections 1 to 6, 8 to 11, and 15 to 17), there are only two prior service credit purchases involving the St. Paul Teachers Retirement Fund Association (SPTRFA) (see Laws 1995, Chapter 262, Article 1, Section 16, and Laws 1996, Chapter 438, Article 9, Section 1), and those purchases are not similar to this circumstance, relating to access to the part-time teaching service/full-time service credit provision in the first class city teacher retirement fund associations. It is unclear how many former early childhood teachers may exist who were employed by Independent School District No. 625 or employed through a grant administered by Independent School District No. 625 in the late 1970s or early 1980s and to what extent this may become a precedent, especially if the bulk of the financial burden of the purchase is borne by the school district.

**SHERRI RUTMAN**

■ 8016 34<sup>th</sup> Place  
North  
■ Crystal, Minnesota  
55427  
■ Srutman100@  
aol.com

January 20, 2007

**Representative Sandra Peterson**  
345 State Office Building  
100 Rev. Dr. Martin Luther King Jr. Blvd.  
Saint Paul, Minnesota 55155

Dear Sandy,

Happy New Year! Congratulations again for the honor of serving as our state legislator. I wish you a successful session.

I mentioned to you the day you and Ann were in my yard putting up signs that I would appreciate your help with this issue. I recently met with Dave Bushlack from TRA and he also suggested that your help would be warranted.

From 1979 to 1985 I was an early childhood teacher in St. Paul's ECFE program. This was during the time that CQE (Council On Quality Education) was the watchdog organization of ECFE before it became part of community education in 1985. The particular program I worked in was subcontracted to the West Seventh Community Center. Records show that I received a pension from 1981-1985 but no record was found prior to that time. I was required to have a license and had exactly the same responsibilities from 1979-1981 and feel I was denied the opportunity to have pension funds deducted from my paycheck.

Enclosed you will find prior documentation from my pursuit of this manner a few years ago. My husband will hit the rule of 90 in August of 2009 and we would like to move to Arizona at that time. Getting the credit I am due for those lost years would put me in a much better situation to look at an early escape!

Please let me know what next steps you need from me. I can be reached via email or at 763-443-9379. Thank you for your help with this matter. I will make sure that when we sell our house in the near future there will be a clause as to whom they vote for!

Thanks for your help,



**St. Paul Teachers Retirement Fund Association**

1619 Dayton Avenue - Room 309  
Saint Paul, MN 55104-6206 \* (651) 642-2550

February 10, 2003

Sherri Rutman  
8016 34th Place N  
Crystal, MN 55427

This letter will confirm your repayment of refund to the St. Paul Teachers' Retirement Fund Association as follows:

Date of Repayment of Refund:	February 10, 2003
Beginning St. Paul Service:	August 31, 1981
Ending St. Paul Service:	October 11, 1985
Refunded Dues	\$2,573.53
Interest	\$9,226.03
Total Amount Paid	\$11,799.56
Years of Service:	Coordinated 3.64000

We will also contact the following system about your repayment: Minneapolis Teachers' Retirement Fund

Enclosed is your receipt and a beneficiary form that you need to complete and return to our office.

Sincerely,

Nancy J. Langer  
Payroll Clerk

Enclosures

COPY

RECEIVED

April 16, 2003

APR 22 2003

James Callaway  
St. Paul Teachers' Retirement Fund Association  
1619 Dayton Ave. Rm 309  
St. Paul, Mn. 55104

ST. PAUL TEACHERS  
RETIREMENT FUND ASSOCIATION  
SAINT PAUL, MINNESOTA

Dear Mr. Callaway,

We have had several conversations via telephone and mail regarding the issue of my employment in connection with the Saint Paul Schools between 1979 and 1981. According to Norm Moen, former business rep for the Minneapolis Federation of Teachers and board member of MFTRA, I am eligible to receive service credit from St. Paul. Although we cannot find any record to prove that pension funds were withheld during those years, my job at that time required I have a teaching license to fulfill my responsibilities. I have included documentation by my supervisor who has since retired, Verne Melberg. Please advise me of the next steps. I would like to have this matter resolved as soon as possible. Please feel free to contact me at 763-545-8384 if you have further questions.

Sincerely yours,

  
Sherri Rutman

VERNE M. MELBERG  
8956 Hunters Circle  
Woodbury, MN 55125  
(651) 739-1804

RECEIVED

APR 22 2003

ST. PAUL TEACHERS  
RETIREMENT FUND ASSOCIATION  
SAINT PAUL, MINNESOTA

March 10, 2003

Mr. James Calloway  
Saint Paul Teachers Retirement Association  
1619 Dayton Avenue  
Saint Paul, MN 55104

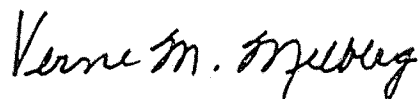
Dear Mr. Calloway:

Sherri Rutman has asked me to write a letter on her behalf regarding her years of service as a licensed teacher for the early childhood family education program in Saint Paul.

During the 1979 - 80 and 1980 - 81 school years, Sherri was employed at the West 7<sup>th</sup> Early Childhood Family Education Program. The Saint Paul Public Schools received a grant for the program which, in turn, was subgranted to the West 7<sup>th</sup> Family Center during the two years. Sherri was required to be a licensed early childhood teacher to perform her work there.

During the time Sherri was employed at the West 7<sup>th</sup> Family Center, I was the early childhood family education specialist for the Saint Paul Public Schools, which was responsible for administering the grant.

Sincerely yours,



Verne M. Melberg

# St. Paul Teachers' Retirement Fund Association

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1619 Dayton Avenue, Room 309  
Saint Paul, MN 55104-6206  
Phone (651) 642-2550  
Fax (651) 642-2553

November 27, 2002

Sherri Rutman  
8016 34<sup>th</sup> Place N.  
Crystal MN 55427

COPY

RECEIVED

APR 22 2003

ST. PAUL TEACHERS  
RETIREMENT FUND ASSOCIATION  
SAINT PAUL, MINNESOTA

I have searched the records and cannot find any evidence that pension contributions were deducted from your earnings prior to August 31, 1981. It is my understanding that you were working in a program under the auspices of the St. Paul Schools, but the funding and actual earnings may have come from other sources. If that was the case, then no pension contributions should have been deducted.

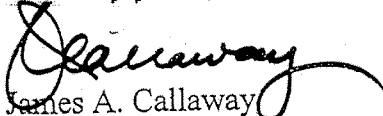
With proper documentation and employment records, you are eligible purchase service credit for that time of employment under the current Service Purchase Program. The program allows for the purchase of service credit that was not previously creditable. This is different than repaying a refund of contributions. The service credit is purchased into the fund under which you are now contributing.

If you are interested in purchasing that service credit, you should contact the Minneapolis Teachers Retirement Fund Association (MTRFA) at (612) 338-7865.

The maximum retirement service credit that you can purchase in St. Paul is 3.64 years by repaying your refund of contributions.

Please contact me if you have questions or need additional information.

Sincerely yours,

  
James A. Callaway  
Assistant Director

LEP



# *St. Paul Teachers' Retirement Fund Association*

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President  
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1619 Dayton Avenue, Room 309  
Saint Paul, MN 55104-6206  
Phone (651) 642-2550  
Fax (651) 642-2553

May 6, 2003

Sherri Ruttman  
8016 34<sup>th</sup> Place N  
Crystal MN 55427

Here is the information that you requested about your retirement benefits from the St. Paul Teachers' Retirement Fund Association (SPTRFA).

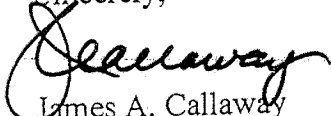
I am in receipt of your letter dated April 16, 2003 in which you ask about the purchase of previous St. Paul service that was not credited between 1979 and 1981. As far as I can determine, the service does qualify for the Service Purchase Program.

However, in order to get credit for the service, you must purchase it into the fund under which you are now covered, in other words, Minneapolis Teachers' Retirement Fund Association (MTRFA). The same would be true if you were currently working in St. Paul and had previously unaccredited service in Minneapolis.

You should contact MTRFA at (612) 338-7865 and request information about the purchase. They will be able to determine the cost of the purchase and the documentation that will be required.

Please contact me if you have questions or need additional information.

Sincerely,

  
James A. Callaway  
Assistant Director

This Document can be made available  
in alternative formats upon request

State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **1328**

February 22, 2007

Authored by Peterson, S.; and Carlson

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act  
1.2 relating to retirement; St. Paul Teachers Retirement Fund Association;  
1.3 authorizing the purchase of service credit for uncredited prior teaching service in  
1.4 an early childhood family education position.

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

1.6 Section 1. ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION;  
1.7 PURCHASE OF PRIOR UNCREDITED EARLY CHILDHOOD TEACHING.

1.8 (a) An eligible person described in paragraph (b) is authorized to purchase service  
1.9 credit from the St. Paul Teachers Retirement Fund Association for the period of the  
1.10 previously uncredited teaching employment specified in paragraph (c) by making the  
1.11 payment required in paragraph (d).

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

1.13 (1) was born on June 22, 1954;

1.14 (2) is a teacher employed by Special School District No. 1, Minneapolis;

1.15 (3) has service credit from the St. Paul Teachers Retirement Fund Association for  
1.16 the period starting August 31, 1981, and ending October 11, 1985;

1.17 (4) took a refund from the St. Paul Teachers Retirement Fund Association; and

1.18 (5) repaid that refund to the St. Paul Teachers Retirement Fund Association on  
1.19 February 10, 2003.

1.20 (c) The period of service credit that may be purchased is the period of any previously  
1.21 uncredited eligible employment as a licensed early childhood teacher in a program of  
1.22 Independent School District No. 625, St. Paul, operated at the West Seventh Street  
1.23 Community Center in 1979, 1980, and 1981.

2.1 (d) To make the service credit purchase, the eligible person must pay an amount  
2.2 equal to the member contributions that would have been paid to the St. Paul Teachers  
2.3 Retirement Fund Association during the period 1979 through 1981 had service been  
2.4 credited concurrently.

2.5 (e) If the eligible person makes the payment provided for under paragraph (d),  
2.6 Independent School District No. 625, St. Paul, shall pay the balance of the total prior  
2.7 service credit purchase payment amount determined under Minnesota Statutes, section  
2.8 356.551. Payment of this amount must be made within 60 days of notification to the  
2.9 superintendent by the executive director of the St. Paul Teachers Retirement Fund  
2.10 Association of the payment of the member equivalent contribution amount, plus interest  
2.11 at the rate of 0.71 percent per month or portion of a month that elapsed since the date of  
2.12 the transmittal of the notification. If Independent School District No. 625, St. Paul, fails  
2.13 to pay its portion of the purchase payment in a timely fashion, the executive director  
2.14 of the St. Paul Teachers Retirement Fund Association must notify the commissioners  
2.15 of finance and education of that fact. The commissioners shall order deduction of the  
2.16 required payment amount, plus additional interest at the rate of 0.71 percent per month or  
2.17 portion of a month, from the next subsequent payment of any state aid to the district for  
2.18 transmittal to the St. Paul Teachers Retirement Fund Association.

2.19 (f) Allowable service credit under Minnesota Statutes, section 354A.011, subdivision  
2.20 4, must be granted by the St. Paul Teachers Retirement Fund Association to the account of  
2.21 the eligible person upon receipt of the payment under paragraph (d).

2.22 (g) Authority for an eligible person to make the prior service credit purchase  
2.23 payment amount expires on June 30, 2009.

2.24 **Sec. 2. EFFECTIVE DATE.**

2.25 Section 1 is effective the day following final enactment.