



H.F. 2762
(Wardlow)

S.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan: TRA
Relevant Provisions of Law: Special legislation
General Nature of Proposal: Prior out-of-state teaching service credit purchase
Date of Summary: March 2, 2008

Specific Proposed Changes

- Authorizes a relatively short-service TRA member with four years of prior teaching service in Illinois to purchase TRA service credit for that out-of-state teaching service.

Policy Issues Raised by the Proposed Legislation

1. Conformity with Commission's Principles of Pension Policy.
2. Appropriateness of a special law prior service credit purchase immediately after general law authority expired.
3. Service credit purchase cost and allocation.
4. Precedent for and any adverse precedent value in proposed legislation.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JAM*
RE: H.F. 2762 (Wardlow); S.F. xxxx: TRA; Service Credit Purchase for Prior Illinois Teaching Service
DATE: March 2, 2008

Summary of H.F. 2762 (Wardlow); S.F. xxxx

H.F. 2762 (Wardlow); S.F. xxxx permits Cheryl Donely to purchase up to 4.188 years of TRA allowable and formula service credit for her Illinois teaching service upon the payment of a full actuarial value payment amount, including an institution-to-institution account balance transfer from the Illinois Teachers Retirement System. The special authority is effective immediately and expires on January 1, 2010.

Public Pension Problem of Cheryl Donely of Eagan, Minnesota

Cheryl Donely is a 31-year-old resident of Eagan, Minnesota, who is currently on a family leave of absence from her position as a mathematics teacher at Apple Valley High School, Independent School District No. 196, where she has taught since the 2002-2003 school year, is a member of the Minnesota Teachers Retirement Association (TRA), and has 4.2 years of prior teaching service in Illinois public education.

Ms. Donely seeks authority to purchase TRA service credit for her Illinois teaching service by rolling over her Illinois Teachers Retirement System account balance.

Background Information

Background information on the functions of service credit in a defined benefit retirement plan and the purchase of prior service credit is set forth in Attachment A.

Discussion and Analysis

H.F. 2762 (Wardlow); S.F. xxxx permits Cheryl Donely, an on-leave Apple Valley High School teacher and a resident of Eagan, Minnesota, with prior public school teaching service in Illinois to purchase from the Minnesota Teachers Retirement Association (TRA) service credit for that out-of-state teaching service with the payment of a full actuarial value purchase amount, including a transfer of her Illinois Teachers Retirement System account balance.

The proposed prior service credit purchase legislation raises several pension and related public policy issues for Commission consideration and discussion, as follows:

1. Conformity with Commission's Principles of Pension Policy. The policy issue is the extent to which the proposed legislation conforms with the Commission's pension policy principles. Although the 1996 Commission policy principle on prior service credit purchases is more constrained, Commission practice since 1999 has been less restrictive, principally requiring that the service credit purchase should not be subsidized by the retirement plan through a purchase at less than full actuarial value and should not replicate service credit purchased in some other defined benefit public pension plan. The proposed legislation requires a full actuarial value purchase payment and excludes from the purchase authority any service credit already purchased from another defined benefit public pension plan, thus complying with recent Commission policy principle practice.
2. Appropriateness of Permitting An Out-of-State Teaching Service Credit Purchase After the General Purchase Has Expired. The policy issue is the appropriateness of authorizing a special law out-of-state teaching service credit purchase when the general law out-of-state teaching service credit purchase authority enacted in 1999 has now expired. Former Minnesota Statutes, Section 354.534, permitting out-of-state teaching service purchases, was enacted in 1999 (Laws 1999, Chapter 222, Article 16, Section 16), with a scheduled expiration date of May 16, 2002, was extended in 2002 (Laws 2002, Chapter 392, Article 7, Section 1) to May 16, 2003, was extended in 2003 (First Special Session Laws 2003, Chapter 12, Article 6, Section 2) to May 16, 2004, and was extended in 2004

(Laws 2004, Chapter 267, Article 17, Section 6) to July 1, 2006, when it expired. By the 2005-2006 school year, Ms. Donely had the three years of Minnesota Teachers Retirement Association (TRA) service credit needed to be eligible to purchase this service credit at that time, but did not avail herself of that opportunity. Thus, the proposed special legislation effectively becomes a deadline extension, which Commission policy principles indicate are to be determined on a case-by-case basis and determined based on the equities. The Commission may wish to take testimony from Ms. Donely to determine whether or not the lack of utilization of Minnesota Statutes 2002, Section 354.534, in a timely fashion is problematic with respect to this request.

3. Cost of the Service Credit Purchase and Its Allocation. The policy issue is the cost of the service credit purchase and the allocation of that cost. The service credit purchase payment is calculated as the actuarial present value of the purchase and the cost is payable by the plan member unless the employer decides to participate or is mandated to share a portion of the cost because of its error causing the service credit loss. TRA has apparently estimated that the prior service credit purchase payment would be approximately \$12,000. The value of Ms. Donely's Illinois Teachers Retirement System account is approximately 80 percent of that payment obligation, leaving her to fund the balance from other sources. The full actuarial value cost of prior service credit purchases is highly dependent on the age of the purchaser, the length of service credit to be purchased, and whether or not the purchase is covered by the "Rule of 90" or other early normal retirement access provisions. Even though this purchase involves a relatively long period, the full actuarial value payment obligation is mitigated by Ms. Donely's relatively young age for a service credit purchase and by her status as a post-1989 hire and coverage solely by the level benefit TRA benefit tier rather than by the "Rule of 90."
4. Precedent. The policy issue is whether or not there is previously enacted legislation that could be considered to be a binding precedent for this special legislation request and whether or not the requested special legislation, if enacted, would create an adverse or detrimental precedent for future additional special legislation requests. The 1999 general authorization of prior out-of-state teaching service credit purchases (Laws 1999, Chapter 222, Article 16, Section 16, Section 2) would constitute a favorable precedent for the substance of the requested special legislation, but its expiration could be argued to constitute an adverse precedent for new or continuing out-of-state teaching service credit purchase authorizations. In 2006 (Laws 2006, Chapter 271, Article 14, Section 3), the Commission approved a special law out-of-state teaching service authorization for a Northfield, Minnesota, teacher with 11.2 years of prior Montana teaching service, which is a closely analogous situation to Ms. Donely's. If enacted, the requested special legislation would not appear to create any additional detrimental precedent.

Attachment A

Background Information on Retirement Plan Service Credit and Service Credit Purchases

- a. Defined Benefit Plans. Most Minnesota public pension plans are defined benefit plans. In defined benefit plans, the pension benefit amount that is ultimately payable is pre-determinable or fixed using a formula or comparable arrangement. The fixed element of the benefit amount leaves a variable element, which is the funding required to provide that benefit. The formula utilizes allowable service credit and salary credit in the calculation, averaging the salary amounts for the five successive years' average salary period that produces the highest amount for use as the base to which is applied a total percentage amount determined by assigning a percentage amount to each year of allowable service credit.
- b. Historical Shift in Plan Types and to Salary-Based Plans. Minnesota's statewide retirement plans were not originally salary-related pension plans, with the predecessor to TRA established in 1915 as a money purchase (defined contribution) plan, with MSRS-General established in 1929 as a set dollar amount (\$200 per month) plan, and with PERA-General established in 1931 also as a set dollar amount (\$200 per month) plan. Conversion to salary-related pension plans occurred for MSRS-General and PERA-General in 1957, which was a recommendation of the initial interim predecessor to the Legislative Commission on Pensions and Retirement, and for TRA in 1969, which was a recommendation of the initial permanent predecessor to the Pension Commission. The first class city teacher retirement fund associations and Minneapolis Employees Retirement Fund (MERF) generally shifted to salary-related pension plans in the 1950s (the Duluth Teachers Retirement Fund Association (DTRFA) shifted in 1971).
- c. Definition of Minnesota Defined Benefit Public Pension Plan Service Credit. Allowable service credit in Minnesota's statewide and major local defined benefit retirement plans generally includes many different service periods, which are:
 1. Covered Current Service. Employment is a covered position with a covered employer for which member contributions have been deducted and transmitted to the retirement plan;
 2. Historic Credit in Plan Records. Service credit as reflected in the records of the retirement plan that predates the plan's establishment or reformulation;
 3. Military Service Leave. Periods of service in the U.S. Armed Forces during a leave of absence;
 4. Temporary Disability Periods. Periods of leaves caused by a temporary disability;
 5. Credit Reinstated by a Refund Repayment. Periods of service covered by a prior refund of member contributions which have been repaid subsequently;
 6. Part-Time Employment. Periods where full service credit is granted for part-time employment;
 7. Sabbatical Leaves and Other Leaves of Absence with Pay. Periods of an authorized leave of absence during which the member is paid a whole or a partial salary;
 8. Extended Leaves of Absence Without Pay. Periods of an authorized leave of absence without pay;
 9. Labor Union Employment or Elective Service. Periods of employment as an exclusive collective bargaining representative or as an elected official;
 10. Parental or Family Leaves of Absence. Periods of leaves or breaks in service for parental or family reasons;
 11. Strike Periods. Periods of a labor union strike; and
 12. Out-of-State Teaching or Other Outside Service. Periods of teaching service, Peace Corps service, or VISTA service.
- d. Purpose of Service Credit. Service credit in a Minnesota defined benefit retirement plan exists for three reasons, determining vesting rights, determining eligibility for an early normal retirement annuity, and determining the amount of a retirement annuity.

Vesting is the circumstance of possessing a non-forfeitable right to an eventual retirement annuity, even if covered employment is terminated before reaching retirement age. In virtually all Minnesota defined benefit retirement plans, the vesting period is three years of service credit, which need not be consecutive periods of service and which may include service covered by more than one Minnesota defined benefit retirement plan.

Early normal retirement annuity eligibility in Minnesota defined benefit retirement plans generally means qualification for the “Rule of 85,” where a member can retire with an unreduced retirement annuity when the sum of the person’s age and service credit total at least 85, or for the Minneapolis Employees Retirement Fund (MERF) or the Basic Program of the Minneapolis Teachers Retirement Fund Association (MTRFA-Basic), means qualification for the “30 and out” unreduced retirement annuity payable when a person has credit for at least 30 years of service credit.

Retirement annuity determination is the calculation of a member’s defined benefit retirement annuity, using the plan’s benefit accrual rate percentage (frequently 1.7 percent per year of service credit), multiplied by the member’s service credit, and the total applied to the member’s final average salary figure (highest five years average salary).

Defined benefit retirement plans exist to provide a retirement annuity at the conclusion of an employee’s normal working lifetime. Service credit allows for the retirement plan to bear its proportional share of the burden of the ultimate total retirement annuity amount.

- e. Special Legislation Service Credit Purchase Authorization. In Minnesota, until 1999, there were few general law service credit purchase authorizations, and service credit purchase authorizations were generally special law provisions.

The primary general law service credit purchase authorization was Minnesota Statutes 2004, section 354.51, enacted in 1931, when the Teachers Retirement Association (TRA) was a defined contribution retirement plan, which allows TRA members with 15 years of service who have pre-1953 out-of-state teaching service to purchase that service by making equivalent member contributions, plus interest at the rate of 8.5 percent per annum.

During the period 1957-2007, the Legislature has enacted 257 special laws authorizing one person or a small group of individuals to purchase prior service credit, distributed as follows:

Year	Number	Year	Number	Year	Number	Year	Number	Year	Number
1957	1	1974	5	1983	2	1992	6	2001	10
1959	4	1975	10	1984	3	1993	7	2002	2
1961	5	1976	4	1985	2	1994	8	2003	6
1963	6	1977	9	1986	6	1995	7	2004	1
1965	5	1978	9	1987	3	1996	6	2005	1
1967	1	1979	7	1988	7	1997	3	2006	14
1969	2	1980	4	1989	12	1998	9	2007	3
1971	2	1981	14	1990	10	1999	8		
1973	4	1982	16	1991	6	2000	8		

A majority of special prior service credit purchase laws relate to the three major general employees retirement plans, with 33 special laws relating to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), with 80 special laws relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and with 50 special laws relating to the Teachers Retirement Association (TRA).

In considering special law service credit purchase requests, the Legislative Commission on Pensions and Retirement has generally followed the Principles of Pension Policy, restated and revised in 1996, with the pertinent principle requiring:

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. This is consistent with the notion that public pension plans should be providing coverage for public employees for periods of time when they were serving the public through public employment or through quasi-public employment. Coverage for a period when an individual provided private sector employment is not consistent with this statement.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection. This is consistent with the notion that Minnesota taxpayers support these public pension plans and bear the investment risk in amassing plan assets. Given the support that

taxpayers provide, it is appropriate that the service have a Minnesota connection, reflecting services provided to the people in the state.

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. If there are unresolved issues of whether an individual should have service credit for a given period, those issues should be resolved before the individual terminates from public service, and certainly before the individual retires. The act of retiring undermines a claim that there is sufficient need for the Legislature to consider the coverage issue. If there were considerable hardship caused by the lack of service credit, presumably the individual would not have retired. Entering retirement suggests that the associated pension benefit is adequate without any further increase in the benefit level due to a purchase. Only on rare occasions have the Commission and the Legislature authorized service credit purchases by retirees.
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. There is no process in law specifying a procedure for computing a “full actuarial value” purchase in a defined contribution plan, or even defining what that concept means in the context of a service purchase or service credit purchase in a defined contribution plan.
6. Full Actuarial Value Purchase. Within the context of a defined benefit plan, 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. The procedure used to compute this full actuarial value should be a methodology that accurately estimates the proper amounts. When clear evidence indicates that the employing unit committed an error that caused the individual to not receive pension plan coverage, the Commission has permitted the employee to make the employee contribution for the relevant time period, plus 8.5 percent interest, and the employer has been mandated to cover the remainder of the computed full actuarial value payment. If the employer does not directly make the payment following notification that the employee has made his or her portion of the full payment, the Commission has required that a sufficient amount to cover the remainder of the full actuarial value be deducted from any state aids that would otherwise be transmitted to the employer. The Commission has purposely departed from the full actuarial value requirement when there is evidence that the pension plan administration created the lack of service credit coverage due to pension plan administration error. In situations of pension plan error, the employee may be required to pay the contributions that would have been required for the relevant time period, plus 8.5 percent interest to adjust for the time value of money, leaving any difference between that payment and the full actuarial value to be absorbed by the pension fund.
7. No Violation of Equitable Considerations. Purchases of service credit should not violate equitable considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. In general, any issue or factor associated with a service credit purchase request which can be viewed as lacking fairness or being less than impartial can be a basis for rejecting a request. Requests by existing retirees to purchase additional service credit and have their annuities recomputed could be viewed as being a situation that violated equity considerations. New requests on behalf of individuals who were covered by purchase of service credit authorizations passed by earlier Legislatures but who are dissatisfied with the purchase of service credit terms that were provided can be considered as violating equity considerations. Individuals requesting service credit purchases for periods specifically excluded from plan coverage under the applicable law could be considered as violating equity considerations, among other policy concerns relating to those considerations. Requests to purchase service credit for periods covered by another pension plan may raise equity concerns. Generally, a service credit purchase is intended to fill a gap in coverage, not to create double coverage. Long delays in seeking remedial action can also be considered a violation of equity considerations. Individuals tend to wait until late in their career before seeking any remedial action for lost service credit. Prompt action, closer to the time period when the service credit problem occurred, would often result in a solution at a lower cost and would avoid efforts by the Commission to try to determine the factual situation many years, or even decades, after the event occurred.

f. 1999-2004 General Service Credit Purchase Provisions. The recently expired full actuarial value service credit purchase provisions and the years in which they were enacted are as follows:

1999

- Military service (TRA and first class city teacher plans)
- Out-of-state teaching service (TRA and first class city teacher plans)
- Maternity leave or absence or maternity break-in-service (TRA and first class city teacher plans)
- Parochial or private school teaching service (TRA and first class city teacher plans)
- Peace Corps and VISTA service (TRA and first class city teacher plans)
- Charter school teaching (TRA and first class city teacher plans)
- Previously uncredited part-time teaching service (first class city teacher plans)

2000

- Military service (various MSRS plans, PERA plans)
- Teaching service credit for various nonprofit Community Based Corporation service (TRA and first class city teacher plans)

2001

- Out-of-country and tribal teaching service credit (TRA and first class city teacher plans)
- Developmental Achievement Center teaching service (TRA and first class city teacher plans)
- Uncovered teaching service at University of Minnesota (TRA and first class city teacher plans)
- Parental leave/break-in-service (teacher plans, various MSRS and PERA plans, various other plans)

In 1999, the Commission was persuaded to support several proposed generalized service credit purchase provisions applicable to the Teachers Retirement Association 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, out-of-state teaching service in a K-12 situation, individuals who taught in parochial schools, provided Peace Corps service and various other groups), 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 were not related to public service or had no Minnesota connection.

In 2000, more service credit purchase provisions were added to law, this time for non-teacher 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 non-profit 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, 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.

There are several reasons why the Commission and Legislature may have supported the general law service credit provisions since 1999. 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 had been 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 were confident 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 Minnesota Statutes, 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 Minnesota Statutes, Section 356.551, would again become effective. That prior procedure in Minnesota Statutes, Section 356.551 tended to produce higher cost estimates than the revised procedure. Teacher unions and other constituent groups favor continuing the revised procedure in Minnesota Statutes, Section 356.55, because it tends to produce lower prices. From a policy standpoint, the Minnesota Statutes, 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.

As the repeal date for the revised full actuarial methodology and each of these temporary generalized service credit provisions approached, the repeal dates were extended by the Legislature due to strong support for these provisions from the teacher unions and other constituent groups. Most of the provisions have now been extended more than once, but generally expired in July 2004.

Bill For buying back TRA from Illinois

From: Cheryl Donely <cheryldonely@hotmail.com>
To: Lynn Wardlow <rep.lynn.wardlow@house.mn>
Date: 1/24/2008 11:25 PM
Subject: RE: Cheryl Donely TRA

Phone: 651-338-3569
Must pay @ \$12000 according to TRA

Here is my info:

Worked in Illinois at Edwardsville High School (ECUSD 7) from 1998-2002. Address was 304 Macon Ct. O'Fallon, Illinois 62269

Worked at Apple Valley HS (Dist 196) from 2002-2008. Address is 4692 Lista Pt. Eagan, MN 55122

Currently on a 1-year Leave of Absence from AVHS for 2007-2008.

I will call with my social. Thank you so much. I am still keeping me fingers crossed. Let me know if I need to do anything else.

Thanks! Cheryl> Date: Thu, 24 Jan 2008 14:23:29 -0600> From: rep.lynn.wardlow@house.mn> To: cheryldonely@hotmail.com> Subject: RE: Cheryl Donely TRA> > Cheryl,> > I may not need the email as TRA probably has it, but my home phone is 651-454-7825 and my number here is 651-296-4128.> > Your Illinois and Mn addresses should be enough along with dates. I have your TRA numbers from both states.> > Lynn> > >>> Cheryl Donely <cheryldonely@hotmail.com> 1/22/2008 8:58 PM >>>> > Hi Lynn. It just occurred to me that I don't want to give my social over the email. What number can I call you at? I have a busy day tomorrow, so if I don't get to you tomorrow I will by Thursday. Thanks again for all your work. Cheryl> Date: Fri, 18 Jan 2008 14:56:46 -0600> From: rep.lynn.wardlow@house.mn> To: cheryldonely@hotmail.com> Subject: RE: Cheryl Donely TRA> > OK. I am quite sure we will need your soc sec number, unfortunately. Also your Illinois address and school and years you worked there along with you current address, school and work dates. We have your TRA numbers so I will give the data to the pension folks and if they need more info I will relay that to you. Since this is Friday afternoon and Monday is Martin Luther King Day I won't need this info until Tuesday at the earliest.> > Thanks,> > Lynn> > >>> Cheryl Donely <cheryldonely@hotmail.com> 1/18/2008 2:20 PM >>>> > Hi Lynn! Thanks for the phone call. I talked to Renee and it is \$12K for all 4.188 years, so let's do it! I will for sure buy those years back if the committee approves it. Thanks so much! Let me know what the next step is when I need to take it.> > I appreciate all you have already done for me.> > Cheryl Donely> Date: Thu, 17 Jan 2008 11:20:56 -0600> From: rep.lynn.wardlow@house.mn> To: cheryldonely@hotmail.com> Subject: Re: Cheryl Donely TRA> > Cheryl,> > I just read a phone message from TRA that says it would be approximately \$12,000 to buy back the 4.188 years. The person who called is Renee, not sure of last name, and her number is 651-205-4254 should you want to call her. I called just now to ask if it was \$12K for each year or total but she had left until tomorrow. Someone else told me it is probably total and my LA said she thought it was total as well. So you can let me know how to proceed once you have pondered it for awhile.> > Lynn> > >>> Cheryl Donely <cheryldonely@hotmail.com> 1/8/2008 9:36 PM >>>> > Rep Wardlow,> > Thank you so much for the phone call and for working on my retirement concern. My request is that I can roll over the \$9236.97 for my 4.188 years (1998-2002) that I taught in Illinois into my MN TRA. I would like to buy back those 4.188 years since I plan on continuing to teach and retire in MN. I am on a family leave of absence this year from Apple Valley High School, this being my 6th year of employment there.> > My MN TRA member number is 291881 and my IL TRA number is 34877.> > Thank you, Rep Wardlow, for all of your efforts. They are greatly and deeply appreciated.> > Cheryl Donely> cell: 651-338-3569>

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also expanting on leave w/o pay for 2005-2006 school year

From: Cheryl Donely [cheryldonely@hotmail.com]
Sent: Monday, January 28, 2008 12:58 PM
To: Larry Martin
Subject: RE: Needed Information For Legislative Bill Drafting

Thanks for working on this for me. I am so appreciative. My birthday is 4-7-76, and I taught summer school, so that is what I am assuming the .188 is from. It possible be from sick days not used, but I don't think so...I am thinking it is from summer school. I can double check with the IL TRA for you if you need me too.

Thank you for the email and explanation. Please let me know if there is anything else that I can do.

Cheryl Donely

From: larry.martin@lcpr.leg.mn
To: cheryldonely@hotmail.com
CC: rep.lynn.wardlow@house.mn
Date: Mon, 28 Jan 2008 11:29:07 -0600
Subject: Needed Information For Legislative Bill Drafting

Ms. Donely:

Representative Lynn Wardlow has recently contacted me to draft the special legislation that you need to permit a purchase of service credit from the Teachers Retirement Association (TRA) for your teaching service rendered in Illinois.

Because the Minnesota Constitution does not permit special legislation of the type that you need to specify you by name, but requires the special legislation to be framed as "general" legislation, the draft will need to designate a class that is likely to be limited to you by including enough specifics particular to you alone. From your e-mail stream with Representative Lynn Wardlow, I have most of the particulars that I think that I need except for your birth date. If you could forward your month, day, and year of birth, that would assist the drafting process.

Additionally, I need a clarification of the length of service credit to be purchased. From the e-mails, I understand that the length is 4.188 years, relating to the 1998-2002 school years of Illinois teaching service. Service credit purchases (or contemporaneous service credit acquisition) of more than one year in any year in Minnesota are not permitted. You seem to be seeking more than four years of service credit for a four school year period. Was the service for purchase actually rendered over four and a fraction years of teaching or is there another explanation for the service credit for purchase in excess of the school years in which it occurred? Please clarify if you can.

When I complete the drafting for Representative Wardlow, that draft will be accompanied by an explanatory memorandum that will be the substance of the Commission staff memorandum on the bill when it is heard by the Legislative Commission on Pensions and Retirement, its first stop on the road to enactment. I will be sending you a copy of the draft and the explanatory memo for your review at the same time as I transmit them to Representative Wardlow.

Thank you for your assistance in this matter.

Larry Martin
Executive Director
Legislative Commission on Pensions and Retirement
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This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **2762**

February 12, 2008

Authored by Wardlow

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; Teachers Retirement Association; authorizing the purchase
1.3 of service credit for prior Illinois teaching service.

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

1.5 Section 1. TEACHERS RETIREMENT ASSOCIATION; SERVICE CREDIT
1.6 PURCHASE AUTHORIZATION.

1.7 (a) Notwithstanding any provision of Minnesota Statutes, chapter 354, to the
1.8 contrary, an eligible person described in paragraph (b) may purchase allowable and
1.9 formula service credit under Minnesota Statutes, section 354.05, subdivisions 13 and 25,
1.10 from the Teachers Retirement Association, for the period of prior out-of-state teaching
1.11 service specified in paragraph (c), by making the payment required under paragraph (d).

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

1.13 (1) was born on April 7, 1976;

1.14 (2) was a teacher at the Edwardsville High School in O'Fallon, Illinois, during the
1.15 1998-1999, 1999-2000, 2000-2001, and 2001-2002 school years;

1.16 (3) was a teacher for Independent School District No. 196, Rosemount, at the
1.17 Apple Valley High School during the 2002-2003, 2003-2004, 2004-2005, 2005-2006,
1.18 and 2006-2007 school years; and

1.19 (4) was on a leave of absence from Independent School District No. 196,
1.20 Rosemount, for the 2007-2008 school year.

1.21 (c) The period of prior service credit available for purchase is up to 4.188 years,
1.22 representing Illinois teaching service rendered during the 1998-1999, 1999-2000,
1.23 2000-2001, and 2001-2002 school years. The prior service credit may not exceed one year
1.24 of service credit in any school year and may not include any prior teaching service that

2.1 entitles the eligible person to a current or deferred age and service retirement annuity or
2.2 disability benefit from the Illinois Teachers Retirement System or that was previously
2.3 subject to a prior service credit purchase from another defined benefit public employee
2.4 retirement plan.

2.5 (d) The purchase payment amount under this section is the amount calculated under
2.6 Minnesota Statutes, section 356.551. If permitted by federal law and Illinois state law, the
2.7 purchase payment obligation may be met in whole or in part by an institution to institution
2.8 transfer of the eligible person's account balance in the Illinois Teachers Retirement System.

2.9 (e) The election to purchase prior service credit under this section must be made
2.10 in writing and must be filed with the executive director of the Teachers Retirement
2.11 Association. The executive director of the Teachers Retirement System may require the
2.12 documentation of the applicability of this section and any other relevant information
2.13 from the eligible person.

2.14 **EFFECTIVE DATE; EXPIRATION.** This section is effective the day following
2.15 final enactment and expires on January 1, 2010.