



H.F. 3320
(Nelson)

S.F. 2423
(Betzold)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Teachers Retirement Association
Relevant Provisions of Law: Minnesota Statutes, 354A.12, Subdivision 3c
General Nature of Proposal: Clarification of special direct state aid allocation
Date of Summary: March 28, 2008

Specific Proposed Changes

- The proposed legislation clarifies the 2007 legislation updating the post-2000 division of the DTRFA state direct aid between SPTRFA and TRA, as successor to MTRFA, and permits late payment of the FY 2008 aid to TRA, with interest.

Policy Issues Raised by the Proposed Legislation

1. Accuracy of the contention that statutory provisions need clarification.
2. Appropriateness of continuing to reallocate previous DTRFA state aid.
3. Appropriateness of eventual perpetual direct state aid to TRA.
4. Appropriateness of interest on delayed October 2007 aid payment to TRA.

Potential Amendments

- H3320-1A continues SPTRFA aid to SPTRFA after SPTRFA becomes as funded as TRA rather than redirecting aid to TRA.
- H3320-2A terminates direct state aid to SPTRFA and TRA in 2037.
- H3320-3A eliminates interest payment from the State General Fund on unpaid 2007 TRA direct aid payment.
- H3320-4A sets interest payment from the State General Fund on unpaid 2007 TRA direct aid payment at actual short-term Treasurer's cash account investment performance rate rather than 8.5 percent.
- H3320-5A sets interest payment from the State General Fund on unpaid 2007 TRA direct aid payment at interest rate to be specified.



TO: Members of the Legislative Commission on Pensions and Retirement

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

RE: H.F. 3320 (Nelson); S.F. 2423 (Betzold): TRA; Clarification of Special Direct State Aid Allocation

DATE: March 28, 2008

Summary of H.F. 3320 (Nelson); S.F. 2423 (Betzold)

H.F. 3320 (Nelson); S.F. 2423 (Betzold) clarifies the amounts of direct state aid that was previously (before 2001) paid to the Duluth Teachers Retirement Fund Association (DTRFA) before it became fully funded in 2003 and lost eligibility for the direct aid and was allocated between the Minneapolis Teachers Retirement Fund Association (MTRFA), now succeeded by the Teachers Retirement Association (TRA), and the St. Paul Teachers Retirement Fund Association (SPTRFA), specifying the post-2003 administrative allocation in statute.

Background Information

Background information on the special direct state aid to the first class city teacher retirement fund associations enacted in 1997 and on the current unpaid former Minneapolis Teachers Retirement Fund Association (MTRFA) 1997 direct state aid for the Teachers Retirement Association (TRA) is attached in **Attachment A**.

Discussion and Analysis

H.F. 3320 (Nelson); S.F. 2423 (Betzold) amends Minnesota Statutes, Section 354A.12, Subdivisions 3a and 3c, eliminating the outdated 1998 state aid references, resetting the aid amounts for the TRA and SPTRFA at the historic amounts representing the allocation of the aid previously paid to DTRFA, simplifying the aid termination provision, and making the changes retroactive to validate the 2006 (FY 2007) aid payments to TRA and SPTRFA, permit a late payment of the 2007 (FY 2008) reallocated aid amounts, and requiring interest on the delayed payments at the actuarial assumption interest rate (8.5 percent).

The proposed legislation raises several pension and related public policy issues for Commission consideration and potential discussion, as follows:

1. Accuracy of Contention that Statute Needs Clarification. The policy issue is the accuracy of the contention that Minnesota Statutes, Section 354A.12, Subdivisions 3a and 3c, failed to completely encompass the legislative intent of providing the Teachers Retirement Association (TRA) with all of the state aid that the former Minneapolis Teachers Retirement Fund Association (MTRFA) received as the successor to that plan following the 2006 consolidation and needs clarification. The following sets forth the contents of the provisions in 2004 before the MTRFA consolidation, in 2006 after the MTRFA consolidation, and as proposed.

Minnesota Statutes 2004	Minnesota Statutes 2006	Proposed
<p>Section 354A.12, Subd. 3a. Special direct state aid to first class city teachers retirement fund associations.</p> <p>(a) In fiscal year 1998, the state shall pay \$4,827,000 to the St. Paul Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers Retirement Fund Association, and \$486,000 to the Duluth Teachers Retirement Fund Association. In each subsequent fiscal year, these payments to the first class city teachers retirement fund associations must be \$2,827,000 for St. Paul, \$12,954,000 for Minneapolis, and \$486,000 for Duluth.</p>	<p>Section 354A.12, Subd. 3a. Special direct state aid to first class city teachers retirement fund associations.</p> <p>(a) In fiscal year 1998, the state shall pay \$4,827,000 to the St. Paul Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers Retirement Fund Association, and \$486,000 to the Duluth Teachers Retirement Fund Association. In each fiscal year after fiscal year 2006, these payments to the first class city teachers retirement fund associations must be \$2,827,000 for St. Paul, \$12,954,000 to the Teachers Retirement Association for the former Minneapolis Teachers Retirement Fund Association, and \$486,000 for Duluth.</p>	<p>Section 354A.12, Subd. 3a. Special direct state aid to first class city teachers retirement fund associations.</p> <p>(a) In fiscal year 1998, The state shall pay \$4,827,000 to the St. Paul Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers Retirement Fund Association, and \$486,000 to the Duluth Teachers Retirement Fund Association. In each fiscal year after fiscal year 2006, these payments to the first class city teachers retirement fund associations must be \$2,827,000 for St. Paul, \$12,954,000 to the Teachers Retirement Fund Association and, for the former Minneapolis Teachers Retirement Fund Association, and \$486,000 for Duluth. <u>\$13,300,000 to the Teachers Retirement Association.</u></p>

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Subd. 3c. Termination of supplemental contributions and direct matching and state aid. (a) The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by special school district No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, or to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aids under subdivision 3a to the first class city teachers retirement associations, and the direct matching and state aid under subdivision 3b to the Minneapolis Teachers Retirement Fund Association terminate for the respective fund at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained by the Legislative Commission on Pensions and Retirement, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained by the Legislative Commission on Pensions and Retirement.

(b) If the state direct matching, state supplemental, or state aid is terminated for a first class city teachers retirement fund association under paragraph (a), it may not again be received by that fund.

(c) If either the Minneapolis Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, or the Duluth Teachers Retirement Fund Association remain funded at less than the funding ratio applicable to the teachers retirement association when the provisions of paragraph (b) become effective, then any state aid not distributed to that association must be immediately transferred to the other associations in proportion to the relative sizes of their unfunded actuarial accrued liabilities.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Subd. 3c. Termination of supplemental contributions and direct matching and state aid. (a) The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, must continue to be paid to the Teachers Retirement Association until 2037. The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aids under subdivision 3a to the St. Paul Teachers Retirement Fund Association terminate at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained under section 356.214, equals or exceeds the accrued liability funding ratio for the teachers retirement association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained under section 356.214.

(b) If the state direct matching, state supplemental, or state aid is terminated for a first class city teachers retirement fund association under paragraph (a), it may not again be received by that fund.

(c) If the St. Paul Teachers Retirement Fund Association is funded at the funding ratio applicable to the Teachers Retirement Association when the provisions of paragraph (b) become effective, then any state aid previously distributed to that association must be immediately transferred to the Teachers Retirement Association.

(b) The direct state aids under this subdivision are payable October 1 annually. The commissioner of finance shall pay the direct state aid. The amount required under this subdivision is appropriated annually from the general fund to the commissioner of finance.

Subd. 3c. Termination of supplemental contributions and direct matching and state aid. (a) The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, must ~~continue to~~ be paid to the Teachers Retirement Association ~~and must continue~~ until 2037. The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aids ~~aid~~ under subdivision 3a to the St. Paul Teachers Retirement Fund Association terminate at the end of the fiscal year in which the accrued liability funding ratio for that fund, as determined in the most recent actuarial report for that fund by the actuary retained under section 356.214, equals or exceeds the accrued liability funding ratio for the Teachers Retirement Association, as determined in the most recent actuarial report for the Teachers Retirement Association by the actuary retained under section 356.214.

~~(b) If the state direct matching, state supplemental, or state aid is terminated for a first class city teachers retirement fund association under paragraph (a), it may not again be received by that fund.~~

(e) If the St. Paul Teachers Retirement Fund Association is funded at an amount equal to or greater than the funding ratio applicable to the Teachers Retirement Association ~~when the provisions of paragraph (b) become effective, then any future state aid previously distributed to that association must be immediately transferred under subdivision 3a is payable to the~~ Teachers Retirement Association.

2. Appropriateness of Continuing to Reallocate the Previous DTRFA Direct State Aid. The policy issue is the appropriateness of continuing to reallocate to the Teachers Retirement Association (TRA) the direct state aid that was formerly paid to the Duluth Teachers Retirement Fund Association (DTRFA) when the DTRFA contribution deficiency is greater as a percentage of covered pay than the TRA contribution deficiency. Although the 1997 legislation that created the first class city teacher retirement fund association direct state aids was conceived of and initially drafted by the various retirement plan administrators, it is clear that the aid cancellation and reallocation provision rests on a supposition that once a retirement plan becomes fully funded, the retirement plan should be able to maintain that situation. For DTRFA, the plan was not able to maintain its full funding condition through the 2000-2001 economic troubles. The following summarizes the actuarial condition of DTRFA in 2006 and 2007:

Duluth Teachers Retirement Fund Association (DTRFA)

	2006		2007		Change 2006-2007	
<u>Membership</u>						
Active Members		1,174		1,150		(24)
Service Retirees		1,076		1,119		43
Disabilitants		17		15		(2)
Survivors		97		93		(4)
Deferred Retirees		312		321		9
Nonvested Former Members		<u>570</u>		<u>682</u>		<u>112</u>
Total Membership		3,246		3,380		134
<u>Funded Status</u>						
Accrued Liability		\$322,229,167		\$332,216,981		\$9,987,814
Current Assets		<u>\$270,925,689</u>		<u>\$288,264,749</u>		<u>\$17,339,060</u>
Unfunded Accrued Liability		\$51,303,478		\$43,952,232		(\$7,351,246)
Funding Ratio	84.08%		86.77%		2.69%	
<u>Financing Requirements</u>						
Covered Payroll		\$57,482,791		\$58,666,809		\$1,184,018
Benefits Payable		\$19,229,911		\$20,065,048		\$835,137
Normal Cost	9.19%	\$5,281,712	9.23%	\$5,416,358	0.04%	\$134,646
Administrative Expenses	<u>0.76%</u>	<u>\$436,869</u>	<u>0.79%</u>	<u>\$463,468</u>	<u>0.03%</u>	<u>\$26,599</u>
Normal Cost & Expense	9.95%	\$5,718,581	10.02%	\$5,879,826	0.07%	\$161,245
Normal Cost & Expense	9.95%	\$5,718,581	10.02%	\$5,879,826	0.07%	\$161,245
Amortization	<u>5.24%</u>	<u>\$3,012,098</u>	<u>4.51%</u>	<u>\$2,645,873</u>	<u>(0.73%)</u>	<u>(\$366,225)</u>
Total Requirements	15.19%	\$8,730,679	14.53%	\$8,525,699	(0.66%)	(\$204,980)
Employee Contributions	5.50%	\$3,161,554	5.50%	\$3,226,675	(0.00%)	\$65,121
Employer Contributions	5.79%	\$3,328,254	5.79%	\$3,396,808	(0.00%)	\$68,554
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	11.29%	\$6,489,808	11.29%	\$6,623,483	(0.00%)	\$133,675
Total Requirements	15.19%	\$8,730,679	14.53%	\$8,525,699	(0.66%)	(\$204,980)
Total Contributions	<u>11.29%</u>	<u>\$6,489,808</u>	<u>11.29%</u>	<u>\$6,623,483</u>	<u>(0.00%)</u>	<u>\$133,675</u>
Deficiency (Surplus)	3.90%	\$2,240,871	3.24%	\$1,902,216	(0.66%)	(\$338,655)
Amortization Target Date	2032		2032		2032	
Actuary	Segal		Segal		Segal	

When DTRFA went from being fully funded to having an unfunded actuarial accrued liability in 2004, The Segal Company appears to have misread Minnesota Statutes, Section 356.215, Subdivision 11, Paragraph (b), and continued to use the same amortization date (2032) as was applicable when the plan initially had a funding surplus and an amortization credit. If the 2020 amortization target date that is required for DTRFA by Minnesota Statutes, Section 356.215, Subdivision 11, Paragraph (b), was used, the 2007 amortization requirement would increase from 4.51 percent of covered pay to 8.13 percent of covered pay, the total actuarial requirements of the plan would increase from 14.53 percent of covered pay to 18.15 percent of covered pay, and the plan's contribution deficiency would increase from 3.24 percent of covered pay to 6.86 percent of covered pay.

Because TRA assumed the liabilities of the Minneapolis Teachers Retirement Fund Association (MTRFA), it was made the successor to all of the special additional funding sources that previously supported MTRFA. The following sets forth the actuarial condition of TRA in 2005 (before the MTRFA consolidation), in 2006 (after the MTRFA consolidation), and 2007 (most recent results):

	Teachers Retirement Association (TRA)		
	2005	2006	2007
<u>Membership</u>			
Active Members	74,552	79,164	77,694
Service Retirees	35,779	41,009	42,679
Disabilitants	581	630	636
Survivors	2,597	3,044	3,223
Deferred Retirees	9,880	11,773	12,636
Nonvested Former Members	<u>19,151</u>	<u>21,956</u>	<u>22,914</u>
Total Membership	142,540	157,576	159,782
<u>Funded Status</u>			
Accrued Liability	\$18,021,410,061	\$20,679,110,879	\$21,470,314,497
Current Assets	<u>\$17,752,917,313</u>	<u>\$19,035,611,839</u>	<u>\$20,111,778,892</u>
Unfunded Accrued Liability	\$268,492,748	\$1,643,499,040	\$1,358,535,605
Funding Ratio	98.51%	92.05%	93.67%

Teachers Retirement Association (TRA)						
	2005		2006		2007	
<u>Financing Requirements</u>						
Covered Payroll		\$3,389,066,754		\$3,707,900,584		\$3,814,373,772
Benefits Payable		\$1,048,440,524		\$1,224,212,024		\$1,273,093,384
Normal Cost	8.02%	\$271,801,325	9.43%	\$349,678,399	9.37%	\$357,343,265
Administrative Expenses	<u>0.34%</u>	<u>\$11,522,827</u>	<u>0.33%</u>	<u>\$12,236,072</u>	<u>0.29%</u>	<u>\$11,061,684</u>
Normal Cost & Expense	8.36%	\$283,324,152	9.76%	\$361,914,471	9.66%	\$368,404,949
Normal Cost & Expense	8.36%	\$283,324,152	9.76%	\$361,914,471	9.66%	\$368,404,949
Amortization	<u>0.69%</u>	<u>\$23,384,561</u>	<u>2.34%</u>	<u>\$86,764,874</u>	<u>1.92%</u>	<u>\$73,235,976</u>
Total Requirements	9.05%	\$306,708,713	12.11%	\$448,679,345	11.58%	\$441,640,925
Employee Contributions	5.00%	\$169,453,338	5.51%	\$204,456,479	5.51%	\$210,143,378
Employer Contributions	5.00%	\$169,453,338	5.23%	\$193,832,020	5.72%	\$218,013,895
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.51%	\$18,819,110	0.49%	\$18,819,110
Other Govt. Funding	0.00%	\$0	0.07%	\$2,500,000	0.07%	\$2,500,000
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>	<u>0.00%</u>	<u>\$0</u>
Total Contributions	10.00%	\$338,906,676	11.31%	\$419,607,609	11.78%	\$449,476,383
Total Requirements	9.05%	\$306,708,713	12.11%	\$448,679,345	11.58%	\$441,640,925
Total Contributions	<u>10.00%</u>	<u>\$338,906,676</u>	<u>11.31%</u>	<u>\$419,607,609</u>	<u>11.78%</u>	<u>\$449,476,383</u>
Deficiency (Surplus)	(0.95%)	(\$32,197,963)	0.80%	\$29,071,736	(0.21%)	(\$7,835,458)
Amortization Target Date	2020		2037		2037	
Actuary	Segal		Segal		Segal	

The proposed legislation is most consistent with the intent of the 2006 MTRFA consolidation legislation.

3. Appropriateness of Eventually Perpetual Direct State Aid to TRA. The policy issue is the appropriateness of transferring the 1997 direct state aid to the first class city teacher retirement fund associations into a perpetual state aid program for the Teachers Retirement Association (TRA). The proposed amendment to Minnesota Statutes, Section 354A.12, Subdivision 3c (Section 2), makes the current St. Paul Teachers Retirement Fund Association (SPTRFA) direct state aid payable to TRA after the date that SPTRFA attains the same funded ratio as TRA. Assuming that the SPTRFA funding insufficiencies are resolved in the near term and SPTRFA funding improves, TRA will become the recipient of the \$2.967 million currently payable to SPTRFA and TRA would be the sole recipient of the 1997 direct state aid without any automatic mechanism for terminating the aid.

If the Commission concludes that the dedication of the current 1997 direct state aid to SPTRFA should continue at least until the plan is fully funded rather than being redirected to TRA whenever the SPTRFA funded ratio happens to equal or exceed the TRA funded ratio, **Amendment H3320-1A** would eliminate the automatic SPTRFA aid redirection to TRA provision. If the Commission decides that a termination provision for the direct state aid for the first class city teacher retirement plans program is necessary, **Amendment H3320-2A** would terminate the direct state aid program in 2037 or whenever both TRA and SPTRFA become fully funded, whichever is earlier.

4. Appropriateness of Obligating the State General Fund to Pay Interest on Delayed October 1, 2007, Aid Payments. The policy issue is the appropriateness of requiring the State General Fund to pay interest to the Teachers Retirement Association (TRA) on the unpaid direct state aid amount otherwise payable on October 1, 2007, but unpaid because of the confusion from the 2006 and 2007 amendments to Minnesota Statutes, Section 354A.12, Subdivisions 3a and 3c, and the appropriateness of setting the interest rate at the interest rate actuarial assumption rate applicable to TRA, 8.5 percent per annum or 0.708 percent per month, rather than the interest rate actually earned by the State of Minnesota in the excess treasurer's cash account or at some other interest rate. While the general practice of the Legislature is to require the payment of interest at the actuarial assumption rate amount on amounts payable to a public pension plan, the practice of the Legislature with respect to charging interest on State General Fund delayed payments or retroactively authorized payments may not be the same.

If the Commission seeks to protect the State General Fund from any interest charge rather than protect the funding requirements of the public pension plan in this situation, **Amendment H3320-3A** eliminates the interest obligation. If the Commission decides that the rate of interest on the delayed/disputed direct state aid payment should be set at the rate actually earned by the State Board of Investment in the short-term cash account where cancellations of state appropriations or unpaid appropriations are invested, **Amendment H3320-4A** sets the interest charge at that actual short-term investment rate of the State Board of Investment. If the Commission decides on a specific interest rate other than 8.5 percent per annum, **Amendment H3320-5A** sets the interest rate at a rate to be specified.

Attachment A

Background Information on 1997 First Class City Teacher Retirement Fund Associations Direct State Aid Program and Reallocation After Full Funding

- a. Aid Program in General. In 1997 (Laws 1997, Chapter 233, Article 3, Section 4), as part of the so-called "uniformity bill," an annual supplemental state contribution was established for the Duluth Teachers Retirement Fund Association (DTRFA), the Minneapolis Teachers Retirement Fund Association (MTRFA), and the St. Paul Teachers Retirement Fund Association (SPTRFA). The program is coded as Minnesota Statutes, Section 354A.12, Subdivision 3a. The supplemental state funding was an attempt to offset the cost of the 1997 benefit improvements and to bolster the funding of those financially troubled retirement plans.

The 1997 state supplemental funding for the first class city teacher retirement fund associations is provided from the State General Fund, derived in part from a 1997 reduction in education aids related to a reduction in the Teachers Retirement Association (TRA) employer contribution rate.

In order to receive the 1997 state supplemental funding for the first class city teacher retirement fund associations, the applicable first class city teacher retirement fund associations must be less than fully funded. Upon full funding, the funding attributable to the retirement fund association is redirected to the remaining teacher retirement fund association or associations with an actuarial accrued liability.

The amount of the 1997 state funding for first class city teachers retirement fund association has been as follows:

<u>Year</u>	<u>DTRFA Amount</u>	<u>MTRFA Amount</u>	<u>SPTRFA Amount*</u>
1998	\$486,000	\$17,954,000	\$4,827,000
1999	486,000	12,954,000	2,827,000
2000	486,000	12,954,000	2,827,000
2001	0	13,300,000	2,967,000
2002	0	13,300,000	2,967,000
2003	0	13,300,000	2,967,000
2004	0	13,300,000	2,967,000
2005	0	13,300,000	2,967,000
2006	0	13,300,000	2,967,000
2007	0	13,300,300**	2,967,000
2008	0	12,954,000***	2,967,000

* The 1997 legislation rolled the 1993 aid amount into this aid program.

** The Teachers Retirement Association (TRA) became the successor in interest to the former Minneapolis Teachers Retirement Fund Association (MTRFA) under Laws 2006, Chapter 277, Article 3.

*** The Department of Finance has delayed paying the MTRFA portion of the reallocated DTRFA direct state aid as of March 28, 2008.

The state funding under Laws 1997, Chapter 233, Article 3, Section 4, becomes an asset of the applicable pension plan and may be expended for any lawful purpose for the pension plan.

- b. Post-2002 Allocation of DTRFA Direct State Aid. Duluth Teachers Retirement Fund Association (DTRFA) lost eligibility for direct state aid in 2001, when its assets were greater than its actuarial accrued liability, and its prior aid amount was allocated between MTRFA and SPTRFA under Minnesota Statutes 2004, Section 354A.12, Subdivision 3c, Paragraph (c). MTRFA and SPTRFA should have pursued administrative legislation after 2001, but did not.

When MTRFA was consolidated into TRA, the legislation made TRA the successor to MTRFA for its various prior aids and special local contribution arrangements, eliminated the allocation language under Minnesota Statutes 2004, Section 354A.12, Subdivision 3c, Paragraph (c), as no longer needed, but did not update Minnesota Statutes, Section 354A.12, Subdivision 3a, to allocate the former DTRFA money cleanly between TRA and SPTRFA. TRA and the Department of Finance indicate that the FY 2007 former DTRFA aid amount was allocated between TRA and SPTRFA, but that the Department of Finance has delayed paying the FY 2008 former DTRFA aid amount.

- 1.1 moves to amend H.F. No. 3320; S.F. No. 2423, as follows:
- 1.2 Page 1, line 24, strike "(a)"
- 1.3 Page 2, line 6, after "year" insert "next following the year"
- 1.4 Page 2, line 7, strike everything after the first "the"
- 1.5 Page 2, strike lines 8 and 9 and insert "current assets of the fund equal or exceed
- 1.6 actuarial accrued liability, as"
- 1.7 Page 2, line 10, strike "for the Teachers Retirement Association"
- 1.8 Page 2, line 12, strike "(b)"
- 1.9 Page 2, lines 15 to 19, delete the new language and strike the old language

1.1 moves to amend H.F. No. 3320; S.F. No. 2423, as follows:

1.2 Page 2, line 3, after "until" insert "the current assets of the fund equal or exceed the
1.3 actuarial accrued liability of the fund as determined in the most recent actuarial report
1.4 for the fund by the actuary retained under section 356.214 or" and after "2037" insert ",
1.5 whichever occurs earlier"

1.6 Page 2, line 20, after "RETROACTIVITY" insert "; REPEALER"

1.7 Page 2, after line 28, insert:

1.8 "(c) Minnesota Statutes, section 354A.12, subdivisions 3a, 3b, and 3c, are repealed
1.9 effective the first day of the fiscal year next following the fiscal year in which neither the
1.10 Teachers Retirement Association nor the St. Paul Teachers Retirement Fund Association
1.11 has an unfunded actuarial accrued liability as determined in the actuarial valuation
1.12 prepared under Minnesota Statutes, section 356.215, by the actuary retained under
1.13 Minnesota Statutes, section 356.214."

1.14 Amend the title accordingly

- 1.1 moves to amend H.F. No. 3320; S.F. No. 2423, as follows:
- 1.2 Page 2, line 21, delete "(a)"
- 1.3 Page 2, delete lines 23 to 29

- 1.1 moves to amend H.F. No. 3320; S.F. No. 2423, as follows:
- 1.2 Page 2, line 26, delete "of 0.708" and insert "equal to the investment performance
- 1.3 rate earned under Minnesota Statutes, section 11A.20,"
- 1.4 Page 2, line 27, delete "percent"

- 1.1 moves to amend H.F. No. 3320; S.F. No. 2423, as follows:
- 1.2 Page 2, line 26, delete "0.708" and insert "....."

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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **3320**

February 21, 2008

Authored by Nelson

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; first class city teacher retirement fund associations;
1.3 correcting special direct state aid references; amending Minnesota Statutes 2006,
1.4 section 354A.12, subdivision 3a; Minnesota Statutes 2007 Supplement, section
1.5 354A.12, subdivision 3c.

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

1.7 Section 1. Minnesota Statutes 2006, section 354A.12, subdivision 3a, is amended to
1.8 read:

1.9 Subd. 3a. **Special direct state aid to first class city teachers retirement fund**
1.10 **associations.** (a) ~~In fiscal year 1998, The state shall pay \$4,827,000 to the St. Paul~~
1.11 ~~Teachers Retirement Fund Association, \$17,954,000 to the Minneapolis Teachers~~
1.12 ~~Retirement Fund Association, and \$486,000 to the Duluth Teachers Retirement Fund~~
1.13 ~~Association. In each fiscal year after fiscal year 2006, these payments to the first class city~~
1.14 ~~teachers retirement fund associations must be \$2,827,000 for \$2,967,000 to the St. Paul;~~
1.15 ~~\$12,954,000 to the Teachers Retirement Fund Association and, for the former Minneapolis~~
1.16 ~~Teachers Retirement Fund Association, and \$486,000 for Duluth \$13,300,000 to the~~
1.17 Teachers Retirement Association.

1.18 (b) The direct state aids under this subdivision are payable October 1 annually. The
1.19 commissioner of finance shall pay the direct state aid. The amount required under this
1.20 subdivision is appropriated annually from the general fund to the commissioner of finance.

1.21 Sec. 2. Minnesota Statutes 2007 Supplement, section 354A.12, subdivision 3c, is
1.22 amended to read:

1.23 Subd. 3c. **Termination of supplemental contributions and direct matching**
1.24 **and state aid.** (a) The supplemental contributions payable to the Minneapolis Teachers

2.1 Retirement Fund Association by Special School District No. 1 and the city of Minneapolis
2.2 under section 423A.02, subdivision 3, must ~~continue to~~ be paid to the Teachers Retirement
2.3 Association and must continue until 2037. The supplemental contributions payable to the
2.4 St. Paul Teachers Retirement Fund Association by Independent School District No. 625
2.5 under section 423A.02, subdivision 3, or the direct state ~~aids~~ aid under subdivision 3a to
2.6 the St. Paul Teachers Retirement Fund Association terminate at the end of the fiscal year
2.7 in which the accrued liability funding ratio for that fund, as determined in the most recent
2.8 actuarial report for that fund by the actuary retained under section 356.214, equals or
2.9 exceeds the accrued liability funding ratio for the Teachers Retirement Association, as
2.10 determined in the most recent actuarial report for the Teachers Retirement Association by
2.11 the actuary retained under section 356.214.

2.12 ~~(b) If the state direct matching, state supplemental, or state aid is terminated for a~~
2.13 ~~first class city teachers retirement fund association under paragraph (a), it may not again~~
2.14 ~~be received by that fund.~~

2.15 ~~(c)~~ (e) If the St. Paul Teachers Retirement Fund Association is funded at an amount
2.16 equal to or greater than the funding ratio applicable to the Teachers Retirement Association
2.17 ~~when the provisions of paragraph (b) become effective~~, then any future state aid ~~previously~~
2.18 ~~distributed to that association must be immediately transferred~~ under subdivision 3a is
2.19 payable to the Teachers Retirement Association.

2.20 Sec. 3. **EFFECTIVE DATE; RETROACTIVITY.**

2.21 (a) Sections 1 and 2 are effective on the day following final enactment and apply
2.22 retroactively to direct state aid paid or payable during fiscal years 2007 and 2008.

2.23 (b) If any direct state aid payable to the Teachers Retirement Association or to the
2.24 St. Paul Teachers Retirement Fund Association under sections 1 and 2 was not paid to
2.25 the applicable retirement plan in a timely fashion, the retroactive payment of the direct
2.26 state aid must also include compound interest on the aid amount at a monthly rate of 0.708
2.27 percent from the date that the payment would have been paid if paid in a timely fashion
2.28 until the date on which the payment is made.