

## **Background Information on State Arts Board and Minnesota Humanities Commission IRAP Coverage**

In addition to administering the Higher Education Individual Retirement Account Plan (IRAP) for its college and university faculty, the Minnesota State Colleges and Universities System (MnSCU) administers an IRAP program for supervisory and professional employees of the State Arts Board and the Minnesota Humanities Commission who elect IRAP coverage in lieu of the defined benefit plan that would otherwise provide coverage. Depending on the employee and the organization, the applicable defined benefit plan would be either the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), or the Teachers Retirement Association (TRA). The State Arts Board and Humanities Commission IRAP legislation passed in 1994. Similar legislation passed in 1996 for Minnesota Historical Society employees, although the Historical Society administers its own program rather than having MnSCU administer it. Key governing provisions regarding the State Arts Board and Humanities Commission IRAP and Minnesota Historical Society IRAP are found in Minnesota Statutes, Chapter 354D.

Interest by these three employee groups in having defined contribution plan coverage stemmed in part from periods of high investment returns during the 1980s and 1990s. Employee interest in defined contribution plans tends to coincide with periods of high investment returns.

To minimize any employer resistance to a defined contribution plan, the initial laws for the State Arts Board and Humanities Commission and Historical Society IRAP plans were drafted so that the employer contribution to the defined contribution plan was the same as the contribution the employer would pay to the defined benefit plan that would otherwise provide the coverage. Thus, the proposals were cost neutral for the employer. For MnSCU, however, this structure meant that the few State Arts Board and Humanities Commission employees in the MnSCU-administered IRAP plans had different employee and employer contribution rates than its higher education IRAP members. In 2006, MnSCU contended that these differences were an administrative burden requiring special coding and related procedures for the State Arts Board and Humanities Commission IRAP members, and MnSCU recommended that all IRAP-covered employees in plans administered by MnSCU or its agents should use the 4.5% employee rate and 6.0% employer contribution rate applicable for higher education IRAP-covered employees. This change was enacted in Laws 2006, Chapter 271, Article 3, Section 39. For Historical Society employees who are IRAP members, the employee and employer contributions rates remain those applicable to MSRS-General, PERA-General, or TRA, whichever plan would have provided coverage if Historical Society IRAP had not been elected.