



H.F. 1783
(Faust)

S.F. 948
(Lourey)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): TRA (former MTRFA)
Relevant Provisions of Law: Uncoded special law provision
General Nature of Proposal: Purchase of full-time equivalent salary credit authorization
Date of Summary: March 27, 2007

Specific Proposed Changes

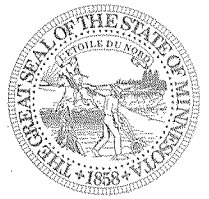
- Authorizes Minneapolis teacher who took sabbatical leave with unconventional salary arrangement to purchase full-time equivalent salary for the teaching year following the sabbatical.

Policy Issues Raised by the Proposed Legislation

1. Equitable considerations.
2. Appropriate salary credit purchase payment amount.
3. Precedent.

Potential Amendments

H1783-1A Requires full actuarial value purchase payment (substantive).



TO: Members of the Legislative Commission on Pensions and Retirement

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

RE: H.F. 1783 (Faust); S.F. 948 (Lourey): TRA; Purchase of Salary Credit for Reduced Salary Year Occurring After a Sabbatical Leave

DATE: March 26, 2007

Summary of H.F. 1783 (Faust); S.F. 948 (Lourey)

H.F. 1783 (Faust); S.F. 948 (Lourey) permits George L. Jaquith, described by various pertinent facts that cumulatively limit the potential legislation to him alone, in conformity with Article XII, Section 1, of the Minnesota Constitution, to purchase from the Teachers Retirement Association (TRA) the additional salary credit for the 2005-2006 school year he taught on reduced salary sufficient to gain the full-time equivalent salary figure for that year. To obtain the additional salary credit, contributions on the currently uncredited salary amount equal to the total of the Minneapolis Teachers Retirement Fund Association (MTRFA) member contribution rate (5.5 percent) and the MTRFA employer contribution rate (8.14 percent) in effect during the 2005-2006 school year must be paid to TRA, with interest. The authority expires on July 1, 2008.

Public Pension Problem of George L. Jaquith

George L. Jaquith is a 58-year-old teacher at South High School, Special School District No. 1, Minneapolis, and is a resident of Pine County, Minnesota, who has 28.95 years of service credit from the Teachers Retirement Association (TRA), most of which was transferred from the former Minneapolis Teachers Retirement Fund Association (MTRFA) following its consolidation into TRA in 2006. Mr. Jaquith took a sabbatical leave from the Minneapolis Public Schools for the 2004-2005 school year, compensated at 75 percent of full salary rather than the more traditional 50 percent of full salary, and agreed to teach full-time during the 2005-2006 school year also compensated at 75 percent of full salary. This option in sabbatical leaves was apparently a recent modification in the collective bargaining agreement between the Minneapolis teachers union and Special School District No. 1 and Mr. Jaquith indicates that he was the first Minneapolis teacher to utilize this option.

Mr. Jaquith made the extra contributions to obtain full service and salary credit for the 2004-2005 school year sabbatical leave from MTRFA under Minnesota Statutes, Section 354A.092, before MTRFA consolidated into TRA. Minnesota Statutes, Section 354A.092, the first class city teacher retirement fund association sabbatical leave law, however, does not contemplate the salary arrangement that Mr. Jaquith agreed to in the sabbatical leave option he utilized, meaning that he has no current law mechanism for acquiring the full-time equivalent salary amount credit for the 2005-2006 school year.

Because Mr. Jaquith would qualify for a TRA retirement annuity under the "Rule of 90" early normal retirement provision in February 2008, the reduced compensation year of the sabbatical leave agreement falls within his likely highest five years average salary determination period. The reduced covered salary year will reduce his calculated final average salary and will reduce his eventual TRA retirement annuity. He seeks authority to make the additional contributions necessary to receive the additional salary credit for the 2005-2006 school year to gain his full eventual retirement TRA annuity.

Background Information

- A. Sabbatical Leaves. Background information on sabbatical leaves in teacher retirement plans is set forth in Attachment A.
- B. Computation of Defined Benefit Plan Annuities. Background information on defined benefit plan retirement annuity calculations and average salary determinations is set forth in Attachment B.

Discussion and Analysis

H.F. 1783 (Faust); S.F. 948 (Lourey) permits George L. Jaquith to purchase from the Teachers Retirement Association (TRA) 25 percent additional salary credit for the 2005-2006 school year for which he was compensated on a reduced basis with the payment of equivalent member and employer contributions, plus interest.

H.F. 1783 (Faust); S.F. 948 (Lourey) raises the following pension and related public policy issues for consideration and discussion by the Commission:

1. Equitable Considerations. The policy issue is whether or not the equitable considerations favoring the proposed legislation outweigh the equitable considerations not favoring the proposed legislation. In the Commission's Principles of Pension Policy, in the principle on the corollary issue of service credit purchases, one of the significant issues is the absence of overriding adverse equitable considerations. In his letter to former Representative Judy Soderstrom, Mr. Jaquith indicates that his request remedies a bad situation, that his request corrects a misunderstanding and a mistake, that the Minneapolis Teachers Retirement Fund Association (MTRFA) failed to spell out the applicable purchase procedures in its information, that his salary credit loss occurs when he is currently working full time for three-quarters pay, that if uncorrected the uncovered salary would unfairly impair his eventual retirement annuity, and that the whole situation is a fairness issue. While heavy on characterizations, the sole equitable assertion by Mr. Jaquith with some factual recitation is the implicit contention that MTRFA failed to provide him with sufficient information on its sabbatical leave statute and rules.

From materials provided by TRA relating to Mr. Jaquith, the Special School District No. 1, Minneapolis, sabbatical leave election form clearly indicates that a sabbatical leave could adversely affect a person's ultimate retirement annuity and suggests that the teacher contact MTRFA to assess any possible impact. The TRA materials also indicate that the MTRFA heard an appeal of its decision to accept payments to obtain extra salary credit from Mr. Jaquith and sustained the prior decision because the plan lacked statutory authority to accept additional salary credit purchase payments.

Since the 2005-2006 school year arrangement was a voluntary salary reduction and not a sabbatical leave period, the salary credit received reflects Mr. Jaquith's actual compensation and there is no statutory authority for purchasing hypothetical salary amounts not associated with a sabbatical leave period. Mr. Jaquith's situation may be that of someone who did not undertake the required consideration of the ramifications of his arrangement before the leave was taken or may be that of someone who made a poor deal as judged in retrospect. Mr. Jaquith will need to present testimony or other evidence that any negative impact on his future pension amount was as a result of a failure by MTRFA to provide him accurate information and not on poor planning on his part.

2. Appropriate Salary Credit Purchase Payment. The policy issue is the appropriate purchase payment to obtain the increased covered salary that Mr. Jaquith desires. The proposed legislation departs from the policy requirements of the Legislative Commission on Pensions and Retirement with respect to service credit purchases, where non-contemporaneous purchases of credit must be at full actuarial value. The full actuarial value is the difference in the present value of the retirement annuity both with and without the purchase service credit or salary credit. Mr. Jaquith desires to pay the member and employer contribution amounts on the 25 percent of the full compensation amount currently uncredited (which would total 13.64 percent of salary, based on the 2005 MTRFA actuarial valuation). The salary differential for Mr. Jaquith indicated by TRA is \$20,488.39, so the equivalent total contributions would be \$2,794.62, plus interest. The full actuarial value purchase payment as estimated by TRA per year of salary credit would be \$20,700.

If the Commission desires to require that this salary purchase follow the longstanding Commission policy on service and salary credit purchases, **Amendment H1783-1A** would replace the requested payment amount with the appropriate cite to the full actuarial value purchase payment determination law, Minnesota Statutes, Section 356.551.

3. Precedent. The policy issue is whether or not there is any precedent for this type of special pension legislation. A salary credit purchase has been permitted in the past (see Laws 2002, Chapter 392, Article 14, Section 2, Subdivision 3), but that purchase related to the Public Employees Police and Fire Retirement Plan (PERA-P&F) and related to an intergovernmental employee exchange, which was a different situation than Mr. Jaquith's situation of a leave. Other special legislative requests in past legislative sessions for the utilization of hypothetical salary amounts in retirement annuity calculations have not been recommended by the Legislative Commission on Pensions and Retirement.

Attachment A

Background Information on Sabbatical Leave Service Credit Purchases

Minnesota's public defined benefit plans are a personnel policy tool of the employer in that they serve to attract sufficient numbers of new employees, to promote retention of capable existing employees, and to out-transition long-term employees at the end of their fully productive working life, by providing those long-term employees with retirement plan income which is sufficient, in conjunction with personal savings and social security, to allow the individual to retire without a significant drop in the standard of living.

Leave of absence provisions are found in most Minnesota defined benefit public pension plans. They permit the individual to receive either full or partial service credit for a period of break in service to the employer. The provisions are somewhat unusual in that they are providing service credit in the retirement plan for a period of time during which the individual was not providing service to the employer. The provisions presumably are justified in that they serve as retention tools. Another factor may be that the leave, if used to receive additional training or education, further enhances the productivity and value of the employee to the employer.

Minnesota public pension plans vary in the number of leave of absence provisions that apply, with teacher retirement plans typically having the largest number of leave of absence provisions, probably because of unique aspects to that type of public employment.

Generally in Minnesota public employee retirement plans, the employee, the employer, or both, are required to make contributions to the pension fund if the individual is to receive service credit for a leave period. The general intention is to approximate, as closely as feasible, the treatment that would have occurred if the employee had not been on leave. If the individual had worked during the period, employee and employer contributions would have been deducted from pay. Some allowance is typically provided in law in recognition that the employee may have a reduced compensation during the leave or possibly no compensation at all. Because of this, it is not uncommon to allow all or a portion of required or optional employee contributions to be made by some date a year or more following the end of the leave. If employee contributions are made, the employer is then notified of the contributions and the employer is mandated to make corresponding employer contributions.

Sabbatical leaves exist within educational institutions to encourage professional development and professional renewal. The sabbatical leave concept derives from an early Jewish agricultural practice of allowing land to lay fallow, a year of remission, every seventh year, analogous to the Sabbath day occurring each week. Sabbatical leaves originated in institutions of higher education and became common among colleges and universities by the 1890s, where faculty members returning from a sabbatical were expected to have produced a new book, a new laboratory discovery, or new scholarly journal articles. Sometime during the Twentieth Century, sabbatical leaves became part of the set of employment benefits for elementary and secondary teachers.

In Minnesota, the initial recognition of sabbatical leaves for retirement purposes occurred for the Teachers Retirement Association (TRA) in 1955 (Laws 1955, Chapter 361, Section 7). The 1955 sabbatical leave service credit provision covered any authorized sabbatical leave, any leave of absence for educational purposes in foreign countries under a scholarship from the Board of Foreign Scholarships, or any leave to render interchange teaching services in a foreign country under federal law. The 1955 provision did not set any minimum compensation requirements on the leaves, any minimum pre-leave service requirement on the leaves, or any maximum on the number of leaves available for credit. The 1955 provision did require the payment by the member of the equivalent member contribution based on the salary of the year before the leave, without a payment deadline and without the payment of interest. The 1955 sabbatical leave provision also applied retroactively to pre-1955 sabbatical leaves.

The 1955 TRA sabbatical leave provision was significantly amended in 1961 (Extra Session Laws 1961, Chapter 17, Section 6), when participation in the work of the National Science Foundation was added as a sabbatical leave and when a three-year limit in any ten-year period on sabbatical leaves was imposed. In 1973 (Laws 1973, Chapter 270, Section 4, and Chapter 728, Section 5), the TRA sabbatical leave provision was again substantively amended, with the prior interchange and exchange leaves other than a sabbatical leave eliminated from the provision, with a minimum compensation requirement of one-third of the member's prior fiscal year salary added, with a one-year deadline after the conclusion of the leave set, and with a prorating of formula service credit required in the event that full member contributions were not paid. The TRA sabbatical leave provision was recodified in 1974 (Laws 1974, Chapter 289, Section 54) as Minnesota Statutes, Section 354.092.

The current TRA sabbatical leave provision, Minnesota Statutes, Section 354.092, requires that the teacher must be compensated with at least one-third salary during the leave, that member contributions from the compensation received must be withheld by the employer and transmitted to TRA, and that the member also has the option of making additional contributions based on the difference between compensation received during the leave and the salary during the year just prior to the leave. If the teacher makes contributions based only on the compensation during the leave period, formula service credit will be prorated. If member contributions are based on the full salary just prior to the leave, full formula service credit will be received. The employer must make employer contributions within 30 days of written notification from TRA of the amount due, although the provision is ambiguous on how that employer contribution is computed, and interest requirement, if any, on employer contributions.

The following is a comparison of the sabbatical leave provisions of the statewide and major general employee retirement plans:

Plan	Sabbatical Leave of Absence Provision
MSRS-General	No provision.
PERA-General	No provision.
TRA	A sabbatical leave for which the teacher was compensated at a minimum of one-third of the prior fiscal year's compensation is creditable upon the employer's transmittal of the full amount of member contribution deductions and the employer's payment of the full amount of employer contributions, all calculated based on the base contract salary that the teacher would have been paid if not on leave. Service credit for sabbatical leaves cannot exceed three years in any ten consecutive years. [354.092]
DTRFA	A new law coordinated plan member is eligible to receive service credit for a sabbatical leave for which the teacher was compensated at a minimum of one-third of the prior year's compensation if the teacher pays an amount equal to the member contribution rate in effect on the teacher's prior year's salary. Service credit for sabbatical leaves cannot exceed three years in any ten consecutive years. Upon the member payment, the employing unit is obligated to pay the applicable employer contribution amounts. Payment must be made before June 30 of the fiscal year next following the year in which the sabbatical leave terminated and is payable without interest. If less than the full contribution amounts are paid, the service credit is prorated. For any member who is granted leave of absence for travel or for study in some institution of learning, upon a return to teaching, may pay or, if the amount exceeds \$50, may agree to pay, the amount which would have been deducted from salary, plus five percent interest per annum to the date of payment or the date of the agreement to pay the amount in two installments, plus five percent interest, with the first installment payment due within one year of the agreement, with credit granted upon payment. [354A.092 and Bylaws XVI]
SPTRFA	A coordinated plan member is eligible to receive service credit for a sabbatical leave for which the teacher was compensated at a minimum of one-third of the prior year's compensation if the teacher pays an amount equal to the member contribution rate in effect on the teacher's prior year's salary. Service credit for sabbatical leaves cannot exceed three years in any ten consecutive years. Upon the member payment, the employing unit is obligated to pay the applicable employer contribution amounts. Payment must be made before June 30 of the fiscal year next following the year in which the sabbatical leave terminated and is payable without interest. If less than the full contribution amounts are paid, the service credit is prorated. [354A.092]
MERF	No provision.

Attachment B

Background Information on Defined Benefit Plan Retirement Annuity Calculations and the Determination of Average Salary

Principle II.C.7 of the Commission's Principles of Pension Policy generally suggests that normal retirement benefits should respond to economic changes, should be adequate as of retirement, measured on the basis of the retiree's final average salary, with 30 years of service as a reasonable public employment career, at the normal retirement age, and should reflect any Social Security benefit earned during public employment.

Specifically, the principle states:

7. Adequacy of Benefits at Retirement
 - a. Benefit adequacy requires that retirement benefits respond to changes in the economy.
 - b. The retirement benefit should be adequate at the time of retirement.
 - c. Except for local police or firefighter relief associations, the retirement benefit should be related to an individual's final average salary, determined on the basis of the highest five successive years' average salary unless a different averaging period is designated by the Legislature.
 - d. Except for local police or firefighter relief associations, the measure of retirement benefit adequacy should be at a minimum of thirty years service, which would be a reasonable public employment career, and at the generally applicable normal retirement age.
 - e. Retirement benefit adequacy must be a function of the Minnesota public pension plan benefit and any Social Security benefit payable on account of Minnesota public employment.

Thus, the Principles indicate that the Minnesota public pension plans only have an obligation to provide an adequate retirement benefit for career public employees who retire at the normal retirement age and, consequently, do not have an obligation to provide a fully adequate pension benefit to public employees who retire at an earlier age or who retire with less than a full public service career. The Principles indicate that retirement benefit adequacy, which should be determined on the basis of the person's highest five successive years' average salary, should be measured at the generally applicable normal retirement age with 30 years of service credit. The Principles also indicate that retirement benefit adequacy must be a function of the public pension plan retirement benefit and Social Security benefits earned during public employment.

In 1980-1981, the President's Commission on Pension Policy addressed the question of benefit adequacy, indicating that the replacement of pre-retirement disposable income from all sources is a desirable retirement income goal. That panel indicated that the precise replacement of pre-retirement disposable income was too difficult to quantify, but that a reliable rough sense of the rates for the replacement of gross income can be identified, as follows:

Gross Pre-Retirement Income	Single Person		Married Couple	
	Replacement of Gross Pre-Retirement Income		Replacement of Gross Pre-Retirement Income	
	<i>As \$ amount</i>	<i>As %</i>	<i>As \$ amount</i>	<i>As %</i>
\$ 6,500	\$ 5,167	79%	\$ 5,567	86%
10,000	7,272	73	7,786	78
15,000	9,941	66	10,684	71
20,000	12,282	61	13,185	66
30,000	17,391	58	18,062	60
50,000	25,675	51	27,384	55

Derived from Tables 19 and 20 of Coming of Age: Toward a National Retirement Income Policy, Report of the President's Commission on Pension Policy, prepared by Preston C. Bassett, Consulting Actuary (1980).

More recently, addressing the same question of the replacement percentage of pre-retirement earnings, the National Retirement Income Policy Committee of the American Society of Pension Actuaries, in a 1994 study, recommended that income during retirement from a combination of defined benefit plans, defined contribution plans, and Social Security should provide between 70 percent and 80 percent of pre-retirement earnings.

The President's Commission on Pension Policy also attempted to provide a sense of the relative role of the three sources of retirement income in providing that replacement of pre-retirement disposable income. The three sources of retirement income are Social Security, employee pension coverage, and personal savings and investments. That panel's 1981 report included a chart that attempted to provide a general sense of the relative contribution to an adequate retirement benefit that should be made from the three sources.

Relative Contribution to an Adequate Retirement Benefit
From Various Sources of Retirement Income

Gross Pre-Retirement Income	Social Security	Employee Pension Plan	Personal Savings and Investments
\$15,000	58%	42%	0%
20,000	54	46	0
25,000	54	46	0
30,000	52	44	4
35,000	49	44	7
40,000	46	46	8
45,000	43	47	10
50,000	42	46	12
55,000	40	45	15
60,000	39	41	20

Derived from Chart 7 of Coming of Age: Toward a National Retirement Income Policy, Report of the President's Commission on Pension Policy (1981)

The table reflects the weighting of benefit coverage in favor of the lower compensated employees that is present in the Social Security System and reflects a policy decision that personal savings should provide an ever greater proportion of total retirement income at higher compensation levels. The table also reflects the prior table, with an ever-reducing replacement percentage required as gross income increases.

Using the suggestions of the 1980-1981 President's Commission on Pension Policy as to the replacement of gross pre-retirement income that constitutes an adequate retirement benefit and the relative contribution towards an adequate retirement income from various sources, the following compares the situation of a general public employee in Minnesota retiring at age 65 with 30 years of covered service at various pre-retirement income levels:

Final Salary	\$15,000		\$20,000		\$30,000		\$50,000	
High-5 Average Salary ¹	\$13,576		\$18,102		\$27,153		\$45,255	
Presidential Pension Commission Target Retirement Benefit \$ / % Hi-5 ²	\$9,941	73.22%	\$12,282	67.85%	\$17,391	64.05%	\$25,675	56.73%
Retirement Income:								
Social Security \$ / % Hi-5	\$8,856	65.23%	\$9,000	49.72%	\$11,999	44.19%	\$15,500	34.25%
MSRS-General \$ / % Hi-5	\$6,923	51.00%	\$9,232	51.00%	\$13,848	51.00%	\$23,080	51.00%
Total \$ / % Hi-5	\$15,779	116.23%	\$18,232	100.72%	\$25,847	95.19%	\$38,580	85.25%

¹ Assumes 5.25% salary increases, the MSRS-General salary increase assumption, for the five years prior to retirement.

² Calculated based on President's Commission on Pension Policy target for a single person.

The highest five successive years' average salary basis for calculating a Minnesota defined benefit public pension plan retirement annuity was the major benefit improvement enacted by the 1973 Legislature. Before the 1973 legislative session, the statewide Minnesota defined benefit public pension plans used a career average salary base for the retirement annuity calculation. The first class city retirement plans introduced the highest five years' average salary base for retirement annuity calculation several years before 1973, when it became the standard for the various statewide defined benefit pension plans.

A final salary basis for a retirement annuity calculation contributes to the adequacy of the retirement benefit calculation at the time of retirement, based on a replacement of immediate pre-retirement compensation perspective. It represents a view that retirement adequacy is the replacement of a certain pre-retirement standard of living, as demonstrated by the compensation achieved in the period immediately before retirement.

The use of an averaging period in conjunction with the final salary to determine the basis for calculating a retirement annuity is a mechanism intended to reduce the potential for manipulating the retirement annuity calculation base or for final year upward or downward aberrant career-end salary figures arising out of demotions, downsizing, or temporary disabilities from causing a distortion in the retirement annuity calculation base. Unless a person has lived for a period with a given salary level, that salary level cannot reliably be used as a representation of the person's standard of living. The use of a highest five successive years' average salary retirement annuity calculation base, however, has not been totally successful in eliminating manipulation potential or in negating aberrant salary distortions. Because the 1973 legislation that implemented the highest five successive years' average salary did not include a mechanism to reflect

part-time service in a comparable manner that the prior career average salary did in most Minnesota public pension plans, it is possible for a person to be employed part-time in the public sector for most of the person's career, then become more fully employed during the final five-year period of the person's working career and receive a retirement annuity well out of proportion to the person's career accumulated contributions and the person's public career standard of living. Full time employees who elect to work overtime extensively during the immediate pre-retirement period or who can time-shift a portion of their compensation to the immediate pre-retirement period can also obtain a larger retirement annuity than their accumulated member contributions or career standard of living would merit. Conversely, a public employee who worked overtime for a significant portion of the person's early and middle career, but who elected or was compelled by the employer's economic situation or the person's health to discontinue doing so, or a person who suffers a late career demotion or a late career disrupting disability will receive a smaller retirement annuity than their accumulated member contributions or career standard of living would merit.

June 13, 2006

13916 Birchwood Trail
Pine City, MN 55063

Representative Judy Soderstrom
514 East Forest Avenue
P.O. Box 105
Mora, MN55051


Dear Rep. Soderstrom:

I'm writing about a bad situation that involves my future retirement and am asking for your help. The problem is that I was awarded a sabbatical from the Minneapolis Public Schools in 2004-05. I elected to take the option of 75% pay for a two year period during the sabbatical and for 2005-06. (Usually the recipient receives 50% for a full year sabbatical and then returns to a full salary.) The information I received from the MTRFA was not spelled out. A misunderstanding occurred and I mistakenly thought the arrangement permitted buying the missing 25% credits for both years prior to the June 30, 2006 indicated deadline. Much to my surprise, the MTRFA allowed me to pay back only the sabbatical portion. They said that no mechanism existed for obtaining the remaining 25% service credit this current year. I wrote an appeal to their Board meeting of May 24, but learned that nothing could be done about 2005-06 due to statute restrictions.

This is humorous, or at least ironic, since I'm working FULL time at three-fourths pay. I'm in my high five years of service from which my pension with the TRA will be partially calculated. Unless the situation is remedied, my retirement will be unfairly impaired. I simply want to pay both the employer and employee contributions as required by law for the remaining 25% retirement credit for 2005-06. No state or local funds are involved.

What has become a fairness issue can be resolved by action of the Legislative Commission on Pensions and Retirement. (As an educator, I try to be flexible and adjust things as needed for the benefit of my students.) I will truly be grateful for your assistance. I can best be reached by email: georgejaquith@yahoo.com or by calling 612-668-4369 at work. Thank you in advance for your consideration.

Sincerely,


George L. Jaquith

cc: Becky Lourey

Peggy Orren

From: Emma Hixson [Emma.Hixson@mpls.k12.mn.us]
Sent: Wednesday, February 28, 2007 1:07 PM
To: Larry Martin
Cc: Dan Loewenson; georgejaquith@yahoo.com; Jim Grathwol
Subject: letter of support regarding retirement concern

Senator Tony Loury

Representative Tim Faust

Minnesota Legislative Commission on Pensions and Retirements

Dear Senator Loury and Representative Faust:

One of our Minneapolis Public School staff, Counselor George L. Jaquith, is in his 21st consecutive year with the District. Mr. Jaquith was granted a full-year sabbatical leave for 2004-05. Mr. Jaquith elected to take $\frac{3}{4}$ salary the year of his sabbatical and work full time at $\frac{3}{4}$ pay when he returned in 2005-06. This is an option provided in our negotiated Teachers' Contract to make full year sabbaticals more financially doable since the other option for a full year sabbatical is half salary.

Mr. Jaquith understood that he would be able to pay both the employer and employee contributions for the 25% balance for both the year of his sabbatical (2004-05) and the year he returned (2005-2006) but was only allowed to do so for 2004-05.

Since this will affect his retirement, I understand that Mr. Jaquith is seeking legislative action by the Legislative Commission on Pensions and Retirement. I am writing to support that because the intent of the $\frac{3}{4}$ salary option in the Teachers' Contract was to help and not to hurt sabbatical teachers. Mr. Jaquith did indeed work full time in 2005-2006 but was paid $\frac{3}{4}$ time because of the $\frac{1}{4}$ advanced during his sabbatical year when he was only entitled to half pay.

Thanks you for your consideration of this letter of support.

Sincerely,

M. Emma Hixson, J.D.

Executive Director

Employee Relations Department

Minneapolis Public Schools

807 NE Broadway

Minneapolis, MN 55413

(612) 668-0507

Criteria used to grant leave are:

- financial obligation of the site or program to pay for reserve teachers;
- ability to assure continuous learning for students;
- degree to which the project ties to the guidelines for District standards;
- involvement of site team and site staff development committee.

Subd. 4. Study Leaves without Pay: A leave of absence without pay may be granted for study. If a teacher carries a minimum of twelve (12) credits or its equivalent for each quarter and/or semester, the time spent on leave of absence will be included in computing eligibility for an increment. This provision shall not extend beyond a single annual increment. The institution and the course of study that the employee pursues must be approved by the Superintendent of Schools or designee.

Subd. 5. Sabbatical Leave:

A. Definition: Sabbatical leave is a leave of absence for study or travel for the purpose of professional enrichment/development that shall result in benefit to the Minneapolis Public Schools. The Minneapolis Federation of Teachers and the Minneapolis Public Schools share the commitment to raise professional standards in teaching and education. This definition includes Bush Leadership Fellow and AFT Distinguished Teacher Fellow.

B. Eligibility: A sabbatical leave of absence for up to one (1) year may be granted to teachers for the purpose of study after seven (7) consecutive years of active service. This leave is granted in order that a teacher may maintain and/or improve the quality of instruction or for professional leadership. No leave shall be granted for fewer than six (6) weeks. Reserve Teachers are not eligible for sabbatical leave.

In order to be eligible for another sabbatical leave, the teacher shall complete another seven (7) full contract years of active service in the Minneapolis Public Schools before being eligible for another sabbatical leave.

C. Duration, Pay, Benefits: Sabbatical leave may be granted for one-half ($\frac{1}{2}$) year or up to one (1) full year.

1. Half-year Sabbaticals

- a. Regular sabbatical leave: Teachers granted sabbatical leave for one-half ($\frac{1}{2}$) year shall receive full pay during the sabbatical. Teachers who take a sabbatical for one-half ($\frac{1}{2}$) year are eligible for the perfect attendance incentive options benefit based on the portion of the year they are not on sabbatical leave.
- b. Unused Sick Leave Sabbaticals: In addition to the regular sabbatical leave, a leave of absence for study or travel shall be granted to teachers for one-half ($\frac{1}{2}$) year at full pay based on the individual teacher's unused sick leave, provided the teacher has fifteen (15) sick leave days remaining following the leave and agrees to teach in Minneapolis Public Schools for at least two years upon completion of the leave.

If the teacher discontinues service for any reason other than incapacity to carry out assignments before the expiration of two years, she/he shall pay back the pro-rated share of the sick leave used. Teachers eligible for this paid study leave based on unused sick leave shall file their applications by March 15. The Minneapolis Public Schools reserves the right to adjust schedules of study leaves when the number per building or subject-matter area would be detrimental to the educational program.

2. Full-year sabbaticals:

- a. Teachers granted sabbatical leave for one (1) year shall have the option of receiving either one-half ($\frac{1}{2}$) pay during the sabbatical leave. The allowance granted to teachers on sabbatical leave shall be one half ($\frac{1}{2}$) of the rate of pay received by the teachers had they remained in their positions.
- b. Alternatively, teachers granted sabbatical leave for one (1) year shall have the option of receiving three-fourths ($\frac{3}{4}$) pay during the sabbatical leave and three-fourths ($\frac{3}{4}$) pay during the first year of teaching upon return to duty following the sabbatical leave. The three-fourths

MALS

(3/4) pay for the year following the sabbatical leave shall not be construed as a voluntary demotion under the Teacher Tenure Act, MS §122A.41.

Upon return from a ¾ pay sabbatical, the teacher's percent of time/full-time equivalent (FTE), must be equal to or greater than the FTE while on sabbatical. If teachers' FTE changes upon return, the amount to be paid to the District shall be based on the FTE while on sabbatical.

The beginning and returning dates of teachers on sabbatical leave should, to the extent possible, coincide with the normal transition periods of the school calendar and be determined in consultation with the Sabbatical Leave Committee.

E. Application for Sabbatical Leave: Applications for sabbatical leave shall be filed by March 15 for all leaves that are to be taken during a portion of or for the entire following school year.

Included in the application package will be an outline of the process.

After being notified of acceptance for the sabbatical leave, recipients will be required to attend a pre-sabbatical planning seminar sponsored by the Minneapolis Public Schools and Minneapolis Federation of Teachers.

Sabbatical leave requests shall be filed each year. No requests will be held over from one year to the next. Granting of sabbatical leave to pursue a particular field does not imply endorsement of this goal for consideration for placement upon completion.

The Sabbatical Leave Committee shall meet and grant sabbatical leaves no later than four (4) calendar weeks after the sabbatical leave request deadline date.

F. Allotment: Up to a maximum of five (5) teachers may exercise the option of selecting one (1) semester of leave at full pay for purposes of study only subject to the conditions previously outlined. Up to an additional five (5) teachers may be granted a sabbatical leave at full pay for one (1) semester at a ratio of one (1) additional full-pay sabbatical for each two (2) half-pay sabbaticals granted. Up to a maximum of one percent (1%) of the teaching staff may be granted sabbatical leaves during a school year.

In the event the number of teachers placed upon the eligibility list exceeds the allotment of teachers for sabbatical leave, consideration will be given, among other things, to length of service and contribution to the general welfare of the school.

G. Credits Required for Sabbatical Leave: If the sabbatical leave is granted for the purpose of study at the undergraduate level or for a Master's Degree, the teacher shall complete twelve (12) credit hours of work during the semester or quarter for which the leave is granted. Work beyond the Master's Degree requires nine (9) credit hours each semester or quarter. The institution and the courses to be taken must be approved by the Sabbatical Leave Committee.

H. Itinerary for Travel: If the sabbatical leave is granted for the purpose of travel, the itinerary shall be submitted in detail with the application. The itinerary must be approved by the Sabbatical Leave Committee before the leave is granted.

I. Position on Return from Leave: Upon returning from sabbatical leave the teacher shall return to the position held immediately prior to the leave. Exceptions may be made only under one or more of the following conditions:

1. The teacher and principal/supervisor have consulted upon any change deemed necessary in department, grade level assignment, caseload, or specified job description of the position prior to its implementation. In the absence of mutual agreement, the principal/supervisor shall provide the teacher with a written rationale for the necessity for the change to the position within ten (10) calendar days of the consultation meeting. The teacher will have the right to appeal the decision to change the position through the Grievance Process as described in Article XVII.
2. A reduction in student enrollment has occurred that necessitates a reduction of some or all of the position. In such a case, the Staff Reduction process, as described in Transfer and Reassignment section of this agreement, shall apply.

3. A change in grade or program configuration resulting in the elimination of the position or moving the position to a different site. In such a case, Programs and Classrooms Moved Intact process, the Staff Reduction process, and other applicable processes as described in Transfer and Reassignment section of this agreement, shall apply.

J. Salary Upon Return from Leave: The teacher who has been on sabbatical leave will receive the full yearly increment, provided she/he has fulfilled the plans approved by the Sabbatical Leave Committee.

K. Teachers' Obligations Upon Return: Teachers granted sabbatical leaves shall teach two (2) years in the Minneapolis Public Schools following the completion of their leaves. If teachers discontinue service for any reason other than their incapacity to carry out their assignment before the expiration of the two (2) years, they shall pay back to the Minneapolis Public Schools a pro rata part of the sabbatical allowance. Teachers shall return to duty at the beginning of the next semester following the end of the sabbatical leave. Exceptions to immediate return shall only be allowed if a need and eligibility for medical, parenting or military leave arises subsequent to the beginning of the sabbatical leave. Such leave must be requested and approved according to appropriate procedures set forth in this article. Such a leave will not excuse or reduce to teacher's obligation to teach two (2) years in the Minneapolis Public Schools following the completion of the leave.

L. Accountability: Since the purpose of this leave is to study, the applicants will agree not to accept any other employment during the period of their leaves unless it pertains directly to their study programs and then only with the approval of the Superintendent of Schools or designee. Should the amount of such remuneration, grant, fellowship, or stipend together with the sabbatical leave pay exceed the teachers' regularly scheduled pay, the sabbatical leave pay will be reduced to the amount teachers would have received had they not taken the leaves.

Upon return from sabbatical leave the teacher shall be expected to present a summary report of the experiences or learning that occurred during the sabbatical leave, including a one (1) page Executive Summary to be shared with other Minneapolis Public Schools teachers. The emphasis of the work to be submitted to the Sabbatical Leave Committee shall focus on how the experiences and/or learning related to teaching or professional leadership. The work shall be submitted to the Sabbatical Leave Committee by October 1, following the completion of the leave of absence. At the request of the Sabbatical Committee, exemplary experiences will be presented in designated forums. The sabbatical recipient shall receive \$200-\$500.

M. Sabbatical Leave Committee: The Sabbatical Leave Committee shall have equal representation with three (3) members appointed by the Superintendent of Schools or designee and three (3) members appointed by the President of the Minneapolis Federation of Teachers.

The Sabbatical Leave Committee shall meet in the fall to establish criteria upon which the sabbatical applications will be judged and the selection process that will be followed. The criteria and process will be distributed system-wide prior to the March 15, application deadline.

In the event of a tie vote on an application, the Superintendent of Schools or designee shall cast the deciding vote. At no other time shall the Superintendent of Schools or designee vote on an application for sabbatical leave.

Subd. 7. National Board Certification Leave: Up to five (5) days with pay may be granted by the Human Resources Department to teachers pursuing National Board Certification. To be eligible, teachers must notify the National Board Support Office no later than the deadline for sabbatical leave applications. The National Board Support Office shall notify the Sabbatical Leave Committee of the required allotment for National Board Certification Leaves within one (1) week of the deadline.

The granting of these leaves will be included in the allotment of sabbatical leaves (Subd. 4, D) and not cause the allotment to be exceeded.

The developmental Professional Support Process (PSP) will be used to support teachers as needed while on this leave.

Subd. 8. Distinguished Teachers : The Minneapolis Public Schools/Minneapolis Federation of Teachers Distinguished Teacher allows full-year, full-pay leaves of absence for up to six (6) teachers to work on standards implementation and best practices in conjunction with development of Professional

Development Centers. The Distinguished Teacher will receive \$5,000 to support this experience.

The application process will be conducted under the provisions of the Sabbatical Leave Committee as defined in Subd. 4 Sabbatical Leaves, of the contract. Sponsoring departments will submit fellowship opportunities by October 1; teachers will submit their applications to the Sabbatical Leave Committee by March 15. Selection of teachers for Minneapolis Public Schools/Minneapolis Federation of Teachers Distinguished Teacher Fellowships will be made by an expanded Sabbatical Leave Committee to include a representative of the sponsoring department/site and the Minneapolis Federation of Teachers. The granting and funding of these leaves shall be included in the allotment of sabbatical leaves (Subd. 4, D) and not cause the allotment to be exceeded.

The Professional Development Process (PDP) will be used to support teachers while on this leave.

Teachers will be available during and upon completion of the fellowship leave to share their work in ways and at times agreed to by the recipient and the joint committee.

The Distinguished Teacher will return with a new set of skills and enhanced capabilities for improved student learning. The teacher who has been on Distinguished Teacher leave will receive the full yearly increment.

Subd. 9. Teacher Exchange Program: Teachers who have served a minimum of five (5) years in the Minneapolis Public Schools may participate in a Teacher Exchange Program with other school districts and educational agencies. The intent of the program is to provide an opportunity for teachers to work in another educational frame of reference in order to gain different insights into instructional patterns, schedules, facilities, students and cultural environments. It is to be expected that the school district or agency with which the exchange is made gains in similar fashion.

Participation in the program is on a voluntary basis. All exchanges of personnel require the approval of the Superintendent of Schools or designee and the administrative head of the other system or agency.

Approval for each teacher exchange will be by means of a letter between the other school district or agency and the Minneapolis Public Schools specifying:

- A. Names of the volunteer participants
- B. Assignment in other school district or agency
- C. Length of time of exchange
- D. Salary agreement
- E. Other relevant details concerning the exchange

No more than two (2) teachers from any one (1) school may participate in an exchange program in any one (1) school year at a time.

Exchanges are to be initially planned for a definite period of time and may vary according to the circumstances of the individual case. Should extensions of this time seem desirable, such extensions will require approval as outlined above.

The Minneapolis Public School District reserves the right to interview and make a decision as to the acceptability of all teachers from another school system or agency prior to agreeing to a specific exchange.

A teacher exchange with another school district may not be extended beyond one (1) year. A teacher exchange with another educational agency may be approved for up to one (1) year and may be extended annually. The teacher who has been on a Teacher Exchange Program leave will receive the full yearly increment.

Subd. 10. Summer Study: Teachers may be released for summer study without pay before the close of school in June or after the opening of school in the fall, if absolutely necessary.

Request shall be submitted on the designated form at least five (5) weeks prior to the date of absence. Teachers shall receive written approval from their principal/supervisor, and request should then be submitted to the department of Human Resources Department.

Human Resources Department
807 Northeast Broadway
Minneapolis, MN 55413-2398
(612) 668-0500

LEAVE OF ABSENCE REQUEST FORM-LICENSED



Purpose: To be completed by all employees for days away from your work site consisting of 11 consecutive workdays or more. **NOTE: You are responsible for contacting MTRFA to determine how this leave of absence will affect your retirement. The district has no legal obligation to notify MTRFA of your leave of absence. Please check with Benefits for questions regarding district benefits.**

Employee Name: _____ Employee # (Or SSN): _____
 Employee Email Address: _____ Employee Home Phone: _____
 Site/Location: _____ Job Title: _____ FTE/Hours _____

Initial Request for Leave of Absence:		<i>(Check One)</i>
<input type="checkbox"/> Personal w/o pay	<input type="checkbox"/> Medical w/ pay (FMLA)	
<input type="checkbox"/> Study w/ pay (Documentation Needed)	<input type="checkbox"/> Medical w/o pay (FMLA)	
<input type="checkbox"/> Student Teaching (Documentation Needed)	<input type="checkbox"/> Child Care**/Adoption (FMLA)	
<input type="checkbox"/> Public Service (Documentation Needed)	<input type="checkbox"/> Child Care**/Paternity (FMLA)	
<input type="checkbox"/> Organizational (Documentation Needed)	<input type="checkbox"/> Child Care**/Maternity (FMLA)	
<input type="checkbox"/> Sabbatical 1/2 year full pay	<input type="checkbox"/> Immediate Family Illness (FMLA)	
<input type="checkbox"/> Sabbatical full year 1/2 pay	<input type="checkbox"/> Mobility (documentation needed)*	
<input type="checkbox"/> Sabbatical full year 3/4 pay	<input type="checkbox"/> Military (documentation needed)	
<input type="checkbox"/> Charter School (Documentation Needed)	<input type="checkbox"/> Professional Improvement (includes Teacher Exchange, Fulbright Documentation needed)	
<input type="checkbox"/> Other _____		

Note: Licensed employees must notify the District by March 1 of the school year preceding the school year in which you are returning from leave.

All leaves that fall under FMLA (Family Medical Leave Act) require written documentation with this form.

(*) Licensed employees requesting a mobility leave who do not have 10 years of service in the District must have a minimum of five years of teaching experience in the district AND provide proof of additional years vested in a Minnesota Retirement Fund that equal 10 years when added to the years of service in the District.

**This is to take care of a child who is ill.

Licensed employees requesting to extend a leave beyond 1 year lose the right to return to their previous work location. They still retain the right to return to a position in the district.

Leaves will not be processed without end date.

"FMLA" (Family Medical Leave Act) indicates active rate for health benefits up to 12 weeks. This form will act as formal FMLA notification. Written medical documentation to take this leave must be attached with this request. Medical clearance (completed return to work authorization form) is required prior to duty if out 11 consecutive workdays or more.

I am requesting a leave of absence starting on _____ My leave will end on _____
Start Date of Leave End Date of Leave

Employee Signature _____ Today's Date _____
 Supervisor Signature _____ Today's Date _____

Change Leave Type/Extending Leave

I am changing my leave type:

<input type="checkbox"/> Child Care Leave to Personal Leave	<input type="checkbox"/> Medical Leave to Personal Leave	<input type="checkbox"/> Medical Leave to Child Care Leave
<input type="checkbox"/> Immediate Family Illness to Personal Leave	<input type="checkbox"/> Child Care Leave to Mobility Leave	<input type="checkbox"/> Personal Leave to Mobility Leave
<input type="checkbox"/> Medical Leave to Long Term Disability	<input type="checkbox"/> Child Care Leave to Medical Leave	<input type="checkbox"/> I am not changing my type of leave

I am requesting to extend/change my leave of absence type starting on _____ My leave will end on _____
Start Date of Leave End Date of Leave

Employee Signature _____ Today's Date _____
 Supervisor Signature _____ Today's Date _____

Returning from Leave

I am requesting to return from my leave of absence. I plan to return on _____ I have submitted medical documentation as required.
Return to Work Date

Employee Signature _____ Today's Date _____
 Supervisor Signature _____ Today's Date _____

Approved Denied
 HR Signature & Date: _____

6. Member Request

- a. A member (#18523), who took a Sabbatical leave in 2004-2005 is currently paying contributions into the fund based on $\frac{3}{4}$ pay due to the member's election to spread the pay over two years. This member is appealing MTRFA staff decision to deny payment during the 2005-2006 school year pursuant to Minnesota Statute 354A.092.
- b. Norm Moen **moved** to inform the member that the board denied this appeal based on Minnesota State Statute 354A.092. Birdie Carter **seconded** the motion and it was approved on roll call vote. Birdie Carter, Lydia Lee, Norm Moen, Ann Downing and Kilce Christnagel voted for the motion and Rod Martel abstained.

7. MTRFA Merger with TRA/ Senate File 1057

- a. Karen requested that the board send out a communication to the members of MTRFA once the Governor signs S.F. 1057, which would merge the MTRFA with TRA. The communication would make members aware of all provisions of the bill that would impact their pension—active and retired.
- b. Norm Moen **moved** to call a meeting of the membership pursuant to Minnesota Statute 317A on a date to be determined once the bill has been signed by the Governor. There are two resolutions that the members must vote on: to dissolve the non-profit and to authorize the transfer of assets to the State Board of Investments. Birdie Carter **seconded** the motion and it was approved unanimously by roll call vote.
- c. Norm Moen **moved** that based on TRA's recommendation and approval, the MTRFA will extend the contract with Ceridian, MTRFA's payroll service, so that there is no disruption in the payment of annuity benefits to members. This extension of the contract can only be entered into with MTRFA legal counsel approval. Lydia Lee **seconded** the motion and it was approved unanimously.
- d. MTRFA will begin working on how to have the office lease assigned to TRA on June 30, 2006, once Senate File 1057 is signed into law.
- e. A letter has been sent to the Minneapolis School District and meetings have taken place outlining the errors and omissions from the school district's payroll system, which include missing employee contributions and employee payrolls. Because of the problems with the school district payroll system put in place January 1, 2006, the board was informed that it may not be possible to have accurate fiscal year end records by the time of the merger.
- f. Norm Moen **moved** that Karen Kilberg be authorized to work with State Board of Investments (SBI) to put the portfolio into a form that could facilitate a cash transfer on June 30, 2006, and to keep the board informed of the liquidation process. Birdie Carter **seconded** the motion and it was approved unanimously by roll call vote.
- g. Karen Kilberg asked to have the old historic documents of the MTRFA sent to the historical society. Approval by the board was given.

8. Committee Reports

a. Legislative Report

Norm Moen reported on the bi-partisan support in the house and the voting tally for Senate File 1057, which merges the MTRFA with TRA.

Senate vote: 37 Yeas and 26 Nos

House vote: 95 Yeas and 34 Nos

Lisa Diesslin

From: Mark Wirtanen [Mark.Wirtanen@state.mn.us]
Sent: Monday, January 22, 2007 10:36 AM
To: Lisa Diesslin
Cc: Luther Thompson
Subject: Constituent bill

Hi Lisa,

The approximate cost for Mr Jaquith to purchase the additional salary for his sabbatical leave in the '04-'05 school year is \$20,657 per MS 356.551.
Please let me know if you need additional information.

Mark
TRA

This email and any files transmitted with it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you have received this email in error please notify the system manager. This message contains confidential information and is intended only for the individual named. If you are not the named addressee you should not disseminate, distribute or copy this e-mail.

- 1.1 moves to amend H.F. No. 1783; S.F. No. 948, as follows:
- 1.2 Page 2, line 5, delete "13.64 percent of the salary " and insert "the amount
- 1.3 determined under Minnesota Statutes, section 356.551."
- 1.4 Page 2, delete lines 6 and 7
- 1.5 Page 2, line 8, delete everything before "The"

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in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. 1783

March 7, 2007

Authored by Faust

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 a sabbatical
1.3 leave related salary credit purchase by certain Minneapolis school teachers.

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

1.5 Section 1. TEACHERS RETIREMENT ASSOCIATION; SABBATICAL LEAVE
1.6 SALARY CREDIT PURCHASE.

1.7 (a) Notwithstanding any provisions to the contrary of Minnesota Statutes, chapter
1.8 354 or 354A, an eligible person described in paragraph (b) is entitled to purchase credit
1.9 for the salary amount specified in paragraph (c) by making the payment required by
1.10 paragraph (d).

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

1.12 (1) was born on August 2, 1948;

1.13 (2) has 2.95 years of service credit from the Teachers Retirement Association for
1.14 teaching service rendered in the early 1970s;

1.15 (3) has 26 years of service credit from the former Minneapolis Teachers Retirement
1.16 Fund Association transferred to the Teachers Retirement Association under Laws 2006,
1.17 chapter 277, article 3, sections 5 and 9, subdivision 3;

1.18 (4) took a sabbatical leave from Special School District No. 1, Minneapolis, for the
1.19 2004-2005 school year;

1.20 (5) obtained full salary credit from the former Minneapolis Teachers Retirement
1.21 Fund Association for the 2004-2005 school year under the applicable law and benefit
1.22 plan provisions; and

1.23 (6) has uncredited full-time equivalent salary from the 2005-2006 school year based
1.24 on a reduced salary figure related to the sabbatical leave arrangement.

2.1 (c) The salary amount is an amount equal to the difference between the salary credit
2.2 the eligible person received from the former Minneapolis Teachers Retirement Fund
2.3 Association for the 2005-2006 school year and the full-time equivalent salary of the
2.4 eligible person for the 2005-2006 school year.

2.5 (d) The required payment amount is an amount equal to 13.64 percent of the salary
2.6 amount determined under paragraph (c), plus interest at an 8.5 percent compound rate
2.7 from the date on which the contribution amounts would have been made if made in a
2.8 timely fashion and the date on which the amount is actually paid. The amount is payable
2.9 only in a lump sum.

2.10 (e) The eligible person shall provide any relevant documentation related to the
2.11 eligibility to make this purchase that is required by the executive director of the Teachers
2.12 Retirement Association.

2.13 (f) Authority for an eligible person to make the purchase under this section expires
2.14 June 30, 2008.

2.15 **EFFECTIVE DATE.** This section is effective the day following final enactment.