


TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director 

RE: Summary of the 2006 Session Consolidation of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA)

DATE: November 29, 2007

Laws 2006, Chapter 277, Article 3, consolidated the former Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA). The consolidation included the following changes:

1. Conforming Change: Definition of Teacher. Given the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA), the TRA definition of "teacher" for pension plan purposes is revised to include Minneapolis public school teachers. *Laws 2006, Ch. 277, Art. 3, Sec. 4. Source: H.F. 2847 (Ozment)*
2. Conforming Change: Definition of Allowable Service Credit. The TRA definition of allowable service credit is revised to include service provided by Minneapolis teachers which was credited as allowable MTRFA service prior to the merger of the MTRFA into TRA on July 1, 2006. *Laws 2006, Ch. 277, Art. 3, Sec. 5. Source: H.F. 2847 (Ozment)*
3. Employee Contribution Rate Increase, Coordinated and Basic Members. Starting July 1, 2006, the employee contribution rate for coordinated TRA members will be 5.5 percent of pay. Previously, the rate for Minneapolis teachers was 5.5 percent, while the rate for other TRA employing units was 5.0 percent of pay. The TRA basic member contribution rate remains at 9.0 percent, and this rate is made applicable to any basic members who enter TRA from the MTRFA, which previously had an 8.5 percent basic member employee contribution rate. *Laws 2006, Ch. 277, Art. 3, Sec. 6. Source: H.F. 2847 (Ozment)*
4. Employer Contribution Rate Changes. For Special School District No. 1, Minneapolis, prior to July 1, 2007, the employer contribution rate on behalf of coordinated members is 5.0 percent of pay and for basic members it is 9.0 percent of pay. After July 1, 2007, these rates increase to 5.5 percent for coordinated members and 9.5 percent for basic members. In addition, Special School District No. 1, Minneapolis, shall continue to pay an employer additional contribution of 3.64 percent of pay on behalf of both coordinated and basic members. For all other employing units after June 30, 2007, the employer contribution rate increases from 5.0 percent of pay to 5.5 percent of pay on behalf of coordinated members and from 9.0 to 9.5 percent on behalf of basic members. *Laws 2006, Ch. 277, Art. 3, Sec. 7. Source: H.F. 2847 (Ozment)*
5. Prospective Coordinated Member Benefit Increase and Clarification of Computation of MTRFA Benefit. For coordinated TRA members (including those transferred into TRA from MTRFA) the accrual rate used to compute the high-five annuity is increased for service provided after June 30, 2006, from 1.2 percent to 1.4 percent for each of the first ten years of service and from 1.7 to 1.9 percent for each year thereafter. If a level benefit computation is applicable for a coordinated member, the rate used for post June 30, 2006 service is increased from 1.7 percent to 1.9 percent. There is no change in the formula for computing basic member benefits. Any basic member who was an MTRFA basic member on June 30, 2006 will have the annuity computed under the annuity formula in the MTRFA Articles of Incorporation. *Laws 2006, Ch. 277, Art. 3, Sec. 8, 38, and 39. Source: H.F. 2847 (Ozment)*
6. Consolidation of MTRFA with TRA. All active, inactive, and retired MTRFA members are transferred to TRA as of July 1, 2006, along with all records, service credit, and liabilities. Any newly hired Minneapolis teacher after June 30, 2006, also becomes a TRA member. On or before June 30, 2006, all MTRFA retirement fund assets transfer to TRA and are to be invested by SBI, and the MTRFA ceases to exist. On behalf of MTRFA retired members or other benefit recipients of that organization, the TRA shall transfer to the State Board of Investment Post Fund assets consistent with the funding ratio of the Post Fund, to cause the funding ratio of Post Fund assets to be unchanged by the transfer. The benefits of all retired, disabled, deferred or inactive members of the now dissolved MTRFA must be computed as specified under applicable law, bylaw, or articles

of incorporation in effect when the former MTRFA member terminated service. All post-retirement adjustments after December 31, 2006, must be as generated by the SBI Post Fund rather than any prior MTRFA procedure. TRA is the successor in interest to all claims against the MTRFA, except that TRA is not liable for any breach of fiduciary duty where the acts constituting the claimed breach were not done in good faith. An audit of the MTRFA as of June 30, 2006, must be performed by either the State Auditor or Legislative Auditor, with the cost of the audit to be paid by TRA. *Laws 2006, Ch. 277, Art. 3, Sec. 9. Source: H.F. 2847 (Ozment)*

7. Revised TRA Full Funding Date. TRA's full funding date is reset to June 30, 2037. *Laws 2006, Ch. 277, Art. 3, Sec. 34. Source: H.F. 2847 (Ozment)*
8. MTRFA Employees Transfer to TRA. MTRFA employees become TRA employees until December 31, 2007, and are appointed without examination at their current hourly rate and have employment benefits comparable to other TRA employees. *Laws 2006, Ch. 277, Art. 3, Sec. 43. Source: H.F. 2847 (Ozment) and Commission Amendment*
9. Numerous Conforming Changes. Because of the merger of MTRFA into TRA, numerous provisions in the first class city teacher plan Chapter (Chapter 354A), and elsewhere, are revised to remove reference to the MTRFA. These changes are: normal retirement age definition, teacher definition, pension plan establishment provision, sabbatical leave provision, military leave/break in service, parental and maternity leave provision, medical leave, employee contribution rate provision, retirement contribution levy prohibition, employer contribution rate provision, supplemental administrative expense assessment, coordinated program establishment provision, coordinated program annuity computation provision, optional annuity forms provision, service in more than one fund provision, annuity computation for combined coordinated/basic service provision, coordinated program administration provision, financial reporting provision governing Minnesota public plans, joint actuary retention provision, economic actuarial assumption provision, combined service annuity provision, combined service disability provision, combined service survivor provision, pre-1973 provision, and supplemental needs trust provision. *Laws 2006, Ch. 277, Art. 3, Sec. 11-20, 24-33, 35-37, and 40-41. Source: H.F. 2847 (Ozment)*
10. MTRFA Employees Transfer to TRA. MTRFA employees become TRA employees until December 31, 2007, and are appointed without examination at their current hourly rate and have employment benefits comparable to other TRA employees. *Laws 2006, Ch. 277, Art. 3, Sec. 43. Source: H.F. 2847 (Ozment) and House State Government Finance Committee Amendment*
11. Repealer. The MTRFA bylaws are repealed, except that they may be used for computing the benefits applicable to basic MTRFA members. The MTRFA union business agent provision, purchase of out-of-state teaching service, MTRFA basic program establishment provision, and MTRFA post-retirement adjustment provision, are repealed. *Laws 2006, Ch. 277, Art. 3, Sec. 44. Source: H.F. 2847 (Ozment)*