



H.F. 4151
(Hoppe)

S.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Teachers Retirement Association (TRA)
Relevant Provisions of Law: Special law provision
General Nature of Proposal: Service credit purchase for prior leave time
Date of Summary: April 8, 2008

Specific Proposed Changes

The proposed legislation permits a current Wayzata High School teacher to purchase 26.5 days of service to qualify to take an extended leave of absence.

Policy Issues Raised by the Proposed Legislation

1. Conformity with Commission pension policy principles.
2. Equitable considerations.
3. Partial prior leave purchase rather than full prior leave purchase.
4. Precedent.
5. Need for authority expiration.

Potential Amendments

H4151-1A prohibits the purchase of service for time already credited in another Minnesota defined benefit retirement plan or ineligible for coverage when it occurred.

H4151-2A requires the purchase of the full prior uncredited leave period rather than only a portion of the leave.

H4151-3A adds a June 30, 2009, expiration date.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *LAM*
RE: H.F. 4151 (Hoppe); S.F. xxxx: TRA; Authorizing a Leave of Absence Service Credit Purchase by a Wayzata Teacher
DATE: April 8, 2008

Summary of H.F. 4151 (Hoppe); S.F. xxxx

H.F. 4151 (Hoppe); S.F. xxxx permits Britt Stroup, a teacher employed by Independent School District No. 284, Wayzata, who took a three-month leave of absence during late Winter 2006 for which the teacher received no service credit from the Teachers Retirement Association (TRA) to purchase at full actuarial value allowable and formula service credit for 26.5 days of service.

Public Pension Problem of Britt Stroup

Britt Stroup, a 33-year-old physical education teacher at the Wayzata High School, has applied for and was initially granted an extended leave of absence from Independent School District No. 284 to begin at the start of the 2008-2009 school year, but subsequently discovered that she lacked the full ten years of Teachers Retirement Association (TRA) allowable service credit required to take the extended leave of absence because equivalent TRA member contributions were not made during a family leave in 2006 and less or no service credit for the leave was granted. Ms. Stroup indicates that she did not receive the letter from TRA informing her of her opportunity to pay the equivalent member contributions for the family leave. Ms. Stroup has appealed to the TRA Board the missed deadline to make the equivalent member contributions, but it is unclear whether or not TRA has acted on that appeal.

Discussion and Analysis

H.F. 4151 (Hoppe); S.F. xxxx grants special service credit purchase to a Wayzata school district teacher for a 26.5-day period with a full actuarial value purchase payment.

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

1. Conformity with Commission Pension Policy Principles. The policy issue is the extent of compliance of the draft proposed legislation with the Principles of Pension Policy of the Commission. Before 1999, the Commission policy had several components, but since 1999, the Commission has approved a variety of service credit purchases so long as the purchase was accompanied by a full actuarial value purchase payment and, if the service was Minnesota public employment, the employment was not excluded from public pension coverage when rendered. The proposed legislation requires the payment of the full actuarial value of the benefit to be obtained by the purchase, thus conforming with that part of the derived policy principle. The proposed legislation does not include a prohibition on the purchase of service credit that was credited by some other defined benefit public pension plan or that was not creditable when it occurred. **Amendment H4151-1A** includes those prohibitions.
2. Equitable Considerations. The policy issue is the question of the balance between favorable and unfavorable equitable considerations surrounding the request. The equitable argument forwarded by Ms. Stroup is that the extended leave of absence to begin in Fall 2008 is of benefit to her, that she followed all of the steps in applying for the leave, that the school district approved the extended leave, and that only after those steps occurred did she find out that she narrowly lacked enough service credit to qualify for the extended leave. Ms. Stroup also indicates that she does not remember being notified of an opportunity to obtain Teachers Retirement Association (TRA) service credit for a prior leave, authority which has expired, so that her failure to utilize that leave service credit opportunity should not be a disqualifying event. Since the missed opportunity to obtain service credit for a prior leave may be a significant factor in determining the equities of the situation, it may be appropriate to provide TRA with an opportunity to testify on its leave service credit notification procedures generally and with respect to Ms. Stroup specifically.

3. Partial Prior Leave Purchase Rather Than Full Prior Leave Purchase. The policy issue is the appropriateness of the proposed special legislation in authorizing the purchase of only 26.5 days of a prior uncredited leave rather than purchasing the entirety of the prior uncredited leave. While the potential purchase meets Ms. Stroup's immediate need, gaining eligibility to take another leave of absence, the potential authorization does not resolve the situation that may arise in the future, when the service credit for the balance of the uncredited leave may be important and Ms. Stroup may again seek additional special legislation. This would be especially true if the Legislature extends the "Rule of 90" provision to post-1989 hires or if it creates other/additional pension provisions premised in whole or in part on long service. **Amendment H4151-2A** would require Ms. Stroup to purchase the entirety of the prior uncredited leave.
4. Precedent. The policy issue is whether or not any prior legislation exists that could be viewed or argued as a binding precedent for this proposed service credit purchase and whether or not this proposed legislation, if enacted, could be argued to be a binding adverse precedent for future legislative requests. There have been a large number of prior leave service credit purchase special laws for enactment in the Teachers Retirement Association (TRA) during the period 1990-2004, although the Commission staff has not identified an instance when the purchase was needed to gain eligibility for taking another leave and where the purchase also involved a period that was covered by a post-leave service credit equivalent contribution provision that was not utilized. If enacted, the request by Ms. Stroup would be a precedent for a second chance opportunity to obtain service credit for a previous unexercised leave service credit provision, although with a full actuarial value purchase by the individual, this special authority does not have an adverse impact on TRA.
5. Need for Authority Expiration. The policy issue is the absence of any expiration date for the proposed service credit purchase authority. Recent Commission practice on any special legislation it recommends is to set an expiration date for the authority. The expiration date insures that the special legislation requester is very seriously looking for a resolution to the person's public pension problem, minimizes the potential for rapidly increasing purchase payment requests due to the passage of time, and insures that only the intended individual is likely to be able to utilize the special authority. If the Commission desires to sunset this special authority, **Amendment H4151-3A** adds an expiration date of June 30, 2009.

February, 26 2008

To Whom It May Concern:

My name is Britt Stroup and I am a Physical Education Teacher and have been teaching at Wayzata High School for the past ten years.

I am writing to file an appeal in order to payback my TRA from a Family Leave taken in 2006. I was unaware that my TRA contribution was discontinued during my extended Family Leave. I learned of this problem in February, 2008 when I applied for an Extended (Mobility) Leave.

As I considered taking this Extended Leave, I took the necessary steps to ensure the leave would be granted. First, I met with our Union President, Jodi Olson for guidance. Second, I spoke with Wayzata Public Schools Executive Director, Annie Doughty for information. Thirdly, I also spoke with our Wayzata Public Schools Human Resources Manager Jodi Dilly with follow up questions. Finally, I spoke with a TRA Representative.

From my understanding, all the necessary requirements were met in order to apply for an Extended Leave. With the help of our Union President Jodi Olson, I drafted a letter to request an Extended Leave. This February, 2008, I applied for and was granted an Extended Leave from Wayzata Public Schools beginning in the fall of 2008.

Once my leave was granted, I was subsequently made aware that my TRA contribution was discontinued in 2006. Through this process, I came to understand that my contribution total was 9.93 years and I was .07 (26.5 days) short of the required ten years of TRA contributions that would allow the district to grant my request for an Extended Leave. This .07 was unpaid and used to care for my newborn son who had serious health concerns at the time. Due to the fact that I am .07 short, the requested Extended Leave has since been denied.

After speaking with Renee at TRA, I learned that I was sent a letter in 2006 that gave me the opportunity to payback the missed contribution to TRA. To the best of my knowledge, I have not received the letter that was mailed from TRA. Had I received the letter or known about the missed contributions while on Family Leave, I would have immediately paid back the missed contribution.

I would greatly appreciate the opportunity to payback my TRA for the missed .07 in question and be granted an Extended Leave as planned. Unfortunately, at this time, the district has time constraints on processing the requested leave. They are asking me to have an answer from TRA by March, 3rd or as soon as possible.

Please contact me with any information or way that I may help in this process. Thank you for considering this request.

Sincerely,

Britt Stroup
Wayzata High School
Physical Education

h)952.380.9892
c)952.239.8091
w)763.745.6748
email) britt.stroup@wayzata.k12.mn.us

Lisa Diesslin

From: Joe Hoppe [rep.joe.hoppe@house.mn]
Sent: Wednesday, April 02, 2008 2:48 PM
To: Tara Mack
Subject: Fwd: Teachers Leave HELP



TRA 2.doc (27 KB)

>>> "Britt Stroup" <Britt.Stroup@wayzata.k12.mn.us> 2/27/2008 7:06 AM
>>> >>>
Representative Hoppe and Senator Ortman-

My name is Britt Stroup. I am a Physical Education Teacher at Wayzata High School. I am also a resident of Chanhassen.

I am in the process of making an appeal to TRA regarding paying back my contribution while I was on Family Leave. I was told to contact my voting district Legislative Representatives to begin this appeal.

In short, I learned that my TRA was not contributed to while I was on an Extended Family Leave to care for my first child in 2006. I just learned of this deficiency this February, 2008 as I was applying for an Extended (Mobility) Leave. Wayzata Public Schools originally approved my Extended Leave until we both learned of this deficiency to my TRA contribution in 2006. Currently, I am short .07 or 26.5 days of contribution and I would like the opportunity to pay it back as soon as possible.

Without being allowed to payback my TRA, I will not be approved for the Extended Leave that I had planned on taking for the upcoming school year. Unfortunately, Wayzata Public Schools has time constraints on processing the requested leave. They need a reply as soon as possible from TRA in order to continue my leave request.

Please let me know what steps I can take to move forward with this appeal. Thank you for any and all help to this matter!

PLEASE SEE ATTACHED LETTER.

Sincerely,

Britt Stroup

w) 763.745.6748
email) britt.stroup@wayzata.k12.mn.us

1.1 moves to amend H.F. No. 4151; S.F. No., as follows:

1.2 Page 1, line 8, after "contrary" insert ", unless the period to be purchased is credited
1.3 as allowable service by another retirement plan covered by Minnesota Statutes, section
1.4 356.30, or is ineligible for credit as allowable or formula service under Minnesota
1.5 Statutes, chapter 354"

1.1 moves to amend H.F. No. 4151; S.F. No., as follows:

1.2 Page 1, line 17, delete "26.5 days" insert "the period of January 2006 through March
1.3 2006. The entire period must be purchased if any service credit is purchased"

- 1.1 moves to amend H.F. No. 4151; S.F. No., as follows:
- 1.2 Page 2, line 1, after "DATE" insert "; EXPIRATION" and before "This" insert "(a)"
- 1.3 Page 2, after line 1, insert:
- 1.4 "(b) This section expires on June 30, 2009."

This Document can be made available in alternative formats upon request

State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **4151**

April 1, 2008

Authored by Hoppe

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; authorizing a service credit purchase for the Teachers
1.3 Retirement Association.

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

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

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

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

1.13 (1) was born on December 8, 1974; and

1.14 (2) took a leave of absence from teaching in Wayzata, Independent School District,
1.15 No. 284, from January, 2006, through March, 2006, during which the person did not
1.16 receive allowable and formula service credit from the Teachers Retirement Association.

1.17 (c) The period of prior service credit available for purchase is 26.5 days.

1.18 (d) The purchase payment amount under this section is the amount calculated in
1.19 Minnesota Statutes, section 356.551.

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

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