

TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director
RE: 2006 Omnibus Retirement Bill II
DATE: March 2, 2006

Introduction

The Legislative Commission on Pensions and Retirement, through February 27, 2006, assembled two omnibus retirement bills for consideration during the 2006 Legislative Session. The initial aggregation of 2006 proposed retirement legislation, the 2006 Omnibus Retirement Bill I, is contained in an amendment to S.F. 2239 (Pogemiller); H.F. 2362 (Smith). The second aggregation of 2006 proposed retirement legislation is contained in the attached "delete everything" amendment LCPR06-BA034.

Source Legislation for Amendment LCPR06-BA034

The 2006 Omnibus Retirement Bill II is derived from the following retirement bills:

1. SF 70 (Betzold); HF 40 (Smith): Five Percent Limit on Annual Post-Retirement Investment Fund Adjustments.
2. SF 620 (Betzold); HF 1785 (Smith): Deferred annuity augmentation rates modification.
3. SF 1057 (Pogemiller); HF 1120 (Powell), 3rd Engrossment: Senate 2005 Omnibus Retirement Bill II.
4. SF xxx; HF 2847 (Ozment): TRA; MTRFA Merger and Prospective Retirement Annuity Accrual Rate Increase.

General Summary of the 2006 Omnibus Retirement Bill II

Article 1: Five Percent Cap on Minnesota Post Retirement Investment Fund Post-Retirement Adjustments. Effective in 2010, the post-retirement adjustments payable from the Minnesota Post Retirement Investment Fund would be capped at five percent in any given year.

Article 2: Change in the Deferred Annuities Augmentation Rate for Future Public Employees. Effective for new hires after July 1, 2006, the rate by which deferred retirement annuities are augmented is reduced to a flat 2.5 percent from the current rates of three percent per year under age 56 and five percent per year over age 55.

Article 3: MTRFA Merger into TRA; Prospective TRA Benefit Accrual Rate Increase. The Minneapolis Teachers Retirement Fund Association (MTRFA) is merged into the Teachers Retirement Association (TRA), effective July 1, 2006. All active, inactive, and retired MTRFA members become TRA members as of that date. Pre-July 1, 2006, MTRFA service credit becomes TRA service credit, and all of the assets, liabilities, and records of MTRFA transfer to TRA. Pre-July 1, 2006, MTRFA Basic Program members are grand-parented into the MTRFA Basic Program benefit plan. The MTRFA records transfer occurs on June 30, 2007, with the asset and liability transfers occurring on July 1, 2006. TRA is mandated to assert all legal defenses that the MTRFA Board could assert and is obligated to indemnify the MTRFA Board for any action it has taken. The current MTRFA post-retirement adjustment mechanism is repealed in favor of the Minnesota Post Retirement Investment Fund. MTRFA is authorized to create a general fund before December 31, 2007, to continue as a legal entity and to pay reasonable and necessary MTRFA administrative expenses from the MTRFA General Fund. All MTRFA contract liabilities and obligations are fully enforceable liabilities and obligations of TRA. MTRFA administrative staff members are given employment preferences with the statewide retirement plans and, other than the MTRFA executive director, are required to be employed by TRA until June 30, 2008. The amortization target date for TRA is set at June 30, 2037. The TRA benefit accrual rate for post-July 1, 2006, teaching service is increased by 0.2 percent, generally from 1.7 percent per year of pre-2006 service to 1.9 percent per year of post-2005 service. The member contribution rate for TRA members other than Special School District No. 1, Minneapolis, Coordinated Program members is increased by one-half of one percent, effective July 1, 2006. The employer contribution rate for Special School District No. 1, Minneapolis, is increased by one-half of one percent, effective July 1, 2007, and the employer contribution for all other TRA-covered employers is increased by one-half of one percent effective July 1, 2007. The transfer of required reserves for MTRFA retirees to the Minnesota Post Retirement Investment Fund would reflect the then funded condition of the post-retirement mechanism, rather than the generally required full funding of reserves. The State aids for MTRFA under current law would be reassigned to TRA. Amounts of State aid to the Minneapolis Employees Retirement Fund (MERF) in excess of \$8.065 million annually are reassigned to TRA rather than MERF.

Summary of delete-everything amendment LCPR06-BA034

Sec.	Page, Lines	Retirement Plan	Source Bill(s)	Stat. Provision	Summary
Article 1: Minnesota Post Retirement Investment Fund Changes					
1	Page 1, Lines 5-27; Page 2, Lines 1-36; Page 3, Lines 1-30	Statewide Plans	SF 70 (Betzold); HF 40 (Smith)	11A.18, Subdivision 9	Effective in 2010, a five percent maximum on any annual post-retirement adjustment is added to the current post-retirement adjustment law.
2	Page 3, Lines 31-32	--	--	Effective Date	The provision is effective on July 1, 2010.
Article 2: Deferred Annuities Augmentation Rate Change					
1	Page 3, Lines 35-36; Page 4, Lines 1-15	MSRS-General	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	352.116, Subdivision 1a	Reduces deferred annuities augmentation adjustment to early retirement actuarial reduction factors to 2.5 percent for post-July 1, 2006, hires.
2	Page 4, Lines 16-36; Page 5, Lines 1-13	MSRS-General and MSRS- Correctional	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	352.72, Subdivision 2	Reduces deferred annuities augmentation rate to 2.5 percent for post-July 1, 2006, hires.
3	Page 5, Lines 14-26	State Patrol	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	352B.30, Subdivision 2	Reduces deferred annuities augmentation rate to 2.5 percent for post-July 1, 2006, hires.
4	Page 5, Lines 27-36; Page 6, Lines 1-5	PERA-General	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	353.30, Subdivision 5	Reduces deferred annuities augmentation adjustment to early retirement actuarial reduction factors for post-July 1, 2006, hires.
5	Page 6, Lines 6-36; Page 7, Lines 1-2	PERA-General and PERA-P&F	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	353.71, Subdivision 2	Reduces deferred annuities augmentation rate to 2.5 percent for post-July 1, 2006, hires.
6	Page 7, Lines 3-40; Page 8, Lines 1-26	TRA	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	354.44, Subdivision 6	Reduces deferred annuities augmentation adjustment to early retirement actuarial reduction factors to 2.5 percent for post-July 1, 2006, hires.
7	Page 8, Lines 27-36; Page 9, Lines 1-35; Page 10, Lines 1-7	TRA	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	354.55, Subdivision 11	Reduces deferred annuities augmentation rate to 2.5 percent for post-July 1, 2006, hires.
8	Page 10, Lines 8-24	First Class City Teachers	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	354A.31, Subdivision 7	Reduces deferred annuities augmentation adjustment to early retirement actuarial reduction factors rate to 2.5 percent for post-July 1, 2006, hires.
9	Page 10, Lines 25-36; Page 11, Lines 1-25	First Class City Teachers	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	354A.37, Subdivision 2	Reduces deferred annuities augmentation rate to 2.5 percent for post-July 1, 2006, hires.
10	Page 11, Lines 26-36; Page 12, Lines 1-36; Page 13, Lines 1-17	Combined Service Annuity	Commission Amendment related to SF 620 (Betzold); HF 1758 (Smith)	356.30, Subdivision 1	Reduces deferred annuities augmentation for post-July 1, 2006, hires.
11	Page 13, Lines 18-19	--	--	Effective Date	Effective on July 1, 2006.
Article 3: Teachers Retirement Association Coverage and Benefit Restructuring					
1	Page 13, Lines 23-35; Page 14, Lines 1-2	MTRFA	HF 2847 (Ozment); SF xxx	Section 128D.10	Eliminates MTRFA references in a 1959 Special School District No. 1, Minneapolis, statute.
2	Page 14, Lines 3-7	MTRFA; TRA	HF 2847 (Ozment); SF xxx	New Section 128D.19	Rededicates the prior MTRFA State aid amounts to TRA.
3	Page 14, Lines 8-36; Page 15, Lines 1-8	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354.05, Subdivision 2	Modifies the membership definition for the Teachers Retirement Association (TRA) to include all Minneapolis teachers.

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Sec.	Page, Lines	Retirement Plan	Source Bill(s)	Stat. Provision	Summary
4	Page 15, Lines 9-36; Page 16, Lines 1-24	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354.05, Subdivision 13	Modifies the TRA definition of “allowable service” to include pre-July 1, 2006, service as credited by MTRFA.
5	Page 16, Lines 25-36	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354.42, Subdivision 2	Modifies the TRA member contribution provision to retain the 5.5 percent rate for MTRFA-Coordinated Program members, increases to 9.0 percent the MTRFA-Basic Program rate, and increases the TRA-Coordinated Program rate to 5.5 percent.
6	Page 17, Lines 1-15	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354.42, Subdivision 3	Modifies the TRA employer contribution provision to increase the regular employer contribution by Special School District No. 1 by 0.5 percent on July 1, 2007, retains the current Special School District No. 1 additional contribution of 3.64 percent, and increases the TRA employer contribution outside of Minneapolis by 0.5 percent on July 1, 2007.
7	Page 17, Lines 16-39; Page 18, Lines 1-40; Page 19, Lines 1-21	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354.44, Subdivision 6	Increases the TRA benefit accrual rate retirement annuity formula percentage for prospective (post-July 1, 2006) service by 0.3 percent per year for TRA-Coordinated Program members. Retains the June 30, 2006, MTRFA-Basic Program benefit plan for MTRFA-Basic members.
8	Page 19, Lines 22-35; Page 20, Lines 1-36; Page 21, Lines 1-36; Page 22, Lines 1-36; Page 23, Lines 1-9	MTRFA; TRA	HF 2847 (Ozment); SF xxx	New Section 354.70	Implements a consolidation of the MTRFA into TRA, by transferring the current MTRFA membership to TRA on June 30, 2006, by covering newly hired Special School District No. 1 teachers by TRA, by transferring all current MTRFA active member service credit and all MTRFA accrued retirement liabilities on June 30, 2006, by transferring all MTRFA records to TRA on June 30, 2007, by transferring all MTRFA assets to TRA on June 30, 2006, retains the June 30, 2006, MTRFA benefit plan for MTRFA-Basic Program members, and implements post-retirement adjustments for MTRFA retirees under the Minnesota Post Retirement Investment Fund after December 31, 2006. The provision also transfers to the Minnesota Post Retirement Investment Fund (MPRIF) assets to cover retiree reserves equal to the current funded ratio of current MPRIF benefits, requires TRA to indemnify the former MTRFA Board, terminates the MTRFA as a pension plan and legal entity as of December 31, 2007, but permits the MTRFA to continue in the form of a “general fund” and with a continuation of the board, and requires TRA to assume all MTRFA contractual liabilities undertaken through December 31, 2007.
9	Page 23, Lines 10-20	MERF; TRA	HF 2847 (Ozment); SF xxx	New Section 354.75	Redirects to TRA any unspent portion of the potential State aid to MERF.

Summary of delete-everything amendment LCPR06-BA034

Sec.	Page, Lines	Retirement Plan	Source Bill(s)	Stat. Provision	Summary
10	Page 23, Lines 21-35; Page 24, Lines 1-3	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.011, Subdivision 15a	Eliminates MTRFA reference in “normal retirement age” definition of the first class city teacher retirement fund association law.
11	Page 24, Lines 4-36; Page 25, Lines 1-5	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.011, Subdivision 27	Eliminates MTRFA reference in the definition of “teacher” in the first class city teacher retirement fund association law.
12	Page 25, Lines 6-14	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.021, Subdivision 1	Eliminates MTRFA reference in the plan establishment provision of the first class city teacher retirement fund association law.
13	Page 25, Lines 15-36; Page 26, Lines 1-8	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.092	Eliminates MTRFA reference in the sabbatical leave provision of the first class city teacher retirement fund association law.
14	Page 26, Lines 9-20	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.093, Subdivision 1	Eliminates MTRFA reference in the military leave service credit provision of the first class city teacher retirement fund association law.
15	Page 26, Lines 21-34	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.095	Eliminates MTRFA reference in the parental leave service credit provision of the first class city teacher retirement fund association law.
16	Page 26, Line 35; Page 27, Lines 1-22	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.096	Eliminates MTRFA reference in the medical leave service credit provision of the first class city teacher retirement fund association law.
17	Page 27, Lines 23-38; Page 28, Lines 1-2	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 1	Eliminates MTRFA reference in the member contribution provision of the first class city teacher retirement fund association law.
18	Page 28, Lines 3-11	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 2	Eliminates MTRFA references in the local property tax levy restriction provision of the first class city teacher retirement fund association law.
19	Page 28, Lines 12-36; Page 29, Lines 1-33	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 2a	Eliminates MTRFA references in the employer contribution provision of the first class city teacher retirement fund association law.
20	Page 29, Lines 34-39; Page 30, Lines 1-6	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 3a	Redirects the MTRFA direct State aid to TRA after Fiscal Year 2006.
21	Page 30, Lines 7-33	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 3b	Redirects to TRA special direct MTRFA State aid and special local additional contributions by the City of Minneapolis and by Special School District No. 1.
22	Page 30, Lines 34-35; Page 31, Lines 1-23	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 3c	Eliminates MTRFA references in the special first class city teacher retirement fund association State aid termination provision.

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Sec.	Page, Lines	Retirement Plan	Source Bill(s)	Stat. Provision	Summary
23	Page 31, Lines 24-36; Page 32, Lines 1-36; Page 33,, Lines 1-24	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.12, Subdivision 3d	Eliminates the MTRFA from the special supplemental administrative expense assessment provision of the first class city teacher retirement fund association law.
24	Page 33, Lines 25-35	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.30	Eliminates MTRFA references from the first class city teacher retirement fund association coordinated program governing provision.
25	Page 34, Lines 1-24	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.31, Subdivision 4	Eliminates MTRFA references from the coordinated program retirement annuity computation provision of the first class city teacher retirement fund association law.
26	Page 34, Lines 25-36; Page 36, Lines 1-2	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.32, Subdivision 1	Eliminates MTRFA references from the optional annuity form provision of the first class city teacher retirement fund association law.
27	Page 36, Lines 3-25	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.39	Eliminates MTRFA references from the service in more than one fund provision of the first class city teacher retirement fund association law.
28	Page 36, Lines 26-36; Page 37, Lines 1-2	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.40, Subdivision 1	Eliminates MTRFA references from the combined basic and coordinated program provisions of the first class city teacher retirement fund association law.
29	Page 37, Lines 3-29	MTRFA	HF 2847 (Ozment); SF xxx	Section 354A.41	Eliminates MTRFA references from the coordinated program administration provisions of the first class city teacher retirement fund association law.
30	Page 37, Lines 30-34; Page 38, Lines 1-19	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.20, Subdivision 2	Eliminates MTRFA references from the public pension plan financial reporting provision of the general retirement law.
31	Page 38, Lines 20-36; Page 39, Lines 1-34	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.214, Subdivision 1	Eliminates MTRFA references from the joint retention of a consulting actuary provision of the general retirement law.
32	Page 39, Lines 35-36; Page 40, Lines 1-44; Page 41, Lines 1-51; Page 42, Lines 1-46; Page 43, Lines 1-32	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.215, Subdivision 8	Eliminates MTRFA references from the interest and salary assumption provision of the general retirement law.
33	Page 43, Lines 33-41; Page 44, Lines 1-36; Page 45, Lines 1-34	TRA	HF 2847 (Ozment); SF xxx	Section 356.215, Subdivision 11	Resets the TRA full funding date to 2037 in the amortization contribution provision of the general retirement law.
34	Page 45, Lines 35-36; Page 46, Lines 1-23	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.30, Subdivision 3	Eliminates MTRFA references from the combined service annuity provision of the general retirement law.
35	Page 46, Lines 24-36; Page 47, Lines 1-11	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.302, Subdivision 7	Eliminates MTRFA references from the combined service disability provision of the general retirement law.
36	Page 47, Lines 12-35; Page 48, Lines 1-3	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.303, Subdivision 4	Eliminates MTRFA references from the combined service survivor benefit provision of the general retirement law.

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Sec.	Page, Lines	Retirement Plan	Source Bill(s)	Stat. Provision	Summary
37	Page 48, Lines 4-7	TRA	HF 2847 (Ozment); SF xxx	Section 356.315, New Subdivision 1a	Adds additional increased coordinated program benefit accrual rate to the general retirement law as part of the TRA retirement annuity increase.
38	Page 48, Lines 8-11	TRA	HF 2847 (Ozment); SF xxx	Section 356.315, New Subdivision 2b	Adds additional increased coordinated program benefit accrual rate to the general retirement law as part of the TRA retirement annuity increase.
39	Page 48, Lines 12-27	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.42, Subdivision 3	Eliminates an MTRFA reference from a special post-retirement adjustment provision of the general retirement law.
40	Page 48, Lines 28-35; Page 49, Lines 1-21	MTRFA	HF 2847 (Ozment); SF xxx	Section 356.465, Subdivision 3	Eliminates an MTRFA reference from the supplemental needs trust provision of the general retirement law.
41	Page 49, Lines 22-36; Page 50, Lines 1-36; Page 51, Lines 1-9	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Section 423A.02, Subdivision 1b	Redirects the MTRFA portion of additional State aid to TRA.
42	Page 51, Lines 10-12	TRA	HF 2847 (Ozment); SF xxx	Uncoded	Resets the TRA amortization target date to 2037.
43	Page 51, Lines 13-26	MTRFA; TRA	HF 2847 (Ozment); SF xxx	Uncoded	Provides MTRFA employees with a State retirement plan job preference and obligates TRA to employ MTRFA employees until June 30, 2008.
44	Page 51, Lines 27-35; Page 52, Lines 1-3	MTRFA	HF 2847 (Ozment); SF xxx	Uncoded	Generally repeals the MTRFA articles of incorporation and bylaws, retaining them only for Basic Program benefit calculation purposes.
45	Page 52, Lines 4-6	--	--	Repealer	Repeals various MTRFA-specific provisions of the first class city teacher retirement fund association law.
46	Page 52, Lines 7-8	--	--	Effective Date	The article is effective on July 1, 2006.

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