# S.F. xxxx H.F. 2179

(Nelson)

## Executive Summary of Commission Staff Materials

*Affected Pension Plan(s)*: Teachers Retirement Association (TRA)
*Relevant Provisions of Law*: Minnesota Statutes, Section 354.06
*General Nature of Proposal*: Expands the TRA board by adding a second retiree position
*Date of Summary*: February 27, 2014

## Specific Proposed Changes

- Expands the TRA board from eight to nine trustees through the addition of an additional elected retiree position for a four-year term beginning on July 1, 2015.

## Policy Issues Raised by the Proposed Legislation

1. Board structure differences between plans; need for general study of pension plan governance.
2. Adding another retiree position dilutes influence of positions representing broader public interests while giving greater emphasis to TRA retiree concerns.
3. Inconsistent with MSRS proposal to permit deferred members to vote for MSRS Board active member positions.
4. Encouragement of similar requests by groups seeking representation.
5. Lack of Commission action on similar proposals in prior years.
6. Question of TRA and member support.

## Potential Amendments

H2179-1A replaces an active member board position to an additional retiree position, keeping the size of the TRA board at eight.

H2179-2A, an alternative to H2179-1A, does not expand or revise the board, but permits deferred TRA members to vote in board elections for active member positions.

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TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: S.F. xxxx; H.F. 2179 (Nelson): TRA; Adding a Second Elected Retiree Position to the Board of Trustees

DATE: February 27, 2014

Summary of S.F. xxxx; H.F.2179 (Nelson)

S.F. xxxx; H.F.2179 (Nelson) amends Minnesota Statutes, Section 354.06, Subdivision 1, the Teachers Retirement Fund Association (TRA) board provision, by expanding the board from eight to nine trustees through the addition of an additional elected retiree position. The election for the newly added retiree board member will take place in 2015, for a four-year term beginning on July 1, 2015.

Background Information on Relevant Topics

The following attachment provides background information on topics relevant to the proposed legislation:

- **Attachment A**: Minnesota public pension plans board structure and responsibilities.
- **Attachment B**: Plan-by-plan comparison of the 2010-2013 Financial Sustainability Provisions.

Discussion and Analysis

a. TRA Board Membership. Under current law, TRA has eight board members, five that are elected and three that are appointed. The elected members consist of four teachers as defined in TRA law who are elected by the active plan members and one retiree elected by the plan retirees and survivors. The three appointed members are the Commissioner of Management and Budget, the Commissioner of Education, and a representative of the Minnesota School Boards Association. The five elected members presumably will ensure that the active members of the plan and the retirees are well represented, while the three appointed members provide input reflecting financing and broad social policy. The Minnesota School Boards Association and the Commissioner of Management and Budget reflect the state's financial interest in funding public education throughout the state and funding the pension plans of teachers. The Commissioner of Education represents the state's interest in education policy in general.

The elections for the various elected members are staggered, so not all elected member seats are up for election at the same time. The elections are for four-year terms. For the active member seats, two are elected in an odd year, and the other two are elected in the next odd year. The retiree seat is up for election every other odd year.

All board members, both elected and appointed, serve in a fiduciary capacity.

b. TRA Board Powers and Responsibilities. The TRA board is responsible for electing the board president and hiring the TRA executive director. The board, with executive director's assistance, hires and retains other administrative staff for the fund and retains other services as needed or as required by law.

The TRA board approves the TRA budget, which is then funded out of the body of the TRA fund or the incoming contribution stream, with the remainder being certified to SBI for investment. The board establishes bylaws to govern the plan and the organization consistent with state law, and amends these bylaws as needed over time.

As plan fiduciaries, the board is responsible for all aspects of the plan, including authorizing proper expenses, ensuring that TRA properly determines eligibility for membership, receiving the contributions required by law, properly determining and computing benefits, and maintaining membership and financial records.

In practice, the TRA executive director and staff make the benefit determination decisions, but through an appeal process, some cases are brought before the board. Sometimes these appeals deal with benefit amount determinations. For example, the executive director and staff may conclude that various payments provided to a retiring member do not meet the TRA definition of salary and thus should not be included in the high-five average salary used to compute the annuity. These determinations might then be appealed to the board. The most typical appeals are disability benefit claims. The executive director may deny a disability claim due to a conclusion that the individual does not meet the TRA definition of disability. The individual could then appeal the executive director's determination to the TRA board.

In addition to TRA's administrative staff of approximately 90 employees, TRA retains an actuarial services firm, currently Cavanaugh Macdonald Consulting, LLC. TRA is audited by the Office of the Legislative Auditor. Legal counsel of provided by the Office of the Attorney General. The plan's medical advisor, for purposes of advising the executive director and the board on disability applications and disability benefit renewals, is the Minnesota Department of Health. By law, all TRA financial assets are invested by the State Board of Investment (SBI).

c. Number of Retirees and Deferred Retirees as a Percentage of Active Membership. Table 1 shows for recent years, 1998 through 2013, the relationship between TRA's active members and its retirees, with retirees defined as service retirements plus survivor annuitants. Also shown is information about TRA deferred retirees. These are individuals who have left teaching and will eventually be eligible for a TRA annuity, but the annuity has not commenced. This group has no representation on the TRA board and it is unlikely that they are permitted to vote in TRA board elections.

Table 1 indicates that retirees have been growing as a percentage of TRA membership. In 1998, for every 100 active members there were 39 retirees. The portion of retirees has steadily increased over the years, with the 2013 actuarial valuation indicating that there are now 74 retirees for every 100 active members. Similarly, the percentage of deferred retirees in TRA's total membership has been increasing, from 9 deferred retirees for every 100 active members to 16 in the most recent actuarial valuation.

While the retiree group has grown considerably over the years relative to the active membership, retiree representation on the board has not increased. Throughout this period there was one retired board member representative while there were four active member representatives. The deferred member group is not insignificant in size, and it also has been growing as a portion of the total membership. The group has no board member representing its views.

Table 1
TRA Membership Data

| Date | Active Members | Retirees [1] | Deferred Retirees | Retirees per 100 Active Members | Current Law: Retiree Board Members ÷ Active Board Members | Deferred Retirees per 100 Active Members |
|---|---|---|---|---|---|---|
| 1998 | 68,247 | 26,774 | 6,356 | 39 | 25% | 9 |
| 1999 | 68,613 | 29,273 | 7,020 | 43 | 25 | 10 |
| 2000 | 70,508 | 31,437 | 7,375 | 45 | 25 | 10 |
| 2001 | 71,097 | 33,239 | 7,959 | 47 | 25 | 11 |
| 2002 | 71,690 | 34,423 | 8,680 | 48 | 25 | 12 |
| 2003 | 71,916 | 35,641 | 9,304 | 50 | 25 | 13 |
| 2004 | 72,008 | 37,060 | 10,767 | 51 | 25 | 15 |
| 2005 | 74,552 | 38,376 | 9,880 | 51 | 25 | 13 |
| 2006 | 79,164 | 44,053 | 11,773 | 56 | 25 | 15 |
| 2007 | 77,694 | 45,902 | 12,636 | 59 | 25 | 16 |
| 2008 | 76,515 | 46,340 | 12,168 | 61 | 25 | 16 |
| 2009 | 77,786 | 49,584 | 12,490 | 64 | 25 | 16 |
| 2010 | 77,356 | 51,199 | 12,756 | 66 | 25 | 16 |
| 2011 | 76,755 | 52,935 | 13,237 | 69 | 25 | 17 |
| 2012 | 76,649 | 54,834 | 12,201 | 72 | 25 | 16 |
| 2013 | 76,765 | 56,600 | 12,614 | 74 | 25 | 16 |

[1] Retirees defined as service annuitants plus survivors.
*Source: TRA Actuarial Valuation Reports.*

The TRA board is not alone in its treatment of deferred retirees. The Minnesota State Retirement System (MSRS) board, the Public Employees Retirement Association (PERA) board, and boards of the remaining first class city teacher plans have no deferred retiree representation on their boards. While teacher plans have a sizable number of deferred retirees, the deferred retiree group is larger as a portion of total membership in other general employee plans. According the most recent actuarial valuations, the MSRS General State Employees Retirement Plan (MSRS-General) and the PERA General Employees Retirement Plan (PERA-General) both have 33 deferred retirees for every 100 active members. Deferred members are only a small segment in public safety plans.

Review of MSRS, PERA, TRA, and first class city teacher plan statutes, as well as by laws and articles of incorporation for the two first class city teacher plan associations, suggests that none of these organizations have a deferred member board position and none of these organizations permit deferred retirees to vote in board elections. However, S.F. 1326 (Goodwin); H.F. 1410 (Nelson), heard at the Commission's February 13, 2014, meeting and which is also on today's agenda, would permit MSRS deferred members to vote in MSRS board elections, generally for active member board positions. No specific deferred member board positions would be authorized by that bill.

d. Recent Benefit and Structural Changes Creating Increased Interest in Board Representation. It is understandable that TRA retirees would want to be well represented on the TRA board, given recent and potential current legislation which threatens their interests. For decades prior to 2008, the Minnesota Post Retirement Investment Fund (Post Fund) contained the assets (actuarial reserves) of retired members, which financed the lifetime payouts to retirees and provided post-retirement increases. Retirees viewed the Post Fund as their fund, their assets. Legislation enacted in 2008 (Laws 2008, Ch. 349, Art. 1) required the Post Fund to be dissolved if the funding ratio fell below 80% in any one year or below 85% in two consecutive years. The Post Fund funding ratio recently did fall below 80%, and the Post Fund was dissolved and Post Fund provisions in law were repealed. The retiree assets were transferred back to the applicable MSRS, PERA, or TRA plan and merged with that plan's active member assets. Retirees where concerned about the elimination of the Post Fund, and may have felt that dissolution threatened their interests.

   Concerns became more heightened when the fuller implications of the Great Recession which started in 2008 became known. In 2010, the Commission approved and the Legislature enacted extensive revisions to our public pension plans to shore up pension funding and cut liabilities. The enacted changes were called the Financial Sustainability Provisions. Under those provisions, for a few plans the contribution rates were increased, which would impact active members and employing units. Some changes were made to benefits applicable to active members, such as a reduction in the interest rate they would receive on a refund, if they take a refund following termination after providing a short amount of service. All current and future retirees were impacted by reduced post-retirement increases, including a two year waiver of any increase for TRA, which of course would have been an item of keen interest to TRA retirees.

   The Financial Sustainability Provisions came directly from the pension plan administrations, and were enacted with little sandpapering by the Commission or Legislature. Attachment B sets forth a summary of the 2010 Financial Sustainability Provisions, as expanded and revised through 2013. In creating the proposal that the Legislature passed, the active member and retired member representation on the various pension boards made some difficult choices, having decided that painful changes must occur to protect the pension fund. However, the largest benefit reductions occurred to deferred annuitants, the group which was not represented at all in the process. The reductions to deferred annuity augmentation are large and permanent. Unlike changes to post-retirement increases, there is no mechanism in law to reinstate the prior practice, in whole or in part, when pension funds return to fiscal health. The implications of the reductions imposed on deferred annuitants have been demonstrated in various Commission staff memos over the last few years. More recently, the Commission learned of the impact on a specific deferred annuitant, when an MSRS deferred annuitant presented his case to the Commission at its January 28-29, 2014, meetings. Because of the changes to deferred annuity augmentation, if he retires at age 66, he will receive $1,375 per month rather than $2,046 per month – a benefit reduction of 33%. In contrast, existing retirees received a reduction in the rate of increase in their annuities, but no existing retiree had their benefit amount rolled back.

   The current discussion of merging one or more of the remaining first class city teacher plans into TRA also creates TRA retiree concerns. In law, TRA post-retirement increases will bounce from 2.0% to 2.5% when the TRA funding ratio, based on market value, reaches 90%. Any terms of a consolidation agreement which could delay reaching a 90% funding ratio will harm TRA retirees.

Pension and Related Public Policy Issues

The proposed legislation raises a number of pension and related public policy issues for consideration and possible discussion by the Commission, as follows:

1. Need for More General Study of Public Pension Plan Governance. While the ratio of TRA retirees to active members might seem to justify adding another retiree to the TRA board, the Commission may wish to consider that the primary charge to the board is to ensure that the plan is operated according to law. A similar charge is given to every commissioner or agency head in state government, and for the most part these departments and agencies operate without any board. Thus a more fundamental question is whether the Commission may wish to consider fundamental structural changes rather than minor tinkering. The Commission may wish to discuss merging retirement systems and shifting the

duties presently performed by these retirement system administrations and boards into a single state retirement department.

2. Board Structure Differences between Plans. The issue is that while the existing pension plan boards differ in size and structure, they all perform very similar functions. A question is whether these differences can be justified. If not, the Commission may wish to consider creating more uniformity between the various pension systems. Attachment A describes the structure and responsibilities of the boards of MSRS, PERA, TRA, and the remaining first class city teacher plans. The size of these boards range from eight for TRA to eleven for MSRS and PERA. The size of the teacher plan boards ranges from eight to ten, with the smaller teacher plans having larger boards than TRA. The Duluth Teachers Retirement Fund Association (DTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA), which now receive considerable direct state aid, have no state-appointed members.

3. Implications of Adding an Additional Member to TRA Board versus Replacing an Existing Seat. The issue is whether a new seat should be added, as proposed in this bill, rather than replacing an existing active member seat. Replacing an existing active member seat with a seat reserved for a retiree may bring active members (and unions) into direct conflict with retirees. Instead, the bill would add a new seat, which may somewhat lessen that potential conflict; but this creates another conflict by altering the mix of elected seats compared to appointed seats. The elected seats will have a bias toward the interest of employee groups (active employees and retired employees). In contrast, the appointed seats (the Commissioner of Management and Budget, the Commissioner of Education, and a Minnesota School Board Association member) represent the interests of the general public, the taxpayers. Adding another elected member seat would mean that the appointed seats would represent 33% of the seats on TRA's board, rather than the current 37%.

   An argument for not reducing the percentage of the board seats devoted to the appointed members is that the taxpayers bear the risk for this pension fund. Taxpayers pay the salaries of teachers and they make employer contributions to this fund that are at least the same as the employees' contributions, and are often greater.

4. Interests of the Retirees Impacting Board Positions. The Commission may choose to consider that adding another retired member to the TRA board will change, to an extent, the interests and priorities of the board and the legislative initiatives which the board may propose and support.

5. Lack of Deferred Member Representation. The issue is whether it would be appropriate to add a second retiree representative to the board, rather than a deferred retiree, given that deferred members continue to have no representation.

6. Encouragement of Additional Requests. The Commission may wish to consider that expanding the TRA board to include an additional retiree may encourage other groups to seek representation, and may undermine the Legislature's ability to deny such requests. In 2005, the Commission considered S.F. 648 (Betzold, by request); H.F. 1374 (Erickson), which would have added a seat to the TRA board reserved for a person licensed by the Minnesota Board of School Administrators. The Commission heard the bill but did not recommend the bill to pass. If the current proposal is enacted, particularly if it leads to further additions of positions reserved for school administrators or other groups, the representation of the general taxpayer may be considerably eroded.

7. Lack of Final Commission Action on Prior Similar Request. The issue is that the Commission heard a comparable bill in 2009, on more than one occasion (S.F. 1601 (Olson, M.); H.F. 1793 (Nelson)), and no final action occurred. That bill was eventually withdrawn from Commission consideration.

8. TRA and Union Position. The issue is whether TRA supports the proposed change and whether there is union support.

Potential Amendments for Commission Consideration

**H2179-1A** keeps the size of the TRA board at eight, replacing one of the active member positions with an elected retiree position rather than adding an additional position.

**H2179-2A**, an alternative to H2179-1A, permits deferred retirees to vote in board elections for the active member seats. The board would not change in size and retirees would continue to have one seat.

# Background Information on Minnesota Public Pension Plan Board Structure and Responsibilities

1. Summary and Comparison of Governing Board Structure and Responsibility Provisions.

   a. Membership.

   MSRS...........Eleven board members *[352.03, Subd. 1]*

   PERA...........Eleven board members *[353.03, Subd. 1]*

   TRA.............Eight board members *[354.06, Subd. 1]*

   DTRFA.........Nine board members *[Articles, Art. V]*

   SPTRFA........Ten board members *[Articles, Art. V; Bylaws, Art. III, Sec. 1]*

   b. Elected Active Member Representation.

   MSRS...........Four state employees elected by state employees covered by the system. *[352.03, Subd. 1]*

   PERA...........Four active members, elected by active, disabled, retired, and survivor membership of the various plans administered by the association, of which one must be a police and fire plan member. *[353.03, Subd. 1]*

   TRA.............Four teachers elected by the active plan membership. *[354.06, Subd. 1]*

   DTRFA.........Five active members of the association elected by and from the active plan membership. *[Articles, Art. V]*

   SPTRFA........Nine SPTRFA members elected by the SPTRFA membership. *[Articles, Art. V; Bylaws, Art. III, Sec. 1]*

   c. Ex Officio Representation.

   MSRS...........Three governor appointees; one a constitutional officer or appointed state official, and two public members knowledgeable in pension matters. *[352.03, Subd. 1]*

   PERA...........The state auditor or the auditor's designee and five governor appointees, of which one represents school boards, one represents cities, one represents counties, one is a PERA retired annuitant, and one is a public member who is knowledgeable in pension matters. *[353.03, Subd. 1]*

   TRA.............Three appointees; the Education Commissioner, the Management and Budget Commissioner, and a representative of the Minnesota School Boards Association. *[354.06, Subd. 1]*

   DTRFA.........One member of ISD No. 709 appointed by the school board chair and the superintendent of ISD No. 709 or the designee of the superintendent. *[Articles, Art. V]*

   SPTRFA........Chair of ISD No. 625 or another school board member appointed by the ISD No. 625 board. *[Articles, Art. V]*

   d. Retiree Representation.

   MSRS...........One, elected by system disabled and retired membership of all retirement plans administered by the system. *[352.03, Subd. 1]*

   PERA...........One retiree or disabilitant elected by the active, disabled, retired, and survivor membership of the various plans administered by the association. *[353.03, Subd. 1]*

   TRA.............One, elected by the retirees of the plan. *[354.06, Subd. 1]*

   DTRFA.........Two, elected by the retirees of the plan. *[Articles, Art. V]*

   SPTRFA........No specific provision.

   e. Other Appointed Representation.

   MSRS...........One, designated by the Metro Council Transit Operation employee union. *[352.03, Subd. 1]*

   PERA...........None.

   TRA.............None.

   DTRFA.........None.

   SPTRFA........None.

   f. Other Elected Representation.

   MSRS...........Two, with one elected by the State Patrol Plan active membership and one elected by the Correctional Plan active membership. *[352.03, Subd. 1]*

   PERA...........None.

   TRA.............None.

   DTRFA.........None.

   SPTRFA........None.

g. Exclusions and Restrictions.

MSRS............Employees of MSRS, and state employees on leave of absence, including employees of unions who are members, are excluded. *[352.03, Subd. 1; 352.029, Subd. 5]*

PERA............For elected board positions, nonpublic /non-PERA members are excluded, including employees of union who are members. *[353.03, Subd. 1; 353.017, Subd. 5]*

TRA ..............Elected trustees must be members in good standing at time of election. Teacher union employees who are members are excluded from board service. *[354.06, Subd. 1; 354.41, Subd. 7]*

DTRFA .........Elected active member trustees must be contributing members of the association and cessation of that active membership automatically terminates board membership, except that upon retirement, the trustee may continue board service until the next annual association meeting. The trustee representing the school board must be a member of the board of ISD No. 709 and cessation of service on the school board automatically terminates DTRFA board membership. A trustee representing the active membership who takes a leave of absence from ISD No. 709 employment for more than 60 days for any reason will have the person's position on the board declared vacant. *[Bylaw V]*

SPTRFA........No specific provision.

h. Term, Duration, and Frequency.

MSRS............Four-year terms and until successor qualifies, with two elected each biennium for the four elected board members, according to Minnesota Statutes, Section 15.075, for public board members. *[352.03, Subd. 1]*

PERA............To January 31 of fourth year of service and, for elected board members, until the board member is seated. *[353.03, Subd. 1]*

TRA ..............Four years; staggered for the elected board members. *[354.06, Subd. 1]*

DTRFA .........The term of the board representative is three years and until the successor qualifies. The term of the active or retired membership trustees is two years or three years, staggered and until the successor qualifies. The term of the school board representative commences on the first regular DTRFA board meeting held after the person's appointment. The term of active or retired member representatives commences on November 15 of the year of the election. *[Bylaw V]*

SPTRFA........Three-year terms, staggered, for elected board members. Elected board members are divided into three classes of three trustees each, with an election of a class each year at the annual meeting. *[Bylaws, Art. III, Sec. 1]*

i. Conduct of Election.

MSRS............In a manner fixed by the board for State Patrol representation, MSRS-Correctional representation, and retiree representation. *[352.03, Subd. 1]*

PERA............Board position filings October 1-7, annually; petition must be signed by a minimum of 25 PERA members; withdrawal until October 15; candidate statement corresponding to board requirements mailed by PERA to the membership; candidates with $100 in contributions or expenditures required to file within 30 days after the election with the Campaign Finance and Public Disclosure Board; vote may be cast for only one candidate; no incumbency designation permitted; ballots and voting must ensure secrecy; Secretary of State must supervise the election. *[353.03, Subd. 1]*

TRA ..............Board position filings with minimum of ten plan member signatures; election must be completed by June 1 of each odd-numbered year. *[354.06, Subd. 1]*

DTRFA .........Board members who are representatives of the membership must be elected at the annual membership meeting, to be held the fourth Monday in October at 4:00 pm. *[Bylaws III, V]*

SPTRFA........Candidates for election to the board are required to be nominated by at least ten members of the association on a form prescribed by the board and available from the association office. The form is required to be filed with association office by the second Friday of November prior to the election date. Nominations of candidates for the board also are permitted from the floor at the annual meeting, where the election is held by ballot. *[Bylaws, Art. IV]*

j. Compensation.

MSRS............Compensation as provided in Minnesota Statutes, Section 15.0575. *[352.03, Subd. 1a]*

PERA............No compensation for board service, but reimbursement of board member from PERA fund required for actual and necessary expenses. Public employee board members are specified as not to suffer a loss of regular compensation as a result of board service. *[353.03, Subd. 2]*

TRA ..............No compensation for board members, but reimbursement of board members from TRA fund for necessary expenses related to board duties and reimbursement of the employer for a substitute teacher hired to cover the absence of the board member. Board members are not permitted to suffer loss of regular compensation as a result of board service. *[354.06, Subd. 4]*

DTRFA .........Board of trustees members are required to render their services without compensation. *[Bylaw VI]*

SPTRFA........The secretary and the treasurer are to be paid a salary in an amount to be set by the trustees. Other members of the board are not permitted to receive any compensation for their board services, but are entitled to receive reimbursement for expenses that are reasonably and necessarily paid or incurred in the performance of their duties. *[Bylaws, Art. V, Sec. 7]*

k. Indemnification of Board Members.

MSRS............No specific provision.

PERA............No specific provision.

TRA ..............No specific provision.

DTRFA .........To the full extent permitted under Minnesota law, board members and employees of the association are held harmless from all liability, loss, and expense arising out of their fiduciary duties. *[Bylaw V, Sec. 10]*

SPTRFA........The association is permitted to indemnify board members and employees from loss, damage, and liability incurred by, sustained by, or arising out of the performance of association duties unless willful misconduct, gross negligence, or bad faith is involved. *[Bylaws, Art. V, Sec. 8]*

l. Removal.

MSRS............Removal as provided in Minnesota Statutes, Section 15.0575. *[352.03, Subd. 1a]*

PERA............No explicit provision.

TRA ..............No explicit provision.

DTRFA .........A vacancy is required to be declared by the board if a representative of the membership goes on a leave of absence greater than 60 days. *[Bylaw V]*

SPTRFA........No specific provision.

m. Filling Vacancies.

MSRS............Vacancy in elected membership filled by board for the unexpired duration of the term; the transit representative vacancy must be filled by the union. Vacancy by public members as provided in Minnesota Statutes, Section 15.0575. *[352.03, Subd. 1a, 2]*

PERA............Vacancy by death, resignation, removal, or public employment cessation is to be filled for the duration of the term by the board, under its established procedures, for elected board members or by the governor for appointed board members. *[353.03, Subd. 1a]*

TRA ..............Vacancy in elected membership filled by the remainder of the board until next election, with elected replacement's service to continue to the end of the original term. *[354.06, Subd. 1]*

DTRFA .........A vacancy in a board position representing the membership is filled by the remainder of the board, with the replacement continuing until the next annual membership meeting, where the membership selects a successor for the balance of the original trustee's term. *[Bylaws V and VI]*

SPTRFA........A vacancy in an elected member board position is required to be filled by the remainder of the board, even if less than a quorum. The replacement board member serves until the next annual election, when the position is filled by election for the remainder of the original term. *[Bylaws, Art. III, Sec. 1]*

n. Powers and Duties.

MSRS............
1) Elect the board chair;
2) appoint the executive director;
3) establish system rules;
4) transact the business of the system;
5) advise director on matters and functions; and
6) oversee Deferred Compensation Plan and Health Care Savings Plan administration. *[352.03, Subd. 4]*

PERA............
1) Elect the president and vice president of the board;
2) approve the staffing complement for the system;
3) adopt bylaws consistent with law for system governance and management;
4) establish, alter, and enforce system rules;
5) pass on membership applications and decide withdrawal and benefit claims;
6) adopt appropriate mortality table;
7) provide for plan administrative expense and benefit payments;
8) decide executive director recommendations and actions subject to its authority under Minnesota Statutes, Section 353.03, Subd. 3a;
9) examine evidence and witnesses for applications and claims;
10) investigate validity and merit of applications and claims and require medical examinations for disability benefit applications;

11) establish board expense reimbursement procedures, with all out-of-state travel subject to board approval, consistent with Dept. of Management and Budget and the Dept. of Administration rules and policies; and
12) appoint executive director. *[353.03, Subd. 3, 3a; 353.18]*

TRA .............1) Elect the board president;
2) elect the executive director;
3) employ the administrative staff of the plan;
4) frame bylaws for its government and for plan administration and to alter or amend them;
5) enforce board rules;
6) pass on membership applications and service credit;
7) pass on withdrawal and benefit applications;
8) adopt appropriate mortality table;
9) provide for the payment of fund expenses and benefits;
10) examine evidence and witnesses for applications and claims;
11) certify plan money to the State Board of Investment for investment;
12) keep record of receipts and disbursements and separate member accounts;
13) determine annual interest earnings of the fund and credit interest to member accounts; and
14) conduct benefit eligibility determinations and benefit amount appeals. *[354.06, Subd. 2; 354.07, Subd. 1,2,4,5]*

DTRFA .........1) Elect a president, a vice president, and a treasurer from the board membership;
2) designate a bank or banks for deposit of DTRFA funds and provide for the care and safekeeping of DTRFA securities;
3) invest DTRFA funds with the care, prudence, and good faith required for trust funds, and to sell, transfer or dispose of investments;
4) maintain IRA and tax-shelter programs;
5) turn over to the qualified successor the office and all books, records, accounts, papers, and other property pertaining to the board office;
6) establish and enforce rules which are not inconsistent with the articles or bylaws deemed necessary for the management of the association;
7) assign to any officer any duty not expressly provided for in the articles or the bylaws;
8) provide for the collection of all mortgage loans, interest payments, and other indebtedness;
9) provide for and maintain an office in Duluth, which must be kept open during business hours;
10) appoint a replacement treasurer in the event of the vacancy in that office; and
11) attend and be present for all board meetings. *[Bylaws V, VI, VII]*

SPTRFA........1) Manage the affairs of the association consistent with law, the restated Articles of Incorporation, and the bylaws;
2) employ any services necessary to properly conduct the business of the association;
3) elect board officers (president, vice president, secretary, treasurer, and other officers) at the annual meeting; the secretary and the treasurer must be association members, but need not be board members, and may be a combined office; the president and vice president must be board members;
4) create other committees, as needed;
5) elect a five-member executive committee (president, treasurer, and three board members). The president is required to preside at board and membership meetings, is an ex officio member of all committees, is required to execute, with the secretary, all documents to be executed on behalf of the association, is required to perform other duties incidental to the office, and is required to perform duties assigned by the members, the board, or the bylaws. The vice president is required to perform the president’s duties in the case of the president’s incapacity or absence and to perform duties delegated by the president or assigned by the membership or by the board.

The SPTRFA secretary is required to maintain a list of association members with necessary benefit eligibility and amount data, is required to attend and to keep a record of all membership and board meetings, is required to file notices, make reports and perform all other duties incidental to the office or imposed by law, by the articles, by the bylaws, by the membership, or by the board. The treasurer is required to receive and deposit association revenue, issue checks that are countersigned by the president, account for association assets in the treasurer’s possession, give a bond to the association in an amount specified by the board, and make financial reports at the annual meeting and at other times required by the board. The treasurer is also required to prepare and submit to the board or its executive committee a budget for the association for the successive year, including estimates of receipts and disbursements. *[Bylaws, Art. III, Sec. 1-2; Art. V, Sec. 1-6; Art. VI; Art. VII, Sec. 2]*

o. Additional Permissive Powers and Duties.

MSRS............1) Consider and make recommendations on retiree needs;
2) disseminate retiree information;
3) supply names and addresses of retirees to employing units; and
4) supply retiree organization(s) representing more than 5,000 retirees with retiree names and addresses. *[352.03, Subd. 4a]*

PERA............1) Authorize the sale of member life insurance under pre-1/1/1985 insurance program;
2) may purchase fiduciary liability insurance and official bonds for board members and system staff;
3) may purchase property insurance; and
4) may establish self-insurance risk reserve, including data processing insurance and "extra-expense" coverage. *[353.03, Subd. 3]*

TRA ..............1) May conduct investigations to determine validity of claims; and
2) use Dept. of Administration, Information Services Division, for data processing or contract for data processing services. *[354.07, Subd. 2, 7]*

DTRFA .........None.

SPTRFA........The board is permitted to employ an executive director as a nonvoting officer of the association, serving at the pleasure of the board, with those duties delegated by the board, at a salary determined by the board. *[Bylaws, Art. V, Sec. 9]*

p. Board Committees.

MSRS............No specific provision.

PERA............No specific provision.

TRA ..............No specific provision.

DTRFA .........Standing and other committees may be appointed by the board president. *[Bylaw XX]*

SPTRFA........The board is required to establish an executive committee and is permitted to establish other committees. The executive committee is required to exercise the powers of the board between meetings of the board. All actions of the executive committee are subject to ratification by the board at the next successive board meeting. The executive committee is required to direct the investments of the association, with a report to the board. The executive committee is permitted to approve applications for benefits other than disability benefits if no board meeting is scheduled within 30 days of the application filing. The executive committee is permitted to investigate disability applications, require the examination of the applicant, and make recommendations to the board. The executive meeting may be called by the president with 24-hour prior written notice, or any time with a waiver of notice from all committee members. The executive committee may meet with a majority of its members as a quorum, but if only three committee members are present, all actions must be unanimously approved. Other committees are subject to the same call and conduct requirements as the executive committee. *[Bylaws, Art. VI]*

q. Rationale.

MSRS............Performs policy making function. *[352.03, Subd. 1]*

PERA............Performs management function. *[353.03, Subd. 1]*

TRA ..............Performs management function. *[354.06, Subd. 1]*

DTRFA .........Governance of the association and the management of its affairs. *[Articles, Art. V]*

SPTRFA........Vested with the management of the association's affairs. *[Articles, Art. V; Bylaws, Art. III, Sec. 1-2]*

r. Fiduciary Obligation.

MSRS............Chapter 356A *[352.03, Subd. 7]*

PERA............Chapter 356A *[353.03, Subd. 1]*

TRA ..............Chapter 356A *[354.06, Subd. 1a]*

DTRFA .........Section 317A.255; 354A.021, Subd. 6; Chapter 356A [*Bylaws VII, IX]*

SPTRFA........Chapter 356A *[354A.021, Subd. 6]*

s. Status Determination.

MSRS............Board has the power to make final status determination of any state employee. *[352.03, Subd. 10]*

PERA............Board has the power to make final status determination of governmental subdivision employees. *[353.03, Subd. 3; 353.18]*

TRA ..............TRA records, as determined to be correct by the board, govern the rights, benefits, and status of the membership. *[354.64]*

DTRFA .........No specific provision.

SPTRFA........No specific provision.

t. Legal Representation and Powers.

MSRS............The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general. Venue of actions is in Ramsey County District Court. *[352.03, Subd. 11]*

PERA............The attorney general is the board legal advisor of the board. The board has the power to sue and be sued, represented by the attorney general. Venue of actions is in the Ramsey County District Court. *[353.08]*

TRA .............The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general. *[354.07, Subd. 3]*

DTRFA .........No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.

SPTRFA........No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.

u. Appeals Process.

MSRS............Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual. *[356.96]*

PERA............Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual. *[356.96]*

TRA .............Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual. *[356.96]*

DTRFA .........No specific appeals process.

SPTRFA........No specific appeals process.

v. Application of Laws.

MSRS............No explicit provision.

PERA............State agency and statewide jurisdiction agency laws apply to PERA. *[353.03, Subd. 5]*

TRA .............No explicit provision.

DTRFA .........No explicit provision.

SPTRFA........No explicit provision.

w. Annual and Special Membership Meetings.

MSRS............None required.

PERA............None required.

TRA .............None required.

DTRFA .........An annual meeting of the membership is required to be held at 4:00 p.m. on the last Monday in October at a convenient place in St. Louis County as designated by the board. A special membership meeting must be called by the secretary upon the written request of the president, upon a written request by a majority of the board, or upon a written request by 50 association members or 10% of the DTRFA membership, whichever is less. The meeting notice, indicating the time and place, must be sent to each member at least five days before the meeting. A failure to receive the notice does not invalidate the meeting proceedings or actions and a statement by the executive director that the notice was sent is conclusive. A quorum for an annual or special meeting is 50 members present in person. A number less than a quorum may adjourn the meeting to another date. *[Bylaw III]*

SPTRFA........An annual membership meeting is required to be held on the third Thursday in January annually, in St. Paul, at a time and in a place as designated by the board. The president, the vice president in the president’s absence, three board members, or 30 members filing a signed written request with the president may call a special meeting at any time. Written notice from the secretary of the meeting, stating time, place, and the purpose for a special meeting, must be provided to each board member and to each active member at the person’s last known address no later than five days or earlier than 30 days of the meeting. 100 members constitute a quorum of the meeting, in person or by proxy. Proxies must be designated in writing filed with the secretary at least two days before the meeting. The proxy is valid for the period specified by the member, not to exceed 12 months. If no expiration is specified, the proxy is valid for 11 months. Death does not revoke a proxy unless written notice of the death is filed with the association before the vote is cast and the authority exercised. Each association member is entitled to one vote by voice or ballot. *[Bylaws, Art. II]*

x. Board Meeting Requirements.

MSRS............No specific provision.

PERA............No specific provision.

TRA ..............The board shall meet “regularly.” Special meetings may be called by the chair or by three board members. *[354.06, Subd. 5]*

DTRFA .........The board is required to meet once each month at the association offices. Meetings may be cancelled or the time and place changed by resolution. Special board meetings called upon written request of the president or by three board members. Five board members constitute a quorum, but a smaller number may adjourn the meeting to another time, or if no board member is present, the meeting may be adjourned by the executive director. Meetings are conducted under Robert’s Rules of Order, unless contrary to the articles, bylaws, or Minnesota Statutes. *[Bylaw IV]*

SPTRFA........The board is required to hold an annual meeting immediately following the annual membership meeting. The board also is required to hold regular meetings in June and in September annually, in a place and at a time the board determines. Special meetings may be called by the president, by the vice president in the president’s absence, or by any three board members. A written notice of the meeting must be mailed to each board member’s last known address from the St. Paul Post Office at least two days before the meeting, specifying the meeting time, the meeting place, and the purpose for the special meeting. Board members may waive the notice requirement before, at, or after the meeting, in writing, signed by the trustee, and filed with the secretary. A board member’s appearance at a meeting is deemed to be a waiver unless that appearance is solely for the purpose of asserting the illegality of the meeting. Six board members constitute a meeting quorum for the transaction of business other than adjournment. A majority of the board members present at a meeting where a quorum is present is sufficient to express the will and determination of the board. Each board member is entitled to one vote and proxy voting is not permitted. Actions taken without a board meeting are valid if the action could be taken at a board meeting and if all board members authorize the procedure in writing by signature. *[Bylaws, Art. III, Sec 3-8]*

2. Development of Public Pension Plan Board Structure and Responsibility Provisions.

   a. Legislators Retirement Plan.

      – In 1965 (Laws 1965, Ch. 896, Sec. 2-4), the retirement plan was primarily administered by the State Auditor, with member contributions recorded by the State Treasurer.

      – In 1974 (Laws 1974, Ch. 445, Sec. 1-11), the administrative duties with respect to the retirement plan of the State Auditor and the State Treasurer were transferred to the executive director of the Minnesota State Retirement System (MSRS).

      – In 1989 (Laws 1989, Ch. 319, Art. 8, Sec. 1), the administrative duties related to the retirement plan were assigned to MSRS and were required to be conducted under the Minnesota Public Pensions Plan Fiduciary Responsibility and Liability Act.

      – In 2006 (Laws 2006, Ch. 271, Art. 10, Sec. 12), as part of the recodification of the retirement plan, the administrative duties with respect to the retirement plan were assigned to the executive director and the board of directors of MSRS.

   b. General Sate Employees Retirement Plan of the Minnesota State Retirement System (MSRS).

      – In 1929 (Laws 1929, Ch. 188, Sec. 3, 5-6, 8), as part of the enactment of the retirement plan, its management was vested in a seven-member board composed of the State Auditor, the State Treasurer, the State Insurance Commissioner, and four state employees elected annually by the plan membership, who served without compensation, but who were reimbursed for necessary expenditures and shielded from any loss of salary or wages from board service. Board duties included election of a board chair, appointment of a secretary and other necessary employees, specification of their compensation, and the establishment of rules and regulations consistent with state law. The State Treasurer functioned as the treasurer of the plan, the State Board of Investment invested the retirement fund assets, and the state Attorney General functioned as the legal advisor of the retirement board.

      – In 1931 (Laws 1931, Ch. 351, Sec. 3), election rather than selection was required for elected board members, the terms of the elected board members were extended to four-year annually staggered terms, filling vacancies by action of the remaining board for the unexpired remainder of the term was provided for, and reimbursable expenses were limited to expenses actually and necessarily paid or incurred in the performance of duties.

      – In 1941 (Laws 1941, Ch. 391, Sec. 3), state employees on a leave of absence were made ineligible for election, reelection, or continuation beyond six months as a board member.

      – In 1947 (Laws 1947, Ch. 631, Sec. 9), the board was empowered to arrange for necessary actuarial services.

      – In 1949 (Laws 1949, Ch. 644, Sec. 7-8), the elected board members were re-staggered from one year to two every other year, with biennial elections, and the retirement board was empowered to make final membership status determinations.

      – In 1959 (Ex. Sess. Laws 1959, Ch. 6, Sec. 4), the retirement board was renamed the board of trustees and a fiduciary obligation was imposed to faithfully administer the law to the state, its taxpayers, and state employees.

      – In 1963 (Laws 1963, Ch. 383, Sec. 11), the board of trustees provision was divided into subdivisions, an increase in member contribution deductions and a decrease in retirement plan benefits were prohibited, the furnishing of information by the Civil Service Department, other state departments, and the Industrial Commission was required, and alternative operation on a calendar year basis rather than a fiscal year basis was authorized.

      – In 1965 (Laws 1965, Ch. 691, Sec. 1), the board was additionally charged with appointing an assistant executive secretary, contracting for actuarial services, and contracting for necessary professional management services and consulting services without being subject to the competitive bidding procedure. The executive secretary and assistant secretary were placed in the unclassified state service and the board was given exclusive authority to fix compensation for those unclassified employees. Professional management services contracted were limited to once every six years, by experienced management firms, and reported to the Legislature and the Public Examiner at the same time as the work product studies were furnished to the trustees.

      – In 1967 (Ex. Sess. Laws 1967, Ch. 57, Sec. 10), the retirement plan administration was renamed the Minnesota State Retirement System, the governing board was renamed the board of directors, the state employee board members were required to be elected by and from the state employees covered by the system rather than members of the retirement plan, the powers and duties of the board were reformatted into a single subdivision, the executive secretary was renamed the executive director, a 16-point specification of the duties and powers of the executive director was added, the 1963 prohibition on contribution increases or benefit decreases was eliminated, and the Department of Health was made the medical advisor of the executive director, with specified duties.

- In 1973 (Laws 1973, Ch. 653, Sec. 24-25), the three ex officio members of the board were replaced by three appointees of the Governor, of which one must be a constitutional officer or appointed state official and of which the other two must be public members who are knowledgeable in pension matters, modified the board compensation prohibition, limiting it to state employees and setting it at $35 per day for days with actual board member duties for public board members, and permitted reimbursement for travel expenses to and from board meetings.
- Also in 1973 (Laws 1973, Ch. 755, Sec. 7), one member of the State Patrol Retirement Plan, elected by the membership of the plan, was added to the MSRS board.
- In 1975 (Laws 1975, Ch. 368, Sec. 15-17), fixing the compensation for the executive director and the assistant executive director was made a specific duty and power of the board. Rulemaking was expanded to cover all retirement plans administered by the system, the state Attorney General was required to represent the board in all legal actions, the venue for all legal actions related to the system were required be in the Ramsey County District Court, and the system was allowed to contract outside state government for some or all data processing and related services.
- In 1976 (Laws 1976, Ch. 134, Sec. 66-67), the public members of the board were included in the general compensation, removal, term, and vacancy provisions applicable to state government administrative boards and agencies, and the existing MSRS vacancy-filling provision was limited to state employee board members.
- In 1977 (Laws 1977, Ch. 429, Sec. 10-12), the board membership was increased to eight members with the addition of a retired member elected by retirees, with a two-year term, with any vacancy in the retiree board members filled by the retirement board, and the board was required to review retiree needs and disseminate appropriate retiree information.
- In 1978 (Laws 1978, Ch. 538, Sec. 3-4), the board membership was increased to nine members, with the addition of one board member designated by the collective bargaining organization representing Metro Transit Operating Division employees, with an initial one-year term and then for a four-year term, with any subsequent vacancy filled by the collective bargaining organization governing board.
- In 1981 (Laws 1981, Ch. 224, Sec. 46), a statutory cross-reference was corrected and the language style and usage of the executive director's powers and duties provision were updated.
- In 1983 (Laws 1983, Ch. 63, Sec. 1), the 1973 addition of a State Patrol Retirement Plan representative on the MSRS board was codified as part of the MSRS board provision and one active member of the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), elected by the MSRS-correctional membership, was added to the MSRS board.
- In 1987 (Laws 1987, Ch. 229, Art. 6, Sec. 1), the provision was revised to improve its language style and usage.
- Also in 1987 (Laws 1987, Ch. 259, Sec. 13), the system's actuarial consultant was required to be an approved actuary, supplemental actuarial work in addition to the work of the actuary retained by the Legislative Commission on Pensions and Retirement was authorized, and various language style and usage improvements were made.
- In 1989 (Laws 1989, Ch. 319, Art. 1, Sec. 4; Art. 8, Sec. 10), the Attorney General provision was adapted to reflect the addition of an administrative appeals procedure and the fiduciary responsibility provision was modified by cross-referencing the new Minnesota Public Pension Plan Fiduciary Responsibility and Liability Act.
- In 1990 (Laws 1990, Ch. 570, Art. 10, Sec. 4), the MSRS board provision was amended by including disabilitants of all administered retirement plans in the election of the retired member of the board and by excluding MSRS employees from board membership eligibility.
- In 1993 (Laws 1993, Ch. 307, Art. 1, Sec. 5; Art. 2, Sec. 2; Art. 3, Sec. 2), the MSRS board provision was amended by specifically requiring the board to oversee the administration of the State Deferred Compensation Plan, by adding as an additional duty the obligation to supply a list of the names and addresses of MSRS retirement plan retirees to the University of Minnesota, to state agencies, and to a retiree organization in existence for at least ten years and with a membership of at least 5,000, and by modifying the executive director duties from the preparation and submission of quarterly system budgets to annual system budgets.
- In 1994 (Laws 1994, Ch. 628, Art. 3, Sec. 28), the name of the Metropolitan Council Transit Operation was revised with respect to the MSRS board of directors representative of that membership group.

- In 1999 (Laws 1999, Ch. 99, Sec. 16; Ch. 222, Art. 9, Sec. 3), the MSRS board provision was amended to eliminate the executive director's obligation to file professional management survey reports with the Office of the Legislative Auditor and by making a further revision of the name of the Metropolitan Council Transit Operation.
- In 2004 (Laws 2004, Sec. 1), a reference to the consulting actuary retained by the Legislative Commission on Pensions and Retirement was modified to the actuary retained under Minnesota Statutes, Section 356.214, as part of the general shift in the provision of actuarial services to the statewide retirement plans.
- In 2008 (Laws 2008, Ch. 204, Sec. 42; Ch. 277, Art. 1, Sec. 74; Ch. 349, Art. 5, Sec. 3-4, Art. 11, Sec. 2), the MSRS board provision was modified by requiring the board to oversee the Healthcare Savings Plan, by reorganizing the placement of the board's power to advise the executive director of system matters and the executive director and assistant director appointment and salaries, by correcting a statutory cross-reference relating to the State Deferred Compensation Plan and a statutory cross-reference relating to the statewide retirement plan appeals process, and by changing names related to the merger of the Department of Employee Relations and the Department of Finance.
- In 2009 (Laws 2009, Ch. 101, Art. 2, Sec. 109), the MSRS board provision was amended by updating the name of the Department of Minnesota Management and Budget.
- In 2010 (Laws 2010, Ch. 359, Art. 2, Sec. 2), the MSRS board provision was modified by expanding the annuity or disability benefit application disposition power to cover all retirement plans administered by the retirement system.

c. <u>MSRS Military Affairs Personnel Retirement Plan</u>.

- In 1993 (Laws 1993, Ch. 307, Art. 1, Sec. 23), the responsibility of the MSRS board of directors and executive director to oversee and administer the retirement plan, implicit since the 1980 creation of the plan, was codified by providing that the provisions of Minnesota Statutes, Chapter 352, apply unless otherwise provided in the specific retirement plan provisions.

d. <u>MSRS Transportation Department Pilots Retirement Plan</u>.

- In 1993 (Laws 1993, Ch. 307, Art. 1, Sec. 23), the responsibility of the MSRS board of directors and executive director to oversee and administer the retirement plan, implicit since the 1982 creation of the plan, was codified by providing that the provisions of Minnesota Statutes, Chapter 352, apply unless otherwise provided in the specific retirement plan provisions.

e. <u>MSRS State Fire Marshal Division Employees Retirement Plan</u>.

- In 2007 (Laws 2007, Ch. 134, Art. 2, Sec. 8), the responsibility of the MSRS board of directors and executive director to oversee and administer the retirement plan, implicit since the 1999 creation of the plan, was codified by providing that the provisions of Minnesota Statutes, Chapter 352, apply unless otherwise provided in the specific retirement plan provisions.

f. <u>MSRS Correctional State Employees Retirement Plan</u>.

- In 1981 (Laws 1981, Ch. 224, Sec. 60), the responsibility of the MSRS board of directors and executive director to oversee and administer the retirement plan, implicit since the 1973 creation of the plan, was codified by providing that the provisions of Minnesota Statutes, Chapter 352, apply unless otherwise provided in the specific retirement plan provisions.
- In 1987 (Laws 1987, Ch. 229, Art. 6, Sec. 1), the language usage and style of the provision was updated.

g. <u>General Employees Retirement Plan of the Public Employees Retirement Association (PERA)</u>.

- In 1931 (Laws 1931, Ch. 307, Sec. 3), when the retirement plan was established and the system administration created, the retirement board was nine members, of which one was the State Auditor, one was the State Treasurer, one was the State Insurance Commissioner, and six were public employees elected by the membership of the retirement association, with three-year staggered terms, with board members serving without compensation, but with payment for actual and necessary expenses reimbursed, without any loss of salary during board service, with the board required to elect a chair, to appoint a secretary and other necessary employees and fix their compensation, and with the board empowered to establish rules and regulations for plan administration and the transaction of board business.
- In 1949 (Laws 1949, Ch. 84, Sec. 2), the number of elected public employees on the retirement board was increased from six public employees to nine public employees, increasing the board total membership to 12 members, also with staggered three-year terms, and the prohibition on compensation and the authorization of expense reimbursement were extended to any

authorized committee of association members, and the state was required to provide the association with state office building space.

- In 1951 (Laws 1951, Ch. 22, Sec. 17), the provision was divided into subdivisions and the elected board membership reference was modified by replacing "public employee" with "other person" elected from the retirement association membership by the retirement association membership.
- In 1959 (Laws 1959, Ch. 650, Sec. 8), the name of the retirement board was specified as the "board of trustees" and was assigned a specific fiduciary obligation to faithfully administer the law to the state, its taxpayers, and state employees.
- In 1963 (Laws 1963, Ch. 641, Sec. 13), the board provision was modified to require the board to elect a vice chair, to retain an actuary, to procure other reasonable and necessary services and to set their compensation, and was authorized to adopt bylaws.
- In 1967 (Laws 1967, Ch. 641, Sec. 1), the state's building space obligation was clarified as being the responsibility of the Commissioner of Administration, who was required to give a four-month notice for any location change, and clarified that rental charges were payable from the retirement fund.
- In 1969 (Laws 1969, Ch. 640, Sec. 3), the undefined authority of the board to specify the time and manner of board member elections was eliminated, replaced by a specified secret mail ballot process, with candidate statement submissions, supervised by the ex officio members, and the continuation of a term in office until successors are qualified was eliminated.
- In 1971 (Laws 1971, Ch. 106, Sec. 10), the board election filing date was moved from September 1 to November 1, withdrawals by nominated candidates were permitted up to November 15, the due date for mail ballots was reset from October 31 to December 31, and term expirations were reset from October 31 to December 31.
- In 1973 (Laws 1973, Ch. 753, Sec. 19-20), the total membership of the PERA board of trustees was increased from 12 members to 13 members, the three ex officio board members were replaced by three designated board members, of which one board member was designated by the Minnesota School Boards Association, one board member was designated by the League of Minnesota Municipalities, and one board member was designated by the Association of Minnesota Counties, a retired board member was added, to be elected by other retirement association annuitants, the authority of the association to supply membership name and address lists to board candidates was eliminated, the authority to supervise board elections was shifted from the ex officio board members to the Secretary of State, and elected board position vacancies were made fill-able by the board.
- In 1974 (Laws 1974, Ch. 229, Sec. 9), the deadlines for election filing, ballot submission, and term deadline were extended and reset to December 1, January 31, and January 31 respectively.
- In 1975 (Laws 1975, Ch. 102, Sec. 4-8), labor organization employees were made ineligible for board election, a temporary one-year extension (1974-1975) was made for elected board members, the association secretary was re-designated as the executive director, a 12-point set of executive director duties and powers were specified, and state agency and statewide jurisdiction agency laws were not made applicable to PERA unless there was a specific reference to a PERA law provision.
- In 1976 (Laws 1976, Ch. 329, Sec. 17-18, 23-24), the total membership of the retirement association board of trustees was increased from 13 members to 14 members, with the addition of a board member who is a member of the Public Employees Police and Fire Retirement Plan (PERA-P&F) elected by PERA-P&F members, the nine members elected by the retirement association membership was limited to association members other than PERA-P&F members, a temporary extension to October 1, 1977, in PERA board terms was granted, and a medical adviser for the executive director was provided for, with specified duties.
- In 1977 (Laws 1977, Ch. 429, Sec. 18), the total membership of the retirement association board of trustees was increased from 14 members to 15 members with the addition of a board member elected by the governing bodies of labor organizations representing association members, with one vote per labor organization, and the nine elected board members drawn from the PERA-General Retirement Plan membership were to be elected, three board members each from three geographic areas (Metropolitan Twin Cities, Southern Minnesota, and Northern Minnesota).
- In 1978 (Laws 1978, Ch. 796, Sec. 28), the labor organization board position provision was modified to have the board member selected by designation by the executive committee of the statewide general labor organization that represents the largest number of association members.
- In 1979 (Laws 1979, Ch. 216, Sec. 6, 7), the term of board members selected other than by a direct membership election was set at two years and an obsolete provision relating to the executive director was eliminated.

- In 1981 (Laws 1981, Ch. 180, Sec. 2-4; Ch. 224, Sec. 79), the retired annuitant board position was made elective by disabilitants was well as other retired annuitants, the prohibition on the loss of wages or salary for board members for board or committee service was classified to include any compensation from the person's employer, a six-year restriction on the retention of professional management services was eliminated, and an obsolete election provision was eliminated.
- In 1985 (Laws 1985, Ch. 11, Sec. 5-14), the composition of the board of trustees was totally revised, set at nine members in total, of which one is the State Auditor, of which five are appointed by the Governor representing school boards, cities, counties, retired annuitants, and the public, who must be knowledgeable in pension matters, and of which three who are public employees and members of the association and who are elected by the membership of the association. Provision was made for the association mailing of prepared PERA board candidate statements, required Ethical Practices Board disclosures by PERA board candidates with $100 in contributions or expenditures, election disputes were required to be resolved by the Secretary of State, an additional fiduciary responsibility requirement of prudence in actions was provided for, the board compensation prohibition was clarified, was limited to board members by the elimination of a reference to association committee members, the compensation diminishment prohibition for board service was made applicable to public employers only, the powers of the board were revised, the board was allowed to market life insurance to PERA members only under the program in effect on January 1, 1985, without changes unless approved by the Commissioner of Finance and was prohibited from profiting from the life insurance marketing program, the appointment of the PERA executive director was required to have Senate confirmation, the assistant executive director position was moved to the unclassified state service, the association was prohibited from contracting lobbying services or legislative advocacy services, a transaction to new board members and a new executive director was provided for, and PERA was made subject to state agency and statewide application agency laws.
- In 1987 (Laws 1987, Ch. 259, Sec. 26), the authority to contract actuarial services was clarified to relate to actuarial work supplemental to that provided by the actuary retained by the Legislative Commission on Pensions and Retirement.
- Also in 1987 (Laws 1987, Ch. 284, Art. 5, Sec. 3), the PERA board was required to establish procedures for the review of benefit eligibility or amount disputes and was authorized to purchase fiduciary disability insurance and official bonds and to purchase property insurance.
- In 1988 (Laws 1988, Ch. 709, Art. 5, Sec. 9), the board candidacy filings and withdrawal were advanced from November to October.
- In 1989 (Laws 1989, Ch. 319, Art. 8, Sec. 16), the fiduciary responsibility provisions were revised to conform with the Minnesota Public Pension Plan Fiduciary Responsibility and Liability Act.
- In 1991 (Laws 1991, Ch. 341, Sec. 7), the total board of trustees membership was increased from nine members to ten members with the increase in the gubernatorially designated representatives by one who is a PERA-P&F member.
- In 1994 (Laws 1994, Ch. 528, Art. 2, Sec. 6-7), the total number of PERA board of trustees was increased from 10 to 11 members with the addition of a former association member with at least five years of allowable service credit before termination or a disabilitant who is elected by the membership of the association, including retirement annuitants, disabilitants, and survivors. The State Auditor was permitted to designate a deputy auditor with pension expertise as the Auditor's representative on the board, the number of gubernatorially designated representatives was reduced by one to five with the elimination of the PERA-P&F member board member position, and the number of membership-elected board members was increased by the addition of the PERA-P&F member board member position. The executive director was permitted to designate two unclassified state service staff positions, and the executive director was authorized to reduce interest payable to employing units if there were unreasonable employer processing delays.
- In 1999 (Laws 1999, Ch. 99, Sec. 16; Ch. 222, Art. 22, Sec. 2), the PERA board provision was amended to eliminate the executive director's requirement to file professional management survey reports with the Office of the Legislative Auditor and by amending the PERA office requirements to eliminate the requirement that the PERA office be located in St. Paul.
- In 2004 (Laws 2004, Ch. 223, Sec. 4), the obligation for PERA to utilize the actuary retained by the Legislative Commission on Pensions and Retirement was replaced by the requirement to utilize the consulting actuary jointly retained by the statewide retirement plan administrators.
- In 2006 (Laws 2006, Ch. 271, Art. 3, Sec. 13), the provision was divided into lettered paragraphs and was reorganized, and the PERA board was authorized to take legal action to administer any retirement plan it administered, including overpayments and omitted amounts.

- In 2007 (Laws 2007, Ch. 134, Sec. 19-21), the board was authorized to adopt rules to comply with federal Internal Revenue Service and Department of Labor requirements, the board duties and powers provision was revised to reflect more recent language style and usage conventions, the PERA executive director Senate confirmation requirement was eliminated, and the special benefit appeals procedure establishment duty of the board of trustees was eliminated in favor of the creation of a statewide appeals procedure.
- In 2008 (Laws 2008, Ch. 204, Sec. 40), a board expense reimbursement provision was revised to accommodate the consolidation of the Department of Employee Relations with the Department of Finance.
- In 2009 (Laws 2009, Ch. 101, Art. 2, Sec. 109; Ch. 169, Art. 4, Sec. 8), the Department of Finance was renamed the Department of Minnesota Management and Budget, and conforming changes were made for the reassignment of actuarial reporting responsibilities to the various retirement system boards.
- In 2010 (Laws 2010, Ch. 359, Art. 5, Sec. 8), the former association member board of trustees member was modified to require the person to be a retirement annuity recipient.

h. <u>Public Employees Police and Fire Retirement Plan</u>.

- In 1959 (Laws 1959, Ch. 650, Sec. 36), as part of the establishment of Public Employees Police and Fire Retirement Plan (PERA-P&F), the general provisions of Minnesota Statutes, Chapter 353, including the PERA board of trustees and related provisions, were made applicable to the police and fire retirement plan unless otherwise specifically provided.

i. <u>Local Government Correctional Service Retirement Plan</u>.

- In 1999 (Laws 1999, Ch. 222, Art. 2, Sec. 14), as part of the establishment of the Local Government Correctional Service Retirement Plan (PERA-Correctional), the general provisions of Minnesota Statutes, Chapter 353, apply to the plan unless otherwise specifically provided.

j. <u>Teachers Retirement Association (TRA)</u>.

- In 1931 (Laws 1931, Ch. 406, Sec. 3), when the Teachers Retirement Plan was enacted to replace the 1915 Law Teachers Insurance and Retirement Plan, a retirement board of trustees was created, with a total membership of five members, of which one was the Commissioner of Education, one was the State Auditor, one was the Commissioner of Insurance, and two were members of the retirement plan elected by the membership of the retirement plan. The powers of the board were specified, which were the setting of bylaws consistent with state law, acting on benefit or refund applications, paying claims for expenses or benefits, examining witnesses, requiring medical exams by the board's physicians, sue or be sued, representation by the state Attorney General, certifying funds to the State Board of Investment, keeping record of receipts and disbursements, and preparing annual reports.
- In 1949 (Laws 1949, Ch. 708, Sec. 1), the manner of calculating interest to be credited to member accounts was shifted to quarterly amounts.
- In 1951 (Laws 1951, Ch. 481, Sec. 1), the board power of crediting interest to member accounts was revised to cover use of a contingency reserve when creditable interest falls below 2%.
- In 1953 (Laws 1953, Ch. 750, Sec. 1), the board was required to present, at the annual membership meeting, a report on the financial condition of the requirement plan.
- In 1955 (Laws 1955, Ch. 361, Sec. 1), the board of trustees provision was divided into several subdivisions.
- In 1959 (Ex. Sess. Laws 1959, Ch. 50, Sec. 5), the TRA board of trustees had their fiduciary obligation specified as faithful administration of the plan consistent with state law on behalf of the state, its taxpayers, and the plan membership.
- In 1961 (Laws 1961, Ch. 380, Sec. 3), the retirement fund was required to be invested in securities permitted for MSRS-General.
- Also in 1961 (Ex. Sess. Laws 1961, Ch. 17, Sec. 2-7), the total membership of the TRA board of trustees was increased from five members to seven members, with the addition of two board of trustees members to be elected by the membership of the retirement plan, the plan administrative expenses were made totally chargeable to the retirement fund rather than split with a statewide property tax levy, and the board was required to keep separate accounts for annuity payments, employer contributions, and other accounts and reserves. The manner for calculating interest to be credited to member account was revised, the computation procedure for crediting allowable service with fractional teaching service was revised, and the scheduling of the annual elected board member election in combination with the Minnesota Education Association meeting was broadened to coincide with the statewide teacher organization assembly meetings.

- In 1963 (Laws 1963, Ch. 585, Sec. 1), the elected board member election process was shifted from an annual meeting to a mail ballot, the current elected board member terms were terminated as of July 1, 1965, and new four-year staggered terms were implemented.
- In 1965 (Laws 1965, Ch. 305, Sec. 2), the board was required to implement the same accounting procedures as govern MSRS-General.
- In 1969 (Laws 1969, Ch. 485, Sec. 3-6), the terms of appointees to fill vacant elected board member terms were continued until successors were elected at the next regular election, obsolete treasurer accounting procedures were eliminated, accounting procedures for the newly created variable annuity division of the retirement fund were implemented, and the specification of authority for service crediting rules and regulations were eliminated.
- In 1971 (Laws 1971, Ch. 40, Sec. 4), the manner of computing the interest to be credited to member accounts quarterly was again revised.
- In 1973 (Laws 1973, Ch. 270, Sec. 3; Ch. 728, Sec. 4), the interest credited to member accounts was specified to include capital gains and losses, the prior capital reserve account in existence on July 1, 1973, was folded into the employer contribution account, the crediting of amounts to the contingency reserve account and the capital reserve account was eliminated, the board was directed to use a mortality table consistent with the plan's experience, and the plan's interest rate assumption was set at 5%.
- In 1974 (Laws 1974, Ch. 289, Sec. 9-11), an obsolete elected board member term in office provision was eliminated, the Commissioner of Finance replaced the State Auditor with respect to the handling of state warrants, and an obsolete statutory cross-reference in the board's accounting requirements was eliminated.
- In 1975 (Laws 1975, Ch. 306, Sec. 5), the Commissioner of Finance replaced the State Auditor as an ex officio member of the TRA board of trustees, the retirement plan was authorized to use the information services division of the Department of Administration, and a provision was added that prohibited any requirement plan provision being deemed a contract.
- In 1977 (Laws 1977, Ch. 67, Sec. 2-4), the title of the secretary of the plan was changed to executive director and a set of specific duties for the executive director were delineated, including designating an assistant director, establishing an adequate accounting system, contracting for actuarial and other professional services, and determining benefit eligibility and amounts.
- Also in 1977 (Laws 1977, Ch. 429, Sec. 36), the TRA board of trustees total membership was increased from seven members to eight members with the addition of a retiree elected by the retirees of the retirement plan.
- In 1980 (Laws 1980, Ch. 342, Sec. 9), it was clarified that the executive director must be appointed based on experience and fitness.
- In 1981 (Laws 1981, Ch. 160, Sec. 1-2; Ch. 224, Sec. 104), the assistant director positions were expanded from one to three, with two in the classified service. The board was authorized to set the salary of the assistant executive director in the unclassified service, and the retirement plan interest assumption rate was replaced with a cross-reference to Minnesota Statutes, Section 356.215.
- In 1982 (Laws 1982, Ch. 518, Art. 1, Sec. 5), expense reimbursements were extended to board members serving on board committees, with expenses to include the salary of a substitute teacher filling in for the board member, and members serving on the board were prohibited from any compensation loss for board or board committee service.
- In 1983 (Laws 1983, Ch. 289, Sec. 114), the name of the Insurance Commissioner was changed to the Commerce Commissioner.
- Also in 1983 (Laws 1983, Ch. 299, Sec. 29), the salaries of the executive director and the assistant executive director in the unclassified service were revised to accommodate broad salary limit and setting legislation.
- In 1987 (Laws 1987, Ch. 259, Sec. 31-32; Ch. 284, Art. 6, Sec. 3-4), the plan's actuarial consultant was required to be an approved actuary, supplemental actuarial work in addition to the work of the actuary retained by the Legislative Commission on Pensions and Retirement was authorized, various language style and usage improvements were made, the references to the plan's interest rate actuarial assumption were clarified as the post-retirement retirement rate assumption, board of trustee elected retiree position candidates were required to file at least ten signed retiree endorsements, the Attorney General was required to be the legal advisor of the board and the executive director, and the venue of legal actions involving the plan was restricted to the Ramsey County District Court.
- In 1989 (Laws 1989, Ch. 319, Art. 2, Sec. 6; and Art. 8, Sec. 17), the language style and usage of the board provision was revised without apparent substantive modification, and the board

litigation representation provision was amended to cover benefit amount or eligibility determination administrative appeals.

- In 1990 (Laws 1990, Ch. 570, Art. 12, Sec. 24), a reference to the former variable annuity division of the Teachers Retirement Fund was eliminated from the board investment fund certification provision.
- In 1994 (Laws 1994, Ch. 528, Art. 3, Sec. 8-9; Ch. 632, Art. 3, Sec. 57), a representative selected by the Minnesota School Boards Association replaced the Commissioner of Commerce on the TRA board, the language style and usage of the executive duty provision was updated, the executive director was permitted to reduce employer reporting noncompliance fines, to assign employees to conduct employing unit field audits, and to recover benefit overpayments through benefit suspensions or reductions, and the language style and usage of the board member expense reimbursement provision was upgraded.
- In 1995 (Laws 1995, Ch. 141, Art. 3, Sec. 9, 20; Ch. 186, Sec. 71; 1st Spec. Sess. 1995, Ch. 3, Art. 16, Sec. 13), the headnote on the board member expense reimbursement provision was corrected, references to "fund" and "association" were revised, a statutory cross-reference relating to data processing services was updated, and the name of the Commissioner of Education was changed to the Commissioner of Children, Families and Learning.
- In 1998 (Laws 1998, Ch. 386, Art. 2, Sec. 88-89), a statutory cross-reference relating to data processing services was again updated.
- In 1999 (Laws 1999, Ch. 99, Sec. 18; Ch. 222, Art. 9, Sec. 5), the obligation of the executive director to file professional management survey reports to the Legislative Auditor was eliminated, the requirement to conduct mail balloting for board member elections was eliminated, and the term of the retiree board member was increased from two to four years.
- In 2003 (Laws 2003, Ch. 112, Art. 2, Sec. 41, 50; Ch. 130, Sec. 12), the Commissioner of Finance replaced the abolished office of the State Treasurer as an ex officio board member and the name of the Commissioner of Children, Families and Learning was changed back to the Commissioner of Education.
- In 2004 (Laws 2004, Ch. 223, Sec. 4; Ch. 267, Art. 6, Sec. 1), a reference to the consulting actuary retained by the Legislative Commission on Pensions and Retirement was replaced by a generalized reference to an actuary retained under Minnesota Statutes, Section 356.214, as part of a shift in the provision of actuarial services and the Minnesota State Colleges and Universities System (MnSCU) was included in a requirement for employer unit provision for distribution of retirement plan information to members.
- In 2008 (Laws 2008, Ch. 277, Art. 1, Sec. 74), the Attorney General representation provision was modified to reflect the replacement of the plan-specific appeals procedure by the statewide plans appeal procedure.
- In 2009 (Laws 2009, Ch. 101, Art. 2, Sec. 109; Ch. 169, Art. 1, Sec. 60), the name of the Commissioner of Finance was changed to the Commissioner of Minnesota Management and Budget and references to the eliminated Minnesota Post Retirement Investment Fund in the fund transfers for investment provision were eliminated.
- In 2010 (Laws 2010, Ch. 359, Art. 7, Sec. 2), an obsolete reference to the former variable annuity and formula benefit annuity calculation provision was eliminated.

k. First Class City Teacher Retirement Fund Associations.

- In 1909 (Laws 1909, Ch. 343, Sec. 1-2), teacher retirement fund associations in cities with a population in excess of 50,000 were permitted to be formed and incorporated under the Minnesota corporation law.
- In 1911 (Laws 1911, Ch. 383, Sec. 1), the authority to establish a teacher retirement fund association was extended to cities with a population in excess of 10,000.
- In 1969 (Laws 1969, Ch. 485, Sec. 37), authority to create a new teachers retirement fund association after 1969 terminated.
- In 1979 (Laws 1979, Ch. 217, Sec. 2), three first class city teacher retirement fund associations, Duluth, Minneapolis, and St. Paul, were recognized.
- In 2006 (Laws 2006, Ch. 277, Art. 3, Sec. 9), the Minneapolis Teachers Retirement Fund Association (MTRFA) was consolidated into the Teachers Retirement Association (TRA). The governing boards of the first class city teacher retirement fund associations are governed under Minnesota Statutes, Sections 317A.201 to 317A.257, a portion of the Minnesota Nonprofit Corporation Act.

l. <u>Judges Retirement Plan</u>.

- In 1913 (Laws 1913, Ch. 269), a retirement plan was established for Minnesota Supreme Court justices and Minnesota District Court judges.
- In 1931 (Laws 1931, Ch. 253), a retirement plan was established for Probate Court judges and the mandatory retirement annuities of the Probate Judges Retirement Plan were made payable at the time and in the manner provided by law.
- In 1943 (Laws 1943, Ch. 595), a retirement plan was created for Minnesota Supreme Court justices to replace the Supreme Court portion of the 1913 law, and the retirement compensation of retired Supreme Court justices was made payable in the manner in which judicial salaries are paid.
- In 1947 (Laws 1947, Ch. 183, Sec. 1), the voluntary retirement annuities of the Probate Judges Retirement Plan were permitted, payable in the same manner as probate judges' salaries were payable.
- In 1949 (Laws 1949, Ch. 640), a separate retirement plan was created for District Court judges to replace the 1913 law plan, and the retirement allowances of District Court judges was made payable in the same manner as District Court judges' salaries.
- In 1959 (Laws 1959, Ch. 688), a Supreme Court justice and District Court judges survivor benefit plan was enacted.
- In 1963 (Laws 1963, Ch. 844, Sec. 3), the responsibility to review and adjust the judge's contributions to the Supreme Court and District Court judges survivors account was placed with the State Auditor.
- In 1967 (Ex. Sess. Laws 1967, Ch. 38, Sec. 2-3), an active Probate Court judge survivor benefit account was added to the Probate Court Judges Retirement Plan, with the responsibility to review and adjust the judge's contributions to the survivors account given to the State Auditor.
- In 1973 (Laws 1973, Ch. 744, Sec. 2), the Judges Retirement Plan and fund was made part of the Minnesota State Retirement System (MSRS) and was required to be administered by the MSRS board of directors, although Minnesota Statutes, Chapter 352, was not made generally applicable to the Judges Retirement Plan.
- In 1974 (Laws 1974, Ch. 445, Sec. 16-21), the administration of the various judges retirement plans was transferred to the executive director of MSRS and the books, records, documents, and funds of the judges retirement plans in the possession or control of the State Auditor or of the State Treasurer were transferred to the executive director of MSRS.
- In 1978 (Laws 1978, Ch. 720, Sec. 18), the retired County and Probate Court judges were transferred to the Judges Retirement Fund.
- In 1979 (Laws 1979, Ch. 196, Sec. 4), the County and Probate Court Judges Survivors' Account was transferred into the Judges Retirement Fund.

# 2010-2013 Financial Sustainability Provisions

Comparison of MSRS, PERA, TRA, and First Class City Teacher Retirement Fund Association
Contained in Laws 2010, Ch. 359; 1st Spec. Sess. Laws 2011, Ch. 8; and Laws 2013, Ch. 111

| | MSRS-General | | MSRS-Correct. | | State Patrol | | Judges | | Legislators | | ESO | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| a. Contributions | Member | Employer | Member | Employer | Member | Employer | Member | Employer | Member | Employer | Member | Employer |
| 2010: | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| 2013: | -- | -- | -- | -- | +2.0% | +3.0% | +1.0% Tier I<br>+1.0% Tier II | +2.0% Tier I<br>+2.0% Tier I | -- | -- | -- | -- |
| Contrib. rate stabilizer | -- | | -- | | -- | | -- | | -- | | -- | |
| b. Post-retirement adjustments | 2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase. | | 2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase. | | 2010: Reduced from 2.5% to 1.5%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.<br>2013: Reduced from 1.5% to 1.0% after 12/31/13 until at least 85% funded, to 1.5% when 85-90% funded, and to 2.5% when 90% funded. | | 2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.<br>2013: Reduced from 2.0% to 1.75% until 70% funded on MVB.* Minimum period to obtain full post-retirement adjustment increased to 18 months. | | 2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase. | | 2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase. | |
| c. Interest on refunds | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | -- | |
| d. Deferred annuities augmentation | 2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11. | | 2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11. | | 2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11. | | -- | | 2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11. | | -- | |
| e. Reemployed annuitant earnings limitation deferral account interest | Eliminated after 1/1/11. | | Eliminated after 1/1/11. | | -- | | -- | | -- | | -- | |
| f. Vesting service requirement | 2010: For new members after 6/30/10, increased from 3 years to 5 years. | | 2010: For new members after 6/30/10, increased from 3 years to 50% vested w/5 years-100% w/10 years. | | 2010: For new members after 6/30/10, increased from 3 years to 5 years.<br>2013: For members hired before 7/1/13, 3-yr. vesting; for members hired after 6/30/13, 10-yr. vesting. | | -- | | -- | | -- | |
| g. Early retirement reduction factor, per year under normal retirement age | -- | | 2010: For pre-6/30/10 members retiring after 6/30/15 and for new members after 6/30/10, increased from 2.4% to 5.0%. | | 2010: For new members after 6/30/10, increased from 1.2% to 2.4%.<br>2013: 0.1% per mo. reduction for pre-age 55 retirees before 7/1/15; 0.37% per mo. reduction for pre-age 55 retirees after 6/30/15. | | -- | | -- | | -- | |
| h. Benefit accrual rate %, per year of high-5 average salary | -- | | 2010: For new members after 6/30/10, reduced from 2.4% to 2.2%. | | -- | | 2013: Tier II applies to judges first elected or appointed after 6/30/13 and pre-7/1/13 judges with short service who elect it. Benefit accrual rate for Tier II is 2.5% per year of service credit rather than the 3.2% of Tier I. | | -- | | -- | |
| i. Maximum benefit | | | | | 2013: 33 yrs limit on service credit. | | | | | | | |

Note: Other changes to these provisions may have also been enacted, but the nature of the revisions were not considered to be part of the financial sustainability legislation.



*MVB = Market Value Basis **AVB = Actuarial Value Basis

# 2010-2013 Financial Sustainability Provisions

Comparison of MSRS, PERA, TRA, and First Class City Teacher Retirement Fund Association
Contained in Laws 2010, Ch. 359; 1st Spec. Sess. Laws 2011, Ch. 8; and Laws 2013, Ch. 111

| | PERA-General | | PERA- Correct. | | PERA-P&F | | TRA | | DTRFA | | SPTRFA | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| a. Contributions | Member | Employer | Member | Employer | Member | Employer | Member | Employer | Member | Employer | Member | Employer |
| 2010: | +0.25% | +0.25% | -- | -- | +0.2% | +0.3% | +2.0% | +2.0% | +1.00% | +1.00% | +1.00% Coord; +1.00% Basic | +1.00% Coord; +1.00% Basic |
| 2013: | -- | -- | -- | -- | +1.2% | +1.8% | -- | -- | -- | -- | -- | -- |
| Contrib. rate stabilizer | Modified | | -- | | -- | | Added | | -- | | -- | |
| b. Post-retirement adjustments | 2010: Reduced from 2.5% to 1.0%, restored when 90% funded on MVB,* rate reduced if fund later declines from 90% funded. | | 2010: Reduced from 2.5% to 1.0%, restored when 90% funded on MVB,* rate reduced if fund later declines from 90% funded. | | 2010: Reduced from 2.5% to 1.0% for 1/1/11 and 1/1/12, then equal to the CPI % for the preceding fiscal year, not to exceed 1.5% until 90% funded on MVB,* then not to exceed 2.5%, rate reduced if fund later declines from 90% funded.<br>2013: Reduced from 1.5% to 1.0% until 90% funded for two consecutive valuations. Minimum receipt period of 25 mo. for a prorated initial adjustment or 36 mo. for a full initial adjustment. | | 2010: Suspended for 1/1/11 & 1/1/12; starting 1/1/13, reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period for initial increase.<br>2012: Period for full initial post-retirement adjustment extended from 12 months to 18 months with prorated benefit for period over 6 months and under 18 months. | | 2010: 0% when less than 80% funded on MVB,* 1% when 80%-90% funded on MVB,* and 2% when more than 90% funded on MVB;* when 90% funded on AVB** moves to inflation match up to 5%. | | 2010: Automatic 2% inc. suspended for 1/1/ 2011.<br>2011: 1% when less than 80% funded on AVB**, 2% until 90% AVB; when 90% funded on AVB moves to inflation match up to 5%. | |
| c. Interest on refunds | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/11. | | 2010: Reduced from 6% to 4% after 6/30/10. | | 2011: Reduced from 6% to 4% after 7/1/11. | |
| d. Deferred annuities augmentation | 2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11. | | 2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11. | | 2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11. | | 2010: Reduced from 5, 3, or 2.5% to 2% after 6/30/12. | | 2010: Reduced from 5, 3, or 2.5% to 2% after 7/1/12. | | 2011: Reduced from 5, 3, or 2.5% to 2% after 7/1/12 | |
| e. Reemployed annuitant earnings limitation deferral account interest | 2010: Eliminated after 1/1/11. | | 2010: Eliminated after 1/1/11. | | 2010: Eliminated after 1/1/11. | | 2010: Eliminated after 1/1/11. | | 2010: Eliminated after 6/30/10. | | 2011: Eliminated after 6/30/11 | |
| f. Vesting service requirement | 2010: For new members after 6/30/10, increased from 3 years to 5 years. | | 2010: For new members after 6/30/10, increased from 3 years to 50% vested w/5 years-100% w/10 years. | | 2010: For new members after 6/30/10, incr. from 3 yrs to 50% vested w/ 5 yrs-100% w/10 yrs.<br>2013: For new members after 7/1/14, 50% vested w/10 yrs-100% w/20 yrs. | | -- | | 2010: For new members after 6/30/ 10, increased from 3 years to 5 years.<br>2011: 5-year vesting clarified to apply to all benefits and programs for post-2010 hires. | | -- | |
| g. Early retirement reduction factor, per year under normal retirement age | -- | | -- | | 2013: After 6/30/14, the reduction factor per year is a blending of the current (1.2% or 2.4%) and the eventual 5% rate which becomes effective in 2019. | | | | | | | |
| h. Benefit accrual rate percentage, per year of high-5 average salary | -- | | -- | | -- | | -- | | -- | | -- | |
| i. Maximum benefit | | | | | 2013: 33 yrs limit on service credit. | | | | | | | |

Note: Other changes to these provisions may have also been enacted, but the nature of the revisions were not considered to be part of the financial sustainability legislation.



*MVB = Market Value Basis **AVB = Actuarial Value Basis

.................... moves to amend S.F. No. ....; H.F. No. 2179, as follows:

Page 1, line 8, reinstate the stricken language and delete the new language

Page 1, line 11, strike "four" and insert " three"

Page 1, line 13, reinstate "~~five~~" and delete "six"

Page 1, line 14, strike "every" and insert " an"

Page 1, line 17, reinstate "~~In every other odd-numbered year one~~ " and after "~~retiree~~" insert "member" and reinstate " ~~of the association must be elected~~ "

Page 1, lines 18 to 19, reinstate the stricken language

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.................... moves to amend S.F. No. ....; H.F. No. 2179, as follows:

Delete everything after the enacting clause and insert:

"Section 1. Minnesota Statutes 2012, section 354.06, subdivision 1, is amended to read:

Subdivision 1. **Board.** (a) The management of the association is vested in a board of eight trustees known as the board of trustees of the Teachers Retirement Association. It is composed of the following persons: the commissioner of education, the commissioner of management and budget, a representative of the Minnesota School Boards Association, four members of the association elected by the members of the association and by persons with deferred retirement annuities as specified in section 354.55, subdivision 11, and one retiree elected by the retirees of the association.

(b) The five elected members of the board of trustees must be chosen by ballot in a manner fixed by the board of trustees of the association. In every odd-numbered year there shall be elected two members of the association to the board of trustees for terms of four years commencing on the first of July next succeeding their election. In every other odd-numbered year one retiree of the association must be elected to the board of trustees for a term of four years commencing on the first of July next succeeding the election. Each election must be completed by June 1.

(c) The filing of candidacy for a retiree election must include a petition of endorsement signed by at least ten retirees of the association. ~~Each election must be completed by June first of each succeeding odd-numbered year. In the case of elective members~~

(d) For elected positions, any vacancy must be filled by appointment by the remainder of the board, and the appointee shall serve until the members or retirees of the association at the next regular election have elected a trustee to serve for the unexpired term caused by the vacancy. No member or retiree may be appointed by the board, or elected by the members of the association as a trustee, if the person is not a member or retiree of the association in good standing at the time of the appointment or election.

**EFFECTIVE DATE.** This section is effective July 1, 2015."

Amend the title accordingly

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State of Minnesota
HOUSE OF REPRESENTATIVES
EIGHTY-EIGHTH SESSION
H. F. No. 2179

02/25/2014 Authored by Nelson
The bill was read for the first time and referred to the Committee on Government Operations

A bill for an act
relating to retirement; increasing the size of the board of trustees of the Teachers Retirement Association by adding an additional elected retired member; amending Minnesota Statutes 2012, section 354.06, subdivision 1.

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

Section 1. Minnesota Statutes 2012, section 354.06, subdivision 1, is amended to read:

Subdivision 1. **Board.** <u>(a)</u> The management of the association is vested in a board of ~~eight~~ <u>nine</u> trustees known as the board of trustees of the Teachers Retirement Association. It is composed of the following persons: the commissioner of education, the commissioner of management and budget, a representative of the Minnesota School Boards Association, four members of the association elected by the members of the association, and ~~one retiree~~ <u>two retirees</u> elected by the retirees of the association.

<u>(b)</u> The ~~five~~ <u>six</u> elected members of the board of trustees must be chosen by ballot in a manner fixed by the board of trustees of the association. In every odd-numbered year there shall be elected two members of the association <u>and one retiree</u> to the board of trustees for terms of four years commencing on the ~~first of~~ July <u>1</u> next succeeding their election. ~~In every other odd-numbered year one retiree of the association must be elected to the board of trustees for a term of four years commencing on the first of July next succeeding the election.~~ <u>Each election must be completed by June 1.</u>

<u>(c)</u> The filing of candidacy for a retiree election must include a petition of endorsement signed by at least ten retirees of the association. ~~Each election must be completed by June first of each succeeding odd-numbered year. In the case of elective members,~~

<u>(d) For elected positions,</u> any vacancy must be filled by appointment by the remainder of the board, and the appointee shall serve until the members or retirees of the

association at the next regular election have elected a trustee to serve for the unexpired term caused by the vacancy. No member or retiree may be appointed by the board, or elected by the members or retirees of the association as a trustee, if the person is not a member or retiree of the association in good standing at the time of the appointment or election.

**EFFECTIVE DATE.** This section is effective June 30, 2015. The term of the new retiree board member position authorized by this section begins July 1, 2015.