



February 20, 2023

System Office – Derek Hughes, System Director for Total Rewards

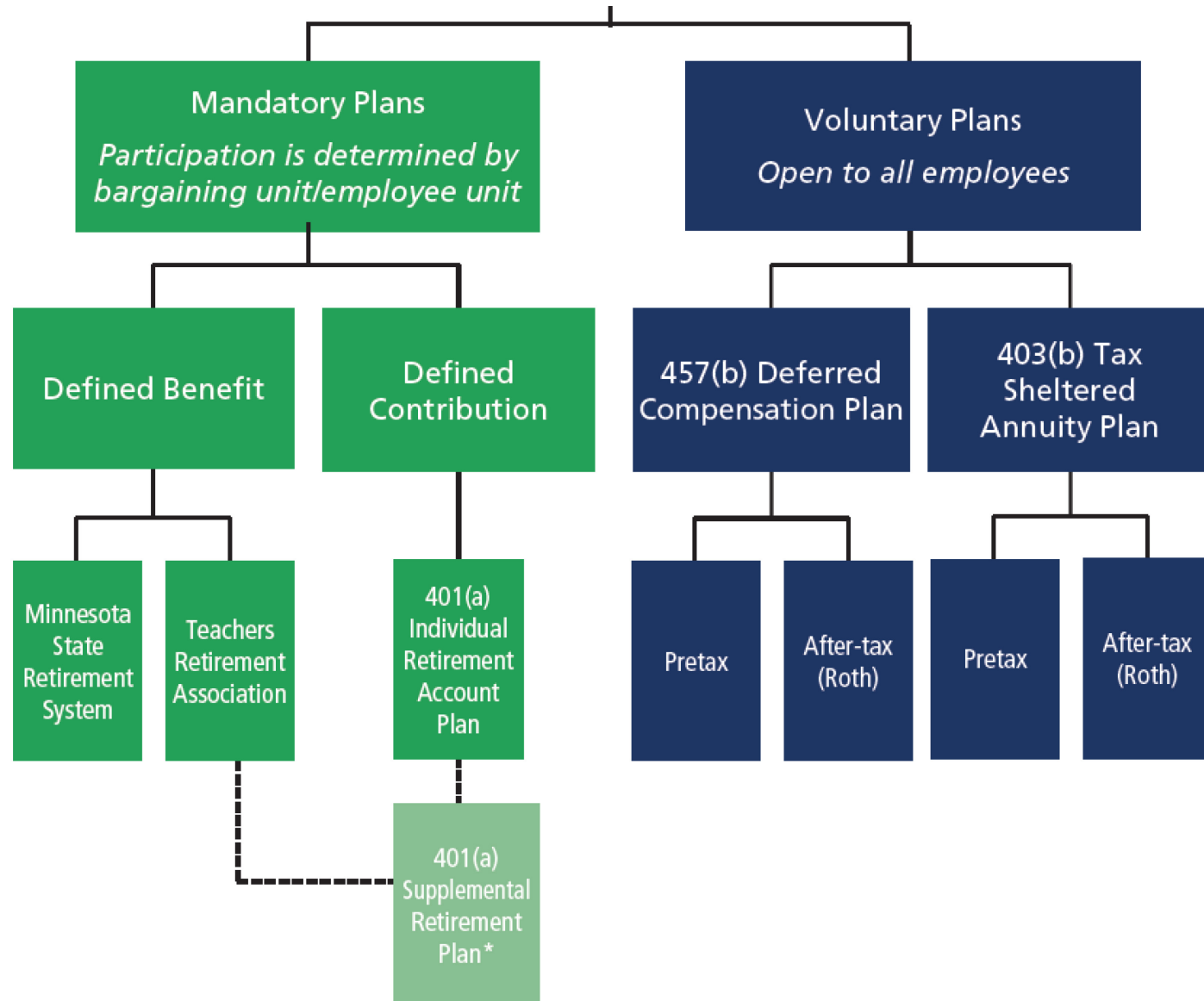
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# Minnesota State Retirement Plans

Legislative Commission on Pensions and Retirement

MINNESOTA STATE

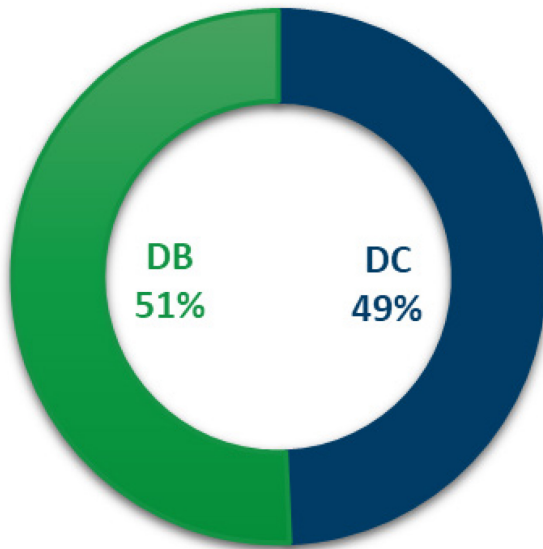
# Minnesota State Retirement Options



Note: Mandatory Plans are defined in Minnesota Statutes §352 §354, §354B, §354C

# Current Employees: Plan Participation

## DB vs. DC



## Employees by Plan



# IRAP and DC Plans: Highlights

**21,000+**

*Participants with Balances*



**\$28**

*Annual Fee*

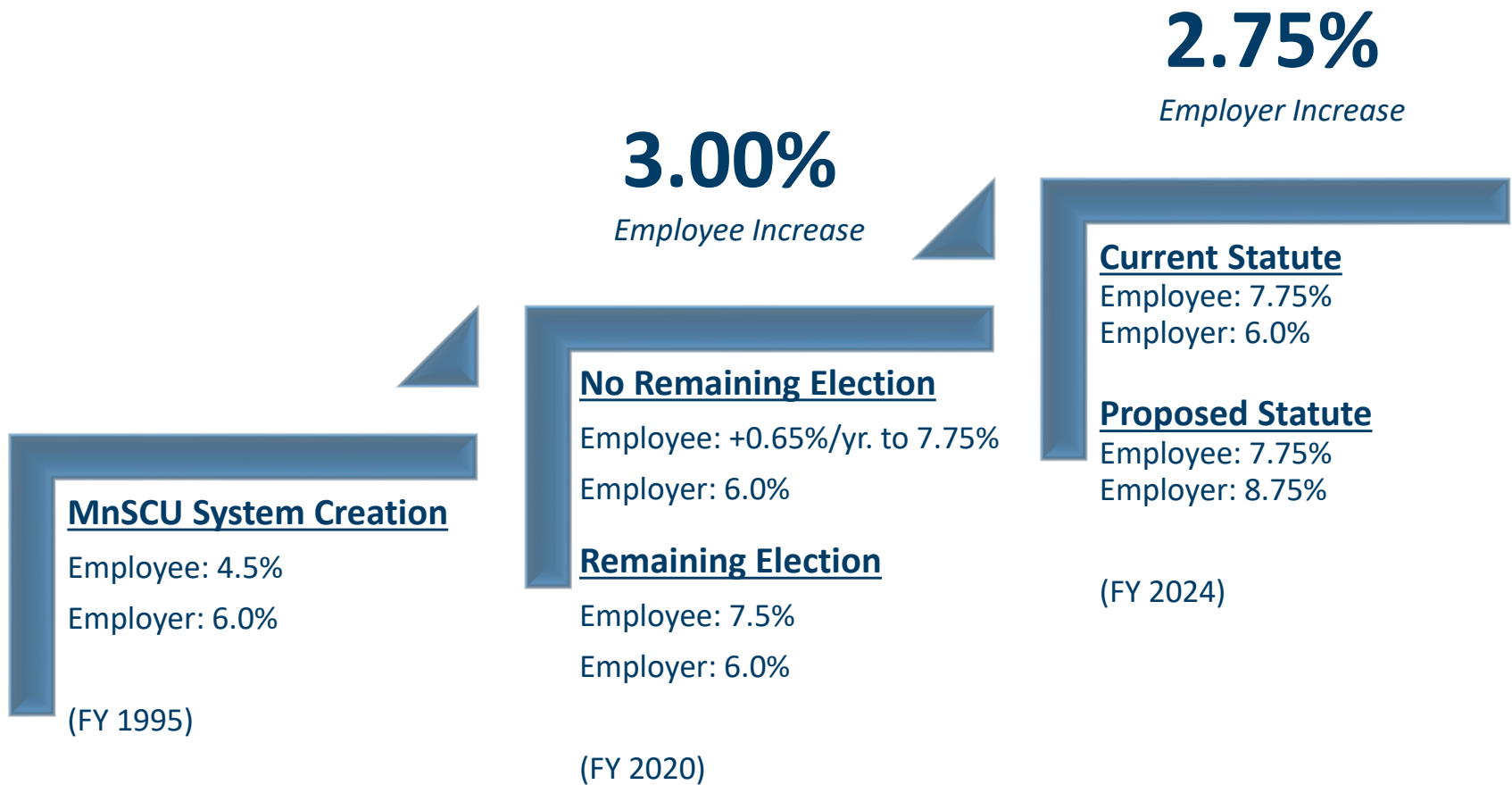


**\$3.1B+**

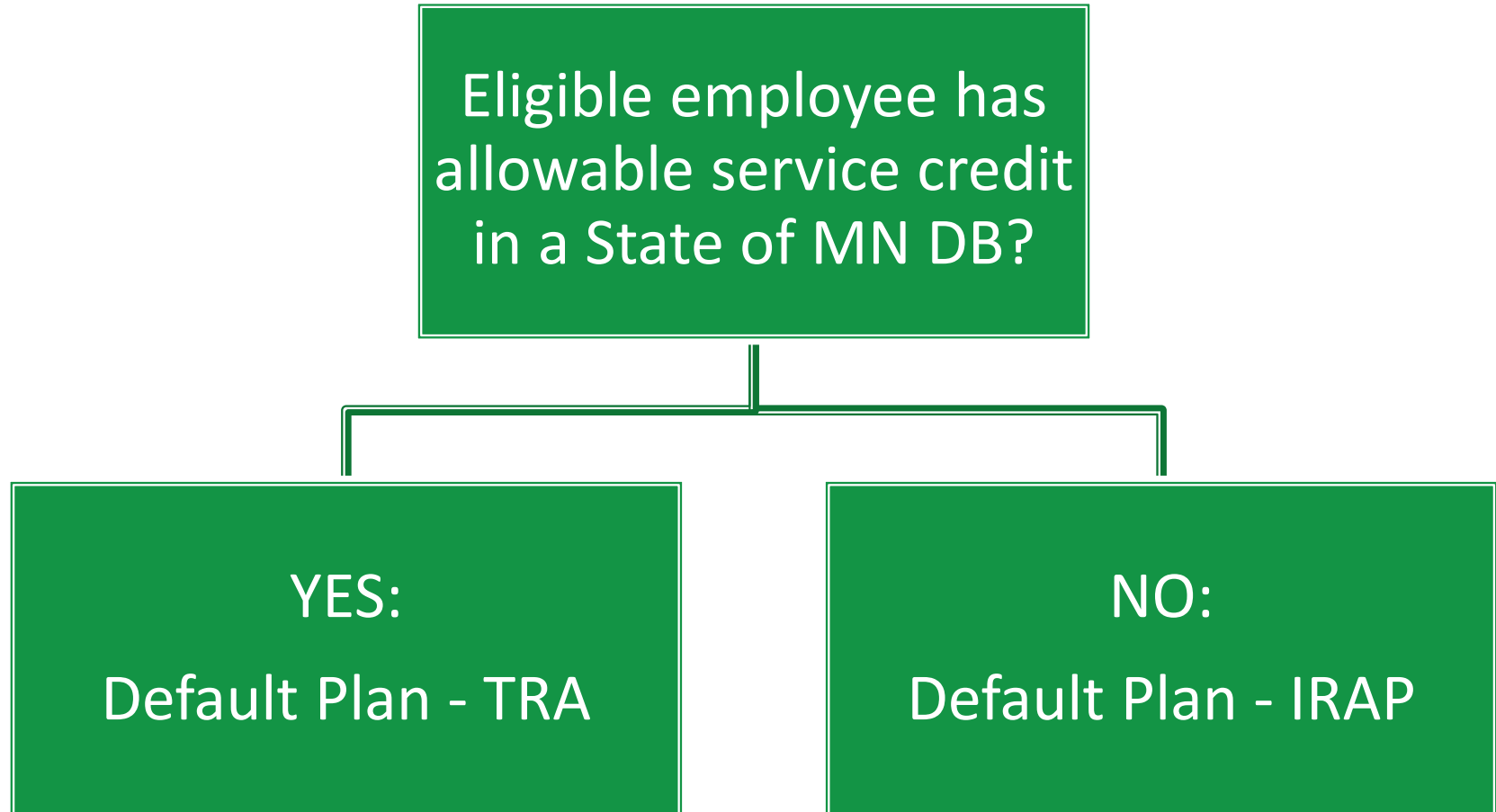
*Assets Under Management*



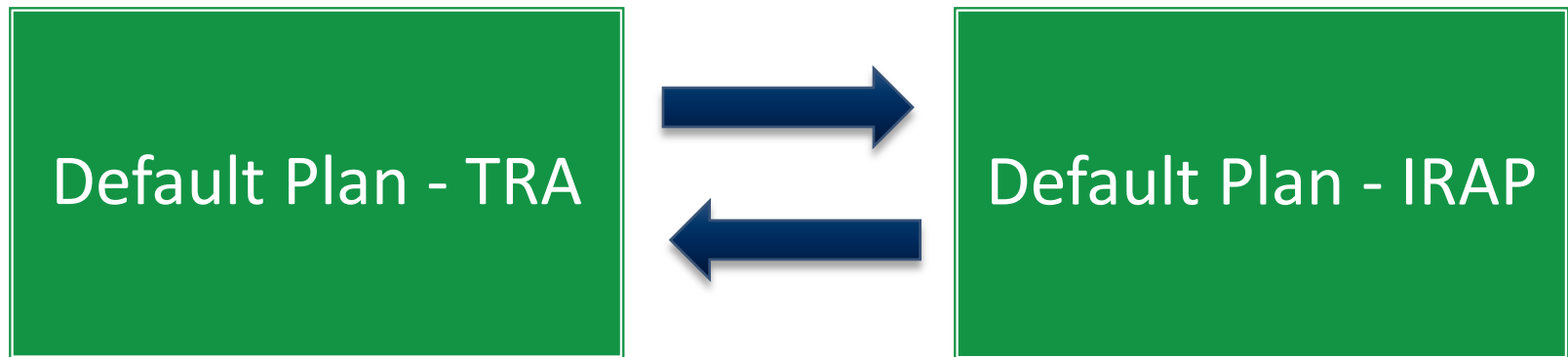
# IRAP and DC Plans: Contributions



# IRAP and DC Plans: Default Plans



# IRAP and DC Plans: Elections



**Initial Election:** 1 year to change from default Plan, *prospectively effective*

**Second-Chance Election:** 1 year to change from IRAP upon first achieving tenure or equivalent – *conversion to TRA as of retirement eligibility date (retroactively effective)*

# IRAP and DC Plans: Election Value Add

## Employee Perspective

- Mobility and Portability
- Desire for self-directed investments
- No Vesting Window

## Employer Perspective

TIAA as recordkeeper:

- One-on-One CFA Planning
- Wealth Management
- Financial Wellness Platform
  - Debt Relief/Management and Counseling
  - Budgeting Assistance
  - Public Service Loan Forgiveness





# IRAP and DC Plans: Election Dilemma

## §354B.211, Subd. 4:

- (b) An election under paragraph (a) must be made within one year of commencing covered employment. If an election is not made within one year of commencing covered employment and the employee separated from such covered employment prior to completion of the year, an election may be made within 90 days of returning to covered employment.
- (c) Except as provided in subdivision 6, purchasing service credit in the Teachers Retirement Association for any period of Minnesota State Colleges and Universities system employment occurring before the election under this section is prohibited.
- (d) An election made under this subdivision is irrevocable unless a subsequent election is made under subdivision 6.

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### Example Scenario:

Paul is hired as a full-time, unclassified academic professional (non-faculty) at Minnesota State University, Mankato. Paul is enrolled in the IRAP after indicating he has no previous pension service credit within the State of Minnesota on his hiring paperwork. The institution's HR department recently turned over half of its staff and consequently never shared with Paul his "right-to-elect" a prospective TRA pension within one-year of becoming retirement eligible.

Three years later, Paul is having lunch with colleagues and learns his colleagues all received a one-year election notice of their right-to-elect the TRA pension. Paul stops by HR after lunch and requests to elect the TRA pension, and HR responds that he is beyond his one-year window for eligible transfer to TRA and that the statute precludes any additional transfer unless he became a faculty member and subsequently achieved tenure. The HR office mentions he could contact his elected official and request an individual legislative exception to the one-year notification.

# IRAP and DC Plans: Solutions

- Solutions are split between a prospective and retroactive approach over the 2023 Legislative Session and 2024 Legislative Session.
- Both solutions enable TRA and Minnesota State to coordinate retirement account transfer without individual legislation.

# IRAP and DC Plans: Prospective Solution

Effective July 1, 2023. Employees eligible for retirement on or after July 1, 2023, who did not receive required notification, and it is > 1 year from date of retirement eligibility:

## If < = 60 days beyond one-year notification period:

- Employee has 90 days to elect TRA pension effective the employee's retirement eligibility date plus one year. (*Prospective TRA Coverage*)

## If > 60 days beyond one-year notification period:

- Employee has 90 days to elect TRA pension effective the employee's retirement eligibility date. The employee must surrender the IRAP account and pay difference in employee contributions, and Minnesota State pays remaining cost of annuity to TRA. (*Conversion to TRA Coverage*)

# IRAP and DC Plans: Retroactive Solution

Over the course of CY 2023, Minnesota State will continue to work with LCPR Staff to create a 9<sup>th</sup> subdivision within the IRAP statute §354B.211, titled, *“Omission of required notice to elect Teachers Retirement Association coverage”*.

The 9<sup>th</sup> subdivision will address:

- Missed notifications prior to July 1, 2023.
- Minnesota State plans for communicating the possible missed elections with all employees, immediately and indefinitely.
- Employees confirming a missing notification with Minnesota State have a new, one-year window to elect the TRA pension coverage retroactive to their retirement effective date.
- The employee must surrender the IRAP account and pay difference in employee contributions, and Minnesota State pays a penalty amount towards the remaining cost of annuity to TRA. (*Conversion to TRA Coverage*)

# Questions and Discussion





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