

## HF xxxx; SF xxxx (Revisor #24-06717): IRAP to TRA Work Group Bill

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### Introduction

- Affected Plans:** Higher education individual retirement account plan (IRAP)  
Teachers Retirement Association (TRA)
- Laws Amended:** Minnesota Statutes, section 354B.20
- New Laws:** Minnesota Statutes, section 354B.215
- Brief Description:** The bill establishes a new process for participants in the IRAP, administered by Minnesota State Colleges and Universities (MN State), to transfer to TRA if the participant did not receive the notice of the right to elect a transfer when initially entitled to do so.
- Attachments:** [Amendment 24-06717-1A](#)  
[History of IRAP to TRA Special Legislation 2003-2023](#)  
[House Research Issue Brief, "Special Legislation", dated January 2020](#)

### Background

#### History of IRAP to TRA Transfers

The IRAP was established in the late 1980s to provide state university and college teachers and other employees with retirement benefits through a defined contribution plan, as an alternative to TRA, which is a defined benefit pension plan. When the IRAP was established, in 1988 (Laws 1988, Ch. 709, Art. 11), it covered state university, college, and community college faculty and administrators. The plan was expanded to include technical college managerial employees in 1993 and technical college faculty in 1994.

Initially, IRAP coverage was mandatory for new hires without prior service covered by TRA. Employees in eligible positions who had prior TRA service were given an option to elect the IRAP rather than continued membership in TRA. Several statutory changes in the early 1990s expanded the election options for new hires in various circumstances. A blanket right to elect coverage by TRA for new employees was added in 1995. Depending on the employee's circumstances, a new employee might be defaulted initially into TRA or the IRAP, but in either case, had the opportunity to elect the other plan.

The statute governing these elections was changed in 2011 to add a requirement that MN State provide notice to employees eligible to make the election no later than 90 days before the end of the election period. The statute required the coverage forms to include a certification that was to be signed by the employee, stating that the employee received the election forms and information. Adding the notice and certification to the statutes codified existing procedures and may have been an attempt by the legislature to reduce the number of instances of employees coming to the legislature to transfer coverage because they had not received information about their right to elect coverage by TRA.

## Special vs General Legislation

Even with the change in applicable law in 2011 to require MN State to provide notice and employees to provide a certification, individuals have continued to come to the legislature seeking “special legislation” to transfer retirement coverage to TRA (see [History of IRAP to TRA Special Legislation 2003-2023](#)). Bills for one individual or a few individuals fall into the category of “special legislation” and are unconstitutional if the issue can be addressed by a “general law.” The Minnesota Constitution prohibits special laws when a general law can address the concern. The Minnesota Constitution, Article XII, Section 1, states:

*In all cases when a general law can be made applicable, a special law shall not be enacted except as provided in section 2 [relating to local government legislation] . . . The legislature shall pass no local or special law . . . granting to any private corporation, association, or individual any special or exclusive privilege, immunity or franchise whatever. . . .*

For more information on the constitutionality of special legislation, see the [attached brief](#) from House Research.

## IRAP to TRA Work Group

A session law passed in 2023, as part of the Omnibus Pension Policy Bill, established a work group and required the group to meet and develop a recommendation for legislation that would end the need for special legislation to help individuals transfer from the IRAP to TRA. The IRAP to TRA work group met four times between July and November 2023 and eventually reached a consensus for general legislation, set forth in Revisor #24-06717. For the session law establishing the work group, see [Minnesota Laws 2023, Chapter 47, Article 7, Section 3](#).

No member of the work group has expressed an objection to the draft bill or stated that the member does not support it. The work group participants include representatives from the following organizations:

- Teachers Retirement Association (TRA)
- Minnesota State Colleges and Universities (MN State)
- Inter Faculty Organization (IFO)
- Minnesota Association of Professional Employees (MAPE)
- Minnesota State College Faculty (MSCF)
- Minnesota State University Association of Administrative and Service Faculty (MSUAASF)
- Middle Management Association (MMA)

The meeting agendas and materials for the IRAP to TRA work group are available on the [LCPR website](#).

## Legislation Proposed by the Work Group

The draft bill establishes a new process that authorizes an eligible person to transfer to TRA and begin accruing service and salary credit toward a TRA pension. If an eligible person elects the transfer, the bill requires that the eligible person's IRAP account be transferred to TRA and used to purchase past service credit.

The bill provides for the transfer of an "offset amount" from a new account administered by MN State and funded with a one-time appropriation. The offset amount, which is equal to 25% of the cost to purchase the maximum amount of past service credit allowable or, if less, \$10,000, is intended to provide some financial assistance to the eligible person in making the purchase of past service credit.

If the transferred funds (IRAP account plus offset amount) are not sufficient to purchase the maximum past service credit, the person is permitted to transfer other retirement funds to TRA to make up the difference or agree to accept fewer than all the service credit the person could otherwise be entitled to purchase.

## Section- by- Section Summary

### Sections 1- 3: Definitions

Sections 1-3 amend section 354B.20, the definitions section for Chapter 354B, which governs the IRAP.

Section 1 adds a new definition for the "IRAP to TRA transfer account," a new state-funded account established and administered by MN State to offset the cost to participants for purchasing past service credit in TRA.

Section 2 adds a new definition for "offset amount," which is defined as the lesser of 25% of the cost to purchase the maximum past service credit or \$10,000.

Section 3 changes the defined term, "Teachers Retirement plan," which is not used anywhere in chapter 354B, to "Teachers Retirement Association," which is used throughout the chapter.

### Section 4: New Section 354B.215 ("Teachers Retirement Association coverage for employees who did not receive election to transfer")

Section 4 creates a new section in Chapter 354B and has 11 subdivisions.

Subdivision 1 ("Definitions") defines terms for purposes of section 354B.215. Important new defined terms are:

- "maximum past service credit," which is the most service credit that can be purchased by an eligible person and is the period of time that the eligible person was covered by the IRAP, up to the transfer date, and
- "transfer date," which is the effective date of the transfer from the IRAP to TRA, used by TRA to estimate the cost of the purchase of past service credit.

Subdivision 2 (“Authority to transfer coverage”) authorizes an eligible person to become a member of TRA and purchase service credit upon making an election.

Subdivision 3 (“Eligible person”) defines an eligible person, or a person permitted to transfer from the IRAP to TRA. An eligible person is a person:

- who is employed by Minnesota State;
- who has an account in the IRAP; and
- for whom MN State is not able to produce at least one of the following items:
  - a record indicating that the person received notice regarding eligibility to elect prospective coverage by TRA within the election period in statute;
  - a record that the person elected retirement coverage by the IRAP; or
  - other credible documentation demonstrating that the person was aware of the right to elect retirement coverage by TRA.

Subdivision 4 (“Eligible person application; information required from Minnesota State”) outlines the application requirements and the information that must be submitted by the eligible person to elect TRA coverage. The application must include:

- an attestation that the person was not informed of and was unaware of the right to elect a transfer from the IRAP to TRA;
- the date on which the person first became a participant in the IRAP; and
- a signed release authorizing MN State to provide employment and other personnel information to TRA.

No later than 60 days after receiving the application, MN State must verify the information provided in the application, determine if the person is an eligible person, and provide a written response. If the person is not eligible, MN State must include a copy of the documentation that disqualifies the person. If the person is an eligible person, MN State must forward the application and other pertinent information to TRA.

Subdivision 5 (“Determination of service credit purchase amounts”) requires TRA, upon receiving the application, to prepare estimates of the following, no later than 90 days after receiving the application:

- the amount needed to purchase the maximum past service credit (the period of time the eligible person was covered by the IRAP to the “transfer date” selected by TRA);
- the amount of service credit the eligible person would receive if their estimated IRAP balance is transferred to TRA and used to purchase service credit;
- the amount needed to purchase additional years of service, up to the maximum past service credit; and
- the offset amount, calculated using the estimated cost to purchase the maximum past service credit.

Within 90 days after receiving the application from MN State, TRA must notify the eligible person of the estimated amounts, described above, and MN State of the estimated offset amount.

Within 30 days of receiving the estimated offset amount from TRA, MN State must inform the eligible person and TRA how much of the estimated offset amount will be able to be funded with the IRAP to TRA transfer account.

Subdivision 6 (“Election to transfer coverage and purchase service credit”) gives the eligible person 60 days to elect to transfer from the IRAP to TRA, after TRA sends the estimates of the cost to purchase past service credit, how much the person’s IRAP account will buy, and how much more will be needed to buy the maximum past service credit. If the eligible person elects to transfer to TRA, the person must direct a transfer of the person’s available balance in the IRAP. MN State must then direct a transfer of the offset amount to TRA.

If the transferred funds (IRAP account plus offset amount) are not sufficient to purchase the maximum past service credit, the person is permitted to transfer other retirement funds to TRA to make up the difference or agree to accept fewer than all the service credit the person could otherwise be entitled to purchase.

Subdivision 7 (“Commencement of membership in the Teachers Retirement Association”) states that after TRA receives the fund transfers, the eligible person becomes a member of TRA and receives credit for the purchased past service. TRA may adjust the amount of service credit granted to the eligible person as necessary to ensure that TRA does not receive less than required to cover the cost of the past service credit. This provision is intended to ensure, consistent with the requirements for the legislation under the 2023 session law, that the transfer does not increase the unfunded liability of TRA.

Once the person becomes a member of TRA, the person is no longer an active member in the IRAP and the person’s membership status in TRA is irrevocable.

Subdivision 8 (“Service credit for vesting”) requires TRA to grant service credit in TRA for all years or partial years of service with MN State for the purpose of vesting.

Subdivision 9 (“Notice to employees”) requires MN State to provide periodic notice to all employees summarizing the new law and offering assistance to employees who want to transfer coverage from the IRAP to TRA.

Subdivision 10 (“Annual report required”) requires MN State and TRA to jointly file an annual report on the number of individuals who elect a transfer and other information. The 2023 session law that established the work group requires that any legislation proposed by the work group include a requirement for an annual report and specifies the information that must be included in the report. The draft bill includes these requirements; however, some of them are no longer relevant under the new process. Amendment 1A modifies the requirements to conform to the new process. For example, the session law requirement that the annual report must include the cost of a transfer to MN State is no longer applicable because under the new process there will be no cost to MN State for a transfer.

Subdivision 11 (“IRAP to TRA transfer account created”) creates the IRAP to TRA transfer account in the special revenue fund. MN State must use the money in the account to transfer the offset amount to TRA for each eligible person that elects a transfer, until the money in the account is depleted.

**Section 5: Transfer to the IRAP to TRA transfer account; appropriation**

Section 5 contains an unspecified appropriation in fiscal year 2025 from the general fund to the IRAP to TRA transfer account. As mentioned above, the money in the account must be transferred at the direction of MN State to TRA to offset the cost of the service credit purchases by eligible persons that elect to transfer coverage from the IRAP to TRA.

**Effective Dates**

All sections are effective January 1, 2025. This effective date is intended to give MN State and TRA time to prepare to implement the process.

**Amendment 24- 06717- 1A**

As noted above, in the summary of subdivision 10, Amendment 24-06717-1A revises the content requirements for the annual report to be prepared jointly by MN State and TRA and submitted to the Commission. If Amendment -1A is adopted, the law will require that the contents of the report will be the number of employees who elected a transfer in the previous calendar year and, for each eligible person (who must not be identified), the cost of the service credit purchase and the offset amount.