



TO: Members of the Legislative Commission on Pensions and Retirement
 FROM: Edward Burek *EB*
 RE: Summary of Pension Legislation Enacted by the 1989 Legislature
 DATE: August 22, 1989

During the 1989 regular legislative session, the Legislature passed Senate File 783 (Laws 1989, Chapter 319) which changed pension coverage and improved benefits for state, county, and local employees, teachers, judges, legislators, police, fire, and other groups. The bill also included articles dealing with pension plan administration and fiduciary responsibility. The following summarizes the changes due to Senate File 783, and incorporates changes due to other 1989 laws. The material is divided into two sections. The first covers fund-specific legislation, or legislation which applies to specific categories of funds (local police funds, volunteer fire funds, etc.), while the second summarizes legislation applicable to all Minnesota public pension funds.

I. FUND SPECIFIC LEGISLATION

A. Minnesota State Retirement System (MSRS)

1. General State Employees Retirement Fund (MSRS General).

The Legislature granted a benefit increase to members of MSRS General. Similar increases were granted to members of the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA), and the first class city teacher funds. Some of the following apply to all MSRS General members, while other provisions differ between new and existing employees.

All MSRS General members are eligible to benefit from the following changes:

- a. Reduction in vesting requirement. The vesting period is reduced from five years to three years. Normal retirement, early retirement, disability, portability, and survivor benefit provisions are changed to three year service eligibility rather than five year. (Laws 1989, Chapter 319, Article 13, Sections 5, 7, 10, 12, 15, 16.)
- b. Increased interest on refunds. Interest on refunds of member contributions taken when an individual leaves employment is increased to six percent from five percent. (Laws 1989, Chapter 319, Article 13, Section 14.)
- c. Increase in deferred annuity augmentation. Under prior law, individuals who have vested and then leave employment prior to retirement can have a deferred annuity, leaving their contributions in the retirement plan and eventually receiving an annuity at retirement age. Deferred annuities augmented at three percent per year during the deferral period. Under the new law, augmentation increases to five percent on January 1st of the year after the member reaches age 55. (Laws 1989, Chapter 319, Article 13, Section 17.)
- d. Automatic bounce-back, joint and survivor annuity. The new law provides a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the ex-employee's annuity automatically bounces back to the single life annuity level.

This automatic bounce back provision also applies to existing joint and survivor annuities. If a retired employee or disabilitant selected an optional joint and survivor annuity, but did not select a bounce back provision, they are now eligible for restoration of the normal single-life annuity if the designated beneficiary dies first, without further reduction of the current annuity. If the designated optional annuity beneficiary died before July 1, 1989, the annuitant will receive a normal single-life annuity after that date, but no retroactive payments. If a retired employee or disabilitant initially took the joint and survivor annuity with a bounce-back (which required an actuarial reduction in the present annuity), the annuity will be increased after July 1, 1989 so the individual does not bear the cost of the bounce-back provision. (Laws 1989, Chapter 319, Article 13, Section 10.)

The following benefit formula change applies only to new employees hired after 6/30/89:

- e. New level benefit formula, new employees. New employees will receive a level formula of 1.5 percent credit for all years of service, rather than the current one percent for each of the first ten years of service, followed by 1.5 percent thereafter. If the individual retires before the normal retirement age, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that changes over time. The normal retirement age for existing employees remains at age 65. (Laws 1989, Chapter 319, Article 13, Sections 2, 9.)

The following changes apply only to existing employees. (Laws 1989, Chapter 319, Article 13, Sections 9, 10.) Current employees will receive annuities based on whichever of the following produces the higher benefit:

- f. Current benefit formula with three percent early retirement reduction. A benefit accrual of one percent for each of the first ten years, plus 1.5 percent for each year thereafter, with three percent annual reduction for early retirement, or
- g. Level benefit formula with actuarial reduction. 1.5 percent for all years of service, with actuarial reduction for early retirement, or
- h. Rule of 90 with current benefit formula rates. If age plus years of service equal at least 90, the benefit accrual is one percent for each of the first ten years of service, followed by 1.5 percent per year thereafter, with no early retirement reduction. Use of the rule of 90 must be reviewed periodically. If use exceeds 45 percent of the members eligible to retire under that provision, the provision is voided. (Laws 1989, Chapter 319, Article 13, Section 96.)

Associated with these benefit changes are increases in contribution rates:

- i. Contribution rate increases. The employee contribution rate for all MSRS General active members increases to 4.34 percent after June 30, 1989, while the employer contribution increases to 4.51 percent. (Laws 1989, Chapter 319, Article 13, Sections 3 and 4.) \$3,916,000 in fiscal 1990 and \$4,123,000 in fiscal 1991 are appropriated from the state's general fund to the Commissioner of Finance to offset the cost of increases in employer contributions for the MSRS general plan. The money is to be allocated among state agencies and the University of Minnesota. (Laws 1989, Chapter 319, Article 13, Section 97.)

2. MSRS Unclassified

- a. Minimum investment account transfer and minimum balance requirements eliminated. The minimum transfer and minimum balance requirements among unclassified plan investment options are eliminated. (Laws 1989, Chapter 319, article 1, Section 13.)
- b. Minimum retirement age reduced. The minimum age for retirement and the minimum age to start receiving a surviving spouse benefit are reduced from age 58 to age 55. (Laws 1989, Chapter 319, Article 1, Section 13.)
- c. Prior service contribution transfer extension. Individuals who did not transfer prior service contributions to the unclassified plan from other public funds within one year of entering the unclassified service, and who now wish to do so, are given a window until September 30, 1989 to make the transfers. (Laws 1989, Chapter 319, Article 1, Section 16.)

3. Judges Retirement

- a. Combined service provisions. Combined service annuity, combined service disability, and combined service survivor benefit provisions are extended to members of the Judges Retirement Fund. (Laws 1989, Chapter 319, Article 5, Sections 4 through 6.)
- b. Repaying refunds. Judges who leave and later rejoin the plan are permitted to repay all refunds received, reinstating previous service credits, rights, and benefits. (Laws 1989, Chapter 319, Article 5, Section 7.)

4. Legislative Retirement

Various provisions increased legislative pensions, including removing the service accrual cap, including per diem in salary for pension computation purposes, and changes in annuity augmentation.

- a. Removal of the service credit cap. The twenty year cap on service credit and contributions is removed, effective with the start of the 1989 session, permitting long-term legislators to accrue additional service credit. (Laws 1989, Chapter 319, Article 16, Section 7.)
- b. Per diem included in salary. The high-five average salary used in the pension calculation is increased by including regular and special session per diem in the salary base. Inclusion of per diem is retroactive to December 31, 1988 if the legislator pays the retirement fund nine percent of the regular and special session per diem for the appropriate period, plus six percent interest. (Laws 1989, Chapter 319, Article 16, Sections 1 and 6.)
- c. Increase in deferred annuity augmentation. Deferred annuity augmentation increases to five percent from three percent on January 1st of the year that the legislator reaches age 55. (Laws 1989, Chapter 319, Article 16, Section 5.)
- d. Early retirement penalty reduced. The early retirement penalty is reduced from six percent per year to the actuarial equivalent of an annuity payable if the legislator delayed receipt until age 62, with three percent augmentation. (Laws 1989, Chapter 319, Article 16, Section 4.)

5. MSRS Highway Patrol, MSRS Correctional

Items (a) through (h) below apply to both the MSRS Highway Patrol and Correctional plans. Item (i) applies to the Highway Patrol.

- a. Reduction in vesting requirement. The retirement vesting period is reduced from five years to three years for both plans. For MSRS Correctional, the non-duty related disability vesting provision is reduced to three years. For the highway patrol, the surviving spouse and surviving child benefit provision and the service-in-more-than-one-fund portability provision are made consistent with three year vesting. (Laws 1989, Chapter 319, Article 13, Sections 20,22,25,27,28.)
- b. Definition of average salary for short service retirees. Average salary will be computed on all years of service for individuals retiring with less than five years total service. (Laws 1989, Chapter 319, Article 13, Sections 20, 24.)
- c. Refund interest rate increased. The interest rate on refunds of member contributions is increased to six percent. (Laws 1989, Chapter 319, Article 13, Sections 21,26.)
- d. Automatic bounce-back, joint and survivor annuity. The new law provides a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the ex-employee's annuity automatically bounces back to the single life annuity level.

This automatic bounce back provision also applies to existing joint and survivor annuities. If a retired employee or disabilitant selected an optional joint and survivor annuity, but did not select a bounce back provision, they are now eligible for restoration of the normal single-life annuity if the designated beneficiary dies first, without further reduction of the current annuity. If the designated optional annuity beneficiary died before July 1, 1989, the annuitant will receive a normal single-life annuity after that date, but no retroactive payments. If a retired employee or disabilitant initially took the joint and survivor annuity with a bounce-back (which required an actuarial reduction in the present annuity), the annuity will be increased after July 1, 1989 so the individual does not bear the cost of the bounce-back provision. (Laws 1989, Chapter 319, Article 17, Section 1.)

- e. Change to level formula. Members receive a level formula of 2.5 percent for each years of service, rather than the current drop to 2.0 percent per year after twenty five years of service. (Laws 1989, Chapter 319, Article 17, Sections 2, 6.)
- f. Early retirement. Early retirement is permitted at age 50 with full actuarial reduction to age 55, providing the individual has five years allowable service. (Laws 1989, Chapter 319, Article 17, Section 3, 6.)
- g. Service disability benefit increase. The long service disability benefit is 50 percent of salary plus 2.5 percent for each year of service in excess of twenty. (Laws 1989, Chapter 319, Article 17, Sections 4, 8.)
- h. Non-service disability benefit increases. The non-duty disability benefit vesting period is reduced to one year and the minimum benefit is calculated as though the individual had fifteen years of service, rather than the previous ten. (Laws 1989, Chapter 319, Article 17, Sections 5, 9.)
- i. Survivor benefit increase, highway patrol. For the highway patrol, the spouse survivor benefit is increased to 50 percent of average monthly salary and dependent child coverage continues through age 23 (rather than age 22), if the dependent is enrolled in a post secondary school. The maximum family benefit is increased from 50 percent to 70 percent of average monthly salary. (Laws 1989, Chapter 319, Article 17, Section 10.)

6. Administrative Issues, Coverage Changes

- a. Appeals procedure for benefit termination or denial. Laws 1989, Chapter 319, Article 1, Section 5 includes a benefit termination appeals procedure for funds administered by MSRS that:
 - (1) provides notice of any benefit termination or denial;
 - (2) allows for a review of an administrative termination or denial upon filing a petition;
 - (3) requires an answer to the petition;
 - (4) provides for a hearing;
 - (5) allows for resubmission of disability benefit questions to the MSRS medical advisor;
 - (6) requires board findings following the hearing;
 - (7) authorizes an appeal to the state Court of Appeals;
 - (8) provides that the administrative appeal is not to be conducted under the procedures of the state's Administrative Procedure Act contested case provisions, but allows the MSRS Board of Directors to certify any petition to the state's Office of Administrative Hearings for a contested case proceeding; and

- (9) permits a person not directly involved in the case to request a review of the executive director's decision if the decision affects the individual's rights.
- b. Substitution of new option for Social Security leveling option. The specific social security leveling option is eliminated. It provided an initially higher benefit from MSRS in order to provide the same total benefit as the individual will later receive from MSRS and from social security combined, once the individual starts receiving social security benefits. In its place, MSRS will provide a generalized optional annuity which serves the same purpose, but which is easier to compute. (Laws 1989, Chapter 319, Article 1, Section 6.)
- c. Court workers become state employees. District court referees, judicial officers, court reporter, law clerks, and district administrator staffs are state employees, except for Hennepin and Ramsey counties. These newly defined state employees will be covered by MSRS General, unless they elect to retain PERA or MERF coverage. (Laws 1989, Chapter 335, Article 3, Section 14.)
- d. Refunds authorized for layoffs. Refunds can be given for layoffs in addition to refunds for service termination. (Laws 1989, Chapter 319, Article 1, Section 7.)
- e. Vesting reduction, MSRS State Patrol optional annuities. Vesting for optional annuities under the state patrol plan is reduced from ten to five years. (Laws 1989, Chapter 319, Article 1, Section 10.)
- f. Optional annuity election, State Patrol plan. A disabled state patrol member may elect an optional annuity whether or not the person is otherwise eligible for other survivorship coverage. The optional annuity is effective on the same date as a disability benefit. (Laws 1989, Chapter 319, Article 1, Section 11.)
- g. Definition of Average salary for MSRS short service retirees. Normally, annuities are computed using the average salary for the highest five successive years of salary upon which the employee has made contributions to the fund by payroll deductions. If the individual has less than five years of service, all allowable service must be used in the computation. (Laws 1989, Chapter 319, Article 13, Section 8.)

B. Public Employees Retirement Association (PERA)

1. PERA

The Legislature granted a benefit increase to members of PERA, comparable to the provisions described above for MSRS General. Some of the following provisions apply to all PERA members, while others differ for new versus existing employees.

All PERA members are eligible to benefit from the following changes:

- a. Reduction in vesting requirement. The vesting period is reduced from five years to three years. Normal retirement, early retirement, disability, and survivor benefit provisions are changed to permit eligibility at three years service rather than five. (Laws 1989, Chapter 319, Article 13, Sections 31, 34, 36, 37, 41, 42, 43, 45, 46.)
- b. Increased interest on refunds. Interest on refunds of member contributions taken when an individual leaves employment is increased to six percent from five percent. (Laws 1989, Chapter 319, Article 13, Sections 35, 40.)
- c. Increase in deferred annuity augmentation. Under prior law, individuals who have vested and then leave employment prior to retirement can have a deferred annuity, leaving their contributions in the retirement plan and eventually receiving an annuity at retirement age. Deferred annuities augmented at three percent per year during the deferral period. Under the new law, augmentation increases to five percent on January 1st of the year after the member reaches age 55. (Laws 1989, Chapter 319, Article 13, Section 47.)
- d. Automatic bounce-back, joint and survivor annuity. The new law provides a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the ex-employee's annuity automatically bounces back to the single life annuity level.

This automatic bounce back provision also applies to existing joint and survivor annuities. If a retired employee or disabilitant selected an optional joint and survivor annuity, but did not select a bounce back provision, they are now eligible for restoration of the normal single-life annuity if the designated beneficiary dies first, without further reduction of the current annuity. If the designated optional annuity beneficiary died before July 1, 1989, the annuitant will receive a normal single-life annuity after that date, but no retroactive payments. If a retired employee or disabilitant initially took the joint and survivor annuity with a bounce-back (which required an actuarial reduction in the present annuity), the annuity will be increased after July 1, 1989 so the individual does not bear the cost of the bounce-back provision. (Laws 1989, Chapter 319, Article 13, Section 34.)

The following benefit change applies only to new employees hired after 6/30/89):

- e. New level benefit formula, new employees. New employees who are coordinated with social security will receive a level formula of 1.5 percent credit for all years of service, rather than the current one percent for each of the first ten years of service, followed by 1.5 percent thereafter. A new basic member would receive a level formula of 2.5 percent for all years. In all cases, if the individual retires early the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that changes over time. The normal retirement age for existing employees remains at 65. (Laws 1989, Chapter 319, Article 13, Sections 29, 33.)

The following changes apply only to existing employees. (Laws 1989, Chapter 319, Article 13, Sections 33, 34.) Current employees will receive annuities based on whichever of the following produces the higher benefit:

- f. Current benefit formula with three percent early retirement reduction. For coordinated members, benefit accrual of one percent for each of the first ten years, plus 1.5 percent for each year thereafter, with three percent annual reduction for early retirement. For basic members, benefit accrual of two percent for each of the first ten years, plus 2.5 percent for each year thereafter, or
- g. Level benefit formula with actuarial reduction. For coordinated members, 1.5 percent for all years of service with actuarial reduction for early retirement, and for basic members, 2.5 percent for all years of service with actuarial reduction for early retirement, or
- h. Rule of 90 with current benefit formula rates. For coordinated members, if age plus years of service equal at least 90, the benefit accrual is one percent for each of the first ten years of service, followed by 1.5 percent per year thereafter, with no early retirement reduction. For basic members, if age plus years of service equal at least 90, the benefit accrual is two percent for each of the first ten years of service, followed by 2.5 percent per year thereafter, with no early retirement reduction.

Associated with these benefit changes are increases in contribution rates:

- i. Employee contribution rate increases. The employee contribution rate for PERA active members increases to 8.23 percent for all basic members and 4.23 percent for all coordinated members. (Laws 1989, Chapter 319, Article 13, Section 30.)

2. Public Employees Retirement Association Police and Fire Fund (PERA P&F)

The Legislature granted benefit increases to PERA P&F similar to those granted to MSRS Highway Patrol.

- a. Automatic bounce-back, joint and survivor annuity. The new law provides a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the ex-employee's annuity automatically bounces back to the single life annuity level.

This automatic bounce back provision also applies to existing joint and survivor annuities. If a retired employee or disabilitant selected an optional joint and survivor annuity, but did not select a bounce back provision, they are now eligible for restoration of the normal single-life annuity if the designated beneficiary dies first, without further reduction of the current annuity. If the designated optional annuity beneficiary died before July 1, 1989, the annuitant will receive a normal single-life annuity after that date, but no retroactive payments. If a retired employee or disabilitant initially took the joint and survivor annuity with a bounce-back (which required an actuarial reduction in the present annuity), the annuity will be increased after July 1, 1989 so the individual does not bear the cost of the bounce-back provision. (Laws 1989, Chapter 319, Article 17, Section 11.)

- b. Change to level formula. Members receive a level formula at 2.5 percent for all years of service, rather than the current drop to 2.0 percent per year after twenty five years of service. (Laws 1989, Chapter 319, Article 17, Section 12.)
- c. Early retirement. Early retirement is permitted at age 50 with full actuarial reduction to age 55. (Laws 1989, Chapter 319, Article 17, Section 13.)
- d. Service disability benefit increase. Long service disability benefits are increased to 50 percent of salary plus 2.5 percent for each year of service in excess of twenty. (Laws 1989, Chapter 319, Article 17, Section 14.)
- e. Non-service disability benefit increase. The non-line-of-duty disability benefit vesting period is reduced to one year and the minimum benefit is calculated as though the individual had fifteen years of service, rather than the previous ten. (Laws 1989, Chapter 319, Article 17, Section 15.)
- f. Survivor benefit, dependent child benefit increase. The spouse survivor benefit is increased to 50 percent of the last six month's average salary. Dependent child coverage continues through age 23 rather than age 22, if the individual is enrolled in a post secondary school for at least five of the prior twelve months. The maximum family benefit is increased from 50 percent to 70 percent of the last six month's average salary. (Laws 1989, Chapter 319, Article 17, Section 16 and 17.)

3. Administrative Issues--PERA and PERA P&F

- a. Definition of average salary for PERA short service retirees. If the individual has less than five years service, all service must be used in determining average salary to compute the annuity or benefit. (Laws 1989, Chapter 319, Article 13, Section 32.)
- b. Refunds, certain Saint Paul Bureau of Health ex-employees. Certain PERA retirees, formerly employed by the Saint Paul Bureau of Health and who chose to retire under that plan, are eligible to receive a refund with interest on excess contributions made between 1969 and 1973. The executive director of PERA must notify all eligible individuals of their right to apply for this refund. (Laws 1989, Chapter 319, Article 5, Sections 9 and 10.)
- c. PERA coverage, municipality and township associations. PERA coverage is extended on a mandatory basis to employees of the Association of Metropolitan Municipalities, and on an optional basis to employees of the Minnesota Association of Townships. (Laws 1989, Chapter 319, Article 3, Section 1.)
- d. PERA exclusions and inclusions in coverage. Includes, for PERA coverage, individuals serving a short probationary period leading to a permanent position. Excludes medical residents and interns, and volunteer firefighters and volunteer ambulance service personnel. (Laws 1989, Chapter 319, Article 3, Section 2.)
- e. Annuity application proof of identity requirements. Applications for PERA annuities must have full supporting documentation and include written proof of member identity. (Laws 1989, Chapter 319, Article 3, Section 10.)
- f. Refunds due to changes in employment. Refunds of employee contributions to PERA, PERA P & F, or PERA Correctional can be made to individuals leaving one of these funds and entering employment in another of these funds. (Laws 1989, Chapter 319, Article 3, Section 17.)
- g. Repayment of Refunds. An individual repaying a PERA refund can repay all refunds or just the most recently taken refund. (Laws 1989, Chapter 319, Article 3, Section 18.)
- h. PERA board member term extended. The four-year term of office for the PERA board member elected in November 1986 is extended through January 1991, so all three elected positions have terms ending at the same time. (Laws 1989, Chapter 319, Article 3, Section 25.)
- i. Mandatory rehabilitation program. If the executive director determines that a disabled person may be able to return to gainful employment, the continued receipt of a PERA disability benefit is contingent on participation in a vocational rehabilitation program. (Laws 1989, Chapter 319, Article 3, Section 15.)
- j. Repayment of refunds by disabilitants. A PERA disabilitant may repay a refund before the effective date of the disability benefit. (Laws 1989, Chapter 319, Article 3, Section 12.)
- k. Coordination of disability benefits. PERA disability benefits are coordinated with workers compensation benefits, including economic recovery compensation benefits. Offsets from disability benefits for partial reemployment apply for both employment and non-employment related injuries. (Laws 1989, Chapter 319, Article 3, Section 14.)
- l. Service credit, sheriff's association employee. A former member of PERA who is an employee of the Minnesota sheriff's association can be covered by PERA P&F for the sheriff's association service. Past employee and employer contributions are the responsibility of the employee, although the sheriff's association may pay the employer's share. (Laws 1989, Chapter 319, Article 11, Section 1.)
- m. Disposition of excess police aid. Any excess police state aid will be deposited in an insurance trust fund to provide life insurance and medical coverage for public employees, rather than depositing the excess in PERA P&F. A holding account for this excess is to be created in PERA P&F, and the account must regularly be cleared to the insurance trust fund. (Laws 1989, Chapter 319, Article 6.)
- n. Exclusion of volunteer ambulance service personnel and volunteer firefighters. Volunteer ambulance service personnel and volunteer firefighters are generally excluded from PERA P&F, but volunteer firefighters already in PERA P&F can remain if they choose. Volunteer ambulance service personnel and volunteer firefighters, who are members of PERA or PERA P&F by employment other than their respective volunteer service, can participate in PERA or PERA P&F for their volunteer duties if the volunteer duties are not covered by another plan. (Laws 1989, Chapter 319, Article 3, Sections 2, 3, 5, 6, 23, 24.)
- o. Collection procedures, delinquent excess police aid. PERA collection procedures will apply to delinquent excess police aid, and six percent interest is due on late payments. (Laws 1989, Chapter 319, Article 3, Sections 8 and 9.)
- p. PERA P&F fund membership exclusion. Members of consolidated relief associations who do not elect PERA P&F benefit plan coverage are not members of PERA P&F. (Laws 1989, Chapter 319, Article 3, Section 19.)

- q. Non-police duties covered by PERA P&F. A police officer, occasionally assigned to non-police duties, retain PERA P&F coverage for those duties if the municipality certifies that the primary employment position held is that of a police officer. (Laws 1989, Chapter 319, Article 3, Section 20.)
- r. Non-firefighter duties covered by PERA P&F. A firefighter, occasionally assigned to non-firefighting duties, retain PERA P&F coverage for those duties if the municipality certifies that the primary employment position held is that of a firefighter. (Laws 1989, Chapter 319, Article 3, Section 21.)
- s. Offset to disability benefits. For members of PERA P&F, workers compensation benefits must be considered in determining the offset to disability benefits due to partial reemployment. (Laws 1989, Chapter 319, Article 3, Section 22.)

4. PERA Local Correctional

- a. Reduction in vesting requirement. The service credit vesting requirement is reduced from five years to three years. (Laws 1989, Chapter 319, Article 13, Section 49.)
- b. Definition of average salary for short service retirees. If the individual has less than five years service, all service must be used in determining the average salary to compute the annuity or benefit. (Laws 1989, Chapter 319, Article 13, Section 50.)
- c. Normal retirement age references. Age 65 references are replaced by reference to "normal retirement age" in the retirement annuity accrual and duration provision, and the disability benefit to retirement annuity conversion provision. (Laws 1989, Chapter 319, Article 13, Sections 51 and 52.)

C. Teachers Retirement Association (TRA)

1. TRA Benefit Increases

The Legislature granted benefit increases to members of TRA, comparable to provisions previously described for MSRS and PERA.

All TRA members are eligible to benefit from the following changes:

- a. Reduction in vesting requirement. Normal retirement, early retirement, disability, survivor benefit, and service-in-more-than-one-fund portability provisions are changed to permit eligibility at three years service rather than five. (Laws 1989, Chapter 319, Article 13, Sections 55, 56, 62, 64, 70.)
- b. Increased interest on refunds. Interest on refunds of member contributions taken when an individual leaves employment is increased to six percent from five percent. (Laws 1989, Chapter 319, Article 13, Sections 63, 67.)
- c. Increase in deferred annuity augmentation. Under prior law, individuals who have vested and then leave employment prior to retirement can have a deferred annuity, leaving their contributions in the retirement plan and eventually receiving an annuity at retirement age. Deferred annuities augmented at three percent per year during the deferral period. Under the new law, augmentation increases to five percent on January 1st of the year after the member reaches age 55. (Laws 1989, Chapter 319, Article 13, Section 69.)
- d. Automatic bounce-back, joint and survivor annuity. The new law provides a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the ex-employee's annuity automatically bounces back to the single life annuity level.

This automatic bounce back provision also applies to existing joint and survivor annuities. If a retired employee or disabilitant selected an optional joint and survivor annuity, but did not select a bounce back provision, they are now eligible for restoration of the normal single-life annuity if the designated beneficiary dies first, without further reduction of the current annuity. If the designated optional annuity beneficiary died before July 1, 1989, the annuitant will receive a normal single-life annuity after that date, but no retroactive payments. (Laws 1989, Chapter 319, Article 13, Section 61.)

The following benefit change includes only new employees hired after 6/30/89:

- e. New level benefit formula, new employees. New coordinated employees will receive a level formula of 1.5 percent credit for each year of service, rather than the current one percent for each of the first ten years of service, followed by 1.5 percent thereafter. New basic employees will receive a level formula of 2.5 percent for all years, rather than the current two percent for each of the first ten years, followed by 2.5 percent for each year thereafter. In all cases, if the individual retires early, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that changes over

