

HOUSE RESEARCH

Bill Summary

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Overview

This is the omnibus public pension bill.

| | |
|--|---|
| Article 1: Membership Issues | 2 |
| Article 2: Covered Salary Definition | 3 |
| Article 3: Allowable Service Credit | 3 |
| Article 4: Qualified Part-Time Teacher Provisions | 4 |
| Article 5: Retirement Plan Contributions and Transfers | 4 |
| Article 6: Reporting and Information Provision | 4 |
| Article 7: Retirement Annuity Provisions | 5 |
| Article 8: Disability Benefit Provisions | 5 |
| Article 9: Death and Survivor Benefits and Refunds | 7 |
| Article 10: Internal Revenue Code Compliance | 9 |

| | |
|--|----|
| Article 11: Health Care Savings Plan | 9 |
| Article 12: Retirement Coverage Following Privatization | 9 |
| Article 13: Minneapolis Firefighters | 9 |
| Article 14: Volunteer Firefighters | 9 |
| Article 15: PERA Police and Fire Membership | 10 |
| Article 16: One-person and small group changes | 10 |
| Article 17: Prior Service Credit Purchases | 10 |
| Article 18: Minneapolis Police | 10 |
| Article 19: Minneapolis Teachers Retirement Fund Association | 11 |

Article 1: Membership Issues

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| 1. | 1 | Correctional plan. Adds employees of the Minnesota Correctional Facilities-Rush City to the list of employees covered by the MSRS correctional plan. |
| 2. | 2 | Excluded employees. Moves definition of "temporary position" for purposes of PERA membership exclusion to a new section. |
| 3 | | Temporary position. Defines "temporary position" for purposes of exclusion from PERA membership. This new language is similar to language that is stricken in the prior section of the bill. |
| 4 | | Seasonal position. Refers to a "year" instead of a "business year" in the law defining seasonal positions for purposes of PERA membership. |
| 5 | | Teacher. Removes references to language that appears to be obsolete, in the law defining "teacher" for purposes of inclusion in TRA. |
| 6 | | MnSCU IRAP. Refers to MnSCU rather than to state university or community college in the law defining covered employment under the MnSCU individual retirement account plan (IRAP). |
| 7 | | IRAP. Includes unclassified managers and professionals in academic and academic support programs (rather than "excluded" administrators) in the definition of "eligible unclassified administrative position" for purposes of inclusion in the MnSCU IRAP plan. |
| 8 | | MnSCU supplemental plan. Adds people who are excluded from bargaining units because of their confidential status as participants in the MnSCU supplemental retirement plan. |
| 9 | | Repealer. Repeals section 352D.02, subdivision 5, which currently provides that a TRA basic member cannot participate in the MSRS unclassified plan unless the person leaves the position and begins employment more than 30 days later in a position covered by the MSRS unclassified plan. |
| 10 | | Effective dates. |

Article 2: Covered Salary Definition

1. 1 MSRS; salary. Provides that for MSRS pension purposes, "salary" does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.
2 State patrol; average monthly salary. Revises the definition of "average monthly salary" in the state trooper pension plan to include salary for which contributions were made to receive allowable service and salary credit (e.g. purchases of prior service credit), and to tie the definition to that used in the MSRS general plan law.
3 PERA; salary. For PERA, provides that salary does not include compensation that exceeds limits specified in section 356.611. Provides that "salary" does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.
4 TRA; salary. Provides that "salary" does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.
5 First-class city teachers; salary. Provides that "salary" does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary
6 State salary limitation. Current law provides that the salary on which public pensions are based may not exceed 95 percent of the governor's salary. Current law contains some exceptions to this rule. This section makes the exceptions apply to all state employees, to judges, and to Gillette hospital employees who are covered by MSRS. The effective date section provides that for persons who retire on or before the effective date of this section, this section is retroactive to April 28, 1994 (when the 95 percent limit first became effective).
7 Federal compensation limits. Current law provides that compensation in excess of that specified in the federal Internal Revenue Code may not be included in computing benefits under public pension plan. This section updates references to the federal law.
8 Maximum benefit limitation. Provides that a member's annual benefit must be reduced as necessary to conform with requirements of the federal Internal Revenue Code.
9 Effective dates.

Article 3: Allowable Service Credit

1. 1 Break for uniformed service; MSRS. Amends provisions governing MSRS service credit for employees who are absent due to uniformed service. In general, the section ensures that the state law provisions are in accord with requirements of federal law. An employee who is absent under this section obtains service credit by paying an employee contribution for the time the employee was absent. The employer pays the required employer contribution for this time. If the employee contributions are only partially paid, the service credit is prorated. Employee payments must be made upon return to work within a period three times the length of the uniformed service period, not to exceed five years from return. If the uniformed service period is less than a year, the payment may be made within one year.

- 2 Break for uniformed service; troopers. Similar to section 1, but for MSRS state
trooper plan.
- 3 Break for uniformed service; PERA. Similar to section 1, but for PERA.
- 4 Service credit; TRA. Specifies that proration of service credit for part-time MnSCU
employees is based on provisions in collective bargaining agreements or personnel
plans.
- 5 Certification of leave; TRA. Strikes requirement that employer certification to TRA
of family leave occur before the end of the fiscal year in which the leave is granted.
- 6 Break for uniformed service; TRA. Similar to section 1, but for TRA.
- 7 Break for uniformed service; first-class city teacher plans. Similar to section 1, but for
first-class city teacher plans.
- 8 Break for uniformed service; judges. Similar to section 1, but for judges plan.
- 9 Effective dates.

Article 4: Qualified Part-Time Teacher Provisions

1. 1 TRA participation requirements; legislators. Current law specifies a process under
which teachers participating in a part-time teacher program can make contributions to
the pension fund and receive full-time service credit. Under current law, an
agreement under this program must be executed by October 1 of the school year for
which the teacher wants to make contributions and obtain full-time credit. This
section provides a March 1 deadline if the teacher is a legislator.
- 2 First-class city participation requirements; legislators. Similar to section 1, but for
first-class city teacher plans.
- 3 Effective date.

Article 5: Retirement Plan Contributions and Transfers

1. 1 Erroneous deductions; TRA. Specifies procedures to be followed if customary
procedures for transfers or refunds of erroneous salary deductions and employer
contributions would cause TRA to lose its qualified status under the Internal Revenue
Code.
- 2 Payment of shortages; TRA. Provides procedures for shortages in contributions on
behalf of certain MnSCU employees who previously worked less than 25 percent of a
full academic year.
- 3 Contribution rate. Eliminates a member contribution rate that had applied to
participants in the MnSCU IRAP plan who were otherwise eligible to participate in
the MSRS unclassified plan.
- 4 Transfer of funds to IRAP. Provides that members who transfer money from IRAP to
TRA can receive direct payment of money transferred upon termination of
employment, rather than upon retirement.
- 5 Effective dates.

Article 6: Reporting and Information Provision

1. 1 Information distribution. Technical change in reference to MnSCU.
- 2 Member data reporting. Provides for data to be reported to TRA in the format
prescribed by the TRA director. Requires reporting of gender and position code.
- 3 MnSCU service credit reporting. Specifies requirements for reporting of part-time
service credit by MnSCU to TRA.

Noncompliance. Specifies subdivisions to which noncompliance penalties apply.
LCPR billing for actuarial services. Allows the Pension Commission to bill third parties for actuarial services performed for their benefits under a contract with the Pension Commission actuary, and appropriates proceeds to the commission.
Effective dates.

Article 7: Retirement Annuity Provisions

1. 1 MnDOT pilot. Under current law MnDOT pilots who are required to retire after reaching age 62 are entitled to a retirement annuity without any reduction for early retirement. This section provides that if a pilot is required to retire at age 65 by MnDOT policy, and that pilot terminates employment after age 62, the pilot receive the retirement annuity without any reduction for early retirement.
Retirement age; PERA. For purposes of the PERA laws governing reemployment of annuitants, defines "retirement age" by reference to the retirement age in federal Social Security law.
PERA; reemployed annuitant. Provides that there is no reduction in a PERA annuity upon reemployment, regardless of income, for a person who has reached retirement age.
TRA annuity accrual. Strikes a provision stating that a TRA annuity must not begin to accrue more than one month before the date of final salary receipt.
TRA; reemployed annuitant. Similar to section 3, but for TRA.
Judges; early retirement date. Permits judges to retire and receive a reduced pension at 60, rather than age 62. (The reduction from the normal pension would be larger if the person retired at 60 rather than 62).
TRA annuity. Requires TRA to audit salaries before paying annuities to employees whose salaries exceed 95 percent of the governor's salary.
PERA exemption from retiree earnings limit. Provides that a person receiving a PERA police and fire annuity who is employed by the Metropolitan Airports Commission as a peace officer is exempt from the PERA limit on annuitant earnings from January 1, 2004 to June 30, 2007.
Report. Requires TRA to report on salary audits of certain highly-compensated school district employees.
Effective dates.

Article 8: Disability Benefit Provisions

1. 1 Exams; MSRS. Permits an applicant for an MSRS disability to present chiropractic evidence (current law refers to medical or psychological evidence).
Exams; MSRS. Similar to section 1, but refers to exams following allowance of a disability benefit.
MSRS; temporary reemployment. Provides that a reduction or termination of disability benefits for an employee who has returned to work at equal or greater salary than the salary at the time of disability does not apply until six months after return to work. This section is repealed July 1, 2006.
MSRS; refusal of exam. Refers to "expert" rather than medical examinations.
MSRS correctional disability. Provides that a correctional employee must be expected to be disabled for at least one year to receive a disability benefit under the correctional plan.
MSRS correctional; non-job related. Similar to previous section, but for non-job related disability.

7 MSRS correctional. Includes chiropractic evidence in MSRS correctional plan
disability determinations.

8 MSRS; state patrol. Provides that an employee must be expected to be disabled for at
least one year to receive a disability benefit under the state trooper plan.

9 MSRS state patrol; non-duty disability. Similar to previous section, but for non-duty
related disability.

10 MSRS state patrol. Clarifying language.

11 MSRS state patrol; proof of disability. Provides that proof of disability must include a
written expert report.

12 MSRS state patrol; optional annuity. Provides that selection of an optional annuity by
a disablitant must be in writing on a form prescribed by the executive director.

13 MSRS state patrol; termination of disability benefits. Provides that disability benefits
transfer to retirement annuity benefits when the person becomes 65 or on the five-
year anniversary of the effective date of the disability benefit, whichever is later.

14 MSRS unclassified plan. Gives flexibility for a disablitant under this plan to receive
"a portion" (rather than one-half) of the total shares, and to receive an annuity based
on the remainder of the shares in the plan.

15 PERA; eligibility. Provides that an applicant for a disability must submit a report
signed by a physician, psychologist, or chiropractor.

16 PERA; continuation of benefits. Requires a person receiving disability benefits to
submit a report from a physician, psychologist, or chiropractor to justify continuation
of benefits.

17 PERA; medical adviser. References psychologists and chiropractors, in addition to
physicians, in law providing for examinations by the PERA medical examiner.

18 PERA; partial reemployment. Clarifies provisions governing continuation of
disability benefits when reemployment is not substantial gainful activity and earnings
are less than earnings in the position the person held before becoming disabled.

19 PERA; trial work period. Provides that if a disabled member attempts to return to
work, PERA shall continue paying disability benefits for up to six months, in an
amount that, when added to earnings and workers compensation benefits, does not
exceed the salary at the date of disability. PERA deductions will not be taken for this
work unless the person waives further disability benefits. Provides that a member
may return to employment and continue receiving disability benefits only once. This
section is repealed July 1, 2006.

20 PERA police and fire; proof of disability. Provides that application for a disability
must include a written report from a physician, chiropractor, or psychologist.

21 PERA police and fire; application procedure. Specifies evidence that must be
provided if the application for disability benefits if filed within two years of the date
of the injury or the onset of the illness giving rise to the disability, and evidence that
must be provided if the application is filed after two years. Provides that, except as
provided by other law, an application for disability benefits cannot be filed more than
three years after a person terminates PERA police and fire membership. Requires an
applicant who is a former member to establish that the disability is the result of an
injury or illness that occurred while the person was an active member. Requires
applications for duty-related disability to be accompanied by the first report of injury
filed under the workers' compensation laws. Provides for applications for disability
benefits to be cancelled if the person does not terminate service or is not placed on
leave. Provides for the relationship between applications for disability and retirement
benefits. Requires repayments of refunds to be made within six months after effective
date of disability benefits or filing of the disability application, whichever is later.

22 PERA police and fire; refusal of exam or evidence. Provides that if an applicant for a
 disability benefits refuses to submit to a medical exam or refuses to authorize the
 release of medical evidence, the disability application process or the payment of the
 disability benefits is discontinued until the member complies.

23 PERA police and fire; accrual of benefits. Specifies when a disability benefit begins
 to accrue, and when payment terminates.

24 PERA police and fire; medical exams. Requires a person applying for or receiving
 disability benefits to submit to an independent medical exam upon request of the
 executive director.

25 PERA police and fire; approval of benefits. Provides that in making disability
 determinations, the executive director must review all relevant evidence, including
 advice from the medical advisor and evidence provided by the member and the
 employer. Provides that a member whose application is denied by the executive
 director may appeal to the PERA board within 45 days.

26 TRA; accrual. Provides for disability applications to be in writing, on a form
 prescribed by the executive director.

27 TRA; exams. Adds chiropractors and psychologists to the medical experts who
 conduct exams and provide advice on disabilities.

28 TRA; exams. Similar to prior section.

29 TRA; exams. Similar to prior section.

30 TRA; disability, retirement. Revises when a disability benefit ends and is replaced by
 a retirement benefit. Provides that this occurs at the normal retirement age, rather than
 at age 65.

31 General plan disability requirements. Amends law governing disability benefits based
 on combined service in general employee retirement plans, to refer to normal
 retirement age, rather than to age 65.

32 MERF; exams. Adds references to chiropractors and psychologists in laws governing
 disability benefits paid by MERF.

33 MERF. Similar to prior section.

34 Minneapolis police. Adds references to chiropractors and psychologists in laws
 governing disability benefits paid by Minneapolis police.

35 Minneapolis fire. Adds references to chiropractors and psychologists in laws
 governing disability benefits paid by Minneapolis fire.

36 Minneapolis fire. Similar to prior section.

37 Minneapolis fire. Technical changes.

38 Minneapolis fire. Adds references to chiropractors and psychologists in laws
 governing disability benefits paid by Minneapolis fire.

39 Repealers. Provides that sections 3 and 19 are sunset July 1, 2006. Repeals section
 353.33, subd. 5 (pre-1987 benefits) and 490.11 (probate court judge disability)

40 Effective dates.

Article 9: Death and Survivor Benefits and Refunds

1. 1 Legislators. Provides that requests for refunds from former legislators be in writing
 on a form prescribed by the MSRS executive director. Provides how interest on
 refunds and repayment of refunds must be computed.

2 MSRS. Provides that refund requests must be in writing on a form prescribed by the
 director. Specifies how interest on refunds is calculated.

3 MSRS. Provides how interest on refunds is calculated.

4 MSRS. Provides how interest on refunds is calculated.

5 MSRS. Provides that an application for accumulated contributions on deposit with the
fund may be made at any time after termination of service, instead of the current
6 requirement of 30 days following the date of termination.
MSRS; state patrol plan. References proposed new subdivisions in law governing
7 state trooper optional annuities.
MSRS; state patrol plan. Provides how interest on refunds is calculated.
8 MSRS state patrol plan. Strikes language the substance of which is moved to other
subdivisions.
9 MSRS state patrol plan. Specifies benefits available to surviving spouses under the
state patrol plan, which vary depending on whether the member was vested at the
time of death, and whether member was active, deferred, or a disabilitant.
10 MSRS state patrol plan. See prior section.
11 MSRS state patrol; coordination with workers compensation. Provides that if the
surviving spouse and dependent children are entitled to workers compensation
benefits, these benefits must not be deducted from benefits payable under this section.
12 MSRS unclassified. Specifies additional options available for benefits provided to a
surviving spouse under the MSRS unclassified plan. Allows the member and the
member's spouse to jointly agree to designate another beneficiary.
13 MSRS unclassified. Permits a surviving spouse to receive term certain annuities
instead of other options.
14 MSRS unclassified. Provides that if there is no surviving spouse, the value of the
participant's account is payable to a designated beneficiary.
15 University hospital. Provides that laws in effect at the time of privatization apply to
survivors of a terminated hospital employee of Fairview, University of Minnesota
Physicians, or University Affiliated Family Physicians.
16 University hospital. Provides that laws in effect at the time of privatization apply to
survivors of a terminated employee of privatized individuals covered by the
University hospital privatization chapter.
17 TRA. Strikes requirement that beneficiary designation by signed by two witnesses to
the member's signature.
18 TRA. Specifies how surviving spouse annuity is calculated, depending on age and
years of service of the member. Provides that a designated beneficiary other than the
surviving spouse must be a former spouse or a biological or adopted child of the
member.
19 TRA. Clarifying language relating to surviving child benefits.
20 TRA. Clarifies provisions relating to designation of a beneficiary other than the
spouse.
21 TRA. Requires that beneficiary designation and application for survivor benefits must
be in writing on a form prescribed by the director. Specifies how deferred annuities
are to be computed.
22 Payment acceptance. Specifies (by reference to the Internal Revenue Code) the
sources of funds may be used to repay a refund or pay contributions for a leave of
absence.
23 Judges plan. Specifies method of computing interest on refunds. Increases interest
rate from five to six percent. Specifies method of computing interest on repayment of
refunds.
24 TRA. Allows a specified TRA member to designate the person's children to receive
survivor benefits.
25 Repealer. Repeals section 354A.107 (source of funds allowed for payment of
allowable service credit, repayment of refund, or payment of contributions while on

26 leave).
Effective dates.

Article 10: Internal Revenue Code Compliance

1. 1 Compensation. Defines compensation (by reference to federal Treasury regulations)
2 for purposes of limits on compensation that can be used to calculate pension benefits.
Code compliance. Specifies when distributions must be made, and conditions under
3 which rollovers are allowed with respect to public pension plans
Transition. Specifies limits on rollover distributions and rollover distributions to a
4 surviving spouse, by reference to federal Internal Revenue Code requirements.
Effective dates.

Article 11: Health Care Savings Plan

1. 1 MSRS health care savings plan. Strikes references to "postretirement", so that the
MSRS health care savings plans could be used to cover expenses incurred by active
2 employees as well as former employees.
Effective dates.

Article 12: Retirement Coverage Following Privatization

1. 1 Medical facility. Adds Fair Oaks Lodge in Wadena, RenVilla nursing home, and the
St. Peter Community Healthcare Center to list of facilities covered by the law that
provide special pension treatment to employees of public medical facilities that are
2 privatized.
Anoka Achieve program. Provides that current employees of the Anoka County
achieve program remain in PERA after the program is transferred to Achieve
Services, Inc.
3 Government training service. Provides that a person employed by the Government
Training Service remains in PERA after the program is transferred to a nonprofit
organization.
4 Effective dates.

Article 13: Minneapolis Firefighters

1. 1 Executive secretary salary. Provides that if the executive secretary is not an active
members of the fund, the salary may not exceed the highest salary paid to the
2 executive director of MSRS, PERA, or TRA.
Effective dates.

Article 14: Volunteer Firefighters

1. 1 Defined contribution plans. Authorizes an earlier vesting schedule for volunteer
firefighter relief associations that pay defined contribution pensions. Under this
schedule, the entire pension could vest in ten years (instead of the current 20 years for
2 defined benefit plans).
Interest on deferred pensions. Provides an alternative method that a relief association
can use to calculate interest on deferred pensions.
3 Marine on St. Croix. Authorizes the relief association to use an early vesting

schedule.

Bellingham. Authorizes prior annuity purchases as permissible investments.

Task force. Creates a task force to study possible creation of a statewide volunteer firefighter retirement plan. Requires a report by January 15, 2005.

Appropriation. Appropriates \$40,000 to the commissioner of public safety to hire a consultant to assist the task force created in the prior section.

Effective dates.

Article 15: PERA Police and Fire Membership

1. 1 Lake Johanna. Includes the Lake Johanna Volunteer Fire Department in the definition of "governmental subdivision" in PERA law, meaning employees would be covered in the PERA police and fire plan.

Effective dates.

Article 16: One-person and small group changes

1. 1 PERA. Allows a specified person to purchase PERA service credit, for the full actuarial value, for previously uncovered school district employment.
- 2 PERA. Allows a specified person to discontinue future PERA general plan coverage and apply for a retirement annuity from the police and fire plan.

MSRS-Unclassified. Allows the personal representative of an employee formerly covered by the MSRS unclassified program to make a posthumous transfer of prior coverage and to receive survivor benefits from the unclassified plan.

Effective dates.

Article 17: Prior Service Credit Purchases

1. 1 MSRS; military. Strikes a restriction on ability to purchase MSRS service credit for military leave time. The stricken restriction currently forbids purchase if the employee is entitled to receive a military annuity for the same service.
- 2 MSRS state troopers; military. Similar to prior section, but applies to state trooper plan.
- 3 PERA military. Similar to section 1, but for PERA.
- 4 TRA military. Similar to section 1, but for TRA.
- 5 First-class city; military. Similar to section 1, but for first-class city teachers.
- 6 Purchase of prior military service credit. Extends until May 16, 2006 the sunset date for purchasing certain military service credit from TRA and first-class city teacher funds.

Purchase of prior military service credit. Extends until May 16, 2006 the sunset date for purchasing certain military service credit from MSRS and PERA.

Effective dates.

Article 18: Minneapolis Police

1. 1 Amortization period. Extends the target date for amortizing the unfunded liability of the Minneapolis police pension fund from 2010 to 2020.

Amortization period. Extends the target date for amortizing the unfunded liability of the Minneapolis police pension fund from 2010 to 2020.

Minneapolis police. Provides that determination of "excess income" for purposes of possible postretirement increase is based on rate of return in the most recent two years, instead of five years.

- 4 Minneapolis police. Eliminates service pension levels that apply when the relief
association is below 90 percent funded. Increases benefits under Minneapolis police
plan for persons with more than 20 years of service by one unit. (Current law
provides pensions based on 34 to 42 units, and these numbers range from 35 to 43
under the bill)
- 5 Additional unit. Provides an additional unit to Minneapolis police members who
selected a joint and survivor annuity.
- 6 Additional unit. Provides an additional unit for Minneapolis police surviving spouses.
7 Minneapolis police. Provides that determination of "excess income" for purposes of
possible postretirement increase is based on rate of return in the most recent two
years, instead of five years.
- 8 Guaranteed pension provision. Provides for Minneapolis police plan that once a
pension benefit is properly paid in accordance with this law to any member, the dollar
amount of that pension benefit shall not be reduced.
- 9 Local approval. This article requires approval by the city of Minneapolis.

Article 19: Minneapolis Teachers Retirement Fund Association

1. 1 Investment of assets. Provides that all or a portion of the assets of a first class city
teacher retirement association may be invested in the Minnesota Supplemental
Investment Fund administered by the State Board of Investment.
- 2 Reimbursement of investment underperformance. Provides that if MTRFA
investments underperform the State Board of Investment basic retirement plans,
MTRFA must impose a charge on active members, retired members, and other
benefits recipients. The charges will continue for one year, and will be set in an
amount to recover the amount of the underperformance.
- 3 Special direct state aids. Provides that state aid for MTRFA is subject to the later
section of this bill providing for the SBI to invest funds.
- 4 Special direct state matching aids. Provides that state aid for MTRFA is subject to the
later section of the bill providing for the SBI to invest funds.
- 5 Supplemental administrative expenses. Reduces the dollar threshold that is the basis
for a potential surcharge for MTRFA expenses. (Under current law, MTRFA
members must pay a surcharge when administrative expenses exceed the threshold.)
The basis for the new threshold is the per-active-member administrative expense for
MSRS and PERA, rather than the average for TRA.
- 6 Investment of MTRFA aid. Provides that specified state aid to MTRFA must be
transferred to the State Board of Investment. Amounts transferred must be invested in
the income share account unless the SBI executive director determines otherwise.
Provides that if MTRFA assets held by MTRFA are insufficient to pay fund
expenses, the SBI must transfer the needed money to MTRFA from assets the SBI
holds for MTRFA.
- 7 Postretirement adjustments. Under current law, MTRFA retirees receive an annual
post-retirement increase based on two components: (1) a two-percent adjustment, as
specified in MTRFA articles of incorporation and bylaws; and (2) an investment-
based adjustment. This section provides that:
 - if MTRFA has a funding ratio of less than 100 percent, basic members
will not receive an investment-based adjustment;
 - coordinated members (and basic members, if they receive this adjustment)

will receive an investment-based adjustment equal to the increase granted to TRA members (which is potentially less than the amount provided under current MTRFA laws).