

HOUSE RESEARCH

Bill Summary

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Overview

Amends various laws relating to the Minneapolis Teachers Retirement Fund Associations (MTRFA). Imposes a surcharge on active and retired MTRFA members if MTRFA investments underperform the State Board of Investment (SBI). Provides that the state aid for MTRFA under current law will be invested by the SBI. Provides that if MTRFA is less than 100 percent funded, basic MTRFA members will not receive the investment-based component of the current postretirement adjustment. Provides that the investment-based component for coordinated MTRFA members (and for basic members if they receive this component) will be the same percentage as that received by TRA members (rather than the potentially higher increase available to MTRFA members).

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- 1 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.
- 2 Special direct state aids.** Provides that state aid for MTRFA is subject to section 5 of this bill.
- 3 Special direct state matching aids.** Provides that state aid for MTRFA is subject to section 5 of this bill.
- 4 Supplemental administrative expenses.** Reduces the dollar threshold that is the basis for a

Section

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.

5 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 need money to MTRFA from assets the SBI holds for MTRFA.

6 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 increased granted to TRA members (which is potentially less than the amount provided under current MTRFA laws).

7 Effective date. Effective July 1, 2004.