



LEGISLATIVE UPDATE

2008 SESSION: CLOSER TO OUR GOALS

On Tuesday, May 27, 2008, Governor Pawlenty signed into law the Omnibus Pension Bill. In this sweeping bill affecting all Minnesota public pension funds, the following changes have direct interest to some or all of our members.



- Converting to a 25-year rolling amortization cycle for actuarial valuations of funded status
- The authority to contract one actuary, hired by the SPTRFA Board of Trustees
- An increase in the post-retirement excess earnings offset threshold increases from \$13,560 per year to \$46,000
- Spousal consent on annuity option elections for Coordinated Plan members
- Modification of the State TRA cost of living adjustment formula and fund structure

HOW WILL THESE CHANGES AFFECT SPTRFA AND ITS MEMBERS?

25-Year Rolling Amortization

The SPTRFA target date for full funding has been changed from 2021 (a fixed date) to a 25-year fixed cycle which will reset each year. This is a new policy in Minnesota that will more clearly measure our funded status, the adequacy of contributions, and accurately reflect projected costs or savings from proposed

more changes.

Contracting Authority for Actuarial Services

Until this year, the all major Minnesota defined benefit required to use the same actuary to produce reports on funding. fund will instead contract with their own actuary. This will save speed up the audit and financial reporting processes. This will clearer lines of responsibility. The legislature will hire their own actuary.



plans were Now each money and also lead to auditing

Earnings for Re-employed Annuitants – Higher Earnings Offset Threshold

Effective for the 2009 calendar year, educators who retire and return to work in Saint Paul Public Schools (SPPS) are subject to a partial offset to their pension if they earn over the Social Security Administration’s Excess Earnings limit in any year. The previous threshold was \$13,560. This law changes how SPTRFA pensions (not Social Security) are adjusted. Retirees are now able to return to work at SPPS and earn up to \$46,000 in each calendar year before the offset of \$1 for every \$3 over the limit will apply to SPTRFA benefits.

CONTINUED: HOW WILL THESE CHANGES AFFECT SPTRFA AND ITS MEMBERS?

Default Annuity Options

Commencing July 1, 2008, married members in our Coordinated Plan will be required to obtain a notarized spousal consent to choose an annuity benefit other than a 50% or greater joint & survivor benefit. Current law only requires spousal notification.

OTHER KEY LEGISLATIVE PROVISIONS

Members who have service covered by the State TRA, or one of the other statewide systems, will have a new cost of living formula, limited to 2.5% unless excess investment earning permit payments greater than 2.5%, but in any case no more than 5%.

Education Minnesota, the statewide teachers union, made a strong run at obtaining the Rule of 90 and age 65 normal retirement age. When that initiative did not succeed, a “thirty and out” proposal was offered. This benefit improvement was adopted by the House, but not the Senate, due to costs of perhaps \$125 million per year, for which no funding was available.

The legislature was not able to provide any significant benefit improvement for the same reason our request for supplemental funding of \$5 million was not adopted; the state budget deficit left no money available for new appreciations.

Testimony about benefit adequacy did not fall on deaf ears, however, and a study to compare teacher retirement benefits in Minnesota with educators in other states was requested. The report is due by January 15, 2009.



2008 LEGISLATIVE RECAP

The 2008 Legislative Session went as well as we could hope given the deficit reduction focus this year. Provisions of interest to our Association were included in a sweeping bill affecting all public pension plans: the Omnibus Pension Bill. Although not all of the items discussed in our April legislative update have become laws, most did. The SPTRFA looks forward to the upcoming benefits resulting from the 2008 legislative session.