



February 14, 2005

05 - 0147

The Honorable Linda Higgins, Chair
State and Local Government Operations Committee
328 Capitol
St. Paul, MN 55155

Dear Senator Higgins:

During the 2004 legislative session, Minnesota Statute 354.44, subdivision 6, paragraph (f) was enacted. This provision states that "no retirement annuity is payable to a former employee with a salary that exceeds 95 percent of the governor's salary unless and until the salary figures used in computing the highest five successive years average salary...have been audited by the Teachers Retirement Association" and determined to be permissible salary under the Teachers Retirement Association Statutes. In addition, Chapter 267, Article 7, Section 9 was enacted that requires a report disclosing impermissible salary inclusion for superintendents, assistant superintendents and principals. A copy of this provision is enclosed.

During the 2004 calendar year, 23 superintendents, three assistant superintendents, and 57 principals retired. Of this group, seven had salary that exceeded 95 percent of the governor's salary in the computation of their highest five successive years average salary and were audited, in accordance with M.S. 354.44, subdivision 6, paragraph (f), by our association for compliance with the salary requirements and severance payment limitations.

This audit disclosed impermissible salary inclusion for the superintendents in the following three districts.

School District	Amount	Impermissible Salary Type
Hastings ISD #200	\$9,000.00	Car allowance
Winona ISD #861	\$12,998.96	Car allowance, TSA payment
Orono ISD #278	\$18,734.74	Payment in lieu of benefit, insurance reimbursement

You will receive a similar report before February 15, 2006, for the pertinent members for the 2005 calendar year.

If you have any questions, please feel free to contact me at 651-296-6523 or e-mail me at gary.austin@state.mn.us.

Sincerely,

Gary Austin
Executive Director

- c. Representative Steve Smith, Chair, Legislative Commission on Pensions and Retirement
- Representative Kathy Tingelstad, Chair, Committee on Governmental Operations and Veterans Affairs Policy
- Lawrence Martin, Executive Director, Legislative Commission on Pensions and Retirement

Sec. 9. [TRA; REPORT ON CERTAIN SALARY AUDITS.]

(a) The executive director shall report to the chair of the Legislative Commission on Pensions and Retirement, the chair of the Committee on Governmental Operations and Veterans Affairs Policy of the house of representatives, and the chair of the State and Local Government Operations Committee of the senate on the number of superintendents, assistant superintendents, and principals who retired during the most recent calendar year, the number of superintendents, assistant superintendents, and principals where the preretirement salary audit under Minnesota Statutes, section 354.44, subdivision 6, paragraph (f), disclosed an impermissible salary inclusion amount; the school district or districts in which impermissible salary inclusions occurred, the average amount of the impermissible salary inclusions where there were impermissible salary inclusions, and the range of impermissible salary inclusions.

(b) When a report is due, the report must be filed on or before February 15.

(c) Reports under this section must be made for calendar years 2004 and 2005. A report under this section also must be filed for calendar years 2006 and 2007 if the report for calendar year 2005 indicates that there were impermissible salary inclusions that occurred during the calendar year.