

# House Research Act Summary

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**TOPIC:** Public Pensions

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## Overview

This is the Omnibus Public Pension Act.

### Article 1 Hospital Privatization

- 1 **Community Hospitals.** Purpose statement for next seven sections, which deal with public pensions for employees of the Luverne, Glencoe, and Waconia-Ridgeview hospitals and with Metro II employees when the entities are converted from a public to a private facility.
- 2 **Definitions.** Defines terms used in next six sections.
- 3 **Vesting.** Provides that affected hospital employees are immediately vested in PERA, even if they have less than three years of service.
- 4 **Deferred annuity augmentation.** For affected hospital employees, increases the augmentation rate for deferred annuities. The rate is set at 5.5 percent (instead of 3 percent before age 55, and at 7.5 percent (instead of 5 percent after age 55).
- 5 **Allowable service for early retirement.** For affected employees, provides that service with the new, private employer counts as PERA service for purposes of determining eligibility for early retirement benefits (e.g. the Rule of 90).
- 6 **Reemployed annuitant limits.** Provides that the earnings limit for persons receiving PERA pension benefits applies to a person's employment with the new, private employer.
- 7 **Effect on refund.** Permits affected employees to receive refunds of employee contributions to PERA with six percent interest.
- 8 **Counseling services.** Requires employers and PERA to provide counseling to affected employees.
- 9 **Repealer.** Repeals 1998 law dealing with Luverne Hospital.

- 10 **Effective date.** Effective on final enactment, with special provisions for Metro II employees.

## **Article 2 Local Correctional Employee Plan**

Creates a new pension plan for employees of local government correctional facilities. Pension coverage for these employees would be shifted from the current PERA general plan (Under current law, correctional employees already have a special disability benefit). The new plan would provide a higher benefit and disability benefit than the PERA general plan, and a lower normal retirement age. Members of the new plan would be employees who spend at least 95 percent of their job in direct contact with persons confined in jails or correctional facilities.

Both employee and employer contributions would be increased from rates currently paid for local government correctional employees in PERA. The employee contribution rate would be 5.83% of salary (instead of 4.96% currently paid by local government correctional employees). The employer contribution would be 8.75% (instead of 5.49% currently paid on behalf of local government correctional employees).

The bill provides that the increases in counties' PERA contributions for local government corrections employees as a result of this bill are not subject to levy limits.

- 1 **Actuarial valuations.** Adds reference to new local government correctional plan to law dealing with actuarial valuations.
- 2 **Actuarial valuations.** Changes law dealing with billing for actuarial valuations to reflect creation of the new plan.
- 3 **Aid.** Provides that a jurisdiction does not lose state aid as a result of transfer of employees from the PERA general plan to the local government correctional plan.
- 4 **Levy limit exclusion.** Excludes from levy limits employer contributions to the local government correctional service retirement plan in excess of the current employer contribution.
- 5 **Employee contribution.** Strikes reference in current PERA law to employee contribution for local government correctional employees.
- 6 **Employer contribution.** Strikes reference in current PERA law to employer contribution for local government correctional employees.
- 7 **Local government correctional service plan.** Establishes the local government correctional service retirement plan as a separate plan to be administered by the Public Employees Retirement Association. Provides for collection and investment of contributions.
- 8 **Correctional service employees.** An employee covered by this plan is one who is employed in a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties, and who spends at least 95 percent of the employee's working time in direct contact with persons confined in the facility.
- 9 **Contributions.** The employer contribution to the plan is 8.75 percent of salary. The employee contribution is 5.83 percent of salary.
- 10 **Retirement annuity.** Establishes age 55 as the normal retirement age. Provides a three-year vesting requirement. The annuity amount is the "high-five salary" multiplied by 1.9 percent times for each year of service. For a person with prior PERA service, the annuity based on the prior service will be at the previous PERA rates, not the new rates in this plan.  
Provides for early retirement at age 50, with a reduced annuity.
- 11 **Augmentation.** Provides that a person with previous PERA service who becomes a member of

this plan generally will receive a deferred annuity from the previous plan with respect to the prior service.

- 12 Disability benefits.** Provides a duty-based disability benefit equal to 47.5 percent of average salary, plus 1.9 percent of salary for years of service in excess of 25.  
Provides a non-duty-based disability benefit of 1.9 percent of high-five salary for each year of service. However for this purpose, every employee will be treated as though the employee had at least 10 years of correctional service.  
Provides for optional annuities, procedures for disability benefit applications, and for termination of disability benefits and transfer to normal annuity status when the employee reaches age 65. Provides for coordination of disability benefits with workers compensation and with earnings, if the employee returns to work at a lesser salary.
- 13 Survivor benefits.** Specifies surviving spouse and surviving dependent child benefits, which vary depending on the age of the member at death.
- 14 Scope and application.** Provides that general laws governing PERA apply to this plan unless provided otherwise.
- 15 Benefit accrual rate.** Establishes the benefit accrual rate for the local government correctional service plan at 1.9 percent of the high-five salary for each year of service.
- **Covered plans.** Includes local government correctional employees plan in lists of public  
**191619** pension plans for purposes of general laws that apply to these plans
- 20 Repealer.** Repeals section 353.33, subdivision 3a, which currently governs disability benefits for local government correctional employees.
- 21 Effective dates.** Effective July 1, 1999.

### **Article 3 Local Police and Paid Fire**

- 1 Eveleth police and fire.** Strikes portion of session law stating that certain Eveleth police and fire benefit adjustments cease if the city fails to contribute specified amounts. The portion of current law requiring the city to pay the cost of the pension benefits is retained.
- 2 Eveleth police and fire.** Increases retirement benefits for the Eveleth police and fire fund by \$100 a month, retroactive to January 1, 1999. Requires local approval.
- 3 Fairmont police.** Provides potential postretirement adjustments for benefit recipients in the Fairmont police relief association. The adjustment would occur each year, but only if: (1) assets of the relief association equal at least 102 percent of the actuarial accrued liability; and (2) the average time-weighted rate of return for the most recent five-year period exceeds by at least two percent the average salary increases for active patrol officers in the most recent five years. The post-retirement benefit adjustment would be provided by distributing one percent of the assets of the fund. The adjustment for each recipient would be in proportion to that person's pension in relation to all pensions paid by the relief association. Subject to local approval.
- 4 Fairmont police spouse benefit.** A surviving spouse benefit provided under 1963 laws is extended to a surviving spouse who began receiving benefits before that law took effect. Subject to local approval.
- 5 Bylaw amendments.** Requires the previous two sections to be implemented by amendments to bylaws of the Fairmont police relief association.
- 6 St. Cloud.** Provides post-retirement adjustment for St. Cloud police retirees.
- 7 Effective dates.** Requires local approval

### **Article 4**

## Merger of Consolidation Accounts

Under current law, most local police and fire plans have consolidated with the PERA police and fire funds. However, these consolidation accounts are maintained as separate accounts within PERA. This article would provide for merging these accounts in the PERA police and fire fund. Cities whose accounts have deficiencies would continue to pay off these deficiencies. Cities whose accounts have surpluses would receive cash payments. Provides that members of a local police or fire consolidation account who have not previously elected PERA police and fire coverage can do so before September 1, 1999.

- 1 **Actuarial valuations.** Change in reference to refer only to consolidation accounts established in the future, and thus not affected by this article.
- 2 **State aid.** Includes amortization payments required under this article as municipal obligations that are considered before state aid is considered "excess".
- 3 **State aid.** Includes additional amortization contributions required by this article in permissible uses of state aid.
- 4 **Exclusions.** Rewrites references in exclusions from PERA to refer to people affected by the merger of consolidation accounts in this article.
- 5 **Salary.** Amends PERA definition of salary to refer to people affected by merger of consolidation accounts in this article.
- 6 **Allowable service.** Amends PERA definition of allowable service to refer to people affected by merger of consolidation accounts in this article.
- 7 **Police and fire fund membership.** Amends law governing local police and fire fund membership to refer to people affected by merger of consolidation accounts in this article.
- 8 **Employee contribution rate.** Decreases PERA police and fire employee contribution rate from 7.6 to 6.2 percent of salary. Under current law, these rates were already scheduled to go down slightly more than this, due to surpluses in the fund. The costs of this article cause the rates to be reduced by slightly less than would otherwise occur.
- 9 **Employer contribution rate.** Decreases PERA police and fire employer contribution rate from 11.4 to 9.3 percent of salary. Under current law, these rates were already scheduled to go down slightly more than this, due to surpluses in the fund. The costs of this article cause the rates to be reduced by slightly less than the reduction that would otherwise occur.
- 10 **Merger.** Merges police and fire consolidation accounts into PERA police and fire, unless a municipality opts out of the merger. Transfers assets and liabilities of the consolidation accounts into PERA police and fire.

Provides that members of a local police or fire consolidation account who have not previously elected PERA police and fire coverage can do so before September 1, 1999. For retired members, this would mean electing the future benefit increase provisions applicable to the PERA police and fire fund, rather than those of the local relief association.

Provides that for consolidation accounts with surpluses, PERA will pay certain excess amounts to the affected municipalities. These amounts would be placed in a special fund that could be used only for police or fire expenses. If in one city one fund has a deficiency and the other has a surplus, a portion of the surplus will be applied to reduce deficiencies.

Provides that for consolidation accounts with deficiencies, cities would have to make additional payments to PERA to amortize the deficiencies by 2009.

- 11 **Member contributions.** Provides that member contributions are based on 1998 law.
- 12 **Municipal contributions.** Provides that municipal contributions are based on 1998 law.

- 13 **Contribution rates.** Permits municipality associated with a consolidation account to implement PERA police and fire contribution rates, if these change in the future, rather than rates specified in consolidation account law.
- 14 **Actuarial valuation.** Provides for a rolling 30-year method of amortizing excesses in PERA police and fire plan.
- 15 **State aid.** Includes additional amortization contributions required by this article in uses of additional amortization state aid.  
Specifies percentages of this aid that will be distributed to municipalities, the city of Minneapolis, and the city of Virginia, and potentially to first-class city teacher relief associations if there is no unfunded liability in Minneapolis police or fire plans. Requires the first-class city teacher relief associations to meet certain investment performance standards before becoming eligible to receive any of this money.
- 16 **State aid.** Provides that cities required to make additional payments by this article continue to receive additional state amortization aid for duration of the payments required by this article.
- 17 **Limits.** Provides that a city may not receive more state amortization aid than is required to make the additional contributions required by this article. The excess is redistributed to other cities required to make additional payments, and if funding needs are met, is redistributed as provided in section 15.
- 18 **Termination.** Terminates aid programs when Minneapolis and St. Paul teacher fund programs are fully funded.
- 19 **Actuarial valuations.** Amends requirements due to merger of accounts.
- 20 **Repealer.** Repeals current law that provides for automatic adjustments in employer and employee contributions to PERA police and fire.
- 21 **Effective dates.**

#### **Article 5 Minimum Volunteer Firefighter Aid**

Current law provides additional state aid to certain small volunteer fire relief associations. The current law is based on the number of firefighters in 1993. This article provides for aid to relief associations that did not exist in 1993.

#### **Article 6 Minneapolis Police and Fire Governance**

- 1 **Police.** Strikes authority to pay the secretary of the Minneapolis police association secretary a salary of 30 percent of a first grade patrol officer, and to pay the board president 10 percent of the salary of a first grade patrol officer.
- 2 **Minneapolis fire.** Provides that the board of the Minneapolis firefighters relief association will continue to govern the association until there are fewer than 100 benefit recipients of the pension fund.
- 3 **Effective dates.** Section 1 is effective December 31, 1999. Section 2 is effective upon approval by the Minneapolis city council.

#### **Article 7 Metropolitan Council Early Retirement**

Permits the Metropolitan Council to offer an early retirement incentive to

specified employees. The incentive is in the form of a .25 percent increase in the multiplier used to calculate pension benefits. Requires the Metropolitan Council to pay the affected pension plan the full actuarial value of the increased benefit provided. Prohibits the council from rehiring or contracting for services for an employee who retires with this incentive.

### **Article 8 Individual and Small Group Changes**

- 1 **Teacher/Legislator.** Permits person who participates in the TRA part-time teacher plan to also contribute to legislator plans.
- 2 **PERA.** Permits purchase of service credit for one year of military leave.
- 3 **TRA/Bertha-Hewitt.** Permits purchase of service credit for a year of leave, with a required employer contribution.
- 4 **Virginia.** Permits purchase of TRA service credit for teacher placed on unrequested leave.
- 5 **St. Paul Public Health Bureau.** Permits purchase of prior service credit with St. Paul Bureau of Public Health.
- 6 **Minnetonka.** Permits purchase of medical leave credit, and requires the employer to make a specified payment.
- 7 **Hopkins.** Requires school district to reimburse a teacher for a past overcharge related to a member contribution shortage.
- 8 **Spring Lake Park.** Permits purchase of credit for a sabbatical leave period, and requires the employer to make a specified payment.
- 9 **PERA.** Permits purchase of credit by a public defender employee, and requires the board of public defense to make a specified payment.
- 10 **Anoka-Hennepin.** Permits service credit for leave of absence by Anoka-Hennepin principal.
- 11 **Effective date.** Effective on final enactment.

### **Article 9 Miscellaneous**

- 1 **Legislators.** Provides minimum age for receipt of reduced benefits for a legislator at an age of at least 55. Under current law, the minimum age is 60. Requires the Pension commission to study this issue and report by September, 2000.
- 2 **Leave of absence.** Changes in wording relating to extended leaves of absence for teachers.
- 3 **MSRS board.** Provides for the retired member of the MSRS board to serve a four-year instead of two-year term.
- 4 **TRA.** Provides applications are timely if received, instead of postmarked, by due date.
- 5 **TRA.** Provides for retiree on the board to serve a term of four years, instead of two.
- 6 **TRA.** Provides applications are timely if received, instead of postmarked, by due date.
- 7 **Higher education supplemental.** Clarifies eligibility for participation in higher education supplemental plan, and includes specified employees in the general professional or supervisory bargaining units.

8 **Effective dates.**

**Article 10  
Supplemental Needs Trust**

1 **Supplemental needs trust.** Permits a supplemental needs trust to be designated as the recipient on an optional annuity for most major public pension plans.

2 **Effective date.** Effective immediately.

**Article 11  
Volunteer Fire**

1 **Service credit maximum.** Repeals the 30-year limit on service credit in volunteer firefighter plans that provide monthly benefits.

2 **Effective date.** Effective immediately.

**Article 12**

**Annuity Limits**

1 **Limit.** Includes tax sheltered annuities and related programs in "salary" definition for purposes of annuity limits.

**Article 13  
Correctional Employee Plan**

Adds certain employees of the Minnesota Extended Treatment Options (METO) program at Cambridge to the correctional employees retirement plan administered by the Minnesota State Retirement System (MSRS). These employees currently are in the MSRS general employee plan. Employees in the correctional plan have a higher benefit at a lower normal retirement age than employees in the general plan. The employee and employer contribution rates for the correctional plan are higher than for the general plan.

Also, reduces the early retirement penalty for all employees in the correctional plan.

1 **Policy.** Amends policy statement for the correctional employee plan to refer to METO program

2 **METO.** Includes specified job classes of METO employees who spend 75 percent of working time in direct contact with Cambridge patients to definition of persons covered by the state employee correctional plan.

3 **Employee contribution.** Increases employee contribution to correctional plan from 5.50 to 5.69 percent of salary.

4 **Employer contribution.** Increases employers contribution to correctional plan from 7.70 to 7.98 percent of salary.

5 **Early retirement.** Changes early retirement benefit reduction from full actuarial value to .2% for each month the employee is under age 55.

6 **Temporary.** Permits METO employees to elect to retain general plan coverage, rather than move to the correctional plan.

7 **Prior service.** Allows a METO employee who transfers coverage to the correctional plan to

purchase prior service in the correctional plan, by paying the incremental member contribution that would have been made, plus interest.

8 **Retention of rights.** Provides for treatment of future repayment of refunds.

9 **Early retirement incentive.** Provides that a METO employee who transfers to the correctional plan and who is already 55 may participate in an early retirement incentive provided in a collective bargaining agreement, notwithstanding any provision of the agreement that requires people to select the incentive at the time they turn 55.

10 **Effective date.** Effective the first payroll period beginning after July 1, 1999.

#### **Article 14 Public Safety Plans**

1 **State patrol.** Changes early retirement benefit reduction from .2 to .1 percent for each month the employee is under age 55.

2 **Rice county.** Provides that Rice County employees who were mistakenly included in the PERA police and fire fund continue membership in the fund.

3 **PERA police and fire early retirement.** Reduces the early retirement annuity reduction in the PERA police and fire fund from two-tenths of one percent to one-tenth of one percent for each month the person is under age 55 at the time of retirement.

4 **Social Security offset.** Provides a reduction in benefits for Rice County employees grandparented into the police and fire fund if they obtain Social Security benefits as a result of time mistakenly included in the police and fire fund.

5 **Penalties for miscertification.** Provides penalties for local government units that incorrectly certify employees as members of the PERA police and fire fund.

6 **Consolidation accounts.** For people covered by local police and fire plans that have consolidated with PERA, provides that benefit improvements in this bill don't apply unless the municipality approves.

7 **Rice county overpayments.** Provides for deduction from future state aids payable to Rice County to make up for past overpayments as a result of mistaken inclusion of employees in the PERA police and fire fund.

8 **Effective dates.**

#### **Article 15 Fire Marshal Employees**

1 **Fire marshal division.** Provides special retirement coverage for persons employed as deputy state fire marshal and fire/arson investigators. These people would have a multiplier rate of 2.0, instead of 1.7, for purposes of calculating pensions. Also there would be no reduction for early retirement if the person is at least 55 years old. Increases employee and employer contributions. This section applies only to service rendered after July 1, 1999. Also provides increased disability benefits.

2 **Multiplier.** In connection with previous section, specifies that the multiplier rate is 2.0 percent.

3 **Effective date.** Effective the day following final enactment.

#### **Article 16**

##### **Teacher Prior Service Purchases**

-616 **TRA.** Permits purchases of prior service credit in TRA for the following purposes: military service, out-of-state public school teaching service, maternity leave, private or parochial school service, Peace Corps or VISTA service, and charter school service. The purchase price would be

the full actuarial value of the service obtained. In most cases, the purchases could be made only by people who already have three years of TRA service.

- 12712 **First-class cities.** Permits purchases of prior service credit in first class city teacher funds for the following purposes: military service, out-of-state public school teaching service, maternity leave, private or parochial school service, Peace Corps or VISTA service, and charter school service. The purchase price would be the full actuarial value of the service obtained. In most cases, the purchases could be made only by people who already have three years of service.
- 13 **Part-time service.** Authorizes purchase of prior service credit by part-time teachers in first class cities.
- 14 **Combined service.** Requires recognition of combined service annuity provisions in calculating the price for a purchase of prior service credit.
- 15 **Report.** Provide that report on prior service purchases will be made as a supplement to regular actuarial valuations.
- 16 **Headnote.** Instructs revisor to change a statutory headnote.
- 17 **Effective dates.** Effective May 16, 1999.

### Article 17

#### Minneapolis Employees Retirement Fund (MERF)

- 1 **Deposit accumulation fund.** Provides that MERF deposit accumulation fund is source of funding for death-while-active refund.
- 2 **Survivor benefit fund.** Provides that MERF survivor benefits are paid from the survivor benefit fund.
- 3 **Additional employer contribution.** Requires that participating employers, and not the state, pay deficiencies in deposit accumulation fund.
- 4 **Disability.** Provides adjustments to disability recipients at the same time and rate as adjustments for retirees.
- 5 **Death while active refund.** Specifies amount payable to survivor of person who dies while an active member.
- 6 **Refund.** Clarifies provisions relating to repayment of refunds.
- 7 **Survivor benefits.** Amends provisions governing manner and eligibility of payment for MERF survivor benefits.
- 8 **Cost allocation.** Requires participating employers, and not the state, to pay for any current and future contribution requirements as a result of this article.
- 9 **Repealer.** Repeals current law dealing with death-while-active survivor benefit.
- 10 **Effective date.** Effective upon approval by Minneapolis city council.

### Article 18

#### Tax-Sheltered Annuities

- 1 **Investment options.** Increases from 10 to 20 the maximum number of insurance companies that the state board of investment can select to participate in 403(b) deferred compensation plans with employer contributions for school district employees. Also provides for the state board of investment to select up to five qualified investment entities other than insurance companies.
- 2 **Study.** Requires the Pension Commission to study partially employer-funded tax-sheltered savings programs for education employees, including establishment of a single program structure and elimination of restriction on investment vendors.
- 3 **Effective date.** Section 1 is effective May 15, 2000.

**Article 19**  
**MnSCU Individual Retirement Account**

- 1 **Health insurance.** Provides that MnSCU employees who choose the Individual Retirement Account Plan (IRAP) can participate in state health insurance in a manner similar to other retired state employees.
- 2 **Health insurance.** Provides that MnSCU employees who choose the Individual Retirement Account Plan (IRAP) can participate in employer-paid health insurance upon return to part-time work in the same manner as MnSCU employees who chose the TRA retirement plan instead of IRAP.
- 3 **No annuity reductions.** Provides that MnSCU employees who were members of MSRS are exempt from annuity reduction on return to part-time MnSCU work in the same manner as MnSCU employees who were members of TRA.
- 4 **TRA annuity reduction.** Provides that people who are exempt from TRA annuity reduction provisions upon return to part-time MnSCU work cannot participate in defined benefit or defined contribution pension plans upon return to work.
- 5 **Reference.** Changes reference in connection with higher education merger.
- 6 **Part-time mobility.** Provides for status under part-time mobility program of MnSCU teacher who teachers part-time during first semester only and then retires.
- 7 **Part-time mobility.** In conjunction with prior section, provides for status under part-time mobility program of MnSCU teacher who teachers part-time during first semester only and then retires.
- 8 **Sabbatical leave.** Requires MnSCU faculty on sabbatical leave to continue making pension contribution.
- 9 **Investment options.** Expands investment options available under IRAP plan.
- 10 **Investment options.** Strikes limit of five financial institutions to provide certain investment products under IRAP plan. Requires state board of investment to consider fees and expenses in selecting participants.
- 11 **Fees.** Provides more options for method of charging fees to IRAP participants.
- 12 **Mobility.** Provides part-time mobility program for IRAP participants that is similar to program for MnSCU faculty who participate in TRA.
- 13 **Supplemental plan.** Provides more options for method of charging fees to participant in MnSCU supplemental retirement plan.
- 14 **Effective dates.**

**Article 20**  
**Other Changes**

- 1 **Pension commission.** Decreases the size of the Pension Commission from 12 to 10.
- 2 **Effective date.** Effective the day following final enactment.

**Article 21**  
**Kandiyohi County and Litchfield Volunteer Rescue Squad**

Permits Kandiyohi County and the city of Litchfield to participate in the PERA defined contribution plan on behalf of volunteer rescue squad relief association members.

**Article 22**  
**Pension Building**

Authorizes the commissioner of administration to provide a building to be jointly occupied by Minnesota state retirement system, the public employees retirement association and the teachers retirement association. Provides exemptions from certain procedures, governing state building construction. Appropriates \$38 million from the pension building fund.

Authorizes issuance of revenue bonds to pay for the building

Requires a report on a plan for combining pension plan administrative functions.