

# HOUSE RESEARCH

## Bill Summary

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**Authors:** Mares and others  
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**Analyst:** Mark Shepard, 651-296-5051

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### Overview

This is the omnibus public pension bill.

#### Article 1 Local Police and Paid Firefighters

##### Section

In recent years, most local police and paid firefighter relief associations have been merged into PERA. This article eliminates laws that became obsolete when these local associations merged with PERA. The laws governing financing of local police and fire associations are restructured, because only four local associations remain (Fairmont Police, Minneapolis Fire, Minneapolis Police, and Virginia Fire). The laws also contain some references to the Bloomington Fire Relief Association, which is a volunteer fire association, but has been treated like a paid fire association for certain purposes.

#### Article 2 Service Credit for Strike Periods

Specifies a method under which an MSRS, PERA, or TRA member may obtain service credit for time the member was on strike, up to one year. An employee may obtain this credit by paying an amount equal to the employee and employer contributions, plus interest. If payment is not made within one year, the purchase price is the full actuarial value of the service credit purchased. The article is retroactive to July 1, 2001, and expires a year after enactment.

#### Article 3 PERA Membership and Service Credit

- 1 **Included employees.** Requires that a person earn \$425 in a month from one governmental subdivision to be included in PERA. Once the employee meets this \$425 requirement, the employee remains a PERA member even if the person earns less than \$425 in a subsequent

month.

- 2 **Excluded employees.** Excludes from PERA employees who do not earn \$425 in a month from PERA. Excludes full-time students who are under age 23. Includes in PERA foreign citizens with a work permit of less than three years employed by Hennepin County. (Under current law, foreign citizens whose work permit or visa extends beyond three years become PERA members from the date of extension, but foreign citizens with a work permit of less than three years are excluded).
- 3 **Termination of membership.** Inserts a reference to the \$425 earnings threshold in the law governing terminated employees who return to a position with the same governmental subdivision.
- 4 **Pro-rated service credit.** Eliminates pro-ration of service credit for part-time PERA employees (under current law, this provision applies to people hired after January 1, 2002).
- 5 **Workers' compensation.** Specifies procedure under which a member who is receiving temporary workers compensation payments can receive service credit by making specified payments to PERA.
- 6 **Employer reporting.** Strikes requirement that employers report to PERA on the number of compensated hours of each employee.
- 7 **Employer reporting.** Strikes requirement that employers report to PERA on the number of compensated hours of each employee.
- 8 **Metro transit.** Provides PERA police and fire fund coverage for part-time metropolitan council police officers.
- 9 **Repealer.** Repeals definition of "compensated hour."
- 10 **Metro effect.** Provides that section 8 applies in the metropolitan area.
- 11 **Effective dates.**

#### Article 4

##### PERA Local Government Correctional plan

- 1 **Medical center protection officers.** Amends definition of who is covered by the PERA local government correctional plan to include medical center protection officers, as defined in the next section of this bill.
- 2 **Medical center protection officer.** Provides that a person employed by the Hennepin County Medical Center as a protection officer is covered in the PERA local government correctional plan.
- 3 **Terminology change.** Changes reference to name of the plan.
- 4 **Contribution rate.** Strikes effective date of contribution rate increase, because this increase is canceled by the next section.
- 5 **Contribution rate.** Repeals law that would have increased contribution rates to the plan.
- 6 **Effective dates.**

#### Article 5

##### Privatized Public Hospital

Includes Kanabec hospital in a list of medical facilities whose employees receive certain special pension treatment when the hospital is converted from a public to a private facility. This section is effective only upon approval of Kanabec County and only upon PERA determining that this provision does not harm PERA funding.

#### Article 6

##### Closed Charter Schools

- 1 **Teacher definition.** Provides that all charter school teachers are members of TRA (and not  
members of a first-class city teacher fund)
- 2 **Teacher definition.** Strikes charter school teachers from coverage in first-class city teacher  
funds.
- 3 **Unpaid charter school contributions.** Requires the state to make unpaid retirement fund  
contributions on behalf of charter schools that closed before April 1, 2002. Requires retirement  
associations to certify the amount due. This amount will be deducted from the total amount  
otherwise payable as state building lease aid to charter schools.
- 4 **Recovery authority.** Provides that section 3 does not relieve sponsors and operators or closed  
charter schools from any responsibility they may have to make contributions to retirement  
funds. Amounts recovered offset amount to be paid under section 3.
- 5 **Effective date.**

**Article 7  
Extension of Rule of 90**

This article provides that members of TRA and the Duluth Teachers Retirement Fund Association hired after July 1, 1989 are eligible for the rule of 90, and have a normal retirement age of 65. (Under current law governing the largest public pension plans, employees hired after July 1, 1989: (1) have a normal retirement age of up to age 66, instead of age 65; and (2) are not eligible for the rule of 90).

The article provides that the rule of 90 may not be extended further unless the most recent actuarial valuation indicates that the total required contributions of the plan exceed the total actuarial requirements of the plan by an amount equal to or greater than the cost of the rule of 90 extension. For plans under which the rule of 90 has been extended to post-June 30, 1989 hires, requires the Legislative Commission on Pensions and Retirement to recommend increases in contributions if there is a funding deficiency.

**Article 8  
Teacher Service Credit Purchase**

Extends deadline from May 2002 to May 2003 for purchase of certain types of service credit from teacher retirement plans.

**Article 9  
Social Security Recodification**

Based on work done by the staff of the Legislative Commission of Pensions and Retirement, proposes a recodification of laws governing state administration of Social Security programs for public employees.

**Article 10  
Actuarial Assumptions**

Changes actuarial assumptions for public pension plans, based on recommendations of the Legislative Commission on Pensions and Retirement and the Commission's consulting actuary.

**Article 11  
Supplemental Retirement Plans**

Under current law, there is a prohibition against public employers contributing to supplemental retirement plans (i.e., plans other than the plans established in law). This article adds to the list of exceptions to this prohibition. New exceptions are:

contributions to a supplemental plan that is funded solely by an employee's accumulated

sick leave, accumulated vacation leave, and accumulated severance pay;  
contributions to the plumbers' and pipefitters national pension fund for employees of a governmental subdivision covered by a collective bargaining agreement providing for coverage by that fund, up to \$2,000 per year;  
contributions to the international union of operating engineers pension fund for employees of a governmental subdivision covered by a collective bargaining agreement providing for coverage by that fund, up to \$2,000 per year;

**Article 12**  
**Reorganization and Recodification of Chapter 356**

Minnesota Statutes, chapter 356 contains many laws of general application to Minnesota public pension funds. Based on work of the staff of the Legislative Commission on Pensions and Retirement, this article reorganizes and recodifies much of the language in that chapter.

**Article 13**  
**Retirement Plan Building**

Authorizes the commissioner of administration to lease space in the retirement plan building to a private company under contract with the State Board of Investment or the Minnesota State Retirement System to provide deferred compensation services.

**Article 14**  
**Volunteer Fire Plans**

Authorizes a retired volunteer firefighter to continue receiving a pension if re-employed on a full-time basis as an active firefighter if the municipality determines that the person's experience with and service to the fire department would be difficult to replace.

**Article 15**  
**Clarifications**

- 1 **Leave of absence.** Expands current law under which state employees can receive pension service credit, health insurance, and other benefits during an unpaid leave of absence. Under current law, the provision applies for 160 hours during the period ending June 30, 2005. The new provision applies to leaves up to 320 hours during the period ending June 30, 2003, and an additional 160 hours from July 1, 2003 to June 30, 2005.
- 2 **PERA appropriation.** Provides circumstances under which an appropriation made to PERA in the 2001 claims bill in connection with purchase of service credit by an individual, may cancel to the state general fund, if it turns out that the purchase did not negatively affect PERA in the manner anticipated.
- 3 **Pre-73 lump sum.** Provides that an eligible person may elect to receive the pre-1973 post-retirement adjustment in a lump sum rather than as an annuity.
- 4 **Effective dates.** The article is effective the day following final enactment.

**Article 16**

**Legislator Social Security**

Provides that a legislator whose legislative service is not covered by Social Security may elect to have future and retroactive Social Security coverage for this service. Requires a legislator electing this option to make the employer and employee Social Security contributions.

**Article 17**

**Minneapolis Police Optional Annuity**

Provides that a Minneapolis police joint and survivor annuity is applicable only to a member's

spouse.

**Article 18**  
**Judges Retirement Plan**

Provides that a 2000 law modifying retirement benefits for judges is effective retroactive to May 16, 2000, instead of being effective July 1, 2000.