HOUSE RESEARCH

Bill Summary

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Overview

This is an omnibus public pension bill.

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Article 1

MSRS contribution increases

Increases employer and employee contributions to the Minnesota State Retirement System (MSRS) general plan, correctional plan, and state patrol plan.

1 **General plan employee contribution.** Increases the employee contribution to the MSRS general plan from 4.0 percent to 5.0 percent of salary. The increases are phased in over four years, beginning in July 2007.

2 **General plan employer contribution.** Increases the employer contribution to the MSRS general plan from 4.0 percent to 5.0 percent. The increases are phased in over four years, beginning in July 2007.

3 **Procedure for revising contributions.** Specifies a method of increasing or decreasing employee and employer contributions to the MSRS general, correctional, and state patrol plans, beginning in July 2011, so that required contributions meet actuarial requirements. Provides that an adjustment under this section may not exceed .25 percent of payroll for either the employer or employee in any year.

4 **Correctional plan employee contribution.** Increases the employee contribution to the MSRS correctional plan from 5.69 percent to 8.60 percent of salary. The increases are phased in over four years, beginning in July 2007.

5 **Correctional plan employer contribution.** Increases the employer contribution to the MSRS correctional plan from 7.98 percent to 12.0 percent. The increases are phased in over four years, beginning in July 2007.

6 **State patrol plan employee contribution.** Increases the employee contribution to the MSRS state patrol plan from 8.40 percent to 10.4 percent of salary. The increases are phased in over three years, beginning in July 2007.

7 **State patrol plan employer contribution.** Increases the employer contribution to the MSRS state patrol plan from 12.60 percent to 15.6 percent. The increases are phased in over three years, beginning in July 2007.

8 **Unclassified plan; technical.** Maintains the employee contribution to the MSRS unclassified plan at the current four percent of salary.

9 **Effective dates.**

Article 2

MSRS correctional plan inclusions

Specifies the positions that are covered in the MSRS correctional plan, rather than in the MSRS general plan. These changes will move slightly over 100 employees into the correctional plan. Requires the commissioner of corrections to appoint a standing review committee to review and determine positions that should be included in legislative requests for correctional plan coverage. Allows specified employees to transfer prior coverage from the MSRS general plan to the correctional plan.

Article 3

Administrative provisions

1 1 **MnSCU deferred compensation.** Strikes a requirement that the MnSCU-administered deferred compensation plan include at least five insurance annuity providers and between one and three lower expense mutual funds.

2 **MSRS disability.** Provides that retirement fund deductions are not taken from the salary of a disabled person attempting to return to work unless the person waives further disability benefits. Provides that a member may return to work and continue disability benefits only once while receiving disability benefits from an MSRS-administered plan.

3 **Bounce-back annuity.** Strikes language relating to a change in law in 1989.

4 **Bounce-back annuity.** Strikes language relating to a change in law in 1989.

5 **PERA included employees.** Provides that physicians who do not elect coverage in the PERA defined contribution plan are included in the PERA general plan.

6 **PERA optional membership.** Clarifies coverage for St. Paul Port Authority employees.

7 **PERA membership termination.** Clarifies when PERA membership terminates due to a layoff.

8 **PERA membership termination.** Clarifies when PERA membership terminates due to a layoff, due to transfer to a temporary position, or due to a city manager filing an election to discontinue deductions.

9 **PERA membership.** Clarifies when PERA membership continues because a person is expected to return from a temporary or seasonal layoff.

10 **PERA membership termination.** Defines "indefinite layoff" for purposes of terminating PERA membership.

11 **PERA allowable service.** Clarifies status of seasonal layoffs for purposes of obtaining PERA service credit.

12 **PERA board elections.** Provides that policies governing statements of candidates for elected PERA board positions are *subject to* review and approval by the Secretary of State (rather than requiring the Secretary of State to approve these policies). Specifies election procedures.

13 **PERA board vacancies.** Requires the board to adopt policies and procedures governing vacancies in elected board member positions.

14 **PERA board legal authority.** Authorizes the board to take legal action when necessary to administer PERA plans.

15 **PERA adjustments.** Amends PERA procedures governing adjustments for erroneous deductions or contributions.

16 **PERA adjustments.** Amends PERA procedures governing adjustments for erroneous deductions or contributions.

17 **PERA overpayments.** Clarifies that current overpayment provisions apply to retirees, beneficiary or other persons.

18 **PERA collection from employers.** Clarifies current provisions under which amounts due to PERA and withheld from state payments to a governmental subdivision are paid directly to PERA.

19 **PERA annuities.** References automatic deposit of PERA annuities. Strikes language relating to receipt of warrants.

20 **PERA bounce-back annuity.** Clarifies language relating to a change in law in1989.

21 **PERA bounce-back annuity.** Clarifies language relating to a change in law in1989.

22 **Surviving spouse annuity.** References payment to a surviving spouse's estate, rather than a

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designated beneficiary. Provides that waiver of a surviving spouse annuity does not make a dependent child eligible for benefits.

23 **Survivor coverage term.** Strikes a five-year term certain optional annuity for surviving spouses. Term certain annuities would continue to be available for 10, 15, and 20 years.

24 **PERA disability.** Clarifies disability provisions and strikes obsolete language.

25 **PERA disability.** Clarifies when disability benefits end upon return to employment, and when a person's account is placed on deferred status or when a person may request a refund when they return to work in service not covered by PERA.

26 **PERA disabilitant earnings report.** Requires disability benefit recipients to report all earnings from reemployment and from workers' compensation to PERA by May 15 annually. Those who fail to report will have benefits suspended until they report.

27 **PERA refund.** Clarifies circumstances under which a person terminating service can apply for a refund.

28 **Limit on disability payments.** Clarifies that limits apply to paramedics. Clarifies that the limit applies to combined earnings from work, disability benefits, and workers' compensation.

29 **PERA defined contribution plan.** Strikes reference to privately operated ambulance services that receive government subsidies from list of person eligible to participate in the PERA defined contribution plan.

30 **PERA defined contribution plan.** Strikes reference to privately operated ambulance services that receive government subsidies from list of person eligible to participate in the PERA defined contribution plan.

31 **Local government correctional plan.** Adds juvenile correctional facilities administered by a county on behalf of multiple counties to definition of "county correctional institution" covered by the local government correctional plan.

32 **TRA bounce-back annuity.** Clarifies language relating to a change in law in1989.

33 **TRA bounce-back annuity.** Clarifies language relating to a change in law in1989.

34 **IRAP plan.** Revises the contribution rates for employees participating in TRA's individual retirement account plan, so that the rates are the same as those that would apply in MSRS, PERA, or TRA if the person were not an member of the IRAP plan.

35 **PERA trial work period.** Repeals a July 1, 2006 sunset, so that PERA trial work for disabilitants sections become permanent.

36 **Repealer.** Repeals a mandatory retirement provision for certain state employees.

37 **Effective dates.**

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Article 4

PERA Police and Fire

Sections 1 to 3 provide that the maximum age for receiving a disability benefit from PERA police and fire is 55 (the plan's normal retirement age), rather than 65. Those receiving a disability benefit at age 55 would receive a retirement annuity rather continuing to receive a disability benefit.

Section 4 relates to survivor benefits authorized in 2005. The 2005 legislature amended the law to define "line of duty" in the PERA police and fire plan to include active military service, for purposes of paying survivor benefits. This change was made retroactive to September 11, 2001. Section 4 provides that with respect to benefits paid to a widow of a St. Louis Park police officer, the city of St. Louis Park may reimburse PERA for the present value of the benefit that is not otherwise paid by a legislative appropriation enacted in 2006. Section 4 provides that if the city does not make this payment, the cost of the benefit (minus any state appropriation in 2006) must be deducted from state aid otherwise due to St. Louis Park.

Article 5

Privatization retirement coverage

Current law provides that former public hospital employees whose jobs were privatized (and thus lose future public pension coverage) have their MSRS or PERA annuities increased at a rate that is higher than the normal augmentation rate for deferred annuities. This article reduces that special rate from 5.5% to 4% until age 55 and from 7.5% to 6 percent after that age. This article also adds the Cannon Falls hospital and the Dassel Lakeside Community home to the list of medical facilities covered by the privatization law.

Article 6

Social Security Coverage

Amends laws governing Social Security coverage for public employees. These laws are administered by PERA for all Minnesota Public Employees. This article allows each local government unit to determine whether to provide Social Security coverage to its elected officials who are members of the PERA defined contribution plan. This article also allows retirement plans to conduct Medicare-only referendums to allow public employees who have not previously been covered by Medicare to be covered. This applies only people hired before 1986, as people hired since then all are covered by Medicare.

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Article 7

Supplemental retirement plans

Current law prohibits a public employer from contributing to supplemental pension plans, with certain exceptions. This article amends the existing exceptions as follows:

- for contributions to laborers pension plans, increases the maximum employer contribution from $2,000 to $5,000, and allowing contributions to a local as well as a national plan;
- for contributions to the operating engineers pension fund, increases the maximum employer contribution from $2,000 to $5,000.
- adds a new exception for contributions up to $5,000 to the machinists national pension fund

Article 8

Investment authority

1 1 **First-class city teachers.** Allows a first-class city teacher fund to certify assets for investments to the State Board of Investment.

2 **Minneapolis teachers.** Provides that specified assets must be invested according to chapter 356A, instead of under the law governing State Board of Investment assets.

3 **Investment reporting.** Specifies conditions under which certain large public pension plans investment reports need include only the market value of the total portfolio and of each assets class, and need not include the market value of each investment account and investment portfolio.

4 **State auditor investment report.** Specifies conditions under which the State Auditor will compute and report total portfolio and asset class time-weighted rates of return for public pension plans.

5 **Investment authority.** Amends the section specifying investment authority for public pension plans (Plans whose assets are invested by the State Board of Investment are covered by a different law, not amended here). This section allows investment in real estate investment trusts, insurance company commingled accounts, additional mutual funds, and certain developed market foreign stocks

6 **Transition.**

7 **Effective dates.**

Article 9

Minneapolis employees retirement fund

1 1 **Investments.** Authorizes MERF to have the State Board of Investment invest its funds.

2 **Deposit accumulation fund.** Allows MERF's deposit accumulation funds to make later payments (with interest) to MERF's benefit funds, instead of transferring cash immediately.

3 **Transfer to retirement fund.** Similar to prior section.

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4 **Transfer to disability fund.** Similar to prior section.
5 **Retirement benefit fund.** Similar to prior section.
6 **References corrected.**
7 **Repealer.** Repeals section dealing with transfer of money among MERF funds, in conjunction with other sections in this article.
8 **Effective date, local approval.**

Article 10

Minneapolis Police

1 1 **Board member salary.** Increases maximum salaries for elected board members of the Minneapolis police pension fund. The current maximum is three units. Under the bill, the maximum would be seven for the president and five units for other elected board members.
2 **Benefits.** In 2005, a benefit increase was provided to members with 20 years or more of service. This section extends the increase to members with less than 20 years of service.
3 **Effective date; local approval.** Sections 1 and 2 are each subject to local approval.

Article 11

Recodification of statewide specialty plans

This article is based on work of the staff of the Legislative Commissions on Pensions and Retirement. It clarifies and recodifies language relating to pension plans for legislators and constitutional officers

Article 12

Judicial clarification/recodification

This article is based on work of the staff of the Legislative Commissions on Pensions and Retirement. It clarifies and recodifies laws governing judicial retirement plans and the board of judicial standards

Article 13

Judges/legislator retirement plan

1 1 **Legislator plan; surviving spouse.** Under current law, the surviving spouse of a legislator who has attained at least age 60 and who dies while a member of the legislature may elect an optional joint and survivor annuity. This section changes the age threshold to age 55.
2 **Legislator plan; surviving spouse.** Clarifies that the survivor benefit payable to a surviving spouse under the legislator plan does not apply if the benefit referenced in the prior section of this bill is selected.
3 **Judges plan; surviving spouse.** Provides that the survivor of a deceased judge may elect to receive a joint and survivor annuity, instead of the survivor benefit provided under current

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law.

4 **Effective dates.**

Article 14

Volunteer fire

1 1 **Auditor report.** Requires the State Auditor's report on volunteer fire relief associations to be organized in a manner that the State Auditor determines provides fair representation of the condition of the associations. Strikes some specific requirements for how the report must be organized.

2 **Volunteer firefighter definition.** Defines "volunteer firefighter" for purposes of service after July 1, 2006.

3 **Transfers to individual retirement account.** Allows surviving spouse to transfer money to an individual retirement account, much in the manner that a retired member can do under current law.

4 **Disbursement from special fund.** Provides for payments to estates if there is no surviving spouse or children and no designated beneficiary.

5 **Randall fire.** Authorizes Randall fire relief association to retroactively implement a bylaw amendment implementing a survivor benefit to the survivor of a member killed in a construction accident.

6 **Effective dates.**

Article 15

One-person and small groups provisions

1 1 **PERA police and fire plan.** Provides PERA police and fire coverage for a person who was incorrectly placed in the St. Paul Fire Department plan. Specifies required employee payments. Specifies amounts to be paid to PERA by the city of St. Paul, and provides for withholding state aid if this amount is not paid.

2 **PERA police and fire.** Authorizes a person to purchase service credit from the PERA police and fire plan for a period for which the person was mistakenly omitted from membership. Specifies required payment by the city of Faribault, and provides for withholding state aid if this amount is not paid.

3 **TRA.** Authorizes a person to purchase up to 10 years of TRA service credit, for the full actuarial value, for time spent teaching in Montana. This section does not apply if the person retains a right to an annuity from the Montana teachers pension system.

4 **PERA.** Authorizes purchase of PERA service credit for full actuarial value in relation to specified work as a public defender.

5 **PERA police and fire.** Authorizes purchase of one year of PERA police and fire service credit for the full actuarial value for time spent on leave of absence to serve as business agent for an employee labor organization.

6 **PERA.** Authorizes purchase of PERA service credit for the full actuarial value for time spent as a part-time employee of a municipal golf course. Requires the city of Anoka to pay a specified amount, and provides for withholding state aid if this amount is not paid.

7 **TRA refund repayment.** Authorizes repayment of a refund to TRA for a person who had

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transferred money from TRA to the MSRS unclassified plan.

8 **TRA coverage.** Authorizes a person to become a TRA member and obtain credit, retroactive from 1995, in connection with failure to offer the person an election of TRA coverage (instead of coverage under an individual retirement account plan) as required under 1994 laws.

9 **TRA medical leave.** Authorizes purchase of TRA service credit for a period of medical leave that was not properly reported to TRA. Specifies amount of payment to be made by school district 197, West St. Paul, and provides for withholding state aid if this payment is not made.

10 **TRA; International Falls and Red Wing strike.** Authorizes teachers on strike from International Falls or Red Wing to obtain TRA service credit for the strike period by making prescribed payments to TRA.

11 **PERA; Bloomington schools.** Authorizes purchase of PERA service credit for full actuarial value, by a period of service in the Bloomington schools for which the member was not reported to PERA. Provides that if school district 271, Bloomington, does not pay a certain amount, this amount will be withheld from state aid.

12 **PERA; transfer of coverage.** Authorizes former St. Paul mayor to transfer coverage from the PERA defined contribution plan to the PERA general plan. Specifies payments to be made

13 **MSRS general.** Permits an eligible person to receive a designated portion of an ex-spouse's MSRS annuity awarded as part of a marriage dissolution judgment, if a court makes specified findings.

14 **MERF.** Allows purchase of allowable service credit from the Minneapolis Employees Retirement Fund for up to two years for the period of an injury that qualified for a workers' compensation benefit, but was not previously credited by MERF.

15 **Effective dates.**