

HOUSE RESEARCH

Bill Summary

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Article 1: Statewide Specialty Plans

This article clarifies and recodifies laws governing pension plans for legislators, judges, and constitutional officers. This clarification and recodification was prepared by staff of the Legislative Commission on Pension and Retirement.

Article 2: Covered Salary; Average Salary

Sections 1 to 6 and 8 to 20 move the definition of "average salary" to the definitions section of statutes in the laws governing MSRS, PERA, TRA, first-class city teachers, and MERF funds. Section 7 provides that employer-paid contributions to trade union pension plans count as PERA "salary" if this contribution is mandatory. Section 21 makes technical changes in the law governing definition of salary for the judges pension plan.

Article 3: Allowable Service Credit

1. 1 Service credit for strike periods. Allows a public employee to purchase service credit in defined benefit public pension plans for periods up to a year during which the employee was on strike. An employee may purchase this service credit by making the employee and employer contributions (unless the employer agrees to pay the employer share). Specifies an interest rate for payments made within one year after the end of the strike. Provides that if payment is made after one year and before five years after the strike ends, payment must equal the full actuarial value of the credit obtained. Forbids payments more than five years after the strike ends.
- 2 Allowable service; judges. Allows a judge to obtain service credit for a leave of absence. To obtain this credit, the judge would pay the member and employer contributions. Requires payment to be made within a year of end of the leave of absence.
- 3 Military service buy-back. Extends the sunset date for teachers to purchase prior military service credit to May 16, 2007, instead of May 16, 2006.
- 4 Military service buy-back. Extends the sunset date for MSRS and PERA purchases of prior military service credit to May 16, 2007, instead of May 16, 2006.
- 5 Metro transit strike. Permits Metro Transit employees on strike during 2004 to make payments, with interest, within a year after the effective date of this section (rather than making these employees pay the full actuarial value).
- 6 Crosby-Ironton strike. Permits Crosby-Ironton teachers on strike during 2005 to make payments, with interest, within a year after the effective date of this section (rather than

7 making these employees pay the full actuarial value).
Effective date. Effective immediately, with the judges provision retroactive to January 1, 2005.

Article 4: Actuarial and Financial Reporting and General changes

In 2004, the legislature changed the method of selecting the actuary used to make various determinations relating to public pension plans. This article changes statutory references in connection with that change.

Section 4 clarifies interest requirements for TRA leaves of absence.

Section 6 requires financial reports to contain an itemized exhibit describing specified plan administrative expenses.

Section 7 allows rollovers from accounts established for reemployed annuitants who have exceed earnings limitations, so that these people will not be required to take lump sum distributions from these accounts.

Article 5: Membership Inclusions and Exclusions

1. 1 University police officers. Provides that a police officer employed by the University of Minnesota who is required to be a member of the University faculty retirement plan is not eligible to be included in any police aid certification.
- 2 Insurance fraud employees. Provides that peace officers employed by the Department of Commerce insurance fraud unit who have attained a statutory retirement age are covered by the MSRS general plan (instead of the state patrol plan) for later service.
- 3 Correctional plan. Requires the departments of corrections and human services to establish a process for evaluating inclusion or exclusion of department employees in the MSRS correctional plan. Specifies criteria to be used in this process.
- 4 State Patrol plan. Includes peace officers employed by the Department of Commerce insurance fraud unit in the MSRS state patrol plan.
- 5 Governmental subdivision. Adds the University of Minnesota (with respect to police officers covered by the PERA police and fire plan) to the definition of governmental subdivision in PERA law.
- 6 University police officers. Provides that University of Minnesota police officers are members of the PERA police and fire plan unless the police officer is required to contribute to the University faculty plan.
- 7 IRAP/TRA. Allows MnSCU employees a year (rather than 90) after starting employment to elect between membership in the higher education Individual Retirement Account Plan and TRA.
- 8 IRAP/TRA. Associated with change in prior section.
- 9 Effective dates. Provisions relating to the insurance fraud division are retroactive to January 1, 2005.

Article 6: Retirement Contributions

Sections 1 and 2 provides that if a "governmental subdivision" not funded from property taxes (e.g. a charter school) does not pay amounts due to PERA, the commissioner of finance must deduct the amount due from subsequent state payments to the governmental subdivision. Sections 3 and authorizes payment of interest on certain refunds that were paid because of errors in reported salaries used as the basis of a prior service credit purchase.

Article 7: Pension Benefits Upon Privatization

Under current law, when a medical facility converts from a public to a private facility, its employees cannot be PERA members after the conversion. Current law provides specified benefit provisions for employees in this situation. Section 1 adds the Bridges Medical Services, Hutchinson Area Health Care, and the Northfield Hospital to the list of groups subject to this law. Section 2 provides that when a water or wastewater treatment facility is privatized, employees are not permitted to remain as active PERA members. Section 3 gives the city of Renville additional time to approve inclusion of RenVilla Nursing Home employees in a previous authorization to come within these provisions.

Article 8: First-Class City Teacher Plans

Provides that before July 1, 2006, and within six months of any future amendment, first-class city teacher funds must publish a compilation of their articles of incorporation and by-laws. This can be done on a web page or in print.

Article 9: MnSCU Individual Retirement Account Plan Changes

Provides that MnSCU's Individual Retirement Account Plan (IRAP) may, instead of shall, offer the investments choices provided through the State Board of Investment's supplemental investment fund.

Article 10: Supplemental Retirement Plan

Current law authorizes a public employer to contribute to certain private union pension plans, including the laborer's national industrial pension fund. This article expands that authorization to apply to a laborer's local pension fund. The article also increases the maximum employer contribution from \$2,000 to \$5,000 per year for each employee.

Article 11: Volunteer Fire Relief Associations

1. 1 Financial report and audit. Provides that requirement for a volunteer fire relief association to file financial report applies if the relief association has assets of over \$200,000 in the current year or in any prior year.
- 2 Financial report and audit. Conforming change related to prior section.
- 3 State auditor duties. Provides a more specific list of State Auditor duties relating to determination if volunteer relief association complies with requirements for receiving state aid, and imposes specific new eligibility requirements.
- 4 Volunteer fire financial requirements. Strikes obsolete 1971 language. Clarifies that deficits related to benefit increases must be amortized within ten years. Extends deficit-amortization requirements to investment losses. Specifies how estimates of expected fire state aid are treated in determining municipal contributions to volunteer fire funds.
- 5 Financial requirements. Requires financial requirements of the relief association and the minimum municipal obligation to be included in the financial reports.
- 6 Financial requirements; amortization. Requires unfunded liabilities due to experience losses to be amortized over ten years.
- 7 Minimum municipal obligation. Specifies how estimates of expected fire state aid are treated in determining municipal contributions to volunteer fire funds. Authorizes State Auditor to require relief association or municipality to provide certifications related to municipal contributions.
- 8 Volunteer fire investments. Excludes money market mutual funds in applying the limit of 75 percent of assets that may be invested in mutual funds.
- 9 Volunteer fire investments. Allows stock investments in stocks listed on any exchange regulated by a United States or Canadian agency (instead of limiting to specified stock exchanges). Allows investments in exchange traded funds, subject to specified limits.
- 10 Flexible service pension maximums. Amends the law governing the minimum amount of funding that must be available per firefighter to provide specified benefit levels. The minimum amount of funding is reduced from \$84 to \$81 per firefighter, for each \$1 of monthly service pension per year of service.
- 11 Defined contribution lump sum pensions. Clarifies the investment return crediting period.
- 12 Deferred service pension. Provides that the interest rate on deferred service pensions is up to five percent (instead of five percent) as set by the board of directors of the relief association. Specifies how this interest is payable. Specifies a method under which associations that provide a defined contribution pension may credit investment earnings during a period of deferral of the benefit.
- 13 Break in service for military service. Specifies how a volunteer firefighter who returns after a break due to military service can obtain service credit or a financial allocation for the time spent in the military.
- 14 Board membership. Replaces specified municipal ex-officio members on municipal fire

departments with a more flexible provision for municipal official service. Reduces municipal membership on independent nonprofit firefighting corporations from three to two. Clarifies municipal representation under a joint-powers agreement.

15 Consolidation. Under current law, when volunteer fire relief associations consolidate, the benefit is the highest pension payable from any of the consolidating associations. This section provides an alternative under which consolidating funds may agree that service rendered before the consolidation will be paid in accordance with the by-laws of the fund at the time the service was rendered.

16 Study. Creates a task force to study and report on possible creation of a statewide volunteer fire retirement plan. The report to the legislature is due January 15, 2006.

17 Effective dates.

Article 12: Corrections and Clarifications

Makes primarily technical and clarifying changes suggested by staff of the Legislative Commission on Pension and Retirement

Article 13: Local Retirement Plans

1. 1 Minneapolis police amortization. Extends amortization date for the Minneapolis police relief association from 2010 to 2020.
- 2 Bloomington fire. Provides a six percent interest rate assumption and a four percent future salary increase assumption for the fund.
- 3 Bloomington fire. Provides for any unfunded liabilities to be amortized over 20 years.
- 4 Minneapolis police amortization. Extends amortization date for the Minneapolis police relief association from 2010 to 2020.
- 5 MSRS administration of Hennepin Supplemental. Transfers administration of the Hennepin County Supplemental Retirement Plan to MSRS.
- 6 Hennepin Supplemental plan. Related to prior section
- 7 Hennepin Supplemental plan. Related to prior section
- 8 Hennepin Supplemental plan. Related to prior section
- 9 Hennepin Supplemental plan. Related to prior section
- 10 Minneapolis police. Provides that period for calculating excess investment income to determine potential payment of a "13th check" is two years, instead of five.
- 11 Minneapolis police. Strikes pension levels that apply when the relief association is less than 90 percent funded. Increases pension payable to members with 20 or more years of service by one unit.
- 12 Minneapolis police. See prior section.
- 13 Minneapolis police. Extends the one unit increase in the prior section to optional joint and survivor annuities.
- 14 Minneapolis police. Extends the one unit increase to surviving spouse benefits.
- 15 Minneapolis police. Provides that period for calculating excess investment income to determine potential payment of a "13th check" is two years, instead of five.
- 16 Minneapolis fire. Strikes pension levels that apply when the relief association is less than 90 percent funded and less than 92.5 percent funded
- 17 Minneapolis fire. Prohibit the Minneapolis Fire Relief Association from recomputing duty-related disability benefits, and to revoke prior recomputations at the members request.
- 18 Minneapolis police. Provides that once a pension benefit is paid, the dollar amount of the

pension may not be reduced if the city and the union enter into a collective bargaining agreement that would otherwise require a reduction.

19 Aurora, Biwabik, Hoyt Lakes, Palo consolidation. Provides that if two or more of these groups consolidate, the service pension to be paid is as follows: (1) for prior service, the amount payable under the prior association; (2) for future service, the highest amount payable under the laws governing any of the consolidating associations.

20 Eveleth police and fire. Increases benefits paid by Eveleth police and fire by \$100 per month, and authorizes the city to grant future increases of up to \$100 per month every two years.

21 Maplewood and Oakdale. Authorizes an agreement to transfer liability, assets, and service credit between the two volunteer fire relief associations to provide pension portability for firefighters with service in both groups.

22 Effective dates.

Article 14: Minneapolis Employees

1. 1 Salary cap. Exempts MERF employees from the local government salary cap.

2 Investment. Authorizes MERF to use the State Board of Investment to invest its assets.

3 Accounts receivable. Authorizes the MERF deposit accumulation fund to promise to make a later payment to the MERF retirement benefit fund, rather than transferring cash. Specifies the interest rate on these pledges.

4 Conforming. Conforms to prior section.

5 Conforming. Conforms to prior section.

6 Conforming. Conforms to prior section.

7 State contribution. Corrects a reference to maximum state contribution.

8 Repealer. Repeals section 422A.101, subdivision 4, which imposes liquidity transfer obligations on MERF.