

House Research Act Summary

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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 **Contribution.** Sets the member contribution to the local government correctional plan at 5.83 instead of 6.01 percent of salary. Sets the employer contribution to the local government correctional plan at 8.75 instead of 9.01 percent of salary.
- 4 **Contribution effective date.** Strikes reference to effective date of contribution increase, which under this law will not take effect.
- 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 **First-class city administrative expenses.** Adds an additional condition that must be met before members of Minneapolis and St. Paul teacher funds are required to pay for supplemental administrative expenses of their pension funds.
- 4 **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.
- 5 **Recovery authority.** Provides that section 4 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.
- 6 **Effective date.**

Article 7 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 8 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 9 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 10 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 11
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 12
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 13
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 14
Additional Provisions

- 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 **Disability benefit.** Permits an eligible person to revoke an application for a PERA police and fire retirement annuity, and instead apply for a disability benefit.
- 4 **Accelerated optional annuity.** Permits an eligible person to elect an actuarially equivalent accelerated optional annuity from MSRS.
- 5 **Prior service credit.** Authorizes a PERA member to purchase service credit for specified out-of-state teaching service.
- 6 **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.
- 7 **Service credit purchase.** Authorizes a former legislator representing Hubbard County who was also a former DNR employee to purchase PERA and MSRS service credit, by making the member contributions, plus interest. Requires the house of representatives and the DNR to pay the amount required to purchase the service, minus the required member contributions.
- 8 **Military service.** Authorizes a person who purchased prior military service before recent amendments to the federal tax code to receive a refund and to repurchase the credit with pretax funds.
- 9 **PERA disability.** Permits an eligible person to file a disability benefit application with PERA, notwithstanding a deadline.
- 10 **Effective dates.** The article is effective the day following final enactment.

Article 15

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 16

Minneapolis Police Optional Annuity

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