Overview

This is an omnibus public employee pension bill.

Article 1
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 Temporary. Permits METO employees to elect to retain general plan coverage, rather than move to the correctional plan.

4 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.

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

6 **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.

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

---

**Article 2**

**Public Safety Plans**

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

2 **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.

3 **Social Security offset.** Provides a reduction in benefits for Rice County employees grandfathered 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.

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

5 **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.

6 **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.

7 **Effective dates.**

---

**Article 3**

**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 4**

**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.
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.

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.

Reference. Changes reference in connection with higher education merger.

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.

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.

Sabbatical leave. Requires MnSCU faculty on sabbatical leave to continue making pension contribution.

Investment options. Expands investment options available under IRAP plan.

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.

Fees. Provides more options for method of charging fees to IRAP participants.

Mobility. Provides part-time mobility program for IRAP participants that is similar to program for MnSCU faculty who participate in TRA.

Supplemental plan. Provides more options for method of charging fees to participant in MnSCU supplemental retirement plan.

Effective dates.

Article 5
Tax-Sheltered Annuities

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.

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.

Effective date. Section 1 is effective May 15, 2000.

Article 6
Minneapolis Employees Retirement Fund (MERF)

Deposit accumulation fund. Provides that MERF deposit accumulation fund is source of funding for death-while-active refund.

Survivor benefit fund. Provides that MERF survivor benefits are paid from the survivor benefit fund.

Additional employer contribution. Requires that participating employers, and not the state, pay deficiencies in deposit accumulation fund.

Disability. Provides adjustments to disability recipients at the same time and rate as adjustments for retirees.

Death while active refund. Specifies amount payable to survivor of person who dies while an
Refund. Clarifies provisions relating to repayment of refunds.

Survivor benefits. Amends provisions governing manner and eligibility of payment for MERF survivor benefits.

Cost allocation. Requires participating employers, and not the state, to pay for any current and future contribution requirements as a result of this article.

Repealer. Repeals current law dealing with death-while-active survivor benefit.

Effective date. Effective upon approval by Minneapolis city council.

Article 7
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 8
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.

Actuarial valuations. Change in reference to refer only to consolidation accounts established in the future, and thus not affected by this article.

State aid. Includes amortization payments required under this article as municipal obligations that are considered before state aid is considered "excess".

State aid. Includes additional amortization contributions required by this article in permissible uses of state aid.

Exclusions. Rewrites references in exclusions from PERA to refer to people affected by the merger of consolidation accounts in this article.

Salary. Amends PERA definition of salary to refer to people affected by merger of consolidation accounts in this article.

Allowable service. Amends PERA definition of allowable service to refer to people affected by merger of consolidation accounts in this article.

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.

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.

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.

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 the surpluses 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,
surpluses must be applied to eliminate 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 relief associations if there
is no unfunded liability in Minneapolis police or fire plans. Requires the first-class city 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 12.

18 Actuarial valuations. Amends requirements due to merger of accounts.

19 Repealer. Repeals current law that provides for automatic adjustments in employer and
employee contributions to PERA police and fire.

20 Termination. Terminates aid programs when Minneapolis and St. Paul teacher fund programs
are fully funded.

21 Effective dates.

Article 9

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 10
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 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 11
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. This provision would apply only until January 15, 2000. Requires the Pension commission to study this issue and report by September, 2000.
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 12
Other Changes
1 Pension Commission. Increases the size of the Pension Commission from 12 to 14: seven from each house.
2 Effective date. Effective the day following final enactment.

Article 13
Pension Building
1 Provision of offices. Statute amended to permit, rather than require, the commissioner of administration to provide suitable office space to the board of the public employees retirement fund.
2 Provision of offices. Statute amended to permit, rather than require, the state to provide suitable office for the teachers retirement association.
3 Authority to build and own building
   Subd. 1. Authorizes the Minnesota state retirement system, the public employees retirement association and the teachers retirement association to purchase or construct a common administrative office facility using either pension funds or the proceeds of revenue bonds.
Project is not subject to approval of the capitol area architectural and planning (CAAP) board, competitive design planning, or the requirements of 16B.30 through 16B.33. Also not covered by competitive acquisition process if the process in subdivision 2 is followed.

**Subd. 2.** Authorizes the three boards to contract for the facilities on the basis of request for qualifications and competitive responses received through an RFP process which must include the following specified items:

**Subd. 3.** Authorizes the boards to issue revenue bonds to pay for the building

**Subd. 4.** Provides that bonds for this purpose are to be sold and issued in the same manner as municipal revenue bonds, and without requirement of an election

**Subd. 5.** Bonds issued by the boards not a general or moral obligation of the state.

**Subd. 6.** No members or employees of the boards are personally liable on the bonds.

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