

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Executive Director

RE: Summary of 1992 Pension Legislation

DATE: July 7, 1992

The following is a summary of all 1992 legislative session pension-related provisions. The first major section contains legislation specific to particular plans. The second section summarizes legislation for plans of a certain type, such as the first class city teacher plans, local police and paid fire plans, and volunteer fire plans. The third major section summarized general pension legislation applying to all public plans or to miscellaneous groupings of plans. The fourth section describes changes in the Public Employers Insurance Plan (PEIP) and early retirement incentive legislation. Although technically one can contend these are healthcare issues and not pension issues, the Commission has followed these areas. The final section notes pension bills passed by the Legislature but vetoed by the Governor.

### **I. Fund Specific Legislation**

#### **A. Minnesota State Retirement System (MSRS)**

##### **1. MSRS General**

The following five items [(a) through (e)] relate to increasing the interest rate to the level of the pre-retirement earnings assumption (8.5 percent) on purchases of service credit for leaves of absence, omitted contributions, and repayment of refunds.

- a. Authorized leave of absence without pay, increase in interest rate on contributions. Effective May 1, 1994, the interest rate on contributions to obtain service credit under the MSRS authorized-leave-of-absence-without-pay-provision increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 1, Section 2.)
- b. Increase in payment in lieu of interest on omitted salary deductions. Effective May 1, 1994, the payment in lieu of interest on omitted salary deductions past due for more than 60 days increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 1, Section 3.)
- c. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the MSRS General Plan or for certain forfeited military service must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 4.)
- d. Increase in interest on purchase of military service credit. Effective May 1, 1994, employee and employer contributions for purchase of military service credit in MSRS General must include 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 5.)
- e. Increase in interest on purchase of military service credit, Metropolitan Transit Commission employees. Effective May 1, 1994, employee and employer contributions for purchase of military service credit by Metropolitan Transit Commission employees in MSRS General must include 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 6.)
- f. Excluded employee provision changes. The employees of the Ladies of the Grand Army of the Republic are deleted from the exclusion from membership provision and chaplains and nuns continue to be excluded from coverage unless their order elected social security coverage. (MN Laws 1992, Chapter 432, Article 1, Section 1.)
- g. Labor organization MSRS coverage. Permits employees of labor organization that are an exclusive bargaining agent representing state employees to have MSRS coverage, irrespective of whether they were former state employees. (MN Laws 1992, Chapter 432, Article 1, Sections 2 and 3.)

- h. Repayment of refund before receipt of disability benefits. Permits refunds to be repaid prior to the effective date of disability benefits. (MN Laws 1992, Chapter 432, Article 1, Section 4.)
- i. Normal retirement age reference. "Normal retirement age" replaces "age 65" in permanent disability benefits computation provision, disability medical examination requirement provision, and resumption of employment after disability provision. (MN Laws 1992, Chapter 432, Article 1, Section 5,6, and 7.)
- j. Refund-after-death interest computation procedure. Interest on refunds to survivors in the refund-after-death provision will be computed to the first of the month in which the refund is processed, rather than to the date of death. (MN Laws 1992, Chapter 432, Article 1, Section 8.)
- k. Permit MSRS annuity payments to current PERA or TRA covered employees. Receipt of a deferred annuity can begin if the ex-MSRS member is employed under a position covered by PERA or TRA. (MN Laws 1992, Chapter 432, Article 1, Section 9.)
- l. Repeal of obsolete purchase of prior service credit provision. Provision is repealed which permitted purchases of prior service credit by certain members of labor organizations which are the exclusive bargaining agent for state employees, providing the purchase was made before 1986. (MN Laws 1992, Chapter 432, Article 1, Section 11.)
- m. Reduction in employee and employer contribution rates. The employee contribution rate is decreased from 4.15 to 3.99 percent of salary. The employer contribution rate is decreased from 4.29 to 4.12 percent of salary. For fiscal 1993, agency budgets will be reduced by \$1,731,000, the amount of savings caused by the reduction in the required employer contribution rate. If a subsequent actuarial valuation for the plan shows a contribution deficiency, the employee and employer contribution rates must be increased equally to eliminate the deficiency on the following January 1st. (MN Laws 1992, Chapter 513, Article 4, Section 22, Subdivision 8, and Sections 38 and 39.)

The following is a special law provision:

- a. Retroactive annuity accrual date, ex-Department of Transportation employee. The retirement annuity will begin to accrue as of July 1, 1991 for a person who terminated employment with the Department of Transportation on July 8, 1991, who applied for a retirement annuity on October 8, 1991, and who retired effective August 9, 1991. Any additional benefit resulting from this change is payable with interest. (MN Laws 1992, Chapter 368.)
2. Elected State Officers Plan
    - a. Increase in deferred annuities augmentation rate. After January 1st of the year in which the former constitutional officer attains age 55, the deferred annuity will augment at 5 percent per year. (MN Laws 1992, Chapter 446, Section 2.)
    - b. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the Elected State Officers Plan must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 8 and 9.)
  3. Legislators Retirement Plan
    - a. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the Legislators Plan must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 1.)
    - b. Retroactive removal of service credit cap. The 20 year cap on service credit, which prior to its removal by 1989 legislation had caused some legislators to stop accruing service credit, is retroactively removed. Long-term legislators, including those in deferred status, with uncredited service prior to June 2, 1989 may receive service credit by contributing nine percent of salary received during the uncredited period plus six percent interest from the midpoint of the period of uncredited service to the date of payment. Payment must be received prior to retirement or by January 1, 1994, whichever is earlier. (MN Laws 1992, Chapter 598, Article 4, Sections 3 and 5.)

4. MSRS State Patrol Plan

- a. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the MSRS State Patrol Plan must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 7.)

5. MSRS Unclassified Plan

The first three items relate to interest rate increases on refund repayment, purchases of service for leaves of absence, and inter-fund transfers.

- a. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the MSRS Unclassified Plan must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 10 and 12.)

- b. Increase in interest rate on purchases of prior service. Effective May 1, 1994, individuals in the MSRS Unclassified Plan who are purchasing service credit for prior temporary legislative or commission staff service will pay 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 11.)

- c. Increase in transfer interest rate. Effective May 1, 1994, individuals transferring assets from MSRS General, PERA, PERA P&F, TRA, a first class city teacher plan, or MERF to MSRS Unclassified will transfer the assets with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 12.)

- d. Guaranteed Return Account renamed, and permitted forms of investment broadened. The guaranteed return account is renamed the fixed interest account. In addition to the existing authority to invest in guaranteed investment contracts issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency, SBI can also invest in alternative guaranteed investment contracts if the underlying assets comply with the requirements of Section 11A.24, SBI's authorized investment provision, and other unspecified debt obligations. (MN Laws 1992, Chapter 539, Sections 3,4,5,9, and 11.)

- e. Administrative charge flexibility. The current administrative charge for the Unclassified Plan, one-tenth of one percent of salary deducted from the employee and employer contributions, is set as a maximum charge, with authorization to charge less. (MN Laws 1992, Chapter 539, Section 12.)

- f. Retention of coverage after transfer to classified service. Individuals in positions transferred to the classified service in the following categories:

-- professional positions associated with the Outdoor Recreation Program in the Department of Trade and Economic Development,

-- certain newly classified positions at state university and community colleges, and

-- positions transferred as a result of the December 1991 report of the Legislative Commission on Employee Relations entitled "The Use of Unclassified State Civil Service for Non-Managerial Positions" can remain in the unclassified retirement plan.

To stay in that plan, the individual must elect to retain that coverage within 60 days of being notified that the position has transfer to the classified service. The individual can then retain the unclassified retirement plan coverage as long as the individual holds that position or a position in a higher class within the same agency. (MN Laws 1992, Chapter 567, Article 3, Section 8.)

- g. Certain administrative and staff positions given option to select IRAP. Individuals in the following positions, otherwise covered by the MSRS Unclassified Plan, are given an option to select IRAP coverage as an alternative:

-- the Executive Director, Associate Director, and other positions of the Higher Education Coordinating Board;

- state technical college board administrative staff; and
- the state university chancellor, university presidents, and unclassified managerial employees in the state university system. (MN Laws 1992, Chapter 446, Sections 3 to 15.)

h. Repayment of refund credited to current year. If an individual is transferring contributions and service credit from another plan to the MSRS Unclassified Plan, and as part of that process repays a refund previously taken, the repayment is credited to the fiscal year balance in the year in which the repayment is made. (MN Laws 1992, Article 2, Chapter 432, Section 1.)

6. Judges Retirement Plan

a. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to the MSRS Judges Plan must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 1, Section 13.)

b. Social security offset repealed. The social security offset, under which the annuity received from the MSRS Judges Retirement Plan was reduced by one-half of the amount received from social security, is repealed. To pay for the resulting higher benefits, member contribution rates are increased from four to 6.27 percent. (MN Laws 1992, Chapter 492, Sections 2 and 3.)

c. Social Security referendum. The Department of Employee Relations must offer a second social security referendum for basic members of the Judges Plan. (MN Laws 1992, Chapter 492, Section 1.)

d. Period for electing optional annuities expanded. A requirement that an optional joint and survivor benefit must be elected within 30 days of retirement to be valid is removed. (MN Laws 1992, Chapter 432, Article 1, Section 10.)

e. Appropriation to cover certain retirements. For retired judges not participating in the post-retirement fund, the amount necessary to pay retirement, survivor, and dependent benefits is to be certified by the Executive Director of MSRS and appropriated from the general fund. (MN Laws 1992, Chapter 513, Article 4, Section 45.)

**B. Public Employees Retirement Association**

1. PERA General

The following seven items [(a) through (g)] relate to increasing interest rates on repayment of refunds, purchases of service credit for leaves of absence, and omitted contributions.

a. Authorized leave of absence without pay, increase in interest rate on contributions. Effective May 1, 1994, the interest rate on contributions to obtain service credit under the PERA authorized leave of absence without pay provision (intermittent, repetitive leaves) increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 2, Section 1.)

b. Increase in interest on purchase of military service credit. Effective May 1, 1994, employee and employer contributions for purchase of military service credit in the PERA General Plan must include 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 2, Section 1.)

c. Increase in interest on omitted salary deductions. Effective May 1, 1994, the interest on omitted salary deductions increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 2, Section 2.)

d. Increase in omitted contribution, terminated employee situations. Effective May 1, 1994, the interest on omitted salary deductions for terminated employees increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 2, Sections 3 and 4.)

e. Increase in interest rate on past-due employer contributions. Effective May 1, 1994, the interest on past-due employer contributions increases to 8.5 percent. (MN Laws 1992, Chapter 598, Article 2, Section 5.)

- f. Increase in refund repayment interest rate. Effective May 1, 1994, individuals repaying a refund to PERA must repay the refund with 8.5 percent interest, rather than the current six percent interest. (MN Laws 1992, Chapter 598, Article 2, Section 6.)
- g. Increase in interest on purchase of pre-July 1, 1982 service credit, and contribution rate change. Effective May 1, 1994, a provision permitting purchase of service credit by certain individuals, who terminated service prior to July 1, 1982, and who had service upon which contributions were not deducted, is revised to require contributions based on the contribution rates in current statute, and by requiring 8.5 percent interest rather than six percent interest. (MN Laws 1992, Chapter 598, Article 2, Section 7.)
- h. Reduction of reemployment penalty for PERA annuitants. PERA's annuity suspension, for reemployed PERA annuitants who exceed the maximum earnings permitted for that age under the social security system, is replaced with a PERA annuity reduction. Under age 65, the reduction will be one-half the amount of the excess reemployment income above the social security maximum for the age. Between 65 and 70, the reduction will be one-third of the excess, while for individuals at least age 70 and for elected officials no reduction is taken. (MN Laws 1992, Chapter 440.)
- i. Periodic repetitive leaves. Establishes a periodic, repetitive leave policy in statute covering periodic leaves of a few hours per pay period. If the program is offered by a governmental subdivision, the leave program must be offered to all employees. The leave may not exceed 280 hours per annual normal work cycle, the member must make contributions based on the average salary that would have been paid if the leave had not been taken, and the employer shall pay the employer and additional employer contributions. Interest is required at six percent per year, compounded annually from the dates that the contributions were first payable until full payment is made. (MN Laws 1992, Article 2, Chapter 432, Section 3.)
- j. Excluded employees provision clarifications. The provisions specifying employees excluded from PERA is revised by expanding the minimum salary for membership eligibility requirement to include non-elected or appointed employees, by indicating that PERA consolidation accounts consolidate with PERA rather than PERA P&F, and by clarifying the part-time student exclusion from PERA. (MN Laws 1992, Article 2, Chapter 432, Section 2.)
- k. Surviving spouse definition clarification. A surviving spouse means a spouse who was legally married to the member or disabilitant at the time of death. (MN Laws 1992, Article 2, Chapter 432, Section 4.)
- l. PERA annuitants can be a Public Employees Defined Contribution Plan participant. Retired PERA or PERA P&F members can be paid a defined benefit annuity under Chapter 353 while participating in the Public Employees Defined Contribution Plan. (MN Laws 1992, Article 2, Chapter 432, Section 5.)
- m. PERA to require exclusion reports. Rather than having employers submit payroll abstracts to PERA to review for uncovered individuals warranting coverage, PERA will require exclusion reports. (MN Laws 1992, Article 2, Chapter 432, Section 6.)
- n. Omitted salary deduction provision modification. Employees improperly excluded from coverage will pay omitted employee deductions due for the last 60 days of the omission period during which salary was earned, rather than for the last 60 days prior to membership. (MN Laws 1992, Article 2, Chapter 432, Section 7.)
- o. Omitted salary deduction for terminating employees provision modification. The omitted salary deduction for terminating employees provision is modified by limiting its applicability to cases where the employee is immediately eligible to receive benefits, by requiring the employer to pay interest on the employee contribution, and establishing a six month period for the employee to make the employee contribution. (MN Laws 1992, Article 2, Chapter 432, Section 8.)
- p. Lengthening retroactivity on elected public official annuities. An elected public official annuity can be paid retroactive for up to one year, rather than for "more than three

months" prior to the month in which a late application is filed. (MN Laws 1992, Article 2, Chapter 432, Section 9.)

- q. Modification of policy on payments to basic member former spouses in death-prior-to-retirement situations. The former spouse of a basic member will be permitted to receive a portion of a survivor benefit if stipulated in a marriage dissolution decree filed with PERA. Also, a former spouse, if there is no surviving spouse or child, can receive a lump sum payment (but not a monthly surviving spouse benefit) despite the terms of a marriage dissolution decree. (MN Laws 1992, Article 2, Chapter 432, Section 10.)
- r. Modification of surviving spouse optional annuity death benefit provision. The surviving spouse optional annuity death benefit provision is modified by permitting the former spouse of a basic member to receive a portion of a survivor benefit if stipulated in a marriage dissolution decree filed with PERA, and by permitting a former spouse, if there is no surviving spouse or child, to receive a lump sum payment (but not a monthly surviving spouse benefit) despite the terms of a marriage dissolution decree. (MN Laws 1992, Article 2, Chapter 432, Section 11.)
- s. Repayment of refund after disability has occurred. PERA will permit a repayment of a refund within six months after the effective date of disability benefits or within six months after the date of the filing of the disability application, whichever is sooner. (MN Laws 1992, Article 2, Chapter 432, Section 12.)
- t. Modification of termination of disability benefits upon reinstatement. PERA disability benefits will cease the first of the month following the reinstatement to the payroll, rather than continuing for not more than 60 days. (MN Laws 1992, Article 2, Chapter 432, Section 13.)
- u. Disability case medical review. PERA's executive director can contract with any qualified, licensed physicians to serve as PERA's medical advisor on disability cases, rather than being restricted to physicians with the Department of Health. (MN Laws 1992, Article 2, Chapter 432, Section 14.)
- v. Clarification of disability case physical review language. Physician reviews are limited to those requested by the executive director. (MN Laws 1992, Article 2, Chapter 432, Section 15.)
- w. Clarification of refund provision. For computing refund interest, if a repayment of refund has occurred and the individual later applies for another refund, the refund will be computed by applying the previous repayment to the year in which repayment occurred. (MN Laws 1992, Article 2, Chapter 432, Section 16.)
- x. Staggering of governor-appointed PERA board terms. Rather than having five terms expire in the same year, in January 1993 the governor will appoint two individuals to one-year terms which expire 1/94, one person to a three year term to expire 1/96, and two people to four-year terms which expire 1/97. Thereafter, governor-appointed trustees would serve four-year terms. (MN Laws 1992, Article 2, Chapter 432, Section 50.)

The following are PERA special law provisions:

- a. Benefit to surviving spouse, despite failure to complete forms prior to member's death. The surviving spouse of a deceased PERA member, who made a valid application for social security disability benefits, is entitled to a 100 percent joint and survivor benefit from PERA. This is the benefit the surviving spouse would receive if the member, who died on June 22, 1991, had completed and filed the application with PERA prior to death. The benefit is retroactive to July 1, 1991. (MN Laws 1992, Chapter 373, Section 1.)
- b. Purchase of service credit, construction equipment operator. A PERA coordinated member who was:
  - born on August 22, 1956,

- employed on a temporary basis by a city of the first class on June 24, 1983,
  - first eligible for membership in PERA in 1985, but who did not become a member until September 1986 because no timely employee or employer contributions were made until that time,
  - is eligible to purchase service between January 1985 and September 1986. The member must pay the employee contribution plus six percent interest. The employing unit must pay the remainder of the full actuarial value of the service credit purchase. (MN Laws 1992, Chapter 598, Article 4, Section 1, Subdivisions 1 to 5.)
- c. PERA member on sick leave, eligibility for a refund. A Hennepin County employee born on December 23, 1950, who is on a sick leave of absence first reported to the PERA on June 19, 1991, may immediately elect a refund. Service credit accrual terminates one year from the beginning of the sick leave or on the date of the refund, whichever is earlier. (MN Laws 1992, Chapter 598, Article 4, Section 2.)
  - d. Definition of appointed public officer added to prior special law. A special law provision (Laws 1990, Chapter 570, Article 8, Section 14, Subdivision 1, as amended by Laws 1991, Chapter 29, Section 1, Subdivision 1) permitting certain elected or appointed officials to purchase service credit in PERA General is amended by adding a definition of appointed public officer. An appointed public officer is a person who holds an appointed position that was previously an elected position during the person's incumbency.
2. PERA Police and Fire (PERA P&F)
    - a. PERA P&F coverage terminates upon assuming elected or appointed position. A PERA P&F member who is elected or assumes an appointed position including, but not limited to, city council member, city manager, or finance director, is not eligible to retain PERA P&F membership. (MN Laws 1992, Article 2, Chapter 432, Section 17.)
    - b. Clarification regarding relief association consolidations. Various PERA P&F provisions are revised to indicate that relief associations consolidate with PERA, not PERA P&F. (MN Laws 1992, Article 2, Chapter 432, Sections 18, 23, 25, 27, 30, 33, and 34.)
    - c. Termination of disability payments upon reinstatement. PERA P&F disability benefits must cease the first of the month following reinstatement to a position covered by the PERA P&F plan. (MN Laws 1992, Article 2, Chapter 432, Section 19.)
    - d. Modification of policy on payments to PERA P&F member former spouses in death-prior-to-retirement situations. PERA P&F survivor benefit death-before-retirement provision is modified by permitting the former spouse to receive a portion of a survivor benefit if stipulated in a marriage dissolution decree filed with PERA, and by permitting a former spouse, if there is no surviving spouse or child, to receive a lump sum payment (but not a monthly surviving spouse benefit) despite the terms of a marriage dissolution decree. (MN Laws 1992, Article 2, Chapter 432, Section 20.)
    - e. Part-time salary survivor benefit. PERA P&F's survivor benefit death-before-retirement provision is modified by stating that the survivor benefit will be based on part-time salary if the member was a part-time employee, unless the member's status changed from full-time to part-time due to health reasons during the last year of employment. (MN Laws 1992, Article 2, Chapter 432, Section 21.)
    - f. Modification of policy on payments to PERA P&F member former spouses in death-while-eligible-to retire situations. PERA P&F's death-while-eligible survivor benefit provision is modified by permitting the former spouse of the member to receive a portion of a survivor benefit if stipulated in a marriage dissolution decree filed with PERA, and by permitting a former spouse, if there is no surviving spouse or child, to receive a lump sum payment (but not a monthly surviving spouse benefit) despite the terms of a marriage dissolution decree. (MN Laws 1992, Article 2, Chapter 432, Section 22.)

- g. Deferred annuities language clarification. In a scope and application provision, deferred annuities language is clarified for PERA P&F members. (MN Laws 1992, Article 2, Chapter 432, Section 24.)
- h. Repeal of disability option after age 55. An obsolete provision (Section 353.656, Subdivision 7) which permits PERA P&F members over age 55 who become disabled, and who have five to nine years of service, to elect retirement benefits rather than disability benefits, is repealed. (MN Laws 1992, Chapter 432, Article 2, Section 51.)

The following are special law benefit-related provisions:

- a. Purchase of service credit, Eveleth firefighter. An Eveleth firefighter who was born on June 5, 1935, and was first employed as an Eveleth firefighter on August 20, 1970, is entitled to purchase service credit in PERA P&F for a period of 23 months which was originally covered by the Eveleth Fire Relief Association but for which the individual did not receive service credit when the relief association consolidated with PERA. The individual must pay the remainder of the full actuarial value above the contributions (with imputed interest) already made. (MN Laws 1992, Chapter 598, Article 4, Section 1, Subdivision 6.)
- b. Purchase of service credit, Stillwater Fire Chief. The fire chief of the city of Stillwater, who was born on February 7, 1944 is entitled to purchase five months of service during 1965 during which no employee or employer contributions were made to PERA P&F. The individual must pay full actuarial value, with an option for the city to pay the remainder of the full actuarial value above employee contributions plus six percent interest. (MN Laws 1992, Chapter 598, Article 4, Section 1, subdivisions 7 and 8.)

### 3. PERA Consolidation Accounts

- a. Amortization and supplemental amortization aid ended for fully funded plans. Amortization and supplemental amortization aid for the consolidated police or paid fire relief association in the municipality is ended if the relief association no longer has an unfunded liability. Once the aid is stopped, it can not be resumed if the consolidation account has an unfunded liability in some future year. (MN Laws 1992, Chapter 437, Section 1, Subdivision 2.)
- b. Modifications to consolidation preliminary procedures. PERA will not review relief association records during the preliminary steps of consolidations, and PERA will notify the chief administrative officer of the municipality and the relief association, after actuarial work is received and SBI has reviewed and reported on the relief association assets, that preliminary actions for consolidation are completed. (MN Laws 1992, Article 2, Chapter 432, Section 28.)
- c. Modifications to consolidation finalization procedures. Procedures for the finalization of consolidations are changed as follows:
  - upon final municipal approval, the chief administrative officer of the municipality will notify the relief association, SBI, the LCPR, the commissioner of finance, the secretary of state, and the state auditor;
  - the PERA Board will set a date for consolidation at its next meeting; and
  - the relief association and the municipality will provide PERA with membership data and all other necessary information and records needed to administer the consolidation account. (MN Laws 1992, Article 2, Chapter 432, Section 29.)
- d. Consolidation account purchase of military service credit. Active members of consolidating relief associations who do not elect PERA P&F coverage at the time of consolidation, and who would be eligible under the local plan for automatic retirement system service credit for military service, must follow PERA procedures to purchase that military service credit. If the individual later elects to have local plan benefits, the employee will receive a refund of contributions plus six percent interest, while the employer will receive a refund of employer contributions. (MN Laws 1992, Article 2, Chapter 432, Section 32.)
- e. Consolidation account final assets. If a consolidation account no longer has any current or future liabilities, the remaining balance is transferred to the municipality to be used for police or fire purposes. (MN Laws 1992, Article 2, Chapter 432, Section 35.)



- f. Correction of prior enactment. A drafting error is corrected in a consolidation provision which holds the municipality and prior relief association officials responsible for fiduciary breaches occurring prior to PERA administration of the account. (MN Laws 1992, Chapter 598, Article 7.)
4. PERA Public Employees Defined Contribution Plan
- a. Guaranteed Return Account renamed, and permitted forms of investment broadened. The guaranteed return account is renamed the fixed interest account. In addition to the existing authority to invest in guaranteed investment contracts issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency, SBI is granted authorization to invest in:
    - alternative guaranteed investment contracts if the underlying assets comply with the requirements of Section 11A.24, SBI's authorized investment provision; and
    - other unspecified debt obligations. (MN Laws 1992, Chapter 539, Sections 3, 4, 5, 9, and 11.)
  - b. Administrative charge maximums. In addition to a charge of one-tenth of one percent of plan assets, the executive director of PERA can make an additional assessment of up to two percent of employer and employee contributions. (MN Laws 1992, Chapter 539, Sections 6,7, and 14.)
  - c. Eligibility provision clarifications. Elected local government officials are eligible for the defined contribution plan if they are not a member of PERA General due to the elected government service, and a former participant of the public employees defined contribution plan is defined as a person who has ceased to be an elected local government official or an emergency medical service employee and who has not withdrawn the value of his or her account. (MN Laws 1992, Chapter 432, Article, Section 36.)
  - d. Investment options not changeable following death of member. No change in investment options is permitted following the death of the participant or former participant. (MN Laws 1992, Chapter 432, Article, Section 40.)
  - e. Increase in administrative expense deduction. PERA can deduct up to three percent of contributions to cover administrative expenses, rather than two percent. (MN Laws 1992, Chapter 432, Article, Section 41.)
  - f. Clarification of lump-sum withdrawal date. Clarifies that the benefit is payable in a lump sum at the date of withdrawal, rather than the date of retirement, since the withdrawal date could be different than the date of retirement. (MN Laws 1992, Chapter 432, Article, Sections 42 and 43.)
  - g. Clarification of contribution provision. Provides that local elected government officials may make contributions for past elected service although eligibility criteria for the PERA General defined benefit plan were not met at the time service was rendered. (MN Laws 1992, Chapter 432, Article, Section 44.)
  - h. Contributions permitted from elected official after leaving office. Contributions from prior elected officials are permitted prior to the end of the tax year in which the elected official ceases to hold office. (MN Laws 1992, Chapter 432, Article, Section 44.)

The following is a special law provision:

- i. Revoking participation, Shorewood council members. Shorewood council members may revoke participation in the PERA Defined Contribution Plan by January 1, 1994. Employee contributions will be returned to the council members, with the remainder of the account becoming the property of the association. (MN Laws 1992, Chapter 598, Article 4, Section 4.)

C. Teachers Retirement Association (TRA)

All TRA provisions relate to interest rate increases on leaves, refund repayments, and omitted or deficient contributions.

- a. Increase in interest rate on extended leaves of absence. Effective May 1, 1994, the interest rate on extended leaves of absence contributions received after June 30th will increase from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Section 1.)
  - b. Increase in interest rate on deficient employee contributions on professional teacher organization elected officer leaves of absence. Effective May 1, 1994, the interest rate on deficient employee contributions on professional teacher organization elected officer leaves of absence will increase from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Section 2.)
  - c. Increase in interest rate on repayment of refunds. Effective May 1, 1994, the interest rate on repayment of refunds increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Section 3.)
  - d. Increase in interest rate on purchase of certain pre-1953 non-covered service. Effective May 1, 1994, a provision permitting individuals to purchase service credit for certain pre-1953 service not covered by TRA or another plan is amended to require 8.5 percent interest rather than six percent interest. (MN Laws 1992, Chapter 598, Article 3, Section 4.)
  - e. Increase in deficient contribution interest rate. Effective May 1, 1994, the interest rate on deficient contributions increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Section 5.)
  - f. Increase in deficient contribution interest rate. Effective May 1, 1994, the interest rate on deficient contributions or delinquent transmittal of contributions by the employer increases from six percent to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Sections 5 and 6.)
  - g. Increase in interest rate on purchases of military service credit. Effective May 1, 1994, the interest rate on purchases of military service credit increases from six to 8.5 percent. (MN Laws 1992, Chapter 598, Article 3, Section 7.)
- D. State University and Community Colleges Individual Retirement Account Plan (IRAP)
- a. Guaranteed Return Account renamed, and permitted forms of investment broadened. The guaranteed return account, a possible investment selection within the supplemental investment fund option, is renamed the fixed interest account. In addition to the existing authority to invest in guaranteed investment contracts issued by insurance companies or banks rated in the top four quality categories by a nationally recognized rating agency, SBI can also purchase:
    - alternative guaranteed investment contracts if the underlying assets comply with the requirements of Section 11A.24, SBI's authorized investment provision; and
    - other unspecified debt obligations. (MN Laws 1992, Chapter 539, Sections 3, 4, 5, 9, 15, and 16.)
  - b. Pre-July 1, 1989 hiree IRAP member employer contribution transfer. IRAP members first hired by the state university or community college system after June 30, 1988 and before July 1, 1991, with less than three years of prior coverage by the Teachers Retirement Association, may transfer to IRAP prior employer contributions plus six percent interest. (MN Laws 1992, Chapter 420.)
  - c. IRAP faculty is included in extended leaves of absence provision. The definition of "teacher" for purposes of extended leaves of absence is expanded to include IRAP-covered instructors and administrators at state university or community colleges. (MN Laws 1992, Chapter 446, Section 1.)
  - d. Certain administrators and staff given choice between IRAP or MSRS Unclassified Plan. Individuals in the following positions, otherwise covered by the MSRS Unclassified Plan, are given an option to select IRAP coverage as an alternative:

- the Executive Director, Associate Director, and other positions of the Higher Education Coordinating Board;
  - state technical college board administrative staff; and
  - the state university chancellor, university presidents, and unclassified managerial employees in the state university system. (MN Laws 1992, Chapter 446, Sections 3 to 15.)
- e. Adjustments in member and employer contribution rates for certain employees. For IRAP members who would otherwise be in TRA, the employee and employer contributions will match the TRA plan; and for IRAP members who would otherwise be in the MSRS Unclassified Plan, the employee and employer contribution rates will match the MSRS Unclassified Plan rates. (MN Laws 446, Sections 15 and 16.)
- E. Minneapolis Employees Retirement Fund (MERF)
- a. Amortization of investment expenses. Rather than currently paying the full investment-related administrative expenses of the deposit accumulation fund, these expenses will be amortized through June 30, 2020. (MN Laws 1992, Chapter 480, Section 1.)
  - b. Crediting interest to member and employer accounts. Investment earnings are allocated to employee and employer accounts by crediting each with five percent interest based on average quarterly balances in each account. Any losses or remaining undistributed excess earnings attributable to the employer accounts will be distributed to the employer accounts in proportion to the average quarterly balances. Losses or excess earnings on employee contributions will be allocated to the employer accounts in proportion to the number of covered employees by each employer. If investment earnings are not sufficient to allocate five percent interest to all accounts, the employee accounts must be credited first. If there are insufficient current earnings to cover the five percent interest credit to the employee accounts, the deficiency will be charged against the employer accounts. (MN Laws 1992, Chapter 480, Section 2.)
  - c. No benefits to accrue prior to application. No disability or retirement benefit is payable for any period prior to the date of application. Also, language giving the MERF board up to 60 days to approve an application and compute the benefit is repealed. (MN Laws 1992, Chapter 480, Sections 3 and 6.)
  - d. Remarriage penalty ended. MERF survivor benefits do not terminate upon remarriage. (MN Laws 1992, Chapter 480, Section 6.)
  - e. Peace officers and firefighters covered by MERF receive the higher of MERF or PERA P&F benefits. Licensed peace officers and firefighters employed by the Metropolitan Airports Commission who have MERF coverage will receive retirement, disability, or survivor benefits computed under the MERF plan provisions or PERA P&F plan provisions, whichever produces the higher benefit. (MN Laws 1992, Chapter 596, Section 6.)
  - f. Broadened authority to name beneficiaries. Members can name anyone, not just someone with an insurable interest in the benefit recipient's life, as the beneficiary under an optional annuity. (MN Laws 1992, Chapter 480, Section 4.)
- F. First Class City Teacher Plans

The first two items impact first class city teacher plan funding:

- a. Additional employer contribution rates established. For the coordinated plans, separate regular and additional employer contributions are established. For the Duluth plan the total funding does not change. The existing employer contribution is split between a 4.5 percent regular contribution and a 1.29 percent additional employer contribution. For the Saint Paul and Minneapolis plans, the current 4.50 percent employer contribution will be termed the regular employer contribution and after July 1, 1993 an additional employer contribution of 1.0 percent will be made.

For the Minneapolis and Saint Paul basic programs, the current employer contribution will be split between a regular and an additional employer contribution, without changing the

combined total rate. For the Minneapolis plan the regular contribution will be 8.5 percent and the additional contribution will be 4.85 percent. For the Saint Paul plan the regular employer contribution will be 8.0 percent, while the additional contribution will be 4.63 percent.

In addition, when a basic member of the Minneapolis or Saint Paul plan retires after July 1, 1993, the employing unit will continue to make an additional employer contribution at the rates indicated above. The total amount of these contributions will be determined by multiplying the appropriate additional employer contribution percentage by the average salary of the employing unit's basic members.

By January 1st of each year, the directors of each first class city teacher fund must report on the adequacy of contributions to the LCPR and to the chairs of the Finance and Appropriations Committees. Annually, until January 1, 1997, the Superintendents of the Minneapolis and Saint Paul school districts will report to the various education committees and divisions on the need for additional education revenue due to the increase in the total required employer contributions to the retirement funds. The education committees and divisions will then draft legislation regarding the increased revenue needs. (MN Laws 1992, Chapter 598, Article 5.)

- b. Committee to recommended MTRFA funding method. An advisory committee is created to study an unfunded liability problem of the MTRFA and make recommendations to the LCPR by February 1, 1993. The committee will consider possible used of Minneapolis Convention Center sales taxes and other options and sources of funding. The committee will include the mayor of Minneapolis, a House and Senate member representing Minneapolis, a school board representative, a representative of the city council, the President of the Minneapolis Federation of Teachers, a current Minneapolis teacher, the Executive Director of the MTRFA, a MTRFA board member or a MTRFA retiree, and the Commissioner of Finance or a designee. The legislative members are co-chairs.

Other issues are:

- c. Duluth Teachers Retirement Fund Association (DTRFA) post-retirement adjustment. The DTRFA is authorized to pay a post-retirement adjustment to coordinated and basic annuitants and survivors based on a distribution of up to one percent of the current assets of the fund. The years of service and years of benefit receipt for all recipients are to be totaled. Each benefit recipient will receive a portion of the total assets based on the total years of service and benefit receipt of that individual relative to the total. The distribution may be paid as a lump sum or annuitized, at the discretion of the recipient. Previous post retirement adjustment laws which were similar but which permitted the distribution only if the fund earned at least a six percent realized return are repealed. (MN Laws 1992, Chapter 403.)
- d. Clarification of allowable service, basic member, coordinated member, and coordinated service definitions. Language is clarified in the definitions of allowable service, basic member, coordinated member, and coordinated service definitions. (MN Laws 1992, Article 6, Sections 1, 2, 3, and 4..)
- e. Modifications to the designated beneficiary provision. Clarifies that designated beneficiaries can be named by retirees; indicates that beneficiaries are entitled to permitted benefits under Chapter 354A; and beneficiary designation must be made on appropriate forms, properly completed, and filed before the death of the retiree or member. (MN Laws 1992, Article 6, Section 5.)
- f. Clarification of member definition. Clarifies that members are engaged in teaching service covered under the respective fund and making required contributions, and notes that individuals in deferred status are members. (MN Laws 1992, Chapter 598, Article 6, Section 6.)
- g. Clarification of retirement definition. Clarifies that the laws and by-laws governing an individual's rights under the plan are those in effect when the individual left service, rather than those in effect when the individual retires. (MN Laws 1992, Chapter 598, Article 6, Section 7.)
- h. Clarification of salary definition. The salary definition is clarified to indicate that salary, for retirement purposes, means the entire compensation of the individual from teaching service. (MN Laws 1992, Chapter 598, Article 6, Section 8.)

- i. Clarification of spouse definition. Deletes the requirement that the spouse must be living with the member immediately prior to death. (MN Laws 1992, Chapter 598, Article 6, Section 9.)
- j. Clarification of teacher definition. Broadens membership to part-time employees and deletes obsolete Comprehensive Employment and Training Act (CETA) references (MN Laws 1992, Chapter 598, Article 6, Section 10.)
- k. Clarification of fiduciary obligations and authorized investments. Chapter 356 added to list of laws guiding fiduciary conduct; acquisition by gift deleted from authorized investment provision. (MN Laws 1992, Chapter 598, Article 6, Sections 11 and 13.)
- l. Contribution requirements and interest period changes in medical leaves of absence. For medical leaves of absence contributions will be based on the member's full-time monthly salary when the leave begins, and will be charged from the end of the fiscal year during which the leave terminates to the end of the month in which payment is made, rather than from the midpoint of the leave. (MN Laws 1992, Chapter 598, Article 6, Section 14.)
- m. Less reduction in annuities for reemployed annuitants. The reduction in annuity payments for reemployed annuitants who exceed the maximum earned income permitted under the Social Security system for the given age is reduced from one-half to one-third. This applies to coordinated and basic members. (MN Laws 1992, Chapter 598, Article 6, Sections 15 and 18.)
- n. Disabilitants able to select optional annuities. The prohibition against disabilitants selecting an optional annuity prior to normal retirement age is deleted. (MN Laws 1992, Chapter 598, Article 6, Section 16.)
- o. Increase in interest rate on refund repayments. The interest rate on repayment of refunds increases from six to 8.5 percent on May 1, 1994. (MN Laws 1992, Chapter 598, Article 6, Section 17.)
- p. Repealer. The definition of academic year, and two obsolete disability and survivor benefit provisions are repealed. (MN Laws 1992, Chapter 598, Article 6, Section 21.)

The following three items apply only to the Minneapolis Teachers Retirement Fund Association (MTRFA).

- q. MTRFA exclusion of prior uncredited reserve teacher service; mandatory inclusion of future service. Unless service credit has already been granted, no reserve teacher is eligible to receive service credit for any period prior to July 1, 1988 for which contributions were not made. After July 1, 1992, any reserve teacher providing service to the Minneapolis school district and meeting other requirements for membership must become a member of the fund. (MN Laws 1992, Chapter 598, Article 6, Section 19.)
- r. Reimbursing Minneapolis school district for a portion of omitted contributions. Laws 1991, Chapter 317, Section 3 and 6 held the Minneapolis school district liable for omitted employee and employer contributions plus interest on salary earned after June 30, 1988. Deficiencies were certified to the Commissioner of Finance and the amount was withheld from school aids and transmitted to MTRFA. The current law (MN Laws 1992, Chapter 598, Article 6, Section 20) partially reverses this earlier law by charging the teachers for a portion of the cost and partially reimbursing the school district for amounts that were withheld by the Department of Finance. The school district can deduct from future employer contributions to MTRFA an amount equivalent to the full value of omitted employee contributions. Teachers are to be notified of the omitted employee contributions, and the teacher will be required to pay by lump sum or payroll deduction the omitted employee contribution without interest. If proper payment is not made, the individual forfeits any right to service credit for the omitted contribution period. (MN Laws 1992, Chapter 598, Article 6, Section 20.)
- s. MTRFA Basic Plan, changes in disability provisions. The MTRFA is authorized to amend its articles of incorporation to change disability provisions as follows:
  - the definition of disability is changed from inability to render teaching service within the Minneapolis school system to an inability to engage in any gainful activity;

- disability benefits accrue from the later of 90 days from the onset of the disability or the first of the month after the application has been filed;
- basic member disabilitants must submit to regular medical examines, as required for coordinated members;
- if the total income of a disabilitant from earned income and disability payments exceed the teacher's income as a teacher, the disability payments must be reduced to eliminate the excess; and
- disabilitants must transfer to retirement status at normal retirement age. (MN Laws 1992, Chapter 598, Article 6, Section 21.)

G. Local Police and Paid Fire Relief Associations

The following are benefit-related provisions applying to specific police and paid fire relief associations:

- a. Austin fire board per diem charges, medical insurance premium benefits, and actuarial assumption changes. The Austin fire relief association may amend its bylaws to pay board members \$35 dollars per meeting. The fire relief association is authorized to pay a medical insurance benefit to pension recipients equal to the amount paid by the city to an active firefighter with no dependents. This medical benefit is not subject to any post retirement adjustments. The pre-retirement and post-retirement interest assumption is increased from five to six percent, and the salary increase assumption is increased from 3.5 to four percent. (MN Laws 1992, Chapter 455.)
- b. Minneapolis fire benefit increase for pre-June 15, 1980 retirees. Members who retired before June 15, 1980 with the maximum service credit permitted under the terms of the plan at that time will receive a pension of 41 units. (MN Laws 1992, Chapter 429.)
- c. Minneapolis police and fire survivor benefit increases. Providing the Minneapolis police and fire relief associations achieve certain minimum funding ratios, survivor benefit increases will be phased in. For the police relief association, the surviving spouse benefit for a deceased active member or disabilitant will increase from 18 to 21 units per month. The family maximum will increase from 32 to 35 units. For the fire relief association, the surviving spouse benefit for deceased active, disabled, deferred, or retired members will increase from 21 to 22 units per month, while the family maximum will increase from 40 to 41 units. (MN Laws 1992, Chapter 454.)
- d. Nashwauk police re-marriage penalty repealed, and escalator established for surviving spouses. The re-marriage penalty for surviving spouses receiving benefits from the Nashwauk police relief association is ended, but without retroactivity, and the city council is authorized to escalate surviving spouse pensions by the change in the consumer price index, capped at five percent. (MN Laws 1992, Chapter 428.)
- e. Saint Paul fire redefinition of unit. A unit is redefined as the one-eightieth of the maximum monthly salary of a first grade firefighter at the current time, rather than being based on the salary on February 1st of the current year. (MN Laws 1992, Chapter 563, Section 3.)
- f. Saint Paul fire pre-July 1, 1973 retiree benefit increase. Pre-July 1973 service pensioners will receive an additional unit per month for each year of active service over twenty years, but not to exceed 35 years, and subject to a maximum benefit of 40 units per month. (MN Laws 1992, Chapter 563, Section 4.)
- g. Saint Paul fire benefit to an ex-spouse. The former spouse of a deceased retired Saint Paul firefighter who married the former spouse on September 7, 1946, who retired June 1, 1972, and who was living with the former spouse at the time of death in October of 1976 is entitled to a surviving spouse benefit. (MN Laws 1992, Chapter 422.)
- h. Saint Paul police pre-June 1, 1971 disabilitant and retiree benefit increase. Pre-June 1971 disabilitants and service pensioners will receive an additional unit per month for each year of active service over twenty years, subject to a maximum benefit of 50 units per month. (MN Laws 1992, Chapter 563, Section 1 and 2.)

- i. Saint Paul police change in monthly benefit payment date. The day after initial entitlement to a service, disability, or survivor benefit, payment will be made for the balance of the month. Thereafter, benefits are payable on the 20th day of each month. (MN Laws 1992, Chapter 586, Section 1.)
- j. St. Paul Police Relief Association, permitting retirees, disabilitants, and surviving spouses to vote on relief association issues. Retirees, disabilitants, and surviving spouses are authorized to serve on the relief association board, to elect board members, and to vote of relief association matters in general and special meetings. For a motion to pass at a general or special meeting, the motion must be approved by a majority of active members; and a majority of retirees, disabilitants, and surviving spouses. (MN Laws 1992, Chapter 393.)
- k. Saint Paul police and fire prohibition on retirement benefit reductions. Service pensions or retirement benefits from the Saint Paul Fire or Saint Paul Police Relief Associations may not be reduced. (MN Laws 1992, Chapter 563, Section 5.)
- l. Thief River Falls police trust fund benefit increase. Retiree and surviving spouse benefits paid by the Thief River Falls police trust fund are increased by \$25 per month retroactive to January 1, 1992. (MN Laws 1992, Chapter 431.)
- m. Virginia fire automatic escalation of survivor benefits. The benefit for surviving spouses will escalate by the same annual percentage as the salary increase received by a first class firefighter during the preceding calendar year, capped at 3.5 percent. (MN Laws 1992, Chapter 465.)
- n. Virginia police pension benefit escalator. Benefits paid by the Virginia Police Relief Association to pensioners, deferred pensioners, survivors, and dependents will increase annually by the average percentage pay increase of all active members who continue to hold the same rank. This changes the benefit escalator for those groups that had one, and implements one for those groups that did not have one. (MN Laws 1992, Chapter 392.)

The following items impact police and paid fire amortization aid:

- o. Resetting of supplemental aid base year. The distribution of supplemental amortization aid will be based on the relative unfunded liability as reported in the December 31, 1983 valuation rather than the most recent valuation. (MN Laws 1992, Chapter 511, Article 4, Section 23.)
- p. Amortization and supplemental amortization aid ended for fully funded plans. Amortization and supplemental amortization aid for the police or paid fire relief association in the municipality is ended if the relief association no longer has an unfunded liability. If the relief association again shows an unfunded liability in some future year, aid will not be resumed. (MN Laws 1992, Chapter 437, Section 1.)
- q. Amortization aid decrease for Minneapolis police and fire relief associations. Given excess investment earnings, the aid otherwise apportioned to Minneapolis is decreased by \$2,020,000. (MN Laws 1992, Chapter 513, Article 4, Section 20.)

The following is an administrative recodification of existing pension laws for the Minneapolis Police Relief Association:

- r. Minneapolis Police recodification. The special laws of the Minneapolis Police Relief Association are recodified. Includes section indicating there is no intent to impact the benefits of current or future retirees. (MN Laws 1992, Chapter 471, Articles 1 and 2.)

The following is an administrative provision applying to the Duluth Fire Relief Association and the Duluth Police Consolidation Account.

- s. Duluth Combined Consolidation Account. If the Duluth Fire Relief Association consolidates into PERA, the PERA will establish a joint Duluth police and fire consolidation account, handling all injections and disbursements for both consolidated plans. (MN Laws 1992, Chapter 448.)

The following impacts police pension tax aids:

- t. Self-insurers to contribute to police pension tax aid. Self-insurers must pay \$15 per year for each passenger car or utility vehicle and \$25 per year for each taxi to the commissioner of revenue. The amount collected is added to the automobile insurance tax aid used to finance police pensions. (MN Laws 1992, Chapter 487, Sections 1, 2, and 3; MN Laws 1992, Chapter 511, Article 6, Section 2; and MN Laws 1992, Chapter 511, Article 9, Section 2 and 3.)
  - u. Metropolitan Airports Commission included in tax aid distribution with respect to MERF-covered police and firefighters. The Metropolitan Airports Commission will share in the distribution of the aids derived from fire, lightning, and sprinkler damage insurance relating to its MERF-covered firefighters and will share in the distribution of aid derived from the auto insurance premium tax relating to its MERF-covered police officers. (MN Laws 1992, Chapter 596, Sections 1 to 5.)
- H. Volunteer Fire Relief Associations
- a. Lump-sum supplemental retirement benefit appropriation. The Department of Revenue is appropriated \$395,000 for state reimbursement during 1992 for supplemental retirement benefits paid to volunteer firefighters by their relief associations during 1991. (MN Laws 1992, Chapter 530, Section 4.)
  - b. Falcon Heights volunteer fire unreduced service pensions. The Falcon Heights volunteer fire relief association is permitted to pay service pensions without reductions to individuals with less than 20 years service as otherwise required by the nonforfeitable-portion-of-service-pension provision, Section 424A.02, subdivision 2. (MN Laws 1992, Chapter 372.)

## **II. General Provisions**

The following item applies to Minnesota public employers having employees eligible for 403(b) plans:

- a. Public financing of premiums for 403(b) annuity contracts. Public employers may contribute an applicable portion of the premium on a 403(b) tax sheltered annuity contract if provided for in a personnel policy or through collective bargaining. The contracts must be purchased from licensed insurance companies within the top two quality ratings of nationally recognized rating firms, and determined by the State Board of Investment to have competitive options and investment returns. (MN Laws 1992, Chapter 487, Section 4.)

The following provisions apply to members of all plans included in the combined service annuity provision (Section 356.30).

- b. Augmentation under combined service annuities provision. Benefits under the combined service annuity provision (Section 356.30) will be augmented under each plan after the date of the last public service. (MN Laws 1992, Chapter 432, Article 2, Section 45.)
- c. Clarification of service credit under combined service disability benefit provision. Under the combined service disability provision (Section 356.302), a person who is entitled to a minimum disability benefit payable from one public pension plan will receive additional service credit in another covered pension plan for only those years that, when added to the years of service in the plan that is paying the minimum benefit, exceed the number of years required for the minimum benefit. (MN Laws 1992, Chapter 432, Article 2, Section 46.)
- d. Clarification of service credit under combined service survivor benefit provision. Under the combined service survivor benefit provision (Section 356.303), a person that was entitled to a minimum survivor benefit payable from one public pension plan will receive additional service credit in another covered pension plan for only those years that, when added to the years of service in the plan that is paying the minimum benefit, exceed the number of years required for the minimum benefit. (MN Laws 1992, Chapter 432, Article 2, Section 47.)
- e. Wrongful discharge service credit award. A person determined through binding arbitration or by a court to have been wrongfully discharged, and who is awarded back pay but without any amount for lost or interrupted public pension coverage, is entitled to purchase service credit. The employee contribution is based on the applicable employee contribution rates for the plan for the relevant period and the award amount, plus any unemployment compensation, workers' compensation, or wages which reduced the award. The employer must pay the applicable employer share plus 8.5 percent interest on the employee and employer shares. (MN Laws 1992, Chapter 443, Section 2 and 3).



The following item applies to all plans with members who participate in the Minnesota Post Retirement Investment Fund, or have individuals whose benefits are indexed to that fund. The item also applies to MERF, because MERF by law must follow an identical procedure for generating post-retirement increases:

- f. Change in determination of Minnesota Post Retirement Investment Fund adjustments. Post retirement increases payable on January 1, 1993 will be determined under the current system, where increases are based on realized investment gains above five percent. Starting with the January 1, 1994 adjustment, post-retirement increases will be determined by three components. The first is:
  - an inflation component. Annuitants will receive an inflation adjustment matching changes in the consumer price index up to 3.5 percent.

In addition to the inflation component, annuitants will receive an investment-based adjustment or (through 1997) a transitional adjustment, whichever is greater:
  - an investment-based adjustment. The investment-based adjustment is determined from a form of five year averaging of the total required reserves above the five percent actuarial requirement and the additional actuarial reserves needed to cover the inflation component. Assets in excess of the required reserves which result from investment-based increases in the total market value of the fund will be called "excess market value." This excess market value will be allocated equally over five year periods. Each year, the excess market values (positive or negative) allocated to that year will be expressed as a percentage of the total eligible required reserves and, if positive, will be certified as an investment based-percentage increase in annuities.
  - a temporary transition component. Because it will take five years for the investment-based adjustment to be fully operational, an additional increase may be received annually on January 1st, from 1994 to 1997. This adjustment is 1.00 percent the first year, .75 percent the second year, .50 percent the third year, and .25 percent the fourth year. If payable, this adjustment will be added to the inflation component adjustment. (MN Laws 1992, Chapter 530, Sections 1 and 2.)
- g. Required State Board of Investment report on post retirement increases. Before January 1st of each year, the State Board of Investment must report to the Legislative Commission on Pensions and Retirement and the House and Senate Government Operations Committees on the investment performance, investment activities, and post Retirement adjustment calculations. (MN Laws 1992, Chapter 530, Section 3.)
- h. Guaranteed investment contracts. The guaranteed return account of the supplemental investment fund is renamed the fixed interest account, and the authorized investments are broadened to include debt obligations in addition to guaranteed investment contracts. (MN Laws 1992, Chapter 539, Sections 3,4,5, and 11.)
- i. Supplemental Fund administrative charges. SBI will deduct an administrative charge of one-tenth of one percent from the investment earnings in each supplemental fund account. (MN Laws 1992, Chapter 539, Sections 6 and 7.)
- j. Interest charges on actuarial gains and losses. Interest charges or credits between SBI and Retirement plans on fund transfers, made after December 31, required due to post retirement fund mortality gains and losses will be at the pre-retirement interest assumption for the participating plan, rather than at the average short-term rate earned by the postretirement investment fund. (MN Laws 1992, Chapter 539, Section 8.)

The following two items impact SBI's investment authority. As a result, these changes also impact all other plans subject to the same statutory provision (MERF, police and paid fire plans, and many volunteer plans.)

- k. Deposit notes added to SBI investment authority, and authorization is broadened for guaranteed investment contracts. Deposit notes are explicitly added as an acceptable investment for SBI, and authority is granted for SBI to invest in alternative guaranteed investment contracts providing that the underlying assets comply with requirements of Section 11A.24. (MN Laws 1992, Chapter 539, Section 9.)

- l. Low-grade bonds removed from SBI investment authority. SBI is no longer authorized to invest in debt obligations ranked below the top four quality categories by nationally recognized rating agencies. (MN Laws 1992, Chapter 592, Section 2.)

The following provision applies to the Legislators Plan, the Elected State Officers Plan, State Troopers, PERA, PERA P&F, many PERA consolidation accounts, TRA, first class city teacher plans, and the Chisholm and Hibbing plans that have since consolidated.

- m. Retroactivity added to the elimination of the remarriage penalty. The elimination of the remarriage penalty by legislation in 1991 for the Legislators Plan, the Elected State Officers Plan, State Troopers, PERA, PERA P&F, many PERA Consolidation accounts, TRA, and the first class city teacher plans, is made retroactive to permit the resumption of benefits to anyone who had benefits terminated under prior law. Retroactive payment is permitted back to July 1, 1991, the effective date of the remarriage penalty termination, or one year prior to receipt of an application for benefits, whichever is earlier. (MN Laws 1992, Chapter 432, Article 2, Section 49.)

The following item applies to all systems with coordinated plans.

- n. Study required of gaps in coordinated member survivor coverage. The Legislative Commission on Pensions and Retirement will review pension plans for gaps in survivor coverage under coordinated plans and propose any needed legislation before January 4, 1993. The information must be provided to the chairs of the government operations committees, the appropriations committee, and the finance committee. (MN Laws 1992, Chapter 373, Section 2.)

### **III. Retirement Insurance and Early Retirement Incentives**

The first two items relate to the Public Employees Insurance Plan (PEIP) or to pooling of active members and retirees for establishing premiums and coverage.

- a. Public Employees Insurance Plan (PEIP) revisions. The Commissioner of the Department of Employee Relations and the labor-management committee will monitor the economic feasibility of offering insurance to retirees and their dependents from eligible employers who do not participate in the plan. (MN Laws 1992, Chapter 491, Section 2.) For former employees of employers who do participate in the plan, the continuation of coverage provision is changed by deleting the requirement that the annuitant be at least 55 years of age to be eligible, by deleting the requirement of Medicare eligibility, and by clearly permitting coverage of the former employee's dependents. Eligibility of the spouse of a deceased former employee terminates if the former employee's group terminates from the plan. (MN Laws 1992, Chapter 491, Section 3.)
- b. Pre-age 65 state and local government retirees and disabilitants to be pooled with active members for healthcare premiums and coverage. Prior to age 65, retired employees and dependents must be pooled with active employees in establishing premiums and coverage for hospital, dental, and medical insurance. (MN Laws 1992, Chapter 488, Sections 1 and 3.)

The following item provides paid health care to certain newly retiring public employees. The language in the appropriations bill (Laws 1992, Chapter 513, Article 6, Sections 58 and 59) and the education bill (MN Laws 1992, Chapter 499, Article 7, Section 12 and 13) is very similar. The education bill adds language permitting the school district to levy an amount to cover the cost of this program, up to a maximum levy of \$300,000.

- c. Paid medical benefits for certain newly retiring public employees. State employees, or employees of the state university system, community college system, higher education board, MSRS, TRA, or PERA are eligible for state-paid hospital, medical, and dental benefits for individuals who:
  - are eligible for employer-paid insurance under collective bargaining agreements or personnel plans;

- have at least 25 years of state civil service, or 25 years of service as an employee of MSRS, TRA, or PERA or has at least 25 years of service in the public pension plan that the individual is a member of on the day before retirement;
- is at least 55 but less than age 65;
- retires on or after July 1, 1992 and before October 1, 1992.

The individuals are entitled to the single and dependent coverage to which the person was entitled immediately before retirement. Before the biennium ending June 30, 1993, an executive branch state agency may not hire a replacement for a person who retires under this provision except under conditions specified by the commissioners of Finance and Employee Relations.

The University of Minnesota or the governing body of a city, county, school district, or joint vocational technical district may provide (but are not required to provide) employer-paid hospital, medical, and dental benefits to individuals who:

- are eligible for employer-paid insurance under collective bargaining agreements or personnel plans;
- have at least 25 years of service covered by the current pension plan or 25 years of combined service covered by TRA and first class city teacher plans;
- are at least 55 but less than age 65;
- retire between May 15, 1992 and before July 21, 1992 in the case of school district employees, and between July 1, 1992 and October 1, 1992 for all others.

Any public employer offering this benefit may not exclude any eligible employees. The individuals are entitled to the single and dependent coverage to which the person was entitled immediately before retirement.

The following is a special law covering state employees who were not eligible for a former early retirement incentive program because the individuals were covered by TRA rather than MSRS General.

- d. Early retirement incentive for a certain state employee. An ex-employee of the Department of Education covered by TRA who retired between May 5, 1990 and July 1, 1991 is eligible for state-paid hospital, medical, and dental benefits if the individual:
1. was eligible for state paid insurance;
  2. had at least 25 years of state service;
  3. was at least 55 at the time of retirement but is now less than age 65.

Benefits terminate at age 65 or upon reemployment with an employer offering employer-paid medical insurance. (MN Laws 1992, Chapter 482.)

#### **IV. Vetoed Legislation**

Several pension bills were passed by the Legislature but vetoed by the Governor.

The following was in H.F. 1334; S.F. 1230, which would have been chapter 509:

- a. Volunteer fire aid and benefit changes (Article 1).
- The maximum fire state aid to volunteer fire relief associations must not exceed 200 hundred percent of the minimum municipal obligation;
  - pensions may be prorated monthly for fractional years of service;
  - lump-sum and monthly service pension language is clarified to ensure that relief associations do not have the authority to exceed the service pension maximums in statute;

- lump-sum pension maximums are increased over a three year period; and
  - validates prior payments in excess of the maximums in statute if the payments are consistent with the relief association bylaws, but causes any relief association that continues paying pensions in excess of the legal maximums to lose fire state aid and provides for recovery of excess pension distributions.
- b. Volunteer fire simplified investment reporting (Article 2). Volunteer fire relief associations with less than \$2 million in assets are permitted to report investment performance using simplified procedures.
- c. Golden Valley Volunteer Fire funeral expense ratification (Article 3). Prior funeral expenses paid by the Golden Valley Volunteer Fire Relief Association in excess of the amount then authorized in law are ratified, and the liability for funeral expenses is added to the funding requirement.
- d. State University and Community College Individual Retirement Account Plan (IRAP) provisions (Article 4).
- One-tenth of one percent of contributions may be deducted to pay IRAP administrative expenses;
  - employee contributions are increased to 4.5 percent and employer contributions are increased to six percent.
  - IRAP participants are permitted to make contributions to IRAP based on the difference between the salary received while on sabbatical leave and the full salary.
- e. Ambulance Service Personnel Longevity Award and Incentive Program.
- Establishes the Ambulance Service Personnel Longevity Award and Incentive Program to be administered by the Department of Health;
  - Trust fund established, funded by driver's license surtax; with surtax and investment earnings to be allocated among qualified personnel;
  - Licensed ambulance service personnel, if the service has a significant Minnesota connection; are eligible to share in the allocation of assets;
  - A qualified ambulance service worker who terminates active service, has a minimum of five years of service credit, has reached age 50 and is among the highest 400 applicants in terms of credited ambulance service in the year of application, is entitled to receive an award.