

Background Information on MSRS-Correctional Plan History, Coverage, and Benefits

1. Plan Establishment and Coverage. MSRS-Correctional was established in 1973 as a result of collective bargaining by the State of Minnesota with the American Federation of State, County and Municipal Employees (AFSCME), Council 6, and the resulting implementing legislation. Up to that point, correctional guards and most other correctional system employees were covered by MSRS-General. Some correctional system employees were covered by the Teachers Retirement Association (TRA). MSRS-Correctional was created as a separate plan in 1973. The membership was largely limited to correctional guards and correctional counselors in adult correctional facilities. In subsequent years, by amendments to the coverage group of the plan, the coverage group was expanded to include additional correctional positions in both adult and juvenile correctional facilities. The initial coverage group was given credit for prior state employment service in MSRS-Correctional, with service credit in the prior plan being forfeited. As a modest number of other groups and job titles were added in later years, MSRS-Correctional service credit was typically prospective only.

In 1996, the MSRS-Correctional Plan membership was increased by more than 400 state employees by virtue of the inclusion of 33 additional employment classifications who were certified by the Department of Corrections or the Department of Human Services as having at least 75% inmate or patient contact. The affected employees were allowed to retain their prior MSRS-General or TRA retirement coverage if they so desired. For state employees newly included in MSRS-Correctional, an option was provided to transfer prior state employment service to the plan if there were no breaks in the prior service of more than 180 days, and the prior service was comparable to service eligible for MSRS-Correctional coverage. To transfer the service, the state employee had to contribute in a lump sum the differential, if positive, between 4.9% of salary and the member contribution made to the prior plan, plus 6% interest. For those individuals transferring past coverage, assets representing the funded portion of the present value of the benefits earned to date were transferred from TRA or MSRS-General, as applicable, to MSRS-Correctional.

In 1999, the MSRS-Correctional Plan membership was increased by an estimated 115 state employees employed in nine employment positions with the Minnesota Extended Treatment Option (METO) on-campus program at the Cambridge Regional Human Services Center, and the affected employees allowed to retain their prior MSRS-General retirement coverage if they so desired. Newly included METO employees had an option to transfer prior state employment service to MSRS-Correctional, with a lump sum contribution differential payment by the transferring employee. For the METO employees transferring past coverage, assets representing the funded portion of the present value of the benefits earned to date were transferred from MSRS-General to MSRS-Correctional.

In 2000 several positions were added to the MSRS-Correctional Plan, provided that the applicable department commissioner certified that at least 75% of the person's working time was spent in direct inmate contact. The positions, at certain facilities only, included registered nurse practitioner, behavior analyst 2, licensed practical nurse 1, office and administrative specialist senior, psychologist 2, social worker specialist, behavior analyst 3, social worker senior, corrections discipline unit supervisor, dental assistant, and dental hygienist.

In 2004 several positions were added to the MSRS-Correctional Plan, provided that the applicable department commissioner certified that at least 75% of the person's working time was spent in direct inmate contact. The positions at certain facilities included corrections discipline unit supervisor, dental hygienist, and psychologist 2.

In 2006 certain obsolete position titles were removed from the coverage group. A few positions were added, including chaplain, corrections inmate program coordinator, corrections transition program coordinator, delivery van driver, general maintenance worker, laundry coordinator, library technician, psychologist 1, and sports medicine specialist.

In 2007, nine positions in the Department of Human Services Security Hospital or Sex Offender Program positions were added for coverage. These were the certified occupational therapy assistant 1 and 2, customer services specialist principal, human services support specialist, licensed alcohol and drug counselor, management analyst 3, recreational therapist lead, security supervisor, and special education program assistant.

In 2008 two positions were added, provided the positions were certified to have at least 75% inmate contact. These were general maintenance worker lead and painter lead.

In 2009 the automotive mechanic lead position was removed and, provided there was at least 75% inmate contact, the automotive mechanic position was added.

As of July 1, 2010, the MSRS-Correctional Plan active membership consisted of 4,268 employees.

2. Plan Benefits. The premise for Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) coverage is that certain employment positions in correctional or security hospital or psychopathic personality treatment center service are hazardous. Because of these hazards, a younger, particularly vigorous workforce in these specific positions is needed. In turn, this justifies creating a plan separate from the Minnesota State Retirement System General Plan (MSRS-General) with larger retirement benefits payable at an earlier normal retirement age, and with disability coverage appropriate for hazardous occupations.

Because of the better benefits and earlier retirement age, the plan is more costly than a regular employee plan. The plan offers a hybrid of general employee plan and public safety plan features. MSRS-Correctional Plan members are coordinated members, unlike Public Employees Retirement Association Police and Fire Plan (PERA-P&F) members. Like a public safety plan, members can retire without a reduction for early retirement at age 55 or with a reduction at age 50. The accrual rate used to compute the annuity was revised for new employees in 2010. The annuity is computed using a 2.4% yearly service benefit accrual factor if the employee was employed before July 1, 2010, or 2.2% if the employee was first employed in a covered position after June 30, 2010.

Also like a public safety plan, the MSRS-Correctional Plan uses an occupational definition of disability rather than the total impairment disability definition used by the MSRS-General Plan. To qualify for a duty-related disability, the person must have a physical or psychological disease or injury resulting from performance of normal work duties or less frequent work duties specific to the correctional employee. Duty-related disability benefits are generous, typical of a public safety plan. The duty-related disability benefit receives 50% of high-five average salary plus an additional percentage for service in excess of 20 years and ten months. For any excess service, the duty-disability benefit receives an additional 2.4% of the high-five average salary for each additional service year if the disability benefit was first employed before July 1, 2010, or 2.2% of the high-five average salary for each additional service year if first employed after June 30, 2010.

For employees injured while not on the job or while performing work duties that do not present inherent danger, a plan member can receive a non-duty (regular) disability benefit. The regular disability benefit is computed like a retirement benefit but without any reduction due to early

retirement. If the individual was hired before July 1, 2009, the minimum benefit must be equivalent to a 15 year service pension. For those hired later, no minimum applies. To qualify for a regular disability benefit the employee must have at least one year of service if hired before July 1, 2009. If hired later than that date, the person must be vested. The person hired after June 30, 2009, is not fully vested until ten years of service is reached. The person is not vested at all prior to five years of service, and is 50% vested at five years, 60% at six years, 70% at seven years, 80% at eight years, 90% at nine years, and 100% vested at ten years. Thus, a person hired after June 30, 2009, is not eligible for any regular disability benefit prior to five years of service, and would receive only a fraction of the computed benefit if the disability occurs prior to achieving ten years of service.