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TO: Members of the Legislative Commission on Pensions and Retirement Ed Burek FB FROM: RE: Amendment LCPR01-165: Derived from S.F. 1439 (Johnson, Dean); H.F. 1482 (Murphy)

DATE: April 2, 2001

A. General Summary

S.F. 1439 (Johnson, Dean); H.F. 1482 (Murphy) are companion bills containing seven articles with provisions for various Minnesota State Retirement System (MSRS) plans, the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA). The provisions made current refund policy retroactive in all plans included in the bills and increased the refund interest rate in the MSRS Judges Plan, enhanced surviving child and surviving spouse benefits, revised early retirement policy in the Elected State Officer plans and Judges Plan, and made various changes of an administrative nature.

Amendment LCPR01-165: Derived from S.F. 1439 (Johnson, Dean); H.F. 1482 (Murphy) contains provisions from the bill which are least controversial. The provisions included in LCPR01-165 are not benefit related and are largely administrative in nature. The amendment is drawn as a blind amendment, with provisions which could be added in any vehicle that the Commission deemed appropriate.

For purposes of discussion, the sections summarized below are numbered in the order in which they appear in the amendment.

Section 1 (page 1, line 2 to 21). Amends Section 3A.03, Subdivision 2, an MSRS Legislators Plan refund provision, by adding clarifying language indicating that only terminated members are eligible to apply for a refund.

Section 2 (page 1, line 20 to 24, page 2, lines 1 to 23). Amends Section 11A.18, Subdivision 7, an SBI Post Fund participation provision, by adding language intended to specify how the fair market value of each fund's Post Fund participation is to be computed for financial reporting purposes.

Section 3 (page 2 line 24 to 36, page 3, lines 1 to 36, page 4, lines 1 to 26). Amends Section 352.01, Subdivision 2a, the MSRS General included employees provision, by clarifying a reference for state college or university activities program employees; and by eliminating a clause which provided MSRS General coverage for all service provided by individuals who work part-time in state employment and part-time as teachers in the MnSCU system, if they are certified for MSRS General coverage by MnSCU, or if more than 50 percent of their employment would otherwise be applicable for MSRS General plan coverage.

Section 4 (page 4, line 27 to 36, to page 8, line 29). Revises Section 352.01, Subdivision 2b, the MSRS General excluded employee provision, by removing elective state officers from the exclusion, and by adding an exclusion for MnSCU employees who are covered by other plans.

Section 5 (page 8, lines 30 to 36, page 9, lines 1 to 36). Revises Section 352.113, Subdivision 4, the MSRS General disability medical examination provision, by clarifying that psychological evidence may be submitted in support of a disability request, and by permitting disability examinations to be conducted by psychologists and chiropractors, if applicable.

Section 6 (page 10, lines 1 to 20). Revises Section 352. 113, Subdivision 6, the MSRS medical examination provision for disability continuation, to clarify that the required examination may be a psychological examination.

Section 7 (page 10, line 21 to 36, page 11, line 1). Amends Section 352.22, Subdivision 8, an MSRS minimal account provision by requiring that an account (and any related service credit) must be reestablished if the individual returns to public service and the prior total employee and employer contributions was at least \$25, rather than \$2.

Section 8 (page 11, lines 2 to 14). Revises Section 352B.101, the MSRS State Patrol Plan disability application provision, by clarifying that the psychological evidence may be submitted to support a disability request.

Section 9 (page 12, lines 15 to 36, to page 13, line 11). Revises Section 354.05, Subdivision 2, the TRA definition of teacher, by clarifying that MnSCU teachers and various MnSCU administrators are covered by TRA if not covered by a first class city teacher plan, the higher education Individual Retirement Account Plan (IRAP), or the MSRS Unclassified Plan.

Section 10 (page 13, lines 12 to 27). Amends Section 354.52, Subdivision 4, a TRA employer unit reporting and remittance provision, by requiring interest on contributions remitted to TRA after 14 days of the payroll warrant, rather than after 7 days of the payroll warrant.

Section 7 (page 13, lines 28 to 31). EFFECTIVE DATE. All sections are effective on July 1, 2001.

M, moves to amend, as follows:
 Page, after line, insert:
 "Sec. Minnesota Statutes 2000, section 3A.03,
 subdivision 2, is amended to read:

5 Subd. 2. [REFUND.] (1) Any person former member who has 6 made contributions pursuant-to <u>under</u> subdivision 1 who is no 7 longer a member of the legislature is entitled to receive upon 8 application to the director a refund of all contributions 9 credited to the member's account with interest at an annual rate 10 of six percent compounded annually.

(2) The refund of contributions as provided in clause (1) 11 12 terminates all rights of a former member of the legislature or survivors of the former member under this chapter. Should the 13 14 former member of the legislature again be a member of the legislature after having taken a refund as provided above, the 15 member shall be considered a new member. However, a new member 16 may reinstate the rights and credit for service forfeited, 17 provided the new member repays all refunds taken plus interest 18 at an annual rate of 8.5 percent compounded annually. 19

20 (3) No person shall be required to apply for or accept a21 refund."

Page ..., after line ..., insert:
"Sec. ... Minnesota Statutes 2000, section 11A.18,
subdivision 7, is amended to read:

Subd. 7. [PARTICIPATION AND FINANCIAL REPORTING IN FUND.] 1 (a) Each participating public retirement fund or plan which has 2 transferred money to the state board for investment in the 3 postretirement investment fund shall have an undivided 4 5 participation in the fund. The participation on any valuation date shall be determined by adding to the participation on the 6 prior valuation date: (a) (1) funds transferred in accordance 7 with subdivision 6, (b) (2) the amount of required investment 8 income on its participation as defined in subdivision 9, elause 9 (1) (e) paragraph (c), clauses (1) and (e) (3) the reserves for 10 any benefit adjustment made as of the current valuation date 11 with the result adjusted for any mortality gains or losses 12 determined pursuant-to under subdivision 11. 13 (b) The total fair market value of the postretirement fund 14 as of June 30 must be calculated in accordance with generally 15 accepted accounting principles. The fair market value share of 16 each fund participating in the postretirement investment fund 17 shall be allocated by adding to the fair market value at the 18 beginning of the fiscal year: (1) 100 percent of the funds 19 20 transferred in accordance with subdivision 6; and (2) a pro rata distribution of unrealized gains or losses, based on a weighted 21 percentage of participation at the end of each month of the 22 fiscal year." 23 24 Page, after line, insert: "Sec. Minnesota Statutes 2000, section 352.01, 25 26 subdivision 2a, is amended to read: Subd. 2a. [INCLUDED EMPLOYEES.] (a) "State employee" 27 28 includes: (1) employees of the Minnesota historical society; 29 30 (2) employees of the state horticultural society; (3) employees of the Disabled American Veterans, Department 31 of Minnesota, Veterans of Foreign Wars, Department of Minnesota, 32 if employed before July 1, 1963; 33 (4) employees of the Minnesota crop improvement 34 association; 35 (5) employees of the adjutant general who are paid from 36

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1 federal funds and who are not covered by any federal civilian
2 employees retirement system;

3 (6) employees of the <u>Minnesota</u> state <u>colleges and</u>
4 universities employed under the university <u>or college</u> activities
5 program;

6 (7) currently contributing employees covered by the system
7 who are temporarily employed by the legislature during a
8 legislative session or any currently contributing employee
9 employed for any special service as defined in subdivision 2b,
10 clause (8);

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(8) employees of the armory building commission;

(9) employees of the legislature appointed without a limit on the duration of their employment and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;

(10) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;

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(11) employees of the Minnesota safety council;

(12) any employees on authorized leave of absence from the transit operating division of the former metropolitan transit commission who are employed by the labor organization which is the exclusive bargaining agent representing employees of the transit operating division;

(13) employees of the metropolitan council, metropolitan
parks and open space commission, metropolitan sports facilities
commission, metropolitan mosquito control commission, or
metropolitan radio board unless excluded or covered by another
public pension fund or plan under section 473.415, subdivision
3;

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(14) judges of the tax court;

(15) personnel employed on June 30, 1992, by the University
 of Minnesota in the management, operation, or maintenance of its
 heating plant facilities, whose employment transfers to an

employer assuming operation of the heating plant facilities, so
long as the person is employed at the University of Minnesota
heating plant by that employer or by its successor organization;
and

5 (16) seasonal help in the classified service employed by 6 the department of revenue;-and.

7 (17)-a-person-who-renders-teaching-or-other-service-for-the Minnesota-state-colleges-and-universities-system-and-who-also 8 renders-service-on-a-part-time-basis-for-an-employer-with 9 10 employees-covered-by-the-general-state-employees-retirement-plan of-the-Minnesota-state-retirement-system,-for-all-service-with 11 12 the-Minnesota-state-colleges-and-universities-system,-if-the person's-nonteaching-service-comprises-at-least-50-percent-of 13 14 the-combined-total-salary-received-by-the-person-as-determined by-the-chancellor-of-the-Minnesota-state-colleges-and 15 universities-system-or-if-the-person-is-certified-for-general 16 17 state-employees-retirement-plan-coverage-by-the-chancellor-of the-Minnesota-state-colleges-and-universities-system. 18 (b) Employees specified in paragraph (a), clause (15), are 19 included employees under paragraph (a) if employer and employee 20 21 contributions are made in a timely manner in the amounts required by section 352.04. Employee contributions must be 22 23 deducted from salary. Employer contributions are the sole

24 obligation of the employer assuming operation of the University

25 of Minnesota heating plant facilities or any successor

26 organizations to that employer."

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7 Page, after line, insert:

"Sec. Minnesota Statutes 2000, section 352.01,
subdivision 2b, is amended to read:

30 Subd. 2b. [EXCLUDED EMPLOYEES.] "State employee" does not 31 include:

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(1) elective-state-officers;

33 (2) students employed by the University of Minnesota, or 34 the state <u>colleges and</u> universities, <u>and-community-colleges</u> 35 unless approved for coverage by the board of regents or the 36 board of trustees of the Minnesota state colleges and

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1 universities, as the case may be;

(3) (2) employees who are eligible for membership in the state teachers retirement association except employees of the department of children, families, and learning who have chosen or may choose to be covered by the Minnesota state retirement system instead of the teachers retirement association;

7 (4) (3) employees of the University of Minnesota who are
8 excluded from coverage by action of the board of regents;

9 (5) (4) officers and enlisted personnel in the national 10 guard and the naval militia who are assigned to permanent 11 peacetime duty and who under federal law are or are required to 12 be members of a federal retirement system;

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(5) election officers;

14 (7) (6) persons engaged in public work for the state but 15 employed by contractors when the performance of the contract is 16 authorized by the legislature or other competent authority;

17 (8) (7) officers and employees of the senate and house of 18 representatives or a legislative committee or commission who are 19 temporarily employed;

20 (9) (8) receivers, jurors, notaries public, and court
21 employees who are not in the judicial branch as defined in
22 section 43A.02, subdivision 25, except referees and adjusters
23 employed by the department of labor and industry;

(10) (9) patient and inmate help in state charitable,
penal, and correctional institutions including the Minnesota
veterans home;

(10) persons employed for professional services where the service is incidental to regular professional duties and whose compensation is paid on a per diem basis;

30 (12) (11) employees of the Sibley House Association;
(12) the members of any state board or commission who
32 serve the state intermittently and are paid on a per diem basis;
33 the secretary, secretary-treasurer, and treasurer of those
34 boards if their compensation is \$5,000 or less per year, or, if
35 they are legally prohibited from serving more than three years;
36 and the board of managers of the state agricultural society and

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its treasurer unless the treasurer is also its full-time
 secretary;

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(13) state troopers;

(15) (14) temporary employees of the Minnesota state fair
employed on or after July 1 for a period not to extend beyond
October 15 of that year; and persons employed at any time by the
state fair administration for special events held on the
fairgrounds;

9 (16) (15) emergency employees in the classified service; 10 except that if an emergency employee, within the same pay 11 period, becomes a provisional or probationary employee on other 12 than a temporary basis, the employee shall be considered a 13 "state employee" retroactively to the beginning of the pay 14 period;

15 (17) (16) persons described in section 352B.01, subdivision 16 2, clauses (2) to (5);

17 (18) (17) temporary employees in the classified service, 18 and temporary employees in the unclassified service appointed 19 for a definite period of not more than six months and employed 20 less than six months in any one-year period;

21 (19) (18) trainee employees, except those listed in
22 subdivision 2a, clause (10);

23 (20) (19) persons whose compensation is paid on a fee 24 basis;

25 (21) (20) state employees who are employed by the board of 26 trustees of the Minnesota state colleges and universities in 27 unclassified positions enumerated in section 43A.08, subdivision 28 1, clause (9);

29 (21) state employees who in any year have credit for 12 30 months service as teachers in the public schools of the state 31 and as teachers are members of the teachers retirement 32 association or a retirement system in St. Paul, Minneapolis, or 33 Duluth;

(22) employees of the adjutant general employed on an
 unlimited intermittent or temporary basis in the classified and
 unclassified service for the support of army and air national

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1 guard training facilities;

(23) chaplains and nuns who are excluded from coverage
under the federal Old Age, Survivors, Disability, and Health
Insurance Program for the performance of service as specified in
United States Code, title 42, section 410(a)(8)(A), as amended,
if no irrevocable election of coverage has been made under
section 3121(r) of the Internal Revenue Code of 1986, as amended
through December 31, 1992;

9 (24) examination monitors employed by departments, 10 agencies, commissions, and boards to conduct examinations 11 required by law;

(25) persons appointed to serve as members of fact-finding
commissions or adjustment panels, arbitrators, or labor referees
under chapter 179;

(26) temporary employees employed for limited periods under
any state or federal program for training or rehabilitation
including persons employed for limited periods from areas of
economic distress except skilled and supervisory personnel and
persons having civil service status covered by the system;

(27) full-time students employed by the Minnesota
historical society intermittently during part of the year and
full-time during the summer months;

(28) temporary employees, appointed for not more than six months, of the metropolitan council and of any of its statutory boards, if the board members are appointed by the metropolitan council;

(29) persons employed in positions designated by the
 department of employee relations as student workers;

(30) members of trades employed by the successor to the
metropolitan waste control commission with trade union pension
plan coverage under a collective bargaining agreement first
employed after June 1, 1977;

(31) persons employed in subsidized on-the-job training,
work experience, or public service employment as enrollees under
the federal Comprehensive Employment and Training Act after
March 30, 1978, unless the person has as of the later of March

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30, 1978, or the date of employment sufficient service credit in 1 the retirement system to meet the minimum vesting requirements 2 for a deferred annuity, or the employer agrees in writing on 3 forms prescribed by the director to make the required employer 4 5 contributions, including any employer additional contributions, on account of that person from revenue sources other than funds 6 provided under the federal Comprehensive Employment and Training 7 Act, or the person agrees in writing on forms prescribed by the 8 director to make the required employer contribution in addition 9 to the required employee contribution; 10

11 (32) off-duty peace officers while employed by the 12 metropolitan council;

(33) persons who are employed as full-time police officers
by the metropolitan council and as police officers are members
of the public employees police and fire fund;

(34) persons who are employed as full-time firefighters by
the department of military affairs and as firefighters are
members of the public employees police and fire fund;

(35) foreign citizens with a work permit of less than three years, or an H-1b/JV visa valid for less than three years of employment, unless notice of extension is supplied which allows them to work for three or more years as of the date the extension is granted, in which case they are eligible for coverage from the date extended; and

(36) persons who are employed by the board of trustees of the Minnesota state colleges and universities and who elect to remain members of the public employees retirement association or the Minneapolis employees retirement fund, whichever applies, under section 136C.75."

30 Page, after line, insert:

"Sec. Minnesota Statutes 2000, section 352.113,
subdivision 4, is amended to read:

33 Subd. 4. [MEDICAL <u>OR PSYCHOLOGICAL</u> EXAMINATIONS;
34 AUTHORIZATION FOR PAYMENT OF BENEFIT.] An applicant shall
35 provide medical <u>or psychological</u> evidence to support an
36 application for total and permanent disability. The director

shall have the employee examined by at least one additional 1 licensed chiropractor, physician, or psychologist designated by 2 the medical adviser. The chiropractors, physicians, or 3 psychologists shall make written reports to the director 4 concerning the employee's disability including medical opinions 5 as to whether the employee is permanently and totally disabled 6 within the meaning of section 352.01, subdivision 17. 7 The director shall also obtain written certification from the 8 employer stating whether the employment has ceased or whether 9 10 the employee is on sick leave of absence because of a disability that will prevent further service to the employer and as a 11 12 consequence the employee is not entitled to compensation from the employer. The medical adviser shall consider the reports of 13 the physicians, psychologists, and chiropractors and any other 14 evidence supplied by the employee or other interested parties. 15 If the medical adviser finds the employee totally and 16 permanently disabled, the adviser shall make appropriate 17 recommendation to the director in writing together with the date 18 from which the employee has been totally disabled. The director 19 shall then determine if the disability occurred within 180 days 20 21 of filing the application, while still in the employment of the state, and the propriety of authorizing payment of a disability 22 23 benefit as provided in this section. A terminated employee may apply for a disability benefit within 180 days of termination as 24 25 long as the disability occurred while in the employment of the state. The fact that an employee is placed on leave of absence 26 without compensation because of disability does not bar that 27 employee from receiving a disability benefit. Unless payment of 28 a disability benefit has terminated because the employee is no 29 longer totally disabled, or because the employee has reached 30 normal retirement age as provided in this section, the 31 disability benefit shall cease with the last payment received by 32 the disabled employee or which had accrued during the lifetime 33 34 of the employee unless there is a spouse surviving; in that event the surviving spouse is entitled to the disability benefit 35 for the calendar month in which the disabled employee died." 36

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Page, after line, insert:
 "Sec. Minnesota Statutes 2000, section 352.113,
 subdivision 6, is amended to read:

Subd. 6. [REGULAR MEDICAL OR PSYCHOLOGICAL EXAMINATIONS.] 4 At least once each year during the first five years following 5 the allowance of a disability benefit to any employee, and at 6 least once in every three-year period thereafter, the director 7 may require any disabled employee to undergo a medical or 8 9 psychological examination. The examination must be made at the 10 place of residence of the employee, or at any place mutually agreed upon, by a physician or physicians designated by the 11 medical adviser and engaged by the director. If any examination 12 indicates to the medical adviser that the employee is no longer 13 permanently and totally disabled, or is engaged in or can engage 14 15 in a gainful occupation, payments of the disability benefit by the fund must be discontinued. The payments shall discontinue 16 as soon as the employee is reinstated to the payroll following 17 sick leave, but in no case shall payment be made for more than 18 60 days after the medical adviser finds that the employee is no 19 20 longer permanently and totally disabled."

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Page, after line, insert:

"Sec. Minnesota Statutes 2000, section 352.22,
subdivision 8, is amended to read:

Subd. 8. [REFUND SPECIFICALLY LIMITED.] If a former 24 employee covered by the system does not apply for refund within 25 five years after the last deduction was taken from salary for 26 the retirement fund, and does not have enough service to qualify 27 for a deferred annuity, accumulated contributions must be 28 credited to and become a part of the retirement fund. If the 29 30 former employee returns to state service and becomes a state employee covered by the system, the amount credited to the 31 retirement fund, if more than \$2 \$25, shall be restored to the 32 individual account. If the amount credited to the fund is over 33 \$2 \$25 and the former employee applies for refund or an annuity 34 under section 352.72, the amount must be restored to the former 35 employee's individual account and refund made or annuity paid 36

04/04/01 12:48 p.m. [COM] LC LCPR01-165 whichever applies." 1 Page, after line, insert: 2 "Sec. Minnesota Statutes 2000, section 352B.101, is 3 amended to read: 4 5 352B.101 [APPLICATION FOR DISABILITY BENEFIT.] A member claiming a disability benefit must file a written 6 application for benefits in the office of the system in a form 7 and manner prescribed by the executive director. The member 8 shall provide medical or psychological evidence to support the 9 application. The benefit begins to accrue the day following the 10 start of disability or the day following the last day for which 11 the member was paid, whichever is later, but not earlier than 12 180 days before the date the application is filed with the 13 executive director." 14 Page, after line, insert: 15 "Sec. Minnesota Statutes 2000, section 354.05, 16 subdivision 2, is amended to read: 17 Subd. 2. [TEACHER.] (a) "Teacher" means: 18 (1) a person who renders service as a teacher, supervisor, 19 20 principal, superintendent, librarian, nurse, counselor, social worker, therapist, or psychologist in the public schools of the 21 state located outside of the corporate limits of the cities of 22 the first class or-in-the-Minnesota-state-colleges-and 23 universities-system, or in any charitable, penal, or 24 correctional institutions of a governmental subdivision, or who 25 is engaged in educational administration in connection with the 26 state public school system, including-the-Minnesota-state 27 colleges-and-universities-system, but excluding the University 28 of Minnesota, whether the position be a public office or an 29 employment, not including members or officers of any general 30 31 governing or managing board or body; (2) an employee of the teachers retirement association 32 unless-the-employee-is-covered-by-the-Minnesota-state-retirement 33 system-due-to-prior-employment-by-that-system; 34 (3) a person who renders teaching service on a part-time 35 basis and who also renders other services for a single employing

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1	unit. A person whose teaching service comprises at least 50
2	percent of the combined employment salary is a member of the
3	association for all services with the single employing unit. If
4	the person's teaching service comprises less than 50 percent of
5	the combined employment salary, the executive director must
6	determine whether all or none of the combined service is covered
7	by the association; or
8	(4) a person not covered by the plans established under
9	chapter 352D, 354A, or 354B and who is employed by the board of
10	trustees of the Minnesota state colleges and universities system
11	in an unclassified position as a:
12	(i) president, vice-president, or dean;
13	(ii) other manager or professional in an academic or
14	academic support program;
15	(iii) administrative or service support faculty; or
16	(iv) teacher or research assistant.
17	(b) Teacher does not mean:
18	(1) a person who works for a school or institution as an
19	independent contractor as defined by the Internal Revenue
20	Service;
21	(2) a person employed in subsidized on-the-job training,
22	work experience or public service employment as an enrollee
23	under the federal Comprehensive Employment and Training Act from
24	and after March 30, 1978, unless the person has, as of the later
25	of March 30, 1978, or the date of employment, sufficient service
26	credit in the retirement association to meet the minimum vesting
27	requirements for a deferred retirement annuity, or the employer
28	agrees in writing on forms prescribed by the executive director
29	to make the required employer contributions, including any
30	employer additional contributions, on account of that person
31	from revenue sources other than funds provided under the federal

32 Comprehensive Training and Employment Act, or the person agrees 33 in writing on forms prescribed by the executive director to make 34 the required employer contribution in addition to the required 35 employee contribution;

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(3) a person holding a part-time adult supplementary

technical college license who renders part-time teaching service 1 or a customized trainer as defined by the Minnesota state 2 colleges and universities system in a technical college if (i) 3 the service is incidental to the regular nonteaching occupation 4 5 of the person; and (ii) the applicable technical college stipulates annually in advance that the part-time teaching 6 service or customized training service will not exceed 300 hours 7 in a fiscal year and retains the stipulation in its records; and 8 (iii) the part-time teaching service or customized training 9 service actually does not exceed 300 hours in a fiscal year; or 10 (4) a person exempt from licensure under section 122A.30." 11 Page, after line, insert: 12 "Sec. Minnesota Statutes 2000, section 354.52, 13 subdivision 4, is amended to read: 14 Subd. 4. [REPORTING AND REMITTANCE REQUIREMENTS.] An 15 16 employer shall remit all amounts due to the association and furnish a statement indicating the amount due and transmitted 17 18 with any other information required by the executive director. If an amount due is not received by the association within seven 19 20 14 calendar days of the payroll warrant, the amount accrues interest at an annual rate of 8.5 percent compounded annually 21 from the due date until the amount is received by the 22 association. All amounts due and other employer obligations not 23 24 remitted within 60 days of notification by the association must be certified to the commissioner of finance who shall deduct the 25 amount from any state aid or appropriation amount applicable to 26 the employing unit." 27 Page, after line, insert: 28 "Sec. [EFFECTIVE DATE.] 29 Sections to [all sections in LCPR01-165] are 30 31 effective on July 1, 2001." Renumber the sections 32 Correct internal cross-references 33 Amend the title accordingly 34