



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *LAM*

RE: Funding Issue Related to the Special Retroactive Survivor Benefit on Behalf of a St. Louis Park Police Officer Killed in Iraq

DATE: March 23, 2006

Introduction

The House and Senate versions of the 2006 Omnibus Retirement Bill I, S.F. 2239 (Pogemiller); H.F. 2362 (Smith), differ on the issue of how to handle the funding for the special retroactive survivor benefit granted by the 2005 Special Session on behalf of a St. Louis Park police officer who was killed in Iraq.

Summary of First Special Session Laws 2005, Chapter 1, Article 4, Section 97

On June 30, 2005, as part of First Special Session Laws 2005, Chapter 1, the agricultural, environmental, natural resources, and economic development appropriations bill, an amendment to the death benefit provision of the Public Employees Police and Fire Plan (PERA-P&F) was enacted. The PERA-P&F survivor benefit amendment provided survivors of PERA-P&F members who die while in active military service with a duty-related survivor benefit and made the change retroactive to any applicable death on or after September 11, 2001. The PERA-P&F survivor benefit amendment was apparently intended to provide a full duty survivor benefit to the widow of the late St. Louis Park police officer, David Day, who had less than one year of PERA-P&F service credit, who did not die in the line of duty as a police officer while serving in the military in Iraq, and whose spouse did not meet the one-year of marriage minimum duration requirement for a non-duty death survivor benefit.

Commission Recommendation In Response To First Special Session Laws 2005, Chapter 1, Article 4, Section 97

After discussion over at least two Commission meetings and after consideration of various alternatives, the Commission recommended that the special retroactive survivor benefit on behalf of the late St. Louis Park police officer be funded by the City of St. Louis Park to the extent that a 2006 Session legislative appropriation does not fully cover the actuarial value of the special retroactive survivor benefit.

Senate State and Local Governmental Operations Committee Action on the Issue

The State and Local Government Operations Committee of the Minnesota Senate, in considering the 2006 Omnibus Retirement Bill I, amended the Commission recommendation relating to the funding of the late St. Louis Park police officer survivor benefit by appropriating from the State General Fund the entirety of the actuarial cost of the special survivor benefit. The Senate Finance Committee did not further modify the provision when it considered and recommended the proposed legislation.

House Governmental Operations and Veterans Affairs Committee Action on the Issue

The Governmental Operations and Veterans Affairs Committee of the Minnesota House of Representatives, in considering the 2006 Omnibus Retirement Bill I, removed the special late St. Louis Park police officer survivor benefit funding provision, leaving the liability for the special retroactive PERA-P&F benefit to be defrayed by the Public Employees Police and Fire Plan (PERA-P&F).

either the securities delivered to the commissioner by the holder, if they still remain in the hands of the commissioner, or the proceeds received from the sale, but no person has any claim under this section against the state, the holder, any transfer agent, registrar, or other person acting for or on behalf of a holder for any appreciation in the value of the property occurring after delivery by the holder to the commissioner. If the property is of a type customarily sold on a recognized market or of a type that may be sold over the counter at prevailing prices, the commissioner may sell the property without notice by publication or otherwise. The commissioner may proceed with the liquidation after holding for one year, with the exception of securities being held as the result of an insurance company demutualization, these types of securities may be sold upon receipt. This section grants to the commissioner express authority to sell any property, including, but not limited to, stocks, bonds, notes, bills, and all other public or private securities. A person making a claim under section 345.35 is entitled to receive the securities delivered to the administrator by the holder, if they remain in the custody of the administrator, or the net proceeds received from sale, and is not entitled to receive any appreciation in the value of the property occurring after sale by the commissioner. The commissioner may liquidate all unclaimed securities currently held in custody in accordance with this section.

Sec. 97. Minnesota Statutes 2004, section 353.657, subdivision 1, is amended to read:

Subdivision 1. **GENERALLY.** In the event a member of the police and fire fund dies from any cause before retirement or after becoming disabled and receiving disability benefits, the association shall grant survivor benefits to a surviving spouse, as defined in section 353.01, subdivision 20, and who was married to the member for a period of at least one year, except that if death occurs in the line of duty no time limit is required. For purposes of this section, line of duty also includes active military service, as defined in section 190.05, subdivision 5. The association shall also grant survivor benefits to a dependent child or children, as defined in section 353.01, subdivision 15.

Notwithstanding the definition of surviving spouse, a former spouse of the member, if any, is entitled to a portion of the monthly surviving spouse benefit if stipulated under the terms of a marriage dissolution decree filed with the association. If there is no surviving spouse or child or children, a former spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision 1, if provided for in a marriage dissolution decree but not a monthly surviving spouse benefit despite the terms of a marriage dissolution decree filed with the association.

The spouse and child or children are entitled to monthly benefits as provided in the following subdivisions.

EFFECTIVE DATE. This section is effective immediately and applies to members of the police and fire fund at any time on or after September 11, 2001.

Sec. 98. ~~[354B.33]~~ **IRON RANGE RESOURCES AND REHABILITATION; EARLY SEPARATION INCENTIVE PROGRAM AUTHORIZATION.**

New language is indicated by underline, deletions by ~~strikeout~~.

44.1 3, or the member's allowable service, whichever is greater. The election of this joint
 44.2 and survivor annuity must occur within 90 days of the age-65 required for receipt of a
 44.3 retirement annuity under section 353.651, subdivision 1, or the five-year anniversary of the
 44.4 effective date of the disability benefit, whichever is later. The optional annuity takes effect
 44.5 the first of the month following the month in which the person attains the age-65 required
 44.6 for receipt of a retirement annuity under section 353.651, subdivision 1, or reaches the
 44.7 five-year anniversary of the effective date of the disability benefit, whichever is later; or
 44.8 (c) if there is (3) has a dependent child or children under paragraph (a) or (b) clause
 44.9 (1) or (2), the association shall grant a dependent child benefit under section 353.657,
 44.10 subdivision 3.

44.11 Sec. 4. **REIMBURSEMENT OF CERTAIN PERA-P&F PENSION COSTS;**
 44.12 **APPROPRIATION.**

44.13 An amount equal to the applicable actuarial present value of the survivor benefits
 44.14 attributable to a member of the city of St. Louis Park police department who died on
 44.15 February 21, 2005, plus interest at the rate of 0.71 percent per month since July 1, 2005, is
 44.16 appropriated from the general fund in fiscal year 2006 to the commissioner of finance for
 44.17 payment to the public employees police and fire retirement fund. The actuarial present
 44.18 value of this survivor benefit must be calculated by the consulting actuary retained under
 44.19 Minnesota Statutes, section 356.214, based on the applicable mortality assumption and
 44.20 postretirement interest rate used for the June 30, 2005, actuarial valuation and must be
 44.21 certified by the executive director of the Public Employees Retirement Association.

44.22 Sec. 5. **EFFECTIVE DATE.**

44.23 (a) Sections 1 to 3 are effective July 1, 2006.

44.24 (b) Section 4 is effective the day following final enactment.

44.25 **ARTICLE 5**

44.26 **PRIVATIZATION RETIREMENT COVERAGE CHANGE**

44.27 Section 1. Minnesota Statutes 2004, section 352F.04, is amended to read:

44.28 **352F.04 AUGMENTATION INTEREST RATE RATES FOR TERMINATED**
 44.29 **UNIVERSITY HOSPITAL PRIVATIZED EMPLOYEES.**

44.30 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a
 44.31 terminated hospital employee who attained that status prior to the effective date of this
 44.32 section is subject to augmentation ~~in accordance with~~ under Minnesota Statutes 1994,

41.1 ~~(a)~~ (1) dies before attaining the age-65 required for receipt of a retirement annuity
41.2 under section 353.651, subdivision 1, or within five years of the effective date of the
41.3 disability, whichever is later, the surviving spouse shall receive a survivor benefit under
41.4 section 353.657, subdivision 2 or 2a, unless the surviving spouse elected to receive a
41.5 refund under section 353.32, subdivision 1. The joint and survivor optional annuity under
41.6 subdivision 2a is based on the minimum disability benefit under subdivision 1 or 3, or the
41.7 deceased member's allowable service, whichever is greater.

41.8 ~~(b)~~ (2) is living at the age-65 required for receipt of a retirement annuity under
41.9 section 353.651, subdivision 1, or five years after the effective date of the disability,
41.10 whichever is later, the member may continue to receive a normal disability benefit,
41.11 or the member may elect a joint and survivor optional annuity under section 353.30.
41.12 The optional annuity is based on the minimum disability benefit under subdivision 1 or
41.13 3, or the member's allowable service, whichever is greater. The election of this joint
41.14 and survivor annuity must occur within 90 days of the age-65 required for receipt of a
41.15 retirement annuity under section 353.651, subdivision 1, or the five-year anniversary of the
41.16 effective date of the disability benefit, whichever is later. The optional annuity takes effect
41.17 the first of the month following the month in which the person attains the age-65 required
41.18 for receipt of a retirement annuity under section 353.651, subdivision 1, or reaches the
41.19 five-year anniversary of the effective date of the disability benefit, whichever is later.

41.20 ~~(c)~~ (3) if there is a dependent child or children under paragraph (a) or (b), the
41.21 association shall grant a dependent child benefit under section 353.657, subdivision 3.

41.22 Sec. 4. **ST. LOUIS PARK; REIMBURSEMENT OF CERTAIN PERA-P&F**
41.23 **PENSION COSTS.**

41.24 (a) With respect to survivor benefits attributable to a person who was born on
41.25 October 29, 1979, who was a member of the police department of the city of St. Louis
41.26 Park, who died on February 21, 2005, and who was covered by First Special Session
41.27 Laws 2005, chapter 1, article 4, section 97, the city of St. Louis Park may reimburse
41.28 the public employees police and fire retirement fund for the applicable actuarial present
41.29 value, plus interest at the rate of 0.71 percent per month since July 1, 2005, that is not
41.30 otherwise paid by a special appropriation enacted by the 2006 session of the Minnesota
41.31 legislature. The actuarial present value of this survivor benefit must be calculated by the
41.32 consulting actuary retained under Minnesota Statutes, section 356.214, based on the
41.33 applicable mortality assumption and postretirement interest rate used for the June 30,
41.34 2005, actuarial valuation and must be certified by the executive director of the Public
41.35 Employees Retirement Association.

42.1 (b) If the city of St. Louis Park declines to make the payment of the amount in excess
 42.2 of any state appropriation for this purpose authorized under paragraph (a) on or before
 42.3 July 1, 2006, the executive director of the Public Employees Retirement Association shall
 42.4 certify that fact to the commissioner of finance. Upon receipt of that certification, the
 42.5 commissioner of finance shall deduct the actuarial present value amount in excess of any
 42.6 state appropriation for this purpose, plus interest, from any subsequent state aid or state
 42.7 payment amount for the city of St. Louis Park and shall transmit that amount to the public
 42.8 employees police and fire fund to discharge this obligation.

42.9 Sec. 5. **EFFECTIVE DATE.**

42.10 (a) Sections 1 to 3 are effective July 1, 2006.

42.11 (b) Section 4 is effective the day following final enactment.

42.12 **ARTICLE 5**

42.13 **PRIVATIZATION RETIREMENT COVERAGE CHANGE**

42.14 Section 1. Minnesota Statutes 2004, section 352F.04, is amended to read:

42.15 **352F.04 AUGMENTATION INTEREST ~~RATE~~ RATES FOR TERMINATED**
 42.16 **~~UNIVERSITY HOSPITAL~~ PRIVATIZED EMPLOYEES.**

42.17 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of a
 42.18 terminated hospital employee who attained that status prior to the effective date of this
 42.19 section is subject to augmentation ~~in accordance with~~ under Minnesota Statutes 1994,
 42.20 section 352.72, subdivision 2, except that the rate of interest for this purpose augmentation
 42.21 is 5.5 percent compounded annually until January 1 following the year in which such the
 42.22 person attains age 55. From that date to the effective date of retirement, the augmentation
 42.23 rate is 7.5 percent compounded annually. ~~These~~

42.24 (b) If a terminated hospital employee attained that status on or after the effective date
 42.25 of this section, the augmentation rate is four percent compounded annually until January
 42.26 1, following the year in which the person attains age 55. From that date to the effective
 42.27 date of retirement, the augmentation rate is six percent compounded annually.

42.28 Subd. 2. **Exceptions.** The increased augmentation rates are no longer applicable for
 42.29 any time after specified in subdivision 1 do not apply if the terminated hospital employee
 42.30 or Academic Health Center employee;

42.31 (1) becomes covered again by a retirement fund plan enumerated in section 356.30,
 42.32 subdivision 3. ~~These increased deferred annuity augmentation rates do not apply to a~~
 42.33 terminated transferred hospital employee or Academic Health Center employee who; or

42.34 (2) begins receipt of a retirement annuity while employed by Fairview the employer
 42.35 which assumed operations of the medical facility or other public employing unit or
 42.36 purchased the medical facility or other public employing unit.