



H.F. 81
(Rukavina)

S.F. xxxx

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): PERA-General
Relevant Provisions of Law: Special Law Provision
General Nature of Proposal: Service credit purchase for certain prior part-time Buhl and Babbitt Police Employment
Date of Summary: May 3, 2011

Specific Proposed Changes

- Permits a full-time current Babbitt police officer to purchase allowable service and salary credit for prior uncredited part-time Buhl and Babbitt police officer employment.

Policy Issues Raised by the Proposed Legislation

1. Conformity with Commission pension policy principles.
2. Cost of prior service credit purchase.
3. Appropriateness of member payment of equivalent member contributions and interest.
4. Equitable considerations.
5. Appropriateness of characterizing part-time police service as PERA-General service.
6. Inadequacy of PERA membership coverage enforcement efforts.

Potential Amendments

No staff amendments.



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JAM*
RE: H.F. 81 (Rukavina); S.F. xxxx: PERA; Purchase of Service and Salary Credit for Certain Former Employees of Babbitt and Buhl for Eligible Unreported Employment.
DATE: May 3, 2011

Summary of H.F. 81 (Rukavina); S.F. xxxx

H.F. 81 (Rukavina); S.F. xxxx permits Glen Salo, a 53-year-old full-time police officer employed by the City of Babbitt, Minnesota, who has, in addition to his 18-year full-time Babbitt City police officer employment, two periods of employment as a part-time police officer for Buhl, Minnesota (July 1988 to November 1996), and for Babbitt, Minnesota (April 1992 to September 1992), during which he was eligible for retirement coverage by the Public Employees Retirement Association (PERA), but for which he was not reported to PERA and for which no member deductions were taken, to purchase seven years and eight months of service and salary credit from the Coordinated Program of the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) for his prior uncredited public employment as a part-time police officer by the City of Buhl and the City of Babbitt. The purchase is accomplished by Mr. Salo paying the equivalent member contributions that he would have made if covered, plus 8.5% interest from the date the contribution should have been made to the date on which payment is made, and by the City of Buhl and the City of Babbitt paying the balance of the full actuarial value of the benefit obtained by the purchase, allocated between the two based on the portions of the benefit amount attributable to each, with a deadline of the earlier of July 1, 2012, or the date of Mr. Salo's retirement.

Public Pension Problem of Glen Salo

Glen Salo is a 53-year-old full-time police officer employed by the City of Babbitt, Minnesota, and who has, in addition to his 18-year full-time Babbitt City police officer employment, two periods of employment as a part-time police officer for Buhl, Minnesota (July 1988 to November 1996), and for Babbitt, Minnesota (April 1992 to September 1992), during which he was eligible for retirement coverage by the Public Employees Retirement Association (PERA), but for which he was not reported to PERA and for which no member deductions were taken. Now on the cusp of retirement from the Public Employees Police and Fire Retirement Plan (PERA-P&F), Mr. Salo would like to obtain pension credit for his uncredited prior Minnesota public employment. Mr. Salo also has a period of part-time police officer employment by Embarrass Township, Minnesota, which PERA has determined was not eligible for PERA retirement coverage when rendered.

Background Material

Information on retirement topics relevant to the proposed legislation is attached, as follows:

- **Attachment A:** Laws 2010, Chapter 359, Article 5; PERA Membership Reporting and Member Contribution Collection Provisions.
- **Attachment B:** Background Information on the Recovery of PERA-General and Other General Employee Retirement Plan Omitted Salary Deductions.

Discussion and Analysis

H.F. 81 (Rukavina); S.F. xxxx permits Glen Salo, a full-time Babbitt city police officer with prior uncovered part-time police officer employment by the City of Buhl and the City of Babbitt to purchase service and salary credit from the Coordinated Program of PERA-General for part-time police employment, with the two cities paying roughly one-half of the total purchase payment amount.

H.F. 81 (Rukavina); S.F. xxxx raises several pension and related public policy issues for potential Commission consideration and discussion, as follows:

1. Conformity with Commission Pension Policy Principles. The proposed legislation raises the issue of the extent to which it conforms with the longstanding Principles of Pension Policy of the Legislative

Commission on Pensions and Retirement. The applicable pension policy principle is II.C.10., which provides that:

II.C.10. Purchases of Prior Service Credit

- Purchases of public pension plan credit for periods of prior service should be permitted only if it is determined by the Commission:
- that the period to be purchased is public employment or relates substantially to the public employee's career,
- that the purchase payment amount from the member or from a combination of the member and the current or former employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan unless an error or an omission by the pension plan was responsible for the loss of service credit,
- that the purchase payment amount must include a minimum payment by the member of the equivalent member contributions, plus compound interest from the purchase period to the date of payment unless the employer committed a particularly egregious error,
- that the purchase payment is the responsibility of the member, with the current or former employer authorized to pay some or all of the portion of the payment amount in excess of the minimum member payment amount, unless the employer has some culpability in the circumstances giving rise to the purchase and then a mandatory employer contribution may be imposed, and
- that the purchase must not violate notions of equity.

The purchase proposed for Mr. Salo arguably conforms with the elements, with the applicability of elements two and five specifically discussed in issues two, three, and four.

2. Cost of Prior Service Credit Purchase for Mr. Salo. The policy issue is the cost related to Mr. Salo for the prior service credit purchase that the proposed legislation would authorize. PERA has calculated the prior service credit purchase payment obligation, presumably as of July 1, 2011, under Minnesota Statutes, Section 356.551, with the full actuarial value cost for a PERA-General Plan Coordinated Program purchase of \$8,302.65 and with the past contributions and 8.5% interest amount for the PERA-General Plan Coordinated Program purchase of \$8,953.25. Of the \$8,953.25 total purchase payment required under Minnesota Statutes, Section 356.551, Mr. Salo is responsible for \$4,408.45, or 49% of the total, and the City of Buhl and the City of Babbitt together are responsible for \$4,544.80, or 51% of the total.
3. Appropriateness of Mr. Salo's Payment of Equivalent Member Contributions and Interest. The policy issue is the appropriateness of the obligation that the proposed legislation places on Mr. Salo to pay equivalent member contributions covering service back 18 years, with interest rate at 8.5% compound interest. The applicable policy principle indicates that, if the employer committed a particularly egregious error that resulted in a person losing public retirement plan coverage, the employer would appropriately be made responsible for the equivalent member contribution and interest amount also. The only information that the Commission staff has about the circumstances of Mr. Salo's prior uncovered employment was provided by PERA, not by Mr. Salo. If Mr. Salo believes that the City of Buhl and the City of Babbitt were particularly egregious in their failures to report him to PERA for membership, under the Commission's policy principle, he might be eligible for a less burdensome split on the purchase payment and he should be given an opportunity to make that argument and present any relevant basis for the Commission to reach the same potential conclusion.
4. Equitable Considerations. Legal equitable maxims include the requirement that one who seeks equity must do equity. That equitable maxim raises the issue here whether or not there is any failure by Mr. Salo that could be considered as his having failed to do equity. The primary equitable failure that could arise here would be the situation if Mr. Salo knew that he should have been a PERA member substantially before 2010, and neglected to raise the issue with the two cities or with PERA at an earlier date. There is nothing in the information available to the Commission staff from PERA to indicate that Mr. Salo delayed acting on knowledge that he should have been a PERA member from 1992 on. If Babbitt or Buhl disputes this conclusion, they should provide any available information that would be the basis for determining that Mr. Salo knowingly failed to raise questions about his retirement coverage in a more timely fashion.
5. Appropriateness of Characterizing Mr. Salo's Part-Time Police Service as PERA-General Service. The policy issue is the appropriateness of PERA characterizing the Buhl city part-time police service and Babbitt city part-time police service as public employment to be credited as allowable service in the PERA-General Employees Retirement Plan Coordinated Program. PERA has characterized

Mr. Salo's Buhl city part-time police service and Babbitt city part-time police service as PERA-General Coordinated Program allowable service because part-time law enforcement is automatically concurrently covered by the PERA-General Coordinated Program unless the applicable governmental subdivision adopts a resolution covering the person by the Public Employees Police and Fire Retirement Plan (PERA-P&F). Neither the City of Buhl nor the City of Babbitt had adopted a resolution designating Mr. Salo as a PERA-P&F member when the unreported and uncredited part-time police employment was rendered. If Mr. Salo obtains PERA-General Coordinated Program allowable service credit for his City of Buhl part-time police employment and City of Babbitt part-time police employment and then elects to retire from his full-time police employment at the PERA-P&F normal retirement age, age 55, he will receive a significantly actuarially reduced retirement annuity on his newly acquired PERA-General Coordinated Program allowable service credit. It is unlikely that Mr. Salo would prefer this result. PERA has indicated that it will prepare an estimate of the Salo service credit purchase from PERA-P&F, but has not supplied those calculations as of the date of this memorandum.

6. Inadequacy of PERA Membership Coverage Enforcement Efforts. The policy issue is the clear lack of enforcement of retirement plan membership reporting requirements by PERA against local government entities in Minnesota. Membership in PERA-General is largely mandatory for employees of most governmental subdivisions and related local governmental entities, with 24 exclusions from coverage and with seven optional memberships. The membership provisions are largely contained in Minnesota Statutes, Section 353.01, Subdivisions 2, 2a, 2b, and 2d. The principal PERA-General membership exclusion pertains to local government employees who consistently receive compensation less than \$425 per month which would apply exclusively to part-time public employees. As a mechanism to ensure that all local government employees who should be covered by PERA-General are covered by PERA-General, Minnesota Statutes, Section 353.27, Subdivision 10, requires that all PERA-covered employing units file an exclusion report with PERA annually. The exclusion report is required to list those employees in potentially PERA-eligible employment positions who were not reported as members and must be certified by the employer as to accuracy and completeness. PERA has authority to conduct field audits to review governmental subdivision payroll records. Additionally, under Minnesota Statutes, Section 353.27, Subdivision 11, participating employing units are required to provide prompt responses to PERA upon request about the status of employees or former employees. PERA also is empowered to request payroll abstracts and salary schedules. Under Minnesota Statutes, Section 353.27, Subdivision 12, if PERA member deductions were omitted, the employing unit is required to inform PERA upon the discovery and correct the omission, with deductions omitted for longer than 60 days becoming the liability of the employer. PERA is permitted to pursue the recovery of omitted member contributions up to the expiration of the third calendar year after the calendar year in which the omitted deductions occurred and if an action for recovery has been initiated within the time period, PERA is permitted to continue recovery efforts. Under Minnesota Statutes, Section 353.27, Subdivisions 12a and 12b, coverage for terminated employees and the collection of omitted deductions and unpaid employer retirement plan contributions are required. Despite the extensive statutory provisions requiring employer documentation of all exclusions from PERA retirement plan coverage and requiring the collection of omitted deductions and unpaid employer contributions, PERA has failed to obtain full contributions from and on behalf of a number of public employees and has consistently and persistently produced the largest number of prior service credit special legislation, with most of the 80 PERA service credit purchase special law provisions involving public employees unreported for membership to a PERA retirement plan, as follows:

Year	Prior Service Purchases	Year	Prior Service Purchases	Year	Prior Service Purchases
1963	2	1989	8	2001	8
1977	1	1990	6	2002	2
1980	1	1991	4	2003	1
1981	4	1992	3	2004	1
1982	2	1993	2	2006	8
1983	1	1994	2	2007	2
1984	2	1995	1	2008	2
1986	3	1997	1	2009	1
1987	2	1999	3	2010	1
1988	4	2000	2		

It may be appropriate to review the various PERA membership reporting and omitted deduction and unpaid employer contribution provisions and PERA's history of implementing these provisions to ensure that all appropriate plan membership provisions are sufficiently strong, are being adequately implemented by PERA and followed by local government units.

**PERA Membership Reporting and
Member Contribution Collection Provisions**

Laws 2010, Chapter 359, Article 5, Section 9

Sec. 9. Minnesota Statutes 2008, section 353.27, subdivision 4, is amended to read:

Subd. 4. **Employer reporting requirements; contributions; member status.** (a) A representative authorized by the head of each department shall deduct employee contributions from the salary of each public employee who qualifies for membership under this chapter and or chapter 353D or 353E at the rate under section 353.27, 353.65, 353D.03, or 353E.03, whichever is applicable, that is in effect on the date the salary is paid. The employer representative must also remit payment in a manner prescribed by the executive director for the aggregate amount of the employee contributions; and the required employer contributions and the additional employer contributions to be received by the association within 14 calendar days after each pay date. If the payment is less than the amount required, the employer must pay the shortage amount to the association and collect reimbursement of any employee contribution shortage paid on behalf of a member through subsequent payroll withholdings from the wages of the employee. Payment of shortages in employee contributions and associated employer contributions, if applicable, must include interest at the rate specified in section 353.28, subdivision 5, if not received within 30 days following the date the amount was initially due under this section.

(b) The head of each department or the person's designee shall submit for each pay period ~~submit~~ to the association a salary deduction report in the format prescribed by the executive director. The report must be received by the association within 14 calendar days after each pay date or the employer may be assessed a fine of \$5 per calendar day until the association receives the required data. Data required to be submitted as part of salary deduction reporting must include, but are not limited to:

(1) the legal names and Social Security numbers of employees who are members;

(2) the amount of each employee's salary deduction;

(3) the amount of salary defined in section 353.01, subdivision 10, earned in the pay period from which each deduction was made and the salary amount earned by a reemployed annuitant under section 353.37, subdivision 1, or 353.371, subdivision 1, or by a disabled member under section 353.33, subdivision 7 or 7a;

(4) the beginning and ending dates of the payroll period covered and the date of actual payment; and

(5) adjustments or corrections covering past pay periods as authorized by the executive director.

~~(b)~~ (c) Employers must furnish the data required for enrollment for each new or reinstated employee who qualifies for membership in the format prescribed by the executive director. The required enrollment data on new ~~employees~~ members must be submitted to the association prior to or concurrent with the submission of the initial employee salary deduction. Also, the employer shall also report to the association all member employment status changes, such as leaves of absence, terminations, and death, and shall report the effective dates of those changes, on an ongoing basis for the payroll cycle in which they occur. If an employer fails to comply with the reporting requirements under this paragraph, the executive director may assess a fine of \$25 for each failure if the association staff has notified the employer of the noncompliance and attempted to obtain the missing data or form from the employer for a period of more than three months. (d) The employer shall furnish data, forms, and reports as may be required by the executive director for proper administration of the retirement system. Before implementing new or different computerized reporting requirements, the executive director shall give appropriate advance notice to governmental subdivisions to allow time for system modifications.

~~(e)~~ (e) Notwithstanding paragraph (a), the association may provide for less frequent reporting and payments for small employers.

(f) The executive director may establish reporting procedures and methods as required to review compliance by employers with the salary and contribution reporting requirements in this chapter. A review of the payroll records of a participating employer may be conducted by the association on a periodic basis or as a result of concerns known to exist within a governmental

subdivision. An employer under review must extract requested data and provide records to the association after receiving reasonable advanced notice. Failure to provide requested information or materials will result in the employer being liable to the association for any expenses associated with a field audit, which may include staff salaries, administrative expenses, and travel expenses.

EFFECTIVE DATE. This section is effective the day following final enactment.

Laws 2010, Chapter 359, Article 5, Section 10

Sec. 10. Minnesota Statutes 2009 Supplement, section 353.27, subdivision 7, is amended to read:

Subd. 7. **Adjustment for erroneous receipts or disbursements.** (a) Except as provided in paragraph (b), erroneous employee deductions and erroneous employer contributions and additional employer contributions for a person, who otherwise does not qualify for membership under this chapter, are considered:

(1) valid if the initial erroneous deduction began before January 1, 1990. Upon determination of the error by the association, the person may continue membership in the association while employed in the same position for which erroneous deductions were taken, or file a written election to terminate membership and apply for a refund upon termination of public service or defer an annuity under section 353.34; or

(2) invalid, if the initial erroneous employee deduction began on or after January 1, 1990. Upon determination of the error, the association shall refund all erroneous employee deductions and all erroneous employer contributions as specified in paragraph (e). No person may claim a right to continued or past membership in the association based on erroneous deductions which began on or after January 1, 1990.

(b) Erroneous deductions taken from the salary of a person who did not qualify for membership in the association by virtue of concurrent employment before July 1, 1978, which required contributions to another retirement fund or relief association established for the benefit of officers and employees of a governmental subdivision, are invalid. Upon discovery of the error, ~~the association shall remove~~ allowable service credit for all invalid service if forfeited and, upon termination of public service, the association shall refund all erroneous employee deductions to the person, with interest as determined under section 353.34, subdivision 2, and all erroneous employer contributions without interest to the

employer. This paragraph has both retroactive and prospective application. (c) Adjustments to correct employer contributions and employee deductions taken in error from amounts which are not salary under section 353.01, subdivision 10, must be made as specified in paragraph (e). The period of adjustment must be limited to the fiscal year in which the error is discovered by the association and the immediate two preceding fiscal years.

(d) If there is evidence of fraud or other misconduct on the part of the employee or the employer, the board of trustees may authorize adjustments to the account of a member or former member to correct erroneous employee deductions and employer contributions on invalid salary and the recovery of any overpayments for a period longer than provided for under paragraph (c).

(e) Upon discovery of the receipt of erroneous employee deductions and employer contributions under paragraph (a), clause (2), or paragraph (c), the association must require the employer to discontinue the erroneous employee deductions and erroneous employer contributions reported on behalf of a member. Upon discontinuation, the association must:

(1) for a member, provide a refund ~~or credit to the employer~~ in the amount of the invalid employee deductions with interest on the invalid employee deductions at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made; ~~and the employer must pay the refunded employee deductions plus interest to the member;~~

(2) for a former member who:

(i) is not receiving a retirement annuity or benefit, return the erroneous employee deductions to the former member through a refund with interest at the rate specified under section 353.34, subdivision 2, from the received date of each invalid salary transaction through the date the credit or refund is made; or

(ii) is receiving a retirement annuity or disability benefit, or a person who is receiving an optional annuity or survivor benefit, for whom it has been determined an overpayment must be recovered, adjust the payment amount and recover the overpayments as provided under this section; and

(3) return the invalid employer contributions reported on behalf of a member or former member to the employer by providing a credit against future contributions payable by the employer.

(f) In the event that a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum deducted, or any portion of it that is required to adjust the deductions, must be made to the department or institution.

(g) If the accrual date of any retirement annuity, survivor benefit, or disability benefit is within the limitation period specified in paragraph (c), and an overpayment has resulted by using invalid service or salary, or due to any erroneous calculation procedure, the association must recalculate the annuity or benefit payable and recover any overpayment as provided under subdivision 7b.

(h) Notwithstanding the provisions of this subdivision, the association may apply the Revenue Procedures defined in the federal Internal Revenue Service Employee Plans Compliance Resolution System and not issue a refund of erroneous employee deductions and employer contributions or not recover a small overpayment of benefits if the cost to correct the error would exceed the amount of the member refund or overpayment.

(i) Any fees or penalties assessed by the federal Internal Revenue Service for any failure by an employer to follow the statutory requirements for reporting eligible members and salary must be paid by the employer.

EFFECTIVE DATE. This section is effective the day following final enactment.

Laws 2010, Chapter 359, Article 5, Section 11

Sec. 11. Minnesota Statutes 2008, section 353.27, subdivision 10, is amended to read:

Subd. 10. **Employer exclusion reports.** (a) The head of a department shall annually furnish the executive director with an exclusion report listing only those employees in potentially PERA-eligible positions who were not reported as members of the association and who worked during the school year for school employees and calendar year for nonschool employees. The department head must certify the accuracy and completeness of the exclusion report to the association. The executive director shall prescribe the manner and forms, including standardized exclusion codes, to be used by a governmental subdivision in preparing and filing exclusion reports. Also, the executive director shall also check the exclusion report to ascertain whether any omissions have been made by a department head in the reporting of new public employees for membership. The executive director may delegate an association employee under section 353.03, subdivision 3a, paragraph (b), clause (5), to conduct a field audit to review the payroll records of a governmental subdivision.

(b) If an employer fails to comply with the reporting requirements under this subdivision, the executive director may assess a fine of \$25 for each failure if the association staff has notified the employer of the noncompliance and attempted to obtain the missing data or form from the employer for a period of more than three months.

EFFECTIVE DATE. This section is effective the day following final enactment.

Background Information on the Recovery of PERA-General and Other General Employee Retirement Plan Omitted Salary Deductions

Minnesota public pension plans, with the exception of volunteer firefighter relief associations, are contributory retirement plans. Contributory retirement plans are retirement plans where the active membership participates in the funding of the retirement plan through mandatory member contributions.

In Minnesota, the Commission's policy in setting the member contribution rates has been to require general employee retirement plan member contributions to equal at least one-half of the actuarial normal cost of the plan and to require public safety employee retirement plan member contributions to equal 40 percent of the actuarial cost of the plan.

The various retirement plans provide for collecting the mandatory member contributions by payroll deductions by the employing unit.

A primary issue is the issue of the member responsibility for the payment of any omitted deduction amount. Since the payment and receipt of member deductions triggers the crediting of allowable service for vesting, benefit eligibility, and benefit calculation purposes, when there are omitted deductions, the plan member will suffer the consequences and has an interest in making necessary corrections. Two of the three statewide major pension plans provide for the member payment of omitted member deductions, but Teachers Retirement Association (TRA), the three first class city teacher retirement fund associations, and Minneapolis Employees Retirement Fund (MERF) have no comparable authority.

Another significant issue is the issue of the employer responsibility for the payment of any omitted deduction amount. There is considerable variability in the employer authority or requirement for the payment of omitted member deductions, with no employer payment provision for MERF, with an immediate automatic employer responsibility for the four teacher retirement plans, and a variable requirement for MSRS-General and General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) after a certain period of time without member payment. It is unclear what the policy basis might be for treating various plan members differently and more advantageously.

Another issue of significance is the issue of whether or not there should be a limitation on the payment of omitted deductions and, if there should be a limit, the length until that limit is met. The seven plans differ, with no limit for MSRS-General and MERF, a three-year limit for PERA-General and the first class city teacher retirement fund associations, and a 46-year limit (1957) for TRA. The differences have no specified or easily inferred policy basis. Consideration should be given to treating all public pension plan members consistently in whether and when omitted deductions can be corrected.

If the required payroll deduction of a member contribution does not occur, it would be caused by an employing unit accounting error. Most retirement plans, but not all plans, have omitted member deduction recovery requirements, but those requirements vary between plans. The following summarizes the difference between the omitted deduction provisions of the various general employee retirement plans:

Plan	Omitted Deduction – Member Payment
MSRS-General	If deduction is not taken for 60 days or less, deduction is to be made from later payroll abstract. [352.04, Subd. 8]
PERA-General	Omission of a deduction must be immediately reported to PERA, with payment of the omitted deduction consistent with PERA executive director reporting procedures and methods. If the entire deduction omission period is 60 days or less, the employer may report and submit omitted deduction payment to PERA under regular reporting and remittance procedures. [353.27, Subd. 12]
TRA	Omitted deductions after 6/30/1957 and before 7/1/1991 may be paid any time before retirement by the member, plus annual compound interest at 8.5 percent from the end of the fiscal year in which the shortage occurred to the date of payment, with formula service credit downwardly adjusted if the shortage is not paid. [354.50, Subd. 5]
DTRFA	No requirement for member payment of omitted deductions.
MTRFA	No requirement for member payment of omitted deductions.
SPTRFA	No requirement for member payment of omitted deductions.
MERF	No specific provision.

Plan	Omitted Deduction – Employer Payment
MSRS-General	If deduction is not taken for more than 60 days, employer is obligated to pay both member and employer contribution plus 8.5 percent of the total annual amount if under one year or interest at the compound annual rate of 8.5 percent if period exceeds one year. [352.04, Subd. 8]
PERA-General	If deduction is omitted for more than 60 days, the employer must furnish sufficient data to allow PERA to determine omitted amounts, future deductions must be made, and the employing unit required to pay the omitted deduction amount, plus the associated employer contribution amounts, and interest on the total at the compound interest rate of 8.5 percent from the date the amount was first payable to the date of actual payment. The employer may not hold the member liable for the omitted deduction amount or attempt to recover the amount from the member. [353.27, Subd. 12]
TRA	Omitted deductions after 6/30/1981 are the sole obligation of the employing unit and must be paid following notification by TRA with annual compound interest at the rate of 8.5 percent from the end of the fiscal year in which the shortage occurred to the date of the payment. The employer must pay the employer contribution applicable to omitted deductions after 6/30/1986. [354.50, Subd. 5]
DTRFA	Omitted deductions are the sole obligation of the employing unit and must be paid following notification by the plan with monthly compound interest at the rate of 0.71 percent from the date the payment was due to the date that payment is made, with a minimum interest charge of \$10. [354A.12, Subd. 1a]
MTRFA	Omitted deductions are the sole obligation of the employing unit and must be paid following notification by the plan with monthly compound interest at the rate of 0.71 percent from the date the payment was due to the date that payment is made, with a minimum interest charge of \$10. [354A.12, Subd. 1a]
SPTRFA	Omitted deductions are the sole obligation of the employing unit and must be paid following notification by the plan with monthly compound interest at the rate of 0.71 percent from the date the payment was due to the date that payment is made, with a minimum interest charge of \$10. [354A.12, Subd. 1a]
MERF	No specific provision.
Plan	Omitted Deduction For Subsequently Terminating Employee
MSRS-General	For omitted member deduction for employee who terminates before the omission is corrected, and the period is 60 days or under, no member contribution is collected, but employer is obligated to pay the employer contribution, and the unpaid member contribution is considered to be a refund open for repayment in the event that the person returns to state employment. If the period is over 60 days, employer is obligated to pay member and employer contributions, plus amount in lieu of interest or interest at 8.5 percent. [352.04, Subd. 8]
PERA-General	If there are omitted member deductions for a person who has terminated, no omitted member deductions are payable, but the employing unit is liable for the employer contributions associated with the member deductions, plus interest at a compound annual rate of 8.5 percent. A terminated member for whom deductions were omitted or a current member with a prior period covered by an omitted deduction period may pay the omitted deduction amount within a period of six months after initial notification of eligibility to pay the amount, or, if the person is covered by another Minnesota public pension plan, within six months of the termination of subsequent public service. If the terminating member is immediately eligible to begin receipt of an annuity, the terminating member shall pay the omitted deduction amount within six months of notification, or forfeit the payment right, and the employing unit is obligated to pay the omitted employer contributions associated with the deductions, plus interest at an annual compound rate of 8.5 percent. [353.27, Subds. 12, 12a, and 12b]
TRA	No specific provision.
DTRFA	No specific provision.
MTRFA	No specific provision.
SPTRFA	No specific provision.
MERF	No specific provision.

Plan	Time Limitation on Correcting Omitted Deductions
MSRS-General	No provision.
PERA-General	PERA not allowed to recover omitted deductions or contributions due for more than three calendar years after the calendar year in which the omission occurred. No payments of omissions may be accepted by PERA unless PERA has begun action to recover, which occurs when PERA mails written correspondence requesting pertinent data to allow for the computation of the omission. [353.27, Subd. 12]
TRA	Omitted deductions dating before 7/1/1957 may not be paid. [354.51, Subd. 5]
DTRFA	Omitted deductions due for more than three years after the date of the omission are not payable. [354A12, Subd. 1a]
MTRFA	Omitted deductions due for more than three years after the date of the omission are not payable. [354A12, Subd. 1a]
SPTRFA	Omitted deductions due for more than three years after the date of the omission are not payable. [354A12, Subd. 1a]
MERF	No specific provision.

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH
SESSION

HOUSE FILE No. 81

January 13, 2011

Authored by Rukavina and Anzelc

The bill was read for the first time and referred to the Committee on Government Operations and Elections

1.1 A bill for an act
1.2 relating to retirement; general employees retirement plan of Public Employees
1.3 Retirement Association; authorizing purchase of service and salary credit
1.4 for certain former employees of Babbitt and Buhl for eligible unreported
1.5 employment.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. PERA-GENERAL; BABBITT AND BUHL SERVICE AND SALARY
1.8 CREDIT PURCHASE AUTHORIZATION IN CERTAIN CASES.

1.9 (a) An eligible person described in paragraph (b) is eligible to purchase from the
1.10 general employees retirement plan of the Public Employees Retirement Association
1.11 allowable service credit and salary credit for the period of uncredited prior employment
1.12 and salary specified in paragraph (c) by making the payment required under paragraph (d).

1.13 (b) An eligible person is a person who:

1.14 (1) was born on November 10, 1957;

1.15 (2) was employed as a part-time police officer by the city of Buhl from July 1988
1.16 until November 1996;

1.17 (3) was employed as a part-time police officer by Embarrass Township from March
1.18 1992 until August 1997;

1.19 (4) was employed as a part-time police officer by the City of Babbitt from April
1.20 1992 until September 1992; and

1.21 (5) was employed as a full-time police officer by the city of Babbitt since October 4,
1.22 1992, and as such is a member of the public employees police and fire retirement plan.

1.23 (c) The periods of unreported employment and salary that qualified for coverage by
1.24 the general employees retirement plan of the Public Employees Retirement Association
1.25 and eligible for purchase are employment by the city of Buhl from October 1989 until

2.1 November 1996 and employment by the city of Babbitt as a part-time police officer from
2.2 April 1992 until September 1992.

2.3 (d) The allowable service and salary credit purchase payment amount must be
2.4 calculated under Minnesota Statutes, section 356.551. Of the total payment amount,
2.5 the eligible person is obligated to pay the amount of member contributions that the
2.6 eligible person would have paid by deduction to the coordinated program of the general
2.7 employees retirement plan of the Public Employees Retirement Association if made in
2.8 a timely fashion, plus annual compound interest at the rate of 8.5 percent from the date
2.9 that the contribution should have been made until the date that the contribution equivalent
2.10 payment is made. The balance of the total payment amount must be allocated between
2.11 the city of Buhl and the city of Babbitt on the basis of the additional retirement benefit
2.12 associated with the applicable period of past unreported eligible employment. The city
2.13 of Buhl and the city of Babbitt shall make their payments within 30 days of the date on
2.14 which the executive director of the Public Employees Retirement Association certifies that
2.15 the eligible person has paid the equivalent member contribution payment and interest. If a
2.16 city fails to make a timely payment, the executive director shall collect the unpaid amount
2.17 under Minnesota Statutes, section 353.28.

2.18 (e) The eligible person shall provide the executive director of the Public Employees
2.19 Retirement Association with any necessary documentation of the applicability of this
2.20 section that the executive director requests.

2.21 (f) The authority of the eligible person to make the equivalent member contribution
2.22 and interest payment under this section expires on the earlier of July 1, 2012, or the date
2.23 on which the eligible person finally terminates public employment covered by Minnesota
2.24 Statutes, chapter 353.

2.25 **EFFECTIVE DATE.** This section is effective the day following final enactment.