



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director
RE: General Summary of Blind Amendment LCPR11-12A
DATE: May 19, 2011

General Summary of Blind Amendment LCPR11-12A

Blind amendment LCPR11-12A amends portions of Minnesota Statutes, Chapters 6, 13D, 43A, 69, 353, 356, 423, 423A, and 609B, and repeals Minnesota Statutes, Chapters 423A and 423B, relating to the Minneapolis Firefighters Relief Association and the Minneapolis Police Relief Association, by providing for the following:

- I. First Article: Voluntary Consolidation of the Minneapolis Firefighters Relief Association (MFRA).
 1. Voluntary Consolidation of MFRA. The Minneapolis Firefighters Relief Association (MFRA) is authorized to consolidate its retirement plan and retirement fund with the Public Employees Police and Fire Retirement Plan (PERA-P&F) on December 30, 2011, if:
 - a. Relief Association Board Approval. The MFRA board of trustees vote to approve the consolidation on or before September 15, 2011;
 - b. Relief Association Membership Approval. The active and retirement members, including the surviving spouse benefit recipients, vote to approve the consolidation in a member referendum on or before September 15, 2011;
 - c. PERA Board of Trustees Approval. The board of trustees of the Public Employees Retirement Association (PERA) approve the consolidation on or before September 30, 2011; and
 - d. Minneapolis City Approval. The city council of the City of Minneapolis approves the consolidation and that approval is filed with the Minnesota Secretary of State before October 1, 2011. (*1st Art., Sec. 18*)
 2. Post-Consolidation MFRA Benefit Plan Except for Post-Retirement Adjustments. If the MFRA consolidates with the PERA-P&F, the benefits of the former active and retired members of the relief association will be based on the current relief association benefit plan, with the unit value adjusted from \$86.71 for calendar year 2011 to \$124.031 for calendar year 2015, and increased by the post-retirement adjustment rate under the PERA-P&F post-retirement adjustment mechanism after December 31, 2015. Active members would have their eventual benefits calculated under the former MFRA benefit plan and not under the PERA-P&F benefit plan. (*1st Art., Sec. 1, 7*)
 3. Post-Consolidation MFRA Member Contributions. If the MFRA consolidates with the PERA-P&F, the active member contribution will be 8.00% of salary, with contributions by active members with 25 years of service or more deposited in a special health account, a defined contribution program reimbursing medical coverage expenditures after retirement operated through the MSRS Health Care Savings Program. The special health account balances as of the date of consolidation would be retained and managed by the currently retained financial institution, with three years of administrative expenses prepaid. (*1st Art., Sec. 3-4*)
 4. Post-Consolidation MFRA Employer Contributions. If the MFRA consolidates with the PERA-P&F, the City of Minneapolis would be obligated to make regular monthly contributions of \$114,825 or an amount equal to the employee contributions, whichever is less, and to make an annual lump sum contribution equal to the balance of the amount required to amortize any unfunded actuarial accrued liability brought by the consolidating relief association to the PERA-P&F retirement plan, under the PERA-P&F actuarial assumptions, by 2031, the PERA General Employees Retirement Plan target amortization date. (*1st Art., Sec. 5; Sec. 13, Subd. 6*)
 5. Post-Consolidation MFRA Successor In Interest. If the MFRA consolidates with the PERA-P&F, PERA would administer the former relief association benefit plan for the former relief association members and PERA-P&F would be the successor in interest for the relief association's affairs thereafter. (*1st Art., Sec. 13*)

6. Consolidation Relief Association Special Fund Termination and Fraternal Organization Continuation. If the MFRA consolidates, the special fund of the MFRA would terminate, but the former MFRA membership is authorized to elect to continue the relief association as a fraternal organization and not a retirement plan. (*1st Art., Sec. 16*)
7. Employment Preference for Current MFRA Employees. Existing MFRA employees would have an employment preference for subsequent employment by PERA. (*1st Art., Sec. 16, Para. (d)*)

II. Second Article: Voluntary Consolidation of the Minneapolis Police Relief Association (MPRA).

1. Voluntary Consolidation of MPRA. The Minneapolis Police Relief Association (MPRA) is authorized to consolidate its retirement plan and retirement fund with the Public Employees Police and Fire Retirement Plan (PERA-P&F) on December 30, 2011, if:
 - a. Relief Association Board Approval. The MPRA board of trustees vote to approve the consolidation on or before September 15, 2011;
 - b. Relief Association Membership Approval. The active and retirement members, including the surviving spouse benefit recipients, vote to approve the consolidation in a member referendum on or before September 15, 2011;
 - c. PERA Board of Trustees Approval. The board of trustees of the Public Employees Retirement Association (PERA) approve the consolidation on or before September 30, 2011; and
 - d. Minneapolis City Approval. The city council of the City of Minneapolis approves the consolidation and that approval is filed with the Minnesota Secretary of State before October 1, 2011. (*2nd Art., Sec. 18*)
2. Post-Consolidation MPRA Benefit Plan Except for Post-Retirement Adjustments. If the MPRA consolidates with the PERA-P&F, the benefits of the former active and retired members of the relief association will be based on the current relief association benefit plan, with the unit value adjusted from \$86.71 for calendar year 2011 to \$124.031 for calendar year 2015, and increased by the post-retirement adjustment rate under the PERA-P&F post-retirement adjustment mechanism after December 31, 2015. Active members would have their eventual benefits calculated under the former MPRA benefit plan and not under the PERA-P&F benefit plan. (*2nd Art., Sec. 1, 7*)
3. Post-Consolidation MPRA Member Contributions. If the MPRA consolidates with the PERA-P&F, the active member contribution will be 8.00% of salary, with contributions by active members with 25 years of service or more deposited in a special health account, a defined contribution program reimbursing medical coverage expenditures after retirement operated through the MSRS Health Care Savings Program. The special health account balances as of the date of consolidation would be retained and managed by the currently retained financial institution, with three years of administrative expenses prepaid. (*2nd Art., Sec. 3-4*)
4. Post-Consolidation MPRA Employer Contributions. If the MPRA consolidates with the PERA-P&F, the City of Minneapolis would be obligated to make regular monthly contributions of \$239,215 or an amount equal to the employee contributions, whichever is less, and to make an annual lump sum contribution equal to the balance of the amount required to amortize any unfunded actuarial accrued liability brought by the consolidating relief association to the PERA-P&F retirement plan, under the PERA-P&F actuarial assumptions, by 2031, the PERA General Employees Retirement Plan target amortization date. (*2nd Art., Sec. 5; Sec. 13, Subd. 6*)
5. Post-Consolidation MPRA Successor In Interest. If the MPRA consolidates with the PERA-P&F, PERA would administer the former relief association benefit plan for the former relief association members and PERA-P&F would be the successor in interest for the relief association's affairs thereafter. (*2nd Art., Sec. 13*)
6. Consolidation Relief Association Special Fund Termination and Fraternal Organization Continuation. If the MPRA consolidates, the special fund of the MPRA would terminate, but the former MPRA membership is authorized to elect to continue the relief association as a fraternal organization and not a retirement plan. (*2nd Art., Sec. 16*)
7. Employment Preference for Current MPRA Employees. Existing MPRA employees would have an employment preference for subsequent employment by PERA. (*2nd Art., Sec. 16, Para. (d)*)

III. Third Article: Conforming Changes. If the MFRA or the MPRA consolidates, various statutory references to the relief association in various portions of Minnesota Statutes are corrected or eliminated.

Section-by-Section Summary of Blind Amendment LCPR11-12A

Sec.	Pg.Ln	Plan or Subject	Stat. Provision	Summary												
First Article: Voluntary Consolidation of the Minneapolis Fire Relief Association																
1	1.6	PERA	353.01, New Subd. 10a	Adds a definition of base salary applicable to members of the former Minneapolis Firefighters Relief Association (MFRA) for purposes of calculating benefits, set at the following amounts: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Calendar Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>\$86.71</td> </tr> <tr> <td>2012</td> <td>\$104.651</td> </tr> <tr> <td>2013</td> <td>\$109.011</td> </tr> <tr> <td>2014</td> <td>\$114.825</td> </tr> <tr> <td>2015</td> <td>\$124.031</td> </tr> </tbody> </table>	Calendar Year	Amount	2011	\$86.71	2012	\$104.651	2013	\$109.011	2014	\$114.825	2015	\$124.031
Calendar Year	Amount															
2011	\$86.71															
2012	\$104.651															
2013	\$109.011															
2014	\$114.825															
2015	\$124.031															
2	1.16	PERA	353.01, Subd. 16	Includes as allowable service any service credit rendered as an active member of the former MFRA.												
3	4.30	PERA-P&F	353.65, Subd. 1	Establishes a special health benefit defined contribution account within the PERA-P&F retirement fund for members of the former MFRA.												
4	5.10	PERA-P&F	353.65, Subd. 2	Sets a separate member contribution rate of 8.00% for former active members of the MFRA with contributions after 25 years of service deposited in the special health benefit defined contribution account in the PERA-P&F retirement fund.												
5	5.27	PERA-P&F	353.65, Subd. 3	Sets a separate employer contribution rate in a monthly amount of \$114,825 or an amount equal to the employee contributions, whichever is less, on behalf of the former members of the MFRA.												
6	6.5	PERA-P&F	353.651, Subd. 1	Adds an exception to the general normal retirement age of 55 for active members of the former MFRA, where it is age 50.												
7	6.11	PERA-P&F	New 353.6511	Specifies alternative benefits for members of the former MFRA that are sets as a unit value number (80ths of the maximum salary of a first grade firefighter. Specifies that alternative benefits are eligible for post-retirement adjustments under the PERA-P&F post-retirement adjustment mechanism.												
8	7.25	PERA-P&F	353.656, Subd. 1	Adds an exception to the duty disability benefit provision for active members of the former MFRA, with benefits under section 7.												
9	8.10	PERA-P&F	353.656, Subd. 1a	Adds an exception to the total and permanent duty disability benefit provision for active members of the former MFRA, where benefit coverage is under section 7.												
10	9.7	PERA-P&F	353.656, Subd. 3	Adds an exception to the regular disability benefit provision for active members of the former MFRA, where benefit coverage is under section 7.												
11	9.26	PERA-P&F	353.656, Subd. 3a	Adds an exception to the total and permanent regular disability benefit provision for active members of the former MFRA, where benefit coverage is under section 7.												
12	10.20	PERA-P&F	353.657, Subd. 1	Adds an exception to the survivor benefit provision for active members of the former MFRA, where benefit coverage is under section 7.												
13	11.3	PERA-P&F	New 353.667	Provides for the transfer of the membership, the service credit and benefit liability, the records, and the assets of the former MFRA, requires the City of Minneapolis to pay the full actuarial requirements related to members of the former MFRA, with a 2031 amortization full funding date, requires the deposit of the prior health benefit account balances in the special account established in section 3, and requires the PERA to withhold health insurance or dental insurance premium amounts for transmission to the City of Minneapolis for payment. Continues fire surcharge to Minneapolis to defray employer costs.												
14	14.4	Additional Amortization Aid	423A.02, Subd. 1b	Continues eligibility for additional amortization aid for the duration of the Minneapolis/MFRA amortization agreement.												
15	16.4	PERA	Uncoded	Provides for the preparation by the PERA actuary of a special alternative valuation of the MFRA under the PERA-P&F actuarial assumptions and amortization target date prior to the consolidation, with results provided to the mayor of Minneapolis, the Minneapolis Police Relief Association, the Public Employees Retirement Association, the Legislative Commission on Pensions and Retirement, and the Legislative Reference Library.												
16	16.25	MPRA	Uncoded	Terminates the special fund of the MFRA, permits the MFRA membership to elect to continue the relief association as a fraternal organization at a special meeting held before April 15, 2012, and redirects the MFRA general fund assets to the fraternal organization if one is established. The employees of the current MFRA have an employment preference with PERA comparable to the veterans preference act.												
17	17.17	MPRA	Repealer	Repeals the statute chapter governing the MFRA.												
18	17.21	--	Effective Date	Provides for a January 1, 2012, effective date for the consolidation if the consolidation is approved by the MFRA board of trustees, the MFRA membership, the Minneapolis city council, and the PERA board of trustees.												

Section-by-Section Summary of Blind Amendment LCPR11-12A

Sec.	Pg.Ln	Plan or Subject	Stat. Provision	Summary												
<u>Second Article: Voluntary Consolidation of the Minneapolis Police Relief Association</u>																
1	18.9	PERA	353.01, New Subd. 10b	Adds a definition of base salary applicable to members of the former Minneapolis Police Relief Association (MPRA) for purposes of calculating benefits, set at the following amounts: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th>Calendar Year</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>2011</td> <td>\$86.71</td> </tr> <tr> <td>2012</td> <td>\$104.651</td> </tr> <tr> <td>2013</td> <td>\$109.011</td> </tr> <tr> <td>2014</td> <td>\$114.825</td> </tr> <tr> <td>2015</td> <td>\$124.031</td> </tr> </tbody> </table>	Calendar Year	Amount	2011	\$86.71	2012	\$104.651	2013	\$109.011	2014	\$114.825	2015	\$124.031
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2014	\$114.825															
2015	\$124.031															
2	18.19	PERA	353.01, Subd. 16	Includes as allowable service any service credit rendered as an active member of the former MPRA.												
3	21.21	PERA-P&F	353.65, Subd. 1	Establishes a special health benefit defined contribution account within the PERA-P&F retirement fund for members of the former MPRA.												
4	22.1	PERA-P&F	353.65, Subd. 2	Sets a separate member contribution rate of 8.00% for former active members of the MPRA with contributions after 25 years of service deposited in the special health benefit defined contribution account in the PERA-P&F retirement fund.												
5	22.18	PERA-P&F	353.65, Subd. 3	Sets a separate employer contribution rate in a monthly amount of \$239,215 or an amount equal to the employee contributions, whichever is less, on behalf of the former members of the MPRA.												
6	22.30	PERA-P&F	353.651, Subd. 1	Adds an exception to the general normal retirement age of 55 for active members of the former MPRA, where it is age 50.												
7	23.3	PERA-P&F	New 353.6511	Specifies alternative benefits for members of the former MPRA that are sets as a unit value number (80ths of the maximum salary of a first grade Minneapolis patrol officer. Specifies that alternative benefits are eligible for post-retirement adjustments under the PERA-P&F post-retirement adjustment mechanism.												
8	24.16	PERA-P&F	353.656, Subd. 1	Adds an exception to the duty disability benefit provision for active members of the former MPRA, with benefits under section 7.												
9	25.1	PERA-P&F	353.656, Subd. 1a	Adds an exception to the total and permanent duty disability benefit provision for active members of the former MPRA, where benefit coverage is under section 7.												
10	25.33	PERA-P&F	353.656, Subd. 3	Adds an exception to the regular disability benefit provision for active members of the former MPRA, where benefit coverage is under section 7.												
11	26.17	PERA-P&F	353.656, Subd. 3a	Adds an exception to the total and permanent regular disability benefit provision for active members of the former MPRA, where benefit coverage is under section 7.												
12	27.10	PERA-P&F	353.657, Subd. 1	Adds an exception to the survivor benefit provision for active members of the former MPRA, where benefit coverage is under section 7.												
13	27.27	PERA-P&F	New 353.668	Provides for the transfer of the membership, the service credit and benefit liability, the records, and the assets of the former MPRA, requires the City of Minneapolis to pay the full actuarial requirements related to members of the former MPRA, with a 2031 amortization full funding date, requires the deposit of the prior health benefit account balances in the special account established in section 3, and requires the PERA to withhold health insurance or dental insurance premium amounts for transmission to the City of Minneapolis for payment.												
14	30.28	Additional Amortization Aid	423A.02, Subd. 1b	Continues eligibility for additional amortization aid for the duration of the Minneapolis/MPRA amortization agreement.												
15	32.26	PERA	Uncoded	Provides for the preparation by the PERA actuary of a special alternative valuation of the MPRA under the PERA-P&F actuarial assumptions and amortization target date prior to the consolidation, with results provided to the mayor of Minneapolis, the Minneapolis Police Relief Association, the Public Employees Retirement Association, the Legislative Commission on Pensions and Retirement, and the Legislative Reference Library.												
16	33.13	MPRA	Uncoded	Terminates the special fund of the MPRA, permits the MPRA membership to elect to continue the relief association as a fraternal organization at a special meeting held before April 15, 2012, and redirects the MPRA general fund assets to the fraternal organization if one is established. The employees of the current MPRA have an employment preference with PERA comparable to the veterans preference act.												
17	34.3	MPRA	Repealer	Repeals the statute chapter governing the MPRA.												
18	34.8	--	Effective Date	Provides for a January 1, 2012, effective date for the consolidation if the consolidation is approved by the MPRA board of trustees, the MPRA membership, the Minneapolis city council, and the PERA board of trustees.												
<u>Third Article: Conforming Changes</u>																
1	34.29	State Auditor Duties	6.67	Eliminates the MFRA and MPRA governing chapters from application of the possible misconduct reporting requirement.												
2	35.8	Open Meeting Law	13D.01, Subd. 1	Eliminates the MPRA governing chapter from the specification of local public pension plan for the open meeting requirement.												

Section-by-Section Summary of Blind Amendment LCPR11-12A

Sec.	Pg.Ln	Plan or Subject	Stat. Provision	Summary
3	36.1	Public Employees Insurance Program	43A.316, Subd. 8	Eliminates the MFRA governing chapter and the defunct Second Class City Firefighters Relief Association chapter citations from an insurance coverage provision.
4	36.31	Local Police and Paid Fire Guidelines Act	69.77, Subd. 1a	Removes a reference to MFRA and MPRA in the guidelines act provision.
5	37.4	Local Police and Paid Fire Guidelines Act	69.77, Subd. 4	Eliminates special administrative expense exception provisions only applicable to MFRA and MPRA.
6	38.32	Actuarial Valuation Law	356.215, Subd. 8	Eliminates MFRA and MPRA references from the interest and salary increase actuarial assumption specification.
7	43.34	Local Police & Fire Actuarial Valuations	356.216	Eliminates MFRA and MPRA references in the actuarial valuation adaptations law.
8	45.25	Legal Process Exemption	356.401, Subd. 3	Eliminates MFRA and MPRA references from the legal process exemption provision.
9	46.24	Supplemental Needs Trust Optional Annuity	356.465, Subd. 3	Eliminates MFRA and MPRA references from the special optional annuity provision.
10	47.15	1980 Phase-Out Benefit Increase	423A.01, Subd. 3	Eliminates a Minneapolis reference from the special benefit increase provision applicable to local relief associations.
11	47.31	Amortization State Aid	423A.02, Subd. 1	Clarifies references to MPRA as a former relief association.
12	48.31	Criminal Law	609B.455	Eliminates an incorrect MFRA and MPRA reference in a head note.
13	49.8	Criminal Law	609B.460	Clarifies an MPRA reference for benefit suspension during incarceration provision.
14	49.17	--	Effective Date	Makes the article effective on the same date as the applicable substantive article.