



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: Review and Reconsideration of the Commission's Principles of Pension Policy in Light of Recently Enacted Pension Legislation, First Consideration

DATE: October 15, 2013

Introduction

As one of the topics for consideration by the Legislative Commission on Pensions and Retirement, Commission Chair Senator Sandra Pappas, has designated a review and reconsideration of the Commission's Principles of Pension Policy in light of recently enacted pension legislation.

The Commission staff has estimated that the topic will require Commission consideration over three Commission meetings. For the initial consideration of the topic, this Commission staff issue memorandum attempts to set the stage for Commission consideration of the policy principles document and will:

1. Summarize the development of the Commission's Principles of Pension Policy;
2. Summarize the history of the Legislative Commission on Pensions and Retirement;
3. Identify the 2008-2013 pension legislation that is potentially at variance with the Commission's principles; and
4. Identify the recent pension legislation that may indicate the need for the formulation of additional policy principles.

The second Commission staff issue memorandum will explore the policy issues arising out of the pension legislation that appears to be at variance with the current Principles of Pension Policy and would explore the potential changes in the Principles document to accommodate those apparent policy changes. The third Commission staff issue memorandum will explore the policy issues surrounding topics not currently addressed by the Principles of Pension Policy and would explore the potential additions to the document to provide policy guidance to future Commissions on those topics.

Development of the Commission's Principles of Pension Policy

When the Pension Commission existed as an interim commission, the Commission was required by its organizing law to formulate and issue a report to the Governor and the Legislature on its recommendations on public pensions and retirement. After the first few interim commissions, the Commission's biennial reports followed the practice of including a statement of policy principles on pensions. In 1978, after the Pension Commission had been established as a permanent commission within the legislative branch, the Commission's biennial report contained a reformulated version of the longstanding principles of pension policy developed by the predecessor commissions.

During the 1995-1996 and 1996-1997 Interims, the Commission established a working group of Commission members and interested parties to thoroughly review the compiled principles of pension policy and to formulate a reformulation and revision of those principles. The working group completed its work, submitted its recommended reformulation and revision to the full Commission, and the updated Principles of Pension Policy were adopted in 1997. During the 2002-2003 Interim, the Commission staff undertook the identification of recent pension legislation departing from the established policy principles and the identification of items for which the development of additional policy principles would be helpful. That Commission staff project never resulted in Commission consideration.

During the 2007-2008 Interim, the Commission undertook a review of the Commission's Principles of Pension Policy, resulting in a revision of several policy provisions.

History of the Legislative Commission on Pensions and Retirement

- a. Predecessor Commission. The initial special legislative body to review public pension issues was the Interim Commission to Study Minneapolis Pension Systems, created by Laws 1943, Chapter 449. The 1943 Interim Commission was comprised of three members of the Senate and three members of the House of Representatives. All members of this interim commission were from Minneapolis. The 1943 Interim Commission issued a report to the 1945 Legislature, which dealt with the soundness of the

various Minneapolis public pension plans, the fairness of the benefits and cost, their comparative position relative to pension plans of other similarly sized cities, and the possibility for consolidating the various plans. From the concurrent resolution of the Legislature reprinted in the report of the 1943 Interim Commission, the commission was created as a means to handle persistent demands for retirement benefit increases in a time other than a busy legislative session and as a means to assemble sufficient actuarial or other experts to investigate the costs of proposed benefit increases. No significant legislation enacted by the 1945 Legislature appears to have resulted from the work of the 1943 Interim Commission.

- b. Interim Pension Commissions. Until 1955, there was no special legislative body with specific jurisdiction over Minnesota public pension plans. In 1955 (Laws 1955, Ch. 829), the Legislature created a legislative commission to report on retirement benefit plans available to government employees. In addition to the Legislative Research Committee, established in 1947, which dealt with various studies and topics, the 1955 Legislature created 24 interim commissions, including the 1955 Public Retirement Interim Commission. According to O. M. Ousdigian, the late retired executive director of the Public Employees Retirement Association (PERA), the motivation for the creation of the 1955 Public Retirement Interim Commission was the likelihood of a near term default on benefit payments by PERA and the need to provide PERA and the other major public pension plans with a regularized source of employer funding. The Legislature reportedly modeled the 1955 Public Retirement Interim Commission on the Wisconsin Retirement Laws Commission.

The Public Retirement Interim Commission was reestablished four times over the next five bienniums, in 1957 (Ex. Sess. Laws 1957, Ch. 13), in 1959 (Ex. Sess. Laws 1959, Ch. 82), in 1963 (Laws 1963, Ch. 888, Sec. 9), and in 1965 (Laws 1965, Ch. 888, Sec. 5). The various public retirement interim commissions functioned during the interims between the biennial legislative sessions primarily to study pending pension problems, to formulate recommendations on those problems, and to produce a biennial report that contained the recommendations of the Commission as to future legislative enactments relating to the state's various public pension plans. No public retirement interim commission was established by the 1961 Legislature.

- c. Permanent Pension Commission. The 1965 Public Retirement Systems Interim Commission recommended to the Legislature the creation of a permanent Legislative Commission on Pensions, and the 1967 Legislature created the Legislative Retirement Study Commission as a permanent legislative commission (Laws 1967, Ch. 549, coded as Minn. Stat. Sec. 3.85). That Pension Commission was scheduled to terminate its duties on June 30, 1973, under terms of the 1967 legislation. In 1971 (Laws 1971, Ch. 818), the 1973 expiration date for the Pension Commission was eliminated. In 1975, the name of the Pension Commission was changed from the Legislative Retirement Study Commission to the Legislative Commission on Pensions and Retirement (Laws 1975, Ch. 271, Sec. 3). In 1984, the duties of the Pension Commission were expanded with the addition of authority to issue standards for public pension actuarial work, the addition of the requirement of hiring a major actuarial consulting firm to prepare the regular actuarial valuations of the largest Minnesota public pension plans, and an increase in the Commission budget (Laws 1984, Ch. 564, Sec. 1-2).
- d. Mid-1990s Reviews of the Pension Commission Role and Function and Their Aftermath. In 1994, largely in response to complaints from former Representative Wayne Simoneau and from a former PERA executive director, James Hacking, the Legislative Audit Commission undertook a review of the adequacy of the oversight of local public employee pension plans. The Office of the Legislative Auditor retained an independent consultant, Allan Baumgarten, to conduct the review and prepare a report for the Legislative Audit Commission.
- In 1995 (Laws 1995, Ch. 248, Art. 2, Sec. 6) virtually every legislative commission, including the Legislative Commission on Pensions and Retirement, were scheduled to sunset on July 1, 1996, unless the Legislative Coordinating Commission affirmatively elected to continue the operation of the particular commission by January 1, 1996. The Legislative Coordinating Commission elected to continue the operation of the Legislative Commission on Pensions and Retirement in December 1995, after conducting review hearings.
 - In 1997 (Laws 1997, Ch. 202, Art. 2, Sec. 5) the membership of the Commission was increased from ten (five House members and five Senate members) to 12 (six members from each body).
 - In 1999 (Laws 1999, Ch. 222, Art. 20), the Commission membership was reduced back to ten.
 - In 2004 (Laws 2004, Ch. 223, Sec. 6), the duty previously assigned to the Commission to select and retain the consulting actuary to prepare the regular actuarial work for the statewide and major local Minnesota public pension plans was reassigned to the various pension plan administrators acting collectively. The reassignment of the consulting actuary retention duty was accompanied by a reduction in the Commission budget.
 - In 2008 (Laws 2008, Ch. 349, Art. 10), the responsibility to retain the consulting actuarial firm to perform the official actuarial valuations of the various statewide and major local retirement plans was delegated to the retirement system administrations individually, with the role of the consulting actuarial firm retained by the Commission revised to be that of a reviewing and auditing actuary.

- e. Recent Pension Commission Changes. In 2011 (1st Spec. Sess. Laws 2011, Ch. 10, Art. 3, Sec. 1), the membership of the Commission was again increased, beginning with the 2013 Legislative Session, from ten to 14 (seven House members and seven Senate members), and no more than five members from each chamber may be from the majority caucus in that chamber.
- f. Institutional Position within the Legislature and Nationally. Within Minnesota, the Legislative Commission on Pensions and Retirement is the second oldest joint legislative agency created by the Minnesota Legislature that is still in operation. The oldest operating Minnesota joint legislative agency is the Office of the Revisor of Statutes, which was established as a temporary entity in 1851, was established as a permanent entity in 1939, initially in the judicial branch, and was transferred to the legislative branch in 1973 (Laws 1973, Ch. 598, Sec. 2, Subd. 6).

Nationally, the Minnesota Pension Commission is the second oldest public employee retirement commission. The predecessor to the current Wisconsin Joint Survey Committee on Retirement Systems was created in 1945 and is the oldest pension commission of general jurisdiction. The Massachusetts Commission, established in 1958, and the Nebraska Commission, established in 1959, are the third and fourth oldest public employee retirement commissions.

- g. Changes in Pension Commission Emphasis. During the early period of the operation of the Pension Commission as a permanent legislative entity, largely 1967 through 1971, the Pension Commission slowly made the transition from an interim commission, with its primary work product focus being the production of a biennial report with policy recommendations, to a legislative policy making body, with its primary work product focus being the processing of proposed pension legislation. The Commission continued to issue a biennial report, prepared during the interim until the early 1980s, but the report evolved to become less of a collection of Commission recommendations about pension law changes, with a supporting policy argument, and to become more of a summary of the actuarial and financial information routinely collected by the Commission.

During the period after 1967, proposed pension legislation also began to be handled by the respective legislative bodies on a less fragmented basis, with the jurisdiction over proposed pension legislation assigned typically to a single standing committee rather than the previous practice, where proposed legislation was assigned based on the nature of the employee group (i.e., judicial pensions assigned to the Judiciary Committee, teachers pensions assigned to the Education Committee, or municipal employee pensions assigned to the Local Government Committee).

After 1971, during the legislative session, the Commission began to function as a joint meeting of the pension committees or pension subcommittees of the respective legislative bodies. Since the 1980s, the appointment of specific pension subcommittees has become more episodic.

Over the last three decades, the Pension Commission has evolved into its current manner of operation, processing proposed pension legislation during the legislative session in advance of the applicable standing committee bill hearing deadline and undertaking a schedule of study topics during the interim between legislative sessions. By longstanding agreement, the standing committees with jurisdiction over pensions, currently the House Committee on Governmental Operations, Reform, Technology and Elections and the Senate Committee on State and Local Government Operations, do not typically schedule proposed pension legislation for a hearing until it has been reviewed and recommended by the Pension Commission.

The Pension Commission regularly schedules hearings on proposed pension legislation prior to the applicable established bill hearing deadline and processes a considerable portion of the proposed pension legislation that is introduced annually. The Pension Commission generally reviews about three-quarters of the proposed pension legislation introduced during a legislative session and recommends for forwarding to the relevant standing committees about one-half of proposed pension legislation introduced.

During the interim between legislative sessions, the Commission typically selects an agenda of public pension topics for study and considers those topics at regular or periodic Commission meetings during the interim. The public pension topics for interim study largely arise out of proposed pension legislation from the prior legislative session, where the proposed legislation did not receive final Commission action because it required additional technical work, required additional actuarial work, or required more extensive debate and consideration than would be possible during the legislative session.

Pension Commission consideration of proposed legislation typically includes the preparation of a Commission staff policy issue memorandum based significantly on applying the Commission's Principles of Pension Policy.

2008-2013 Pension Legislation Potentially at Variance with the Commission's Principles

a. In General. As last reformulated in 2007 by the Commission, the Principles of Pension Policy have 39 substantive policy principles and five procedural principles. Of those 39 substantive policy principles, pension legislation enacted during the period 2008 to 2013 touched on a majority of the principles and, with respect to 18 substantive and procedural principles, the recent pension legislation suggests a potential departure from or a potential need for a modification in the applicable principle.

b. Principles with Potential 2008-2013 Legislative Variance.

1. Principle II.A.1: Purpose of Minnesota Public Pension Plans. The principle indicates that:

II.A.1. Minnesota public pension plans exist to augment the Minnesota public employer's personnel and compensation system by assisting in the recruitment of new qualified public employees, the retention of existing qualified public employees, and the systematic out-transitioning of existing public employees at the normally expected conclusion of their working careers or the systematic phasing-out of existing employees who are nearing the normally expected conclusion of their full-time working careers by providing, in combination with federal Social Security coverage, personal savings and other relevant financial sources, retirement income that is adequate and affordable.

Three items of 2008-2013 pension legislation are potentially at variance with the portion of this principle that relates to the systematic out-transitioning of public employees at the conclusion of their working careers or the systematic phasing-out of employees nearing the expected conclusion of their full-time working careers by providing a public employee retirement annuity:

- In 2008 (Laws 2008, Ch. 349, Art. 3, Sec. 7-10), the Teachers Retirement Association (TRA) retirement plan retirement annuity eligibility and termination of teaching service provisions were amended to permit post-age-61 contracts by teachers to return to teaching after the commencement of a retirement annuity and exempting the first \$46,000 of reemployment compensation from triggering the reemployed annuitant earnings limitation and reduction.
- In 2008 (Laws 2008, Ch. 349, Art. 3, Sec. 2); and
- In 2009 (Laws 2009, Ch. 169, Art. 5, Sec. 1-2), members of the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) were permitted to utilize a post-retirement option to continue public employment or be reemployed in public employment after the commencement of a retirement annuity after age 61 by entering into an agreement with the same or a different public employer without triggering the reemployed annuitant earnings limitation and reduction. While presumably attempting to accommodate individuals seeking to phase into retirement, the provisions are so potentially broad in their application that the termination of employment at the expected end of a normal working career as the starting point for the payment of retirement annuities may be significantly blurred and older public employees are encouraged to lengthen their annuity receipt period while continuing significant gainful employment, with a stacking of active public employment compensation and public retirement benefits at the same time.

2. Principle B.1: Creation of New Pension Plans. The principle indicates that public employers should not be able to create new public pension plans other than volunteer firefighter relief associations without specific legislative authorization and that new retirement plans for volunteer firefighters should be county-basis or regional-basis plans if possible.

- In 2009, the Statewide Lump-Sum Volunteer Firefighter Retirement Plan of the Public Employees Retirement Association (PERA-SVF) was created as a statewide administration for municipalities and nonprofit firefighting corporations who transferred their volunteer firefighter relief associations or created a new plan from one of the statutory retirement benefit levels (Laws 2009, Ch. 169, Art. 9, Sec. 10-25). The creation of a statewide volunteer firefighter retirement plan seemed sufficiently improbable for the past several decades that the policy principles suggested more limited county or regional aggregations of volunteer firefighter retirement plans. With the creation of a single statewide volunteer firefighter retirement plan structure and administration, the desirability of county or regional volunteer firefighter retirement plans may be diminished sufficiently that the suggestion of their creation currently articulated in the policy principles may be substantially diminished.

3. Principle II.B.2: Mandatory Public Pension Plan Membership. The principle indicates that Minnesota public pension plan membership should be mandatory to the extent possible if the employment is on a recurring or regular basis. Three pieces of pension legislation excluded additional individuals from the pension coverage by PERA:

- In 2008, the exclusion of persons in physician or pharmacist degree, internship, or resident programs was extended from hospitals to clinics (Laws 2008, Ch. 349, Art. 5, Sec. 14).

- In 2010, city mayors, employees of the Hennepin County Healthcare System not meeting the minimum salary threshold with a work permit extended beyond three years, and governmental subdivision board or commission members were all newly excluded from retirement coverage (Laws 2010, Ch. 359, Art. 5, Sec. 3).
 - In 2013, work-study program student employees were excluded if the duration of participation was five years or less rather than three years or less (Laws 2013, Ch. 111, Art. 3, Sec. 1). In the memory of the Commission staff, the expansions of exclusions from PERA membership were not subjected to any significant scrutiny that the employment covered by the exclusion is not regular or recurring as provided for in the policy principle and was not explicitly supported by testimony from local government associations or entities about the nature of the employment positions being excluded.
4. Principle II.B.3.c: Consolidation of Public Pension Plans-Benefits. The principle provides that the consolidation or merger of public pension plans should not include a loss of current pension benefits by any member of the consolidating or merging retirement plans. One piece of pension legislation relates to this aspect of consolidations and is potentially at variance with the principle:
- In 2010, as part of the administrative consolidation of the Minneapolis Employees Retirement Fund (MERF) into PERA, the prior MERF retirement benefit fund, a post-retirement adjustment mechanism consisting of an inflation-matching percentage annuity increase up to 3.5% annually and an investment performance percentage increase derived from favorable investment performance in excess of 8.5% annually was scrapped in favor of future post-retirement adjustments using the PERA post-retirement adjustment provision; the shift could be viewed as a benefit diminution, which would be contrary to the principle (Laws 2010, Ch. 359, Art. 11).
5. Principle II.B.3.c: Consolidation of Public Pension Plans-Local Approval. The principle provides that, in any public pension plan merger or consolidation approval of the merger or consolidation finalization is to include approval of the governing boards of the retirement plans, the membership of the retirement plans, and the associated employing units. One piece of pension legislation relates to this aspect of consolidations and is potentially at variance with the principle:
- In 2012, the Fairmont Police Relief Association was consolidated into the Public Employees Police and Fire Retirement Plan (PERA-P&F) by legislative action without formal approval by the Fairmont Police Relief Association board of trustees, the PERA board of trustees, the membership of the Fairmont Police Relief Association, the membership of the PERA-P&F, the City of Fairmont, or the cities employing police officers with retirement coverage by PERA-P&F, although the consolidation legislation was not a controversial legislative item and was not opposed by any of the various entities that would be required to make formal approvals under the policy principle (Laws 2012, Ch. 286, Art. 11, Sec. 48).
6. Principle II.C.3: Equal Treatment within Pension Plans. The principle provides that there should be equal pension treatment of public employees within pension plans in terms of the relationship between benefits and contributions. Differential retirement treatment resulted in 2008, 2009, 2010, 2011, and 2013:
- In 2008, provision was made for the dissolution of the Minnesota Post Retirement Investment Fund, the statewide retirement plan post-retirement adjustment mechanism, with differing post-retirement adjustment rates than the prior law and differing post-retirement adjustment rates dependent on each person's cumulative adjustments (Laws 2008, Ch. 349, Art. 1, Sec. 1-2, and Art. 2, Sec. 1-2).
 - In 2008, authority was provided to some Teachers Retirement Association (TRA) active members to retire with a return to active employment agreement, without any reemployed annuitant earnings limitation reductions (Laws 2008, Ch. 349, Art. 3, Sec. 7, 9).
 - In 2009, additional requirements and limitations were added to the duty disability retirement coverage of the MSRS Correctional State Employees Retirement Plan (MSRS-Correctional) and the State Patrol Retirement Plan (Laws 2009, Ch. 169, Art. 2, Sec. 5-22).
 - In 2010, vesting periods for eligibility for a retirement annuity or benefit were increased for MSRS-Correctional, MSRS-General, State Patrol Plan, PERA-General, PERA-Correctional, and DTRFA; post-retirement adjustment rates were downsized for all of the statewide and major local retirement plans; interest on refunds were reduced for all statewide and major local retirement plans except for the MERF Division of PERA, Elected State Officers Plan, and SPTRFA; the deferred annuity augmentation rate was reduced for all statewide and major local retirement plans except the Elected State Officers Plan, Judges Plan, Legislators Plan, and SPTRFA; the interest formerly payable on reemployed annuitant earnings limitation reduction deferral accounts was eliminated for MSRS-General, MSRS-Correctional, PERA-

General, PERA-Correctional, PERA-P&F, DTRFA, and TRA; and the benefit accrual rates were reduced for MSRS-Correctional (Laws 2010, Ch. 359, Art. 1).

- In 2011, increased vesting periods were enacted for DTRFA and a post-retirement adjustment rate decrease, refund interest rate reduction, deferred annuity augmentation rate reduction, and interest on reemployed annuitant earnings limitation reduction deferral accounts elimination were enacted for SPTRFA (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 1-5, 11, 20, 22).
 - In 2013, optional annuity and related factor changes were modified from a full actuarial reduction amount and implementation was delayed were enacted for TRA, DTRFA, and SPTRFA, and a second tier benefit plan was adopted for post-July 1, 2013, newly entering judges (Laws 2013, Ch. 111, Art. 8, Sec. 2-5, 14).
7. Principle II.C.5: Appropriate Early Retirement Reductions. The principle provides that early retirement benefits should not be subsidized by public employee pension plans other than for appropriately designed early retirement incentive programs by requiring actuarial reductions for retirements before any applicable normal retirement ages. One piece of pension legislation relates to the topic and is potentially at variance with the principle:
- In 2013, delays in implementing full actuarial requirement early retirement reduction factors were permitted as deemed appropriate by the applicable retirement system administration (Laws 2013, Ch. 111, Art. 8, Sec. 2-5; Art. 9, Sec. 6; Art. 11, Sec. 9; Art. 12; and Art. 13, Sec. 15).
8. Principle II.C.6: Uniformity and Equal Benefit Treatment Among Plans. The principle indicates that, as nearly as is practicable, within the confines of plan demographics, there should be equal pension treatment in terms of the relationship between benefits and contributions among the various retirement plans and retirement benefits and member contributions should be uniform. In 2008, 2010, 2011, and 2013, pension legislation was enacted that is not in accord with this principle:
- In 2008, the definition of covered salary for PERA-General, PERA-Correctional, and PERA-P&F was revised, adding to the differences with other plan definitions (Laws 2008, Ch. 349, Art. 5, Sec. 15).
 - In 2008, the limitation on reemployed annuitant earnings was increased to \$46,000, considerably in excess of the limitations of other plans, for TRA and the first class city teacher retirement plans (Laws 2008, Ch. 349, Art. 3, Sec. 8, 10, 12).
 - In 2010, vesting periods for eligibility for a retirement annuity or benefit were increased for MSRS-Correctional, MSRS-General, the State Patrol Plan, PERA-General, PERA-Correctional, and DTRFA; post-retirement adjustment rates were downsized for all of the statewide and major local retirement plans; interest on refunds were reduced for all statewide and major local retirement plans except for the MERF Division of PERA, Elected State Officers Plan, and SPTRFA; the deferred annuity augmentation rate was reduced for all statewide and major local retirement plans except the Elected State Officers Plan, Judges Plan, Legislators Plan, and SPTRFA; the interest formerly payable on reemployed annuitant earnings limitation reduction deferral accounts was eliminated for MSRS-General, MSRS-Correctional, PERA-General, PERA-Correctional, PERA-P&F, DTRFA, and TRA; the benefit accrual rates were reduced for MSRS-Correctional; and member contributions were increased for the State Patrol Plan, PERA-General, PERA-P&F, TRA, DTRFA, and SPTRFA (Laws 2010, Ch. 359, Art. 1).
 - In 2011, increased vesting periods were enacted for DTRFA and a post-retirement adjustment rate decrease, refund interest rate reduction, deferred annuity augmentation rate reduction, and interest on reemployed annuitant earnings limitation reduction deferral accounts elimination were enacted for SPTRFA (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 1-5, 11, 20, 22).
 - In 2013, vesting, refund, contribution rate, and benefit accrual rate changes were enacted for the State Patrol Plan, PERA-P&F, TRA, DTRFA, and SPTRFA (Laws 2013, Ch. 111, Art. 9, Sec. 4-5, 8; Art. 10, Sec. 1; Art. 11, Sec. 3, 8; and Art. 13, Sec. 2-3, 5, 13-16).
9. Principles II.C.7.c. and II.C.7.d: Adequacy of Benefits at Retirement. The principles indicate that a public employee defined benefit retirement plan retirement annuity should be related to a person's final average salary and should be adequate, based on a minimum of a 30-year public service career. The principles recite a now obsolete reference to local police or paid firefighter relief associations. One piece of pension legislation, adding a benefit maximum beyond the federal law benefit maximum, is potentially at variance with the principle:
- In 2013, a maximum of 33 years of covered allowable service credit was established for both the State Patrol Plan and PERA-P&F (Laws 2013, Ch. 111, Art. 9, Sec. 5; and Art. 11, Sec. 5).

10. Principle II.C.8.a: Post-Retirement Increases Offsetting Inflation Impact. The principle provides that a feature of public employee defined benefit retirement plans in Minnesota should be post-retirement adjustments that offset the impact of inflation in the economy over time sufficient to maintain its benefit adequacy at retirement. Five pieces of pension legislation relating to the topic are potentially at variance with the principle:
- In 2008, the prior Minnesota Post Retirement Investment Fund, a post-retirement adjustment mechanism for the statewide retirement plans that included a Consumer Price Index (CPI)-driven component up to 2.5% per year, was authorized to be dissolved, with a flat percentage annual increase as the primary adjustment and a CPI-based adjustment only as an additional adjustment (Laws 2008, Ch. 349, Art. 1, Sec. 1).
 - In 2009, with the 2008 dissolution conditions met, the flat rate percentage annual increase enacted in 2008 was retained as the sole post-retirement adjustment for the statewide retirement plans (Laws 2009, Ch. 169, Art. 1, Sec. 9-22, 31-38, 73; and Art. 2, Sec. 1-2).
 - In 2010, the post-retirement adjustment rates were modified or suspended until financial sustainability is regained for the statewide retirement plans and for the first class city teacher retirement fund associations (Laws 2010, Ch. 359, Art. 1, Sec. 60-62, 76-82, 88).
 - In 2011, the SPTRFA post-retirement adjustment was downsized until financial sustainability is regained (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 3-5).
 - In 2013, the DTRFA financial sustainability downsizings were relaxed to permit modest rate future post-retirement adjustments (Laws 2013, Ch. 111, Art. 13, Sec. 10-11, 24).
11. Principle II.C.10: Purchases of Prior Service Credit-Mandatory Employer Payment of a Portion of Full Actuarial Value Cost. The principle indicates that purchases of service credit for prior uncredited time are permitted if five requirements are met, including that the purchase payment is the responsibility of the plan member, with an option for the employing unit to pay a portion at its choice, but with a mandatory employer contribution permitted where the employing unit is culpable for the service credit loss. The relative magnitude of that culpability is not specified in the policy principle. Seven pieces of pension legislation imposed a portion of the service credit purchase payment obligation onto the employer or the applicable pension plan, suggesting that further development of the published principle would be appropriate:
- In 2008, 2009, 2010, 2011, 2012, and 2013, service credit purchases with a mandatory employer contribution were authorized based on a Commission determination of employer culpability, although the factual basis for culpability appears to vary (Laws 2008, Ch. 349, Art. 16, Sec. 3, 8; Laws 2009, Ch. 169, Art. 12, Sec. 11; Laws 2010, Ch. 359, Art. 14, Sec. 1; 1st Spec. Sess. Laws 2011, Ch. 8, Art. 5, Sec. 1-2; Laws 2012, Ch. 286, Art. 13, Sec. 5, and Laws 2013, Ch. 111, Art. 7, Sec. 10-11).
 - In 2013, a prior service credit purchase was authorized with plan participant payment of equivalent member and employer contribution amounts and 8.5% annual compound interest, with the balance of the full actuarial liability imposed on the retirement plan due to its errors with respect to communications to the participant as to benefit status and eligibility (Laws 2013, Ch. 111, Art. 7, Sec. 9).
12. Principle II.C.13: Impermissible Optional Annuity Reopenings. The policy principle indicates that optional annuity elections should not be permitted to be reopened. Two pieces of pension legislation applicable to the topic are potentially at variance with the principle:
- In Laws 2010, Chapter 359, Article 10, Sections 2 and 3, a general authorization for a marriage dissolution court to revoke an optional annuity form election was enacted.
 - In Laws 2013, Chapter 111, Article 7, Section 7, with the agreement of the designated joint annuitant, retired persons of Minnesota defined benefit retirement plans with optional annuity forms were permitted to revoke that election with the filing of a valid termination statement.
13. Principle C.17.b: Uniformity of Reemployed Annuitant Earnings Limitations. The principle indicates that the earnings limitations for reemployed annuitants should be standardized among the various Minnesota public pension plans to the extent possible. Two pieces of pension legislation addressed the topic and may indicate that the published principle should be reconsidered:
- In 2008 and in 2009, increases in the amount of permitted earnings for reemployed annuitants of TRA and of the first class city teacher retirement funds were enacted, resulting in less uniformity (Laws 2008, Ch. 349, Art. 3, Sec. 1-10, 12; Laws 2009, Ch. 169, Art. 4, Sec. 1, Art. 6, Sec. 1-2).
14. Principle II.C.20: Future Pension Coverage for Privatized Public Employees. The principle indicates that privatized public employees should not be retained in public pension coverage in

order to comply with federal regulations and suggests that privatized public employees should obtain adequate replacement pension coverage. One piece of pension legislation related to this topic may indicate that the principle should be reexamined:

- In 2013, the special deferred annuity augmentation rate for privatized public employees was significantly downsized, lowering the benefit of remaining public coverage and likely reducing the value of the PERA privatization law in handling future privatizations (Laws 2013, Ch. 111, Art. 3, Sec. 20).

15. Principle II.C.22.a. No Intended Ultimate Benefit Diminutions. The principle specifies that the Commission should not include reductions in the overall benefit coverage for existing pension plan members in recommending benefit plan modifications. Three pieces of pension legislation related to the topic are at potential variance with the principle:

- In 2010, in attempting to regain financial sustainability after the Great Recession of 2008, a number of benefit reductions were imposed for current plan members of the statewide and major local retirement plans (Laws 2010, Ch. 359, Art. 1, Sec. 8-9, 24-26, 76-77).
- In 2011, various benefit reductions were enacted for the SPTRFA (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 4-5, 11).
- In 2013, post-retirement adjustment rates were modified for current benefit recipients of the State Patrol Plan, PERA-P&F, and the Judges Retirement Plan (Laws 2013, Ch. 111, Art. 9, Sec. 10; Art. 11, Sec. 13; and Art. 14, Sec. 2-3).

16. Principle II.D.3.b: Allocation of the Plan Funding Burden Between Members and Employers. The principle provides that the allocation of the normal cost and administrative expenses between the member and the employer should be on a matching basis and that the member and the employer also may be required to share the amortization requirement on an unspecified basis for general employee retirement plans and that the allocation of the total actuarial costs between the member and the employer should be on a 40% member and 60% employer basis for public safety employee and protective employee retirement plans. Two pieces of recent pension legislation related to the topic and are suggestive that the principle be reexamined and potentially clarified:

- In 2010, the member and employer contribution rates for the State Patrol Plan, PERA-General, PERA-P&F, TRA, DTRFA, and SPTRFA were revised, generally in conformity with the policy principles for the public safety retirement plans, but on a matching basis for all contribution rate purposes for general employee retirement plans and modified the contribution rate stabilizer provision for PERA (Laws 2010, Ch. 359, Art. 1, Sec. 17-19, 25-26, 48-53).
- In 2013, member and employer contribution rates for DTRFA and SPTRFA were increased, employer contributions without member contributions were enacted reemployed annuitants of DTRFA and SPTRFA, and a biennial appropriation of state general fund amounts to DTRFA and SPTRFA was enacted (Laws 2013, Ch. 111, Art. 13, Sec. 3-6, 23).

Additionally, for the entire principle, the specific principle provisions relating to the local police and paid firefighter relief associations needs to be revamped in light of the consolidation with PERA-P&F of all of the local police and paid firefighter relief associations.

17. Principle II.E.1.a: Appropriate Investment of Public Pension Assets-Uniformity of Investment Authority. The principle indicates that the investment authority applicable to the various public pension plans in the state should be uniform as practicable. Although in 2012 (Laws 2012, Ch. 286, Art. 10, Sec. 3-6, 11), a uniform recodification of the investment authority of the State Board of Investment and of the various local public employee pensions funds was enacted, in 2013 (Laws 2013, Ch. 111, Art. 1, Sec. 1), authority to engage in investment swaps was extended to the State Board of Investment, but was not extended to the various local firefighter relief associations.

18. Procedural Principle III.A: Adequate Pension Funding. The procedural principle provides that the Pension Commission should not recommend any pension benefit increase until adequate funding is established to handle the total actuarial cost of the current benefit plan and until any proposed benefit increase legislation includes adequate funding of any resulting increase in the public pension fund's total actuarial cost resulting from the proposed increase. One piece of pension legislation at variance with the principle was recently enacted:

- In 2013, the DTRFA and SPTRFA benefit accrual rate applicable to future service credit was increased and the suspension of the DTRFA post-retirement adjustments was partially relaxed without the establishment of adequate funding for the pre-benefit increase benefit plan total actuarial cost and without the inclusion in the proposed legislation of sufficient additional funding to cover the increase of the total actuarial cost increases to be absorbed by the respective retirement plans (Laws 2013, Ch. 111, Art. 13, Sec. 10, 13-14).

1997-2013 Pension Legislation Raising Topics Largely or Wholly Unaddressed by the Commission's Principles of Pension Policy

a. In General. Pension legislation enacted during the period 1997-2013 dealt with at least 16 topics that were not addressed in whole or in part in the Principles of Pension Policy when that document was reviewed and revised by the Commission in 1995-1996 and that were not addressed by the Commission during the 2007-2008 Interim.

b. New Pension Policy Principle Topics Raised in 1997-2007.

1. Potential New Topic: Administrative Structure and Governance. The 1995-1996 reformulation of the Commission's Principles of Pension Policy does not provide any guidance on the composition of pension plan governing boards, their purpose and function, and the manner in which public pension plans are administered.

Twenty-three items of 1997-2007 pension legislation related to Minnesota public pension plan administrative structure and governance:

- 1) In 1999, the term in office for the retired member representative on the board of trustees of the Minnesota State Retirement System (MSRS) and for the retired member representative on the board of trustees of the Teachers Retirement Association (TRA) was extended from two years to four years (Laws 1999, Ch. 222, Art. 9, Sec. 3, 5).
- 2) In 1999, the salary of the secretary of the Minneapolis Police Relief Association was increased (Laws 1999, Ch. 222, Art. 6, Sec. 1).
- 3) In 1999, MSRS, Public Employees Retirement Association (PERA), and TRA were authorized to construct a retirement building funded by state revenue bonds to be retired by annual fund payments (Laws 1999, Ch. 222, Art. 22, Sec. 3-4).
- 4) In 2001, MSRS was made responsible for administering a post-retirement health care savings plan (1st Spec. Sess. Laws 2001, Ch. 10, Art. 7, Sec. 1).
- 5) In 2001, consultants retained by volunteer firefighter relief associations were required to provide a copy of the consultant's certificate of insurance (1st Spec. Sess. Laws 2001, Ch. 10, Art. 16).
- 6) In 2001, the open meeting law was extended to both state and local public pension plans (1st Spec. Sess. Laws 2001, Ch. 10, Art. 4).
- 7) In 2004, the salary of the executive secretary of the Minneapolis Firefighters Relief Association was increased (Laws 2004, Ch. 267, Art. 13, Sec. 1).
- 8) In 2005, many administrative activities for the Hennepin County Supplemental Plan were shifted from the county to MSRS; MSRS was to create accounts for each participant within the State Board of Investment Supplemental Retirement Fund to receive transferred assets; the participants' accounts will be administered by MSRS on behalf of the county and the applicable eligible employees, any annual redemption of funds following termination of service may be in a lump sum or spread out over 12 months; and MSRS was authorized to enter into an inter-agency agreement with Hennepin County to cover the MSRS costs (1st Spec. Sess. Laws 2005, Ch. 8, Art. 11, Sec. 4-8).
- 9) In 2005, for volunteer firefighter relief associations associated with a municipal fire department, the two positions previously filled by the mayor; and the clerk, clerk treasurer, or finance director will be filled by an elected municipal official and elected or appointed municipal official designated by the municipal governing board; and if the relief association is a subsidiary of an independent nonprofit firefighting corporation, the board is reduced from ten to nine members with two, rather than three, trustees drawn from the officials of the municipalities served by the corporation (1st Spec. Sess. Laws 2005, Ch. 8, Art. 9, Sec. 14).
- 10) In 2006, the procedure for filling board vacancies for PERA was revised by granting the board authority to develop the particulars of filling vacancies (Laws 2006, Ch. 271, Art. 3, Sec. 14).
- 11) In 2006, the salaries of various board members of the Minneapolis Police Relief Association were increased (Laws 2006, Ch. 271, Art. 9, Sec. 1, 4).
- 12) In 2006, the employees of the former Minneapolis Teachers Retirement Fund Association other than the executive director were transferred to TRA employment (Laws 2006, Ch. 271, Art. 3, Sec. 43).
- 13) In 2007, the 1985 requirement of Senate confirmation of the PERA executive director was eliminated (Laws 2007, Ch. 134, Art. 2, Sec. 20).
- 14) In 2008, the duties and powers provisions of the board of directors and the executive director of the MSRS were reorganized and revised (Laws 2008, Ch. 349, Art. 5, Sec. 3-4).

- 15) In 2008, the governing boards of the various statewide and major local retirement plans were authorized to set salary increase and payroll growth actuarial assumptions with Commission approval after 2010 (Laws 2008, Ch. 349, Art. 10, Sec. 13, 15).
 - 16) In 2008, the maximum salaries for the executive directors of MSRS, PERA, and TRA were increased to 95% of the Governor's salary (Laws 2008, Ch. 363, Art. 13, Sec. 26-16).
 - 17) In 2009, the size of the Minneapolis Firefighters Relief Association board of trustees was changed from ten members to the number of members specified in the bylaws, not to exceed ten members (Laws 2009, Ch. 169, Art. 8, Sec. 4).
 - 18) In 2009, for volunteer firefighter relief associations associated with joint powers boards or unassociated with any municipality, the board was required to include the fire department chief and two members appointed by either the joint powers board or the county board (Laws 2009, Ch. 169, Art. 10, Sec. 38).
 - 19) In 2009, a salary increase for the executive directors of the MSRS, PERA, and TRA was approved (Laws 2009, Ch. 85, Sec. 1).
 - 20) In 2009, the PERA board and plan administration was given the responsibility to administer the statewide lump-sum volunteer firefighter retirement plan (Laws 2009, Ch. 169, Art. 9).
 - 21) In 2010, the terminated employee board of trustee position for PERA was required to be an annuitant and not a deferred member and the PERA board election was shifted to electronic mail or the Internet rather than regular mail (Laws 2010, Ch. 359, Art. 5, Sec. 8).
 - 22) In 2010, the duty to administer the Minneapolis Employees Retirement Fund (MERF) benefit plan was transferred to the PERA board and plan administrators (Laws 2010, Ch. 359, Art. 11).
 - 23) In 2013, MSRS and PERA were obligated to deduct union dues from a retiree's benefit payments if requested to do so and to make blind mailings to retirees on behalf of unions or membership organizations at the cost of the union or organization (Laws 2013, Ch. 359, Art. 15, Sec. 1).
2. Potential New Topic: Plan Membership. The 1995-1996 reformulation of the Commission's Principles of Pension Policy does not provide any guidance on public pension plan membership, expansions of plan coverage, and changes in plan membership. The 1997-2013 pension legislation included 45 items that related to public pension membership inclusions, exclusions, and transfers:
- 1) In 1997, Department of Revenue seasonal help in the classified service were included in MSRS-General coverage and were permitted to purchase service credit for past service, at full actuarial value, if the person has provided seasonal service to the department in each of the last three years (Laws 1997, Ch. 241, Art. 8, Sec. 3-4, 7).
 - 2) In 1997, certain individuals at the Minnesota sexual psychopathic personality treatment center and individuals in certain employment classifications at the Minnesota correctional facility at Red Wing (auto mechanic lead, electrician, electrician master of record, groundskeeper intermediate, or plumber master) were added to an uncoded 1996 coverage election law authorizing a prospective coverage election by MSRS-Correctional rather than continued MSRS-General coverage (Laws 1997, Ch. 241, Art. 11, Sec. 1, and Ch. 239, Art. 9, Sec. 40).
 - 3) In 1997, the MSRS-Unclassified Program was designated to provide coverage for all legislators and constitutional officers who are newly elected after June 30, 1997, and for those existing legislators and constitutional officers who choose prospective MSRS-Unclassified coverage (Laws 1997, Ch. 233, Art. 2, Sec. 3).
 - 4) In 1997, pipefitters working for the St. Paul school district newly employed after May 1, 1997, will not be covered by PERA; similar employees who were hired before that date were allowed to elect an exclusion from PERA coverage through an irrevocable election; and those electing exclusion with less than three years of PERA coverage were permitted to apply for a refund (Laws 1997, Ch. 241, Art. 2, Sec. 1, 8, 12).
 - 5) In 1997, non-teaching charter school employees were made public employees for purposes of PERA coverage (1st Spec. Sess. Laws 1997, Ch. 4, Art. 5, Sec. 10).
 - 6) In 1998, legislators and constitutional officers with less than six years of service who elected to transfer from the Legislators Plan or the Elective State Officers Plan, as applicable, were authorized to transfer past member contributions plus 8.5% interest, plus an equivalent matching amount to represent past employer contributions, to an account established for the individual in MSRS-Unclassified (Laws 1998, Ch. 390, Art. 6, Sec. 1).
 - 7) In 1999, nine METO employment positions at the Cambridge Regional Treatment Center were included in MSRS-Correctional coverage if the Commissioner of Human Services certified to the MSRS executive director that the employee had 75% inmate contact (Laws 1999, Ch. 222, Art. 13, Sec. 1-2, 6).

- 8) In 1999, if Kandiyohi County and the City of Litchfield elected to participate, the members of their respective rescue squad, if the members are not eligible for volunteer fire or ambulance plan membership, were permitted to elect to participate in the PERA Defined Contribution Plan (Laws 1999, Ch. 222, Art. 20).
- 9) In 1999, Rice County correctional employees, who for many years were covered by PERA-P&F due to incorrect certification by the county, were grandparented in as PERA-P&F members even though the employees were not peace officers licensed by the Peace Officers Standards and Training Board (Laws 1999, Ch. 222, Art. 14, Sec. 2).
- 10) In 2000, if the applicable Commissioner certified that at least 75% of the employee's working time is spent in direct inmate contact, the following positions were included in MSRS-Correctional: registered nurse practitioner at a correctional facility or at the Minnesota Security Hospital; behavior analyst 2, licensed practical nurse 1, office and administrative specialist senior, psychologist 2, social worker specialist, behavior analyst 3, and social worker senior at the Minnesota Security Hospital or the Minnesota Sexual Psychopathic Personality Treatment Center; corrections discipline unit supervisor at Minnesota correctional facilities in Lino Lakes, Oak Park Heights, and St. Cloud; dental assistant registered, at Minnesota correctional facilities in Faribault, Lino Lakes, Moose Lake, Oak Park Heights, and Red Wing; dental hygienist, at the Minnesota correctional facility at Shakopee; psychologist 2, at the correctional facilities at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, Red Wing, St. Cloud, Shakopee, and Stillwater; the sentencing-to-service crew chief leader involved with the inmate community work crew program at Faribault and Lino Lakes; and the Phoenix/Pomiga treatment/behavioral change program director and assistant group supervisor (Laws 2000, Ch. 461, Art. 6, Sec. 1-4).
- 11) In 2000, judges, for their "excess service years" beyond the Judges Retirement Plan service limit, were made members of MSRS-Unclassified and their 8% employee contribution was directed to that program (Laws 2000, Ch. 461, Art. 18, Sec. 1-2, 4, 6-7).
- 12) In 2000, electrical workers, plumbers, carpenters, and associated trades personnel first employed by Independent School District No. 625 or the City of St. Paul after May 2, 2000, were excluded from PERA-General (Laws 2000, Ch. 461, Art. 7, Sec. 1, 5, 7).
- 13) In 2000, the previous PERA-Correctional eligibility requirement was replaced with position-specific and duty-specific requirements and eligible plan members must be employed in county or regional correctional facilities as correctional guards, correctional officers, joint jailer/dispatchers, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers, the individual must be directly responsible for the direct security, custody, and control of inmates and be expected to respond to incidents within the correctional facility (Laws 2000, Ch. 461, Art. 10, Sec. 1).
- 14) In 2000, the governing body of a tribal police department which is determined by the federal government to be an agency or instrumentality of the state for purposes of enforcing state law was permitted to request, by resolution, that the tribal police officers become PERA-P&F members and credit for past service may be received if a full actuarial value payment is received by PERA (Laws 2000, Ch. 461, Art. 7, Sec. 2-3).
- 15) In 2000, MTRFA members on a leave of absence from teaching who are employed by employee organizations representing MTRFA teachers were permitted to elect continued plan coverage under a union business agent continuing coverage provision rather than any leave of absence provision that may otherwise apply and the applicable salary for contribution and annuity purposes was the individual's actual salary or 75% of the Governor's salary, whichever is less. The employee was made responsible for all contributions, although the employing unit may pay any applicable employer contribution requirements on the employee's behalf (Laws 2000, Ch. 461, Art. 11, Sec. 4, 6).
- 16) In 2001, the MSRS excluded employee provision was revised to clarify that unclassified MnSCU employees (teachers, other higher level MnSCU administrators, and various categories of student employees) were excluded from MSRS coverage (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 5).
- 17) In 2001, State Patrol Plan coverage was extended to service after October 31, 2000, for fugitive apprehension officers who are peace officers and are employed by the Department of Corrections Office of Special Investigations (1st Spec. Sess. Laws 2001, Ch. 10, Art. 8).
- 18) In 2001, the Dakota County Board of Commissioners was permitted to certify that full-time Dakota County Agricultural Society employees are public employees for purposes of PERA-General coverage eligibility, the Dakota County Agricultural Society was deemed to be a governmental subdivision for purposes of plan coverage qualification, and the Society's full time employees were added to the PERA eligible employee provision (1st Spec. Sess. Laws 2001, Ch. 10, Art. 10, Sec. 1, 3, 7-8).

- 19) In 2001, union employees working for the City of St. Paul or Independent School District No. 625 who are bricklayers, allied craft workers, cement masons, glaziers, glassworkers, painters, allied trades workers, or plasterers, who have coverage by specified union pension plans, and union plumbers employed by the Metropolitan Airports Commission, with union pension plan coverage were excluded from PERA coverage if first hired after May 1, 2001 (1st Spec. Sess. Laws 2001, Ch. 10, Art. 10, Sec. 2, 6, 8).
- 20) In 2001, the PERA coverage group was revised for new hires after June 30, 2002, with the earnings threshold criteria for PERA membership (\$425 per month or \$5,100 per year) removed, which extends PERA membership to those earning less than those amounts; local governing body elected officials other than elected county sheriffs and individuals appointed to fill one of these elected positions were excluded from PERA-General coverage; the exclusion of all full-time students who are part-time employees was made more limited, was revised to apply to full-time students in high school, undergraduate, graduate, and professional-technical students, only if the individual is in that status on the hire date and the employment is predicated on the student status of the individual; and a coverage exclusion was created for seasonal employees hired for periods not longer than six months in length (1st Spec. Sess. Laws 2001, Ch. 10, Art. 11, Sec. 1-6, 22).
- 21) In 2002, the PERA membership revisions enacted in 2001 were revised by reinstating a minimum salary monthly threshold of \$425 for membership eligibility (Laws 2002, Ch. 392, Art. 3, Sec. 1).
- 22) In 2002, the PERA membership exclusion for foreign workers was revised and foreigners working for Hennepin County were authorized to be PERA members unless prohibited by other law (Laws 2002, Ch. 392, Art. 3, Sec. 2).
- 23) In 2002, the PERA student membership provision was revised to exclude from PERA membership all students who are attending classes on a full-time basis if the student is under age 23 (Laws 2002, Ch. 392, Art. 3, Sec. 2).
- 24) In 2002, also, Hennepin County Medical Center Protection Officers were made eligible to be certified for PERA-Correctional coverage (Laws 2002, Ch. 392, Art. 4, Sec. 1).
- 25) In 2002, PERA-P&F coverage was permitted for part-time Metropolitan Transit police officers (Laws 2002, Ch. 392, Art. 3, Sec. 8).
- 26) In 2002, all charter school teachers, including those teaching in first class cities and previously covered by a first class city teacher plan, were included in TRA coverage effective July 1, 2002 and first class city teacher plan law was revised to eliminate further coverage of charter school teachers (Laws 2002, Ch. 392, Art. 6, Sec. 1).
- 27) In 2004, the Corrections discipline unit supervisor, dental hygienist, and psychologist 2 and the Minnesota Correctional Facility-Rush City were added to MSRS-Correctional if the Corrections Commissioner certifies to the MSRS executive director that at least 75% of the employee's working time is spent in direct contact with inmates (Laws 2004, Ch. 267, Art. 1, Sec. 1).
- 28) In 2004, the independent nonprofit firefighting corporation Lake Johanna Volunteer Fire Department was added to PERA-P&F coverage (Laws 2004, Ch. 267, Art. 15, Sec. 1).
- 29) In 2005, any University of Minnesota police officer who is required by the Board of Regents to contribute to the University's Faculty Retirement Plan is not eligible for PERA-P&F coverage and must not be included in any university certification for state police aid (1st Spec. Sess. Laws 2005, Ch. 8, Art. 4, Sec. 1, 5-6).
- 30) In 2005, employees of the Department of Commerce Insurance Fraud Prevention Division who are peace officers are members of the State Patrol Retirement Plan up to the mandatory retirement age for State Patrol officers, age 60; if the individual continues in Insurance Fraud Prevention Division employment after age 60, the individual is to be covered by MSRS-General for that continuing employment (1st Spec. Sess. Laws 2005, Ch. 8, Art. 4, Sec. 2, 4).
- 31) In 2005, the Department of Corrections and Department of Human Services were required to establish a procedure for recommending positions for MSRS-Correctional coverage and for determining positions no longer qualified for inclusion under that plan (1st Spec. Sess. Laws 2005, Ch. 8, Art. 4, Sec. 3).
- 32) In 2006, additional employees of the Department of Corrections and the Department of Human Services, as identified under the 2005 inclusion/exclusion procedure, were transferred from MSRS-General to MSRS-Correctional coverage (Laws 2006, Ch. 271, Art. 2).
- 33) In 2007, additional employees of the Department of Corrections and the Department of Human Services, identified under the 2005 inclusion/exclusion procedure, were transferred from MSRS-General to MSRS-Correctional coverage (Laws 2007, Ch. 134, Art. 3, Sec. 1-3).

- 34) In 2007, the statewide coordinator of the Gang and Drug Oversight Council was transferred to the State Patrol Retirement Plan if the person is a licensed peace officer (Laws 2007, Ch. 134, Art. 11, Sec. 7, 9).
 - 35) In 2008, two employment positions in the Department of Corrections were transferred from MSRS-General to MSRS-Correctional coverage (Laws 2008, Ch. 349, Art. 6, Sec. 1-2).
 - 36) In 2009, the Department of Transportation Pilots Retirement Plan was closed to new entrants after 2008 (Laws 2009, Ch. 169, Art. 12, Sec. 1-3, 17).
 - 37) In 2009, one Department of Corrections employment position was transferred from MSRS-General to MSRS-Correctional coverage and one former employment position was eliminated from MSRS-Correctional (Laws 2009, Ch. 169, Art. 3, Sec. 1-2).
 - 38) In 2009, the staff of the Minneapolis Firefighters Relief Association and the staff of the Minneapolis Police Relief Association were included in prospective retirement coverage by the PERA-General (Laws 2009, Ch. 169, Art. 12, Sec. 4-6, 8-10).
 - 39) In 2010, the previously unlimited authority with at least ten years of service for MSRS-Unclassified members to elect retroactive retirement coverage by MSRS-General was restricted to the initial seven years of service for new MSRS-Unclassified members after July 1, 2010 (Laws 2010, Ch. 359, Art. 4, Sec. 7).
 - 40) In 2011, Red Wing Port Authority employees hired before May 1, 2011, were permitted to be members of PERA-General (1st Spec. Sess. Laws 2011, Ch. 10, Art. 1, Sec. 1-3).
 - 41) In 2012, employees of the Minnesota Sports Facilities Authority were included in MSRS-General retirement coverage (Laws 2012, Ch. 299, Art. 1, Sec. 8).
 - 42) In 2012, three employment positions in the Department of Human Services were transferred from MSRS-General to MSRS-Correctional coverage (Laws 2012, Ch. 286, Art. 3, Sec. 2, 5).
 - 43) In 2012, the current and future employees of the Seaway Port Authority of Duluth were included in PERA-General retirement coverage (Laws 2012, Ch. 286, Art. 13, Sec. 1-3).
 - 44) In 2013, all employees of the Minnesota Association of Professional Employees (MAPE), including employees who are not on a leave of absence from state employment, were included in MSRS-General retirement coverage (Laws 2013, Ch. 111, Art. 7, Sec. 1).
 - 45) In 2013, the PERA-General coverage exclusion was broadened to all student employees in a work study program for positions not exceeding five years (Laws 2013, Ch. 111, Art. 3, Sec. 1).
3. Potential New Topic: Commencement or Retention of Retirement Benefit Eligibility. The 1995-1996 reformulation of the Commission's Principles of Pension Policy is largely silent on the topic of the point when a former public employee first becomes eligible for a retirement annuity or benefit and what conditions apply to the retired public employee to retain that eligibility.

Pension legislation during the period 1997-2013 included nine items that related to the topic of the commencement or retention of retirement benefit eligibility:

- 1) In 2000, the definition of "separation from active service" for purposes of volunteer firefighter relief association benefit entitlement was clarified by specifying that the separation from active service must be permanent; if a firefighter resumes service, no additional service pension accrued and the individual must repay any previously received service pension amount (Laws 2000, Ch. 461, Art. 15, Sec. 4, 8).
- 2) In 2002, certain retirees were authorized to receive and retain a volunteer firefighter pension although they are subsequently employed full-time within the fire department by the applicable city or independent nonprofit firefighting corporation, provided that the employer determines the position would be difficult to fill with another similarly qualified applicant, and providing the relief association bylaws permit it (Laws 2002, Ch. 392, Art. 13).
- 3) In 2008, the PERA definition of the termination of public service was revised to provide that the person is not eligible for a retirement annuity if, prior to termination, there is an agreement to return to local government employment as an employee, as an independent contractor, or as an employee of an independent contractor (Laws 2008, Ch. 349, Art. 5, Sec. 10).
- 4) In 2008, a local government elected official with PERA-General coverage who is also an employee of another local government unit with PERA-General coverage was permitted to transfer the elected service to the PERA Defined Contribution Plan and retire from the non-elective employment position with a PERA-General retirement annuity (Laws 2008, Ch. 349, Art. 16, Sec. 1).

- 5) In 2008, for the TRA, terminating members who are at least age 62 were permitted to enter into a post-retirement reemployment agreement and retain retirement annuity eligibility (Laws 2008, Ch. 349, Art. 3, Sec. 7, 9).
 - 6) In 2009, retired volunteer firefighters were permitted to resume volunteer firefighting services with any pension coverage for the subsequent service based solely on that subsequent service (Laws 2009, Ch. 169, Art. 10, Sec. 21).
 - 7) In 2010, retired volunteer firefighters of monthly benefit volunteer firefighter relief associations were permitted to receive a service pension after the return to active service (Laws 2010, Ch. 359, Art. 13, Sec. 5).
 - 8) In 2012, it was clarified that retired firefighters in a defined contribution volunteer firefighter relief association can qualify for a second benefit only if the retiree upon a return to active service becomes newly vested based on post-retirement service rendered (Laws 2012, Ch. 286, Art. 12, Sec. 10).
 - 9) In 2013, an active member of MSRS-General who was misinformed about "Rule of 90" eligibility and relied on the misinformation was allowed to purchase service credit to obtain "Rule of 90" eligibility (Laws 2013, Ch. 111, Art. 7, Sec. 9).
4. Potential New Topic: Covered Salary. The 1995-1996 reformulation of the Commission's Principles of Pension Policy does not provide any guidance on what components of compensation are appropriately included in covered salary for purposes of determining both contributions and benefits. The 1997-2013 pension legislation included 15 items that related to the definition of covered salary for retirement coverage purposes:
- 1) In 2000, State Patrol Retirement Plan service and salary credit was changed to be granted for any month in which contributions have been made to the plan, rather than on a daily or payroll period basis (Laws 2000, Ch. 461, Art. 3, Sec. 2).
 - 2) In 2000, the TRA salary definition was revised by specifying that salary refers to periodic compensation and includes compensation prior to any voluntary salary deduction program. Salary was defined to exclude employer-paid amounts toward health care, day care, or any similar insurance, savings, or cafeteria plan benefits. The TRA executive director was given discretion to determine whether various other amounts are salary for pension purposes (Laws 2000, Ch. 461, Art. 3, Sec. 28).
 - 3) In 2001, the State Patrol Retirement Plan definition of average monthly salary (high-five salary) was clarified by indicating that it does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 14).
 - 4) In 2001, the first class city teacher plan definition of salary was revised by specifying that salary refers to periodic compensation and includes compensation prior to any voluntary salary deduction program; salary was defined to exclude employer-paid amounts toward health care, day care, or any similar insurance, savings, or cafeteria plan benefits; and the applicable first class city teacher plan secretary or executive director was given discretion to determine whether various other amounts are salary for pension purposes (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 19).
 - 5) In 2004, grievance awards and legal settlements were made includable generally in salary for pension purposes only if the situation is reviewed by the executive director and the amounts are determined to be consistent with the plan's salary definition (Laws 2004, Ch. 267, Art. 2, Sec. 1).
 - 6) In 2004, if a TRA member has a salary in excess of 95% of the Governor's salary, TRA must audit the salary for consistency with TRA's salary for pension purposes provision and must report to the chairs of the Pension Commission and House and Senate government operations policy committees on the number of superintendents, assistant superintendents, and principals who retired during the year where the audit identified an impermissible salary inclusion amount (Laws 2004, Ch. 267, Art. 7, Sec. 6, 9).
 - 7) In 2005, the general maximum on salary covered for public pension purposes was repealed (Laws 2005, Ch. 169).
 - 8) In 2005, the PERA-General definition of covered salary was modified to include, for individuals also covered by a laborer's national industrial pension fund, a plumber's or pipe fitter's national or local pension fund, or by an international union of operating engineers pension fund, any mandatory withholding of wages for the supplemental plan (1st Spec. Sess. Laws 2005, Ch. 8, Art. 1, Sec. 9).
 - 9) In 2007, the 2005 change in the PERA-General covered salary definition was extended to the Minneapolis Employees Retirement Fund (Laws 2007, Ch. 134, Art. 8, Sec. 1).

- 10) In 2008, the PERA-General definition of covered salary was clarified with respect to a treatment of employer contributions to various supplemental retirement plans and excludes amounts paid from state or federal grants with specific prohibitions on pension plan contribution expenditures (Laws 2008, Ch. 349, Art. 5, Sec. 16).
 - 11) In 2009, clarifications to the definition of compensation for Minnesota public pension plans were made to conform to federal tax law (Laws 2009, Ch. 169, Art. 4, Sec. 44).
 - 12) In 2010, PERA-General members were permitted to purchase salary credit for periods of reduced salary while receiving Workers' Compensation or periods of partial-paid medical or salary savings leaves (Laws 2010, Ch. 359, Art. 5, Sec. 7).
 - 13) In 2010, TRA law was amended to add an annual base salary definition and an annual base salary reporting requirement to be used in conjunction with a new service crediting system (Laws 2010, Ch. 359, Art. 7, Sec. 1, 5-6).
 - 14) In 2011, state employees who had been on unpaid leave or layoff during the state government shutdown were granted service and salary credit for the period (1st Spec. Sess. Laws 2011, Ch. 10, Art. 3, Sec. 45).
 - 15) In 2013, the PERA salary definition was expanded to include six items, including supplemental retirement plan employee contributions and performance payments and merit pay amounts, was revised to exclude six items, including supplemental retirement plan employee contributions and performance payments and merit pay amounts, and was revised to exclude six items, including employer-paid fringe benefits and bonus payments that were not performance or merit based.
5. Potential New Topic: Covered Service. The reformulation of the Commission's Principles of Pension Policy in 1995-1996 did not include the provision of any guidance on the topic of what constitutes covered service.

Pension legislation during the period 1997-2013 included 16 items that related to the topic of the types of public employment and related activities that constitute covered service for vesting or benefit formula accrual purposes:

- 1) In 2000, State Patrol Retirement Plan service credit was granted for any month in which contributions have been made to the plan, rather than on a daily or payroll period basis (Laws 2000, Ch. 461, Art. 3, Sec. 2).
- 2) In 2000, the TRA service credit provision was revised by specifying that a full year of service credit must be based on the number of days in the employer's specified school year if less than 170 days and by indicating that a teacher may not be harmed by the employer converting to a flexible or alternative work schedule (Laws 2000, Ch. 461, Art. 3, Sec. 29).
- 3) In 2001, for the Judges Retirement Plan, allowable service was revised to include any month in which the judge provided service, making the provision more consistent with service credit procedures used in other MSRS plans (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 27).
- 4) In 2001, the PERA allowable service credit provision was revised by specifying that in PERA-General, PERA-Correctional, and PERA-P&F, for new members (including terminated/rehired members) after January 1, 2002, the member will receive one month of service credit for each month with 80 or more compensated hours; if there are less than 80 compensated hours in a given month, the individual will receive a fraction of one month of allowable service equal to the percentage relationship that the number of compensated hours bear to 80 hours; prorated service will be used for benefit computation purposes; for purposes of vesting, individuals will receive a month of service credit for vesting purposes for any month in which any salary was received; and prorating does not apply to elected officials and or to any other public employees who are compensated solely on an annual basis (1st Spec. Sess. Laws 2001, Ch. 10, Art. 11, Sec. 10).
- 5) In 2001, the PERA allowable service provision was revised by specifying that for all PERA leaves for which service credit is obtainable (i.e., personal, parental, family, medical, and military) service credit due to the leave will be granted in full months if the salary or compensated hours used in computing the leave payment amounts were from a non-prorated period or will be prorated if the salary or compensated hours used in computing the leave payment amounts were from a prorated period; and, for military leaves, the time period for purchasing service credit was revised to require that payment must be made within three times the length of the military leave period if that calculated period is less than five years rather than being required to occur within five years of the date of discharge (1st Spec. Sess. Laws 2001, Ch. 10, Art. 11, Sec. 10).
- 6) In 2001, beginning on January 1, 2002, for PERA members who earned a month of service credit in each of the nine calendar months immediately preceding the temporary layoff, the service credit provision was modified to provide that the member will receive a month of service credit for each month of the temporary leave, not to exceed three months per year; and

if any of the prior nine months was prorated, the individual will receive prorated service credit for each month of the leave, determined by divided the total number of months of service credit earned for the compensated employment by nine and multiplying the resulting number by the total number of months in the layoff period (1st Spec. Sess. Laws 2001, Ch. 10, Art. 11, Sec. 10).

- 7) In 2001, effective May 1, 2001, for any DTRFA member receiving temporary workers' compensation related to the member's teaching duties and who is receiving reduced teacher salary or no salary, the teacher was permitted to receive full service credit for the applicable period by making an employee equivalent contribution based on the forgone salary and the applicable employee contribution rate in law; if the employee makes the payment, the employer must make a corresponding full-time equivalent employer payment; to receive the applicable service credit, the payments must be made no later than one year after the termination of the workers' compensation payments; and interest payments at an 8.5% annual rate are required on any payment made after June 30 of the year during which the workers' compensation payments are received (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 21).
- 8) In 2002, for state employees covered by MSRS-General, PERA-General, or TRA who were on strike may receive service credit for the strike period by paying both the employee and employer contributions that would have been made if the employee was not on strike, plus 8.5% interest; if payment is made later than 12 months after the end of the strike, a full actuarial value payment would be required to receive service credit (Laws 2002, Ch. 392, Art. 2, Sec. 1).
- 9) In 2002, the PERA allowable service credit provision (including service credit for various leaves of absence) was revised to eliminate the service credit proration for part-time employment for post-December 31, 2001, hires (Laws 2002, Ch. 392, Art. 3, Sec. 4).
- 10) In 2002, PERA covered members with no salary or with reduced salary during a period of workers' compensation were permitted make contributions on the amount of the salary reduction and to receive larger salary and service credit, to avoid diminishing the salary used to compute the PERA pension benefits (Laws 2002, Ch. 392, Art. 3, Sec. 5).
- 11) In 2008, the leaves of absence service credit purchase methodology provisions of the statewide retirement plans were revised to limit the contribution-equivalent payment option to a short time after a leave and a full actuarial value payment obligation if leave service credit was sought later (Laws 2008, Ch. 349, Art. 5, Sec. 2, 18, 30).
- 12) In 2009, the military leave/break-in-service provisions of the PERA-administered retirement plans, TRA, and the volunteer firefighter relief associations were revised to comply with the federal Uniformed Services Employment and Reemployment Rights Act (Laws 2009, Ch. 169, Art. 4, Sec. 5, and Art. 10, Sec. 36).
- 13) In 2010, the purchase of University of Minnesota furlough time was permitted in MSRS-General and PERA-General (Laws 2010, Ch. 359, Art. 15, Sec. 1-2).
- 14) In 2010, the State Patrol Plan allowable service definition was revised to include authorized leave without pay periods and uniformed service periods (Laws 2010, Ch. 359, Art. 2, Sec. 8).
- 15) In 2010, the TRA service credit computation procedure was revised to be based on part-time salary compared to the monthly base pay for the employing unit rather than recorded hours and days (Laws 2010, Ch. 359, Art. 7, Sec. 3, 7).
- 16) In 2011, state employees who had been on unpaid leave or layoff during the state government shutdown were granted service and salary credit for the period (1st Spec. Sess. Laws 2011, Ch. 10, Art. 3, Sec. 45).

6. Potential New Topic: Benefit Maximums. The 1995-1996 reformulation by the Commission of the Principles of Pension Policy is largely silent on the topic of appropriate benefit maximums.

Ten items of 1997-2013 pension legislation related to benefit maximums:

- 1) In 1997, the maximum annuity payable from the Judges Retirement Plan was increased from 65% to 70% of the salary in the year preceding retirement (Laws 1997, Ch. 233, Art. 1, Sec. 66).
- 2) In 1997, for volunteer fire relief associations paying monthly pensions, the highest permitted pensions under the flexible maximum service pension provisions was increased from \$30 per month for each year of service to \$40 per month for each year of service and the corresponding maximum permitted service pensions for volunteer firefighter relief associations paying lump sum benefits was increased from \$4,000 to \$5,500 per year of service, effective for pensions payable January 1, 1998 or later (Laws 1997, Ch. 241, Art. 6).
- 3) In 1997, if a combined service annuity is used, the maximum formula percentages were reset to 3.0% if the service is in the State Patrol Plan or PERA-P&F and to 2.7% if the service is in any other included plan (Laws 1997, Ch. 233, Art. 1, Sec. 61).

- 4) In 1999, for various retirement plans, the definition of total compensation, for purposes of comparison to the initial annuity benefit to determine whether the maximum allowable benefit is exceeded, was revised to include in the definition of total compensation any amounts contributed to tax sheltered or deferred compensation plans (Laws 1999, Ch. 222, Art. 12).
 - 5) In 2000, for the Judges Retirement Plan, rather than an annuity limit at the time of retirement of 70% of the judge's annual salary for the 12 months preceding retirement, the maximum annuity from the Judges Retirement Plan at the time of retirement was set at 76.8% of the high-five average salary (which for a post-July 1, 1980, judge will occur at 24 years of service); years of service beyond that point does not earn additional service credit in the Judges Plan, but the compensation during these "extra service years" may be used in computing the high-five average salary (Laws 2000, Ch. 461, Art. 18, Sec. 4-5, 8).
 - 6) In 2000, the flexible service pension maximums for defined benefit volunteer firefighter relief associations were increased from \$40 per month per year of service credit to \$44 beginning December 31, 2000, to \$48 beginning December 31, 2001, to \$52 beginning December 31, 2002, and to \$56 beginning December 31, 2003; and from \$5,500 per year of service credit to \$6,000 beginning December 31, 2000, to \$6,500 beginning December 31, 2001, to \$7,000 beginning December 31, 2002, and to \$7,500 beginning December 31, 2003 (Laws 2000, Ch. 461, Art. 15, Sec. 5).
 - 7) In 2000, retroactive to July 1, 1999, Minnesota Statutes 1999 Supplement, Section 356.61, which placed limitations on public employee pensions relative to final salary, was repealed (Laws 2000, Ch. 461, Art. 14).
 - 8) In 2008, the flexible service pension maximums for defined benefit volunteer firefighter relief associations were increased from \$56 per month per year of service to \$65 beginning December 31, 2008, \$74 beginning December 31, 2009, \$83 beginning December 31, 2010, \$92 beginning December 31, 2011, and \$100 beginning December 31, 2012; and from \$7,500 per year of service credit to \$8,300 beginning December 31, 2008, \$9,100 beginning December 31, 2009, and \$10,000 beginning December 31, 2010 (Laws 2008, Ch. 349, Art. 14, Sec. 8).
 - 9) In 2013, for the State Patrol Retirement Plan and for PERA-P&F, a service credit maximum of 33 years was imposed for future members and for current members with less than 28 years of service credit on June 30, 2013 (Laws 2013, Ch. 111, Art. 9, Sec. 5, and Art. 11, Sec. 5).
 - 10) In 2013, the 24 years of service credit maximum applicable to the pre-2013 Judges Retirement Plan retirement annuity compensation was made inapplicable for the newly created Second Tier Judges Benefit plan applicable to current short-service and future judges (Laws 2013, Ch. 111, Art. 14, Sec. 5, 9).
7. Potential New Topic: Form of Benefit Payment. The reformulation of the Commission's Principles of Pension Policy in 1995-1996 did not address the topic of the form of benefit payments.

Two items of pension legislation during the period 1997-2013 related to benefit payments:

- 1) In 2000, in situations where MSRS or PERA system annuitants would otherwise receive separate checks from two or more plans or systems, MSRS and PERA were authorized to combine payments to retirees if the retiree approves; the pension system making the payment would issue a single combined payment and be responsible for all administration; and the process must not permit one system to subsidize another (Laws 2000, Ch. 461, Art. 3, Sec. 45).
 - 2) In 2008, for all retirement plans other than volunteer firefighter relief associations or those that provide automatic survivor benefits, if a retirement annuity applicant is married and the spouse does not waive in writing the application of the requirement, the retirement annuity must be in the form of an actuarially equivalent joint-and-survivor annuity (Laws 2008, Ch. 349, Art. 4, Sec. 7).
8. Potential New Topic: Optional Annuity Types. The 1995-1996 reformulation by the Commission of the Principles of Pension Policy does not provide any significant guidance to future Commissions on the topic of optional annuity types.

Nine items of 1997-2013 pension legislation related to the topic of optional annuity types:

- 1) In 1997, the MSRS board was authorized to create an actuarial equivalent Social Security leveling option for MSRS-Correctional, paying higher benefits prior to receipt of Social Security benefits (Laws 1997, Ch. 233, Art. 1, Sec. 25).
- 2) In 1997, joint-and-survivor optional annuities without a bounce-back (50%, 75%, and 100%) and joint-and-survivor optional annuities with a bounce-back (50%, 75%, and 100%) were created for retirees and disabilitants of the Minneapolis Police Relief Association; the optional annuity forms were required to be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries;

the optional annuities are irrevocable; and current retirees and disabilitants had 60 days from the effective date to elect an optional annuity rather than the normal retirement annuity (Laws 1997, Ch. 233, Art. 4, Sec. 6).

- 3) In 1997, joint-and-survivor optional annuities without a bounce-back (50%, 75%, and 100%) and joint-and-survivor optional annuities with a bounce-back (50%, 75%, and 100%) were created for retirees and disabilitants of the Minneapolis Firefighters Relief Association; the optional annuity forms were required to be actuarially equivalent to the service pension and automatic survivor coverage otherwise payable to the retiring member and the member's beneficiaries; the optional annuities are irrevocable; and current retirees and disabilitants had 60 days from the effective date to elect an optional annuity rather than the normal retirement annuity (Laws 1997, Ch. 233, Art. 4, Sec. 18).
 - 4) In 1999, retiring plan members of MSRS-General, MSRS-Correctional, the State Patrol Plan, the Legislators Plan, the Judges Retirement Plan, PERA-General, PERA-Correctional, PERA-P&F, TRA, DTRFA, SPTRFA, MTRFA, MERF, and the Minneapolis Fire and Minneapolis Police relief association were permitted to designate a supplemental needs trust as the recipient of the second half of a joint-and-survivor annuity, with the period of receipt not to exceed the lifetime of the supplemental needs trust beneficiary; the supplemental needs trust was required to be solely for a disabled person, as determined under Social Security disability determination standards, to cover reasonable living expenses and other basic needs of the disabilitant when public assistance does not provide sufficiently for these needs (Laws 1999, Ch. 222, Art. 10).
 - 5) In 2002, MSRS was mandated to establish an accelerated optional annuity form for an MSRS member born in 1943, who taught in the Benson and Richfield public schools who has TRA coverage for that teaching service, and who is currently employed by the Legislative Auditors Office with MSRS-General coverage; the eligible person was required to bear the cost of establishing the optional form (Laws 2002, Ch. 392, Art. 14, Sec. 4).
 - 6) In 2002, for the Minneapolis Police Relief Association, only a member's spouse was permitted to be named to receive a joint-and-survivor annuity, and no benefit or annuity may be paid to a person who does not meet the definition of surviving spouse (Laws 2002, Ch. 392, Art. 16).
 - 7) In 2009, for the State Patrol Retirement Plan, the age at which a disabilitant may elect a joint-and-survivor annuity instead of active member survivor coverage was shifted from age 65 to age 55 (Laws 2009, Ch. 169, Art. 2, Sec. 22).
 - 8) In 2013, MSRS, PERA, TRA, and the first class city teacher retirement plans were required to approve reformulated optional annuity factors upon the change of mortality assumptions or interest rate assumptions, subject to review by the Commission actuary, to establish an implementation schedule for the factor changes, and to inform the Pension Commission of the implementation schedule (Laws 2013, Ch. 111, Art. 8, Sec. 2-5).
 - 9) In 2013, for PERA-administered retirement plans, the Social Security leveling optional annuity form was repealed (Laws 2013, Ch. 111, Art. 3, Sec. 28, 29, 31).
9. Potential New Topic: Disability Benefit Amount. The reformulation of the Commission's Principles of Pension Policy in 1995-1996 did not cover the policy of setting disability benefit amounts.

Nine items of 1997-2013 pension legislation relate to disability benefit amounts:

- 1) In 1997, for MSRS-Correctional, the job-related disability benefit was revised from 50% of high-five average salary plus 2.5% of that salary for each year of covered correctional service in excess of 20 years, to 50% of high-five average salary plus 2.4% of that salary for each year of covered correctional service in excess of 20 years, ten months (Laws 1997, Ch. 233, Art. 1, Sec. 27).
- 2) In 1997, for the State Patrol Retirement Plan, the duty-related disability benefit was set at 60% of the member's average monthly salary, rather than 50%, plus an additional 3.0%, rather than 2.65%, per year of service in excess of 20 years (Laws 1997, Ch. 233, Art. 1, Sec. 33).
- 3) In 1997, for PERA-P&F, the duty-related disability benefit was set at 60% of the member's average monthly salary, rather than 53%, plus an additional 3.0%, rather than 2.65%, per year of service in excess of 20 years (Laws 1997, Ch. 233, Art. 1, Sec. 42).
- 4) In 2000, the PERA-P&F line-of-duty and non-duty related disability benefit provisions were revised to also cover PERA-P&F members who are Hennepin County paramedics (Laws 2000, Ch. 461, Art. 3, Sec. 23 and 24).
- 5) In 2001, for MSRS-Correctional, when a disabilitant has some reemployment income, the determination of whether the disability benefit must be reduced was required to be based on a comparison of the current full income (disability benefit plus reemployment income) to the

salary of the disabiltant at the time of disability indexed for inflation, rather than to the current salary for that position or similar positions (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 13).

- 6) In 2007, for PERA-P&F, the duty disability definition was revised, a regular disability was defined, the former non-duty disability benefit was reformulated as the regular disability benefit, a duty disability benefit was revised with a 60% of average salary cap, plus 3% of average salary for each year in excess of 20 years, position-specific, a regular total and permanent disability benefit was capped at 45% of average salary plus 3% of average salary for each year in excess of 15 years of service credit (Laws 2007, Ch. 137, Art. 4, Sec. 2, 7, 15, 18).
- 7) In 2008, for PERA-General and PERA-P&F, permanent partial disability benefits or retraining benefits under Workers Compensation were exempted from making any disability benefit offsets (Laws 2008, Ch. 349, Art. 5, Sec. 21, 23).
- 8) In 2008, for PERA-P&F, the duty disability benefit amount was increased from 60% of average salary to 60% of average salary plus 3% of average salary for each year in excess of 20 years of allowable service (Laws 2008, Ch. 349, Art. 12, Sec. 1).
- 9) In 2012, the PERA-P&F disability benefit workers compensation benefit offset provision was clarified when the combination of the two benefits exceeds the person's equivalent salary figure (Laws 2012, Ch. 286, Art. 6, Sec. 4).

10. Potential New Topic: Active Member Survivor Benefit Eligibility and Amounts. The Commission, in reformulating its Principles of Pension Policy in 1995-1996, provided little policy guidance to future Commissions on the topic of eligibility for survivor benefits and the amount of those benefits.

Eighteen items of 1997-2013 pension legislation related to the topic of survivor benefit eligibility and amounts:

- 1) In 1997, for the MSRS-Correctional Retirement Plan, the following death-while-active survivor benefits were created (Laws 1997, Ch. 233, Art. 1, Sec. 26):
 - Vested, at least retirement age, surviving spouse benefit. If vested active member dies who reached the minimum age for early retirement (age 50), the surviving spouse may elect to receive an annuity for life equal to the 100% joint-and-survivor annuity which employee would have qualified for at the time of death.
 - Vested, below minimum retirement age, surviving spouse benefit. If the employee was under age 50 but vested at the time of death, the surviving spouse may elect to receive a 100% joint-and-survivor annuity based on the age of the employee and surviving spouse at the time of death. A benefit would be actuarially reduced to age 50, with one-half of a full actuarial reduction applied after age 50.
 - Alternative term-certain annuity for surviving spouse. In lieu of the above 100% joint-and-survivor optional annuities in (1) or (2), the surviving spouse may elect a 10, 15, or 20 year term-certain annuity of equivalent value.
 - Dependent child benefit. If there is no surviving spouse, dependent child benefits are payable to age 20, or if the child is at least age 15 at the time of the employee's death, the benefit is payable for five years. The payment is actuarially equivalent to a 100% joint-and-survivor annuity using the age of the employee at death and the age of the dependent child. If there is more than one dependent child, the benefit is divided proportionately.
 - Death refund of excess contributions. If the accumulated contributions credited to the account of a deceased employee exceed the total surviving spouse or dependent child benefits, the excess must be paid to the deceased employee's designated beneficiary.
- 2) In 1997, for the Minneapolis Police Relief Association, a surviving spouse who would not be eligible for survivor benefits (because he or she was not legally married to the deceased covered member, was not married at the time the employee was on the payroll, or did not reside with the member; or in the case of a deceased service pensioner or deferred pensioner, was not married at least one year prior to retirement) was made eligible for survivor benefits if, at the time of death, the surviving spouse was married to the decedent for at least five years and was residing with the decedent at the time of death; if the surviving spouse who is made eligible for a benefit due to this expansion of eligibility is younger than the deceased, the surviving spouse benefit must be actuarially equivalent to the benefit payable to a spouse of the same age as the deceased (Laws 1997, Ch. 233, Art. 4, Sec. 7, 23).
- 3) In 1997, for the Minneapolis Firefighters Relief Association, a surviving spouse who would not be eligible for survivor benefits (because he or she was not legally married to the deceased covered member, was not married at the time the employee was on the payroll, or did not reside with the member; or in the case of a deceased service pensioner or deferred pensioner, was not married at least one year prior to retirement) was made eligible for survivor benefits if the

surviving spouse, at the time of death, was married to the decedent for at least five years and was residing with the decedent; if the surviving spouse who is made eligible for a benefit due to this expansion of eligibility is younger than the deceased, the surviving spouse benefit must be actuarially equivalent to the benefit payable to spouse of the same age as the deceased, and may be less than 17 units, notwithstanding other law (Laws 1997, Ch. 233, Art. 4, Sec. 12).

- 4) In 2004, the surviving spouse and dependent child benefit provisions of the State Patrol Retirement Plan were revised with respect to eligibility and amounts (Laws 2004, Ch. 267, Art. 9, Sec. 6, 8-11, 26).
- 5) In 2004, the MSRS-General and PERA-General privatized employee laws were amended to clarify that the general law provisions at the time of privatization continue to apply to privatized employees (Laws 2004, Ch. 267, Art. 9, Sec. 15-16).
- 6) In 2004, the TRA surviving spouse benefit computation was modified to provide higher benefit amounts to survivors of deferred members based on attained age at accrual rather than age at death (Laws 2004, Ch. 267, Art. 9, Sec. 18).
- 7) In 2004, unmarried TRA members were permitted to designate a beneficiary to receive a surviving spouse benefit, including a terminal Rochester teacher with two minor children (Laws 2004, Ch. 267, Art. 9, Sec. 20, 24).
- 8) In 2004, the estate of a deceased legislative employee with MSRS-General coverage was allowed to elect an MSRS-Unclassified death benefit on behalf of the decedent (Laws 2004, Ch. 267, Art. 16, Sec. 3).
- 9) In 2005, PERA-P&F active member duty death survivor benefit coverage was extended to former Minnesota public safety employees who are killed while in the armed forces, including the widow of a former St. Louis Park police officer (1st Spec. Sess. Laws 2005, Ch. 1, Art. 4, Sec. 97).
- 10) In 2006, the PERA-General death while eligible optional annuity surviving spouse benefit was revised to make the death refund payable to the surviving spouse's estate rather than the deceased member's beneficiary (Laws 2006, Ch. 271, Art. 3, Sec. 23).
- 11) In 2006, the Legislators Retirement Plan alternative optional surviving spouse annuity was reset to apply at age 55 rather than age 60 (Laws 2006, Ch. 271, Art. 12, Sec. 1).
- 12) In 2006, a death-while-eligible survivor optional annuity benefit was added to the Judges Retirement Plan, including the surviving spouse of a judge who died earlier in 2006 (Laws 2006, Ch. 271, Art. 12, Sec. 3).
- 13) In 2007, eligibility for the Legislators Retirement Plan alternative optional surviving spouse annuity was extended to the spouse of a former legislator who died on March 5, 2007 (Laws 2007, Ch. 134, Art. 2, Sec. 2).
- 14) In 2007, the PERA-P&F death-while-active-or-disabled survivor benefit eligibility provision was revised to apply only in active or deferred situations (and not in disabled situations), was revised to specify that if the death was not a line of duty death the member must have accrued three years of service, rather than one year, for the spouse to be eligible for any annuity, by specifying that an active military service death will be a not in the line of duty death for purposes of PERA survivor benefits, and by revising surviving spouse benefit amounts to 60% of average salary for a line of duty death, or a 50% of average salary benefit in all other cases, including if the death occurred while receiving disability benefits that accrued prior to July 1, 2007, rather than 50% of average salary in all cases (Laws 2007, Ch. 134, Art. 4, Sec. 26-27).
- 15) In 2011, the eligibility for survivor benefit coverage for DTRFA was made coincidental with vesting for a retirement annuity, reflecting new service requirements for new members (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 2, 6-10).
- 16) In 2013, the State Patrol Retirement Plan surviving spouse definition was revised to eliminate the eligibility requirement of spousal cohabitation (Laws 2013, Ch. 111, Art. 2, Sec. 21).
- 17) In 2013, the PERA-P&F active member survivor benefit provisions were revised, specifying the final six months' salary as the salary base for survivor benefits and clarified the manner in which a family benefit maximum would be imposed over spousal and child benefits (Laws 2013, Ch. 111, Art. 11, Sec. 3, 10-11).
- 18) In 2013, the reduction procedures used to compute survivor annuities were revised for the St. Paul Teachers Retirement Fund Association (SPTRFA) death while under age 55 survivor provision (Laws 2013, Ch. 111, Art. 13, Sec. 15-16).

11. Potential New Topic: Other Benefits. The reformulation of the Commission's Principles of Pension Policy in 1995-1996 did not address the issue of the creation of other benefit coverage to be administered by a public employee retirement plan.

Five items of 1997-2013 pension legislation related to the topic of the creation or provision of other benefit coverage:

- 1) In 2001, MSRS was directed to establish a post-retirement health care savings plan or plans, allowing public employees in state and local government to save to cover post-retirement healthcare costs; one or more trusts will be used with separate accounts for each individual, as permitted under Internal Revenue Code, to provide tax-preferred or tax-free treatment of contributions, earnings, and distributions; MSRS was authorized to contract with public and private entities to provide investment services, record-keeping, benefit payouts and other functions; State Board of Investment Supplemental Fund investment options may be offered; contributions are to be determined through personnel policy or through collective bargaining agreements; public employers are not obligated to meet and bargain with employee group representatives regarding an employer contribution to the plan or plans, and that it is not the Legislature's intent to authorize the state to incur new funding obligations for retiree healthcare costs or for plan administration; after retirement, a covered employee can draw from the assets of his or her account to cover healthcare-related costs; and if the retiree dies before the account is exhausted, the remainder can be used by the spouse or dependents for their healthcare-related costs (1st Spec. Sess., Laws 2001, Ch. 10, Art. 7, Sec. 1).
- 2) In 2008, the MSRS Health Care Savings Plan creation provision was clarified, with a clear authorization for administration of the plan by the MSRS executive director under the direction of the MSRS board of directors, clarifying the authority for setting fees and contracting with outside parties, extending potential coverage by the plan to all Minnesota public pension plan members, including volunteer firefighter relief association members, and clarifying contributions and reimbursements (Laws 2008, Ch. 349, Art. 5, Sec. 8-12).
- 3) In 2008, the Minnesota Deferred Compensation Plan administered by MSRS was recodified (Laws 2008, Ch. 349, Art. 11, Sec. 2, 4-11).
- 4) In 2010, various administrative changes for the MSRS with respect to the Deferred Compensation Plan were made (Laws 2010, Ch. 359, Art. 2, Sec. 6-7, and Art. 3, Sec. 1).
- 5) In 2012, the MSRS Health Care Savings Plan was modified with respect to the use of plan assets and to the creation of an administrative fee account (Laws 2012, Ch. 286, Art. 4, Sec. 1-4).

12. Potential New Topic: Setting and Revising Actuarial Assumptions. The 1995-1996 reformulation of the Principles of Pension Policy by the Commission provided little guidance with respect to the issue of the establishment or the revision of actuarial assumptions.

Nine items of 1997-2013 pension legislation related to the topic of the establishment and revision of public pension plan actuarial assumptions:

- 1) In 1997, the post-retirement interest assumption was increased from 5% to 6% as part of the general benefit increases enacted (Laws 1997, Ch. 233, Art. 1, Sec. 58).
- 2) In 2000, the definition of actuarial value of assets (currently defined as cost plus one-third of the difference between cost and market) was revised by basing the actuarial value on current market value at the date of the current actuarial valuation adjusted for past differences between the expected annual change in market value between actuarial valuation dates, given the actuarial earnings assumption, and the actual change in market value on the date of the applicable prior valuations; following a transition period beginning June 30, 2000, the new system is fully implemented for valuations after July 1, 2002; for valuations after July 1, 2002, the actuarial value of assets is the market value on the valuation date reduced by 20% of the difference between the net change in market value for the fiscal year beginning four years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption, reduced by 40% of the difference between the net change in market value for the fiscal year beginning three years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption, reduced by 60% of the difference between the net change in market value for the fiscal year beginning two years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption, and reduced by 80% of the difference between the net change in market value for the fiscal year beginning one year prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption. (Laws 2000, Ch. 461, Art. 1, Sec. 3).

- 3) In 2000, the PERA-General and MSRS-General salary increase assumptions were revised by adding a salary increase factor which is a declining function of service with higher increases are assumed during the early years of the member's service and with the effect trailing off after ten years of service; MSRS-General, State Patrol Plan, MSRS-Correctional, PERA-General, PERA-Correctional, and TRA age-related salary increase factors were revised; and the MERF 4% salary increase factor per fiscal year was clarified (Laws 2000, Ch. 461, Art. 1, Sec. 5).
- 4) In 2002, the select and ultimate salary increase assumptions were revised for TRA, SPTRFA, DTRFA, MSRS-General, and PERA-General (Laws 2002, Ch. 392, Art. 9, Sec. 1).
- 5) In 2008, the Elective State Officers Retirement Plan salary increase and payroll growth assumptions were eliminated, the salary increase assumption for five public pension plans was revised, the payroll growth assumption for ten public pension plans was revised, and the authority to modify salary increase and payroll growth assumptions was shifted from statutory specification change to retirement plan recommendation with Pension Commission approval or acquiescence (Laws 2008, Ch. 349, Art. 10, Sec. 13, 15).
- 6) In 2010, a PERA-General age-related select and ultimate future salary increase actuarial assumption was replaced by a service-related salary increase actuarial assumption and the PERA-General payroll growth assumption was reduced (Laws 2010, Ch. 359, Art. 1, Sec. 68).
- 7) In 2010, the post-retirement interest rate assumption for the various statewide retirement plans was required to be adjusted to account for the reduced post-retirement adjustment rates payable until financial sustainability is achieved (Laws 2010, Ch. 359, Art. 1, Sec. 82).
- 8) In 2012, the interest, salary increase, and payroll growth actuarial assumptions of the statewide and major local retirement plans were generally modified, including the shift to a select (8%) and ultimate (8.5%) interest rate actuarial assumption (Laws 2012, Ch. 286, Art. 1, Sec. 2).
- 9) In 2013, the St. Paul Teachers Retirement Fund Association the salary increase and payroll growth assumptions were revised to conform with the Commission assumption approval in mid-2012 (Laws 2013, Ch. 111, Art. 13, Sec. 17).

13. Potential New Topic: State Aid for Pension Plans. The 1995-1996 Commission Principles of Pension Policy reformulation did not address the issue of the manner in which State aid should be provided to Minnesota public pension plans.

Twenty-five items of 1997-2013 pension legislation related to the topic of providing state aid for Minnesota public pension plans:

- 1) In 1997, peace officers who are members of the State Patrol Retirement Plan were included in the annual allocation of police state aid on a phase-in basis: one-half of these officers were to be certified by July 1, 1997, seven-tenths were to be certified by July 1, 1998, and all were to be certified by March 15, 1999, and thereafter; the aid received was required to be used to cover employer contribution costs on behalf of employees paid by the state general fund, then if any aid remained, it was required to be credited towards employer contributions for employees paid from other funds (Laws 1997, Ch. 233, Art. 1, Sec. 8, 10, 13, 71).
- 2) In 1997, the general state aid to MERF was capped at \$10,455,000 in fiscal 1998, and for fiscal 1999 and thereafter, a new, lower annual cap of \$9 million was established; also, rather than requiring further contributions from local employers whenever a remaining annual financial requirement exists after applying the state contribution, that remaining contribution requirement was to be accessed only if it exceeds \$1.455 million in fiscal 1998 or \$2.910 million thereafter; the general responsibility for covering the cost of the supplemental benefit was transferred from the state to MERF, and the state's responsibility through 2001 for financing this benefit was limited to the existing state supplemental aid to MERF, \$550,000 annually in fiscal years 1992 through 2001; and after fiscal year 2001, any difference between the cumulative supplemental benefit amounts paid since fiscal 1991 and the cumulative supplemental aid, plus investment earnings on the aid, were required to be included in MERF's annual financial requirement as computed by the actuary (Laws 1997, Ch. 202, Art. 2, Sec. 46, 48).
- 3) In 1997, PERA-covered employers were included in a new state aid equal to 0.35% of PERA-covered payroll in fiscal 1998, and 0.70% of PERA-covered payroll thereafter, capped at the fiscal year 1999 aid amount; additional aid was expected to be \$7,942,500 in Fiscal Year 1998, and \$15,885,000 in each subsequent fiscal year; and all aid is scheduled to terminate June 30, 2020 (Laws 1997, Ch. 233, Art. 1, Sec. 15).
- 4) In 1997, the Legislature determined that total employer contributions paid to PERA-P&F for calendar year 1995, as certified to the Commissioner of Revenue by PERA, were overstated for some counties and cities and understated in others; the Commission of Revenue was required to adjust the October 1997 police state aid distributions accordingly; the estimated

net adjustment for police state aid in the fiscal year ending June 30, 1987 was \$1,835,000; the expected net reduction to future state police state aid expenditures due to this adjustment was 6.5% less each year; Brainerd, Crookston, Fairmont, Faribault, Mankato, Minneapolis, South St. Paul, and the Metropolitan Airports Commission also were appropriated additional amounts as 1996 police state aid; the total adjustment was \$2,136,631, with the largest individual recipient, Minneapolis, receiving \$1,918,185; and amounts paid as police state aid in September 1996 to PERA consolidation accounts were ratified (Laws 1997, Ch. 125; Laws 1997, Ch. 233, Art. 1, Sec. 77).

- 5) In 1997, the practice of applying police state aid revenues to cover PERA-P&F firefighter employer contribution pension costs were grandparented, but was limited to the amounts used for this purpose by municipalities from the 1996 aid allocation; the municipalities for which part of this aid was used for firefighter purposes and which were grandparented were Albert Lea, Anoka, Apple Valley Austin, Bemidji, Brooklyn Center, Brooklyn Park, Burnsville, Cloquet, Coon Rapids, Cottage, Crystal, East Grand Forks, Edina, Elk River, Ely, Eveleth, Fergus Falls, Fridley, Golden Valley, Hastings, Hopkins, International Falls, Lakeville, Lino Lakes, Little Falls, Maple Grove, Maplewood, Minnetonka, Montevideo, Moorhead, New Hope, North St. Paul, Northfield, Owatonna, Plymouth, Red Wing, Richfield, Rosemount, Roseville, St. Anthony, St. Louis Park, Thief River Falls, Virginia, Waseca, West St. Paul, White Bear Lake, and Woodbury (Laws 1997, Ch. 233, Art. 1, Sec. 11; Laws 1997, Ch. 241, Art. 1, Sec. 7).
- 6) In 1997, for fiscal year 1998, the state began making a direct payment to the SPTRFA of \$4,827,000, rather than \$500,000 as would have been paid under prior law; a new direct state aid was established for MTRFA and DTRFA; in fiscal year 1998, MTRFA received \$17,954,000 and DTRFA received \$486,000; in the years after 1998, the aid was \$2,827,000 for SPTRFA, \$12,954,000 for MTRFA, and \$486,000 for DTRFA; the provision, which requires termination of state aid, state supplemental aid, and state matching aid to the MTRFA or SPTRFA once the respective association reaches the same funding level as TRA, was expanded to include a cutoff to DTRFA, since aid is established to that association in another provision; and if aid shuts off to one or more of these first class city teacher fund associations, aid is to be reallocated proportionally to the remaining associations based on the relative sizes of their unfunded actuarial accrued liabilities (Laws 1997, Ch. 233, Art. 3, Sec. 4, 6).
- 7) In 1999, \$5.892 million was appropriated in each year of the biennium to cover state aid payments to MERF as determined by the MERF financing law, Section 422A.101; and an additional \$550,000 in each year was appropriated as the state contribution toward the special benefit for MERF pre-1974 retirees (Laws 1999, Ch. 250, Art. 1, Sec. 30).
- 8) In 1999, \$4.925 million in amortization aid plus \$1 million in supplemental amortization aid was appropriated in each year of the biennium to cover aid payments to local police and paid fire relief associations or PERA-P&F consolidation accounts with unfunded pension liabilities (Laws 1999, Ch. 250, Art. 1, Sec. 30).
- 9) In 1999, \$370,000 in each year of the biennium was appropriated to the Department of Revenue to pay reimbursements to volunteer fire relief associations which paid supplemental benefits (Laws 1999, Ch. 250, Art. 1, Sec. 30).
- 10) In 2001, police state aid was revised to permit police officers with the power to arrest, who are working for tribal police departments under American Indian tribal government to be included in the police state aid program (1st Spec. Sess. Laws 2001, Ch. 10, Art. 5).
- 11) In 2001, a special state appropriation was made from the state general fund to settle the claim of a former St. Paul police officer who had served as an Assistant Public Safety Commissioner under a mobility agreement (Laws 2001, Ch. 169, Sec. 5).
- 12) In 2002, the 2001 special state appropriation related to a former Assistant Public Safety Commissioner was allocated between PERA-General and PERA-P&F and provision was made for a return of any excess state general fund appropriation to avoid a windfall to either plan (Laws 2002, Ch. 392, Art. 14, Sec. 2).
- 13) In 2006, with the consolidation of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA, the 1993, 1996, and 1997 state aid amounts previously payable to MTRFA were made payable to TRA (Laws 2006, Ch. 277, Art. 3, Sec. 21-23).
- 14) In 2007, with respect to MERF, the trigger for additional contributions by MERF-covered employing units was reset for a state aid amount of \$9 million rather than \$11,910,000 (Laws 2007, Ch. 134, Art. 8, Sec. 7).
- 15) In 2007, the annual state aid, a deduction from the excess police state aid holding account, was eliminated as a statutory dedicated amount for the Ambulance Service Longevity Award Program (Laws 2007, Ch. 147, Art. 19, Sec. 7, 13).

- 16) In 2008, the Duluth Teachers Retirement Fund Association (DTRFA) was re-qualified as eligible for 1997 state aid, with the amount of the DTRFA state aid deducted from TRA, and \$140,000 was reduced from the SPTRFA state aid (Laws 2008, Ch. 349, Art. 8, Sec. 1).
- 17) In 2008, the allocation of additional amortization aid when all consolidation accounts retired their 1999 unfunded actuarial accrued liability amount was revised, with 20% to SPTRFA, 20% to Minneapolis for its police and fire obligations, 20% to Duluth for its police and fire pension obligations, and 40% for minimum volunteer fire state aid (Laws 2008, Ch. 349, Art. 8, Sec. 3).
- 18) In 2008, the termination and redirection provisions for the 1993, 1996, and 1997 first class city teacher retirement fund association state aid were revised based on the funded condition of the remaining teacher retirement plans (Laws 2008, Ch. 349, Art. 8, Sec. 2-4).
- 19) In 2009, the reallocation of local police and paid fire amortization and supplemental amortization state aid to TRA and SPTRFA was revised include DTRFA (Laws 2009, Ch. 169, Art. 8, Sec. 3, 14-17).
- 20) In 2010, the state aid for the MERF Division of PERA, the administrative consolidation of the former Minneapolis Employees Retirement Fund (MERF), was increased from \$9 million annually to \$13.75 million annually for two years and to \$15 million annually until 2031 (Laws 2010, Ch. 359, Art. 11, Sec. 21, 26).
- 21) In 2011, for the consolidated Minneapolis Firefighters and Minneapolis Police relief associations, additional amortization aid was continued for the City of Minneapolis so long as it has a contribution requirement under the merger (1st Spec. Sess. Laws 2011, Ch. 8, Art. 6-7).
- 22) In 2013, for the DTRFA and SPTRFA, for two years, a special state general fund appropriation of \$6 million and \$7 million, respectively, was enacted (Laws 2013, Ch. 111, Art. 13, Sec. 23).
- 23) In 2013, the first class city fire insurance surcharge aid provision was amended to make the aid payable to the respective cities rather than to the now consolidated local relief association (Laws 2013, Ch. 111, Art. 5, Sec. 46).
- 24) In 2013, the City of Minneapolis was retroactively made eligible to continue to receive amortization state aid and supplemental amortization state aid, which were also aggregated together into a single aid program (Laws 2013, Ch. 111, Art. 5, Sec. 70, 82).
- 25) In 2013, another public safety supplemental pension aid program was enacted, funded from a \$15.5 million annual state general fund appropriation, payable to PERA-P&F, the State Patrol Plan, and volunteer firefighter relief associations (Laws 2013, Ch. 111, Art. 2, Sec. 6).

14. Potential New Topic: Collection and Remittance of Contributions and Handling Omitted

Contributions. The reformulation in 1995-1996 of the Commission's Principles of Pension Policy did not cover the topic of the collection and remittance of pension plan contributions and the handling of omitted contributions.

Sixteen items of 1997-2013 pension legislation related to the topic:

- 1) In 2001, interest charges on delinquent employee withholding and employer share remittance amounts to TRA commence 14 days after the date of the payroll warrant, rather than after seven days (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 18).
- 2) In 2001, for the first class city teacher retirement fund associations, for each payroll cycle, the employing unit was required to identify each employee, salary amounts, contribution amounts, and annual summary information and file it by August 1; a \$5 per day fine was created for each day that member data reports are delinquent; and any retirement plan contributions not received within 30 days of being due will be certified to the Commissioner of Finance, who will deduct the necessary amounts from any aid that would otherwise be paid to the employing unit (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 22).
- 3) In 2002, the state was required to provide payment to the applicable retirement plans of any unpaid employee, employer, and employer additional contributions for charter schools which closed before April 1, 2002, and which did not pay all required contributions to the applicable retirement plan or plans; the required amounts were to be certified by the pension plan administrators and paid to the applicable pension funds by the Commissioner of the Department of Children, Families and Learning; payment was to occur on July 1, 2002, from the charter school building lease aid; the department was required to reduce the remaining charter school building lease aid by the amount remitted to the retirement funds; this action did not release any closed charter school employer from responsibility for covering these payments; and the Department of Revenue was required to make reasonable efforts to recover these amounts from those employers (Laws 2002, Ch. 392, Art. 6, Sec. 4-5).

- 4) In 2005, with respect to PERA-administered retirement plans, a collection procedure was provided for unpaid employer contribution or transmittal amounts when the employing unit was not funded by a property tax (1st Spec. Sess. Laws 2005, Ch. 8, Art. 5, Sec. 6).
 - 5) In 2005, PERA-General was permitted to repay any overpayments made by the Minneapolis Community Development Agency employees as part of a prior service credit purchase (1st Spec. Sess. Laws 2005, Ch. 8, Art. 5, Sec. 9-10).
 - 6) In 2006, the PERA provisions relating to erroneous receipts or disbursements and interest on those amounts were revised (Laws 2006, Ch. 271, Art. 3, Sec. 16-19).
 - 7) In 2007, the PERA collection provisions were amended to specify how any collected amount less than the full amount owed will be prorated and the normal waiting period before taking collection actions was waived for a closed or dissolved governmental subdivision (Laws 2007, Ch. 134, Art. 2, Sec. 23).
 - 8) In 2009, PERA erroneous receipts and disbursements procedures were revised with respect to interest on excess member contributions, the applicable statute of limitations, and penalty fees (Laws 2009, Ch. 169, Art. 4, Sec. 11, 12, 50).
 - 9) In 2009, special uncoded PERA procedures for erroneous receipts and disbursements were specified for contribution overpayments and consequent benefit overpayments for Duluth and the Duluth Airport Authority (Laws 2009, Ch. 169, Art. 4, Sec. 49).
 - 10) In 2009, an erroneous receipts and benefit overpayment provision was added for DTRFA and SPTRFA (Laws 2009, Ch. 169, Art. 4, Sec. 35-38).
 - 11) In 2010, deductions or contributions transmitted in error which are payable to the Public Employees Defined Contribution Plan are transferred with interest (Laws 2010, Ch. 359, Art. 2, Sec. 11 and Art. 5, Sec. 10).
 - 12) In 2010, fines on late membership date reports and interest changes on delinquent contributions for PERA were modified (Laws 2010, Ch. 359, Art. 5, Sec. 9).
 - 13) In 2010, the City of Virginia was added to the 2009 special PERA procedures for erroneous receipts and disbursements and the Duluth and Duluth Airport Authority from 2009 were modified (Laws 2010, Ch. 359, Art. 5, Sec. 25-26).
 - 14) In 2010, for TRA, the handling of interest on deductions or contributions transmitted in error was modified (Laws 2010, Ch. 359, Art. 2, Sec. 12, 17).
 - 15) In 2012, for TRA, a procedure for collections against state aid by certification to the Minnesota Management and Budget commissioner was provided (Laws 2012, Ch. 286, Art. 8, Sec. 4-5).
 - 16) In 2013, for PERA, a clarification in the PERA receipts and disbursements provision was enacted (Laws 2013, Ch. 111, Art. 3, Sec. 7).
15. Potential New Topic: Public Pension Plan Reporting and Disclosure. The 1995-1996 reformulation of the Commission's Principles of Pension Policy did not deal with the topic of required reporting and disclosure by public pension plans and plan officials.

Fifteen items of 1997-2013 pension legislation dealt with the topic.

- 1) In 1997, the prior time-weighted rate of return law was repealed and the prior investment performance attribution law was extensively revised; mandatory reporting to the Legislative Commission on Pensions and Retirement was eliminated and responsibility for computing returns was shifted from the pension funds to the State Auditor, who was required to compute time-weighted rates of return from data provided in required reports from pension fund administrators; and the level of detail required to be submitted to the State Auditor by small plan administrators was significantly reduced, and separate reporting requirements were created for defined contribution plans (Laws 1997, Ch. 241, Art. 10, Sec. 4, 6-8).
- 2) In 2008, the pension plan financial reporting law applicable to Minnesota public employee pension plans was simplified and substantially revised (Laws 2008, Ch. 349, Art. 10, Sec. 2-6).
- 3) In 2008, the statewide retirement plans and MERF were required to include in the applicable actuarial valuation report the additional contribution requirement related to any unfunded actuarial accrued liability in the Minnesota Post Retirement Investment Fund or the Retirement Benefit Fund, respectively (Laws 2008, Ch. 349, Art. 10, Sec. 14).
- 4) In 2008, applicable to all Minnesota public employee pension plans, a requirement for public accountants to report to the State Auditor and to the applicable county attorney if there is any malfeasance, misfeasance, or nonfeasance by public pension plan administrators or agents (Laws 2008, Ch. 349, Art. 14, Sec. 1).

- 5) In 2008, the deadline for filing with the Pension Commission and elsewhere of actuarial valuations by the statewide and major local retirement plans was eliminated (Laws 2008, Ch. 349, Art. 10, Sec. 12).
 - 6) In 2009, the State Board of Investment was required to post its annual report and portions of its quarterly reports on its website and public pension plan administrators were relieved of their obligation to file actuarial valuations and annual financial reports with the Secretary of the Senate and the Chief Clerk of the House of Representatives (Laws 2009, Ch. 32, Sec. 1, 4-5, and Ch. 101, Art. 2, Sec. 19).
 - 7) In 2010, the actuarial valuation reporting deadline for the statewide and major local retirement plans was reestablished as December 31 annually (Laws 2010, Ch. 359, Art. 9, Sec. 1).
 - 8) In 2010, the MSRS, PERA, and TRA executive directors were required to conduct a joint study of defined benefit plans, defined contribution plans, and alternative benefit plan structures (Laws 2010, Ch. 359, Art. 1, Sec. 86).
 - 9) In 2012, the financial reports and audit reports to be filed by volunteer firefighter relief associations were revised and clarified, the countersigners of reports were clarified, and the appropriate report recipient specified for relief associations that are not associated with a municipality was clarified (Laws 2012, Ch. 286, Art. 12, Sec. 2-6).
 - 10) In 2012, PERA was mandated to study the issue of the minimum salary threshold triggering PERA plan membership (Laws 2012, Ch. 286, Art. 6, Sec. 5).
 - 11) In 2012, the reporting requirements for the State Board of Investment were modified by eliminating a requirement for financial statements for the various investment funds managed by the State Board of Investment (Laws 2012, Ch. 286, Art. 10, Sec. 1-2).
 - 12) In 2012, MSRS, PERA, and TRA had their next experience studies delayed two years, until 2015 (Laws 2012, Ch. 286, Art. 1, Sec. 4).
 - 13) In 2013, for volunteer firefighter relief associations, the asset or liability threshold for filing an audited financial report rather than a financial statement was increased from \$200,000 to \$500,000 (Laws 2013, Ch. 123, Sec. 1).
 - 14) In 2013, the DTRFA, SPTRFA, and TRA were required to study the feasibility and financial requirements of consolidating the first class city teacher retirement fund associations into the statewide plan (Laws 2013, Ch. 111, Art. 13, Sec. 22).
 - 15) In 2013, for the various Minnesota public pension plans, the annual financial reporting requirement was modified to require statements or certifications rather than exhibits or footnote disclosures for various items (Laws 2013, Ch. 111, Art. 2, Sec. 24).
16. Potential New Topic: Correction of Administrative Errors. The 1995-1996 reformulation of the Commission's Principles of Pension Policy did not specifically deal with the topic of the manner in which the Legislature will provide for or sanction the correction of pension plan administrative errors. At least 15 items of 1997-2013 pension legislation dealt with the topic:
- 1) In 2005, for the Minneapolis Firefighters Relief Association, non-duty related disability pensions that were recomputed and increased to full 25-year service pensions, despite any legal authority for this action, were ratified (1st Spec. Sess. Laws 2005, Ch. 8, Art. 11, Sec. 14).
 - 2) In 2007, past-overpayments of surviving spouse benefits by the Minneapolis Police Relief Association were ratified (Laws 2007, Ch. 134, Art. 9, Sec. 1).
 - 3) In 2008, a Glencoe/Silver Lake school district grounds and transportation manager was not required to repay past annuity amounts received after shifting from school district employment to independent contractor bus service employment because of erroneous information received from PERA about separation requirements (Laws 2008, Ch. 349, Art. 16, Sec. 7).
 - 4) In 2008, a Minnesota State Colleges and Universities System (MnSCU) faculty member was permitted to shift from the Individual Retirement Account Plan to TRA because of a MnSCU failure to properly inform the person about retirement coverage options (Laws 2008, Ch. 349, Art. 16, Sec. 4).
 - 5) In 2009, a municipal liquor store employee was permitted to withdraw retirement annuity applications or revoke annuities from PERA-General and TRA due to inadequate information about portability provisions (Laws 2009, Ch. 169, Art. 12, Sec. 12).
 - 6) In 2009, a PERA-General covered school district employee with a combination of state and local government employment was permitted to elect retroactive exclusion from retirement

plan coverage for a period of school district employment in 2008 and deferred annuity augmentation for the period (Laws 2009, Ch. 169, Art. 12, Sec. 13).

- 7) In 2009, special procedures were created for PERA in an uncoded law to handle erroneous receipts and disbursements for the City of Duluth and the Duluth Airport Authority (Laws 2009, Ch. 169, Art. 4, Sec. 49).
- 8) In 2010, the authority for MSRS to correct plan membership errors was added to MSRS-Correctional and the State Patrol Retirement Plan (Laws 2010, Ch. 359, Art. 2, Sec. 5, 10).
- 9) In 2010, the 2009 PERA Duluth/ Duluth Airport Authority special law erroneous receipts and disbursements provision was expanded to include the City of Virginia (Laws 2010, Ch. 359, Art. 5, Sec. 25-26).
- 10) In 2010, a MnSCU family member was permitted to make a retroactive transfer from the Individual Retirement Account Plan back to TRA reversing a retirement coverage change precipitated by a job promotion (Laws 2010, Ch. 359, Art. 14, Sec. 2).
- 11) In 2010, the State Auditor was authorized to order volunteer firefighter relief associations to correct erroneous special (pension) fund deposits if the error is in good faith and the transfer complies with state and federal law (Laws 2010, Ch. 359, Art. 13, Sec. 12).
- 12) In 2011, Red Wing Port Authority employees hired before May 1, 2011, who were incorrectly included in PERA-General coverage were grandparented into PERA-General coverage (1st Spec. Sess. Laws 2011, Ch. 8, Art. 1, Sec. 1-3).
- 13) In 2011, an additional special law provision was enacted to cover PERA-General overpayments of member and employer contributions 1997-2008 by the City of Duluth and the Duluth Airport Authority (1st Spec. Sess. Laws 2011, Ch. 8, Art. 1, Sec. 4).
- 14) In 2011, MnSCU procedures and counseling requirements related to retirement coverage for individuals eligible for the Individual Retirement Account Plan who had prior Minnesota defined benefit retirement plan coverage were upgraded (1st Spec. Sess. Laws 2011, Ch. 8, Art. 2, Sec. 12-19, 22).
- 15) In 2012, a MnSCU faculty member was permitted to gain retroactive TRA coverage to the date of hire based on inadequate MnSCU information about benefit options (Laws 2012, Ch. 286, Art. 13, Sec. 4).