



S.F. 1326
(Goodwin)

H.F. 1410
(Nelson)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Minnesota State Retirement System (MSRS) Plans
Relevant Provisions of Law: Minnesota Statutes, Section 352.03, Subdivision 1
General Nature of Proposal: Permit deferred retirees to vote in MSRS board member elections
Date of Summary: February 6, 2014

Specific Proposed Changes

- Modifies the MSRS Board membership provision to permit deferred retirees to vote in board member elections, generally for an active member board position or positions.

Policy Issues Raised by the Proposed Legislation

1. Whether it is appropriate to permit deferred members to vote.
2. Whether it is feasible to identify all deferred members to permit them to vote.
3. Lack of inclusion in the bill of MSRS-Unclassified Program deferred members.
4. Scope issue: whether similar changes should be made in other plan systems. Currently, none of our systems permits deferred members to vote.
5. Whether deferred retirees should vote for the active member positions (as proposed in the bill), or for the retiree position or positions, or for a board position reserved for a deferred member.
6. Whether the proposed change is supported by active members and retirees.
7. Proposal might generate requests by other groups to permit voting (for example, by survivors) or requests to expand board membership to include more retiree positions, or specific classes of active members.
8. Other alternatives, including general overhaul of board structure in all our plan systems, or even broader governance changes.

Potential Amendments

No suggested amendments by Commission staff.

This page intentionally left blank



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: S.F. 1326 (Goodwin); H.F. 1410 (Nelson): MSRS; Permitting Deferred Retirees to Vote in Board Elections

DATE: February 6, 2014

Summary of S.F. 1326 (Goodwin); H.F. 1410 (Nelson)

S.F. 1326 (Goodwin); H.F. 1410 (Nelson) amends Minnesota State Retirement System (MSRS) board provisions by extending to deferred retirees of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), and the State Patrol Retirement Plan a right to vote in MSRS board elections. Deferred retirees would be permitted to vote for board candidates for active member board positions applicable to those plans. If the person is an active member of one MSRS plan and a deferred or retired member of another MSRS plan, the deferred or retired member voting authority is waived. If the person is a deferred member of one MSRS plan and a retired member of another MSRS plan, the deferred member voting authority is waived.

Background Information

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Background information on Minnesota pension plan board structure, responsibilities.
- **Attachment B:** Plan-by-plan comparison of the 2010-2013 Financial Sustainability Provisions.

Discussion and Analysis

S.F. 1326 (Goodwin); H.F. 1410 (Nelson) revises the Minnesota State Retirement System board member provision by extending to deferred members voting rights in board elections and by clarifying the provision.

- a. MSRS Board Membership. Minnesota Statutes, Section 352.03, specifies the composition and duties of the MSRS board of directors. The MSRS board has 11 members in total, four of whom are appointed while the remaining seven are elected. All board members serve in a fiduciary capacity.

Of the 11 MSRS board members, three are appointed by the Governor. One of these Governor appointees must be a constitutional officer, and two must be public members knowledgeable in pension matters. The other appointed position is board position reserved for an employee of the Metropolitan Council's transit operations, and is chosen by the executive committee of the transit division's exclusive union bargaining agent.

Three board positions are reserved for representatives of particular MSRS plans. One is the Metropolitan Council's transit operations position mentioned above. The second is for a member of the State Patrol Retirement Plan, elected by the active members of that plan. The third reserved position is for a member of MSRS-Correctional, elected by the active members of that plan.

The board positions reserved for particular employee groups stem from past mergers of various employee groups into MSRS coverage or the creation of new plans out of MSRS-General. The position reserved for a Metropolitan Council's transit operations employee was a component of 1978 legislation that gave these employees MSRS-General coverage. That legislation also required the Metropolitan Transit Commission to pay a 3.8% of payroll additional contribution, beginning on July 1, 1978 and payable for the next 20 years, to pay off unfunded liability placed on the plan due to that coverage. The position reserved for a State Patrol Retirement Plan member was part of 1973 legislation transferring administration of the State Patrol Plan to MSRS. The position the MSRS board reserved for a State Patrol Plan member eventually led MSRS-Correctional members to request a position reserved for them; legislation in 1983 granted that request.

The remaining five positions are all elected. Four of them are elected by the active members of MSRS plans other than the transit operating division employees, correctional employees, and members of the State Patrol Retirement Plan. The final board position is reserved for an MSRS retiree from any plan in the system, elected by the retirees and disabilitants from all the plans.

All elected members have four-year terms. Elections are staggered so not all elected member seats are up for election at the same time.

- b. MSRS Board Powers and Responsibilities. The MSRS board is responsible for electing the board president and hiring the MSRS executive director. The board operates through the executive director and

his or her staff, and is responsible for ensuring that the retirement system operates consistent with law. As plan fiduciaries, the board is responsible for all aspects of the plan other than the investing of assets. These responsibilities include authorizing proper expenses, ensuring that membership eligibility is properly determined, receiving the contributions required by law, properly determining and computing benefits, and maintaining membership and financial records. By law, all financial assets are invested by the State Board of Investment (SBI).

The MSRS executive director and staff make the benefit determination decisions, but through an appeal process, some cases are brought before the board. Some of these appeals may regard benefit amount determinations, but the most typical appeals are disability claims. The executive director may deny a disability claim due to a conclusion that the individual does not meet the MSRS disability definition. The individual could then appeal the executive director’s determination to the board.

In addition to its staff employees, MSRS retains an actuarial services firm, currently Mercer Consulting. MSRS is audited by the Office of the Legislative Auditor. Legal counsel is provided by the Office of the Attorney General. The plan’s medical advisor, for purposes of advising the Executive Director and the Board on disability applications and disability benefit renewals, is the Minnesota Department of Health.

- c. MSRS Membership Classes as a Percent of Total Membership. At the current time, MSRS active members, retirees, and disabilitants are permitted to vote in MSRS board elections. The active members vote for active member positions on the board, while the retirees and disabilitants vote for candidates for the retired member board seat. Survivors, deferred retirees, and nonvested former members cannot vote. Nonvested former members are individuals who terminated service, did not have sufficient service to qualify for a retirement annuity or deferred retirement annuity given the service covered by the applicable plan, and who have not yet requested a refund.

Table 1 shows membership information, taken from the 2013 actuarial valuations for MSRS defined benefit plans. Looking at membership totals by plan, MSRS-General has by far the largest membership in the system, with over 104,000 total members. The next largest plan is MSRS-Correctional, with only 8,367 total members. The final columns show combined totals for all the MSRS plans combined. Current employees (total active members in the MSRS plans) are over 54,000, which is 47% of the total. Service retirees are 27% of the total, disabilitants are 2%, survivors are 4%, deferred retirees are 15%, and nonvested former members are 5%.

Table 1
MSRS Plan Membership Information as of July 1, 2013

Membership	MSRS- General	MSRS- Correctional	State Patrol	Elective			Total MSRS Plans	Percentage of Total
				State Officers	Judges	Legislators		
Active Members	49,121	4,384	845	0	309	24	54,683	47%
Service Retirees	27,654	1,920	748	10	210	287	30,829	27%
Disabilitants	1,802	258	50	0	24	0	2,134	2%
Survivors	3,830	196	185	4	98	75	4,988	4%
Deferred Retirees	16,062	1,196	41	1	16	70	17,386	15%
Nonvested Former Members	5,574	413	18	0	0	1	6,006	5%
Total Membership	104,043	8,367	1,887	15	657	457	116,026	100%

- d. Possible Motivation for Inclusion of Deferred Retirees in Board Election Voting. The attached background information on Minnesota public pension plans board structure and responsibilities (**Attachment A**), provides additional information on the MSRS board and the boards of the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA), the Duluth Teachers Retirement Fund Association (DTRFA), and the St. Paul Teachers Retirement Fund Association (SPTRFA). That information indicates that these boards differ considerably in size, representation of various constituent groups, including the percent of seats reserved for employer groups with considerable financial stake in the financing of these plans. The DTRFA and SPTRFA both receive considerable state aid, but there is no representative on those boards to defend state interests. But one thing they all have in common is that none of them have a deferred retiree on the board and none permit deferred retirees to vote in board elections, nor do any permit nonvested former members to vote. PERA appears to be the only plan system which permits survivors to vote.

An argument or justification for giving deferred retirees a right to vote in retirement board elections is that the Financial Sustainability Provisions passed in 2010 and 2011 considerably harmed deferred retirees. These proposals were created by the retirement plan boards without any deferred member input. Deferred members had no specific representation on the boards and no right to vote for any board members. The package created by the pension plan boards was passed by the Legislature with little sandpapering. Deferred retirees in MSRS, TRA, and the DTRFA were all similarly impacted.

The current bill may indicate that MSRS administrators and board feel that deferred retirees need a voice, some way of exerting at least some influence. A modest step, contained in this bill, would be to permit deferred members to vote in board elections. Assuming the proposal has merit, it would have been preferable if the change occurred before the MSRS and other boards developed the financial sustainability proposal that was enacted into law in 2010 and 2011, rather than after.

The Financial Sustainability Provisions, enacted as Laws 2010, Chapter 359, Article 1, included revised deferred annuity augmentation rates for MSRS, PERA, TRA, and the DTRFA, resulting in considerably lower benefits at the time of retirement than had been indicated in law at the time the employee terminated from service (similar changes were made in the SPTRFA under 2011 legislation). Across the plan systems, about 73,000 deferred retirees were impacted by the 2010 and 2011 deferred annuity augmentation legislated changes. Since those changes applied to those already in deferred status, as well as those who become deferred later, the number of deferred retiree impacted by these changes continues to grow. Currently, there are roughly 80,000 deferred retirees across all defined benefit plans.

To get a sense of the financial impact on a deferred retiree, we can examine the benefit an individual would have received at the time of retirement if the 2010-2011 legislation had not occurred, and compare it the benefit the individual will receive under the revised treatment. Typically, under pre-2010 law for these plans the benefit computed at the time of termination was increased by 3% annually until age 55 and 5% annually thereafter until the benefit commenced. As revised in 2010 or later, augmentation in MSRS, TRA, and first class city teacher plans would be 2% annually in all cases, although the date of these changes was not consistent for all the plan systems. For MSRS plans, the change was effective January 1, 2012.

Table 2, below, shows the impact of the 2010 law change in deferred annuity augmentation rates assuming that the deferred retiree decides to start drawing the annuity at normal retirement age, which is age 65 for pre July 1, 1989 hires. If an individual terminated service at age 60, prior to the commencing the annuity at age 65 the individual would have five years of deferred annuity augmentation at 2% per year rather than 5%. In this case, the total reduction in the benefit compared to the benefit the individual was expecting given the deferred annuity augmentation rates in law when the individual terminated is 13%. If the individual was expecting a \$1,000 per month benefit age 65, the individual will instead receive only \$870, which is 13% less than \$1,000. If the individual were age 55 at the time of termination, 2% per year augmentation compared to 5% creates a total reduction by age 65 of 25%. If the individual was expecting \$1,000 per month at age 65 under the laws in effect when the person terminated, he or she will instead receive only \$750. An individual who terminated at age 40 who was expecting a \$1,000 benefit at age 65 will instead receive only \$650, which is a 35% reduction.

Table 2
Impact of 2010 Law Change in Deferred Annuity Augmentation

Age at Termination of Service	Age at Retirement	Reduction Under 2010 Law	Benefit paid rather than \$1,000 monthly benefit at age 65 under current law
60	65	13%	\$870
55	65	25%	\$750
50	65	29%	\$710
45	65	32%	\$680
40	65	35%	\$650

If the individual was expecting more than \$1,000 at age 65, or less, the percentage reductions shown in the table hold. If the 60 year old was expecting \$2,000 per month at age 65 rather than the \$1,000 per month assumption used in the table, the percentage reduction is the same, 13%. Rather than receiving \$2,000, the individual will receive 13% less, or \$1,740. If the individual was expecting a \$500 monthly benefit, given the 15% reduction the individual would instead receive \$435.

Under the 2010 legislation, no existing MSRS retirees will face a benefit reduction, although they will have a lower annual postretirement increase. The postretirement adjustment will be 2% per year rather than 2.5%. No revisions directly impacting current active members were made. Vesting was increased from three years to five, but this change applies only to new hires. No contribution rate increases occurred in MSRS-General or MSRS-Correctional, although increases in employee and employer contribution rates were made in the State Patrol Retirement Plan.

For PERA plans, the situation is worse than depicted above. While MSRS, TRA, and first class city teacher plans reduced deferred annuity augmentation down to 2% annually, under the law applicable to PERA plans those who terminated service before the start of 2012 will have 1% deferred annuity augmentation. Those who terminate after the end of 2011 will have no deferred annuity augmentation. The number of deferred annuitants in PERA plans is large, currently about 50,000.

S.F. 1326 (Goodwin); H.F. 1410 (Nelson) raises a number of pension and related public policy issues for consideration by and possible discussion by the Commission, as follows:

1. Proposal Feasibility, Implementation Issue. The issue is whether the proposal to allow deferred members to vote in MSRS board elections can be effectively implemented. To effectively extend this right to all deferred members, MSRS needs current address information on all its deferred retirees. If not, some will not be informed about the candidates and will not receive the ballot materials. Commission members may wish to ask MSRS administrators if address information will be a problem.
2. Further Implementation Problem: Identifying All Deferred Retirees. The issue is that MSRS is not able to identify all of its deferred retirees. The problem occurs because of the combined service annuity provision, coupled with a current inability of MSRS, PERA, TRA, and first class city teacher plans to readily share membership data across the systems. The combined service annuity provision (Minn. Stat. Sec. 356.30)

permits individuals with service in more than one Minnesota public retirement system to combine that service for retirement purposes, so that the resulting total retirement annuity is similar to what would have occurred if the service had been covered by a single plan. An individual who terminated from MSRS-General covered service after two years appears to be non-vested to MSRS, because MSRS law required three years to vest (changed to five years in 2010). This person is carried in MSRS records as a terminated nonvested employee, rather than a deferred retiree. However, if this person also has considerable service covered by the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), Teachers Retirement Association (TRA), or a first class city teacher retirement plan, the person can use that combined service for purposes of vesting in MSRS-General and qualifying for a deferred annuity from that plan. Because MSRS is not aware of the service that its members have in other plans, it does not have an accurate record of who actually should be considered a deferred retiree.

3. Degree of Support by Active Members and Retirees. The issue is whether active members, and their unions, if applicable, and retirees will support this proposed change. To the degree that candidates for active member positions must also represent the interests of deferred retirees, this may lessen the influence of active members.
4. Implication of Appointed Rather than Elected Metropolitan Council Transit Position. The issue is that the five active state employee elected members (the State Patrol position plus the four others) will need to also appeal to deferred members by representing their interests, but the board member appointed by the transit operating division union from the current employees of that division does not.
5. Alternatives to Proposed Voting by Deferred Retirees. Assuming that deferred retirees should have some input in MSRS board elections, the issue is whether this proposal is the best alternative. The Commission may wish to consider whether, instead of deferred members being able to vote for certain active member candidates, a board position could be reserved for a deferred retiree. That might be justified given the percentage of total MSRS membership that is in deferred status according to Table 1 above. Deferred retirees are 15% of total membership. It is unclear which approach would give deferred retirees more influence. Having deferred retirees vote for active member candidates would give them some influence with several board members, since there are several active member board seats. Having a deferred member seat with deferred members voting only for that seat would give deferred members a strong advocate, but only a single strong advocate. Another alternative is to have deferred retirees vote for the retired member position, rather than for the active member positions, possibly coupled with an increase from one to two in retiree/deferred board seats. The Commission may also wish to consider whether any new board seat would be in addition to the current 11 seats, or whether a new seat or seats should be offset by a reduction in active member elected seats.
6. Potential Requests from Other Groups; Scope. The issue is whether the request will lead to requests for voting rights, or reserved board positions, by other groups. Persons receiving survivor annuities currently are permitted to vote only on PERA board elections. Since a prior Legislature concluded that was appropriate, survivors may argue that the laws of other plan systems also should be changed to permit them to vote. The Commission may also wish to consider that if deferred member voting, possibly expanded to permit survivors to vote, is to be permitted in MSRS, it may be appropriate to consider the same treatment for other plan systems.
7. Long-Term Structural Issues. Although it may be impractical for the Commission to consider longer-term structural changes within the context of reviewing the current bill, a few considerations are:
 - a) Differences in Board Structure Between Plans. The Commission may wish to consider whether the structure of retirement plan boards should be made more uniform. The boards of the various retirement systems all perform very similar functions, yet differ in composition and size. Perhaps these differences, at least to the extent which they now exist, are not justified. Attachment A, describing the structure and responsibilities of the boards of the various plan systems, indicates that these boards range from eight positions for TRA to eleven for MSRS and PERA. The two first class city teacher plans have larger boards than TRA, but a membership only a small fraction of TRA's size. The DTRFA and SPTRFA receive direct state aid, but have no state appointed members on their boards.
 - b) Need for More General Study of Public Pension Plan Governance. The Commission may wish to consider whether a single board could better perform the duties of the several pension plan boards that now exist, or whether any board is needed. The primary charge to any of these boards is to ensure that the plan is operated according to law. A similar charge is given to every commissioner or agency head in state government, and for the most part these departments and agencies operate without a board. As part of this discussion, the Commission may wish to discuss merging retirement systems and shifting the duties presently performed by these retirement system administrations into a single state retirement department.

Potential Amendments for Commission Consideration

Given the multitude of possible board structures and voting arrangements, Commission staff has not attempted to draft amendments which substantively alter the bill. If the Commission is interested in a particular alternative, it can direct staff to draft that alternative.

Background Information on Minnesota Public Pension Plan Board Structure and Responsibilities

1. Summary and Comparison of Governing Board Structure and Responsibility Provisions

Membership

MSRS	Eleven board members.	<i>352.03, Subd. 1</i>
PERA	Eleven board members.	<i>353.03, Subd. 1</i>
TRA	Eight board members.	<i>354.06, Subd. 1</i>
DTRFA	Nine board members.	<i>Articles, Art. V</i>
SPTRFA	Ten board members.	<i>Articles, Art. V Bylaws, Art. III, Sec. 1</i>

Elected Active Member Representation

MSRS	Four state employees elected by state employees covered by the system.	<i>352.03, Subd. 1</i>
PERA	Four active members, elected by active, disabled, retired, and survivor membership of the various plans administered by the association, of which one must be a police and fire plan member.	<i>353.03, Subd. 1</i>
TRA	Four teachers elected by the active plan membership.	<i>354.06, Subd. 1</i>
DTRFA	Five active members of the association elected by and from the active plan membership.	<i>Articles, Art. V</i>
SPTRFA	Nine SPTRFA members elected by the SPTRFA membership.	<i>Articles, Art. V Bylaws, Art. III, Sec. 1</i>

Ex Officio Representation

MSRS	Three governor appointees; one a constitutional officer or appointed state official, and two public members knowledgeable in pension matters.	<i>352.03, Subd. 1</i>
PERA	The state auditor or the auditor's designee and five governor appointees, of which one represents school boards, one represents cities, one represents counties, one is a PERA retired annuitant, and one is a public member who is knowledgeable in pension matters.	<i>353.03, Subd. 1</i>
TRA	Three appointees; the Education Commissioner, the Management and Budget Commissioner, and a representative of the Minnesota School Boards Association.	<i>354.06, Subd. 1</i>
DTRFA	One member of ISD No. 709 appointed by the school board chair and the superintendent of ISD No. 709 or the designee of the superintendent.	<i>Articles, Art. V</i>
SPTRFA	Chair of ISD No. 625 or another school board member appointed by the ISD No. 625 board.	<i>Articles, Art. V</i>

Retiree Representation

MSRS	One, elected by system disabled and retired membership of all retirement plans administered by the system.	<i>352.03, Subd. 1</i>
PERA	One retiree or disabilitant elected by the active, disabled, retired, and survivor membership of the various plans administered by the association.	<i>353.03, Subd. 1</i>
TRA	One, elected by the retirees of the plan.	<i>354.06, Subd. 1</i>
DTRFA	Two, elected by the retirees of the plan.	<i>Articles, Art. V</i>
SPTRFA	No specific provision.	--

Other Appointed Representation

MSRS	One, designated by the Metro Council Transit Operation employee union.	<i>352.03, Subd. 1</i>
PERA	None.	--
TRA	None.	--
DTRFA	None.	--
SPTRFA	None.	--

Other Elected Representation

MSRS	Two, with one elected by the State Patrol Plan active membership and one elected by the Correctional Plan active membership.	<i>352.03, Subd. 1</i>
PERA	None.	--
TRA	None.	--
DTRFA	None.	--
SPTRFA	None.	--

Exclusions and Restrictions

MSRS	Employees of MSRS, and state employees on leave of absence, including employees of unions who are members, are excluded.	352.03, Subd. 1 352.029, Subd. 5
PERA	For elected board positions, nonpublic /non-PERA members are excluded, including employees of union who are members.	353.03, Subd. 1 353.017, Subd. 5
TRA	Elected trustees must be members in good standing at time of election. Teacher union employees who are members are excluded from board service.	354.06, Subd. 1 354.41, Subd. 7
DTRFA	Elected active member trustees must be contributing members of the association and cessation of that active membership automatically terminates board membership, except that upon retirement, the trustee may continue board service until the next annual association meeting. The trustee representing the school board must be a member of the board of ISD No. 709 and cessation of service on the school board automatically terminates DTRFA board membership. A trustee representing the active membership who takes a leave of absence from ISD No. 709 employment for more than 60 days for any reason will have the person's position on the board declared vacant.	Bylaw V
SPTRFA	No specific provision.	--

Term, Duration, and Frequency

MSRS	Four-year terms and until successor qualifies, with two elected each biennium for the four elected board members, according to Minnesota Statutes, Section 15.075, for public board members.	352.03, Subd. 1
PERA	To January 31 of fourth year of service and, for elected board members, until the board member is seated.	353.03, Subd. 1
TRA	Four years; staggered for the elected board members.	354.06, Subd. 1
DTRFA	The term of the board representative is three years and until the successor qualifies. The term of the active or retired membership trustees is two years or three years, staggered and until the successor qualifies. The term of the school board representative commences on the first regular DTRFA board meeting held after the person's appointment. The term of active or retired member representatives commences on November 15 of the year of the election.	Bylaw V
SPTRFA	Three-year terms, staggered, for elected board members. Elected board members are divided into three classes of three trustees each, with an election of a class each year at the annual meeting.	Bylaws, Art. III, Sec. 1

Conduct of Election

MSRS	In a manner fixed by the board for State Patrol representation, MSRS-Correctional representation, and retiree representation.	352.03, Subd. 1
PERA	Board position filings October 1-7, annually; petition must be signed by a minimum of 25 PERA members; withdrawal until October 15; candidate statement corresponding to board requirements mailed by PERA to the membership; candidates with \$100 in contributions or expenditures required to file within 30 days after the election with the Campaign Finance and Public Disclosure Board; vote may be cast for only one candidate; no incumbency designation permitted; ballots and voting must ensure secrecy; Secretary of State must supervise the election.	353.03, Subd. 1
TRA	Board position filings with minimum of ten plan member signatures; election must be completed by June 1 of each odd-numbered year.	354.06, Subd. 1
DTRFA	Board members who are representatives of the membership must be elected at the annual membership meeting, to be held the fourth Monday in October at 4:00 pm.	Bylaws III and V
SPTRFA	Candidates for election to the board are required to be nominated by at least ten members of the association on a form prescribed by the board and available from the association office. The form is required to be filed with association office by the second Friday of November prior to the election date. Nominations of candidates for the board also are permitted from the floor at the annual meeting, where the election is held by ballot.	Bylaws, Art. IV

Compensation

MSRS	Compensation as provided in Minnesota Statutes, Section 15.0575.	352.03, Subd. 1a
PERA	No compensation for board service, but reimbursement of board member from PERA fund required for actual and necessary expenses. Public employee board members are specified as not to suffer a loss of regular compensation as a result of board service.	353.03, Subd. 2

Compensation

TRA	No compensation for board members, but reimbursement of board members from TRA fund for necessary expenses related to board duties and reimbursement of the employer for a substitute teacher hired to cover the absence of the board member. Board members are not permitted to suffer loss of regular compensation as a result of board service.	354.06, Subd. 4
DTRFA	Board of trustees members are required to render their services without compensation.	Bylaw VI
SPTRFA	The secretary and the treasurer are to be paid a salary in an amount to be set by the trustees. Other members of the board are not permitted to receive any compensation for their board services, but are entitled to receive reimbursement for expenses that are reasonably and necessarily paid or incurred in the performance of their duties.	Bylaws, Art. V, Sec. 7

Indemnification of Board Members

MSRS	No specific provision.	--
PERA	No specific provision.	--
TRA	No specific provision.	--
DTRFA	To the full extent permitted under Minnesota law, board members and employees of the association are held harmless from all liability, loss, and expense arising out of their fiduciary duties.	Bylaw V, Sec. 10
SPTRFA	The association is permitted to indemnify board members and employees from loss, damage, and liability incurred by, sustained by, or arising out of the performance of association duties unless willful misconduct, gross negligence, or bad faith is involved.	Bylaws, Art. V, Sec. 8

Removal

MSRS	Removal as provided in Minnesota Statutes, Section 15.0575.	352.03, Subd. 1a
PERA	No explicit provision.	--
TRA	No explicit provision.	--
DTRFA	A vacancy is required to be declared by the board if a representative of the membership goes on a leave of absence greater than 60 days.	Bylaw V
SPTRFA	No specific provision.	--

Filling Vacancies

MSRS	Vacancy in elected membership filled by board for the unexpired duration of the term; the transit representative vacancy must be filled by the union. Vacancy by public members as provided in Minnesota Statutes, Section 15.0575.	352.03, Subd. 1a, 2
PERA	Vacancy by death, resignation, removal, or public employment cessation is to be filled for the duration of the term by the board, under its established procedures, for elected board members or by the governor for appointed board members.	353.03, Subd. 1a
TRA	Vacancy in elected membership filled by the remainder of the board until next election, with elected replacement's service to continue to the end of the original term.	354.06, Subd. 1
DTRFA	A vacancy in a board position representing the membership is filled by the remainder of the board, with the replacement continuing until the next annual membership meeting, where the membership selects a successor for the balance of the original trustee's term.	Bylaws V and VI
SPTRFA	A vacancy in an elected member board position is required to be filled by the remainder of the board, even if less than a quorum. The replacement board member serves until the next annual election, when the position is filled by election for the remainder of the original term.	Bylaws, Art. III, Sec. 1

Powers and Duties

MSRS	<ol style="list-style-type: none"> 1) Elect the board chair; 2) appoint the executive director; 3) establish system rules; 4) transact the business of the system; 5) advise director on matters and functions; and 6) oversee Deferred Compensation Plan and Healthcare Savings Plan administration. 	352.03, Subd. 4
------	---	-----------------

Powers and Duties

PERA	<ol style="list-style-type: none"> 1) Elect the president and vice president of the board; 2) approve the staffing complement for the system; 3) adopt bylaws consistent with law for system governance and management; 4) establish, alter, and enforce system rules; 5) pass on membership applications and decide withdrawal and benefit claims; 6) adopt appropriate mortality table; 7) provide for plan administrative expense and benefit payments; 8) decide executive director recommendations and actions subject to its authority under Minnesota Statutes, Section 353.03, Subd. 3a; 9) examine evidence and witnesses for applications and claims; 10) investigate validity and merit of applications and claims and require medical examinations for disability benefit applications; 11) establish board expense reimbursement procedures, with all out-of-state travel subject to board approval, consistent with Dept. of Management and Budget and the Dept. of Administration rules and policies; and 12) appoint executive director. 	<p>353.03, Subd. 3, 3a; 353.18</p>
TRA	<ol style="list-style-type: none"> 1) Elect the board president; 2) elect the executive director; 3) employ the administrative staff of the plan; 4) frame bylaws for its government and for plan administration and to alter or amend them; 5) enforce board rules; 6) pass on membership applications and service credit; 7) pass on withdrawal and benefit applications; 8) adopt appropriate mortality table; 9) provide for the payment of fund expenses and benefits; 10) examine evidence and witnesses for applications and claims; 11) certify plan money to the State Board of Investment for investment; 12) keep record of receipts and disbursements and separate member accounts; 13) determine annual interest earnings of the fund and credit interest to member accounts; and 14) conduct benefit eligibility determinations and benefit amount appeals. 	<p>354.06, Subd. 2 354.07, Subd. 1,2,4,5</p>
DTRFA	<ol style="list-style-type: none"> 1) Elect a president, a vice president, and a treasurer from the board membership; 2) designate a bank or banks for deposit of DTRFA funds and provide for the care and safekeeping of DTRFA securities; 3) invest DTRFA funds with the care, prudence, and good faith required for trust funds, and to sell, transfer or dispose of investments; 4) maintain IRA and tax-shelter programs; 5) turn over to the qualified successor the office and all books, records, accounts, papers, and other property pertaining to the board office; 6) establish and enforce rules which are not inconsistent with the articles or bylaws deemed necessary for the management of the association; 7) assign to any officer any duty not expressly provided for in the articles or the bylaws; 8) provide for the collection of all mortgage loans, interest payments, and other indebtedness; 9) provide for and maintain an office in Duluth, which must be kept open during business hours; 10) appoint a replacement treasurer in the event of the vacancy in that office; and 11) attend and be present for all board meetings. 	<p>Bylaws V, VI, VII</p>
SPTRFA	<ol style="list-style-type: none"> 1) Manage the affairs of the association consistent with law, the restated Articles of Incorporation, and the bylaws; 2) employ any services necessary to properly conduct the business of the association; 3) elect board officers (president, vice president, secretary, treasurer, and other officers) at the annual meeting; the secretary and the treasurer must be association members, but need not be board members, and may be a combined office; the president and vice president must be board members; 4) create other committees, as needed; 5) elect a five-member executive committee (president, treasurer, and three board members). The president is required to preside at board and membership meetings, is an ex officio member of all committees, is required to execute, with the secretary, all documents to be executed on behalf of the association, is required to perform other duties incidental to the office, and is required to perform duties assigned by the members, the board, or the bylaws. The vice president is required to perform the president's duties in the case of the president's incapacity or absence and to perform duties delegated by the president or assigned by the membership or by the board. 	<p>Bylaws, Art. III, Sec. 1-2; Art. V, Sec. 1-6; Art. VI; Art. VII, Sec. 2</p>

Powers and Duties

The SPTRFA secretary is required to maintain a list of association members with necessary benefit eligibility and amount data, is required to attend and to keep a record of all membership and board meetings, is required to file notices, make reports and perform all other duties incidental to the office or imposed by law, by the articles, by the bylaws, by the membership, or by the board. The treasurer is required to receive and deposit association revenue, issue checks that are countersigned by the president, account for association assets in the treasurer's possession, give a bond to the association in an amount specified by the board, and make financial reports at the annual meeting and at other times required by the board. The treasurer is also required to prepare and submit to the board or its executive committee a budget for the association for the successive year, including estimates of receipts and disbursements.

Additional Permissive Powers and Duties

MSRS	1) Consider and make recommendations on retiree needs; 2) disseminate retiree information; 3) supply names and addresses of retirees to employing units; and 4) supply retiree organization(s) representing more than 5,000 retirees with retiree names and addresses.	<i>352.03, Subd. 4a</i>
PERA	1) Authorize the sale of member life insurance under pre-1/1/1985 insurance program; 2) may purchase fiduciary liability insurance and official bonds for board members and system staff; 3) may purchase property insurance; and 4) may establish self-insurance risk reserve, including data processing insurance and "extra-expense" coverage.	<i>353.03, Subd. 3</i>
TRA	1) May conduct investigations to determine validity of claims; and 2) use Dept. of Administration, Information Services Division, for data processing or contract for data processing services.	<i>354.07, Subd. 2, 7</i>
DTRFA	None.	--
SPTRFA	The board is permitted to employ an executive director as a nonvoting officer of the association, serving at the pleasure of the board, with those duties delegated by the board, at a salary determined by the board.	<i>Bylaws, Art. V, Sec. 9</i>

Board Committees

MSRS	No specific provision.	--
PERA	No specific provision.	--
TRA	No specific provision.	--
DTRFA	Standing and other committees may be appointed by the board president.	<i>Bylaw XX</i>
SPTRFA	The board is required to establish an executive committee and is permitted to establish other committees. The executive committee is required to exercise the powers of the board between meetings of the board. All actions of the executive committee are subject to ratification by the board at the next successive board meeting. The executive committee is required to direct the investments of the association, with a report to the board. The executive committee is permitted to approve applications for benefits other than disability benefits if no board meeting is scheduled within 30 days of the application filing. The executive committee is permitted to investigate disability applications, require the examination of the applicant, and make recommendations to the board. The executive meeting may be called by the president with 24-hour prior written notice, or any time with a waiver of notice from all committee members. The executive committee may meet with a majority of its members as a quorum, but if only three committee members are present, all actions must be unanimously approved. Other committees are subject to the same call and conduct requirements as the executive committee.	<i>Bylaws, Art. VI</i>

Rationale

MSRS	Performs policy making function.	<i>352.03, Subd. 1</i>
PERA	Performs management function.	<i>353.03, Subd. 1</i>
TRA	Performs management function.	<i>354.06, Subd. 1</i>
DTRFA	Governance of the association and the management of its affairs.	<i>Articles, Art. V</i>
SPTRFA	Vested with the management of the association's affairs.	<i>Articles, Art. V Bylaws, Art. III, Sec. 1-2</i>

Fiduciary Obligation

MSRS	Chapter 356A	352.03, Subd. 7
PERA	Chapter 356A	353.03, Subd. 1
TRA	Chapter 356A	354.06, Subd. 1a
DTRFA	Section 317A.255; 354A.021, Subd. 6; Chapter 356A	Bylaws VII, IX
SPTRFA	Chapter 356A	354A.021, Subd. 6

Status Determination

MSRS	Board has the power to make final status determination of any state employee.	352.03, Subd. 10
PERA	Board has the power to make final status determination of governmental subdivision employees.	353.03, Subd. 3 353.18
TRA	TRA records, as determined to be correct by the board, govern the rights, benefits, and status of the membership.	354.64
DTRFA	No specific provision.	--
SPTRFA	No specific provision.	--

Legal Representation and Powers

MSRS	The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general. Venue of actions is in Ramsey County District Court.	352.03, Subd. 11
PERA	The attorney general is the board legal advisor of the board. The board has the power to sue and be sued, represented by the attorney general. Venue of actions is in the Ramsey County District Court.	353.08
TRA	The attorney general is the legal advisor of the board and the executive director. Board has the power to sue and be sued, represented by the attorney general.	354.07, Subd. 3
DTRFA	No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.	--
SPTRFA	No specific legal representation requirement, but association is a nonprofit corporation under Minnesota Statutes, Chapter 317A, with the power to sue or be sued.	--

Appeals Process

MSRS	Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual.	356.96
PERA	Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual.	356.96
TRA	Any board determination regarding benefit eligibility, benefit amount, termination of benefit, or any other rights under the retirement plan may be reviewed and appealed upon action of the affected individual.	356.96
DTRFA	No specific appeals process.	--
SPTRFA	No specific appeals process.	--

Application of Laws

MSRS	No explicit provision.	--
PERA	State agency and statewide jurisdiction agency laws apply to PERA.	353.03, Subd. 5
TRA	No explicit provision.	--
DTRFA	No explicit provision.	--
SPTRFA	No explicit provision.	--

Annual and Special Membership Meetings

MSRS	None required.	--
PERA	None required.	--
TRA	None required.	--

Annual and Special Membership Meetings

DTRFA	An annual meeting of the membership is required to be held at 4:00 p.m. on the last Monday in October at a convenient place in St. Louis County as designated by the board. A special membership meeting must be called by the secretary upon the written request of the president, upon a written request by a majority of the board, or upon a written request by 50 association members or 10% of the DTRFA membership, whichever is less. The meeting notice, indicating the time and place, must be sent to each member at least five days before the meeting. A failure to receive the notice does not invalidate the meeting proceedings or actions and a statement by the executive director that the notice was sent is conclusive. A quorum for an annual or special meeting is 50 members present in person. A number less than a quorum may adjourn the meeting to another date.	<i>Bylaw III</i>
SPTRFA	An annual membership meeting is required to be held on the third Thursday in January annually, in St. Paul, at a time and in a place as designated by the board. The president, the vice president in the president's absence, three board members, or 30 members filing a signed written request with the president may call a special meeting at any time. Written notice from the secretary of the meeting, stating time, place, and the purpose for a special meeting, must be provided to each board member and to each active member at the person's last known address no later than five days or earlier than 30 days of the meeting. 100 members constitute a quorum of the meeting, in person or by proxy. Proxies must be designated in writing filed with the secretary at least two days before the meeting. The proxy is valid for the period specified by the member, not to exceed 12 months. If no expiration is specified, the proxy is valid for 11 months. Death does not revoke a proxy unless written notice of the death is filed with the association before the vote is cast and the authority exercised. Each association member is entitled to one vote by voice or ballot.	<i>Bylaws, Art. II</i>

Board Meeting Requirements

MSRS	No specific provision.	--
PERA	No specific provision.	--
TRA	The board shall meet "regularly." Special meetings may be called by the chair or by three board members.	<i>354.06, Subd. 5</i>
DTRFA	The board is required to meet once each month at the association offices. Meetings may be cancelled or the time and place changed by resolution. Special board meetings called upon written request of the president or by three board members. Five board members constitute a quorum, but a smaller number may adjourn the meeting to another time, or if no board member is present, the meeting may be adjourned by the executive director. Meetings are conducted under Robert's Rules of Order, unless contrary to the articles, bylaws, or Minnesota Statutes.	<i>Bylaw IV</i>
SPTRFA	The board is required to hold an annual meeting immediately following the annual membership meeting. The board also is required to hold regular meetings in June and in September annually, in a place and at a time the board determines. Special meetings may be called by the president, by the vice president in the president's absence, or by any three board members. A written notice of the meeting must be mailed to each board member's last known address from the St. Paul Post Office at least two days before the meeting, specifying the meeting time, the meeting place, and the purpose for the special meeting. Board members may waive the notice requirement before, at, or after the meeting, in writing, signed by the trustee, and filed with the secretary. A board member's appearance at a meeting is deemed to be a waiver unless that appearance is solely for the purpose of asserting the illegality of the meeting. Six board members constitute a meeting quorum for the transaction of business other than adjournment. A majority of the board members present at a meeting where a quorum is present is sufficient to express the will and determination of the board. Each board member is entitled to one vote and proxy voting is not permitted. Actions taken without a board meeting are valid if the action could be taken at a board meeting and if all board members authorize the procedure in writing by signature.	<i>Bylaws, Art. III, Sec 3-8</i>

This page intentionally left blank

2010-2013 Financial Sustainability Provisions
Comparison of MSRS, PERA, TRA, and First Class City Teacher Retirement Fund Association
Contained in Laws 2010, Ch. 359; 1st Spec. Sess. Laws 2011, Ch. 8; and Laws 2013, Ch. 111

	MSRS-General		MSRS-Correct.		State Patrol		Judges		Legislators		ESO	
	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
a. Contributions 2010: 2013: Contrib. rate stabilizer	-- --	-- --	-- --	-- --	-- +2.0%	-- +3.0%	+1.0% Tier I +1.0% Tier II	-- --	-- --	-- --	-- --	-- --
b. Post-retirement adjustments	2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.	2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.	2010: Reduced from 2.5% to 2.0%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.	2010: Reduced from 2.5% to 1.5%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase. 2013: Reduced from 1.5% to 1.0% after 12/31/13 until at least 85% funded, to 1.5% when 85-90% funded, and to 2.5% when 90% funded.	2010: Reduced from 2.5% to 1.5%, restored when 90% funded on MVB;* 6-mo. waiting period imposed for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.	2010: Reduced from 2.5% to 2.0%, restored once MSRS-General is 90% funded on MVB;* 6-mo. waiting period for initial increase.
c. Interest on refunds	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.	2010: Reduced from 6% to 4% after 6/30/11.
d. Deferred annuities augmentation	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.	2010: Reduced from 5, 3, or 2.5% to 2% after 12/31/ 11.
e. Reemployed annuitant earnings limitation deferral account interest	Eliminated after 1/1/11.	Eliminated after 1/1/11.	Eliminated after 1/1/11.	Eliminated after 1/1/11.	--	--	--	--	--	--	--	--
f. Vesting service requirement	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 50% vested w/5 years-100% w/10 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.	2010: For new members after 6/30/10, increased from 3 years to 5 years.
g. Early retirement reduction factor, per year under normal retirement age	--	--	2010: For pre-6/30/10 members retiring after 6/30/15 and for new members after 6/30/10, increased from 2.4% to 5.0%.	2010: For new members after 6/30/10, increased from 1.2% to 2.4%. 2013: 0.1% per mo. reduction for pre-age 55 retirees before 7/1/15; 0.37% per mo. reduction for pre-age 55 retirees after 6/30/15.	2010: For new members after 6/30/10, increased from 1.2% to 2.4%. 2013: 0.1% per mo. reduction for pre-age 55 retirees before 7/1/15; 0.37% per mo. reduction for pre-age 55 retirees after 6/30/15.	--	--	--	--	--	--	--
h. Benefit accrual rate %, per year of high-5 average salary	--	--	2010: For new members after 6/30/10, reduced from 2.4% to 2.2%.	--	--	2013: Tier II applies to judges first elected or appointed after 6/30/13 and pre-7/1/13 judges with short service who elect it. Benefit accrual rate for Tier II is 2.5% per year of service credit rather than the 3.2% of Tier I.	--	--	--	--	--	--
i. Maximum benefit				2013: 33 yrs limit on service credit.								

2010-2013 Financial Sustainability Provisions
 Comparison of MSRS, PERA, TRA, and First Class City Teacher Retirement Fund Association
 Contained in Laws 2010, Ch. 359; 1st Spec. Sess. Laws 2011, Ch. 8; and Laws 2013, Ch. 111

	PERA-General		PERA- Correct.		PERA-P&F		TRA		DTRFA		SPTRFA	
	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer	Member	Employer
a. Contributions												
2010:	+0.25%	+0.25%	--	--	+0.2%	+0.3%	+2.0%	+2.0%	+1.00%	+1.00%	+1.00% Coord; +1.00% Basic	+1.00% Coord; +1.00% Basic
2013:	--	--	--	--	+1.2%	+1.8%	--	Added	--	--	--	--
Contribution rate stabilizer	Modified											
b. Post-retirement adjustments	2010: Reduced from 2.5% to 1.0%, restored when 90% funded on MVB,* rate reduced if fund later declines from 90% funded.		2010: Reduced from 2.5% to 1.0%, restored when 90% funded on MVB,* rate reduced if fund later declines from 90% funded.		2010: Reduced from 2.5% to 1.0% for 1/1/11 and 1/1/12, then equal to the CPI % for the preceding fiscal year, not to exceed 1.5% until 90% funded on MVB,* then not to exceed 2.5%, rate reduced if fund later declines from 90% funded. 2013: Reduced from 1.5% to 1.0% until 90% funded for two consecutive valuations. Minimum receipt period of 25 mo. for a prorated initial adjustment or 36 mo. for a full initial adjustment.		2010: Suspended for 1/1/11 & 1/1/12; starting 1/1/13, reduced from 2.5% to 2.0%, restored when 90% funded on MVB,* 6-mo. waiting period for initial increase. 2012: Period for full initial post-retirement adjustment extended from 12 months to 18 months with prorated benefit for period over 6 months and under 18 months.		2010: 0% when less than 80% funded on MVB,* 1% when 80%-90% than 90% funded on MVB,* when 90% funded on AVB** moves to inflation match up to 5%..		2010: Automatic 2% inc. suspended for 1/1/ 2011. 2011: 1% when less than 80% funded on AVB**, 2% until 90% AVB; when 90% funded on AVB moves to inflation match up to 5%.	
c. Interest on refunds	2010: Reduced from 6% to 4% after 6/30/11.		2010: Reduced from 6% to 4% after 6/30/11.		2010: Reduced from 6% to 4% after 6/30/11.		2010: Reduced from 6% to 4% after 6/30/11.		2010: Reduced from 6% to 4% after 6/30/10.		2011: Reduced from 6% to 4% after 7/1/11.	
d. Deferred annuities augmentation	2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11.		2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11.		2010: Reduced from 5, 3, or 2.5% to 1% for plan members terminating before 1/1/12; eliminated for plan members terminating after 12/31/11.		2010: Reduced from 5, 3, or 2.5% to 2% after 6/30/12.		2010: Reduced from 5, 3, or 2.5% to 2% after 7/1/12.		2011: Reduced from 5, 3, or 2.5% to 2% after 7/1/12	
e. Reemployed annuitant earnings limitation deferral account interest	2010: Eliminated after 1/1/11.		2010: Eliminated after 1/1/11.		2010: Eliminated after 1/1/11.		2010: Eliminated after 1/1/11.		2010: Eliminated after 6/30/10.		2011: Eliminated after 6/30/11	
f. Vesting service requirement	2010: For new members after 6/30/10, increased from 3 years to 5 years.		2010: For new members after 6/30/10, increased from 3 years to 50% vested w/5 years-100% w/10 years.		2010: For new members after 6/30/10, incr. from 3 yrs to 50% vested w/ 5 yrs-100% w/10 yrs. 2013: For new members after 7/1/14, 50% vested w/10 yrs-100% w/20 yrs.		--		2010: For new members after 6/30/10, increased from 3 years to 5 years. 2011: 5-year vesting clarified to apply to all benefits and programs for post-2010 hires.		--	
g. Early retirement reduction factor, per year under normal retirement age	--		--		2013: After 6/30/14, the reduction factor per year is a blending of the current (1.2% or 2.4%) and the eventual 5% rate which becomes effective in 2019.							
h. Benefit accrual rate percentage, per year of high-5 average salary	--		--		--		--		--		--	
i. Maximum benefit					2013: 33 yrs limit on service credit.							

*MVB = Market Value Basis **AVB = Actuarial Value Basis

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 1326

(SENATE AUTHORS: GOODWIN)

DATE	D-PG	OFFICIAL STATUS
03/13/2013	966	Introduction and first reading Referred to State and Local Government

A bill for an act

relating to retirement; Minnesota State Retirement System; permitting deferred members from the general employees retirement plan, correctional employees retirement plan, and the State Patrol retirement plan to vote in board elections; amending Minnesota Statutes 2012, section 352.03, subdivisions 1, 1a.

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

Section 1. Minnesota Statutes 2012, section 352.03, subdivision 1, is amended to read:

Subdivision 1. **Membership of board; election; term.** (a) The policy-making function of the system is vested in a board of 11 members known as the board of directors.

This board shall consist of:

(1) three members appointed by the governor, one of whom must be a constitutional officer or appointed state official and two of whom must be public members knowledgeable in pension matters;

(2) four state employees elected by ~~state employees covered by the system~~ active members and former members eligible for a deferred annuity from the general state employees retirement plan, excluding employees in categories specifically authorized to designate or elect a member by this subdivision, and deferred annuitants for whom a board member is designated;

(3) one employee of the Metropolitan Council's transit operations or its successor agency designated by the executive committee of the labor organization that is the exclusive bargaining agent representing employees of the transit division;

(4) one employee who is a member of the State Patrol retirement fund plan elected by active members of and former members eligible for a deferred annuity from that fund ~~at a time and in a manner fixed by the board,~~ plan;

2.1 (5) one employee covered by who is a member of the correctional state employees
 2.2 retirement plan established under this chapter elected by employees covered by active
 2.3 members and former members eligible for a deferred annuity from that plan; and

2.4 (6) one retired employee of a plan included in the system, elected by disabled and
 2.5 retired employees of all the plans administered by the system at a time and in a manner to
 2.6 be fixed determined by the board.

2.7 (b) The terms of the four elected state employees under paragraph (a), clause (2),
 2.8 must be staggered, with two of the state employee members board positions elected
 2.9 each biennium, whose terms of office begin on the first Monday in May after their
 2.10 election, must be elected biennially. Elected members and the appointed member of the
 2.11 Metropolitan Council's transit operations hold office for a term of four years and until their
 2.12 successors are elected or appointed, and have qualified.

2.13 (c) An employee or former employee of the system is not eligible for membership
 2.14 on the board of directors. A state employee on leave of absence is not eligible for election
 2.15 or reelection to membership on the board of directors.

2.16 (d) The term of any board member who is on leave for more than six months
 2.17 automatically ends on expiration of the term of office.

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

2.19 Sec. 2. Minnesota Statutes 2012, section 352.03, subdivision 1a, is amended to read:

2.20 Subd. 1a. **Membership voting limitations.** Active members and former members
 2.21 eligible for a deferred annuity from a plan under this chapter or chapter 352B are eligible
 2.22 to vote in board elections as further specified and restricted in this section. Retired
 2.23 members and disabilitants from a plan in the system may vote only for the retired member
 2.24 position under subdivision 1, paragraph (a), clause (6). If a former member eligible for a
 2.25 deferred annuity from a plan under this chapter or chapter 352B is a deferred annuitant
 2.26 from more than one plan covered by the system, that person is eligible to vote only in
 2.27 elections applicable for deferred annuitants from the plan in the system from which the
 2.28 person last received allowable service. If a person is an active member of a plan in the
 2.29 system and is a deferred annuitant or a retiree from another plan or plans in the system,
 2.30 the person is only eligible to vote in board elections applicable due to the active member
 2.31 plan membership. If a person is a deferred annuitant from a plan in the system and is also
 2.32 a retiree from another plan in the system, the person is only eligible to vote in elections
 2.33 applicable due to the retiree status.

3.1 Subd. 1b. Terms; compensation; removal; vacancies; public members. The
3.2 membership terms, compensation, removal of members, and filling of vacancies for the
3.3 public members on the board are as provided in section 15.0575.

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