



TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Lawrence A. Martin, Executive Director *LAM*  
RE: 2010 Omnibus Retirement Bill as of January 13, 2010  
DATE: January 14, 2010

Introduction

Document LCPR10-017 contains the contents of the 2010 Omnibus Retirement Bill as recommended by the Legislative Commission on Pensions and Retirement through January 13, 2010.

Source Legislation for the 2010 Omnibus Retirement Bill through January 13, 2010

Document LCPR10-017 includes all or portions of the following retirement bills:

1. S.F. 578 (Betzold); H.F. 1123 (Murphy, M.): Various retirement plans; Administrative and benefit-related provisions.
2. S.F. 1180 (Betzold); H.F. 1774 (Nelson): MSRS; Minnesota Deferred Compensation Program and Unclassified State Employees Retirement Program amendments.
3. S.F. 1417 (Pogemiller); H.F. 13247 (Murphy, M.): Various retirement plans, extending and modifying an early retirement incentive program.
4. S.F. xxxx; H.F. 814 (Urdahl): Various retirement plans; Permitting court-ordered optional annuity revocation in certain marriage dissolutions.
5. Document LCPR10-008 (Betzold): PERA; Administrative provisions.
6. Document LCPR10-003 (Betzold): MnSCU; Administrative provisions.
7. Document LCPR09-071 (Betzold): Various retirement plans; Actuarial reporting deadline dates.

General Summary of Document LCPR10-017

Article 1: Minnesota State Deferred Compensation Plan Amendments. Employers of public employees participating in the Minnesota State Deferred Compensation Plan are required to provide information to the third-party administrator of the program, who must comply with data practice requirements and who is prohibited from undertaking unrelated service or product sales solicitations.

Article 2: MSRS-Unclassified State Employees Retirement Program Amendments. The definition of "value" for the program is revised to mean the account's market value at the end of the day rather than value at the end of the month following receipt of an annuity. The MSRS-Unclassified investment option provision is revised consistent with the change from monthly to daily pricing, and to permit changes in the funds used to invest an account to be made electronically rather than in writing. The MSRS-Unclassified asset withdrawal provision is revised to be consistent with daily rather than monthly valuation of accounts. The MSRS-Unclassified retirement and disability benefit accrual date provisions are revised to permit an annuity to accrue the day after receipt of a valid application or the day following termination of employment, whichever is later, rather than at the start of the next full month. The prospectus provision is amended to require the executive director to make the investment prospective available by electronic means and by permitting individuals to request hard copies, rather than by requiring distribution of a prospectus to each participant. The cap on the MSRS-Unclassified administrative fees is eliminated.

Article 3: PERA Amendments. The PERA membership provisions are revised; the PERA board election provision is revised to permit use of internet; employer reporting is clarified and new fines for employer reporting failures are imposed; employee refund treatment when erroneous contributions occur is revised; the Postretirement Option Program (PRO) is modified to permit up to four renewals and the program is extended in duration; elected county sheriff PERA-P&F annuitants are included in the Public Employees Defined Contribution Plan; the Public Employees Defined Contribution Plan membership provisions are clarified; three healthcare organizations are added to the PERA Privatization Chapter; inclusion in the PERA Privatization Chapter is permitted if employer payment is made to eliminate an expected PERA actuarial loss; the major retirement plan appeal procedure is clarified and revised; the City of Virginia is permitted to use the correction of deductions provision enacted in 2009 for City of Duluth and for the Duluth Airport; and obsolete provisions are repealed.

Article 4: Teachers Retirement Association Service Credit Procedure Revisions. The Teachers Retirement Association (TRA) K-12 teacher service credit is modified to be a function of the teacher's salary relative to a base salary in the district rather than being based on hours of service, with the district base salary the salary paid in the prior year for the lowest Bachelor of Arts (BA) contract position and service credit will be computed monthly by dividing the teacher's monthly salary by the monthly base salary for the applicable employing unit by multiplying the result by 11.1 percent, with the result capped at 11.1 percent, so that a teacher may not earn more than 11.1 percent of one full year's service credit in a month. Annual service credit is calculated by adding the monthly service credit amounts for the months in the applicable fiscal year and a teacher may not earn more than one year of service credit in a fiscal year. The changes are effective for teaching service performed after June 30, 2010.

Article 5: MnSCU-IRAP Amendments. The Minnesota State Colleges and Universities System (MnSCU) is authorized to contract out for investment selection and review services for the Individual Retirement Account Plan (IRAP) with providers other than the State Board of Investment (SBI); institutions other than SBI are permitted to provide selection and review of investment vehicles for the Higher Education Supplemental Plan; and Minnesota Statutes, Section 354C.15, a provision authorizing the MnSCU Board to redeem SBI Supplemental Investment Fund shares held by plan members who want to redirect their assets to other investments is repealed.

Article 6: Actuarial Reporting Deadline Dates. The deadline date for actuarial valuation reports is set at the last day of the sixth month following the end of the retirement plan year (generally December 31) and the current experience study deadline date is extended from the first day of the eleventh month following the end of the retirement plan year (May 1) to the last day of the twelfth month following the end of the retirement plan year (June 30).

Article 7: Early Retirement Incentive Modifications. An early retirement incentive program that expired on July 15, 2009, is extended to October 1, 2012, and the incentive payment amount is reset from \$17,000 to the total of the maximum state regular unemployment compensation and employer-paid medical, dental, and life insurance premiums payable to the incentive recipient in the event of a layoff.

Article 8: Optional Annuity Revocation Following Certain Marriage Dissolutions. Bounces back to the full annuity amount the optional annuity form of a retired member with a post-retirement marriage dissolution if so ordered by the dissolution judgment, applicable retroactively to past marriage dissolutions, but annuity rescission prospective from the date of enactment.

Section-by-Section Summary of Document LCPR10-017 (2010 Omnibus Retirement Bill as of 1/13/10)

Summary of Document LCPR10-017

Sec.	Pg.Ln - Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
<b>Article 1: Minnesota State Deferred Compensation Plan Amendments</b>					
1	1.32-2.24	SF 1180 (Betzold); HF xxxx	MSRS Deferred Compensation	352.965, Subd. 6	Requires employers to supply necessary personal and financial data to the third-party administrator on plan participants, and clarifies that the third-party administrator must comply with data privacy requirements.
<b>Article 2: MSRS-Unclassified State Employees Retirement Program Amendments</b>					
1	2.28-2.34	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.015, Subd. 9	Redefines "value" consistent with daily asset valuations.
2	3.1-3.31	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.04, Subd. 1	Clarifies the provision consistent with the change from monthly to daily pricing and permits changes in the funds used to invest an account to be made electronically rather than in writing.
3	3.32-4.6	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.05 Subd. 3	Amends the asset withdrawal provision to be consistent with daily rather than monthly valuation of accounts.
4	4.7-4.16	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.06 Subd. 3	Permits an annuity to accrue the day after receipt of a valid application or the day following termination of employment, whichever is later, rather than at the start of the next full month.
5	4.17-4.24	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.065 Subd. 3	Permits disability annuities to accrue the day after receipt of a valid application or the day following termination of employment, whichever is later, rather than at the start of the next full month.
6	4.25-5.1	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.09 Subd. 3	Requires the executive director to make the investment prospective available by electronic means rather than requiring the distribution of a prospectus to each participant, and permits individuals to request hard copies.
7	5.2-5.9	SF 1180 (Betzold); HF xxxx	MSRS- Unclassified	352D.09 Subd. 7	The cap on administrative fees is removed.
<b>Article 3: Public Employees Retirement Association Amendments</b>					
1	5.13-5.25	LCPR10-008 (Betzold)	PERA	353.01, Subd. 2	The definition of "public employee" is revised for clarity, including indicating that it includes public officers not otherwise excluded by other plan provisions.
2	5.26-7.16	LCPR10-008 (Betzold)	PERA	353.01, Subd. 2a	The definition of "included employee" is revised for clarity, including indicating that it includes public officers not otherwise excluded by other plan provisions.
3	7.17-10.36	LCPR10-008 (Betzold)	PERA	353.01, Subd. 2b	The definition of "excluded employee" is revised by excluding city mayors from PERA-General coverage; the Hennepin Co./Hennepin Healthcare system employees clause for individuals who were on a work permit and whose employment is extended beyond three years is clarified by stating that they remain excluded if the \$450 salary threshold is not met; by stating that persons serving on boards or commissions of governmental subdivisions are excluded from membership, and by stating that independent contractor status does not apply to any individual performing a government function that by law of local ordinance is required of a public officer, including but not limited to clerk or treasurer, county auditor, county treasurer, or county recorder, emergency management director, or city manager.
4	11.1-12.12	LCPR10-008 (Betzold)	PERA	353.01, Subd. 2d	The "optional membership" definition is clarified by reformatting the paragraph structure.
5	12.13-14.1	LCPR10-008 (Betzold)	PERA	353.03, Subd. 1	The board election provision is clarified by specifying that the seat for a terminated employee must be filled by a person who is a benefit recipient rather than by a deferred annuitant; and by revising board election provisions to make use of e-mail and the internet rather than being restricted to using regular mail.
6	14.2-15.28	LCPR10-008 (Betzold)	PERA	353.27, Subd. 4	The employer reporting requirements member status provision is revised by clarifying the requirements apply to all PERA plans; by specifying a 30-day time limit before interest will be changed on delinquent employee and employer contribution amounts; by specifying that salary deduction reports are due within 14 days of the pay date or a \$5 per calendar day penalty will be applied; that the salary data reports must include data on reemployed annuitants and any reemployed disabilitants; by creating a \$25 fine for failure to report membership data; and by authorizing PERA to review employer payroll records. If the employer fails to provide the requested payroll records, the employer is

Summary of Document LCPR10-017

Sec.	Pg.Ln - Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
					responsible to pay any PERA field audit expenses, including staff salaries, administrative expenses, and travel expenses.
7	15.29-17.33	LCPR10-008 (Betzold)	PERA	353.27, Subd. 7	The adjustments for erroneous receipts provision is revised by removing authority to have the employer pay any employee refund and interest to the employee with the employer being compensated by a credit against future contributions; instead, the pension fund will pay the refund.
8	17.34-18.18	LCPR10-008 (Betzold)	PERA	353.27, Subd. 10	The exclusion report provision (an annual report from employers listing individuals occupying positions normally covered by PERA who for various reasons are not covered by the plan), is revised by creating a \$25 fine for employer failure to provide the report.
9	18.19-18.28	LCPR10-008 (Betzold)	PERA	353.371, Subd. 4	The Post Retirement Option Program duration provision is revised by permitting renewals after the person attains Social Security normal retirement age and by permitting up to four renewals.
10	18.29-20.9	LCPR10-008 (Betzold)	Public Employees Defined Contribution Plan	353D.01, Subd. 2	The Public Employees Defined Contribution Plan eligibility provision is revised by extending eligibility to elected county sheriffs who are receiving PERA-P&F annuities and to persons serving on boards and commissions of governmental subdivisions.
11	20.10-20.21	LCPR10-008 (Betzold)	Public Employees Defined Contribution Plan	353D.03, Subd. 1	The Public Employees Defined Contribution Plan local government official contribution provision is revised to make the provision also apply to other classes who elect this coverage, including public physicians and persons serving on boards and commissions of governmental subdivisions.
12	20.22-20.32	LCPR10-008 (Betzold)	Public Employees Defined Contribution Plan	353D.04, Subd. 1	The Public Employees Defined Contribution Plan account crediting provision is revised for clarity.
13	21.1-21.5	LCPR10-008 (Betzold)	Public Employees Defined Contribution Plan	353D.04, Subd. 2	The Public Employees Defined Contribution Plan authority to adopt policy provision is revised by revising a headnote.
14	21.6-21.31	LCPR10-008 (Betzold)	PERA Privatizations	3535F.02, Subd. 4	The privatized employee chapter medical facility inclusion provision is revised by adding three facilities to the list: the Chris Jenson Health and Rehabilitation Center in St. Louis County, the Douglass County Hospital Mental Health Unit, and Wheaton Community Hospital.
15	21.32-22.26	LCPR10-008 (Betzold)	PERA Privatizations	353F.025, Subd. 1	The privatized employee chapter eligibility determination procedure is revised by adding a definition of net loss.
16	22.27-23.23	LCPR10-008 (Betzold)	PERA Privatizations	353F.025, Subd. 2	The privatized employee chapter recommendation to Legislature provision is revised by clarifying that recommendations to add privatized entities to plan coverage can be made as part of the PERA administrative bill; and by permitting inclusion of entities that are expected to create and actuarial loss to PERA if the employer agrees to provide a lump sum payment, with interest, to PERA sufficient to eliminate the computed net loss.
17	23.24-23.29	LCPR10-008 (Betzold)	MSRS, PERA, and TRA	356.96, Subd. 2	The appeals procedure right to review provision is amended by stating that determinations are made by the plan's chief administrative officer rather than the plan "administration."
18	23.30-24.16	LCPR10-008 (Betzold)	MSRS, PERA, and TRA	356.96, Subd. 3	The appeals procedure notice of determination provision is amended by requiring a statement of all materials the person wants the board to review to be filed with the board 15 days, rather than 30 days, before the hearing date, and by removing a requirement that the individual must be supplied with a copy of this section of law.
19	24.17-24.33	LCPR10-008 (Betzold)	MSRS, PERA, and TRA	356.96, Subd. 5	The appeals procedure petition for review provision is amended by replacing the term "executive director" with "chief administrative officer."
20	25.1-25.25	LCPR10-008 (Betzold)	MSRS, PERA, and TRA	356.96, Subd. 7	The appeals procedure notice of hearing provision is amended by removing any time requirements for scheduling review of a petition; by requiring that the chief administrative officer mail an acknowledgement of the person's petition 30 days, rather than 15 days, before the hearing date; by requiring all materials the petitioner wishes the board to review be submitted at least 15 days, rather than 30 days before the hearing; and by permitting the chief administrative officer to reschedule a hearing review within "a reasonable time," rather than within 60 days.

Summary of Document LCPR10-017

Sec.	Pg.Ln - Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
21	25.26-26.6	LCPR10-008 (Betzold)	MSRS, PERA, and TRA	356.96, Subd. 8	The appeals procedure record of review provision is amended by revising the provision for clarity; and by allowing the applicable board to permit any additional document or information the petitioner requests at any time, with the consent of the board, rather than at least five days before the hearing.
22	26.7-28.15	LCPR10-008 (Betzold)	City of Duluth, Duluth Airport Authority	Laws 2009, Ch. 169, Art. 4, Sec. 49	A provision specifying a procedure to correct erroneous employee deductions and employer contributions and to adjust benefit overpayments applicable to the City of Duluth and the Duluth Airport Authority, is revised by requiring any refund of excess employee contributions to active employees to be paid by the retirement plan fund rather than having that money transmitted to the employer who would then refund the amount to the employee; and by making this section of law also apply to the City of Virginia. Local approval is required.
23	28.16-28.21	LCPR10-008 (Betzold)	PERA	Laws 2009, Ch. 169, Art. 5, Sec. 2	The effective date which required the Postretirement Option Program to sunset on June 30, 2011, is revised by extending the program to June 30, 2014.
24	28.22-28.26	LCPR10-008 (Betzold)	--	Repealer	M.S., Sec. 353.46, Subd. 1a, a PERA purchase of allowable service savings clause applicable to individuals who purchased service credit which included the date June 30, 1957, and Sec. 353D.03, Subd. 2, a Public Employees Defined Contribution Plan public physician contribution rate provision which is no longer needed because the language is moved to another provision, are repealed effective the day after final enactment. Section 353D.12, a Public Employees Defined Contribution Plan provision permitting elected officials to make prior contribution for elected service that occurred before June 30, 1991, is repealed effective July 1, 2011.

**Article 4: Teachers Retirement Association Service Credit Procedure Revisions**

1	28.30-29.17	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA	354.05, New Subd. 4l	Adds a definition of "annual base salary," set at the lowest BA level full-time teacher base contract salary amount.
2	29.18-31.8	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA	354.091	The TRA K-12 teacher service credit is modified to be a function of the teacher's salary relative to a base salary in the district rather than being based on hours of service, with service credit computed monthly by dividing the teacher's monthly salary by the monthly base salary for the applicable employing unit by multiplying the result by 11.1%, and with the result capped at 11.1%, so that a teacher may not earn more than 11.1% of one full year's service credit in a month. Annual service credit is calculated by adding the monthly service credit amounts for the months in the applicable fiscal year and a teacher may not earn more than one year of service credit in a fiscal year. Effective for teaching service performed after June 30, 2010.
3	31.9-31.30	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA	354.52, New Subd. 4b	Adds to the employer payroll cycle reporting requirements to eliminate the reporting of service credit and to require the reporting of reemployed annuitant salary amounts.
4	31.31-32.5	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA	354.52, New Subd. 4d	Requires employers to report annually, for each active member, the annual school district lowest full-time BA level base salary amount and beginning and ending dates for the regular school work year.
5	32.6-32.13	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA	354.52, Subd. 6	Includes annual base salary reporting in the noncompliance fine provision and sets the fine timeframe date.
6	32.14-32.29	SF 578 (Betzold); HF 1123 (Murphy, M.)	TRA		Resets the definitions of part-time teacher on a percentage of full-time service credit rather than a minimum number of teaching days to conform to the new service crediting provision.

**Article 5: MnSCU-IRAP Amendments**

1	33.3-33.10	LCPR10-003 (Betzold)	MnSCU IRAP	354B.25 Subd. 1	Permits the MnSCU board to contract out for investment selection and review services.
2	33.11-34.7	LCPR10-003 (Betzold)	MnSCU IRAP	354B.25 Subd. 3	Authorizes MnSCU to contract out for investment selection and review services with other providers of those services.
3	34.8-34.19	LCPR10-003 (Betzold)	MnSCU Higher Educ. Supplemental Plan	354C.14	Permits the MnSCU board to contract out for investment selection and review services.

Summary of Document LCPR10-017

Sec.	Pg.Ln - Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
4	34.20-34.22	LCPR10-003 (Betzold)	MnSCU Higher Educ. Supple- mental Plan	Repealer	Repeals M.S., Sec. 354C.15, a provision authorizing the MnSCU board to redeem State Board of Investment Supplemental Investment Fund shares held by plan members who want to redirect their assets to other investments.

**Article 6: Actuarial Reporting Deadline Dates**

1	34.25-35.13	LCPR09-071 (Betzold)	Retirement, Generally	356.215, Subd. 3	Imposes December 31 deadline date for actuarial valuations and extends experience study deadline to June 30.
---	-------------	-------------------------	--------------------------	---------------------	--

**Article 7: Early Retirement Incentive Modifications**

1	35.16-36.5	SF 1417 (Pogemiller); HF 1327 (Murphy, M.)	Various retirement plans	356.351, Subd. 1	Amends eligibility specifications to extend the program from July 15, 2009, to October 1, 2012
2	35.6-37.16	SF 1417 (Pogemiller); HF1 327 (Murphy, M.)	Various retirement plans	356.351, Subd. 2	Amends incentive amount from \$17,000 to the total of the maximum state regular unemployment compensation and employer-paid medical, dental, and life insurance premiums payable to the incentive recipient in the event of a layoff.

**Article 8: Optional Annuity Revocation Following Certain Marriage Dissolutions**

1	37.20-38.32	SF xxxx; HF 814 (Urdahl)	Various retirement plans	New 356.48	Permits bounce-back to the full annuity amount of optional annuity if marriage dissolution with court-ordered revocation.
2	38.33-39.13	SF xxxx; HF 814 (Urdahl)	Various retirement plans	518.58, Subd. 3	Eliminates requirement of a division of only liquid marital property when pension benefits are marital assets from pending proceeding sale or distribution provision.
3	39.14-40.14	SF xxxx; HF 814 (Urdahl)	Various retirement plans	518.58, Subd. 4	Adds requirement of a division of only liquid marital property when pension benefits are marital assets to pension plan marital property division provision.

cc: Mark Shepard, House Research  
Helen Roberts, House Fiscal Analyst  
Janis Rider, Assistant Revisor  
Don Crosby, Chief Clerk's Office

Tom Bottern, Senate Counsel and Research  
Kevin Lundeen, Senate Fiscal Analyst  
Ric Almer, Senate Index  
Scott Magnuson, Senate Information