

2023 Pension and Retirement Policy Omnibus Bill: HF 2950 (Her/Frentz), the Second Engrossment

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Introduction

HF 2950 (Her/Frentz), the Second Engrossment, is the 2023 Pension and Retirement Omnibus Policy Bill. The bill includes 15 bills and substantive amendments considered by the Legislative Commission on Pensions and Retirement (Commission) at meetings on February 6, 20, and 27, and March 16 and 20, 2023. HF 2950, as amended by Delete-Everything Amendment A23-0092, was approved by the Commission at its meeting on March 22.

The bill as recommended for passage by the Commission was passed by the House and Senate state government committees, and by the House on April 21. On May 12, the Senate amended the bill to add HF 2785 (Scott) / SF 2799 (Bahr) in the form of amendment sch2950a-1, and passed the bill as amended. On May 15, the House repassed the bill as amended by the Senate.

A more detailed summary of each bill included in the omnibus bill is available on the Commission website at www.lcpr.mn.gov/meetings/agendas/2023/032223.agenda.htm.

Article- by- Article Summary

Article 1: Minnesota State Retirement System (MSRS) Administrative Changes

Source: HF 1199 (Wolgamott)/SF 1308 (Murphy), as amended by Amendment H1199-1A

Section 1 amends Section 352B.08, in Chapter 352B, which governs the State Patrol Retirement Plan, to reduce the length of time from 90 days to 60 days before retirement that a member of the Plan may apply for retirement.

Sections 2 and 3 amend Sections 356.551 and 490.1211 to make changes to add an additional opportunity for purchasing service credit for periods of military leave for members of the Judges Retirement Plan. These are the same changes that were made in 2022 to the MSRS General and State Patrol chapters and include:

- Extending the period of time during which a judge may purchase service credit for a period of military service under the federally protected leave provisions in current law from 1 year to 3 years after a period of military service; and
- Adding a new subdivision that permits judges to purchase service credit for periods of military leave when the judge has missed the deadline for purchasing service credit under the less expensive federally protected leave provisions.

Article 2: Public Employees Retirement Association (PERA) Administrative Changes

Source: SF 1742 (Pappas), as amended into HF 1199/SF 1308 by Amendment H1199-1A

Article 2 amends statutes applicable to pension plans administered by the Public Employees Retirement Association (PERA) and makes changes that are generally administrative in nature, including the following:

Sections 1 and 2 amend the definitions used to determine eligibility for the PERA pension plans, specifically, for “included employee” and “excluded employee,” which replace the 12-month and school year thresholds of \$5,100 and \$3,800, respectively, with a monthly threshold of \$425.

Sections 3, 6, 12, and 14 amend the definitions of “dependent child” to replace them with the same definition, which will define “dependent child” as a biological or adopted child until age 23, and repeal one definition.

Sections 4 and 5 amend provisions regarding purchasing credit for salary that a member would have received during a period of reduced salary due to a leave of absence, including changes to conform these provisions to the way PERA administers them.

Sections 7 to 11 and 13 amend definitions in Chapter 353E, which governs the Local Government Correctional Retirement Plan, and makes conforming changes, including a revisor’s instruction to make additional conforming changes. “Member” is added as a new defined term, which will include both categories of employees who are eligible to participate in the Plan: “local government correctional service employees” and “medical center protection officers.”

Article 2 is effective July 1, 2023.

Article 3: PERA Defined Contribution Plan Changes

Source: HF 1669 (Anderson, P.H.)/SF 3169 (Rasmusson), as amended by Amendment H1669-3A

Sections 1 to 4 of Article 3 amend Chapter 353D, governing the PERA Defined Contribution (DC) Plan, to permit local government officials who are appointed to participate in the Plan, in addition to elected officials.

Section 5 is a session law that allows officials whose participation ceased after 2019 because the official became an appointed official to rejoin the DC Plan. If an official rejoins the DC Plan, the employer is required to contribute the employer contributions for the period during which the official was not allowed to participate, and the official is permitted to contribute employee contributions for that period.

Article 4: PERA Service Credit for Two Metropolitan Airport Police Officers

Source: HF 1923 (Wolgamott)/SF 2140 (Seeberger)

Article 4 authorizes two employees of the Metropolitan Airports Commission to transfer service credit for several months of service in 2005 from the PERA General Plan to the PERA Police and Fire Plan upon payment of the missed employee contributions plus interest.

Article 5: Teachers Retirement Association (TRA) Administrative Changes

Source: HF 1430 (Wolgamott)/SF 1389 (Rasmusson), as amended into HF 1199)/SF 1308 by H1199-1A

Article 5 removes specific experience criteria for hiring an executive director to expand the potential pool of candidates that may be considered by the TRA board of trustees for that position.

Article 6: Authorizing Retirees in the St. Paul Teachers Retirement Fund Association to Designate a Same- Sex Spouse as Survivor

Source: LCPR23-033 (Rasmusson)

Article 6 authorizes former members of the St. Paul Teachers Retirement Fund Association who are receiving a retirement annuity to change their annuity to a joint and survivor annuity and designate a same-sex spouse as the survivor if the retiree had not been permitted to do so when same-sex marriage was not recognized under state law.

Article 7: Transfers from the Minnesota State IRAP to TRA

Sources: HF 1499 (Olson, L.)/SF 1420 (McEwen), SF 1995 (Seeberger), and Amendment A230092-1A

Article 7 consists of two bills that permit employees who participate in the Minnesota State higher education individual retirement account plan (IRAP) to elect to transfer to the Teachers Retirement Association (TRA) and an amendment that establishes a work group to recommend general legislation on IRAP to TRA transfers.

Section 1 authorizes four Fond Du Lac Tribal and Community College employees and Section 2 authorizes a Minnesota State employee, all of whom did not receive the opportunity to elect the transfer when they first became eligible to do so. The transfer to TRA will occur and past service will be credited if the employee pays missed employee contributions and the employee's IRAP account is transferred to TRA. Minnesota State must contribute the actuarial value of the TRA pension less the sum of the employee contribution and the value of the IRAP account.

Section 3 establishes a work group that will meet during the interim between the 2023 and 2024 legislative sessions to recommend legislation to end the need for an individual IRAP participant to seek special legislation to transfer to TRA because the individual did not receive that opportunity when the individual was first entitled to do so.

Article 8: Service Credit Purchases for Periods of Military Leave

Source: SF 208 (Howe), as amended by Amendment A230092-2A

Article 8 extends the minimum time period for purchasing service credit for periods of military leave under the Teachers Retirement Association and the St. Paul Teachers Retirement Fund Association to three years. This is the same change made to the other public employee pension plans in 2021 and 2022.

Article 9: Annual Limit on Public Funds Contributed to Two Multiemployer Pension Plans

Source: HF 1201 (Nelson, M.)/SF 1393 (Pappas), as amended by Amendment H1201.S1393-1A

Article 9 increases the limit on employer contributions to supplemental plans that are in addition to the primary pension plans provided to public employees for two construction trade unions. The per employee limit on employer contributions to the International Union of Operating Engineers Pension Fund and the Laborers National Industrial Pension Fund is increased to \$10,000 annually, from \$5,000 and \$7,000, respectively.

Article 10: Vesting under the PERA Statewide Volunteer Firefighter Plan

Source: HF 217 (Franson)/SF 809 (Westrom), as amended by Amendment H0217-1A

Article 10 amends sections in Chapter 353G, which governs the PERA Statewide Volunteer Firefighter Plan, to count years of service with any prior relief association in determining a volunteer firefighter's vested percentage. This change does not impact years of service counted for determining the amount of a firefighter's retirement benefit, just the extent to which the firefighter is vested in that benefit.

Sections 1 to 4 amend the definitions at Section 353G.01 to add a new definition for "vesting service credit," to revise and move the definition of "service credit" into alphabetical order, and to clarify and remove unnecessary language in the definitions of "member" and "volunteer firefighter."

Section 5 amends the "entitlement" subdivision in Section 353G.09 to clarify language.

Section 6 adds a new subdivision 1a to Section 353G.09 to define what a member's benefit is and how it is calculated.

Section 7 revises the "vested percentage" subdivision, to clarify language.

Section 8 revises Section 353G.14, which currently only addresses distributions in the form of an annuity to include a new subdivision 1 that authorizes distribution in the form of a lump sum. The annuity provision is moved to subdivision 2. The lump sum provision had been included in Section 353G.13, which is being repealed.

Section 9 is a revisor instruction to replace phrases with defined terms.

Section 10 repeals the definition of "service credit" which is moved to a new subdivision and Section 353G.13, titled "Lump-Sum Retirement Division; Portability," which is no longer needed due to the service credit changes and expanded distribution section.

Section 11 is the effective date, which is January 1, 2024.

Article 11: Relief Association Requirements after Joining the PERA Statewide Volunteer Firefighter Plan

Source: HF 2777 (Hudella)

Section 1 of Article 11 eliminates requirements imposed on relief associations after the affiliated fire department joins the PERA Statewide Volunteer Firefighter Plan. Requirements already applicable to the relief associations as non-profit organizations under other Minnesota law make the requirements in Chapter 353G relating to board composition and the general fund unnecessary and an additional regulatory burden on these relief associations.

Section 2 clarifies language by replacing phrases with defined terms.

Article 12: Threshold for Requiring Relief Associations to File Audited Financial Statements

Source: HF 2928 (Nelson, M.)/SF 3025 (Pappas)

Article 12 is legislation recommended by the State Auditor's Fire Relief Association Working Group.

Section 1 increases the threshold for requiring relief associations to file audited financial statements from \$500,000 to \$750,000 in assets or liabilities in any prior year.

Section 2 is a session law that extends the relief from the audit requirement to relief associations with assets or liabilities of less than \$750,000 but more than \$500,000 prior to the effective date of the change.

Article 13: Hamel and Loretto Relief Associations

Source: HF 2007 (Robbins)/SF 1975 (Limmer)

Article 13 allows the Hamel Volunteer Fire Department Relief Association and the Loretto Firefighters Relief Association to join the PERA Statewide Volunteer Firefighter Plan mid-year and requires the executive director of PERA to merge the assets and liabilities of the Hamel and Loretto fire departments, formerly the assets and liabilities of the two relief associations.

Subdivision 1 authorizes joining the Statewide Plan mid-year, rather than having to wait until January 1.

Subdivision 2 authorizes the executive director of PERA to merge the assets and liabilities of the Hamel and Loretto fire departments within the Statewide Plan.

Each subdivision includes requirements for approval by the governing boards of the relief associations and the independent nonprofit firefighting corporations that operate the fire departments and satisfaction of other requirements applicable to relief associations wishing to join the Statewide Plan.

Article 14: Service Credit Transfer for an Employee of the Department of Corrections

Source: HF 2785 (Scott)/SF 2799 (Bahr), in the form of Senate Floor Amendment sch2950a-1

Article 14 authorizes the transfer of approximately three years of service credit from the MSRS General Plan to the MSRS Correctional Plan for one specific employee of the Department of Corrections. The employee must pay MSRS the difference in the employee contributions that would have been paid to the Correctional Plan for the period of service as compared to the employee contributions that the employee had paid to the General Plan for the period. If the employee makes the payment within one year of the law's effective date, the Department of Corrections must pay MSRS the actuarial present value of the additional pension the employee will receive upon retirement, less the payment made by the employee. Upon receipt of the employer payment, MSRS must transfer the service credit from the General Plan to the Correctional Plan.

The article is effective the day following final enactment.

Effective Dates

All articles of the bill are effective the day following final enactment, except for the following:

- Article 2 is effective July 1, 2023.
- Article 9 is effective August 1, 2023.
- Article 10 is effective January 1, 2024.
- Article 12 is effective December 31, 2023, except that relief associations that were required under current law to file audited financial statements will not have to file until their assets or liabilities reach or exceed the new higher threshold.

The day following final enactment is May 20, 2023.