Background Information on the
Hennepin County Supplemental Retirement Program

Supplemental pension programs are retirement programs established to augment the existing pension coverage for a group of public employees, typically with contributions by both employee and employer. The general motivation for creating a supplemental pension program has been to remedy an actual or perceived inadequacy in the pensions then available.

The 1969 Minnesota Legislature (Laws 1969, Ch. 950) authorized Hennepin County to establish a supplemental retirement program. Hennepin County is the only unit of local government offering a supplemental retirement program. The Hennepin County Supplemental Retirement Plan (HCSRP) has some similarity to the Higher Education Supplemental Retirement Program found in Minnesota Statutes, Chapter 354C, for Minnesota State Colleges and Universities System (MnSCU) faculty and unclassified staff. That higher education supplemental plan is a continuation of the former Teachers Retirement Association (TRA)) Supplemental Retirement Program, which was established in 1965. Both the Hennepin County and higher education supplemental programs are supplements to existing public pension programs.

The HCSRP requires all eligible employees and officers (pre-1982 hires) who have at least five years of service to contribute 1% of salary to the HCSRP fund. The county matches the employee contribution. All funds are invested in the Minnesota Supplemental Investment Fund, a family of mutual fund-like investment options administered by the State Board of Investment. The shares gain or lose value as the underlying securities gain or lose value. Upon retirement (originally age 65 but reduced to age 62 by later legislation), up to 20% of the total shares per year can be redeemed and the amount paid to the retiree. The same redemption schedule occurs upon the total and permanent disablement of the participant or upon the death of the participant, in which case the benefit is paid to the surviving spouse. Upon the termination of active employment prior to retirement, one half of the total shares to the former participant's credit can be redeemed and paid as a withdrawal benefit and one half forfeits to the plan to be redistributed to all other participants on a per capita basis.

The HCSRP is a defined contribution plan, meaning that the funding for the pension plan is fixed as a dollar amount or a percentage of payroll. A defined contribution plan is a frequent choice as a supplemental plan to augment defined benefit plan coverage. With a defined contribution plan the eventual benefit amount is uncertain. The plan member bears the inflation and investment risks. If there is poor investment performance, the plan member's pension assets will be depressed. When the person retires, there is risk that high inflation will make the retiree's benefit less adequate in meeting the person's pre-retirement standard of living.

Since 1969 when this plan was created, the Legislature has improved the primary public employee pension and retirement programs. The General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) has been coordinated with the Social Security system, and benefits have been increased in all general employee and public safety plans. In addition, the Legislature has also authorized a deferred compensation program.

Given the improvements in primary plans, the need for supplemental plans supported in whole or part by employer contributions was considerably reduced. In 1971 (Laws 1971, Ch. 222), Minnesota state agencies and political subdivisions were prohibited from creating any new supplemental retirement plans. Existing supplemental plans, like the HCSRP, were grandfathered in. These exceptions are found in Minnesota Statutes, Section 356.24, Subdivision 1. In recent years the number of exceptions has been increased, largely by adding permission for Minnesota public employers to contribute to labor union pension funds in addition to the primary plan.

The following lists some legislative enactments over the years which impacted the HCSRP or its administration:

- Laws 1975, Chapter 153, amended the HCSRP by lowering the retirement age from age 65 to age 62.
- Laws 1982, Chapter 450, closed the HCSRP to new hires. The followed legislative questioning of the need to continue the program.
- Laws 2005, 1st Special Session, Chapter 8, Article 11, Sections 4 to 8, shifted administration of the HCSRP from the county to the Minnesota State Retirement System (MSRS), and permitted any amounts distributed to a benefit recipient during a given year to be paid monthly rather than in a lump sum.