

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: Review of MSRS-Correctional Retirement Plan Membership Provisions and Potential Inclusions and Transfers (First Consideration)

DATE: August 13, 2003

Introduction

As a topic for Interim consideration, the Commission chair, Representative Steve Smith, has designated a review of the membership provisions of the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) and consideration of potential proposed inclusions in and transfers to MSRS-Correctional.

The interim project is an outgrowth of proposed pension legislation that was introduced during the 2003 Legislative Session but that was not heard by the Commission. The proposed pension legislation is:

1. H.F. 1377 (Blaine); S.F. ____ (): MSRS-Correctional; Service Credit Purchase of Prior Stores Clerk Service
2. H.F. 1648 (Boudreau); S.F. ____ (): MSRS-Correctional; Service Credit Transfer for Prior Corrections Program Director Service
3. H.F. 1649 (Boudreau); S.F. ____ (): MSRS-Correctional; Service Credit Transfer for Civil Commitment Review Coordinator Service

Other membership eligibility problems or potential changes also have come to the attention of the Commission staff during the course of the 2003 Legislative Session that may result in proposed legislation during the 2004 Legislative Session, including complaints about the lack of clarity about plan membership eligibility at the newly created prison, Minnesota Correctional Facility-Rush City, a potential pattern of Department of Corrections employees taking late career transfers or even demotions to gain MSRS-Correctional Retirement Plan coverage and the corollary State-paid retiree health insurance coverage, and continuing interest by the Department of Corrections to resurrect the administrative coverage transfer provision, Minnesota Statutes 1998, Section 352.91, Subdivision 4, which was repealed in 2000.

This Commission meeting is the first consideration of the topic by the Commission. The Commission staff expects that full Commission consideration on the topic will require three meetings in total.

This Commission staff issue memorandum is the first issue memorandum for the Commission interim study. This Commission staff issue memorandum provides general background and historical information about the MSRS-Correctional Plan, especially the MSRS-Correctional Plan membership eligibility changes, to set the stage for further consideration of the topic. The second Commission staff issue memorandum will review the current actual membership of the MSRS-Correctional Plan based on information requested from MSRS and will compare the actual membership with the membership inclusion and exclusion provisions of Minnesota Statutes, Section 352.91. The third Commission staff issue memorandum will review the policy implications of the potential requests for inclusion in or transfers to the MSRS-Correctional Plan.

Background and Historical Information on the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional)

1. Pre-1973 Correctional State Employee Retirement Coverage. Before 1973, all employees of the Department of Corrections were covered by the State Employees Retirement Association (SERA) until 1967, and then by SERA's successor the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). MSRS-General's predecessor was established in 1929 (Laws 1929, Chapter 191).

MSRS-General is a defined benefit plan since 1929 and has been entirely coordinated with the federal Social Security program since 1957. At that time, coordination was available on an "all or none" basis. The then SERA members, by a majority vote on a Social Security referendum, chose

coordination. At the same time, and on the same basis of all or none coverage, the other two statewide funds, the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the Teachers Retirement Association (TRA), held similar referenda, which were rejected by the existing membership of those plans. TRA coordinated with Social Security in 1959 on a “split fund” basis, with the members who did not elect Social Security coverage placed in a phasing-out Basic program. In 1965-1967, PERA coordinated on a “split fund” basis.

The SERA/MSRS-General benefit plan has changed considerably since 1929. Significant plan changes have occurred in 1967, when retirement coverage and contributions were extended to a person’s full salary (up to a limit of \$4,800 before 1965 and a limit of \$7,200 before 1967), in 1969, when the predecessor to the Minnesota Post Retirement Investment Fund was created, in 1973, when the calculation of retirement benefits shifted from a career average salary to the highest five successive years average salary and the benefit accrual rates were simplified and increased, in 1989, when the “Rule of 90” benefit tier was created, in 1992, when the Minnesota Post Retirement Investment Fund adjustment mechanism was revised, and in 1997, when the benefit accrual rates were increased to achieve “uniformity” among the various general employee retirement plans.

2. 1973 Creation of the MSRS-Correctional Retirement Plan. The Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) was established in 1973 as a result of collective bargaining by the State of Minnesota with the American Federation of State, County and Municipal Employees, Council 6, and the resulting implementing legislation (Laws 1973, Chapter 653, Sections 39 to 44). The membership of the 1973 plan was limited to a small number of employees of the Department of Corrections or of the Department of Public Welfare (now Human Services), as follows:

| | |
|----------------------------|------------------------------------|
| Attendant Guard | Director of Attendant Guards |
| Attendant Guard Supervisor | Guard Farmer Garden |
| Correctional Captain | License Plant Manger |
| Correctional Counselor I | Prison Industry Foreman |
| Correctional Counselor II | Prison Industry Supervisor |
| Correctional Counselor III | Food Service Manager |
| Correctional Counselor IV | Prison Farmer Supervisor |
| Correctional Lieutenant | Prison Farmer Assistant Supervisor |
| Correctional Officer | Rehabilitation Therapist |
| Correctional Sergeant | |

Pre-July 1, 1973, service in a covered position was generally transferred from the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), as was prior State employment as a houseparent, guard instructor, and guard farmer dairy. The identification of the State personnel for inclusion in the plan was made by the collective bargaining process and the administrations of the two affected departments. Although a separate retirement plan, MSRS-Correctional shared the State Employees Retirement Fund as its funding and investment mechanism until 1987, when a separate retirement fund was created for the MSRS-Correctional Retirement Plan. The creation of the MSRS-Correctional Retirement Plan, with an age 55 normal retirement age, coincided with the imposition of a statutory early mandatory retirement age for correctional personnel covered by MSRS-Correctional. Under Laws 1973, Chapter 653, Section 12, the previously applicable age 70 mandatory retirement age was reduced for correctional employees to age 65 as of July 1, 1974, to age 62 as of January 1, 1975, and phased down to age 55 as of July 1, 1976. The creation of the MSRS-Correctional Plan was part of an initiative to accelerate the retirement of the prior cadre of Minnesota prison guards, to upgrade the function and reliability of the security personnel at the State’s correctional facilities, reflected in the renaming of the prison guards as correctional officers, to increase the pre-employment educational attainment of correctional personnel to match their upgraded job responsibilities, and to reduce the amount of contraband that was then entering correctional facilities from correctional employees. The initial active membership of the plan on July 1, 1973, was 677.

3. 1974 Membership Expansion of the MSRS-Correctional Retirement Plan. The initial expansion for the MSRS-Correctional Retirement Plan occurred in 1974 (Laws 1974, Chapter 520). Following interim hearings by the Legislative Retirement Study Commission (renamed in 1975 the Legislative Commission on Pensions and Retirement) at the St. Cloud Reformatory and otherwise, the Legislature authorized an expansion in the plan membership to include special teachers, trades personnel, and maintenance personnel at the Minnesota Correctional Facility-Stillwater, the Minnesota Correctional Facility-St. Cloud, and the Minnesota Correctional Facility-Shakopee. The special teachers, trades personnel, and maintenance personnel transferred to coverage by the MSRS-Correctional Retirement

Plan were those certified by the then newly created Commissioner of Personnel (now Commissioner of Employee Relations) as being regularly engaged in the rehabilitation, treatment, custody, or supervision of inmates. Credit for past applicable correctional employment, including employment as a special schools counselor or a shop instructor, was transferred to the MSRS-Correctional Retirement Plan. For correctional teachers covered by TRA, a transfer of past member, employer regular, and employer additional contributions from TRA accompanied the service credit transfer. The Commission hearings leading to the 1974 expansion focused primarily on the safety hazards reportedly suffered by these State employees from inmates and the public safety-related rationale of the need to maintain a particularly vigorous workforce through emphasizing an early age normal retirement. The 1974 expansion of the plan increased its active membership by 60, to 737.

4. 1975-1978 MSRS-Correctional Retirement Plan Coverage Changes. In 1975 (Laws 1975, Chapter 230, Section 1), following complaints from correctional personnel facing imminent early retirement, the mandatory retirement age for MSRS-Correctional Plan active members was modified by making it a conditional mandatory retirement age through age 65, with annual extensions beyond the mandatory age if a medical examination supports the extension. The amendment reflected considerable disgruntlement by MSRS-Correctional Plan active members approaching the mandatory retirement age because the 1974 recession considerably reduced the second career employment prospects of the early retirees, especially when those members believed that they retained a physical capacity to continue to perform the employment position responsibilities.

Also in 1975 (Laws 1975, Chapter 368, Section 35), allowable service credit for prior State employment at a correctional facility as a farmer or a farmer manager by an MSRS-Correctional Plan active member on July 1, 1973, was transferred to the plan. Special teachers previously covered by the TRA Basic program had a TRA Basic program retirement annuity amount set as a floor benefit amount.

In 1978 (Laws 1978, Chapter 781, Section 2), institution educational administrators and institution educational supervisors at correctional facilities were included in the MSRS-Correctional Plan membership.

5. 1980 Addition of MSRS-Correctional Plan Covered Position Administrative Certification Process. In 1980 (Laws 1980, Chapter 600, Sections 2, 3, 4, and 5), coverage by the MSRS-Correctional Plan was classified as applicable only to employees in adult correctional facilities, and post-June 1, 1980, employment as a special teacher, a tradesperson, or a maintenance person at the Minnesota Correctional Facility-Lino Lakes was included in MSRS-Correctional Plan coverage. Additionally, special authority was enacted for the Commissioner of Personnel (also renamed Employee Relations in 1980), upon the recommendation of the Commissioner of Corrections or the recommendation of the Commissioner of Public Welfare (subsequently renamed Human Services), whichever applies, the notification of and receipt of comments from the Legislative Commission on Pensions and Retirement, and the approval of the Legislative Advisory Committee, to certify additional civil service classifications in adult correctional facilities or in the Minnesota Security Hospital as covered by the MSRS-Correctional Retirement Plan. The provision was codified as Minnesota Statutes, Section 352.91, Subdivision 4. The provision was intended to allow for plan expansions between legislative sessions when there was an urgency to do so.
6. 1981-1987 MSRS-Correctional Retirement Plan Coverage Changes. In 1981 (Laws 1981, Chapter 297, Sections 3 and 4), service credit for pre-1981 State employment as a security guard by an MSRS-Correctional Plan member was transferred to the MSRS-Correctional Plan, with the payment of an additional contribution amount.

In 1986 (Laws 1986, Chapter 458, Sections 31 and 32), service credit for correctional employment rendered between 1973 and 1980, that was excluded from MSRS-Correctional Plan coverage because the person was age 45 or older upon hiring were given the option to elect MSRS-Correctional Plan coverage with the payment of an additional contribution amount.

In 1987 (Laws 1987, Chapter 372, Article 1, Section 4), the 1980 administrative certification process for additional MSRS-Correctional Retirement Plan active members was amended to require both the Commissioner of Corrections and the Commissioner of Human Services to establish written criteria for basing a recommendation on certifying additional positions for MSRS-Correctional Retirement Plan membership to the Commissioner of Employee Relations.

7. 1980s MSRS-Correctional Plan Administrative Transfers. Before 1998, several transfers of retirement coverage to the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) were approved by the Commissioner of Employee Relations and implemented by MSRS without the receipt of Legislative Commission on Pensions and Retirement comments as required by Minnesota Statutes 1998, Section 352.91, Subdivision 4. Some or all of these past coverage changes may have been implemented without Legislative Advisory Commission approval also.

In 1995, in a memorandum to the MSRS Board Chair, an MSRS-Correctional Retirement Plan member, David Bergstrom, MSRS Executive Director, indicated that more than 50 employment positions were added to the MSRS-Correctional Retirement Plan during the 1980s under the 1980 administrative certification process. The Commission files indicate that the Commission was not requested to comment and did not comment on any of these transfers.

The Commission staff requested both the Department of Employee Relations and MSRS to identify all prior instances of these past “shortcut” retirement coverage transfers. While all the requested information was not gathered in a timely fashion, the Commission staff was provided with information for at least 48 recent retirement coverage transfers under Minnesota Statutes 1998, Section 352.91, Subdivision 4, without explicit Commission comment. The recent 48 transfers for which data is available indicate the following:

| Department Involved | | | | | | | | | | |
|---|----------------|---------------|---------------|----------------|--------------|-----------------|---------------|----------------|-------|----------|
| Department of Human Services | 29 | (60.42%) | | | | | | | | |
| Department of Corrections | 19 | (39.58%) | | | | | | | | |
| Facility Involved | | | | | | | | | | |
| DHS-Moose Lake | 3 | (6.25%) | | | | | | | | |
| DHS-St. Peter | 26 | (54.17%) | | | | | | | | |
| MCF-Faribault | 3 | (6.25%) | | | | | | | | |
| MCF-Lino Lakes | 1 | (2.08%) | | | | | | | | |
| MCF-Oak Park Heights | 1 | (2.08%) | | | | | | | | |
| MCF-Sauk Centre | 1 | (2.08%) | | | | | | | | |
| MCF-St. Cloud | 6 | (12.50%) | | | | | | | | |
| Stillwater | 7 | (14.58%) | | | | | | | | |
| Occupational Classification Involved | DHS Moose Lake | DHS St. Peter | MCF Faribault | MCF Lino Lakes | MCF Oak Park | MCF Sauk Center | MCF St. Cloud | MCF Stillwater | Total | |
| Behavior Analyst 2 | 0 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 8 | (16.67%) |
| Behavior Specialist 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | (2.08%) |
| Chem. Dependency Counselor | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | (2.08%) |
| Chem. Dependency Counselor Sr. | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | (2.08%) |
| Delivery Van Driver | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | (2.08%) |
| Due Process Supervisor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | (2.08%) |
| General Maintenance Worker | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 2 | (4.16%) |
| Institution Psychological Services Director | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | (2.08%) |
| Inventory Control Supervisor | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (2.08%) |
| Medical Laboratory Technician | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 2 | (4.16%) |
| Office Services Supervisor 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (2.08%) |
| Office Services Supervisor 2 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 1 | (2.08%) |
| Psychologist 2 | 0 | 4 | 1 | 1 | 0 | 0 | 1 | 0 | 7 | (14.58%) |
| Radiology Technologist | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | (2.08%) |
| Registered Dental Assistant | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 4 | (8.32%) |
| Registered Nurse Supervisor | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | (2.08%) |
| Rehabilitation Counselor | 1 | 2 | 0 | | 0 | 0 | 0 | 0 | 3 | (6.25%) |
| Social Work Specialist | 1 | 8 | 0 | 0 | 0 | 0 | 0 | 1 | 10 | (20.83%) |
| Social Work Specialist Senior | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | (2.08%) |
| Totals | 3 | 26 | 3 | 1 | 1 | 1 | 6 | 7 | 48 | |

The only transfer/inclusion beyond the 48 positions summarized above of which the Commission staff is aware involves the creation of a “Corrections Canine Officer” by the Department of Corrections for inclusion in MSRS-Correctional Plan coverage in 1994, under a procedure that the Department of Employee Relations identified as complying with Minnesota Statutes 1998, Section 352.91, Subdivision 4. The inclusion involved coverage for an entire occupation classification upon

the creation of that classification as essentially a subdivision of the classification of “Corrections Officer 2.” While the procedure used by the Department of Employee Relations did not comply with Minnesota Statutes 1998, Section 352.91, Subdivision 4, because the Legislative Advisory Commission was merely informed and no comments from the Legislative Commission on Pensions and Retirement were transmitted, the Corrections Canine Officer inclusion appears to have been more consistent with the intent of the statute than the 48 transfers summarized above.

8. 1996 MSRS-Correctional Retirement Plan Coverage Expansion. In 1996 (Laws 1996, Chapter 408, Article 8, Sections 10-17), various positions providing service at a correctional facility or the state security hospital were made newly eligible for Correctional Plan coverage, providing the employee has at least 75 percent inmate or patient contact. The groups added to the MSRS-Correctional Retirement Plan coverage were in 31 job classifications, as follows:

| | |
|---|--|
| Special Teacher in Juvenile Facilities | Dentist |
| Registered Nurse Senior | Electrician Supervisor |
| Registered Nurse | General Repair Worker |
| Registered Nurse-Principal | Library/Information Research Services Specialist |
| Licensed Practical Nurse 2 | Plumber Supervisor |
| Baker | Psychologist 3 |
| Chemical Dependency Counselor Supervisor | Recreation Therapist |
| Chief Cook | Recreation Therapist Coordinator |
| Cook | Recreation Program Assistant |
| Cook Coordinator | Recreation Therapist Senior |
| Corrections Behavior Therapist | Stores Clerk Senior |
| Corrections Behavior Therapist Specialist | Water Treatment Plant Operator |
| Corrections Parent Education Coordinator | Work Therapy Technician |
| Corrections Security Caseworker | Work Therapy Assistant |
| Corrections Security Caseworker Career | Work Therapy Program Coordinator |
| Corrections Teaching Assistant | |

Incumbents in the State employment positions that were newly included in plan coverage were permitted to waive the coverage change and retain their prior coverage and incumbents were permitted to transfer any prior applicable State employment with the payment of an additional contribution amount. The MSRS-Correctional Plan member and employer contribution rates were increased to cover the cost of the coverage expansion. The transfer involved 54 special teachers, 70 nurses, and 277 other classifications of State employees. By July 1, 1996, the plan active membership had increased to 2,264.

9. 1997 MSRS-Correctional Retirement Plan Coverage Changes. In 1997 (Laws 1997, Chapter 239, Article 9, Sections 40 and 41; Laws 1997, Chapter 241, Article 11), certain individuals at the Minnesota sexual psychopathic personality treatment center and individuals in certain employment classifications at the Minnesota correctional facility at Red Wing (auto mechanic lead, electrician, electrician master of record, groundskeeper intermediate, or plumber master) were added to an uncoded 1996 coverage election law authorizing a prospective coverage by the MSRS-Correctional Plan rather than continued MSRS-General coverage, with the deadline for making an election set at December 31, 1997. The individuals who transferred prospective coverage to MSRS-Correctional were authorized to elect to transfer prior state service if that service would have been eligible for current MSRS-Correctional coverage, with a deadline of December 31, 1997.
10. Post-1996 Administrative Transfers to the MSRS-Correctional Plan. Under the 1980 administrative transfer provision, Minnesota Statutes 1998, Section 352.91, Subdivision 4, the Commission considered requests for the transfer of State employees to the MSRS-Correctional Retirement Plan on three instances – June 1998, June 1999, and December 1999. The June 1998 transfer request involved seven employees in five employment positions in four correctional facilities. The June 1999 transfer request involved a ratification of prior transfers of 51 employees in 20 employment positions in six correctional facilities and two Department of Human Services facilities and a transfer request that involved 39 employees in 10 employment positions and that involved 13 employment positions without incumbents in eight Department of Corrections facilities and two Department of Human Services facilities. The December 1999 transfer request involved 40 employees in 11 employment positions and one employment position without incumbents in eight Department of Corrections facilities and two Department of Human Services facilities. Except for the prospective transfers contained in the June 1999 transfer request, the Legislative Advisory Committee approved the transfers. The transferred positions under the June 1998, June 1999, and December 1999 requests approved by the Legislative Advisory Committee were as follows:

| June 1998 Transfers Occupational Classification Involved | MCF Lino Lakes | MCF Moose Lake/ Willow River | MCF St. Cloud | MCF Shakopee | Totals |
|---|-------------------|------------------------------------|------------------|-----------------|--------|
| Cook Supervisor | | 1 | | | 1 |
| Occupational Therapist | | | | 1 | 1 |
| Psychologist 2 | | | 1 | | 1 |
| Registered Dental Assistant | 2 | | | | 2 |
| RN Practitioner | | | 2 | | 2 |
| | 2 | 1 | 3 | 1 | 7 |

| June 1999 Transfers Occupational Classification Involved | DHS Moose Lake | DHS St. Peter | MCF Fari- bault | MCF Lino Lakes | MCF Oak Park | MCF Sauk Center | MCF St. Cloud | MCF Still- water | Totals |
|---|----------------------|---------------------|-----------------------|----------------------|--------------------|-----------------------|---------------------|------------------------|--------|
| Behavior Analyst 2 | | 8 | | | | | | | 8 |
| Behavior Specialist 2 | 1 | | | | | | | | 1 |
| Chem. Dependency Counselor | | 1 | | | | | | | 1 |
| Chem. Dependency Counselor Sr. | | 1 | | | | | | | 1 |
| Delivery Van Driver | | | | | | 1 | | | 1 |
| Due Process Supervisor | | | | | | | | 1 | 1 |
| General Maintenance Worker | | | 2 | | | | | | 2 |
| Institution Psychological Services Director | | 1 | | | | | | | 1 |
| Inventory Control Supervisor | | | | | | | 1 | | 1 |
| Medical Laboratory Technician | | | | | 1 | | | 1 | 2 |
| Office Services Supervisor 1 | | | | | | | 1 | | 1 |
| Office Services Supervisor 2 | | | | | | | 1 | | 1 |
| Psychologist 2 | | 4 | 1 | 1 | | | 1 | | 7 |
| Radiology Technologist | | | | | | | | 1 | 1 |
| Registered Dental Assistant | | | | | | | 2 | 2 | 4 |
| Registered Nurse Supervisor | | | | | | | | 1 | 1 |
| Rehabilitation Counselor | 1 | 2 | | | | | | | 3 |
| Social Work Specialist | 1 | 8 | | | | | | 1 | 10 |
| Social Work Specialist Senior | | 1 | | | | | | | 1 |
| Social Worker Senior | 3 | | | | | | | | 3 |
| Totals | 6 | 26 | 3 | 1 | 1 | 1 | 6 | 7 | 51 |

| December 1999 Transfers Occupational Classification Involved | DHS Moose Lake | DHS St. Peter | MCF Fari- bault | MCF Lino Lakes | MCF Moose Lake | MCF Oak Park | MCF Red Wing | MCF St. Cloud | MCF Shak- opee | MCF Still- water | Total s |
|--|----------------------|---------------------|-----------------------|----------------------|----------------------|--------------------|--------------------|---------------------|----------------------|------------------------|------------|
| Behavior Analyst 2 | 1 | 1 | | | | | | | | | 2 |
| Behavior Analyst 3 | 1 | | | | | | | | | | 1 |
| Corrections Discipline Unit Supervisor | | | 1 | 1 | | 1 | | 1 | | | 4 |
| Dental Assistant, Registered | | | 1 | 1 | 1 | 1 | 1 | | | | 5 |
| Dental Hygienist | | | | | | | | | 1 | | 1 |
| Licensed Practical Nurse 1 | | 1 | | | | | | | | | 1 |
| Office & Admin. Specialist Sr. | | 1 | | | | | | | | | 1 |
| Psychologist 2 | 2 | 4 | 3 | 1 | 2 | 1 | v | 1 | 1 | 2 | 17 |
| Registered Nurse Practitioner | | | x | x | x | x | | x | x | x | x |
| Sentencing to Svc. Crewleaders (Inmate Comm. Work Crew) | | | 2 | 3 | | | | | | | 5 |
| Social Worker Sr. | 1 | | | | | | | | | | 1 |
| Social Worker Specialist | | 2 | | | | | | | | | 2 |
| Totals | 5 | 9 | 7 | 6 | 3 | 3 | 1 | 2 | 2 | 2 | 40 |

Notes:
 An indicated number specifies the number of employees in that position/classification who were transferred to the MSRS-Correctional Plan.
 An “x” indicates that the entire position or classification which was included in the coverage of the MSRS-Correctional Plan.
 A “v” indicates that there was a vacancy in the position that was intended to be filled by an employee included in MSRS-Correctional Plan coverage.

11. 1999 MSRS-Correctional Retirement Plan Coverage Changes. In 1999 (Laws 1999, Chapter 22, Article 13), nine positions in the Minnesota Extended Treatment Options Program (METO), located at the Cambridge Regional Treatment Center and operated by the Department of Human Services, were included in MSRS-Correctional Retirement Plan coverage if the positions are certified by the Commissioner of Human Services as having at least 75 percent direct patient contact. The Minnesota Extended Treatment Options Program is a statewide program for adults who have developmental

disabilities and who exhibit severe behaviors that present a risk to public safety. The nine job classifications added to MSRS-Correctional Retirement Plan coverage were as follows:

Behavior Analyst
Human Services Support Specialist
Mental Retardation Residential Program Lead
Psychologist 2
Recreation Therapist Senior
Registered Nurse
Skills Development Specialist
Social Worker Senior

Individuals who gained prospective MSRS-Correctional Plan coverage were allowed to elect to transfer past METO service to MSRS-Correctional, back to July 1, 1997, providing that the service was in one of the specified positions and the 75 percent inmate contact requirement was met. To transfer past service coverage, the employee was required to pay the difference between the employee contribution paid to MSRS-General and the employee contribution that would have been paid to MSRS-Correctional, if coverage by that plan had been provided during that time period, plus six percent interest. If payment was made by the member, MSRS was required to transfer from MSRS-General to MSRS-Correctional the funded portion of the benefit that accrued during that period. The transfer involved 115 State employees, including 90 Human Services Support Specialists. The 1999 METO transfer also involved the transfer of several part-time employees to MSRS-Correctional Retirement Plan coverage, which was perhaps the first large-scale introduction of part-time employees into Minnesota public safety retirement plan coverage.

12. 2000 MSRS-Correctional Retirement Plan Coverage Changes. In 2000 (Laws 2000, Chapter 461, Article 6, Sections 1 to 4 and 6), several positions in the Department of Corrections and the Department of Human Services were included in the MSRS-Correctional Retirement Plan if the applicable Commissioner certified that at least 75 percent of the employee's working time was spent in direct inmate or patient contact. The applicable positions were as follows:

- (1) registered nurse practitioner at a correctional facility or at the Minnesota Security Hospital;
- (2) behavior analyst 2, licensed practical nurse 1, office and administrative specialist senior, psychologist 2, social worker specialist, behavior analyst 3, and social worker senior at the Minnesota Security Hospital or the Minnesota Sexual Psychopathic Personality Treatment Center;
- (3) corrections discipline unit supervisor at Minnesota correctional facilities at Lino Lakes, Oak Park Heights, and St. Cloud;
- (4) dental assistant registered, at Minnesota correctional facilities at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, and Red Wing;
- (5) dental hygienist, at the Minnesota correctional facility at Shakopee;
- (6) psychologist 2, at the correctional facility at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, Red Wing, St. Cloud, Shakopee, and Stillwater;
- (7) the sentencing-to-service crew chief leader involved with the inmate community work crew program at Faribault and Lino Lakes; and
- (8) director and assistant group supervisor of the former Phoenix/Pomiga treatment/behavioral change program at the Minnesota Correctional facility at St. Cloud.

Individuals who newly gained MSRS-Correctional Retirement Plan coverage were permitted to have comparable past service, if continuous and if performed after June 20, 1975, transferred to MSRS-Correctional. To transfer the past service credit, the individuals were required to have paid in a lump sum by June 30, 2002, the difference for the applicable period between the MSRS-Correctional employee contribution and the employee contributions paid to MSRS-General, plus six percent interest. Upon payment, assets equal to the individual's present value of benefits in MSRS-General were required to be transferred to MSRS-Correctional. The Department of Corrections and the Department of Human Services must cover the expense of computing the proper transfer amounts. The transferred positions were the various Department of Corrections and Department of Human Services employees who were recommended for administrative transfer during 1999, who were formally reviewed by the Legislative Commission on Pensions and Retirement in December 1999, but who were not subsequently approved by the Legislative Advisory Commission.

Additionally, Minnesota Statutes 1998, Section 352.94, Subdivision 4, which previously provided a process for adding additional positions to the MSRS-Correctional Retirement Plan based on recommendations from the Commissioner of Human Services or Corrections, a review by the Legislative Commission on Pensions and Retirement, and approval by the Legislative Advisory Committee, was repealed.

Summary of the MSRS-Correctional Retirement Plan Benefit Plan

An appendix, indicated as Table 13, from the July 1, 2002, actuarial valuation of the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), contains a summary of the MSRS-Correctional benefit plan.

The MSRS-Correctional Retirement Plan is coordinated on a total plan basis with Social Security, a residual aspect of its history as an outgrowth of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). The MSRS-Correctional Retirement Plan is the first public safety retirement plan to be coordinated with Social Security and the benefit plan initially was built around that feature.

From 1973 until 1997, the MSRS-Coordinated Retirement Plan provided an enhanced benefit for seven years (84 months), followed by a benefit equal to the MSRS-General Plan benefit after the retiree reaches age 62, the minimum Social Security reduced benefit age, for an MSRS-Correctional Retirement Plan member who retired at the age 55 mandatory retirement age. In 1997, as part of the general benefit increase legislation enacted that year upon Commission recommendation, but with minimal Commission scrutiny and no clear exposition of the policy rationale for doing so, the two-part, front-loaded MSRS-Correctional Retirement Plan benefit accrual rate formula was scrapped in favor of the current flat rate benefit accrual formula.

MSRS-Correctional Retirement Plan Sample Benefit Amounts

The following summarizes the retirement annuity amounts payable to a retiring member with a highest five years average salary of \$36,000 (final salary of \$39,829.64 for MSRS-Correctional, State Patrol, and PERA-Correctional; final salary of \$39,775 for PERA-P&F) or a highest five years average salary of \$48,000 (final salary of \$53,106.19 for MSRS-Correctional, State Patrol, and PERA-Correctional; final salary of \$53,033.33 for PERA-P&F) under the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) and with 25 years of service credit at age 55 and at age 53, and compares that benefit amount with the annuity amounts obtainable in the same circumstances from the Local Government Correctional Employees Retirement Plan of the Public Employees Retirement Association (PERA-Correctional), the State Patrol Retirement Plan, and the Public Employees Police and Fire Retirement Plan (PERA-P&F):

| Age 55 | | | | | | | | |
|---------------------------|--------------------|---------------|--------------------|---------------|--------------|---------------|--------------|---------------|
| | MSRS-Correctional* | | PERA-Correctional* | | State Patrol | | PERA-P&F | |
| | Lower Salary | Higher Salary | Lower Salary | Higher Salary | Lower Salary | Higher Salary | Lower Salary | Higher Salary |
| High 5 Salary | \$36,000 | \$48,000 | \$36,000 | \$48,000 | \$36,000 | \$48,000 | \$36,000 | \$48,000 |
| Benefit Accrual | x .60 | x .60 | x .475 | x .475 | x .75 | x .75 | x .75 | x .75 |
| Retirement Annuity Amount | \$21,600 | \$28,800 | \$17,100 | \$22,800 | \$27,000 | \$36,000 | \$27,000 | \$36,000 |

| Age 53 | | | | | | | | |
|---------------------------------|--------------------|---------------|--------------------|---------------|--------------|---------------|--------------|---------------|
| | MSRS-Correctional* | | PERA-Correctional* | | State Patrol | | PERA-P&F | |
| | Lower Salary | Higher Salary | Lower Salary | Higher Salary | Lower Salary | Higher Salary | Lower Salary | Higher Salary |
| High 5 Salary | \$36,000 | \$48,000 | \$36,000 | \$48,000 | \$36,000 | \$48,000 | \$36,000 | \$48,000 |
| Benefit Accrual | x .60 | x .60 | x .475 | x .475 | x .75 | x .75 | x .75 | x .75 |
| Initial Retirement Annuity Amt. | \$21,600 | \$28,800 | \$17,100 | \$22,800 | \$27,000 | \$36,000 | \$27,000 | \$36,000 |
| Benefit Reduction | x .952 | x .952 | x .914** | x .914** | x .976 | x .976 | x .976 | x .976 |
| Amount Payable | \$20,563 | \$27,418 | \$15,629* | \$20,839* | \$26,352 | \$35,136 | \$26,352 | \$35,136 |

* Retirement Plan is coordinated with Social Security, with an eventual Social Security benefit payable based on public employment and earnings.

** The early retirement annuity reduction is an actuarial reduction. The example represents an estimate derived by the Commission staff from other hypotheticals prepared by PERA.

For the MSRS-Correctional Retirement Plan and the PERA-Correctional Retirement Plan, the retirement annuity would be combined with a Social Security benefit derived from public employment, beginning at age 62 for an early reduced Social Security benefit or at age 65-67 (depending on year of birth under the 1986 Social Security amendments) for a full Social Security benefit. The maximum 2003 Social Security benefit at age 62 (early reduced benefit) is \$16,944 annually and at age 65-67 (unreduced benefit) is \$20,652 annually. At the lower hypothetical salary presented in the sample benefit calculation above, the 2003 early reduced Social Security benefit at age 62 would be \$9,840 annually and the 2003 full Social Security benefit at age 65 years, 8 months, would be \$13,404 annually. At the higher hypothetical salary presented in the sample benefit calculation above, the 2003 early reduced Social Security benefit at age 62

would be \$12,048 annually and the 2003 full Social Security benefit at age 65 years, 8 months, would be \$16,476 annually.

Administration and Governance

The Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) is administered by the Minnesota State Retirement System, which also administers the Legislators Retirement Plan, the General State Employees Retirement Plan (MSRS-General), the Military Affairs Personnel Retirement Plan (MSRS-Military Affairs), the Transportation Department Pilots Retirement Plan (MSRS-Transportation Pilots), the State Fire Marshal Division Employees Retirement Plan (MSRS-Arson Investigators), the State Patrol Retirement Plan, the Unclassified State Employees Retirement Program (MSRS-Unclassified), the Elective State Officers Retirement Plan, and the Uniform Judges Retirement Plan.

The 11-member board of directors of the Minnesota State Retirement System is required by Minnesota Statutes, Section 352.03, Subdivision 1, to include one board member who is elected by the MSRS-Correctional Retirement Plan membership.

Eligibility for MSRS-Correctional Retirement Plan membership is a shared determination between the Commissioner of Corrections or the Commissioner of Human Resources, who determine the extent of the direct inmate or patient rehabilitation, treatment, custody, or supervision activities conducted by the employee, and the MSRS Executive Director, who interprets and administers the relevant provisions of Minnesota Statutes, Section 352.91. During periods when Minnesota Statutes 1998, Section 352.91, Subdivision 4, now repealed, was in force, the Commissioner of Employee Relations was responsible for verifying the inmate/patient contact and duty requirements in requests to the MSRS Executive Director, which were required to be reviewed by the Legislative Commission on Pensions and Retirement and approval by the Legislative Advisory Commission.

MSRS-Correctional Retirement Plan Membership and Funding Over Time

Attachment MSRS-C presents the basic membership and financial information related to the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional).

There have been many periods of significant membership growth over the 30-year history of the MSRS-Correctional Retirement Plan, as follows:

| Period | Net Increase: Number | Increase: Percentage |
|-----------|----------------------|----------------------|
| 1974-1975 | 164 | 22.25% |
| 1989-1990 | 99 | 7.52% |
| 1991-1992 | 106 | 7.23% |
| 1993-1994 | 143 | 8.84% |
| 1995-1996 | 147 | 6.94% |
| 1996-1997 | 336 | 14.84% |
| 1997-1998 | 217 | 8.35% |
| 1999-2000 | 216 | 7.49% |

While some of the increase in the membership of the MSRS-Correctional Retirement Plan was due to the creation of additional correctional and related institutions, the membership increase also was attributable to an increase in the employment classifications added to the plan coverage, whether done legislatively or otherwise.

Conclusion

This Commission staff issue memorandum was primarily intended to provide Commission members with a recounting of the available history about the creation of the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) and the expansion of its membership. The memorandum thus is intended to set the stage for additional Commission staff research and analysis about the adequacy and completeness of Minnesota Statutes, Section 352.91, in regulating the membership of the plan planned for the second consideration of the topic by the Commission and about the appropriateness of further extensions of coverage and inclusions planned for the third consideration of the topic by the Commission.