



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: Report of the Administrative Legislation Subcommittee

DATE: October 24, 2003

Introduction

During the 2003 Legislative Session, several retirement-related pieces of proposed legislation that were partially or wholly administrative in nature were introduced. Due to time constraints on the Commission during the 2003 Session, these administrative bills were deferred for consideration during the 2003-2004 Interim.

The proposed pension legislation relating in whole or in part to administrative issues included:

- ? H.F. 519 (Smith); S.F. 807 (Betzold): TRA; Administrative and Benefit Provisions
- ? H.F. 871 (Smith); S.F. 844 (Higgins): Various Plans; Disability Determinations by Licensed Psychologists
- ? H.F. 890 (Smith); S.F. 676 (Betzold): PERA; Administrative and Benefit Provisions
- ? H.F. 1086 (Smith); S.F. 806 (Betzold): Various Plans; USERRA and Internal Revenue Code Compliance
- ? H.F. 1430 (Smith); S.F. 1460 (Betzold): MSRS; Administrative Provisions
- ? H.F. 1474 (Erickson); S.F. 1420 (Pogemiller): MnSCU; Administrative and Plan Coverage Provisions

On July 14, 2003, Representative Steve Smith, the Commission Chair, appointed a four-member subcommittee to consider the substance of the various administrative bills and to recommend the appropriate action on these bills to the Commission. The Administrative Legislative Subcommittee membership was:

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| Rep. Steve Smith | Sen. Don Betzold |
| Rep. Eric Lipman | Sen. Geoff Michel |

Work Plan and Subcommittee Consideration

Because the various retirement administrative bills remaining from the 2003 Legislative Session covered disparate provisions of retirement law and because there was some topical overlap in the proposed legislation, the Commission staff recommended that the administrative bills be considered by the subcommittee in its component parts, based on their substantive area of change, rather than as individual bills. The Commission staff reconfigured the contents of the six administrative bills into three sets of amendments. Amendment LCPR03-220 contained the provisions of the administrative bills relating to membership issues, service credit (including credit in Minnesota plans for periods of military service), salary definitions, and plan reporting. Amendment LCPR03-223 contained the provisions of the administrative bills relating to retirement annuity accrual, early retirement, disability, and Internal Revenue compliance issues. Amendment LCPR03-225 contained the provisions of the administrative bills relating to survivorship and death benefit coverage and to member contribution refunds. The Commission staff also prepared Amendments LCPR03-221, LCPR03-224, and LCPR03-226, which made various non-substantive technical, stylistic, or language usage corrections and revisions.

The Administrative Legislation Subcommittee held four meetings, with the July 29, 2003, Subcommittee meeting focused on Amendment LCPR03-220, with the August 12, 2003, Subcommittee meeting completing consideration of Amendment LCPR03-220 and beginning consideration of Amendment LCPR03-223, with the September 16, 2003, Subcommittee meeting completing consideration of Amendment LCPR03-223, and with the October 14, 2003, Subcommittee meeting initiating and completing consideration of Amendment LCPR03-225. During the meetings, the Subcommittee took testimony from various retirement plan administrators and other interested individuals.

Document LCPR03-243, recommended by the Commission's Administrative Legislation Subcommittee, amends various provisions of Minnesota Statutes, Chapters 3A, 352, 352B, 352D, 352F, 353, 353F, 354, 354A, 354B, 354C, 356, and 490, making changes that are largely of an administrative nature, including the following revisions with some substance that merits note:

1. Exclusion of Grievance Awards from MSRS-General or MSRS-Correctional Salary Definition. (Article 2, Section 1) Amounts received as grievance awards or legal settlements are excluded from salary covered by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) or by the MSRS Correctional State Employees Retirement Plan (MSRS-Correctional) unless reviewed by the MSRS Executive Director and determined to be consistent with the statutory definition.
2. Clarification of the Definition of Average Salary for the State Patrol Retirement Plan. (Article 2, Section 2) The State Patrol Retirement Plan "average salary" definition is clarified by adding a cross-reference to the MSRS-General definition.
3. Special TRA Service Credit Rules for MnSCU Faculty. (Article 3, Section 1; and Article 6, Section 3) For Minnesota State Colleges and Universities System (MnSCU) faculty members covered by the Teachers Retirement Association (TRA), years and days of service will be credited based on the relationship to full-time employment contained in the applicable collective bargaining agreement or personnel plans.
4. TRA and First Class City Teacher Retirement Fund Association on Leave Military Service Credit Conformity with USERRA. (Article 3, Sections 3 and 4) The provisions governing the crediting of allowable service for military service during a leave of absence for the Teachers Retirement Association (TRA) or the first class city teacher retirement fund associations are modified to conform with the federal Uniformed Service Employment and Reemployment Rights Act of 1994, 38 U.S.C. §§ 4301-4333, with the TRA provision newly excluding credit for less than honorable armed services discharges and with interest on member service credit contribution-equivalent payments for all teacher retirement plans newly made payable by the applicable employing unit.
5. Revised Deadline for TRA Part-Time Teaching Program Participation by Teacher-Legislators. (Article 4, Section 1) The normal October 1 annual deadline for filing part-time teaching/full-time service credit program agreements for the Teachers Retirement Association (TRA) is postponed to March 1 for teachers who are legislators.
6. Federal Tax Code Compliance Changes. (Article 2, Sections 3, 4, and 5; Article 5, Section 2; and Article 10) The General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) definition of salary is amended to exclude compensation amounts in excess of federal tax law limits, the general law compensation limit is updated for federal tax law changes, a generally applicable maximum benefit limit based on the federal tax laws is added, the Teachers Retirement Association (TRA) erroneous payment provision is amended to accommodate federal tax law transfer limitation, and various current and expired federal tax law requirements that were previously not specifically implemented are adopted or enacted.
7. TRA Omitted Deduction Provision Adjusted for Certain Part-Time MnSCU Faculty Members. (Article 5, Section 3) The employer payment of omitted Teachers Retirement Association (TRA) member contributions provision is amended to exclude minimal service part-time Minnesota State Colleges and Universities System (MnSCU) faculty members who elect TRA coverage upon beginning to teach at least 25 percent of a full-time schedule.
8. MSRS-General Restriction on Disabilitant Reemployment Relaxation Demonstration Program. (Article 8, Sections 1 and 22) The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) reduction in disability benefits upon reemployment provision is suspended for the first six months of reemployment as a demonstration program until 2006.
9. Psychologists Qualified to Provide Expert Opinion on Disabilities for MSRS-General, TRA, and First Class City Teacher Retirement Plans. (Article 8, Sections 4, 12, 13, 14, 17, 18, 19, 20, and 21) Expert testimony from psychologists on the existence of or the continuation of a disability is permitted for the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), the General Employee Retirement Plan of the Public Employees Retirement

Association (PERA-General), the Teachers Retirement Association (TRA), and the three first class city teacher retirement fund associations.

10. Chiropractors Qualified to Provide Expert Opinion on Disabilities for PERA-General. (Article 8, Sections 12, 13, and 14) Expert assistance from chiropractors on the existence of a disability or the continuation of a disability is permitted as an augmentation of other expert reports for the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General).
11. Daily Interest Rather than Fiscal Year Interest on Refunds for the Legislators Retirement Plan, MSRS-General, MSRS-Correctional, the State Patrol Retirement Plan, and the Judges Retirement Plan. (Article 9, Sections 1, 2, 3, 4, 7, and 23) Interest on various refunds of member contributions would be calculated daily rather than on fiscal year balances for the Legislators Retirement Plan, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the MSRS Correctional State Employees Retirement Plan (MSRS-Correctional), the State Patrol Retirement Plan, and the Judges Retirement Plan.
12. Survivor Coverage under MSRS-General and PERA-General Plans to Privatized Public Employees. (Article 9, Sections 15 and 16) The continuing retirement coverage under the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) or the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) provided to involuntarily privatized public employees is clarified to include any applicable survivor benefit coverage.
13. Increase in the TRA Death-While-Eligible Survivor Benefit. (Article 9, Section 18) The second portion of a 100 percent joint and survivor optional annuity payable to an active or deferred Teachers Retirement Association (TRA) member is to be calculated based on the surviving spouse's age when the benefit accrues, rather than the surviving spouse's age at the member's date of death.
14. Refund Repayments or Leave Contribution Equivalent Payments from Tax Sheltered Annuities or Deferred Compensation Programs. (Article 9, Section 22) The general law authority permitting refund repayments from other pension plan accumulations is expanded to also allow leave of absence member contribution-equivalent payments and to permit the transfers or payments from tax sheltered annuity or deferred compensation program accumulations.
15. Interest on Judges Retirement Plan Refunds Increased. (Article 9, Section 23) The interest payable on member contribution refunds for the Judges Retirement Plan is increased from five percent to six percent.

A section-by-section summary of the Administrative Legislation Subcommittee's recommendations as contained in Document LCPR03-243 can be found on pages 7 to 13.

Amendment LCPR03-251

Amendment LCPR03-251 makes some additional technical or stylistic modifications of a non-substantive nature in Document LCPR03-243.

Potential Extensions of Some Changes Contained in Document LCPR03-243

There are six changes contained in Document LCPR03-243 which may merit consideration by the Commission for extension beyond the retirement benefit plan or plans amended in Document LCPR03-243. These potential extensions and a brief policy analysis of each potential extension are as follows:

1. Grievance Awards and Covered Salary (Amendment LCPR03-244). Article 2, Section 1, of Document LCPR03-243 modifies the definition of covered salary for the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) to clarify under what conditions a salary grievance award of lawsuit settlement will be considered "salary" for retirement plan and benefit purposes. Amendment LCPR03-244 extends the same grievance award treatment to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the Public Employees Police and Fire Retirement Plan (PERA-P&F), the Teachers Retirement Association (TRA), and the first class city teacher retirement fund associations. The basic change in Article 2, Section 1, was requested by MSRS because various MSRS-General Plan members are receiving grievance awards or legal settlements in the five-year period proceeding retirement and some of the award settlements did not appear to be clearly a salary replacement. Because salary currently has a workable definition in the six retirement plans for a potential extension, the retirement

administrations involved already should be able to determine the underlying character of any award of settlement and its consistency with the “covered salary” definition and this would make the provision potentially redundant or superfluous. The provisions also provide retirement administrators with very broad discretion in interpreting whether an award or a settlement constitutes “salary.” Generally, retirement plan laws are specific in their provisions and contain little plan administrator substantive discretion.

2. Service Credit for Interim or On Leave Military Service (Amendment LCPR03-245). Article 3, Sections 3 and 4, of Document LCPR03-243 modify the on-leave military service credit provisions of the Teachers Retirement Association (TRA) and of the first class city teacher retirement fund associations to make them conform to the interpretation of the legal counsels of TRA and the St. Paul Teachers Retirement Fund Association (SPTRFA) of the federal Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), 38 U.S.C. §§ 4301-4333. Amendment LCPR03-245 extends language implementing the same interpretation to the on-leave military service credit provisions of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and the Public Employees Police and Fire Retirement Plan (PERA-P&F) and adds the identical military service credit provisions to the State Patrol Retirement Plan and the Judges Retirement Plan. The basic change in Article 3, Sections 3 and 4, of Document LCPR03-243, were requested by TRA and by SPTRFA on behalf of the three first class city teacher retirement fund associations. The change is argued as required by a 1994 federal law, although that federal law lacks clarity to some degree. The chief impacts on Minnesota public pension plans are a lengthening of the potential service credit acquisition period to five years instead of the current two or four years (initial enlistment, period of conscription, or call to active duty, without voluntary extension), a shortening of the period for the person to make payments to three times the length of military service, up to five years, from a current general five-year limit), and a shift of the burden to pay interest on the member contributions from the person currently to the employer. There also is no current payment limit on MSRS-General or MSRS-Correctional interim military service credit payments, but there would be a limit under Amendment LCPR03-245. There are not interim military service credit provisions in the State Patrol Retirement Plan and the Judges Retirement Plan, although there could be plan members who have rendered or will render military service.
3. Teacher-Legislator Participation in Qualified Part-Time Teacher Program Amendment LCPR03-246. Article 4, Section 1, of Document LCPR03-243, delays the deadline for a Teachers Retirement Association (TRA) member who is also a legislator to participate in the 1977 part-time teaching/full-time retirement plan service credit program from October to March, annually. Amendment LCPR03-246 extends the change to the part-time teaching/full-time service credit provisions of the three first class city teacher retirement fund associations. The basic change in Article 4, Section 1, of Document LCPR03-243 was proposed by TRA, although TRA did not indicate its motivation for making the proposal. Since the program was first enacted in 1977, 26 years ago, teacher-legislators have been able to accommodate their employment situations without a delayed participation deadline date. If, however, some teacher-legislators are to be benefited by a relaxation in the participation deadline, the change arguably should be extended to teachers covered by the first class city teacher retirement fund associations.
4. Trial Disabilitant Return to Employment (Amendment LCPR03-247). Article 8, Section 1, of Document LCPR03-243 exempts a disability benefit recipient of the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) who returns to State employment from a discontinuation of the disability benefit for a six-month trial period. Amendment LCPR03-247 extends a similar six-month disabilitant return-to-employment trial period change to the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), based on the plan’s expressed interest in having the same trial period authority. The basic change in Article 8, Section 1, of Document LCPR03-243 was requested by MSRS as a potential mechanism for encouraging disabilitants to return to work and for insulating these disabilitants from a loss of benefits if the return to employment is unsuccessful. Article 8, Section 1, of Document LCPR03-243 expires on July 1, 2006. From a pension policy standpoint, there are several issues that may merit some discussion before the provision is extended to PERA-General:
 - i. Adequacy of Initial Disability Determination. The standard for a PERA-General disability benefit is the existence of a total and permanent disability, meaning that the person is incapable of any gainful employment and that the person’s condition is expected to be of a long duration (at least one year). Disabilitants who “recover” sufficiently to return to employment may represent individuals who never should have been found to be disabled in the first instance.

- ii. Appropriateness of Six-Month Exemption. The proposed exemption period is six months, although it is unclear why six months is the appropriate trial return to work period. If a person is truly totally and permanently disabled when the disability occurred, the recovery of the person likely would be clear in a shorter period than six months.
 - iii. Potential Abuse from A Sequence of Short-Term Recoveries. The existing MSRS-General provision and the language suggested by PERA do not limit the number of times one disabilitant can qualify for a trial recovery exemption, meaning that a disabilitant could have numerous instances of four or five months of reemployment while continuing to receive a disability benefit.
 - iv. Appropriateness of Further Extensions to Teacher Plans, MERF, and Public Safety Plans. PERA indicated an interest in adding a trial disability reemployment provision for PERA-General and provided suggested language, reflected in Amendment LCPR03-247. If enacted for MSRS-General and PERA-General, extensions to the other general employee retirement plans and the public safety retirement plans perhaps should be considered.
5. Use of Psychologists in Determining Disabilitants (Amendment LCPR03-248). Article 8, Sections 4, 12, 13, 14, 17, 18, 19, 20, and 21 of Document LCPR03-243 expands the category of experts who can provide assistance to the retirement plan administration and board in determining a disability to include psychologists for the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the Teachers Retirement Association (TRA), and the first class city teachers retirement fund associations. Amendment LCPR03-248 expands the disability determination process to include psychologists for the State Patrol Retirement Plan, the Public Employees Police and Fire Retirement Plan (PERA-P&F), the Minneapolis Employees Retirement Fund (MERF), the Minneapolis Police Relief Association, and the Minneapolis Firefighters Relief Association. The basic change in Article 8, Sections 4, 12-14, and 17-21, was proposed on behalf of the Minnesota Psychological Association, extending the addition of a 2001 MSRS-General and MSRS-Correctional addition of psychologists as experts empowered to provide disability determination evidence (First Special Session Laws 2001, Chapter 10, Article 3, Sections 6, 7, and 11). If evidence of a disability from a psychologist is appropriate for consideration for some pension plans, the similar change would be appropriate for the remaining statewide and major local retirement plans. The policy issue is whether or not the expertise represented by psychologists adds beneficial information to the disability determination process.
6. Interest Compounded Daily Rather Than On Fiscal Year Basis (Amendment LCPR03-249). Article 9, Sections 1, 2, 3, 4, 7, and 23, of Document LCPR03-243 changes the manner in which interest is calculated on various refunds from interest compounded on fiscal year balances to daily compounding for the Legislators Retirement Plan, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the State Patrol Retirement Plan, and the Judges Retirement Plan. Amendment LCPR03-249 extends the daily interest compounding change to the Elective State Officers Retirement Plan, the MSRS-General Privatized Employee Retirement Coverage chapter, the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the PERA-General Privatized Employee Retirement Coverage chapter, the Teachers Retirement Association (TRA), and the first class city teachers retirement fund associations. The change would constitute a modest benefit improvement for the affected plans, because a slightly greater amount of interest is payable under daily compounding rather than the current compounding based on fiscal year balances. The basic benefit change in Article 9, Sections 1, 2, 3, 4, 7, and 23, was requested by MSRS, apparently in order to modernize the financial operations of its retirement plans. The policy issues that arise in the amendment are the appropriateness of providing benefit increases in an administrative bill and the administrative costs and difficulties that may arise in some or all retirement plans in shifting to daily compounding interest.

Additional TRA Administrative Legislation (Amendment LCPR03-250)

The Teachers Retirement Association (TRA) submitted three additional administrative changes for consideration by the Commission. The changes are contained in Amendment LCPR03-250, as follows:

- 1. Clarification of the Age at Which Reemployed Annuitant Limits Do Not Apply. (Section 1) The provision amends Minnesota Statutes, Section 354.44, Subdivision 5, the reemployed annuitant earnings limit of the Teachers Retirement Association (TRA), by shifting from age 70 as the age at which no limit is applicable to the Social Security full retirement age. The age at which a full Social Security benefit was payable has changed over time, as has the age at which a Social Security benefit is

unaffected by subsequent employment. Age 70 was once the age at which Social Security benefits were first unaffected by continued employment, but that age is now the full Social Security retirement age. The full retirement age varies based on the year of a person's birth, as follows:

| <u>Year of Birth</u> | <u>Full Retirement Age</u> |
|----------------------|----------------------------|
| 1937 or earlier | 65 |
| 1938 | 65 and 2 months |
| 1939 | 65 and 4 months |
| 1940 | 65 and 6 months |
| 1941 | 65 and 8 months |
| 1942 | 65 and 10 months |
| 1943-1954 | 66 |
| 1955 | 66 and 2 months |
| 1956 | 66 and 4 months |
| 1957 | 66 and 6 months |
| 1958 | 66 and 8 months |
| 1959 | 66 and 10 months |
| 1960 and later | 67 |

2. Replacement of the Disability Benefit Recomputation Age 65 References with Normal Retirement References. (Section 2) The provision amends Minnesota Statutes, Section 354.48, Subdivision 10, the conversion of a disability benefit into a retirement annuity at the end of a normal working career age, by consistently making a reference change from age 65 to the normal retirement age.
3. Replacement of the Combined Service Disability Benefit Age 65 Requirement with Normal Retirement Reference. (Section 3) The provision amends Minnesota Statutes, Section 356.302, Subdivision 3, the general employee retirement plan combined service eligibility requirements, by replacing the under age 65 requirement with an under normal retirement age reference.

The three changes proposed by TRA do not appear to raise any significant public pension issues.

Conclusion

The Commission should consider acting on the various potential amendments so that the administrative legislation for the 2004 Legislative Session can be reduced by the Commission staff to a single document. The Commission can then recommend the desired administrative provisions for inclusion in an eventual 2004 omnibus retirement bill at this time or can defer final action on the compiled proposed administrative legislation until some future date during the 2004 Session.

Section-By-Section Summary of LCPR03-243

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|---|---|--|---|--|--|
| Article 1: Membership Issues | | | | | |
| 1 | Page 1, Lines 6-36; Page 2, Lines 1-36; Page 3, Lines 1-36; Page 4, Lines 1-36; Page 5, Lines 1-36; Page 6, Line 1 | PERA-General; PERA-P&F | HF 890 (Smith); SF 676 (Betzold); Section 2 | 353.01, Subdivision 2b | Removes unnecessary language and moves “temporary position” definition. |
| 2 | Page 6, Lines 2-23 | PERA-General; PERA-P&F | HF 890 (Smith); SF 676 (Betzold); Section 4 | 353.01, Subdivision 12a | Includes “temporary position” definition language from section 1. |
| 3 | Page 6, Lines 24-36; Page 7, Lines 1-3 | PERA-General; PERA-P&F | HF 890 (Smith); SF 676 (Betzold); Section 5 | 353.01, Subdivision 12b | Eliminates reference to “business” year. |
| 4 | Page 7, Lines 4-36; Page 8, Lines 1-35 | TRA | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 1 | 354.05, Subdivision 2 | Removes obsolete license requirements, removes obsolete technical college references, and eliminates obsolete Comprehensive Employment and Training Act (CETA) exclusion. |
| 5 | Page 8, Line 36; Page 9, Lines 1-12 | MnSCU IRAP | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 7 | 354B.20, Subdivision 4 | Corrects an obsolete reference. |
| 6 | Page 9, Lines 13-26 | MnSCU IRAP | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 8 | 354B.20, Subdivision 6 | The eligible unclassified administrative position definition is amended to include MnSCU administrators in general rather than “excluded” administrators. |
| 7 | Page 9, Lines 27-36; Page 10, Lines 1-15 | MnSCU Higher Education Supplemental Plan | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 11 | 354C.11, Subdivision 2 | The eligibility provision is revised to include unclassified employees of the board, including employees who have confidential status. |
| 8 | Page 10, Lines 16-18 | MSRS-Unclassified | HF 1430 (Smith); SF 1460 (Betzold) Article 8, Section 4 | Repealer; 352D.02, Subdivision 5 | Repeals exclusion of TRA Basic members from MSRS Unclassified Program coverage. |
| 9 | Page 10, Lines 19-24 | -- | -- | Effective Date | Generally effective on July 1, 2004. Section 6 is effective retroactive to the affected person’s date of hire and Section 7 is effective retroactively to July 1, 2001. |
| Article 2: Covered Salary Definition | | | | | |
| 1 | Page 10, Lines 27-36; Page 11, Lines 1-15 | MSRS-General; MSRS-Correctional | HF 1430 (Smith); SF 1460 (Betzold) Article 2, Section 2 | 352.01, Subdivision 13 | Includes grievance or legal settlement payments in covered salary definition if reviewed by the MSRS Executive Director and determined as consistent with the salary definition and with prior determinations. |
| 2 | Page 11, Lines 16-36; Page 12, Lines 1-11 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 2, Section 4 | 352B.01, Subdivision 11 | Revises the average salary definitions to tie covered salary to salary on which member contributions were made or on which prior service credit purchases were made and defines “salary” in the same manner as applicable to MSRS-General. |
| 3 | Page 12, Lines 12-36; Page 13, Lines 1-32 | PERA-General; PERA-P&F | HF 890 (Smith); SF 676 (Betzold); Section 3 | 353.01, Subdivision 10 | Excludes from covered salary amounts in excess of Minnesota Statutes, Section 356.611 limitation. |
| 4 | Page 13, Lines 33-36; Page 14, Lines 1-12 | Retirement Generally | HF 1086 (Smith); SF 806 (Betzold) Section 6 | 356.611, Subdivision 2 | Revises maximum salary amount to conform with federal Internal Revenue Code. |

| <u>Sec.</u> | <u>Page, Lines</u> | <u>Retirement Plan</u> | <u>Source Bill(s)</u> | <u>Stat. Provision</u> | <u>Summary</u> |
|--|---|-----------------------------------|--|-------------------------------|---|
| 5 | Page 14, Lines 13-25 | Retirement Generally | HF 1086 (Smith); SF 806 (Betzold) Section 7 | 356.611, New Subdivision 3 | Requires reduction of benefit to comply with federal Internal Revenue Code. |
| 6 | Page 14, Lines 26-27 | -- | -- | Effective Date | Effective July 1, 2004. |
| <u>Article 3: Allowable Service Credit</u> | | | | | |
| 1 | Page 14, Lines 30-36; Page 15, Lines 1-36; Page 16, Lines 1-3 | TRA | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 4 | 354.091 | Sets full and fractional service credit rules for MnSCU employees based on full-time and part-time service definitions in the applicable collective bargaining agreements. |
| 2 | Page 16, Lines 4-10 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 2 | 354.096 | Removes a data certification deadline that conflicts with the general member data reporting provision. |
| 3 | Page 16, Lines 11-36; Page 17, Lines 1-36; Page 18, Lines 1-27 | TRA | HF 1086 (Smith); SF 806 (Betzold) Section 2 | 354.53 | Revises the on-leave military service credit purchase provision to comply with the federal Uniformed Services Employment and Reemployment Rights Act (USERRA). |
| 4 | Page 18, Lines 28-36; Page 19, Lines 1-36; Page 20, Lines 1-36; Page 21, Lines 1-7 | First Class City Teacher Plans | HF 1086 (Smith); SF 806 (Betzold) Section 4 | 354A.093 | Revises the on-leave military service credit purchase provision to comply with the federal Uniformed Services Employment and Reemployment Rights Act (USERRA). |
| 5 | Page 21, Lines 8-9 | -- | -- | Effective Date | Effective July 1, 2004. |
| <u>Article 4: Qualified Part-Time Teacher Provisions</u> | | | | | |
| 1 | Page 21, Lines 12-36; Page 22, Lines 1-9 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 2, Section 5 | 354.66, Subdivision 2 | Modifies the date for executing a part-time teaching program agreement for teacher-legislators. |
| 2 | Page 22, Lines 10-11 | -- | -- | Effective Date | Effective July 1, 2004. |
| <u>Article 5: Retirement Plan Contributions and Transfers</u> | | | | | |
| 1 | Page 22, Lines 14-36; Page 23, Lines 1-29 | TRA | HF 1086 (Smith); SF 806 (Betzold) Section 1 | 354.42, Subdivision 7 | Modifies the fund transfer provision to conform to federal Internal Revenue Code Requirements. |
| 2 | Page 23, Lines 30-36; Page 24, Lines 1-36; Page 25, Lines 1-34 | TRA | HF 1474 (Erickson); SF 1420 (Pogemiller) Alternative to Sections 4 and 5 | 354.51, Subdivision 5 | Creates a special member deduction shortage rule for MnSCU with respect to faculty members and other MnSCU personnel who increase from part-time employment of less than 25 percent of full time and then select TRA coverage, where the member deduction shortage, related employer contributions, and interest on those amounts would be initially paid by MnSCU within 60 days of the person electing TRA coverage, with the member contribution and interest portion recoverable by MnSCU in one year from subsequent compensation paid to the employee or otherwise, and the omitted member contribution recovery requirement would be limited to unpaid member deductions during the 36-month period that preceded the election of TRA retirement coverage. |
| 3 | Page 25, Lines 35-36; Page 26, Lines 1-9 | MnSCU-IRAP | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 9 | 354B.23, Subdivision 1 | Eliminates alternative contribution rate for certain unclassified employees covered by the plan. |
| 4 | Page 26, Lines 10-36; Page 27, Lines 1-6 | MnSCU-IRAP | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 10 | 354B.32 | Changes the eligibility event for a transfer of TRA funds to IRAP from retirement to the termination of employment. |

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|---|--|-------------------|---|--------------------------------|--|
| 5 | Page 27, Lines 7-11 | -- | -- | Effective Date | Effective July 1, 2004. Retroactive application for Section 2. |
| <u>Article 6: Reporting and Information Provisions</u> | | | | | |
| 1 | Page 27, Lines 14-24 | TRA | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 3 | 354.07, Subdivision 9 | Corrects reference to MnSCU. |
| 2 | Page 27, Lines 25-36; Page 28, Lines 1-26 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 8 | 354.52, Subdivision 4a | Updates various data reporting requirements. |
| 3 | Page 28, Lines 27-36; Page 29, Line 1 | TRA | HF 1474 (Erickson); SF 1420 (Pogemiller) Section 6 | 354.52, New Subdivision 4c | Requires reporting by MnSCU of service credit information. |
| 4 | Page 29, Lines 2-8 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 9 | 354.52, Subdivision 6 | Revises the reporting requirements for which a fine may be charged. |
| 5 | Page 29, Lines 9-10 | -- | -- | Effective Date | Effective July 1, 2004. |
| <u>Article 7: Retirement Annuity Provisions</u> | | | | | |
| 1 | Page 29, Lines 13-17 | PERA | HF 890 (Smith); SF 676 (Betzold); Section 11 | 353.37, New Subdivision 1b | Defines retirement age for the reemployed annuitant earnings limit provision. |
| 2 | Page 29, Lines 18-32 | PERA | HF 890 (Smith); SF 676 (Betzold); Section 12 | 353.37, Subdivision 3 | Updates the reemployed annuitant earnings limit provision for recent Social Security law changes. |
| 3 | Page 29, Lines 33-36; Page 30, Lines 1-26 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 3 | 354.44, Subdivision 4 | Removes the limit on the retroactive retirement annuity accrual date. |
| 4 | Page 30, Lines 27-28 | -- | -- | Effective Date | Effective July 1, 2004. |
| <u>Article 8: Disability Benefits</u> | | | | | |
| 1 | Page 30, Lines 31-36; Page 31, Lines 1-3 | MSRS-General | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 1 | 352.113, New Subdivision 7a | Establishes as a pilot program a six-month moratorium on benefit reductions for reemployed disabilitants. |
| 2 | Page 31, Lines 4-19 | MSRS-Correctional | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 2 | 352.95, Subdivision 1 | Clarifies the duty-related disability provision and specifies that, in order to qualify for a disability benefit, the impairment must be expected to last at least one year. |
| 3 | Page 31, Lines 20-32 | MSRS-Correctional | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 3 | 352.95, Subdivision 2 | Clarifies the non-duty-related disability provision and specifies that, in order to qualify for a disability benefit, the impairment must be expected to last at least one year. |
| 4 | Page 31, Lines 33-36; Page 32, Lines 1-35 | MSRS-Correctional | HF 871 (Smith); SF 844 (Higgins) Section 1 | 352.95, Subdivision 4 | Requires a psychologist who is assigned to examine a disability applicant to make a report to the MSRS medical director. |
| 5 | Page 32, Line 36; Page 33, Lines 1-13 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 4 | 352B.10, Subdivision 1 | Clarifies the duty-related disability provision and specifies that, in order to qualify for a disability benefit, the impairment must be expected to last at least one year. |
| 6 | Page 33, Lines 14-31 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 4 | 352B.10, Subdivision 2 | Clarifies the non-duty-related disability provision and specifies that, in order to qualify for a disability benefit, the impairment must be expected to last at least one year. |

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|------|--|---|--|----------------------------|---|
| 7 | Page 33, Lines 32-36; Page 34, Lines 1-11 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 4 | 352B.10, Subdivision 3 | Clarifies the disabilitant reemployment provision. |
| 8 | Page 34, Lines 12-21 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 4 | 352B.10, Subdivision 4 | Clarifies the disability proof provision. |
| 9 | Page 34, Lines 22-36; Page 35, Line 1 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 4 | 352B.10, Subdivision 5 | Clarifies the disabilitant partial reemployment provision. |
| 10 | Page 35, Lines 2-28 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 5 | 352B.105 | Clarifies the transition from disabled status to normal retirement status at age 65 or after five years of disability benefit receipt. |
| 11 | Page 35, Lines 29-36; Page 36, Lines 1-3 | MSRS-Unclassified | HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 6 | 352D.065, Subdivision 2 | Permits more flexibility in the manner of drawing a defined contribution disability benefit. |
| 12 | Page 36, Lines 4-31 | PERA-General | HF 890 (Smith); SF 676 (Betzold); Section 6 | 353.33, Subdivision 4 | Replaces a general medical evidence requirement for a disability benefit with a signed medical report requirement and authorizes the report from a psychologist or a chiropractor as well as a physician. A chiropractor report may only augment another expert report. |
| 13 | Page 36, Lines 32-36; Page 37, Lines 1-18 | PERA-General | HF 890 (Smith); SF 676 (Betzold); Section 8 | 353.33, Subdivision 6 | Requires an expert report to establish continuing eligibility for a disability benefit and authorizes the report from a psychologist or a chiropractor. A chiropractor report may only augment another expert report. |
| 14 | Page 37, Lines 19-34 | PERA-General | HF 890 (Smith); SF 676 (Betzold); Section 9 | 353.33, Subdivision 6b | Authorizes disability evidence from psychologists or chiropractors. |
| 15 | Page 37, Lines 35-36; Page 38, Lines 1-23 | PERA-General | HF 890 (Smith); SF 676 (Betzold); Section 10 | 353.33, Subdivision 7 | Revised the partial disabilitant reemployment provision to clarify that the reemployment is not from substantial gainful activity. |
| 16 | Page 38, Lines 24-36; Page 39, Lines 1-4 | TRA | HF 519 (Smith); SF 807 (Betzold) | 354.48, Subdivision 2 | Requires that disability applications be in writing and be on a TRA form. |
| 17 | Page 39, Lines 5-28 | TRA | HF 871 (Smith); SF 844 (Higgins) Section 2 | 354.48, Subdivision 4 | Authorizes disability evidence from psychologists for mental impairments. |
| 18 | Page 39, Lines 29-36; Page 40, Lines 1-11 | TRA | HF 871 (Smith); SF 844 (Higgins) Section 3 | 354.48, Subdivision 6 | Authorizes disability evidence from psychologists for mental impairments. |
| 19 | Page 40, Lines 12-29 | TRA | HF 871 (Smith); SF 844 (Higgins) Section 4 | 354.48, Subdivision 6a | Authorizes disability evidence from psychologists for mental impairments. |
| 20 | Page 40, Lines 30-36; Page 41, Lines 1-26 | First Class City Teacher Plans | HF 871 (Smith); SF 844 (Higgins) Section 5 | 354A.36, Subdivision 4 | Authorizes disability evidence from psychologists for mental impairments. |
| 21 | Page 41, Lines 27-36; Page 42, Lines 1-31 | First Class City Teacher Plans | HF 871 (Smith); SF 844 (Higgins) Section 6 | 354A.36, Subdivision 6 | Authorizes disability evidence from psychologists for mental impairments. |
| 22 | Page 42, Lines 32-35 | MSRS-General, PERA-General, Judges Plan | HF 890 (Smith); SF 676 (Betzold); Section 14, and HF 1430 (Smith); SF 1460 (Betzold) Article 3, Section 7, and Article 8, Section 4 | Repealer | Repeals Section 1 in 2006; Minnesota Statutes, Section 353.33, Subdivision 5b, an obsolete one-time PERA-General disability benefit increase; and repeals Minnesota Statutes, Section 490.11, an obsolete probate court judge disability application provision. |

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|---|--|-------------------|---------------------------------------|--------------------------------|--|
| 23 | Page 42, Line 36; Page 43, Line 1 | -- | -- | Effective Date | Effective July 1, 2004. |
| Article 9: Survivor and Death Benefits and Refunds | | | | | |
| 1 | Page 43, Lines 4-26 | Legislators Plan | HF 1430 (Smith); SF 1460 (Betzold) | 3A.03, Subdivision 3 | Amends the refund provision to permit the interest included with the refund to be compounded daily, rather than annually. |
| 2 | Page 43, Lines 27-36; Page 44, Lines 1-20 | MSRS-General | HF 1430 (Smith); SF 1460 (Betzold) | 352.12, Subdivision 1 | Amends the death-while-active refund provision to permit the refund to include interest compounded daily rather than annually, and by clarifying language. |
| 3 | Page 44, Lines 21-35 | MSRS-General | HF 1430 (Smith); SF 1460 (Betzold) | 352.12, Subdivision 6 | Amends the death-after-service-termination provision to permit the interest (6%) included with the refund to be compounded daily, rather than annually, and by clarifying language. |
| 4 | Page 44, Line 36; Page 45, Lines 1-13 | MSRS-General | HF 1430 (Smith); SF 1460 (Betzold) | 352.22, Subdivision 2 | Amends the refund provision to include daily compounding rather than annual compounding. |
| 5 | Page 45, Lines 14-36; Page 46, Lines 1-4 | MSRS-General | HF 1430 (Smith); SF 1460 (Betzold) | 352.22, Subdivision 3 | Amends the deferred annuity provision by permitting an application for a refund to be made at any time following termination of service rather than at least 30 days after termination. |
| 6 | Page 46, Lines 5-20 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.10, Subdivision 5 | The disabilitant optional annuity provision is clarified and revised to reference new proposed subdivisions. |
| 7 | Page 46, Lines 21-36; Page 47, Line 1 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.11, Subdivision 1 | Amends a death-while-disabled refund provision to permit daily rather than annual compounding of interest. |
| 8 | Page 47, Lines 2-36; Page 48, Lines 1-33 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.11, Subdivision 2 | Amends the surviving spouse and dependent surviving child benefit provisions by deleting the surviving spouse benefit language being moved to new subdivisions. |
| 9 | Page 48, Lines 34-36; Page 49, Lines 1-29 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.11, New Subdivision 2b | Clarifies the surviving spouse benefits offered by the plan by creating categories of surviving spouses based on whether the deceased member was vested at the time of death, whether death occurred while active or deferred, or whether the deceased was a disabilitant. |
| 10 | Page 49, Lines 30-36; Page 50, Lines 1-36 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.11, New Subdivision 2c | Clarifies the surviving spouse benefits offered by the plan by specifying the benefit or benefits applicable to each category of surviving spouse specified in new Subdivision 2b. |
| 11 | Page 51, Lines 1-9 | State Patrol Plan | HF 1430 (Smith); SF 1460 (Betzold) | 352B.11, New Subdivision 2d | Specifies that workers compensation benefits are not to be deducted from survivor benefits paid by the State Patrol Plan. |
| 12 | Page 51, Lines 10-36; Page 52, Lines 1-13 | MSRS-Unclassified | HF 1430 (Smith); SF 1460 (Betzold) | 352D.075, Subdivision 2 | Amends the survivor benefit provision by removing authority to name any beneficiary other than a surviving spouse if there is surviving spouse, by increasing flexibility to provide partial value annuities, and by permitting receipt of a survivor annuity to commence at any age rather than at age 55 or later, but permits the spouse and the participant to jointly specify that the benefit is payable to a beneficiary. |

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|------|--|------------------------------|---|---------------------------------|--|
| 13 | Page 52, Lines 14-23 | MSRS-Unclassified | HF 1430 (Smith); SF 1460 (Betzold) | 352D.075, New Subdivision 2a | Creates a term-certain surviving spouse benefit annuity option of five, six, 15, or 20 years, which is actuarially equivalent to the "lifetime monthly annuity." |
| 14 | Page 52, Lines 24-35 | MSRS-Unclassified | HF 1430 (Smith); SF 1460 (Betzold) | 352D.075, Subdivision 3 | Amends the beneficiary provision to make the provision apply only if there is no surviving spouse. |
| 15 | Page 52, Line 36; Page 53, Lines 1-8 | MSRS Privatized Employees | HF 890 (Smith); SF 676 (Betzold): Section 1 | New 352F.052 | Specifies that survivor and dependent child benefits (refunds or optional annuities) as specified in the MSRS-General statutes in the year prior to the year in which the privatization occurred, is applicable to the survivors of terminated hospital employees of Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians. |
| 16 | Page 53, Lines 9-17 | PERA Privatized Employees | HF 890 (Smith); SF 676 (Betzold): Section 13 | New 353F.052 | Specifies that survivor and dependent child benefits (refunds or optional annuities) as specified in the PERA-General statutes in the year prior to the year in which the privatization occurred, is applicable to the survivors of terminated privatized individuals covered by the privatization chapter. |
| 17 | Page 53, Lines 18-34 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 1 | 354.05, Subdivision 22 | Amends the definition of designated beneficiary which requires that the designation be on a signed form, is amended by striking a requirement that the form must be signed before two witnesses. |
| 18 | Page 53, Lines 35-36; Page 54, Lines 1-36; Page 55, Lines 1-24 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 2, Section 3 | 354.46, Subdivision 2 | Amends the death-while-active-or-deferred surviving spouse benefit provision by using the surviving spouse's age at the date receipt commences, rather than the age at the date of the member's death, for purposes of computing the joint-and-survivor annuity, and by striking language to be moved to another subdivision. |
| 19 | Page 55, Lines 25-36; Page 56, Lines 1-8 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 4 | 354.46, Subdivision 2b | Revises the dependent child survivor benefit provision applicable if there is no eligible surviving spouse by clarifying language. |
| 20 | Page 56, Lines 9-19 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 5 | 354.46, Subdivision 5 | Revises a provision which permits the covered employee and spouse to designate some other beneficiary to receive a joint-and-survivor annuity or death refund in lieu of the surviving spouse in death-while-active-or-deferred cases to permit naming more than one beneficiary, and by clarifying language. |
| 21 | Page 56, Lines 20-29 | TRA | HF 519 (Smith); SF 807 (Betzold) Article 1, Section 6 | 354.46, New Subdivision 7 | Clarifies that all beneficiary designations under this section must be in writing on a form prescribed by the Executive Director, that deferred annuities augmentation and service-in-more-than-one-fund provisions apply, and that unless otherwise stated the annuity or annuities are to be computed under Section 354.44, Subd. 2 (money purchase annuity), or Subd. 6 (formula benefit), as applicable. |

| Sec. | Page, Lines | Retirement Plan | Source Bill(s) | Stat. Provision | Summary |
|------|--|-----------------------------------|---|----------------------------|--|
| 22 | Page 56, Lines 30-36; Page 57, Lines 1-24 | Various Plans | HF 519 (Smith); SF 807 (Betzold) Article 2, Section 6 | 356.441 | Revises a provision applicable to all Minnesota public pension plans which permits refund repayments to be made from accounts eligible for tax-free rollovers by expanding the provision to include payments for leave of absences and any payments for allowable service credit. |
| 23 | Page 57, Lines 25-36; Page 58, Lines 1-10 | Judges Plan | HF 1430 (Smith); SF 1460 (Betzold) | 490.124, Subdivision 12 | Amends the refund provision to provide six percent interest compounded daily rather than five percent interest compounded annually based on fiscal year balances, and by specifying that a refund repayment must include interest on the total amount previously received. |
| 24 | Page 58, Lines 11-12 | First Class City Teacher Plans | HF 519 (Smith); SF 807 (Betzold) | Repealer | Repeals Minnesota Statutes, Section 354A.107, the first class city teacher plan provision dealing with tax-free rollovers to finance refund repayments, service credit purchases, and leave of absence contribution requirements, which is made redundant by section 22. |
| 25 | Page 58, Lines 13-31 | -- | -- | Effective Date | The article is effective on July 1, 2004. Various State Patrol Retirement Plan benefit revisions have corrections process in the event of an unintended benefit effect. The increase in Judges Retirement Plan refund interest is specified as applicable only to post-July 1, 2004, terminating judges. |

Article 10: Federal Internal Revenue Code Compliance

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|---|--|---------|---|-------------------------------|--|
| 1 | Page 58, Lines 35-36; Page 59, Lines 1-13 | Various | Subcommittee Amendment | 356.611, New Subdivision 4 | Defines the term "compensation" for federal Internal Revenue Code Section 415 and related testing purposes. |
| 2 | Page 59, Lines 14-36; Page 60, Lines 1-36; Page 61, Lines 1-18 | Various | HF 1086 (Smith); SF 806 (Betzold) Section 8 | New Section 356.635 | Adds various definitions and related provisions determined necessary for federal Internal Revenue Code compliance. |
| 3 | Page 61, Lines 19-28 | Various | HF 1086 (Smith); SF 806 (Betzold) Section 8 | Transitional Provision | Incorporates various time-dated federal Internal Revenue Code compliance provisions. |
| 4 | Page 61, Lines 29-38; Page 62, Lines 1-16 | -- | -- | Effective Date | Specifies the applicable effective date, generally the day after final enactment. |