



TO: Senator Lawrence Pogemiller

FROM: Lawrence A. Martin, Executive Director

RE: Amendment LCPR05-301; Omnibus Retirement Bill II

DATE: May 11, 2005

Amendment LCPR05-301, attached, drafted at your request, addresses several public retirement issues under discussion by the Legislative Commission on Pensions and Retirement during the past few weeks and contains the following:

1. Increases Member and Employer Contribution Rates for Five Retirement Plans. The member and employer contribution rates for five retirement plans are increased as proposed in the following bills, heard by the Commission on May 5, 2005:
  - a. S.F. 264 (Betzold, by request); H.F. 1757 (Smith): MSRS-General; employee and employer contribution rate increases;
  - b. S.F. 997 (Betzold, by request); H.F. 1753 (Wardlow): MSRS-Correctional; employee and employer contribution rate increases;
  - c. S.F. 998 (Betzold, by request); H.F. 1754 (Smith): State Patrol Plan; employee and employer contribution rate increases;
  - d. S.F. 286 (Betzold, by request); H.F. 1755 (Smith): PERA-General; employer and employee contribution rate increases;
  - e. S.F. 621 (Betzold, by request); H.F. 1756 (Smith): PERA-P&F; employee and employer contribution rate increases. (Article 1)
2. Teacher Retirement Fund and Benefit Restructuring. Special School District No. 1, Minneapolis, is authorized to issue pension obligation bonds to fund some of the Minneapolis Teachers Retirement Fund Association (MTRFA) unfunded actuarial accrued liability, the MTRFA is consolidated into the Teachers Retirement Association (TRA) , with a continuation of the current and employer funding and the imposition of an additional supplementary contribution to TRA related to the former MTRFA split equally by Special School District No. 1, Minneapolis, the City of Minneapolis, and the State of Minnesota, increases TRA member and employer contribution rates by 0.5 percent of covered salary, and provides a prospective (post-2005) TRA benefit accrual rate increase of 0.3 percent of final average salary. (Article 2)
3. Special Pre-1969 Teacher Post-Retirement Adjustment. Pre-1969 teachers who did not previously receive a Teachers Retirement Association (TRA) Improved Money Purchase Program retirement annuity are granted a special post-retirement adjustment as provided in S.F. 543 (Larson); H.F. 914 (Beard): TRA; Pre-1969 Teachers Provided with Partial Improved Money Purchase Program Savings Clause Benefit Adjustment, heard by the Commission on April 21, 2005, funded by and contingent on General Fund appropriations. (Article 3)
4. Creates a Pension Default Insurance Pool. As a type of user fee on public employees and employers to reduce the potential for or the impact of a pension plan default, akin to the creation of the Pension Benefit Guarantee Corporation by the federal government in 1974, an unspecified amount is collected from each statewide or major local public retirement plan for each active member and benefit recipient, is deposited in a special fund operated by the State Board of Investment, invested, and is disbursed to forestall or ameliorate a default by any contributing public pension plan. The fee could shut off when the fund achieves a specified dollar amount. A charge of \$1 per month on all statewide and major local retirement plan active members and benefit recipients would b \$4.94 million per year. A charge of \$1 per month on all statewide and major local plan active members only would raise \$3.44 million per year.
5. Deferred Annuities Augmentation Eliminated for Post-2005 Hirees. The augmentation of deferred annuities is eliminated for future public pension plan members. The provision is related to and an

extension of the change proposed in S.F. 620 (Betzold, by request); H.F. 1758 (Smith) for the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) and the Public Employees Police and Fire Plan (PERA-P&F). (Article 5)

6. Increased Maximum Retirement Plan Covered Salary Figure. The current 95 percent of the Governor's salary limitation on the salaries covered for retirement purposes would be increased to 110 percent of the Governor's salary. The provision addresses the issues heard by the Commission April 1, 2005, in the form of S.F. 995 (Betzold); H.F. 2109 (Smith): Various Plans; State Salary Limit Exceptions for Public Pension Purposes. (Article 6)
7. State Government Early Retirement Incentives. The various early retirement and leave retirement credit provisions for State employees are implemented as provided for in S.F. 1057 (Pogemiller); H.F. 1120 (Powell): Various Plans; State Employees Early Retirement Incentives and Voluntary Unpaid Leave Options and heard by the Commission on May 5, 2005. (Article 7)
8. Pension Appropriation. An unspecified amount for Fiscal Year 2006 and Fiscal Year 2007 is appropriated for unspecified pension purposes. (Article 8)