

S.F. 996

(Betzold)

H.F. 1636

(Hornstein)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MSRS-General
Relevant Provisions of Law: Minnesota Statutes, Section 353.01, Subdivision 11
General Nature of Proposal: Allows Members to Obtain Service Credit for a Strike Period
Date of Summary: April 4, 2005

Specific Proposed Changes

- Revises law to allow MSRS-General members to receive service credit for a period while on strike by paying to the fund the sum of employee and employer contributions if made within one year, or with interest if made after one year. Payments are allowed anytime before retirement.

Policy Issues Raised by the Proposed Legislation

1. Presumably this legislation is intended to address the Metro Transit strike. At issue is whether the bill is needed given the duration of that strike; no one lost much service credit.
2. Whether it is reasonable employment policy to allow service credit for a strike period, rather than accepting the lost credit as part of the sacrifice employees make when they strike.
3. Flawed payment procedures; no interest is charged if contributions are made within one year, causing fund to lose one year of investment earnings, and contributions can be made anytime prior to retirement, which conflicts with Commission policy of requiring full actuarial value payment if there is a delay of more than a few years.
4. Whether to expand the bills scope to create a policy that would apply to all plans and could be used in any similar future situation, rather than continuing to deal with bills to address pension fund implications of each strike after it occurs.

Potential Amendments

Amendment LCPR05-157 is an uncoded provision for MSRS-covered employees adding an interest requirement and requiring payment within one year after the strike.

Amendment LCPR05-158 is similar to LCPR05-157, but is coded and includes language permitting the Metro Transit employees to pay before March 1, 2006.

Amendment LCPR05-159 allows payment of contributions plus interest if payment made in one year, otherwise requires full actuarial value. Expires in five years.

Amendment LCPR05-160 similar to LCPR05-159, except the provision does not expire, but no payment can be accepted more than five years from the end of the strike.

Amendment LCPR05-161 is identical to Amendment LCPR05-159, except that provision does not expire.

Amendment LCPR05-162 is similar to Amendment LCPR05-158, except that the provision applies to all defined benefit plans covered by the combined service annuity provision.

Amendment LCPR05-163 applies to all defined benefit plans included under the combined service annuity provision. Service credit is received by paying contributions plus interest in year one after the strike, or by paying the full actuarial value in years two through five. Payments can not be made more than five years after the end of the strike.

Amendment LCPR05-164 is identical to Amendment LCPR05-163, except that full actuarial payments continue to be permitted after five years after the end of the strike.