

S.F. xxx
(xxx)

H.F. 2208
(Lenczewski)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Minneapolis Employees Retirement Fund (MERF)
Relevant Provisions of Law:
General Nature of Proposal: Prior Service Credit Purchase for Permit Employment Period
Date of Summary: January 24, 2006

Specific Proposed Changes

- Authorizes a current Minneapolis Employees Retirement Fund (MERF) member to purchase up to two years of service credit in MERF by paying the full actuarial value of the service credit purchase for a period of Minneapolis city employment during 1975 and 1976 during which the individual was a "permit employee."

Policy Issues Raised by the Proposed Legislation

1. Need or justification for change.
2. Long delay in seeking resolution.
3. Determining employee status.
4. Possible undermining of statute.
5. Consistency with city actions; city support.
6. Scope, number of individuals in this category.
7. Consistency with Commission policy.
8. Cost issues.
9. Employer/plan liability issue.

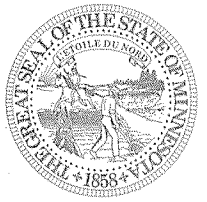
Potential Amendments

LCPR-H2208-A1 provides technical cleanup.

LCPR-H2208-A2 can be used if it is determined that the individual is more appropriately classified as a temporary employee rather than a permit employee. It revises all references in the bill from "permit employee" to "temporary employee."

LCPR-H2208-A3 amends the bill by adding a local approval clause. This could be used if the Commission is concerned about the city's need to obtain additional funds, through bond issues or taxation, to cover asset transfer requirements to MERF's Retired Account related to the subsequent retirement of this individual.

LCPR-H2208-A4 is a delete-everything amendment that can be used if the Commission concludes that the eligible permit employee should have had retirement coverage under then existing law for the period of permit employment, and the city harmed the employee by not providing that coverage. The individual would pay the employee contributions that would have been required at that time plus 8.5 percent interest, while the city is mandated to pay the remainder of the full actuarial value.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: S.F. xxx; H.F. 2208 (Lenczewski): MERF; Prior Service Credit Purchase for Permit Employment Period

DATE: January 20, 2006

Summary

S.F. xxx; H.F. 2208 (Lenczewski) would authorize a current Minneapolis Employees Retirement Fund (MERF) member, identified by date of birth and other facts specific to his situation, to purchase up to two years of service credit in MERF by paying the full actuarial value of the service credit purchase for a period of Minneapolis city employment during 1975 and 1976 during which the individual was a "permit employee."

Background on Service Credit Purchases

Every legislative session the Legislative Commission on Pensions and Retirement reviews requests for service credit purchases in Minnesota public pension plans, either in the form of special legislation or general legislation. In considering these requests, the Commission has generally been guided by the following statement in the Commission's Principles of Pension Policy. The applicable principle, II.C.10., reads as follows:

10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if, on a case-by-case basis, it is determined that the period to be purchased is public employment or substantially akin to public employment, that the prior service period must have a significant connection to Minnesota, that the purchase payment from the member or from a combination of the member and the employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan, and that the purchase must not violate notions of equity.

If the situation involves Minnesota public or quasi-public employment, if the pension fund is not harmed by the purchase, if the purchase does not raise broader policy concerns, and if the purchase does not violate equity considerations, the Commission generally recommends that the bill be enacted.

Background on the Current Situation

The individual covered by the bill was hired by the city on a full-time, permanent basis in 1977. The covered individual is seeking special legislation to authorize a purchase of service credit for a period during 1975 and 1976 in which the individual was employed by the city but on a permit basis.

Minneapolis Employees Retirement Fund (MERF) law contains no mention of "permit" employees. According to Tim Caza, MERF's benefit counselor, permit employees are employees the city hired without going through the usual civil service requirements. Generally, these employees filled short-term employer needs. A few examples he gave are lifeguards hired by the city for a summer to provide services at city beaches, or individuals hired to run or to umpire city recreational leagues. Permit employees earn no benefits. There is no sick leave, vacation, or retirement coverage. Some permit employees later get on civil service hire lists, take necessary tests or meet other required educational or background experience, and are hired by the city as permanent employees. At that point they become eligible for benefits, including prospective retirement plan coverage.

"Permit employee" may be another term for temporary employee, or it may be a type of employee which falls under the "temporary employee" umbrella. "Temporary employee" is a class covered in MERF law and explicitly excluded from retirement plan coverage, providing that the individual worked less than 1,000 hours in the year (the equivalent of 25 weeks of 40-hour-per-week employment, or half-time employment for approximately one year).

The key issue is whether this individual was properly excluded from MERF while the individual was a "permit employee." If the city and MERF followed applicable law at that time, then there would be no

basis for an argument that the city should share in the cost of the service credit purchase. And if the law was correctly followed in this case, the Commission may be concerned that permitting the individual to purchase service credit for the permit period undermines the applicable statute, and should not be allowed even if the individual is willing to cover the entire computed full actuarial value. The Commission generally does not allow a service credit purchase if the period of service was properly excluded under law from plan coverage when that service was performed.

Temporary Employment Positions: MERF Law

A copy of MERF statutes from 1976 regarding retirement plan treatment of temporary employees is attached. It is relevant if the individual covered by the draft was a temporary employee at that time. For purposes of MERF law, employees are divided into a contributing class and an exempt class. The contributing class is the MERF-covered employees. These are the employees authorized to make contributions to the plan and who are eligible for benefits under the plan. The exempt class is not eligible to contribute to the plan and does not accrue service credit toward benefits. Section 422A.09, Subdivision 3, Clause (4), indicates that persons employed on a temporary basis as laborers and in similar occupations and who work less than 1,000 hours are in the exempt class. If the eligible individual under these bills was correctly categorized as a temporary employee, it appears that the city and MERF treated the individual consistent with the law at the time that the temporary employment was provided.

Full Actuarial Value Service Credit Purchases

If the Commission and the Legislature pass a special law service credit purchase request, the standard payment procedure is to require payment of the full actuarial value of the service credit. Under that process, if the payment is correctly computed, the cost of the service credit is equal to the expected additional value of the retirement annuity that occurs due to the service credit purchase. In other words, there should be no net monetary gain to the individual due to the service credit purchase. From a financial standpoint, it is worthwhile to make a service credit purchase only if the employer or the fund provides a subsidy.

Issues Specific to MERF

MERF has a 30-year-and-out provision, permitting individuals who are credited with 30 years of MERF service credit to retire with an unreduced pension regardless of age. It is likely that the individual covered by this bill is seeking additional service credit to permit retirement sooner than would otherwise be the case. This would work against recent MERF and city efforts to discourage MERF-covered employees from leaving service. In large part that effort is motivated by an effort to minimize a cash-flow problem. MERF has been closed to new members for many years, and is quickly losing its remaining active members to retirement. At the time of retirement, Minneapolis is required by law to provide the full required reserves to fund those pensions for the remaining expected lifetime of the retirees. These amounts must be transferred from the employee's account in the Active Fund (in which the assets for active members are held and invested) to the Retired Fund within MERF. If the assets in the account are not sufficient to make the transfer, the city is required by law to deposit additional money in the account to cover the transfer.

MERF has predicted that all active members might retire by 2008. A few years ago, the city issued bonds to cover city needs, a prominent part of which was to obtain funds to meet MERF transfer needs to the MERF Retired Account (and also to cover large required city contributions to another Minneapolis pension fund, the Minneapolis Police Relief Association (MPRA)).

Similar Prior Situations

The Commission has heard several bills in recent years, which, to the best of our knowledge at this time, are similar to the current proposal. The Commission recommended two similar provisions to pass in 2000. More recently, during the 2003 session, the Commission reviewed a similar MERF service credit purchase provision and recommended that it not pass. It is uncertain why the Commission's position shifted. One possible reason is that the Commission is placing more weight on arguments that individuals should not be permitted to purchase service credit for periods that were properly excluded under law.

The 2000 session cases which passed (Laws 2000, Chapter 461, Article 19, Sections 9 and 10) both dealt with Minneapolis employees who had periods of temporary city employment prior to being hired in a permanent position. Under law that applied when these individuals provided the temporary service, the city correctly excluded them from pension plan coverage for the period of temporary employment. The

enacted legislation permitted the individuals to purchase MERF service credit for the period of temporary service.

The cases that passed in 2000 met some of the usual requirements found in the Commission's policy statement for purchases of service credit, quoted previously. The employment periods being purchased were periods of service to a public employer, Minneapolis, and the employment was of the general nature of public employment. The purchase was at full actuarial value. Therefore, the purchase would not involve a subsidy from others assuming that the full actuarial value methodology produces an accurate estimate. However, the purchases may not have been consistent with notions of equity and fairness, which is one of the criteria in that policy statement. The periods of excluded service were properly excluded under law. The individuals were treated properly under the laws in effect during those periods and consistently with other employees in those same excluded employee categories. The authority granted to these two individuals under the 2000 legislation may have created a fairness issue for others. These two individuals were given a right not extended to other similarly situated individuals.

During the 2003 session, on April 3, 2003, the Commission heard H.F. 308 (Eastlund); S.F. 616 (Lourey): MERF; Purchase of Service Credit for Prior Minneapolis City Temporary Employment. These bills would have permitted a certain MERF member to purchase service credit at full actuarial value for a period of temporary employment. During that session the Commission followed a policy of delaying any recommendations until a later date, when action would be taken regarding which proposals were to be recommended to pass and be rolled into the Commission's Omnibus Pension Bill. On April 22, 2003, a motion was made that H.F. 308 (Eastlund); S.F. 616 (Lourey) should pass, but the motion failed.

Pension Policy Issues

S.F. xxx; H.F. 2208 (Lenczewski) would authorize a current MERF member, identified by date of birth and other facts specific to his situation, to purchase up to two years of service credit in MERF by paying the full actuarial value of the service credit purchase, for a period of Minneapolis city employment during 1975 and 1976 during which the individual was a "permit employee." Pension policy issues are:

1. Need or Justification for Change. The issue is whether there is sufficient need or justification for legislative action on this issue. *If the purchase price is an accurate estimate of the liabilities that will be created*, which a full actuarial value service credit purchase is supposed to be, legislative time will be spent to produce an outcome which leaves the individual financially no worse off and no better off than he currently is, unless the Commission were to decide that the city should cover part of the cost.
2. Long Delay in Seeking Resolution. To the extent that the eligible individual has a problem worth addressing, the Commission may be concerned about the long delay in seeking a remedy. The individual has 25 years of service credit, is approaching eligibility for MERF's 30-and-out provision, and is now, near the end of his public employment, seeking to address the lack of service credit for the period 1975-76, when the individual did provide work for the city but did not receive service credit in a public pension plan. The long passage of time makes it more difficult to determine the factual situation.
3. Determining Employee Status. The Commission may choose to focus on the status of the employee during the period in question, and whether excluding the individual from the pension plan was proper under law. The answer would determine whether there is any basis to require the city to pay part of the cost, and may determine whether any purchase should be authorized. If the individual covered by the bill fell into MERF's "temporary employee" group, as defined in MERF law, then the individual was properly excluded from MERF and there is no basis for concluding that the city or state should subsidize a service credit purchase. If the individual was hired as a temporary employee and worked 1,000 hours or more during a year, it would appear that the individual should have been reported for MERF coverage during the two years in question, and a case might be made that the city caused harm and should pay to remove that harm. If a "permit employee" is not a temporary employee for purposes of MERF law, then it may be necessary for the Commission to determine what retirement treatment is specified in MERF law for these "permit employees" and to decide if there is any basis for permitting the service credit purchase, with or without a city-provided subsidy.
4. Possible Undermining of Statute. If the individual was properly excluded from MERF coverage, recommending that the bill should pass would further undermine the plan's excluded employee provisions.
5. Consistency with City Actions; City Support. MERF retirements have added to financial stress in the city of Minneapolis due to the need to provide MERF with sufficient assets to cover the transfers to

the Retired Fund at the time of retirement. This draft may provide an incentive for an individual retire earlier, creating an earlier need for sufficient transfer assets. The Commission may wish to hear testimony from the city to determine whether the city is comfortable with this bill draft, and whether the city would like to have a local approval clause added.

6. Scope, Number of Individuals in this Category. The Commission may be concerned that approving this request will encourage others to seek similar treatment.
7. Consistency with Commission Policy. The issue is whether the bill is sufficiently consistent with Commission policy on service credit purchases. The situation described in the draft does meet a few of the policy guidelines for service credit purchase that were quoted above from the Commission pension policy statement. The employment clearly has a Minnesota connection and was provided to a public employer. The payment is at full actuarial value. The most serious conflict would occur if the Commission concludes that the service credit purchase is for a period which was properly excluded from coverage under MERF's membership laws.
8. Cost Issues. The issue is the price of the service credit purchases and whether the individual will undertake the purchase given that cost. A year or more ago Commission staff received from MERF a rough estimate of \$66,000. MERF indicated that obtaining a precise determination costs the fund \$500, and it is reluctant to obtain a refined estimate if the proposal does not pass. Our understanding is that the eligible individual is willing to purchase service credit at a price of \$66,000.
9. Employer/Plan Liability Issue. The issue is whether MERF or the employer harmed the individual and should be required to subsidize the purchase. If the Commission were to conclude that the city harmed the individual, the Commission might wish to consider a delete-everything amendment to the bill which requires the city to pay a substantial portion of the computed full actuarial value. If the Commission concludes that the employer did follow law and thus did not harm then individual, then the bill as drafted may be a more appropriate approach, although as noted above, the Commission generally does not recommend service credit purchase bills to pass if the service was properly excluded under law.

Amendments

- LCPR-H2208-A1 provides technical cleanup.
- LCPR-H2208-A2 can be used if it is determined that the individual is more appropriately classified as a temporary employee rather than a permit employee. It revises all references in the bill from "permit employee" to "temporary employee."
- LCPR-H2208-A3 amends the bill by adding a local approval clause. This could be used if the Commission is concerned about the city's need to obtain additional funds, through bond issues or taxation, to cover asset transfer requirements to MERF's Retired Account related to the subsequent retirement of this individual.
- LCPR-H2208-A4 is a delete-everything amendment that can be used if the Commission concludes that the eligible permit employee should have had retirement coverage under then existing law for the period of permit employment, and the city harmed the employee by not providing that coverage. The individual would pay the employee contributions that would have been required at that time plus 8.5 percent interest, while the city is mandated to pay the remainder of the full actuarial value.



March 10, 2004

Edward Burek
Legislative Commission on Pension and Retirement
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Judith M. Johnson
Executive Director/
Chief Investment Officer

Dear Mr. Burek;

This letter is to confirm that Mr. Brad Savage would be eligible to purchase two years of permit time if special legislation is enacted. The years would be 1975 and 1976.

Mr. Savage currently has 27 years and three months of service. Two additional years would make him eligible for immediate retirement. The cost of a MERF service purchase generally is about \$30,000 per year.

When legislation is enacted, we employ the State Actuary to calculate the exact purchase cost for the actual purchase date selected by the member.

Please advise if any additional information would be helpful.

Sincerely,

A handwritten signature in dark ink, appearing to read "Judith M. Johnson", with a long horizontal flourish extending to the right.

Judith M. Johnson
Executive Director

cc. Brad Savage

Board Members
Agnes M. Gay
President
Dennis W. Schulstad
Vice President
Craig P. Cooper
Secretary/Treasurer
Arthur (Dan) Cherryhomes
James H. Lind
Barbara Johnson
John Moir

LCP & R MAR 15 2004



January 20, 2006

Edward Burek
Legislative Commission on Pensions
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(612) 335-5950
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Judith M. Johnson
Executive Director/
Chief Investment Officer

Dear Mr. Burek;

This letter is to transmit certain cost estimates related to HF 2208. The bill is to be heard on January 31, 2006. This bill would permit the purchase of permit service at full actuarial value.


To the extent the bill is enacted MERF would employ the state actuary to calculate the exact cost amount. We have prepared a pension estimate to show the cost difference with and without the bill. The difference is approximately \$70,000 for the two years of service that would be purchased.

The estimates show the additional expense in the employer contribution but we understand that the former employee would pay the cost if he is granted the purchase. This would increase the employee contribution and decrease the employer contribution by the same amount.

The employee is no longer working for the city of Minneapolis. If he purchases the service he can retire immediately after the bill passes and payment is made. The alternative is to wait until age 60 to collect the pension.

The pension plan takes no position on the bill provided that the member pays the full actuarial cost of the bill, thus holding the plan and the employer harmless.

Sincerely,


Judith Johnson
Executive Director

Attachments

cc. Brad Savage

cc. Gene Ranieri, Director Government Relations City of Minneapolis

LCP & R JAN 23 2006

no longer working (assumes bill passed
permut service bought)

ACTUARIAL REPORT

APPLICANT NAME: Savage, Brad
RETIREMENT DATE: 01-Jul-2006
APPLICATION NO.:
RETIREMENT CAUSE: C.S.

		Date of Birth	Age %	Age	Age
CLAIM NUMBER:	Annuitant:	20-Mar-1956	50.25	50-03	50.03
OPTION SELECTED:	SL Beneficiary:				
DEATH BENEFIT:	\$0				
YEARS OF SERVICE:	29 Difference				50.03
MONTHS OF SERVICE:	2				

1 Enter Sum of earnings-Best 5 years		243,788.66
2 Years of service percentage		67.9167%
3 Monthly formula life Annuity		\$2,759.55
4 Enter Single Life annuity valuation factor(table)		15.270
5 Value of formula annuity		\$505,659.94
6 Option 4-Death benefit		\$0
7 Enter Death benefit valuation factor		0
8 Value of death benefit		\$0.00
9 Value of annuity		\$505,659.94
10 Enter Valuation factor for annuity option (Enter 1 for SL & 4 w/D.B.)	1.00000	15.270
11 Monthly Annuity		\$2,759.55
12 Annual annuity		\$33,114.60
13 Enter Employee contribution		\$159,603.10
14 Employer contribution		\$346,056.84
15 Transfer to Adjustable Fixed Benefit Fund		\$505,659.94

Date Computed: 20-Jan-06
Computed by: LLP

ACTUARIAL REPORT

APPLICANT NAME: Savage, Brad
 RETIREMENT DATE: 01-Jul-2006
 APPLICATION NO.:
 RETIREMENT CAUSE: C.S.

		Date of Birth	Age %	Age	Age
CLAIM NUMBER:	Annuitant:	20-Mar-1956	60.00	60.00	60.00
OPTION SELECTED:	SL Beneficiary:				
DEATH BENEFIT:	\$0				
YEARS OF SERVICE:	27 Difference				60.00
MONTHS OF SERVICE:	2				

1 Enter Sum of earnings-Best 5 years		243,788.66
2 Years of service percentage		62.9167%
3 Monthly formula life Annuity		\$3,406.65
4 Enter Single Life annuity valuation factor(table)		12.767
5 Value of formula annuity		\$521,912.17
6 Option 4-Death benefit		\$0
7 Enter Death benefit valuation factor		0
8 Value of death benefit		\$0.00
9 Value of annuity		\$521,912.17
10 Enter Valuation factor for annuity option (Enter 1 for SL & 4 w/D.B.)	1.00000	12.767
11 Monthly Annuity		\$3,406.65
12 Annual annuity		\$40,879.80
13 Enter Employee contribution <i>Earns 5% interest</i>		\$247,596.85
14 Employer contribution		\$274,315.32
15 Transfer to Adjustable Fixed Benefit Fund		\$521,912.17

Date Computed: 20-Jan-06
 Computed by: LLP

CHAPTER 422A

RETIREMENT ALLOWANCES, MINNEAPOLIS

Sec.		Sec.	
422A.01	Definitions.	422A.14	Application; approval.
422A.02	Retirement board; members.	422A.15	Service allowance; contributing employees.
422A.03	Meetings; employees; rules and regulations.	422A.16	Retirement allowance; deferred compensation.
422A.04	Expenses; reports; records; powers.	422A.17	Retirement allowance; options.
422A.05	Trustee of funds.	422A.18	Disability allowances.
422A.06	Retirement fund.	422A.19	Retirement; credit for service under disability.
422A.07	City treasurer custodian of funds; depositories.	422A.20	Death benefits; distribution.
422A.08	Financing of city's contribution.	422A.21	Retirement allowances increased.
422A.081	Financing retirement benefits.	422A.22	Refunds.
422A.09	Classification of employees.	422A.23	Survivor benefits.
422A.10	Salary deductions.	422A.24	Allowances not assignable or subject to execution.
422A.11	Military service.	422A.25	Continuing appropriation, rights not impaired.
422A.12	Credits; individual record.		
422A.13	Retirement allowances; when paid.		

422A.01 DEFINITIONS. Subdivision 1. For purposes of sections 422A.01 to 422A.25 the terms defined in this section shall have the following meanings.

Subd. 2. "City" means the city of Minneapolis.

Subd. 3. "Retirement allowance" means either a service allowance to which an employee may be entitled who retires from the city service after having attained the minimum established age for retirement or a "disability allowance" to which an employee may be entitled who retires from the city service as a result of disability before having attained the minimum age for retirement.

Subd. 4. "Annuity" means payments for life derived from contributions made by an employee, as provided in sections 422A.01 to 422A.25.

Subd. 5. "Pension" means payments for life derived from credits allowed and appropriations made by the city, as provided in sections 422A.01 to 422A.25.

Subd. 6. "Present worth" or "present value" means that the present amount of money if increased at an assumed rate of interest and mortality will at the time of retirement equal the cost of the annuity already earned.

Subd. 7. "Actuarial equivalent" means two or more settlements, annuities, or benefits that have the same present worth.

Subd. 8. "Established age" means the minimum age for retirement on a service allowance as specified by or pursuant to sections 422A.01 to 422A.25.

Subd. 9. "Public corporation" includes metropolitan airports commission, metropolitan waste control commission and municipal employees retirement fund.

Subd. 10. "Actuarial deficit" or "actuarial surplus" of an allowance or of allowances means the difference between the accrued liabilities to date of the allowance or allowances and the corresponding assets.

Subd. 11. "Employee" means any person not exempted from the contributing class, who is employed by and paid, in whole or in part, by the city or any of its boards, departments, or commissions, operated as a department of city government or independently if financed in whole or in part by city funds, including any person employed by a public corporation as herein defined, and including any person employed by the Minneapolis school district, each of whom are not a member of any other retirement system, and also including any person employed by the county of Hennepin who has previously elected to retain his membership in the municipal employees retirement fund and is a contributing member of the fund.

Subd. 12. "Dependent" means a spouse, child, or any person actually dependent upon and receiving over 50 percent of his support from such employee.

Subd. 13. "Adjustable fixed-benefit annuity" means all retirement and disability payments made by the fund under the terms of sections 422A.01 to 422A.25 as adjusted from time to time. This does not include payments, if any, from sources other than participation in the Minnesota adjustable fixed-benefit fund.

ment fund the amount certified to such corporation by the retirement board as the cost of the retirement allowances and other benefits accrued and owing for the employees of such corporation. Any employee of a public corporation who was an employee of the city prior to his employment by the public corporation, and who was a member of or had accrued benefits in an organized retirement fund of the city, shall be allowed credit in the retirement fund for such employment with the city in the same manner as though he had continued in the service of the city. The cost of that portion of the retirement allowance or other benefits accrued while the employee was in the service of the city shall be an obligation of the city, and a tax shall be levied and collected to discharge such obligation as herein provided.

Subd. 5. Any contributor or retired employee who prior to entering the service of the city was an employee of a public corporation, shall be allowed credit in the retirement fund for employment by such public corporation in the same manner as though the service had been rendered to the city. Before receiving credit for service rendered to a public corporation as herein set forth, the contributing or retired employee shall make application therefor in writing to the retirement board, and shall contribute to the retirement fund the amount which would have been contributed had the employee been a contributing member of the fund during the time such service was rendered to the public corporation, plus four percent compound interest to date of payment or date of retirement, such amount to be determined by the retirement board.

Subd. 6. It shall be the duty of the city council, in addition to all other taxes levied by such city, to annually levy a tax for the purposes set forth in sections 422A.01 to 422A.25, and such tax when levied shall be extended upon the county lists and collected and enforced in the same manner as other taxes levied by the city are extended, collected and enforced. In the event the city council does not levy the tax in accordance with this section, the retirement board shall submit such statement directly to the county auditor who shall levy the tax, and such tax when levied shall be extended upon the county lists and collected and paid into the city treasury to the credit of the retirement fund, which shall constitute and remain a special fund and shall be used only for the payment of obligations created pursuant to the provisions of sections 422A.01 to 422A.25.

[1973 c 133 s 8; 1973 c 770 s 2; 1974 c 73 s 2]

422A.081 FINANCING RETIREMENT BENEFITS. Notwithstanding any law to the contrary, for taxes levied in 1976 and payable in 1977 and thereafter, levies for the cost of the financial requirements of the municipal employees' retirement fund under sections 422A.01 to 422A.25 for employees of the Minneapolis school district are disallowed except as provided in this section and the school district shall assume these costs. Beginning January 1, 1977, the school district shall pay to the retirement fund the amount of these costs for each year on the basis of an itemized statement of the employer's share of the financial requirements of the retirement board which are attributable to school district employees. The retirement board shall submit this statement to the school board prior to September 15, 1976 and September 15 of each year thereafter and the school district shall pay the retirement fund pursuant to this section at times designated by the retirement board. The school district may levy for its contribution pursuant to this section only to the extent allowed under section 275.125, subdivision 6a.

[1976 c 271 s 92]

422A.09 CLASSIFICATION OF EMPLOYEES. Subdivision 1. Employees of the city shall be divided into a contributing class and an exempt class.

Subd. 2. The contributing class shall consist of all employees not included in the exempt class, who become prospective beneficiaries of the fund created by sections 422A.01 to 422A.25.

A member of the contributing class who is granted a leave of absence without pay by his employer to serve as an employee or agent of a labor union primarily representing members of the contributing class may continue as a member of the contributing class during the period of such leave of absence by depositing each month with the fund the amount of the contribution of the employee as required by sections 422A.01 to 422A.25 which amount shall be the normal employee contribution.

The contributions referred to in this subdivision shall be based on the salary for the position or its equivalent held by the member immediately prior to such leave of absence subject to any adjustment thereof during the period of such leave.

Subd. 3. The exempt class shall consist of:

(1) Employees who are members of any other organization or association of the city on behalf of which a tax is levied by the city for the purpose of paying retirement allowances to disabled or superannuated employees.

(2) Persons filling elective position. Provided that any elective officer holding an elective city office, excepting judges of a municipal court, shall, upon written application to the retirement board, be entitled to become a member of the contributing class of the fund, and after becoming a contributor to the fund be entitled to all benefits conferred upon employees of the contributing class except retirement on a service allowance, which shall be granted only upon completion of ten or more years of service.

All retirement allowances shall be computed and determined as provided herein, except that in determining the number of years of service, credit shall be given for time served as an elective officer or employee, or member of an executive board or commission or any combination thereof. Persons who have served in elective positions which qualified them for membership in the fund prior to July 1, 1967, and who immediately thereafter hold elective office, first being appointed to that elective office in Hennepin county in which they served as an elected official, may retain or resume membership in the fund as an elective officer of the county. The county shall collect and pay to the retirement fund the employee contribution. The employer cost of allowances and benefits credited to an elected officer as set forth above shall be paid from the county revenue fund by the proper county officials upon certification of such costs by the retirement board in the same manner as prescribed in section 422A.08 for the payment of costs by public corporations. A tax shall be levied by Hennepin county to defray the cost of such retirement allowances which may be in addition to all other taxes levied by the county. Before receiving a retirement allowance, or any other benefit, any person who claims credit for service under this section shall contribute to the fund an amount equal to the amount of contributions to the fund which such person would have made had he been a contributor to the fund since the date he first became eligible for membership in the fund, in accordance with the method of contribution herein provided for, plus four percent compound interest.

(3) Persons serving without pay.

(4) Persons employed on a temporary basis, as laborers, doorkeepers, ticket takers, and attendants at the municipal auditorium, park recreation facilities, or like activities, employed less than 1000 hours, or its equivalent if employed on any other basis than an hourly basis, in any calendar year from January 1 to December 31, inclusive, provided that employees who are contributing members of the fund on July 1, 1959 shall not be affected by the exclusions contained in this section.

(5) A person who is exempted from the contributing class by Minnesota Statutes 1974, Section 422A.09, Subdivision 3, Clauses (4) and (5), but who is employed by and paid, in whole or in part, by the city or any of its boards, departments, or commissions, operated as a department of the city government or independently, if financed in whole or in part by city funds, including any person employed by a public corporation as herein defined, and including any person employed by the Minneapolis school district, each of whom are not a member of any other retirement system, who later becomes a contributing member of the fund may elect to qualify such time for credit by paying into the fund an amount equal to the amount of contributions to the fund which such person would have made had he been a contributor to the fund since the date he first qualified as an exempt member of the contributing class, in accordance with the method of contribution herein provided, plus four percent compound interest.

(6) Any person who is employed by the city or any of its boards, departments, commissions or a public corporation, as herein outlined, and is excluded from participation in the fund by paragraph (4) shall be separated from the service upon reaching the age of 65 regardless of the provisions of the veterans preference act.

[1973 c 133 s 9; 1973 c 770 s 3; 1974 c 76 s 6,7; 1976 c 130 s 2]

422A.10 SALARY DEDUCTIONS. Subdivision 1. There shall be deducted and withheld from the basic salary, pay or compensation of each employee in the contributing class, 7 1/4 percent of such salary, pay or compensation, except as hereinafter provided. The retirement board may increase the percentage rate of contribution to the retirement fund of any employee or employees for the purpose of establishing and maintaining on an actuarial basis a plan of insurance, survivors' benefits, or other type of benefit or benefits, the cost of which shall be paid out of such extra percent-

Sec. 9. [MERF; PRIOR SERVICE CREDIT PURCHASE FOR TEMPORARY EMPLOYMENT PERIOD.]

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service credit from the Minneapolis employees retirement fund for the period of temporary employment specified in paragraph (c) by making the payment required under Minnesota Statutes, section 356.55.

(b) An eligible person is a person who:

(1) was born on August 15, 1951;

(2) was hired by the city of Minneapolis as a maintenance worker/truck driver on June 1, 1976, and was covered by the Minneapolis employees retirement fund for that employment; and

(3) is currently employed by the city of Minneapolis and covered by the Minneapolis employees retirement association.

(c) The period for allowable service credit purchase is a period during 1975 during which the eligible person was employed by the city of Minneapolis as a temporary employee.

(d) An eligible person must provide any relevant documentation related to eligibility to make this service credit purchase required by the executive director of the Minneapolis employees retirement fund.

(e) Allowable service credit for the purchase periods must be granted by the Minneapolis employees retirement fund to the account of the eligible person upon receipt of the prior service credit purchase payment amount. To receive the service credit, the service credit purchase must be received by the Minneapolis employees retirement fund by October 1, 2001, or prior to retirement, whichever is earlier.

Sec. 10. [MERF; PRIOR SERVICE CREDIT PURCHASE FOR TEMPORARY EMPLOYMENT PERIOD.]

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service credit from the Minneapolis employees retirement fund for the period or periods of temporary employment specified in paragraph (c) by making the payment required under Minnesota Statutes, section 356.55.

(b) An eligible person is a person who:

(1) was born on December 17, 1953;

(2) was hired by the city of Minneapolis as a full-time maintenance worker on February 2, 1974, and was covered by the Minneapolis employees retirement fund for that employment; and

(3) is currently employed by the city of Minneapolis, covered by the Minneapolis employees retirement association.

(c) The periods for allowable service credit purchase are periods during 1974 and 1975 during which the eligible person was employed by the city of Minneapolis as a temporary employee.

(d) An eligible person must provide any relevant documentation related to eligibility to make this service credit purchase required by the executive director of the Minneapolis employees retirement fund.

(e) Allowable service credit for the purchase periods must be granted by the Minneapolis employees retirement fund to the account of the eligible person upon receipt of the prior service credit purchase payment amount. To receive the service credit, the service credit purchase must be received by the Minneapolis employees retirement fund by October 1, 2001, or prior to retirement, whichever is earlier.

Sec. 11. [EFFECTIVE DATE.]

(a) Sections 1, 2, and 4 to 10 are effective on the day following final enactment.

(b) Section 3 is effective on the day after the date on which the Dakota county board of commissioners and the chief clerical officer of Dakota county complete, in a timely manner, their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3.

(c) Section 1 expires, if not utilized, on December 31, 2000.

- 1.1 M moves to amend S.F. No. xxx; H.F. No. 2208 as follows:
- 1.2 Page 2, line 11, delete "October 1, 2005" and insert "the date required under
- 1.3 Minnesota Statutes, section 356.551"
- 1.4 Page 2, line 13, delete "Notwithstanding Minnesota Statutes, section 356.551,"

- 1.1 M moves to amend S.F. No. xxx; H.F. No. 2208 as follows:
- 1.2 Page 1, line 7, before "EMPLOYMENT" insert "TEMPORARY" and delete "AS A
- 1.3 PERMIT EMPLOYEE" and insert "PERIOD"
- 1.4 Page 1, line 23, delete "permit" and insert "temporary"
- 1.5 Amend the title accordingly

1.1 M moves to amend S.F. No. xxx; H.F. No. 2208 as follows:

1.2 Page 2, delete section 2 and insert:

1.3 "Sec. 2. **EFFECTIVE DATE; LOCAL APPROVAL.**

1.4 Section 1 is effective on the day after the date on which the Minneapolis city council
1.5 and the chief operating officer of the city of Minneapolis complete in a timely manner
1.6 their compliance with Minnesota Statutes, section 645.021, subdivisions 2 and 3."

M moves to amend S.F. No. xxx; H.F. No. 2208 as follows:

Delete everything after the enacting clause and insert:

"Section 1. **MERF; PRIOR SERVICE CREDIT PURCHASE FOR
EMPLOYMENT AS A PERMIT EMPLOYEE.**

(a) An eligible person described in paragraph (b) is entitled to purchase allowable service credit from the Minneapolis Employees Retirement Fund for the period or periods of employment as a permit employee specified in paragraph (c) by making the payment required under Minnesota Statutes, section 356.551.

(b) An eligible person is a person who:

(1) was born on March 20, 1956;

(2) was hired by the city of Minneapolis as a permanent employee on May 2, 1977, and was covered by the Minneapolis Employees Retirement Fund for that employment; and

(3) is currently employed by the city of Minneapolis, covered by the Minneapolis Employees Retirement Association.

(c) The periods for allowable service credit purchase are periods during 1975 and 1976 during which the eligible person was employed by the city of Minneapolis as a permit employee.

(d) An eligible person must apply to the executive director of the Minneapolis Employees Retirement Fund to make a service credit purchase under this section. The application must be in writing and must include any relevant documentation related to eligibility to make this service credit purchase that the executive director of the Minneapolis Employees Retirement Fund may require.

(e) Allowable service credit for the purchase period or periods must be granted by the Minneapolis Employees Retirement Fund to the account of an eligible person upon receipt of the portion of the prior service credit purchase payment amount payable under paragraph (f) in a lump sum by the applicable eligible person.

(f) Notwithstanding Minnesota Statutes, section 356.551, an eligible person may pay before October 1, 2006, or the date of termination from service, whichever is earlier, an amount equal to the employee contribution rate or rates in effect during the applicable permit employment period or periods specified in paragraph (c) applied to the actual salary rate or rates in effect during that period or periods, plus annual compound interest at the rate of 8.5 percent from the midpoint of each applicable period, to the date on which the payment is actually made. The city of Minneapolis must pay the remaining balance of the prior service credit purchase payment amount calculated under Minnesota Statutes, section 356.551, whichever is applicable, within 30 days of the payment by an eligible person. The executive director of the Minneapolis Employees Retirement Fund must notify the chief operating officer of the city of Minneapolis of its payment amount and payment due date if an eligible person makes the required payment.

(g) Notwithstanding Minnesota Statutes, section 356.551, all costs for determining the full actuarial value service credit purchase price must be added to amounts payable by the city of Minneapolis under paragraph (f).

(h) If the city of Minneapolis fails to pay its portion of the required prior service credit purchase payment amount, the executive director of the Minneapolis Employees Retirement Fund must notify the commissioner of finance of that fact and the commissioner of finance must order that the required employer payment be deducted from the next subsequent payment or payments of state aid to the city and the amount shall be transmitted to the Minneapolis Employees Retirement Fund.

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective on the day following final enactment."

Delete the title and insert:

"
A bill for an act
relating to retirement; Minneapolis Employees Retirement Fund; permitting a service credit purchase for prior city employment as a permit employee."

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FOURTH
SESSION

HOUSE FILE No. 2208

March 30, 2005

Authored by Lenczewski

The bill was read for the first time and referred to the Committee on Governmental Operations and Veterans Affairs

1 A bill for an act
2 relating to retirement; Minneapolis Employees
3 Retirement Fund; permitting a service credit purchase
4 for prior city employment as a permit employee.
5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
6 Section 1. [MINNEAPOLIS EMPLOYEES RETIREMENT FUND; PRIOR
7 SERVICE CREDIT PURCHASE FOR EMPLOYMENT AS A PERMIT EMPLOYEE.]
8 (a) An eligible person described in paragraph (b) is
9 entitled to purchase allowable service credit from the
10 Minneapolis Employees Retirement Fund for the periods of
11 employment as a permit employee specified in paragraph (c) by
12 making the payment required under Minnesota Statutes, section
13 356.551.
14 (b) An eligible person is a person who:
15 (1) was born on March 20, 1956;
16 (2) was hired by the city of Minneapolis as a permanent
17 employee on May 2, 1977, and was covered by the Minneapolis
18 Employees Retirement Fund for that employment; and
19 (3) is currently employed by the city of Minneapolis,
20 covered by the Minneapolis Employees Retirement Fund.
21 (c) The periods for allowable service credit purchase are
22 periods during 1975 and 1976 during which the eligible person
23 was employed by the city of Minneapolis as a permit employee.
24 (d) An eligible person must apply to the executive director
25 of the Minneapolis Employees Retirement Fund to make a service

1 credit purchase under this section. The application must be in
2 writing and must include any relevant documentation related to
3 eligibility to make this service credit purchase that the
4 executive director of the Minneapolis Employees Retirement Fund
5 may require.

6 (e) Allowable service credit for the purchase periods must
7 be granted by the Minneapolis Employees Retirement Fund to the
8 account of the eligible person upon receipt of the prior service
9 credit purchase payment amount. To receive the service credit,
10 the service credit purchase must be received by the Minneapolis
11 Employees Retirement Fund by October 1, 2005, or prior to
12 retirement, whichever is earlier.

13 (f) Notwithstanding Minnesota Statutes, section 356.551,
14 all costs for determining the full actuarial value service
15 credit purchase price must be added to the prior service credit
16 purchase payment amount under paragraph (e).

17 Sec. 2. [EFFECTIVE DATE.]

18 Section 1 is effective the day following final enactment.