**S.F. 2299**

(Pogemiller)

**H.F. 1936**

(Fritz)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* MSRS-General/MSRS-Correctional

*Relevant Provisions of Law:* Uncoded

*General Nature of Proposal:* Service Credit Transfer

*Date of Summary:* January 24, 2006

**Specific Proposed Changes**

- Authorizes the transfer of service credit from MSRS-General to MSRS-Correctional, with the payment of the difference between the MSRS-General and the MSRS-Correctional employee and employer contributions, plus 8.5 percent interest.

**Policy Issues Raised by the Proposed Legislation**

1. Precedent concerns: proper coverage for corrections program director position.
2. Equitable basis for the requested transfer.
3. Justification for job change to revert to correctional plan coverage.
4. Equity issue: seeking pension coverage change for position no longer held.
5. MSRS-Correctional actuarial condition.
6. Payment procedure for the transferred service credit: failure to fully cover liabilities.
7. Financing actuarial services.

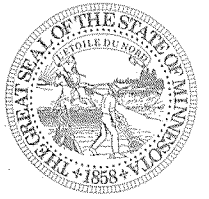
**Potential Amendments**

LCPR-S2299-A1 Technical amendment. This amendment is not needed if LCPR-S2299-A2 is used.

LCPR-S2299-A2 revises the bill to use a full actuarial value payment approach.

LCPR-S2299-A3 transfers the funded portion of the liability released from MSRS-General rather than the full computed liability, to avoid any harm to MSRS-General. This amendment is not needed if LCPR-S2299-A2 is used.

LCPR-S2299-A4 shifts the cost of any actuarial work from the department to the individual. Can be used with any of the above amendments.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director

RE: S.F. 2299 (Pogemiller); H.F. 1936 (Fritz): MSRS-General and MSRS-Correctional; Authorizing Service Credit Transfer to MSRS-Correctional for Service Not Authorized for Correctional Plan Coverage (Sheila McShea)

DATE: January 24, 2006

#### Summary of S.F. 2299 (Pogemiller); H.F. 1936 (Fritz)

S.F. 2299 (Pogemiller); H.F. 1936 (Fritz) would allow an individual, who accepted employment as a Corrections Program Director with the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) coverage from June 17, 1995, to June 5, 2001, and who both before and after that employment was employed in positions covered by the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), to have service credit for the Corrections Program Director service transferred from MSRS-General to MSRS-Correctional. To receive this treatment, the individual must pay to MSRS-Correctional the differential between the MSRS-General and the MSRS-Correctional employee and employer contributions during the period being transferred, plus 8.5 percent interest. If payment is made, assets equal to the present value of benefits in the MSRS-General plan transfer to the MSRS-Correctional plan, and service credit in MSRS-General is forfeited.

#### Public Pension Complaint of Sheila McShea

Ms. Sheila McShea worked in positions covered by MSRS-Correctional during the 1980s through a portion of 1995. The last position worked during this period was as a Corrections Lieutenant from 1989 to 1995. In 1995, she took a promotion to become a Corrections Program Director, which is covered by MSRS-General rather than by MSRS-Correctional. In June 2001, Ms. McShea claims she voluntarily went back to her previous position as a Correctional Lieutenant to enable her to retire from MSRS-Correctional. Ms. McShea is now requesting special legislation to enable her service as a Corrections Program Director to be credited to MSRS-Correctional rather than to MSRS-General. This would enhance her total annuity upon retirement, because MSRS-Correctional provides higher benefits per year of service, and would permit earlier retirement without reduction due to early retirement, or at least a lesser reduction, than is true of MSRS-General.

#### Background Information on the MSRS Correctional State Employees Retirement Plan

The Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) was established in 1973 as a result of collective bargaining by the State of Minnesota with the American Federation of State, County and Municipal Employees (AFSCME), Council 6, and the resulting implementing legislation. Up to that point, correctional guards and most other correctional system employees were covered by MSRS-General. Some correctional system employees were covered by the Teachers Retirement Association (TRA). MSRS-Correctional was created as a separate plan, with the membership in 1973 largely limited to correctional guards and correctional counselors in adult correctional facilities. In subsequent years, by amendments to the coverage group of the plan, the coverage group was expanded to include additional correctional positions in both adult and juvenile correctional facilities. In 1996, the MSRS-Correctional Plan membership was increased by more than 400 State employees by virtue of the inclusion of 33 additional employment classifications who were certified by the Department of Corrections or the Department of Human Services as having at least 75 percent inmate or patient contact. In 1999, the MSRS-Correctional Plan membership was increased by an estimated 115 State employees employed in nine employment positions with the Minnesota Extended Treatment Option (METO) on-campus program at the Cambridge Regional Human Services Center.

One of the attractions of MSRS-Correctional for groups seeking this coverage is that the plan pays higher benefits than a general employee plan and has an earlier normal retirement age. While this coverage is advantageous to the employee, it is more expensive for the employer because of the higher benefits and earlier retirement age in the Correctional Plan compared to the General Plan. The Correctional Plan offers a hybrid of general employee plan and public safety plan features. MSRS-Correctional members are coordinated members, like members of MSRS-General and unlike members of the Public Employees Retirement Association Police and Fire Plan (PERA-P&F). Like a public safety plan, members can retire

without a reduction for early retirement at age 55 or with a reduction at age 50. This annuity is computed using a 2.4 percent per-year-of-service benefit accrual factor. (For each year of covered service, the individual will receive 2.4 percent of the high-five average salary, which is the five years of covered salary which produces the highest average). Duty-related disability benefits are generous, typical of a public safety plan. The duty-related disability receives 50 percent of high five average salary, plus 2.4 percent of high five average salary for each year in excess of 20 years of allowable service. Also like a public safety plan, MSRS-Correctional uses an occupational definition of disability rather than the total impairment disability definition used by MSRS-General.

Another attraction of MSRS-Correctional coverage is that post-retirement health care coverage may be provided by the employer. MSRS administrators indicate that eligibility may depend upon the specific union to which the member belongs. In cases where employer-paid health care is an option, the individual must retire between ages 50 and 55 to be eligible for that coverage.

The premise for MSRS-Correctional coverage is that certain employment positions in correctional or analogous security hospital or psychopathic personality treatment center service place the individual in a high degree of physical danger, and there is sufficient need for a particularly vigorous workforce in these specific positions to warrant a separate plan with larger retirement benefits payable at an earlier normal retirement age.

#### Background Information on the Calculation of Ms. McShea's Retirement Annuity under MSRS-General

Ms. McShea currently has some service covered by MSRS-General and some service covered by MSRS-Correctional. Under current general law, when she eventually retires from the various plans she will receive two annuities, one based on her MSRS-Correctional coverage and another due to her MSRS-General covered service. According to MSRS, Ms. McShea entered employment covered by MSRS-Correctional in 1980, and has six years of MSRS-General plan coverage, from June 15, 1995 to June 5, 2001. For purposes of computing the MSRS-General retirement annuity, the individual will receive whichever of the following provides the higher benefit:

an annuity of 1.2 percent of the high-five average salary for each of the first ten years of covered service and 1.7 percent of the high-five average salary for each year thereafter, reduced by 0.25 percent for each month the member is under age 65 at the time of retirement. If age plus years of service total at least 90 (the "Rule of 90") no reduction due to early retirement is required; or an annuity of 1.7 percent of the high-five average salary for each year of service, with an actuarial reduction (about five to six percent per year) for retirement before age 65.

#### Discussion of S.F. 2299 (Pogemiller); H.F. 1936 (Fritz)

S.F. 2299 (Pogemiller); H.F. 1936 (Fritz) would allow an individual, who accepted employment as a Corrections Program Director with the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) coverage from June 17, 1995, to June 5, 2001, and who both before and after that employment was employed in positions covered by the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional), to have service credit for the Corrections Program Director service transferred from MSRS-General to MSRS-Correctional. To receive this treatment, the individual must pay to MSRS-Correctional the differential between the MSRS-General and the MSRS-Correctional employee and employer contributions during the period being transferred, plus 8.5 percent interest. If payment is made, assets equal to the present value of benefits in the MSRS-General plan transfer to the MSRS-Correctional plan, and service credit in MSRS-General is forfeited.

The proposed legislation raises the following pension and related public policy issues:

1. Precedent Concerns: Proper Coverage for Corrections Program Director Position. The Commission may be concerned about allowing MSRS-Correctional coverage for a person who held the Corrections Program Director Position. The Legislature's policy has been to place positions in MSRS-Correctional only after review to determine whether the position exposes the individual to danger due to high inmate contact. The Department of Corrections has not certified this position as being one that warrants MSRS-Correctional plan coverage. If, in the view of the Department of Corrections, this position should not have MSRS-Correctional coverage, then there may be no justification for allowing the individual to have MSRS-Correctional coverage for this service, other than that the higher benefits and earlier retirement permitted by MSRS-Correctional would benefit the individual. The bill does not ask that the Corrections Program Director position be certified for MSRS-Correctional coverage, it simply allows this one individual who once held that position to have MSRS-Correctional service

credit for that past employment. Approval of this bill will undermine the process that the Legislature has put in place to determine what positions should be in MSRS-Correctional rather than MSRS-General. This will also increase state government costs. The contributions needed to support the MSRS-Correctional are considerably higher than a general employee plan. Approving the bill also is likely to lead to similar requests on behalf of those individuals who currently hold Corrections Program Director positions, and on behalf of many other individuals in other positions who simply prefer MSRS-Correctional coverage to MSRS-General coverage.

2. Equitable Basis for the Requested Transfer. The issue is whether the proposed change can be justified on an equity or policy basis. The eligible individual voluntarily left MSRS-Correctional plan covered employment to take position as a Corrections Program Director, which is not covered by MSRS-Correctional. After six years of service in that position, she voluntarily returned to her previous position as a Corrections Lieutenant with MSRS-Correctional coverage in June 2001 so that, according to her correspondence, "I could have the option to retire early in the Corrections Retirement Plan." Presumably, the Corrections Program Director provided sufficient additional salary and other benefits to compensate Ms. McShea for the lack of MSRS-Correctional coverage for that position, at least at that point in her career, or she would not have taken that promotion. Allowing the MSRS-Correctional coverage for the Corrections Program Director position through special law at this time could be viewed as providing a windfall to the individual. She would get the advantage of MSRS-Correctional coverage for that service while retaining all salary she earned in that position.
  
3. Justification for Job Change to Revert to Correctional Plan Coverage. In the Commission's review of this proposal, it may choose to focus on why the individual reverted back to a Corrections Lieutenant position. The individual indicates that she took that action because she wanted to retire early in the MSRS-Correctional retirement plan. As noted in previous discussion, some individuals who retire from the correctional plan may be eligible for employer-paid health care following retirement. If it is available in this case, it is a valuable benefit. There may be little need or justification for any further action by the Legislature.
  
4. Equity Issue: Seeking Pension Coverage Change for Position No Longer Held. The Commission and the Legislature may be concerned about providing retroactive coverage in MSRS-Correctional for a position the individual no longer holds. The proposal would be less problematic if the request were made before the individual took the Correctional Program Director position or while the individual held that position. MSRS-General coverage was acceptable to the individual when she accepted the Correctional Program Director position and while she held that position. Now, after this individual has moved on to other employment, the Legislature is being asked to enhance the past retirement coverage. The Legislature may be concerned that the current request may serve as precedent for further requests by other individuals seeking to further enhance their personal retirement benefits package, notwithstanding general law.
  
5. MSRS-Correctional Actuarial Condition. The issue is the actuarial condition of MSRS-Correctional, which has implications for the ability of the plan to receive more liabilities without also receiving sufficient assets to cover those liabilities. The plan is less than fully funded and has a sizable contribution deficiency, 4.04 percent of payroll, according to the official 2005 actuarial valuation results shown below. However, as discussed more fully in other memos to the Commission, the plan's condition is actually worse than shown here. Based on a recent experience study, the Commission approved revised actuarial assumptions for use with this plan, which in future actuarial reports will assume longer life-expectancies, more disabilitants, and less turn-over, all leading to higher estimates of plan liabilities and contribution requirements. To address the contribution rate shortfall shown below and the additional needs indicated by the experience study, the Commission has considered S.F. 997 (Betzold, by request); H.F. 1753 (Wardlow), which would increase contribution rates by a combined total of 7.03 percent of salary.

MSRS-Correctional 2005	
<u>Membership</u>	
Active Members	3,607
Service Retirees	1,025
Disabilitants	150
Survivors	104
Deferred Retirees	738
Nonvested Former Members	<u>351</u>
Total Membership	5,975

**MSRS-Correctional  
2005**

<u>Funded Status</u>		
Accrued Liability		\$546,117,680
Current Assets		<u>\$503,573,272</u>
Unfunded Accrued Liability		\$42,544,408
Funding Ratio	92.21%	
<u>Financing Requirements</u>		
Covered Payroll		\$147,385,402
Benefits Payable		\$19,025,766
Normal Cost	15.01%	\$22,111,459
Administrative Expenses	<u>0.20%</u>	<u>\$294,771</u>
Normal Cost & Expense	15.21%	\$22,406,230
Normal Cost & Expense	15.21%	\$22,406,230
Amortization	<u>2.50%</u>	<u>\$3,684,635</u>
Total Requirements	17.71%	\$26,090,865
Employee Contributions	5.69%	\$8,386,229
Employer Contributions	7.98%	\$11,761,355
Employer Add'l Cont.	0.00%	\$0
Direct State Funding	0.00%	\$0
Other Govt. Funding	0.00%	\$0
Administrative Assessment	<u>0.00%</u>	<u>\$0</u>
Total Contributions	13.67%	\$20,147,584
Total Requirements	17.71%	\$26,090,865
Total Contributions	<u>13.67%</u>	<u>\$20,147,584</u>
Deficiency (Surplus)	4.04%	\$5,943,281

6. Payment Procedure for the Transferred Service Credit: Failure to Fully Cover Liabilities. The issue is what payment procedure to use if the Commission decides that the individual's MSRS-General service credit should be transferred to MSRS-Correctional. The approach followed in the bill is a variation on the process the Commission and Legislature has used in the past when the Legislature decides to place additional positions in the correctional plan. Bills of that type add positions to the correctional plan coverage provision and allow the individuals to transfer past coverage from MSRS-General to MSRS-Correctional, if that service is comparable to the service newly authorized for coverage. The employee is required to make some addition contributions to MSRS-Correctional reflecting the difference between MSRS-General and MSRS-Correctional contribution rates during the time period of the transferred service credit. MSRS-Correctional also received a transfer from MSRS-General of the value of the accrued MSRS-General benefit, or in some cases, the funded portion of that benefit.

The problem with that process is that the additional assets that MSRS-Correctional receives may not be sufficient to fully cover added liability created in MSRS-Correctional due to the transfer. Some unfunded liability is created, to be amortized over time. Given that the recent actuarial work for this plan indicates that the plan has unfunded liabilities, and that the current contributions to this plan are six or seven percent of payroll below that necessary to get this plan back to full funding by the full funding date, the Commission may be hesitant to recommend any special law bills that will add in any way to this plan's funding needs. If the Commission does choose to recommend special law bills which place liability on this plan, the Commission may wish to amend the payment terms in an effort to require a full actuarial value payment.

7. Financing Actuarial Services. The issue is who will finance the cost of any actuarial services required to determine transfer amounts. As drafted, this cost, if applicable, is paid by the department that currently employs the eligible individual. The Commission may conclude that the individual rather than the department should pay that cost.

Potential Amendments for Commission Consideration

LCPR-S2299-A1 is a technical amendment revising a date and replacing language referencing the actuary retained by the Commission with the actuary jointly retained by the pension fund administrations under Section 356.214, since the Commission no longer retains an actuary. This amendment is not needed if amendment LCPR-S2299-A2 is used, which already incorporates the correction.

LCPR-S2299-A2 revises the bill to use a full actuarial value approach. The individual would pay the full actuarial value of the additional MSRS-Correctional service credit after subtracting the value of assets transferred from MSRS-General due to the release of liability from that plan.

LCPR-S2299-A3 would transfer from MSRS-General the funded portion of the liability released from MSRS-General, rather than the full computed liability, to avoid any harm to MSRS-General. This amendment is not needed if LCPR-S2299-A2 is used, since it is incorporated into that amendment.

LCPR-S2299-A4, which can be used with any of the above amendments, would shift the cost of any actuarial work from the department to the individual. Under the amendment, the cost of any actuarial work initially will be paid by the Minnesota State Retirement System (MSRS), with reimbursement paid in a lump sum by the individual, or if payment is not made, amounts will be deducted from any monthly annuity amounts the individual receives.

**From:** "Tom McShea" <shamrox@chartermi.net>  
**To:** "Lynda Boudreau" <rep.lynda.boudreau@house.mn>  
**Date:** 3/29/03 12:15PM  
**Subject:** response

Dear Lynda,

I received your letter and I understand that my issue may be difficult to accomplish due to the state budget problems. I would ask that you author legislation to allow me to buy back time towards my retirement. I know that my request comes at a bad time in state government with all of the shortfalls, however this is an issue in which I would like to have pursued. Again if there is anything else I can do please don't hesitate to contact me.

Thanks again for all of your help! I look forward to hearing from you again.

Sincerely,  
Sheila McShea

Many,  
\* I should intro a bill  
per her request.

Can you  
request? JM

\* I also need a resolution  
for National Day of Prayer

January 31, 2003

Dear Representative Lynda Boudreau,

I am a state employee that works for the Department of Corrections and I am writing to you to ask for your help with a request that I have for the Legislative Commission on Pensions and retirement.

I am currently in the DOER job classification as a Corrections Lieutenant in which I demoted back to about a year and half ago so I could have the option to retire early in the Corrections retirement plan. Prior to demoting back to a Lieutenant, I was a Corrections Program Director and was in the General retirement plan for 6 years. Shortly after reverting back I inquired to the Middle Management Association and DOER about getting my time (6 years) as a Corrections Program Director included in the Corrections retirement plan and I was told that it could not be done. The reason I was given was that the Corrections Program Director isn't a related class. With in the DOC it is a related classification. I was Lieutenant from 1989-1995 before promoting to CPD.

Realizing that the Corrections Program Directors classification are used differently at other agency's, I believe that I have a valid request to have my time as a Corrections Program Director reconsidered for the Corrections retirement plan. First of all, to become a Corrections Program Director one's experience as a Lieutenant is very beneficial to performing the job. I took a promotion to become a Corrections Program Director to enhance my corrections experience, and I am now being penalized in my retirement options.

When I was a Corrections Program Director, I remained a member of the Middle Management Association in part never leaving the bargaining unit. In reviewing the language in the contract it states, "when a supervisor demotes within the bargaining unit, Classification Seniority in the class to which the supervisor is demoting to shall include the Classification Seniority in all higher classes in which the supervisor has served".

See attached pages from the MMA Labor Agreement article 12 pages 20-21.

I am requesting your support for sponsoring a Bill that would for consideration by the Legislative Committee allow me to revert my classification seniority back to me original date of 8-2-89. As the current MMA labor agreement suggests in article 12 section 1. C: "when a supervisor is demoting within the bargaining unit, classification seniority in the class to which the supervisor is demoting shall include classification seniority in all related higher or equally paid classes in which the supervisor has served".

This same article permits those in related or equally paid class outside the bargaining unit to be credited class seniority once returned to the bargaining unit. Yet I have been denied.



My only other request is for your support of a Bill that would allow me to repay the difference of both the state contribution and my contribution to the Corrections early retirement plan. This of course would have no cost to the State of Minnesota or to the Department of Corrections for the 6 years I was out of the Corrections plan and in the State General Plan.

Your help and support of this request is very important to my family and I. I look forward to your help in and guidance as well as suggestions as to other avenues to pursue this request.

Hoping to hear from you soon.

Sincerely,  
*Sheila McShea*  
Sheila McShea

507-334-6604  
1012 Newhall Drive  
Faribault, MN. 55021

shamrox@chartermi.net

**Section 3. Call Back.** Any continuous operations supervisor, or any supervisor in an emergency situation, called back to work after his/her regularly scheduled shift shall be paid a minimum of two (2) hours at the appropriate overtime rate.

Call back is unscheduled overtime which is not assigned by the end of the supervisor's last worked shift prior to the overtime assignment. Overtime assigned any time period in advance of the end of the supervisor's last worked shift is not call back.

Supervisors who are called back to work shall use a State vehicle or use their own vehicle and shall be reimbursed mileage for driving to and from their work station and their home.

**Section 4. On Call.** A supervisor shall be in an on-call status if the supervisor's superior has instructed the supervisor, in writing, to remain available to work during an off duty period. A supervisor who is instructed to be in an on-call status is not required to remain at a fixed location but is required to leave word where he/she may be reached.

A supervisor who is instructed to remain in an on-call status shall be compensated for such time on the basis of forty-five (\$45) dollars for twenty-four (24) hour period or part thereof, not to exceed a maximum of two hundred eighty (\$280) dollars per week.

**Section 5. Flex-Time.** Upon agreement of the supervisor's immediate supervisor, an individual flex-time schedule may be established.

## **ARTICLE 12 - SENIORITY**

**Section 1. Seniority.** For purposes of this Article, seniority is defined as follows:

A. **State Seniority.** "State Seniority" is defined as the length of employment with the State of Minnesota since the last date of hire.

B. **Classification Seniority.** "Classification Seniority" is defined as the length of service in a specific job classification within the bargaining unit, beginning with the date an employee starts to serve a probationary appointment.

Classification Seniority shall be interrupted only by separation because of resignation, discharge for just cause, failure to return upon expiration of a leave of absence, failure to respond to a recall from layoff, or retirement.

C. **Bumping, Demotions, Transfers.** When a supervisor exercises bumping rights, or is demoting, or is transferring within the bargaining unit, Classification Seniority in the class to which the supervisor is bumping or is demoting, or is transferring shall include Classification Seniority in all related higher or equally paid classes in which the supervisor has served.

Time in a related higher or equally paid class outside of the bargaining unit shall not be used for purposes of bumping back into the bargaining unit. Upon return to the bargaining unit, all time in higher or equally paid classes in the managerial or confidential units shall be credited to a supervisor's Classification Seniority.

D. **Provisional Appointments.** In the case of a supervisor working under a provisional appointment, Classification Seniority shall be credited back to the date of hire at the time a supervisor begins to serve a probationary period in a related classification.

E. **Related Classes.** "Related Classes" are those classes which are similar in the nature and character of the work performed and which require similar qualifications.

F. **Seniority Units.** "Seniority Unit" is defined as set forth in Appendix A.

**Section 2. Seniority Rosters.** No later than November 30 of each year, the Appointing Authority shall prepare the roster, shall post it on all official bulletin boards, and shall provide one (1) copy to the Association Executive Director and one (1) copy to the designated Association Representative in the seniority unit. Such rosters shall be based on transactions occurring up to and through the pay period closest to October 31 of each year. The rosters shall list each supervisor and manager with supervisory seniority in the order of Classification Seniority and reflect each supervisor's date of Classification Seniority, date of State Seniority, and the date of Classification Seniority and class title for all classes in which the supervisor previously served.

The rosters shall also identify the type of appointment if other than full-time unlimited.

When two (2) or more supervisors have the same Classification Seniority dates, seniority positions shall be determined by total State Seniority. Should a tie still exist, seniority positions shall be determined by lot.

**Section 3. Appeals.** Supervisors may raise disputes about the seniority roster at any time. Such disagreements shall be limited to changes since the previous listing.

## **ARTICLE 13 - LAYOFF AND RECALL**

**Section 1. Layoff.** An Appointing Authority may lay off a supervisor by reason of abolition of the position, shortage of work or funds, or other reasons outside the supervisor's control which do not reflect discredit on the service of the supervisor. A layoff occurs when such conditions continue longer than ten (10) consecutive working days.

**Section 2. Layoff Mitigation Measures.** When an Appointing Authority initiates a reorganization planning process or management study which may result in layoff, the Appointing Authority will meet and confer with the Association during the planning phase and again during the implementation phase. The Appointing Authority and the Association shall enter into negotiations regarding a Memorandum of Understanding upon the request of either party to modify this Agreement regarding the implementation plans which shall include, but are not limited to the following:

- length of the layoff notice;
- jobs and re-training opportunities;
- alternative placement methods;
- early retirement options pursuant to M.S. 43A.24, Subd. 2(f);
- paid release time to seek other employment;
- claiming rights;
- other methods of mitigating layoffs or their effect on supervisors.

- 1.1 ..... moves to amend S.F. No. 2299; H.F. No. 1936, as follows:
- 1.2 Page 2, line 13, delete "2005" and insert "2006"
- 1.3 Page 2, line 32, after the underscored comma insert "in accordance with Minnesota
- 1.4 Statutes, section 356.215"
- 1.5 Page 2, delete line 33
- 1.6 Page 2, line 34, delete "with" and insert "various pension fund administrations
- 1.7 under" and delete "356.215" and insert "356.214"

- 1.1 ..... moves to amend S.F. No. 2299; H.F. No. 1936, as follows:
- 1.2 Page 2, line 3, delete "EQUIVALENT"
- 1.3 Page 2, line 6, delete "employee"
- 1.4 Page 2, delete lines 7 to 11
- 1.5 Page 2, line 12, delete everything before "shall" and insert "full actuarial value as
- 1.6 determined under section 356.551 of the service credit received from June 17, 1985, to
- 1.7 June 5, 2001, if that service credit were credited to the Minnesota State Retirement System
- 1.8 correctional plan, and the present value of benefits earned by the eligible individual for the
- 1.9 same period in the general plan multiplied by the accrued liability funding rate applicable
- 1.10 to active members of the general plan. This amount "
- 1.11 Page 2, line 13, delete "2005" and insert "2006"
- 1.12 Page 2, line 14, delete everything after "earlier" and insert an underscored period
- 1.13 Page 2, delete lines 15 to 26
- 1.14 Page 2, line 27, delete "5" and insert "4" and delete "payments" and insert "payment"
- 1.15 Page 2, line 28, delete "subdivisions" and insert "subdivision" and delete "and 4 are"
- 1.16 and insert "is"
- 1.17 Page 2, line 32, after "plan" insert "in accordance with Minnesota Statutes, section
- 1.18 356.215" and after "actuary" insert "jointly"
- 1.19 Page 2, line 33, delete "legislative commission on pensions and retirement" and
- 1.20 insert "pension fund administrations"
- 1.21 Page 2, line 34, delete "356.215" and insert "356.214, multiplied by the accrued
- 1.22 liability funding ratio applicable to active members of the general plan"
- 1.23 Page 2, line 36, delete "subdivisions" and insert "subdivision" and delete "and 4"
- 1.24 Page 3, line 1, delete "6" and insert "5"

- 2.1 Page 3, line 2, delete "5" and insert "4"
- 2.2 Page 3, line 6, delete "7" and insert "6"
- 2.3 Page 3, line 7, delete "5" and insert "4"

1.1 ..... moves to amend S.F. No. 2299; H.F. No. 1936, as follows:

1.2 Page 2, line 32, after "plan" insert "multiplied by the accrued liability funding ratio  
1.3 applicable to active members"

1.1 ..... moves to amend S.F. No. 2299; H.F. No. 1936, as follows:

1.2 Page 3, line 6, delete "The"

1.3 Page 3, delete lines 7 to 9 and insert "This section is without effect unless the eligible  
1.4 individual under subdivision 2 signs a form, to be provided by the Minnesota State  
1.5 Retirement System executive director, consenting to pay the expense of any calculations  
1.6 by the actuary necessary due to this section. If the individual makes the payment or  
1.7 payments required under this section to receive the transfer of service credit, the cost of  
1.8 this actuarial work must be added to those payments and is due on the same date. If  
1.9 the individual does not make the payment or payments required by this section to be  
1.10 eligible to transfer the applicable service credit, the Minnesota State Retirement System  
1.11 executive director is authorized to recover the cost of the actuarial services, plus 8.5  
1.12 percent annual compound interest, from September 1, 2005, or termination of covered  
1.13 service, if earlier, to the date payment is received, by deducting applicable amounts  
1.14 from the eligible individual's annuities from plans administered by the Minnesota State  
1.15 Retirement System. Payments may be deducted from the applicable annuity payments  
1.16 over a period not to exceed six months."

**Senator Pogemiller introduced--****S.F. No. 2299:** Referred to the Committee on State and Local Government Operations.

1 A bill for an act

2 relating to retirement; Minnesota State Retirement  
3 System, authorizing a transfer of service credit from  
4 the general plan to the correctional plan.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

6 Section 1. [SERVICE CREDIT TRANSFER TO CORRECTIONAL PLAN.]

7 Subdivision 1. [AUTHORIZATION.] An eligible individual  
8 specified in subdivision 2 is authorized to have service credit  
9 in the Minnesota State Retirement System general plan for  
10 employment as a corrections program director from June 17, 1995,  
11 to June 5, 2001, transferred from the Minnesota State Retirement  
12 System general plan to the Minnesota State Retirement System  
13 correctional plan, if all conditions required by this section  
14 are met.

15 Subd. 2. [ELIGIBILITY.] An eligible individual is an  
16 individual who:

17 (1) was born on November 14, 1956;

18 (2) is currently employed as a corrections lieutenant;

19 (3) was covered by the Minnesota State Retirement System  
20 correctional plan for service provided from November 1, 1980, to  
21 June 16, 1995;

22 (4) was covered by the Minnesota State Retirement System  
23 general plan for employment as a corrections program director  
24 from June 17, 1995, to June 5, 2001; and

25 (5) is covered by the Minnesota State Retirement System



1 correctional plan for employment as a corrections lieutenant  
2 beginning June 6, 2001.

3 Subd. 3. [EMPLOYEE EQUIVALENT CONTRIBUTION.] To receive  
4 the transfer of service credit specified in subdivision 1, the  
5 individual must pay to the executive director of the Minnesota  
6 State Retirement System the difference between the employee  
7 contribution rate for the general plan and the employee  
8 contribution rate for the correctional plan in effect during the  
9 period eligible for transfer applied to the eligible  
10 individual's salary at the time each additional contribution  
11 would have been deducted from pay if coverage had been provided  
12 by the correctional plan. These amounts shall be paid in a lump  
13 sum by September 1, 2005, or prior to termination of service,  
14 whichever is earlier, plus 8.5 percent annual compound interest  
15 from the applicable payroll deduction date until paid.

16 Subd. 4. [EMPLOYER EQUIVALENT.] The eligible individual  
17 shall also pay to the executive director of the Minnesota State  
18 Retirement System the difference between the employer  
19 contribution rate for the general plan and the employer  
20 contribution rate for the correctional plan in effect during the  
21 period eligible for transfer, applied to the eligible  
22 individual's salary at the time each additional contribution  
23 would have been deducted from pay if coverage had been provided  
24 by the correctional plan. The amounts shall be paid in a lump  
25 sum at the same time as the amount under subdivision 3, with  
26 interest as specified in that subdivision.

27 Subd. 5. [TRANSFER OF ASSETS.] If payments under  
28 subdivisions 3 and 4 are made, assets must be transferred from  
29 the general employees retirement plan fund to the correctional  
30 employees retirement plan fund in an amount equal to the present  
31 value of benefits earned by the eligible individual under the  
32 general plan, as determined by the actuary retained by the  
33 legislative commission on pensions and retirement in accordance  
34 with Minnesota Statutes, section 356.215. The transfer of  
35 assets must be made within 45 days after the receipt of payments  
36 under subdivisions 3 and 4.

1        Subd. 6. [EFFECT OF THE ASSET TRANSFER.] Upon transfer of  
2 assets in subdivision 5, service credit in the general plan of  
3 the Minnesota State Retirement System is forfeited and may not  
4 be reinstated. The service credit and transferred assets must  
5 be credited to the correctional employees retirement plan.

6        Subd. 7. [PAYMENT OF ACTUARIAL CALCULATION COSTS.] The  
7 expense for the calculations by the actuary under subdivision 5  
8 must be paid by the department that employs the eligible  
9 individual for the current corrections lieutenant employment.

10       Sec. 2. [EFFECTIVE DATE.]

11       Section 1 is effective the day following final enactment.