



H.F. 876
(Swails)

S.F. 2016
(Saltzman)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): PERA-General
Relevant Provisions of Law: Special law
General Nature of Proposal: Service credit purchase
Date of Summary: March 26, 2007

Specific Proposed Changes

- Allow individual to purchase service credit in PERA-General for the period November 11, 1988, to September 30, 1989, to correct an employer failure to properly report the person for plan coverage. The City of St. Paul pays a considerable share of the full actuarial value payment.

Policy Issues Raised by the Proposed Legislation

1. Whether the City of St. Paul caused harm by not including the individual in PERA-General on November 11, 1988.
2. Whether PERA caused harm, justifying a departure from normal payment terms.

Potential Amendments

- H0876-1A Shifts the full actuarial value payment burden to the employee
- H0876-2A Employee and employer each pay one-third of the full cost of the purchase, with PERA absorbing the remaining one-third. This approach may be justified if PERA is partly to blame for coverage failure.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: H.F. 876 (Swails); S.F. 2016 (Saltzman): PERA-General; Service Credit Purchase for a Period of Uncredited Service by a St. Paul Department of Public Works Employee

DATE: March 22, 2007

Summary of H.F. 876 (Swails); S.F. 2016 (Saltzman)

H.F. 876 (Swails); S.F. 2016 (Saltzman) would allow Patrick J. Lowry to purchase service credit in the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) for the period November 11, 1988, through September 30, 1989, a period of service that was not covered because of an apparent failure by the city of St. Paul to report him for plan coverage. To receive the service credit, Mr. Lowry would pay the employee contributions that would have been made at that time plus 8.5 percent interest. The city would be mandated to pay the remainder of the full actuarial value payment. Authority to make the purchase expires on June 30, 2009, or upon termination of covered employment, whichever is earlier.

Public Pension Problem of Patrick J. Lowry

Mr. Patrick J. Lowry, currently age 49, was first employed by the city of St. Paul on a seasonal basis in February 1986, in the St. Paul Department of Public Works. His city employment through mid-1988 did not qualify for PERA-General coverage because of its intermittent nature. However, as of November 11, 1988, he had worked for a sufficiently long consecutive period to qualify for PERA-General coverage, and PERA law required the city to report Mr. Lowry for PERA coverage. At that time, PERA law prohibited season employees (employees not expected to continue in employment beyond six consecutive months) from being members, but if the employee continued beyond six months and had a salary exceeding \$425 in a month, the department head was required to report the employee for PERA membership and the employee was to remain as an active plan member until termination of public service (see Minnesota Statutes 1988, Section 353.01, Subdivision 2b, paragraph (a), clause (6), and paragraph (b)).

PERA recently reviewed Mr. Lowry's city employment record and determined that the city reported Mr. Lowry for PERA-General coverage as of October 1, 1989, but he should have been reported as of November 11, 1988, the date on which PERA claims he first met requirements for mandatory coverage. Mr. Lowry is seeking to purchase service credit in PERA-General for the period November 11, 1988 through September 30, 1989. This would add to the value of his retirement annuity when he does retire by giving him an additional 11 months of service credit. More importantly, the service credit would give him an initial plan coverage date before July 1, 1989, which would entitle him to benefits only available to individuals with pre-1989, service credit in PERA-General or another plan included in the Combined Service Annuity provision, including access to the "Rule of 90" (the right to retire without a reduction due to early retirement whenever the employee's age plus years of service credit total at least 90), and, for those pre-July 1, 1989, hires who wish to retire before normal retirement age (age 65 to 66) but who do not have sufficient service credit and age to total 90, access to a subsidized early retirement reduction, by using a reduction factor that is less than an actuarial reduction.

Background Information

- A. Service Credit Purchases. Attachment A provides background information on service credit purchases and the Commission's service credit purchase policy.
- B. Pre-July 1, 1989, Benefits and the "Rule of 90." Attachment B provides background information on the "Rule of 90" and other benefits restricted to pre-July 1, 1989, hires.
- C. Public Employees Retirement Association. Attachment C provides background information on the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General).

Discussion and Analysis

H.F. 876 (Swails); S.F. 2016 (Saltzman), allows Patrick J. Lowry to purchase service credit for a period of uncovered service in PERA-General on a full actuarial value payment basis. The bill raises the following pension and related public policy issues for consideration and discussion by the Commission:

1. Public Employment, Minnesota Connection. The issue is whether Mr. Lowry's request is consistent with the typical Commission requirements that the service being purchased is a period of public or

quasi-public employment with a Minnesota connection. All available information indicates that this situation meets that standard. During the applicable period, Mr. Lowry is listed on St. Paul city payroll records as an employee. His employment was public employment for the city of St. Paul.

2. Appropriate Service Credit Purchase Payment. When there is no indication that the pension fund caused harm, the Commission's policy is to require a full actuarial value payment to avoid harming the fund by the purchase. A full actuarial value payment is intended to provide a total payment to the pension fund equal to the liability expected to be imposed on the fund by the extra service and/or salary credit to be received. The bill is drafted to require a full actuarial value payment. The eligible individual would pay the employee contributions that would have been made at the time, plus interest to correct for the time value of money and to eliminate any windfall to the individual, and the city would be required to pay the remainder of the full actuarial value. This is the model the Commission typically follows when the Commission concludes that the employer caused harm.
3. Employee Willingness to Pay. The issue is whether the individual is willing to make the employee payment required under the bill, or any revised employee payment if the bill is amended. Payment of employee contributions plus interest, as required by the bill, would be favorable to the employee. In April 2006, PERA estimated the employee contribution plus interest to be \$3,450, while the full actuarial value (the additional pension value following the purchase) was estimated to be \$35,757. Although the terms are favorable to the employee, the Commission may choose not to consider the bill further if the individual is not willing to make that payment, or is unwilling to make the payment that would be required under any revised bill that the Commission might recommend.
4. Actuarial Condition of PERA. The issue is PERA-General's current actuarial condition. Attachment C presents the July 1, 2006, actuarial valuation results. As of July 1, 2006, PERA-General's liabilities exceeded its assets by \$4.2 billion, and its funding ratio was 75 percent, and there was a contribution deficiency of 1.14 percent of payroll, or \$53.5 million. However, not shown in Attachment C are recently enacted contribution rate increases to be phased in over the next few years.
5. Question of Responsibility/Harm. The bill is drafted assuming that the city caused harm and should be responsible for addressing that harm. While much of the available information supports a conclusion of employer error, the Commission may wish to consider whether the individual and the pension fund also contributed to the current situation. Regarding the question of employer error or responsibility, a PERA statute during the applicable time period placed responsibility on the employer for enrolling the individual in PERA. When a seasonal or other short-term employee exceeds six months of continuous employment, the employer must report the individual for PERA-General membership and begin the withholding of PERA contributions from pay (Minnesota Statutes 1988, Section 353.01, Subdivision 2b, paragraph (a), clause (6), and paragraph (b)). PERA staff reviewed Mr. Lowry's records and concluded that the city should have reported Mr. Lowry for PERA membership on November 11, 1988, but he was not reported by the city until October 1989.

Regarding the question of whether the employee's actions contributed to the current situation, the Commission may wish to hear testimony about whether the individual knew early during his employment that there was an improper delay in reporting him for PERA coverage, and whether he tried to address the problem at that time. The problem arose in 1988 and 1989, but the Commission is being asked to address it many years later, in 2007. It is possible that the individual was aware of the delay in PERA coverage shortly after it occurred, but took no action to address the situation because at that time it was not viewed by him as a problem. Young employees rarely value pension coverage. If the plan coverage problem had been addressed shortly after it occurred, it could have addressed with minimal cost, considerably reducing the city's financial liability, and without any need for a legislative solution.

While the city erred in not reporting Mr. Lowry for membership at the proper time, PERA had records which should have permitted PERA to identify that Mr. Lowry's hire date and the date of first plan coverage differed. This might have led PERA to investigate whether the reporting delay was consistent with law. PERA is charged under law with ensuring that the plan is receiving proper contributions. Thus, PERA had a responsibility to investigate such situations. Minnesota Statutes 1988, Section 353.27, Subdivision 4, states, in part, that the head of the employing unit's payroll department will submit to PERA, for each pay period, the names of all PERA members and their PERA identification number, *and the names of all new public employees to be covered by PERA and their appointment dates.* Presumably, "appointment date" means the date of hire. Later in the same subdivision is a statement that "reports of contributions (submitted to PERA) shall be accompanied by a membership enrollment form for each new employee..., and it shall be the responsibility of department heads to obtain such enrollment forms from the employees to be submitted to the association within 30 days following the

date of employment.” In Mr. Lowry’s case, the PERA enrollment form would have been obtained many months, rather than within 30 days, of being hired. Unless the city failed to file these reports, it appears that on one or more reports or enrollment forms PERA received, the information would indicate that Mr. Lowry’s hire date was considerably earlier than the date he was reported to PERA. PERA has a responsibility to identify situations where coverage is improperly delayed, and PERA is authorized to remedy these situations. Under another subdivision of the same statute, subdivision 12, PERA shall address omitted contribution situations, going back as many as three years if necessary, by charging the employer for all contributions plus interest whenever a delay exceeds 60 days.

Thus, the Commission may wish to consider whether responsibility for the present situation extends beyond the city of St. Paul. Under statute, it was the city’s responsibility to report Mr. Lowry in November 1988, rather than delaying until October 1989. However, by 1989 PERA should have had information in its files on Mr. Lowry sufficient to warrant further review, and PERA could have promptly resolved the situation if it had identified the problem. The Commission may also wish to consider whether the individual made sufficient effort to get the problem addressed early, when it could be addressed simply, cheaply, and without legislative involvement. If the Commission does conclude that there is a shared responsibility for the current situation, the Commission may wish to consider revising the payment terms to reflect that shared responsibility among the applicable parties.

6. Scope of the Problem. The issue is whether there are other St. Paul employees with similar coverage problems. If so, resolving the problem could become considerably more costly.
7. Relationship to Other Service Credit Purchase Requests Heard by Commission. The situation covered by this bill is unusual but not unique, involving a purchase of service credit where the purchased service credit will give the individual access to plan benefit provisions that are restricted to individuals who became plan members before July 1, 1989. At the March 24, 2006, meeting, the Commission considered 2006 Session H.F. 4020 (Emmer); S.F. 3658 (Koch), in the form of bill draft LCPR06-122, which would have granted access to pre-July 1, 1989, benefits to a PERA member who had no pre-July 1, 1989, service, but who purchased service credit for a period of military service that occurred in the early 1980s under a PERA provision permitting full actuarial value military service credit purchases for periods that occurred before the individual became a Minnesota public employee (Section 353.01, Subdivision 16a). The individual covered by 2006 Session H.F. 4020 (Emmer); S.F. 3658 (Koch) first became a PERA member in 1990, and he later purchased service credit related to his early 1980s military service. The individual contended that the purchase gave him access to provisions of the PERA plan applicable to individuals who became members prior to July 1, 1989. PERA interpreted its law as not qualifying the individual to be a pre-July 1, 1989, hire despite purchasing service related to a period of military service that occurred in the early 1980s. 2006 Session H.F. 4020 (Emmer); S.F. 3658 (Koch) was an effort to give the individual the rights applicable to pre-July 1, 1989, hires if PERA received an additional payment sufficient to cover the additional liabilities that would impose on the plan if that treatment were mandated. After some debate, the Commission took no action on the bill.

A key difference between the current bill and 2006 Session H.F. 4020 (Emmer); S.F. 3658 (Koch) is that the current bill involves an individual who PERA contends, after reviewing the individual’s employment records, should have been a PERA-General member before July 1, 1989, and who failed to become a pre-July 1, 1989, member due solely to a failure to properly apply PERA membership law.

Potential Amendments for Commission Consideration

Amendment H0876-1A requires the employee to pay the full actuarial value payment. Authority under the full actuarial value service credit purchase provision (Section 356.551), however, permits the city to cover a considerable portion of the cost on his behalf, an amount not to exceed to full actuarial cost minus employee contributions plus 8.5 percent interest. This is the approach the Commission typically uses if it concludes that a service credit purchase should be permitted, but the amount of any employer payment is to be decided by the employer. The Commission has often used this approach if there is uncertainty that the employer caused harm.

Amendment H876A-2 shares the cost equally between the pension fund, the employer, and the employee, and could be used if the Commission concludes that the employee, the employer, and the pension fund all share some responsibility. Under this amendment, the employee and the employer would each pay one-third of the full actuarial value payment amount, leaving the remaining third to be absorbed by the pension fund as unfunded liability to be retired over time by all contributors to PERA.

Attachment A

Background Information on Retirement Plan Service Credit and Service Credit Purchases

- a. Defined Benefit Plans. Most Minnesota public pension plans are defined benefit plans. In defined benefit plans, the pension benefit amount that is ultimately payable is pre-determinable or fixed using a formula or comparable arrangement. The fixed element of the benefit amount leaves a variable element, which is the funding required to provide that benefit. The formula utilizes allowable service credit and salary credit in the calculation, averaging the salary amounts for the five successive years' average salary period that produces the highest amount for use as the base to which is applied a total percentage amount determined by assigning a percentage amount to each year of allowable service credit.
- b. Historical Shift in Plan Types and to Salary-Based Plans. Minnesota's statewide retirement plans were not originally salary-related pension plans, with the predecessor to TRA established in 1915 as a money purchase (defined contribution) plan, with MSRS-General established in 1929 as a set dollar amount (\$200 per month) plan, and with PERA-General established in 1931 also as a set dollar amount (\$200 per month) plan. Conversion to salary-related pension plans occurred for MSRS-General and PERA-General in 1957, which was a recommendation of the initial interim predecessor to the Legislative Commission on Pensions and Retirement, and for TRA in 1969, which was a recommendation of the initial permanent predecessor to the Pension Commission. The first class city teacher retirement fund associations and Minneapolis Employees Retirement Fund (MERF) generally shifted to salary-related pension plans in the 1950s (the Duluth Teachers Retirement Fund Association (DTRFA) shifted in 1971).
- c. Definition of Minnesota Defined Benefit Public Pension Plan Service Credit. Allowable service credit in Minnesota's statewide and major local defined benefit retirement plans generally includes many different service periods, which are:
 1. Covered Current Service. Employment is a covered position with a covered employer for which member contributions have been deducted and transmitted to the retirement plan;
 2. Historic Credit in Plan Records. Service credit as reflected in the records of the retirement plan that predates the plan's establishment or reformulation;
 3. Military Service Leave. Periods of service in the U.S. Armed Forces during a leave of absence;
 4. Temporary Disability Periods. Periods of leaves caused by a temporary disability;
 5. Credit Reinstated by a Refund Repayment. Periods of service covered by a prior refund of member contributions which have been repaid subsequently;
 6. Part-Time Employment. Periods where full service credit is granted for part-time employment;
 7. Sabbatical Leaves and Other Leaves of Absence with Pay. Periods of an authorized leave of absence during which the member is paid a whole or a partial salary;
 8. Extended Leaves of Absence Without Pay. Periods of an authorized leave of absence without pay;
 9. Labor Union Employment or Elective Service. Periods of employment as an exclusive collective bargaining representative or as a elected official;
 10. Parental or Family Leaves of Absence. Periods of leaves or breaks in service for parental or family reasons;
 11. Strike Periods. Periods of a labor union strike; and
 12. Out-of-State Teaching or Other Outside Service. Periods of teaching service, Peace Corps service, or VISTA service.
- d. Purpose of Service Credit. Service credit in a Minnesota defined benefit retirement plan exists for three reasons, determining vesting rights, determining eligibility for an early normal retirement annuity, and determining the amount of a retirement annuity.

Vesting is the circumstance of possessing a non-forfeitable right to an eventual retirement annuity, even if covered employment is terminated before reaching retirement age. In virtually all Minnesota defined benefit retirement plans, the vesting period is three years of service credit, which need not be consecutive periods of service and which may include service covered by more than one Minnesota defined benefit retirement plan.

Early normal retirement annuity eligibility in Minnesota defined benefit retirement plans generally means qualification for the “Rule of 85,” where a member can retire with an unreduced retirement annuity when the sum of the person’s age and service credit total at least 85, or for the Minneapolis Employees Retirement Fund (MERF) or the Basic Program of the Minneapolis Teachers Retirement Fund Association (MTRFA-Basic), means qualification for the “30 and out” unreduced retirement annuity payable when a person has credit for at least 30 years of service credit.

Retirement annuity determination is the calculation of a member’s defined benefit retirement annuity, using the plan’s benefit accrual rate percentage (frequently 1.7 percent per year of service credit), multiplied by the member’s service credit, and the total applied to the member’s final average salary figure (highest five years average salary).

Defined benefit retirement plans exist to provide a retirement annuity at the conclusion of an employee’s normal working lifetime. Service credit allows for the retirement plan to bear its proportional share of the burden of the ultimate total retirement annuity amount.

- e. Special Legislation Service Credit Purchase Authorization. In Minnesota, until 1999, there were few general law service credit purchase authorizations, and service credit purchase authorizations were generally special law provisions.

The primary general law service credit purchase authorization was Minnesota Statutes 2004, section 354.51, enacted in 1931, when the Teachers Retirement Association (TRA) was a defined contribution retirement plan, which allows TRA members with 15 years of service who have pre-1953 out-of-state teaching service to purchase that service by making equivalent member contributions, plus interest at the rate of 8.5 percent per annum.

During the period 1957-2006, the Legislature has enacted 254 special laws authorizing one person or a small group of individuals to purchase prior service credit, distributed as follows:

<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>	<u>Year</u>	<u>Number</u>
1957	1	1971	2	1979	7	1986	6	1993	7	2000	8
1959	4	1973	4	1980	4	1987	3	1994	8	2001	10
1961	5	1974	5	1981	14	1988	7	1995	7	2002	2
1963	6	1975	10	1982	16	1989	12	1996	6	2003	6
1965	5	1976	4	1983	2	1990	10	1997	3	2004	1
1967	1	1977	9	1984	3	1991	6	1998	9	2005	1
1969	2	1978	9	1985	2	1992	6	1999	8	2006	14

A majority of special prior service credit purchase laws relate to the three major general employees retirement plans, with 33 special laws relating to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), with 79 special laws relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and with 48 special laws relating to the Teachers Retirement Association (TRA).

In considering special law service credit purchase requests, the Legislative Commission on Pensions and Retirement has generally followed its Principles of Pension Policy, which require:

1. Individual Review. The Commission considers each service credit purchase request separately, whether the request is proposed legislation for a single person or is proposed legislation relating to a group of similarly situated individuals.
2. Public Employment. The period requested for purchase should be a period of public employment or service that is substantially akin to public employment. This is consistent with the notion that public pension plans should be providing coverage for public employees for periods of time when they were serving the public through public employment or through quasi-public employment. Coverage for a period when an individual provided private sector employment is not consistent with this statement.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection. This is consistent with the notion that Minnesota taxpayers support these public pension plans and bear the investment risk in amassing plan assets. Given the support that taxpayers provide, it is appropriate that the service have a Minnesota connection, reflecting services provided to the people in the state.

4. Presumption of Active Member Status at the Time of Purchase. The principle states that contributions should be made by the member or in combination by the member and by the employer. It is presumed that the individual covered by the service purchase request is an active employee, because retirees generally are not considered to be "members" of a plan and these individuals no longer have a public employer. If there are unresolved issues of whether an individual should have service credit for a given period, those issues should be resolved before the individual terminates from public service, and certainly before the individual retires. The act of retiring undermines a claim that there is sufficient need for the Legislature to consider the coverage issue. If there were considerable hardship caused by the lack of service credit, presumably the individual would not have retired. Entering retirement suggests that the associated pension benefit is adequate without any further increase in the benefit level due to a purchase. Only on rare occasions have the Commission and the Legislature authorized service credit purchases by retirees.
5. Presumption of Purchase in a Defined Benefit Plan. The prior service credit purchase contributions in total should match the associated actuarial liability. The specific procedures in Minnesota Statutes and law for computing service credit purchase amounts, Minnesota Statutes, Sections 356.55 and 356.551, presume that the purchase is in a defined benefit plan with a benefit based on the individual's high-five average salary. There is no process in law specifying a procedure for computing a "full actuarial value" purchase in a defined contribution plan, or even defining what that concept means in the context of a service purchase or service credit purchase in a defined contribution plan.
6. Full Actuarial Value Purchase. Within the context of a defined benefit plan, the pension fund should receive a payment from the employee, or from the employee and employer in combination, which equals the additional liability placed on the fund due to the purchase. This amount is referred to as the full actuarial value of the service credit purchase. The procedure used to compute this full actuarial value should be a methodology that accurately estimates the proper amounts. When clear evidence indicates that the employing unit committed an error that caused the individual to not receive pension plan coverage, the Commission has permitted the employee to make the employee contribution for the relevant time period, plus 8.5 percent interest, and the employer has been mandated to cover the remainder of the computed full actuarial value payment. If the employer does not directly make the payment following notification that the employee has made his or her portion of the full payment, the Commission has required that a sufficient amount to cover the remainder of the full actuarial value be deducted from any state aids that would otherwise be transmitted to the employer. The Commission has purposely departed from the full actuarial value requirement when there is evidence that the pension plan administration created the lack of service credit coverage due to pension plan administration error. In situations of pension plan error, the employee may be required to pay the contributions that would have been required for the relevant time period, plus 8.5 percent interest to adjust for the time value of money, leaving any difference between that payment and the full actuarial value to be absorbed by the pension fund.
7. No Violation of Equitable Considerations. Purchases of service credit should not violate equitable considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. In general, any issue or factor associated with a service credit purchase request which can be viewed as lacking fairness or being less than impartial can be a basis for rejecting a request. Requests by existing retirees to purchase additional service credit and have their annuities recomputed could be viewed as being a situation that violated equity considerations. New requests on behalf of individuals who were covered by purchase of service credit authorizations passed by earlier Legislatures but who are dissatisfied with the purchase of service credit terms that were provided can be considered as violating equity considerations. Individuals requesting service credit purchases for periods specifically excluded from plan coverage under the applicable law could be considered as violating equity considerations, among other policy concerns relating to those considerations. Requests to purchase service credit for periods covered by another pension plan may raise equity concerns. Generally, a service credit purchase is intended to fill a gap in coverage, not to create double coverage. Long delays in seeking remedial action can also be considered a violation of equity considerations. Individuals tend to wait until late in their career before seeking any remedial action for lost service credit. Prompt action, closer to the time period when the service credit problem occurred, would often result in a solution at a lower cost and would avoid efforts by the Commission to try to determine the factual situation many years, or even decades, after the event occurred.

- f. 1999-2004 General Service Credit Purchase Provisions. The recently expired full actuarial value service credit purchase provisions and the years in which they were enacted are as follows:

1999

- Military service (TRA and first class city teacher plans)
- Out-of-state teaching service (TRA and first class city teacher plans)
- Maternity leave or absence or maternity break-in-service (TRA and first class city teacher plans)
- Parochial or private school teaching service (TRA and first class city teacher plans)
- Peace Corps and VISTA service (TRA and first class city teacher plans)
- Charter school teaching (TRA and first class city teacher plans)
- Previously uncredited part-time teaching service (first class city teacher plans)

2000

- Military service (various MSRS plans, PERA plans)
- Teaching service credit for various nonprofit Community Based Corporation service (TRA and first class city teacher plans)

2001

- Out-of-country and tribal teaching service credit (TRA and first class city teacher plans)
- Developmental Achievement Center teaching service (TRA and first class city teacher plans)
- Uncovered teaching service at University of Minnesota (TRA and first class city teacher plans)
- Parental leave/break-in-service (teacher plans, various MSRS and PERA plans, various other plans)

In 1999, the Commission was persuaded to support several proposed generalized service credit purchase provisions applicable to the Teachers Retirement Association and the first class city teacher retirement fund associations (the Duluth Teachers Retirement Fund Association, the Minneapolis Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association). Under these provisions, classes of individuals (those with prior military service, out-of-state teaching service in a K-12 situation, individuals who taught in parochial schools, provided Peace Corp service and various other groups), were permitted to purchase service credit in the applicable Minnesota plan for the specified service. These provisions, which were strongly supported by teacher groups, conflicted with the Commission's policy statement in several ways. All lacked any requirement of an individual review of the circumstance. Others were not related to public service or had no Minnesota connection.

In 2000, more service credit purchase provisions were added to law, this time for non-teacher plans, providing a full actuarial value service credit provision for individuals who had military service prior to becoming a public employee, or who failed to pay contribution requirements in a timely manner under other military leave service credit purchase provisions. These provisions enacted in 2000 were comparable to the military service credit provisions added to teacher plan law a year earlier. In 2000, teacher plan law was also revised to permit full actuarial value service credit purchases for non-profit community-based teaching service.

In 2001, several other service credit purchase provisions were enacted. An out-of-country teaching service credit purchase provision was created in teacher plan law, and also one for Development Achievement Center teaching. These new provisions included sections of law permitting purchase of service credit, not to exceed ten years, in the teacher plans for service while teaching at the University of Minnesota which was not covered by a pension plan at the university. These provisions stemmed from a legislative request for the executive director of the Minneapolis Employees Retirement Fund, who many years earlier taught some accounting courses at the University while employed in a position that was excluded from pension plan coverage. The final generalized service credit provision enacted was a family leave provision permitting individuals who may be covered by a teacher plan, or any of several other general employee and public safety plans, to purchase service credit for the past family leaves or family-related breaks-in-service.

There are several reasons why the Commission and Legislature may have supported the above provisions. First, the provisions were intended to be temporary. Each was set to expire a few years after enactment. The departure from policy may have been viewed as a short-term departure from established policy to address short-term market conditions for teachers. Second, the Legislature had been given assurances that the provisions created no financial harm to the pension funds because the purchases would be at full actuarial value. The methodology to compute full actuarial value purchase prices had been revised in 1998, and the teacher unions and the administrators of the teacher pension funds were confident that the procedures would produce accurate price estimates, thereby shielding

other fund contributors from subsidizing these purchases. When the revised methodology was enacted in 1998 as Minnesota Statutes, Section 356.55, the section included a provision requiring data to be retained and analyzed on every service credit purchase made using the procedure, and the section included an expiration date. If legislative review of these purchases suggested that the procedure was not accurate and was causing subsidies to occur, the section would be permitted to expire. If it expired, a previous procedure used to estimate full actuarial value, coded as Minnesota Statutes, Section 356.551, would again become effective. That prior procedure in Minnesota Statutes, Section 356.551 tended to produce higher cost estimates than the revised procedure. Teacher unions and other constituent groups favor continuing the revised procedure in Minnesota Statutes, Section 356.55, because it tends to produce lower prices. From a policy standpoint, the Minnesota Statutes, Section 356.55 procedure is better if it is more accurate than the prior procedure. If the lower prices are resulting in subsidies, its use harms the pension funds.

As the repeal date for the revised full actuarial methodology and each of these temporary generalized service credit provisions approached, the repeal dates were extended by the Legislature due to strong support for these provisions from the teacher unions and other constituent groups. Most of the provisions have now been extended more than once, but generally expired in July 2004.

Attachment B

Background Information on "Rule of 90" Benefit Eligibility and Other Pre-July 1, 1989, Benefits

In 1989, a major benefit increase was enacted (Laws 1989, Chapter 319, Article 13) for the major general employee pension plans. A significant aspect of that benefit increase, which was added as a House floor amendment to proposed legislation relating to teachers' salaries in Independent School District No. 709 (Duluth), without a favorable recommendation by the Legislative Commission on Pensions and Retirement, was the extension of the PERA-General "Rule of 90" benefit eligibility provision to the other major general employee retirement plans (the Minnesota State Retirement System General Plan (MSRS-General), the Teachers Retirement Association (TRA), and the first class city teacher plans). This extension created two benefit tiers (the "Rule of 90" benefit tier and the "Level Benefit" benefit tier) in all these plans. The 1989 legislation, however, restricted the use of the "Rule of 90" benefit tier to employees who became members of the applicable plans before July 1, 1989. This applies not only to the plans in which "Rule of 90" provisions were first created in 1989, but also to PERA-General which had a "Rule of 90" benefit provision added to its law several years earlier. Individuals in any of these plans who commenced covered employment on or after July 1, 1989, have access to only the level benefit provision.

Following the 1989 benefit increase bill, the "Rule of 90" and "Level Benefit" benefit tiers were as follows:

1. "Level Benefit" Tier. All plan members were eligible to receive a retirement annuity using a level benefit accrual formula rate of 1.5 percent credit for all years of service, rather than the current one percent of each of the first ten years of service, followed by 1.5 percent thereafter. If the individual retires before the normal retirement age, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that changes over time. The normal retirement age is age 65, or slightly later, depending on the date of birth.
2. "Rule of 90" Benefit Tier. Plan members first hired before July 1, 1989, if their age plus years of service total the sum of 90, were eligible to receive a benefit accrual formula rate of one percent for each of the first ten years of service, followed by 1.5 percent per year thereafter, with no early retirement reduction. If the pre-July 1, 1989, hire does not meet the "Rule of 90" eligibility requirement, the individual could select a benefit with an accrual rate of one percent for each of the first ten years and 1.5 percent thereafter, with an earlier retirement reduction rate of three percent per year.

Under the 1989 pension legislation, the Legislature reserved the right to eliminate the "Rule of 90" from any plan if more than 45 percent of eligible retirees use that provision, and the applicable plans were required to report utilization rates to the Legislature. The "Rule of 90" report requirement and elimination provision was repealed in 1993, at the request of the various major general employee retirement plan administrators when the Teachers Retirement Association (TRA) utilization approached the triggering level.

The 1989 "Rule of 90" extension, with its restriction to pre-July 1, 1989, hires, reflects a compromise based on policy and cost considerations. Although the accrual rate for the first ten years of service is less than under a level benefit computation, the waiver of any early retirement benefit reductions that would otherwise be required tends to more than outweigh the lesser accrual rate used of the first ten years of service, creating a subsidized benefit. This subsidy of those who have sufficient age and years of service to qualify for and use the "Rule of 90" adds to the plan cost, to be paid by many who will never have sufficient service to qualify for this benefit. Restricting the "Rule of 90" to only those who started in covered employment before July 1, 1989, made the cost manageable under the 1989 bill. However, it has created a difference between the benefit provisions available to the pre-July 1, 1989, hires and those who came afterwards, leading to frequent requests by the more recent hires to have the "Rule of 90" extended to them. So far, the Legislature has resisted those requests, for a number of reasons. One reason is that it is not viewed as an issue needing prompt attention. Individuals who started employment after 1989 either are sufficiently young that retirement is not a serious concern, or their service is rather short, leaving them far from qualifying for a "Rule of 90" benefit if one were to be offered. The second consideration is cost. It would be necessary to increase the contributions to all these plans to cover the added liabilities that would be created by extending the "Rule of 90." The third consideration is policy conflicts created by these early retirement provisions. An effort to extend early retirement provisions to post-1989 hires is in conflict with changes in federal retirement policy. The Social Security system has been increasing the age at which individuals can qualify for full Social Security benefits, and without those Social Security benefit

checks and related Medicare coverage, most individuals who might wish to retire early from a Minnesota public plan can not afford to do so, because of the high cost of health care. Also, given the increases in expected lifespan that has occurred and that will continue to occur, one can argue that average retirement age may need to be increased rather than decreased, to control plan cost. Fourth, given current and future labor markets, there is a need to encourage the post-World War II baby boom generation to stay in the labor force, rather than encouraging their withdrawal. The next generation is too small to fill all the positions that will become vacant. To some extent "Rule of 90" provisions encourage withdrawal from the labor force. Finally, "Rule of 90" provisions are inconsistent with the concepts upon which our defined benefit plans were based. These plans were intended to attract sufficient capable workers, to act as a retention tool to keep them in government employment, and to out-transition them at the end of their productive years, providing sufficient income in retirement, along with Social Security benefits and private savings, to allow the retiree to retain a reasonable standard of living. Many who retire under the "Rule of 90" are not ready to leave the labor force, and thus the benefits are not used to provide retirement income. Retirement benefits paid to those who simply transition to other employment add to plan cost and may not be serving a useful public purpose.

The benefit accrual rates enacted in 1989 were increased again in 1997 (Laws 1997, Chapter 233, Article 1). Following the enactment of the 1997 revisions, a benefit computed under the level benefit tier would use an accrual rate of 1.7 percent per year of service, rather than 1.5 percent. Benefits computed under the "Rule of 90" benefit tier now use an accrual rate of 1.2 percent per year for each of the first ten years, and 1.7 percent for each year thereafter. As part of the 2006 merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA), the Legislature again increased accrual rates, but only for TRA and only for prospective service.

In addition to the "Rule of 90," there are other benefits generally found in these general employee plans which apply only to the pre-July 1, 1989, hires. These include an age 65 normal retirement age, rather than age 66. The lower age 65 normal retirement age will lessen the amount of a reduction due to early retirement compared to use of age 66, and will allow individuals to retire with full benefits a year earlier. Another is a 30-year provision, which allows individuals with 30 years of service credit to retire prior to normal retirement age with a reduction applied only to age 62 rather than age 65, creating a larger benefit. A third provision applicable only to the pre-July 1, 1989, hire group is an early retirement benefit computed using the "Rule of 90" tiers described above with a three percent per year reduction due to early retirement.

Attachment C

Background Information on the General Employee Retirement Plan
of the Public Employees Retirement Association (PERA-General)

The General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) is governed by Minnesota Statutes, Chapter 353, and various other provisions of law. It is a defined benefit retirement plan that provides disability coverage, survivor benefits, and retirement coverage to over 142,000 public employees throughout the state, other than public safety employees. PERA-General provides coverage to public employees who work for the counties, cities, and in non-teaching positions in school districts. PERA currently has over 56,000 retirees and 35,000 deferred retirees. PERA-General assets exceed \$11.8 billion, but liabilities exceed \$15.8 billion, creating a funding ratio of 79.7 percent. To deal with plan contribution deficiencies, the 2005 Legislature passed provisions which will phase in contribution rate increases. The current employee contribution rate is 5.75 percent, and will increase to 6.0 percent of pay in 2008. The current employer contribution rate is 5.75 percent of pay, increasing to 6.0 percent in 2008. There is also an employer additional contribution, currently 0.50 percent of pay, increasing gradually to 1.0 percent of pay in 2010.

The table below presents the plan's actuarial condition as of June 30, 2006. PERA currently has over \$4.2 billion in unfunded liability and a contribution deficiency of 1.14 percent of payroll. The Legislature has recently taken steps to address PERA-General's actuarial condition through mandated contribution increases that will phase in over the next few years.

	2006	
<u>Membership</u>		
Active Members		144,244
Service Retirees		50,320
Disabilitants		1,940
Survivors		6,818
Deferred Retirees		37,476
Nonvested Former Members		<u>105,590</u>
Total Membership		346,388
<u>Funded Status</u>		
Accrued Liability		\$16,737,756,758
Current Assets		<u>\$12,495,207,148</u>
Unfunded Accrued Liability		\$4,242,549,610
Funding Ratio	74.65%	
<u>Financing Requirements</u>		
Covered Payroll		\$4,703,895,104
Benefits Payable		\$748,390,506
Normal Cost	7.78%	\$366,059,040
Administrative Expenses	<u>0.20%</u>	<u>\$9,407,790</u>
Normal Cost & Expense	7.98%	\$375,466,830
Normal Cost & Expense	7.98%	\$375,466,830
Amortization	<u>4.92%</u>	<u>\$231,431,639</u>
Total Requirements	12.90%	\$606,898,469
Employee Contributions	5.63%	\$264,931,649
Employer Contributions	6.13%	\$288,515,428
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	11.76%	\$553,447,077
Total Requirements	12.90%	\$606,898,469
Total Contributions	<u>11.76%</u>	<u>\$553,447,077</u>
Deficiency (Surplus)	1.14%	\$53,451,392

Being a defined benefit plan means that PERA-General's retirement benefit is specified by a formula in law. Under these formulas, the average of salary close to retirement (the average of the five consecutive years that provides the highest average salary) is multiplied by a factor or factors referred to as accrual rates. An accrual rate is the percentage of the high-five salary that the individual receives per year of service. This result is then multiplied by the number of years of service to determine the benefit. For a PERA-General member who started covered service in one of the larger Minnesota public plans before

1989, the normal retirement age is 65. That is the age at which an individual, following termination of covered service, can receive an annuity without any penalty due to early commencement of the benefit. Under law, a terminated employee may begin drawing an annuity as early as age 55, but with a reduction due to early retirement. If a PERA member starts drawing an annuity at the normal retirement age, the accrual rate in law is 1.7 percent (assuming a coordinated member, which means a member who is also covered by the Social Security Old Age, Survivor, and Disability Program for the covered employment). If the high-five average salary happened to be \$40,000 and the individual had 30 years of service, the annual benefit would be $\$40,000 \times 1.7 \text{ percent} \times 30 \text{ years} = \$20,400$.

As noted, the normal retirement age (the age at which an individual can retire with full, unreduced benefits) is about age 65, although individuals can retire as early as age 55. If individuals retire before normal retirement age, generally a reduction in the monthly benefit is required to compensate for the longer period during which a person will be receiving a benefit. (If two individuals have the same salary and same years of service credit, but one is retiring at age 65 while the other retires at age 55, the individual who retires at age 55 is likely to be drawing a monthly benefit for ten years longer than the age-65 retiree.) For individuals who began employment after July 1, 1989, the reduction to compensate for early retirement is a full actuarial reduction. In other words, the monthly benefit to the younger retiree must be reduced so that the present value of the lifetime stream of monthly benefits is worth no more than if that individual had retired at the plan's normal retirement age.

Different rules apply to those employees who commenced covered employment before July 1, 1989. If a pre-July 1, 1989, hire qualifies for the "Rule of 90" (age plus years of service equal 90 or more), no reduction is required for early retirement. For other pre-July 1, 1989, employees who retire early, a lesser reduction is required. In many cases, the benefit reduction is three percent per year, which is considerably less than a full actuarial reduction.

Public Employees Retirement Association of Minnesota
60 Empire Drive, Suite 200
Saint Paul, Minnesota 55103-2088
Member Information Services: 651-296-7460 or 1-800-652-9026
Employer Response Lines: 651-296-3636 or 1-888-892-7372
PERA Fax Number: 651-297-2547
PERA Website: www.mnpera.org

PERA

April 24, 2006

PERA Member No: [REDACTED]

PATRICK J LOWRY
7850 BRISTOL RD
ST PAUL MN 55125-2806

Dear Mr. Lowry:

We are pleased to provide you with estimates of your retirement benefits with and without the actuarial purchase of 11 months of additional Coordinated Plan service for the period of November 11, 1988 through September 30, 1989 while employed with the City of St. Paul. A determination was made that you were not eligible for PERA membership for the period of November 28, 1985 through November 10, 1988 and therefore would not be eligible for this service. Keep in mind you will have to seek legislation for PERA to grant the purchase of time during November 11, 1988 through September 30, 1989. These estimates appear on the enclosed *PERA Estimated Retirement Benefits Report*.

The actuarial purchase cost of 11 months of Coordinated Plan service is \$35,757.86. Of this \$35,757.86, the minimum purchase payment, you the employee must pay is \$3,450.82. Your employer has the option of paying the remaining amount up to \$32,307.04. This amount was calculated with an interest through date of June 30, 2007.

Any monthly benefit you select on your application for monthly benefits will be payable for life. If you choose the single-life benefit, no monthly payment would be paid to anyone after your death; but a refund of any remaining balance in your account would be paid to your beneficiary. You may select a survivor option benefit rather than a single-life benefit. Survivor options provide a monthly benefit to another person after your death but would reduce the single-life benefit paid to you based on the option selected at retirement. Since you are currently married, we have calculated four monthly survivor options providing various continued benefits for your designated survivor should you die. All survivor options are payable for your named survivor's lifetime after your death; but if your survivor dies before you, your monthly payment reverts to the single-life benefit.

If you elect the temporary increase option, you can retire and receive a larger monthly benefit amount from PERA until age 62. Upon reaching age 62, your monthly benefit will be reduced by \$100 per month, plus any post-retirement increases paid on the pre-62 temporary increase. A pre-age 62 temporary increase amount is shown on the *PERA Estimated Retirement Benefits Report* since the estimate is for a retirement date prior to age 62.

For Your Information

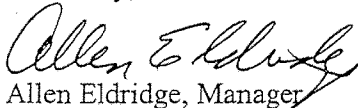
We have enclosed a pamphlet that briefly describes the retirement benefits you currently have as a PERA member. It also provides a general description of how your benefits are computed.

We must emphasize the estimates provided are preliminary projections of the benefits you may expect to receive from PERA under current law and policy, and based on information you and your employer supplied. **They are for planning purposes only.** Your actual benefits could be higher or lower than reported. Estimates (rounded to the nearest dollar) were calculated by using your salary already earned to determine the average of your highest five successive years of salary, *unless otherwise stated on the report*. In the event there is a change in the finalized service or salary, the benefit will be adjusted to reflect factual information. Brochures are provided to identify the steps you will need to follow to begin receiving your retirement or disability benefits.

PERA benefits are not fixed. Increases, if any, are made every January 1 and are based on the rate of inflation and the excess earnings of the Minnesota Post Retirement Investment Fund (see enclosed brochure).

If you need additional information, please contact our office at 1-800-652-9026 or 651-296-7460.

Sincerely,



Allen Eldridge, Manager
Pension Service Division

PS/pt

PERA *Estimated* Retirement Benefits Report
Coordinated Plan
April 21, 2006

Section One: Personal Information

Name of Member:	PATRICK J LOWRY	Member's Birth Date:	12/29/1958
Name of Designated Survivor:	MARI L LOWRY	Survivor's Birth Date:	9/24/1960
Balance of Member Contributions:	\$27,672.10 as of 4/12/2006 + Interest: \$14,675.80 = \$42,347.90 as of 3/31/2006		

Section Two: Before Tax Estimate of Monthly Retirement Benefits

Estimate Number:	1	2		
Actuarial Purchase through Special Legislation:	No Purchase	11/11/88 – 9/30/89		
Purchase Cost with Interest Through 6/30/2007:		\$35,757.86		
Minimum Employee Cost:		\$3,450.82		
Maximum Employer Cost:		\$32,307.04		
Termination Date:	12/31/2013	12/31/2013		
Benefit Begin Date:	1/01/2014	1/01/2014		
Age:	55 Yrs 0 Mos	55 Yrs 0 Mos		
Single-Life Monthly Amount:	\$875	\$1,107		
Single-Life Benefit—No monthly benefits payable to any other person.				

Survivor Options—Instead of a Single-Life Benefit you may choose from one of four Survivor Options. The benefits are payable for the lifetime of the member. At the time of death, the designated survivor starts to receive a monthly benefit based on the option chosen by the member. Survivor options available are at a 25, 50, 75, and 100 percent level of that received by the member.

25%	Member Amount:	\$ 837	\$1,060		
	Designated Survivor Amount:	\$ 209	\$ 265		
50%	Member Amount:	\$ 803	\$1,016		
	Designated Survivor Amount:	\$ 401	\$ 508		
75%	Member Amount:	\$ 771	\$ 976		
	Designated Survivor Amount:	\$ 578	\$ 732		
100%	Member Amount:	\$ 742	\$ 939		
	Designated Survivor Amount:	\$ 742	\$ 939		

Section Three: Temporary Increase Option

If you begin receiving your PERA retirement benefit before age 62, you may elect to receive a temporary increase in your PERA benefit. The table below shows the amount of the temporary increase you could receive when your retirement benefits begin on the dates listed. When you choose a temporary increase, your PERA benefit will be permanently reduced by \$100 plus any post-retirement increases paid on the temporary increase when you reach age 62.

Pension Begin Date:	1/01/2014	1/01/2014		
Monthly Temporary Increase:	\$54	\$54		

Section Four: Estimate Details

Average Monthly High 5 Salary:	\$4,187	\$4,187		
Rate and Formula:	Level / 20.90%	Step / 26.45%		
Coordinated Plan Service Credit:	24 Yrs 3 Mos	25 Yrs 2 Mos		

Disclaimer

The benefit information and/or amounts presented on this report are calculated using information provided to us by you and your employer. We have also assumed that your service and salary will continue without any interruption up to your termination date. The benefits to which you are entitled under any of our plans depend on the actual personal data, service, and salary reported on your behalf, and the laws in effect at the time of a benefit claim.

HOW TO REPORT EMPLOYEES TO PERA

Who must be members of PERA?

Full-time permanent employees and part-time employees who earn over \$325 per month. Persons hired to fill permanent positions must be reported from the first day of employment, even though they may be on probation for some time.

Full-time students who are full-time employees and part-time students who are part-time employees, if qualifications of PERA are met.

Persons employed in more than one governmental unit must pay deductions on all earnings if total salary exceeds \$325 a month.

Employees serving on a full-time basis as police officers or fire fighters on or after July 1, 1961, must be members of the Police and Fire Fund. Part-time police officers or fire fighters whose earnings exceed \$325 a month must be members of the Coordinated Fund, unless a resolution is adopted by the governing body of the governmental subdivision, making them eligible for coverage in the Police and Fire Fund.

Elected officials have an option to join PERA.

Who may be exempt from membership?

Part-time employees who earn \$325 per month or less. Once a person becomes eligible for PERA coverage, deductions are required and membership must continue until termination of public service regardless of the amount earned.

Part-time employees and elected officials whose annual compensation will not exceed \$3,900. This must be stipulated in advance. A copy of the document signed at the time the employee was hired or for new contract period must be submitted upon request. If during the year the salary exceeds \$3,900, deductions must be reported to PERA from that date forward.

Full-time students who are part-time employees.

Persons employed in temporary, emergency, or seasonal positions, provided employment does not exceed 120 working days in any calendar year. Immediately following expiration of the 120 days, if salary exceeds \$325 per month, deductions are required and membership must continue until termination of public service.

What if I can't determine if a person is eligible?

Refer to the law booklet for a more detailed list of who should and should not be reported. If unsure about a person's eligibility, contact the PERA office immediately.

Are Social Security deductions required?

Persons who qualify for coverage in the PERA Coordinated Fund must also pay deductions to Social Security, but anyone not eligible for PERA cannot pay into the federal fund, either. For information about reporting the required Social Security taxes, please contact Mr. Harry Groschel, Director, Social Security Retirement Division, Space Center Building, 444 Lafayette Road, St. Paul, MN 55101.

(CFP0358-10) 01/07/88

CITY OF SAINT PAUL

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EARNINGS BY EMPLOYEE, PAYROLL TYPE AND PERIOD

DEPARTMENT 02-002 FROM PERIOD ENDING 12/19/86 THRU PERIOD ENDING 12/18/87

SOC-SEC-NBR ***** EMPLOYEE NAME *****
PAY CHECK PAY GROSS PAY FEDERAL TAX
CDE DEPT NBR PER 532.60 50.33
R 02-002 270030 27 23,658.33 2,536.65
TOTAL 21,752.13
** TAXABLE GROSS **

DEFERRED COMP OTHER DEDUCTS NET PAY FLG
21.30 25.83 376.06
906.20 4,480.83 11,634.58

** TAXABLE GROSS **		LOWRY, PATRICK		16,036.72	
R 02-002	0400326 4	779.09	6.70	4.00	00
R 02-002	0500322 5	89.67			00
R 02-002	1500357 15	938.08			12.15 P 00
R 02-002	1600341 16	1,050.82	120.29	47.00	15.24 P 00
R 02-002	1700360 17	1,052.42	120.53	66.00	15.26 P 00
R 02-002	1800348 18	945.36	104.48	66.00	13.71 P 00
R 02-002	1900357 19	1,051.52	120.40	66.00	15.25 P 00
R 02-002	2000353 20	737.14	73.24	37.00	10.69 P 00
R 02-002	2100367 21	733.52	72.70	37.00	10.64 P 00
R 02-002	2300353 23	418.24	25.41	12.00	6.06 P 00
R 02-002	2400345 24	1,046.96	119.72	66.00	15.18 P 00
R 02-002	2500358 25	945.36	104.48	56.00	13.71 P 00
R 02-002	2600343 26	261.40	4.75	3.00	3.79 P 00
TOTAL		9,449.58	961.08	516.00	131.63 P
** TAXABLE GROSS **					

12.81
6/6 13.07 - 1045.60

applied 91 days

did not work
120 days

268.39
89.67
690.55
849.29
850.63
771.17
849.87
616.21
613.18
374.77
846.06
771.17
249.86
7,840.82

(CFP8358-10) 01/21/87

CITY OF SAINT PAUL

PAGE 369

EARNINGS BY EMPLOYEE, PAYROLL TYPE AND PERIOD

DEPARTMENT 02-002

FROM PERIOD ENDING 12/20/85 THRU PERIOD ENDING 12/05/86

SOC-SEC-NBR ***** EMPLOYEE NAME *****

PAY CHECK PAY NBR PER GROSS PAY

CDE DEPT 1500344 15 2.7

R 02-002 1800341 18

TOTAL 1/

** STA TAX GROSS **

** FED TAX GROSS **

LOWRY, PATRICK

R 02-002 0300319 3 50.68

R 02-002 0400353 4 326.50

R 02-002 0600354 6 275.25

R 02-002 1400351 14 101.36

R 02-002 0100340 16 202.72

R 02-002 1700334 17 605.44

R 02-002 1800342 18 251.38

R 02-002 1900347 19 717.36

R 02-002 2000359 20 153.72

R 02-002 2300342 23 204.96

R 02-002 2400334 24 1,039.12

R 02-002 2500343 25 102.48

TOTAL 4,334.86

** STA TAX GROSS ** 4,334.86

FEDERAL TAX

STATE TAX

F.I.C.A. WITHHOLD

PEN CDF

PENSION AMOUNT

DEFERRED COMP

OTHER DEDUCTINS

NET PAY

FLG

8/2 - 12.67

12.81

50.68
332.95
275.25
101.36
202.72
367.76
630.67
605.44
153.72
202.34
831.77
102.48
1,857.14

did not work
in 2 days

(CFP8358-10) 01/09/89

CITY OF SAINT PAUL

PAGE 376

EARNINGS BY EMPLOYEE, PAYROLL TYPE AND PERIOD
FROM PERIOD ENDING 01/01/83 THRU PERIOD ENDING 12/16/88

DEPARTMENT 02-002

SOC-SEC-NBR ***** EMPLOYEE NAME *****

PAY CHECK PAY

CDE DEPT NBR PER

R 02-002 2300451 23

R 02-002 2400471 24

R 02-002 2500449 25

R 02-002 2600429 26

TOTAL

** TAXABLE GROSS **

LOWRY, PATRICK

R 02-002 0200331 2

R 02-002 0300391 3

R 02-002 0400333 4

R 02-002 0100340 9

R 02-002 1000341 10

R 02-002 1100360 11

R 02-002 1200350 12

R 02-002 1300366 13

R 02-002 1400363 14

R 02-002 1500353 15

R 02-002 1600371 16

R 02-002 1700360 17

R 02-002 1800373 18

R 02-002 1900353 19

R 02-002 2000366 20

R 02-002 2200463 22

R 02-002 2300452 23

R 02-002 2400472 24

R 02-002 2500450 25

R 02-002 0000000 26

TOTAL

** TAXABLE GROSS **

FEDERAL TAX

STATE TAX

F.I.C.A. WITHHELD

PEN CDF

PENSION AMOUNT

DEFERRED COMP

OTHER DEDUCTNS

NET PAY

FLG

113.29

3.00

57.58

122.97

156.74

134.56

141.92

146.83

133.21

136.41

130.26

57.51

122.79

122.55

1,576.02

152,261.43

15,261.43

1,576.02

152,261.43

15,261.43

1,576.02

2.07 M 00

14.82 M 00

3.96 M 00

3.03 M 00

3.25 M 00

9.44 M 00

15.76 M 00

19.02 M 00

16.38 M 00

17.50 M 00

13.07 M 00

56.00 M 00

17.06 M 00

16.46 M 00

9.43 M 00

3.13 M 00

15.74 M 00

15.72 M 00

3.14 M 00

M 00

M 00

63.00

3.00

1.00

50.00

59.00

58.00

56.00

60.00

63.00

56.00

57.00

54.00

22.00

50.00

50.00

702.00

221.28

M 00

M 00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

80 hrs

13.55

1084

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

1.00

139.74

830.20

264.16

205.09

218.89

552.86

878.07

1,067.19

955.66

987.66

1,017.00

880.58

964.98

911.16

560.46

215.34

896.07

872.21

212.66

131.60

12,629.98

See time record

121 day - 11/11/88 ✓

J.A.

297-2547

Alex Eldridge

(CEP053-10) 01/16/90

CITY OF SAINT PAUL

EARNINGS BY EMPLOYEE, PAYROLL TYPE AND PERIOD
FROM PERIOD ENDING 12/30/88 THRU PERIOD ENDING 12/15/89

PAGE 389

DEPARTMENT 02-002

SOC-SEC-NBR ***** EMPLOYEE NAME *****

PAY CD DEPT CHECK PAY NBR PER GROSS PAY

R 02-002 2200481 22

R 02-002 2300461 23

R 02-002 2400479 24

R 02-002 2500465 25

R 02-002 2600421 26

* TAXABLE GROSS *

TOTAL

LOWRY, PATRICK

484.17

31.09

61.11

17.85

45.27

216.30

867.20

121.55

1089.42

121.88

1244.90

145.20

150.40

154.20

145.92

145.74

139.67

141.75

133.99

136.48

1261.11

120.89

119.48

149.65

119.02

2,415.87

22,729.41

TOTAL

TAXABLE GROSS *

STATE TAX

F.I.C.A. WITHHOLD. CODE

PEN- AMOUNT

DEFERRED COMP

OTHER DEDUCTNS

NET PAY

FLG

7-00

18-00

35-00

50-00

50-00

63-00

66-00

68-00

63-00

63-00

60-00

61-00

57-00

53-00

53-00

50-00

49-00

65-00

49-00

1-021-00

261.43

1.00

257.74

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EMPLOYEE TIME RECORD

02002 PUBLIC WORKS LABOR 1988

498	DRIVER-OPERATOR 11/1/82		DATE APPT. 12-5-85		VAC. A	SICK TIME	FUND 42331-111-000	PENSION NO. 0000000	EXMPT. M02	EMP. NAME - ADDRESS LOWRY 2346 INDIAN WAY NO ST PAUL MN 55109		PATRICK																
	GRADE: 01U SAL-SCHED: 73		12-5-85		A					EMP TYPE: A1B1C1D1 RACE: W BIRTH 12/29/58 DISABILITY 99																		
PAY FOR 2 WEEK PERIOD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	TIME REPORTS		APPROPRIATION CODE		RATE	TIME ALLOWED	COMP. TIME	TOTAL TIME	ABSENT		GROSS	TIME CHECK REASON	
	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	NO. HRS. NO.	NO. HRS. NO.	NO. HRS. NO.	NO. HRS. NO.	R.T.	O.T.	SHIFT	ERN USED	V	S	OTH	
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(10) employees of the metropolitan airports commission if employment initially commenced after June 30, 1979;

(11) employees of the Minneapolis employees retirement fund, if employment initially commenced after June 30, 1979;

(12) employees of the range association of municipalities and schools;

(13) employees of the soil and water conservation districts;

(14) employees of a county historical society who are county employees;

(15) employees of a county historical society located in the county whom the county, at its option, certifies to the executive director to be county employees for purposes of retirement coverage under this chapter, which status must be accorded to all similarly situated county historical society employees and, once established, must continue as long as a person is an employee of the county historical society and is not excluded under subdivision 2b;

(16) employees of an economic development authority created under sections 458C.01 to 458C.23;

(17) employees of the department of military affairs of the state of Minnesota who are full-time firefighters.

Subd. 2b. **Excluded employees.** (a) The following persons are excluded from the meaning of "public employee":

(1) persons employed for professional services where the service is incidental to regular professional duties, determined on the basis that compensation for the service amounts to no more than 25 percent of the person's total annual gross earnings for all professional duties;

(2) election officers;

(3) independent contractors and their employees;

(4) patient and inmate help in governmental subdivision charitable, penal, and correctional institutions;

(5) members of boards, commissions, bands, and others who serve the governmental subdivision intermittently;

(6) employees whose employment is not expected to continue for a period longer than six consecutive months;

(7) part-time employees who receive monthly compensation from a governmental subdivision not exceeding \$425, and part-time employees and elected officials whose annual compensation from a governmental subdivision is stipulated in advance, in writing, to be not more than \$5,100 per calendar year or per school year for school employees for employment expected to be of a full year's duration or more than the prorated portion of \$5,100 per employment period for employment expected to be of less than a full year's duration, except that members continue their membership until termination of public service;

(8) persons who first occupy an elected office after July 1, 1988, the compensation for which does not exceed \$425 per month;

(9) emergency employees who are employed by reason of work caused by fire, flood, storm, or similar disaster;

(10) employees who by virtue of their employment as an officer or employee of a governmental subdivision are required by law to be a member of and to contribute to any of the plans or funds administered by the state employees retirement system, the teachers retirement fund, the state patrol retirement fund, the Duluth teachers retirement fund association, the Minneapolis teachers retirement fund association, the St. Paul teachers retirement fund association, the Minneapolis employees retirement fund, the Minnesota state retirement system correctional officers retirement plan, or any police or firefighters relief association governed by section 69.77 that has not consolidated with the public employees police and fire fund and for which the employee has not elected coverage by the public employees police and fire fund benefit plan as provided in sections 353A.01 to 353A.10, other than as an act of the legislature has

specifically enabled participation by employees of a designated governmental subdivision in a plan supplemental to the public employees retirement association;

(11) police matrons employed in a police department of a city who are transferred to the jurisdiction of a joint city and county detention and corrections authority;

(12) persons who are excluded from coverage under the federal old age, survivors, disability, and health insurance program for the performance of service as specified in United States Code, title 42, section 410(a) (8) (A), as amended through January 1, 1987;

(13) full-time students who are enrolled and are regularly attending classes at an accredited school, college, or university and who are not employed full time by a governmental subdivision;

(14) resident physicians, medical interns, and pharmacist interns who are serving in public hospitals;

(15) appointed or elected officers, paid entirely on a fee basis, who were not members on June 30, 1971;

(16) persons holding a part-time adult supplementary technical institute license who render part-time teaching service in a technical institute if the service is incidental to the person's regular nonteaching occupation, the applicable technical institute stipulates annually in advance that the part-time teaching service will not exceed 300 hours in a fiscal year, and the part-time teaching service actually does not exceed 300 hours in a fiscal year; and

(17) persons exempt from licensure under section 125.031.

(b) Immediately following the expiration of a six-month period of employment by an employee covered by paragraph (a), clause (6), if the employee continues in public service and earns more than \$425 from a governmental subdivision in any one calendar month, the department head shall report the employee for membership and cause employee contributions to be made on behalf of the employee in accordance with section 353.27, subdivision 4, and the employee remains a member until termination of public service. This paragraph may not be construed to exclude an employee from membership whose employment is expected to continue for more than six months but who is serving a probationary period.

(c) If compensation from a governmental subdivision to an employee covered by paragraph (a), clause (7), exceeds \$5,100 per calendar year or school year after being stipulated in advance, the stipulation is no longer valid and contributions must be made on behalf of the employee in accordance with section 353.27, subdivision 12, from the month in which the employee first exceeded \$425.

(d) Paragraph (a), clause (10), does not prevent a person from being a member of and contributing to the public employees retirement association and also belonging to or contributing to another public pension fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2, by virtue of other service occurring during the same period of time shall become a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the teachers retirement association in accordance with section 354.05, subdivision 2.

Subd. 2c. Defining of termination of public service. A person who terminates employment that was excluded from membership under subdivision 2b, paragraph (a), clause (6) or (7), who returns within 30 days to employment in the same governmental subdivision in another position excluded from membership under subdivision 2b, paragraph (a), clause (6) or (7), is considered a member from the beginning of the reemployment unless the total period covered by all periods of employment is less than six months or on which the amount earned does not exceed the dollar limitations in subdivision 2b, paragraph (a), clause (7).

Subd. 3. Head of department. "Head of department" means the head of any department, institution, office, or branch of service of any governmental subdivision which directly pays salaries out of its revenue or is empowered to authorize the payment of such salaries.

contributions shall be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

Subd. 4. **Employers reporting requirements; contributions; member status.** The head of each department is hereby directed to cause employee contributions to be deducted from the salary of each member and to issue or approve one voucher payable to the state treasurer for the aggregate amount so deducted from such salaries, and at the same time to issue or approve one voucher for the aggregate amount of the employer contributions and the additional employer contributions for the same period of employment as that covered by the employee contributions, and to cause the same to be received not later than 20 calendar days thereafter in the office of the association. The head of each department shall, for each pay period in which employee contributions are deducted, submit to the association a salary deduction report, in the form prescribed by the executive director, showing (a) the legal names and the association membership numbers, listed in alphabetical order, of all members; (b) the legal names of all new public employees and the effective dates of appointment; (c) the amount of each salary deduction; (d) the amount of salary from which each deduction was made; (e) effective dates of all terminations of public service on account of members and if such terminations were caused by death or retirement, there shall be inserted after such date the applicable status code as set by the association; (f) effective dates of all temporary layoffs and leaves of absence and if such leaves are sick leaves, there shall be inserted after such date the applicable status code as set by the association; and (g) the beginning and ending dates of the payroll period covered and the date of actual payment. Additionally, reports of contributions shall be accompanied by a membership enrollment form for each new employee in the form prescribed by the executive director, and it shall be the responsibility of department heads to obtain such enrollment forms from new employees to be submitted to the association within 30 days following the date of employment. The employers shall furnish such additional reports on magnetic media or other form of report as may be requested by the association executive director.

Subd. 5. [Repealed, 1973 c 753 s 85]

Subd. 6. [Repealed, 1971 c 106 s 40]

Subd. 7. **Adjustment for erroneous receipts or disbursements.** (a) **Erroneous deductions.** Deductions taken in error by the employer from the salary of an employee for the retirement fund and transmitted to the association must be refunded to the employee calculated in accordance with section 353.34, subdivision 2; and the employer contribution and the additional employer contribution, if any, for the erroneous employee contribution must be refunded to the employer, provided, however, that the association and the state social security agency may make proper adjustments of money taken as employee and employer deductions, and provided further that the refund of deductions taken in error has been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association. If the refund of deductions taken in error has not been made within three calendar years of the calendar year in which the initial erroneous deduction taken in error was received by the association, the erroneous contributions are considered valid, and the years of allowable service attributable to the erroneous deductions must be credited to the member in accordance with section 353.01, subdivision 16, and, notwithstanding a law to the contrary, the employee may continue to be a member until termination of public service.

(b) **Erroneous disbursement.** In the event a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum deducted, or a portion of it that is required to adjust the deductions, must be made to the department or institution.

Subd. 7a. **Deductions or contributions transmitted by error.** If employee deductions and employer contributions were erroneously transmitted to the association, but should have been transmitted to another public pension fund listed in section 356.30,

estimate the obligations of the employee and employer to the retirement fund based upon such records as are in its possession. Where payroll abstracts have been lost or destroyed, the governmental agency need not furnish any information pertaining to employment prior to July 1, 1963. The association shall make no estimate of any obligation of any employee, former employee, or employer covering employment prior to July 1, 1963.

Subd. 12. Omitted salary deductions; obligations. In the case of omission of required deductions from salary of an employee, past due for 60 days or less, the head of the department shall deduct from the employee's next salary payment and remit to the executive director the amount of the employee contribution delinquency, with cumulative interest at the rate of six percent a year, compounded annually, from the date or dates each delinquent employee contribution was first payable. The interest must be paid by the employer. Omitted required deductions past due for a period in excess of 60 days are the sole obligation of the governmental subdivision from the time the deductions were first payable, together with interest as specified in this subdivision. Any amount so due, together with employer and additional employer contributions at the rates and in the amounts specified in subdivisions 3 and 3a, with interest at the rate of six percent compounded annually from the date they were first payable, must be paid from the proceeds of a tax levy made under section 353.28 or from other funds available to the employer. Unless otherwise indicated, this subdivision has both retroactive and prospective application, and the governmental subdivision is liable retroactively and prospectively for all amounts due under it. No action for the recovery of omitted employee and employer contributions or interest on contributions may be commenced and no payment of omitted contributions may be made or accepted unless the association has already commenced action for recovery of omitted contributions, after the expiration of three calendar years after the calendar year in which the contributions were omitted. An action for the recovery of omitted contributions or interest commences five calendar days after the date of the written correspondence requesting information from the governmental unit that may lead to a recovery of omitted contributions.

Subd. 12a. A member who was employed and met the eligibility requirements for participation in the association before July 1, 1973, who has a period of employment in which previously omitted employer contributions were made under subdivision 12 but for whom no, or only partial, omitted employee contributions have been made, or a member who had prior coverage in the association for which previously omitted employer contributions were made under subdivision 12 but who terminated service before required omitted employee contributions could be withheld from salary, may pay the omitted employee contributions for the period on which omitted employer contributions were previously paid plus interest at the rate of six percent compounded annually. The statute of limitations for payment of omitted deductions in subdivision 12 applies.

Subd. 13. Certain warrants canceled. A warrant payable from the retirement fund remaining unpaid for a period of five years must be canceled into the retirement fund and not into the general fund.

History: 1957 c 935 s 7; 1959 c 650 s 12, 37, 58; 1961 c 744 s 1; Ex1961 c 50 s 1; 1963 c 641 s 18; 1965 c 714 s 1-3; 1965 c 880 s 3; Ex1967 c 53 s 1-3; 1969 c 267 s 2; 1969 c 940 s 5; 1971 c 106 s 16, 17; 1973 c 35 s 55; 1973 c 753 s 27-33; 1974 c 229 s 12, 13; 1975 c 102 s 6; 1976 c 329 s 20; 1977 c 429 s 24; 1980 c 607 art 14 s 45 subd 2; 1981 c 180 s 6; 1982 c 404 s 5; 1983 c 73 s 1, 2; 1983 c 286 s 7; 1984 c 564 s 21; 1Sp1985 c 7 s 13; 1986 c 444; 1987 c 284 art 5 s 4-6; 1988 c 709 art 5 s 10-15

353.271 PARTICIPATION IN MINNESOTA POSTRETIREMENT INVESTMENT FUND.

Subdivision 1. Authorization. The public employees retirement association, including the public employees police and fire fund but excluding the various local relief association consolidation accounts, is authorized to participate in the Minnesota

- 1.1 moves to amend H.F. No. 876; S.F. No. 2016, as follows:
- 1.2 Page 2, delete lines 9 to 19
- 1.3 Page 2, line 20, delete "(f)" and insert "(e)"
- 1.4 Page 2, delete lines 23 to 29

1.1 moves to amend H.F. No. 876; S.F. No. 2016, as follows:

1.2 Page 2, line 4, after "credit" insert ", without any prorating,"

1.3 Page 2, line 6, after the second "of" insert "two-thirds of"

1.4 Page 2, line 7, delete "required" and insert "computed"

1.5 Page 2, delete lines 9 to 19 and insert:

1.6 "(e) The eligible person described in paragraph (b) is authorized to pay an employee
1.7 required amount equal to one-third of the prior service credit purchase payment under
1.8 Minnesota Statutes, section 356.551. If the employee required amount is paid by the
1.9 eligible person, the city of St. Paul must pay an identical amount within 60 days of
1.10 notification by the executive director of the Public Employees Retirement Association that
1.11 the employee required amount has been received by the association."

1.12 Page 2, line 23, delete everything after "its" and insert "required"

1.13 Page 2, line 24, delete "payment"

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **876**

February 12, 2007

Authored by Swails

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act
1.2 relating to retirement; Public Employees Retirement Association general plan;
1.3 authorizing a city of St. Paul employee to purchase service credit for a period
1.4 of uncovered service.

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

1.6 Section 1. PERA-GENERAL; CITY OF ST. PAUL EMPLOYEE SERVICE
1.7 CREDIT PURCHASE.

1.8 (a) An eligible person described in paragraph (b) is entitled to purchase allowable
1.9 service credit from the general employees retirement plan of the Public Employees
1.10 Retirement Association for the period of employment by the city of St. Paul between
1.11 November 11, 1988, and September 30, 1989, that qualified as employment by a public
1.12 employee under Minnesota Statutes 1988, section 353.01, subdivision 2b, that was not
1.13 previously credited by the retirement plan.

1.14 (b) An eligible person is a person who:

1.15 (1) was born on December 29, 1958;

1.16 (2) was first employed by the city of St. Paul as a part-time or seasonal employee
1.17 in 1985;

1.18 (3) qualified for Public Employees Retirement Association general plan coverage
1.19 in November 1988 but was not reported by the city of St. Paul to the Public Employees
1.20 Retirement Association for coverage until October 1989; and

1.21 (4) became a member of the general employees retirement plan of the Public
1.22 Employees Retirement Association in October 1989.

1.23 (c) The eligible person described in paragraph (b) is authorized to apply with the
1.24 executive director of the Public Employees Retirement Association to make the service

2.1 credit purchase under this section. The application must be in writing and must include
2.2 all necessary documentation of the applicability of this section and any other relevant
2.3 information that the executive director may require.

2.4 (d) Allowable service credit under Minnesota Statutes, section 353.01, subdivision
2.5 16, must be granted by the general employees retirement plan of the Public Employees
2.6 Retirement Association to the account of the eligible person upon the receipt of the prior
2.7 service credit purchase payment amount required under Minnesota Statutes, section
2.8 356.551.

2.9 (e) Of the prior service credit purchase payment amount under Minnesota Statutes,
2.10 section 356.551, the eligible person must pay an amount equal to the employee
2.11 contribution rate or rates in effect during the uncredited employment period applied to the
2.12 actual salary rates in effect during the period, plus annual compound interest at the rate
2.13 of 8.5 percent from the date the member contribution payment should have been made
2.14 if made in a timely fashion until the date on which the contribution is actually made. If
2.15 the equivalent member contribution payment, plus interest, is made, the city of St. Paul
2.16 shall pay the balance of the total prior service credit purchase payment amount under
2.17 Minnesota Statutes, section 356.551, within 60 days of notification by the executive
2.18 director of the Public Employees Retirement Association that the member contribution
2.19 equivalent payment has been received by the association.

2.20 (f) Authority for an eligible person to make a prior service credit purchase under this
2.21 section expires June 30, 2009, or upon termination of employment covered by the Public
2.22 Employees Retirement Association, whichever is earlier.

2.23 (g) If the city of St. Paul fails to pay its portion of the prior service credit purchase
2.24 payment amount under paragraph (e), the executive director of the Public Employees
2.25 Retirement Association must notify the commissioners of finance and revenue of that fact
2.26 and the commissioners shall order the deduction of the required payment amount from
2.27 the next payment of any state aid to the city of St. Paul and the commissioners shall
2.28 transmit the applicable amount to the general employees retirement fund of the Public
2.29 Employees Retirement Association.

2.30 Sec. 2. **EFFECTIVE DATE.**

2.31 Section 1 is effective the day following final enactment.