



**H.F. 2279**  
(Doty)

**S.F. 2027**  
(Koering)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* MSRS-General, MSRS-Correctional  
*Relevant Provisions of Law:* Proposed Special Law  
*General Nature of Proposal:* Transfer MCF-St. Cloud Stores Clerk service to MSRS-Correctional  
*Date of Summary:* March 27, 2007

**Specific Proposed Changes**

- Allow prior MCF-St. Cloud Stores Clerk service to transfer from MSRS-General to MSRS-Correctional despite the position not identified as eligible for Correctional coverage, if the Department of Corrections determines the position should have been in MSRS-Correctional.

**Policy Issues Raised by the Proposed Legislation**

1. Whether this position met the criteria (at a minimum, 75 percent inmate contact) used for inclusion of position in MSRS-Correctional, and if so, why it has not previously been identified as a qualifying position despite a thorough review of positions in 1996.
2. Whether the Legislature, rather than the Department of Corrections, should make this coverage determination.
3. Whether the Department of Corrections supports the bill.
4. Lack of any stated criteria to be used to determine whether coverage should be transferred.
5. Delay in seeking remedy.
6. Proposal rejected by MSRS Board, may have been appealed to Court of Appeals.
7. Impact on similar positions, or others with same employment title.
8. Payment terms appear to be inadequate; provides windfall to individual, adds unfunded liability to MSRS-Correctional.
9. Payment terms inconsistent with other bills transferring positions to MSRS-Correctional.

**Potential Amendments**

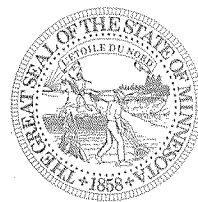
H2279-1A may be needed to clarify the ending date of the Stores Clerk service.

H2279-2A specifies that, at a minimum, the position must have met the 75 percent inmate contact requirement to be eligible for transfer.

H2279-3A revises payment terms by adding interest to employee contribution, requiring employer contribution with interest, and requiring the Department of Corrections to pay for the cost of any required actuarial calculations.

H2279-4A revises payment terms by requiring a full actuarial value payment, as follows:  
1. Individual pays the MSRS-General/Correctional contribution differential plus interest.  
2. Assets are transferred from MSRS-General to MSRS-Correctional equal to the funded portion of benefits accrued for the Stores Clerk service in the MSRS-General Plan  
3. If the sum of the employee contribution amount and the asset transfer is less than the value of the service credit in MSRS-Correctional, the employer is to pay the difference.

H2279-5A The Legislature, rather than Department of Corrections, would decide whether the service should transfer.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Director

RE: H.F. 2279 (Doty); S.F. 2027 (Koering): MSRS-General, MSRS-Correctional: Transfer of Past Stores Clerk Service from General Plan to Correctional Plan

DATE: March 23, 2007

#### Summary of H.F. 2279 (Doty); S.F. 2027 (Koering)

H.F. 2279 (Doty); S.F. 2027 (Koering) would permit Renee Trepanier to transfer MCF-St. Cloud employment as a Stores Clerk from General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) coverage to MSRS-Correctional coverage, if the Department of Corrections certifies that the individual met the requirements for Correctional Plan inclusion. The service credit transfer, if allowed, requires an asset transfer from MSRS-General and an additional contribution amount payment by the employee.

#### Public Pension Problem of Renee Trepanier

Based on information when Commission staff last reviewed this issue in 2006, Renee Trepanier is an employee of the Minnesota Department of Corrections employed at the Minnesota Correctional Facility – St. Cloud. Ms. Trepanier currently is a Central Services Administrative Specialist-Intermediate at MCF-St. Cloud, assigned to the institution canteen. That position is included in MSRS-Correctional. Apparently, the position title previously was Stores Clerk-Senior. While she held the Stores Clerk-Senior position, that position was added to MSRS-Correctional by language included in the 1996 Criminal Justice Appropriations legislation, Laws 1996, Chapter 408, Article 8, Sections 9-18 and 21-23. That legislation included prospective coverage plus authority to transfer any prior service as a Stores Clerk-Senior, and Ms. Trepanier elected to transfer that prior service from MSRS-General to MSRS-Correctional.

Before Ms. Trepanier was a Stores Clerk-Senior, she held the position of Stores Clerk. Ms. Trepanier contends that her service as a Stores Clerk, the position she held from April 25, 1990, to August 31, 1994, should also be allowed to transfer from MSRS-General to MSRS-Correctional. However, that was not permitted because, while Stores Clerk-Senior was included in the 1996 legislation, the Stores Clerk position was not. Excluding the Stores Clerk position from MSRS-Correctional coverage is justifiable if the position did not meet the criteria for inclusion. The general criteria used is that eligible positions must have at least 75 percent inmate contact, and is most justifiable if the individual is expected to respond to incidents to retain control and protect property and the safety of others. Clearly, not including this position in MSRS-Correctional coverage is justified if the position did not meet criteria for inclusion. There are other possible explanations, however. In a letter dated November 24, 2002, Ms. Trepanier contends that the position was not included simply because she had left that position. Possibly, the position was vacant or eliminated when Ms. Trepanier was promoted to the Stores Clerk-Senior position in 1994. The Commission may wish to better understand the factual situation through testimony by Ms. Trepanier and from the Department of Corrections.

Ms. Trepanier has appealed to the MSRS Board of Directors to allow her to transfer her service as a Stores Clerk from April 25, 1990 to September 7, 1994, to MSRS-Correctional. The appeal apparently was unsuccessful, or there would be no need for the current legislative request. Commission staff is not aware of whether she filed an appeal with the Court of Appeals.

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

Background information on the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) is contained in Appendix A.

#### Actuarial Condition of MSRS-Correctional

Transfers of past coverage into MSRS-Correctional can negatively impact the plan by adding more liabilities to the plan than the plan gains in assets, unless specific steps are taken to avoid that outcome. Although this impact may not be significant if a few individuals have coverage transferred, the Commission may be concerned about the continuing long-term trend, which began in the early 1970s, of transferring additional positions into this plan.

The MSRS-Correctional Plan has funding problems. The actuarial condition of MSRS-Correctional according to the July 1, 2006, actuarial report is shown below. According to the report, the plan is about 83 percent funded, and the contributions, as indicated in the table, are seriously insufficient to finance this plan over the longer term. The contributions are deficient by nearly 9.7 percent of payroll. In 2006, the Commission and Legislature passed employee and employer contribution rate increases that will phase in over several years, creating an eventual total contribution increase of 7.03 percent per year, considerably less than the increase amount needed based on the most recent actuarial work summarized in the table below.

### MSRS-Correctional

		2006
<u>Membership</u>		
Active Members		3,910
Service Retirees		1,101
Disabilitants		168
Survivors		106
Deferred Retirees		817
Nonvested Former Members		<u>388</u>
Total Membership		6,490
<u>Funded Status</u>		
Accrued Liability		\$647,480,269
Current Assets		<u>\$535,356,819</u>
Unfunded Accrued Liability		\$112,123,450
Funding Ratio	82.68%	
<u>Financing Requirements</u>		
Covered Payroll		\$162,744,640
Benefits Payable		\$26,506,726
Normal Cost	17.69%	\$28,786,714
Administrative Expenses	<u>0.21%</u>	<u>\$341,764</u>
Normal Cost & Expense	17.90%	\$29,128,478
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Amortization	<u>5.44%</u>	<u>\$8,853,309</u>
Total Requirements	23.34%	\$37,981,787
Employee Contributions	5.69%	\$9,260,170
Employer Contributions	7.98%	\$12,987,022
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%	\$22,247,192
Total Requirements	23.34%	\$37,981,787
Total Contributions	<u>13.67%</u>	<u>\$22,247,192</u>
Deficiency (Surplus)	9.67%	\$15,734,595

### Discussion and Analysis

Renee Trepanier indicates that she has not received 4.33 years of allowable service credit in MSRS-Correctional for her service as a Stores Clerk at MCF-St. Cloud, although her Stores Clerk-Senior service was permitted to transfer (the Stores Clerk-Senior classification has been subsequently renamed as a Central Services Administrative Specialist-Intermediate). H.F. 2279 (Doty); S.F. 2027 (Koering) would allow Ms. Trepanier with a transfer of 4.33 years of allowable service credit from MSRS-General to MSRS-Correctional for her 1990-1994 service as a Stores Clerk at MCF-St. Cloud if the Department of Corrections certifies that the position should have qualified for MSRS-Correctional coverage.

Bills were introduced for Ms. Trepanier in 2003, as H.F. 1377 (Blaine); S.F. 1752 (Koering); and in 2005 as H.F. 2544 (Blaine); S.F. 2404 (Koering) and H.F. 2941 (Otremba); S.F. 2404 (Koering). None of those bills were heard by the Commission. Those bills required the Commission to decide whether Ms. Trepanier's Store Clerk service should transfer to the Correctional Plan. The present bill, in contrast, would have the Department of Corrections decide whether the service met "requirements for coverage," and if it did, the service would transfer. One problem with the proposed legislation is that it fails to specify what the necessary requirements are. The present bill also differs from past bills regarding payment terms. The present bill provides a windfall to the individual by not charging interest on additional contribution amounts, and requires no current payment from the Department of Corrections to MSRS-Correctional. Perhaps that is intended to lessen opposition by the Department of Corrections to the bill, but it is likely to harm the pension fund.

