



TO: Members of the Legislative Commission on Pensions and Retirement
 FROM: Lawrence A. Martin, Executive Director
 RE: H.F. xxxx; S.F. 430 (Betzold) *JAM*
 DATE: March 1, 2007

Summary of H.F. xxxx; S.F. 430 (Betzold)

H.F. xxxx; S.F. 430 (Betzold) amends various provisions in 2006 legislation, chiefly the 2006 omnibus retirement bills, to correct errors or omitted language that were identified by the Commission staff in preparing the summary of the 2006 pension legislation or by the Office of the Revisor of Statutes.

Section-by-Section Summary of H.F. xxxx; S.F. 430 (Betzold)

Sec.	Pg.Ln – Pg.Ln	Retirement Plan	Stat. Provision	Summary
1	1.1 – 1.18	Legislators Plan	3A.05	Corrects retroactive payment date for survivor benefit of later of the date of the benefit accrual or one year prior to the application filing so that benefit payment cannot predate the qualifying death.
2	1.19 – 4.3	TRA	354.44, Subd. 6	Completes the verb for the post-July 1, 2006, benefit accrual rate provision with the addition of the word “entitled” after “is.”
3	4.4 – 4.24	First Class City Teachers	354A.12, Subd. 3c	Clarifies the application of the supplemental local contribution termination provision by separating the prior compound sentence into two sentences, one for Special School District No. 1, Minneapolis, and one for Independent School District No. 625, St. Paul.
4	4.25 – 6.24	SPTRFA	354A.12, Subd. 3d	Corrects the baseline administrative experience amount reference for a supplemental administrative expense assessment by reinstating the word “plus” that had been inadvertently stricken in 2006.
5	6.25 – 8.3	Small Volunteer Fire Plans	356A.06, Subd. 6	Corrects a cross-reference to the 2006 enactment of the 2002 Uniform Securities Act, replacing a reference in the investment authority provision to a non-existent section in the uniform act with what appears to be the correct reference.
6	8.4 – 8.31	MSRS-Correctional	Laws 2006, Ch. 271, Art. 2, Sec. 12, Subd. 1	Replaces a reference to “section 1” with “this subdivision,” correcting a provision that was not correctly adapted when a separate bill was folded into the omnibus retirement bill.
7	8.32 – 9.8	MSRS-Correctional	Laws 2006, Ch. 271, Art. 2, Sec. 13, Subd. 3	Corrects an incorrect “2005” date to “2007” for the due date provision for a potential service credit transfer for a Department of Corrections employee who may be authorized to transfer coverage for a period of prior service.
8	9.9 – 9.18	PERA-P&F	Laws 2006, Ch. 271, Art. 14, Sec. 2, Subd. 3	Replaces language relating to a Faribault firefighter service credit purchase authorized in 2006 that was in the original bill but was omitted when the provision was incorporated into the 2006 omnibus retirement bill.
9	9.20 – 9.25	--	Effective Date	Generally effective retroactively to the appropriate date based on the passage of the 2006 omnibus retirement bill.

Discussion and Analysis

H.F. xxxx; S.F. 430 (Betzold) attempts to correct various errors and omissions identified in 2006 legislation related to pensions and retirement.

Because the proposed legislation is intended to correct technical, typographical, or engrossing errors or problems, the proposed legislation raises a single issue for consideration by the Commission, which is the accuracy of the proposed corrections. The Commission staff has circulated the draft proposed legislation among the three major pension system administrators for their reaction in November 2006 or December 2006. The system administrators should be afforded an opportunity to identify any problems with the proposed legislation or to suggest any improvements in the intended corrections.



Senator Betzold introduced—

S.F. No. 430: Referred to the Committee on State and Local Government Operations and Oversight.

1.1 A bill for an act
 1.2 relating to retirement; correcting errors and omissions in 2006 omnibus
 1.3 retirement and other legislation; amending Minnesota Statutes 2006, sections
 1.4 3A.05; 354.44, subdivision 6; 354A.12, subdivisions 3c, 3d; 356A.06,
 1.5 subdivision 6; Laws 2006, chapter 271, article 2, sections 12, subdivision 1; 13,
 1.6 subdivision 3; article 14, section 2, subdivision 3.

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

1.8 Section 1. Minnesota Statutes 2006, section 3A.05, is amended to read:

1.9 **3A.05 APPLICATION FOR SURVIVOR BENEFIT.**

1.10 (a) Applications for survivor benefits under section 3A.04 must be filed with the
 1.11 director by the surviving spouse and dependent child or children entitled to benefits under
 1.12 section 3A.04, or by the guardian of the estate, if there is one, of the dependent child or
 1.13 children.

1.14 (b) Survivor benefits accrue as of the first day of the month following the death of
 1.15 the member of the legislature or former legislator and payments commence as of the first
 1.16 of the month next following the filing of the application, and are retroactive to the date the
 1.17 benefit accrues or the first of the month occurring 12 months before the month in which
 1.18 the application is filed with the director, whichever is ~~earlier~~ later.

1.19 Sec. 2. Minnesota Statutes 2006, section 354.44, subdivision 6, is amended to read:

1.20 Subd. 6. **Computation of formula program retirement annuity.** (a) The formula
 1.21 retirement annuity must be computed in accordance with the applicable provisions of the
 1.22 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under
 1.23 section 354.05, subdivision 13a, for the period of the member's formula service credit.

2.1 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
 2.2 became a member of the association or a member of a pension fund listed in section
 2.3 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with
 2.4 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
 2.5 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
 2.6 percentages per year of formula service credit shall determine the amount of the annuity to
 2.7 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

2.8		Coordinated Member	Basic Member
2.9	Each year of service	the percent specified	the percent
2.10	during first ten	in section 356.315,	specified in
2.11		subdivision 1, per year	section 356.315,
2.12			subdivision 3, per
2.13			year
2.14	Each year of service	the percent specified	the percent
2.15	thereafter	in section 356.315,	specified in
2.16		subdivision 2, per year	section 356.315,
2.17			subdivision 4, per
2.18			year

2.19 For service rendered on or after July 1, 2006, the average salary as defined in section
 2.20 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,
 2.21 determines the amount the annuity to which the member qualifying therefor is entitled:

2.22		Coordinated Member	Basic Member
2.23	Each year of service	the percent specified	the percent
2.24	during first ten	in section 356.315,	specified in
2.25		subdivision 1a, per year	section 356.315,
2.26			subdivision 3, per
2.27			year
2.28	Each year of service after	the percent specified	the percent
2.29	ten years of service	in section 356.315,	specified in
2.30		subdivision 2b, per year	section 356.315,
2.31			subdivision 4, per
2.32			year

2.33 (c)(i) This paragraph applies only to a person who first became a member of the
 2.34 association or a member of a pension fund listed in section 356.30, subdivision 3, before
 2.35 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in
 2.36 conjunction with this paragraph than when calculated under paragraph (d), in conjunction
 2.37 with paragraph (e).

2.38 (ii) Where any member retires prior to normal retirement age under a formula
 2.39 annuity, the member shall be paid a retirement annuity in an amount equal to the normal
 2.40 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month
 2.41 that the member is under normal retirement age at the time of retirement except that for

3.1 any member who has 30 or more years of allowable service credit, the reduction shall be
3.2 applied only for each month that the member is under age 62.

3.3 (iii) Any member whose attained age plus credited allowable service totals 90 years
3.4 is entitled, upon application, to a retirement annuity in an amount equal to the normal
3.5 annuity provided in paragraph (b), without any reduction by reason of early retirement.

3.6 (d) This paragraph applies to a member who has become at least 55 years old and
3.7 first became a member of the association after June 30, 1989, and to any other member
3.8 who has become at least 55 years old and whose annuity amount when calculated under
3.9 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
3.10 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
3.11 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified
3.12 by section 356.315, subdivision 4, for each year of service for a basic member shall
3.13 determine the amount of the retirement annuity to which the basic member is entitled.
3.14 The annuity of a basic member who was a member of the former Minneapolis Teachers
3.15 Retirement Fund Association as of June 30, 2006, must be determined according to the
3.16 annuity formula under the articles of incorporation of the former Minneapolis Teachers
3.17 Retirement Fund Association in effect as of that date. For a coordinated member, the
3.18 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
3.19 specified in section 356.315, subdivision 2, for each year of service rendered before July
3.20 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of
3.21 service rendered on or after July 1, 2006, determines the amount of the retirement annuity
3.22 to which the coordinated member is entitled.

3.23 (e) This paragraph applies to a person who has become at least 55 years old and first
3.24 becomes a member of the association after June 30, 1989, and to any other member who
3.25 has become at least 55 years old and whose annuity is higher when calculated under
3.26 paragraph (d) in conjunction with this paragraph than when calculated under paragraph
3.27 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity
3.28 before the normal retirement age shall be paid the normal annuity provided in paragraph
3.29 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that would
3.30 be payable to the employee if the employee deferred receipt of the annuity and the annuity
3.31 amount were augmented at an annual rate of three percent compounded annually from the
3.32 day the annuity begins to accrue until the normal retirement age if the employee became
3.33 an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
3.34 becomes an employee after June 30, 2006.

3.35 (f) No retirement annuity is payable to a former employee with a salary that exceeds
3.36 95 percent of the governor's salary unless and until the salary figures used in computing

