H.F. 3242 (Peppin) S.F. 3127 (Limmer)

Executive Summary of Commission Staff Materials

Affected Pension Plan: PERA-P&F
Relevant Provisions of Law: Special legislation
General Nature of Proposal: Service credit transfer from PERA-General to PERA-P&F
Date of Summary: March 2, 2008

Specific Proposed Changes

- A 17-year Maple Grove Fire Department employee seeks to transfer credit for the initial 5.75-year period from PERA-General to PERA-P&F.

Policy Issues Raised by the Proposed Legislation

1. Equitable considerations.
2. Nature of 1990-1995 firefighter duties.
3. Adequacy of additional required funding for transfer.
4. Extent of municipal error and municipal financial responsibility.
5. Appropriate handling of past Social Security fire department employment coverage.
6. Past precedents for and potential adverse precedents form proposed special legislation.

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director LAM

RE: H.F. 3242 (Peppin); S.F. 3127 (Limmer): PERA-P&F; Transfer of PERA-General Service Credit for Maple Grove Fire Inspector Employment

DATE: March 2, 2008

Summary of H.F. 3242 (Peppin); S.F. 3127 (Limmer)

H.F. 3242 (Peppin); S.F. 3127 (Limmer) permits Marilyn Arnlund to have her 5.75 years of service credit in the Coordinated Program of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) for initial Maple Grove Fire Department employment transferred to the Public Employees Police and Fire Retirement Plan (PERA-P&F) if Ms. Arnlund applies for the transfer, is determined to have met the eligibility requirements for PERA-P&F coverage as a firefighter for the period April 2, 1990, to January 1, 1996, and makes an additional member contribution equivalent to the difference between the PERA-General and PERA-P&F member contribution rates, plus 8.5 percent compound interest. If Ms. Arnlund pays the additional member contributions and interest, the City of Maple Grove is required to pay the balance of the difference in the full actuarial value of the benefits for the 5.75-year period between PERA-General Coordinated Program and PERA-P&F not covered by the transfer of PERA-General assets accumulated on Ms. Arnlund's behalf and by Ms. Arnlund's additional member contribution payment. The transfer authority would expire on July 1, 2009.

Public Pension Problem of Marilyn Arnlund

Marilyn Arnlund is an employee of the City of Maple Grove in the Fire-Rescue Department, where her title is "Deputy Fire Marshal and Fire Inspector." Ms. Arnlund was hired by the City of Maple Grove as a full-time employee on April 2, 1990, as a fire inspector. Ms. Arnlund was covered by the Coordinated Program of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) from April 2, 1990, until January 1, 1996. On November 20, 1995, the Maple Grove city council approved a resolution that made Ms. Arnlund's position eligible for retirement coverage by the Public Employees Police and Fire Retirement Plan (PERA-P&F), effective January 1, 1996.

Ms. Arnlund is approaching retirement age, is concerned that her benefit coverage for the period April 2, 1990, to December 31, 1995, is less lucrative under the PERA-General Coordinated Program than under the PERA-P&F, and seeks to have her April 2, 1990, to December 31, 1995, service credited by PERA-P&F rather than by the PERA-General Coordinated Program. Ms. Arnlund and Maple Grove Finance Director Jim Knutson argue that she responded to day time fire calls as a fire inspector before 1996 with PERA-General Coordinated Program coverage in the same manner as she does now with PERA-P&F coverage and that all Maple Grove fire inspectors have had PERA-P&F coverage for their employment since January 1, 1996.

Ms. Arnlund does not address the question, but City of Maple Grove Finance Director Jim Knutson indicates that she understands that the coverage transfer would require her payment of the additional required PERA-P&F member contributions and that the city understands that it owes the additional required PERA-P&F employer contributions.

Background Information

Relevant background information on the following topics attached:

Attachment A: Background Information on the Coordinated Program of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General)

Attachment B: Background Information on the Public Employees Police and Fire Retirement Plan (PERA-P&F)

Attachment C: Comparison between PERA-General and PERA-P&F Benefit Plans

Discussion and Analysis

H.F. 3242 (Peppin); S.F. 3127 (Limmer) assists Marilyn Arnlund, a Maple Grove deputy fire marshal and fire inspector, by transferring 5.75 years of service credit in the Coordinated Program of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) to the Public Employees Police and Fire Retirement Plan (PERA-P&F) related to earlier fire department service with the transfer of assets between the two retirement funds and the payment of additional amounts by the member and the municipality.

The proposed legislation raises several pension and related public policy issues for Commission consideration and discussion

1. Equitable Considerations. The policy issue is the nature and weight of the equitable considerations in favor of and against the proposed service credit transfer for Ms. Arnlund. While the Legislative Commission on Pensions and Retirement does not have a specific policy principle related to proposed service credit transfers, a general theme in the Commission's Principles of Pension Policy is that proposed legislation should not violate equitable considerations. While the attached written materials provided by Ms. Arnlund do not specifically address the equity issue, the materials indicate that her job responsibilities during the period covered by PERA-General were the same as they are now, when she is covered by PERA-P&F, suggesting that she is the victim of a mischaracterization of her initial full-time fire department employment period that now is working to her pension benefit detriment. The potential adverse consideration principally relates to the failure of either Maple Grove or Ms. Arnlund to address the proper retirement coverage issue for the 1990-1995 period when the retirement coverage was changed prospectively only in 1995 and the reasonableness of 12 years of delay since 1995 in seeking a resolution of any dispute over her eligibility for PERA-P&F coverage between 1990 and 1995. The Commission may wish to request that Ms. Arnlund and the City of Maple Grove provide additional information or arguments about why the 1995 retirement plan change was not accompanied by the resolution of the 1990-1995 retirement coverage issue and why a delay of an additional 12 years to address the past coverage issue is not unreasonable.

2. Nature of 1990-1995 Firefighter Duties. The policy issue is whether or not Ms. Arnlund's fire department duties during the period 1990-1995 were sufficiently akin to those of a firefighter that retirement coverage by the PERA-P&F plan would be appropriate. Section 1, Subdivision 5, of the draft conditions any service credit transfer on substantiation, to the satisfaction of the PERA executive director and/or PERA board, of the nature of 1990-1995 duties as public safety employment. Not all fire department positions qualify for PERA-P&F retirement coverage, which is reserved for those employees with the special or additional hazards associated with police or fire employment. If it is unlikely that Maple Grove or Ms. Arnlund can satisfactorily carry the burden of providing that substantiation, the Commission may need to consider whether or not to expend valuable legislative time on processing the proposed special legislation.

3. Adequacy of Additional Required Funding for Transfer. The policy issue is the adequacy of the additional funding that the proposed legislation requires to accompany the service credit transfer. Service credit transfers are either a version of service credit purchase or are closely related to service credit purchases, where Commission policy requires that some party other than the retirement fund provide additional funding to offset the additional pension liability resulting from the purchase or transfer. The proposed legislation complies with the Commission's primary prior service credit purchase requirement by requiring the new pension liability created in PERA-P&F by the transfer be offset by the PERA-General asset transfer, an additional member contribution payment, and an additional employer payment. Because pension benefit coverage is largely funded from anticipated investment income and because retroactive service credit is akin to purchasing fire insurance once a building already is on fire, the interest charge on the additional member contribution will be significant as will the total additional payments required.

4. Extent of Municipal Error and Municipal Financial Responsibility. The policy issue is the manner in which the additional financial burden of the service credit transfer is allocated, based on the extent of past error by the City of Maple Grove. As Commission policy has developed over the past decade in service credit purchases, if the employer made an error that caused a loss of service credit or incorrect service credit, the employer will be required to pay the largest portion of the additional funding required. In his May 7, 2007, memorandum to PERA, Maple Grove Finance Director Jim Knutson indicates that the city understands that it has an additional employer contribution responsibility, but does not specifically admit any municipal error and suggests that the city's additional liability would be limited to past due employer contributions. The proposed legislation limits Ms. Arnlund's

responsibility to the additional PERA-P&F member contributions payable, plus interest at the actuarial interest assumption rate of 8.5 percent, with the City of Maple Grove responsible for the balance of the unfunded pension liability to be caused by the service credit transfer, as if the city erred in Ms. Arnlund's situation. If the city does not believe that it erred in reporting Ms. Arnlund to PERA-General for pension coverage between 1990 and 1996, it may object to being assessed the most significant portion of the additional cost of the service credit transfer. The Commission likely will need additional information about any alleged city error in and after 1990.

5. Appropriate Handling of Past Social Security Fire Department Employment Coverage. The policy issue is how to handle the Social Security coverage that Ms. Arnlund has for her 1990-1996 Maple Grove Fire Department employment, when she was covered by the PERA-General Coordinated Program. PERA-P&F is retirement coverage that is provided instead of Social Security, while PERA-General Coordinated Program retirement coverage supplements Social Security. After three years, past Social Security coverage or the absence of past Social Security coverage cannot be revised under federal law, so Ms. Arnlund's Social Security coverage for the 1990-1996 period cannot be modified. Providing her with PERA-P&F coverage for the 1990-1996 period potentially constitutes excessive coverage on top of that Social Security coverage in comparison with any Maple Grove firefighter with solely PERA-P&F coverage during the same period. In at least one case,, that of Rice County correctional employees inappropriately reported for PERA-P&F while remaining covered by Social Security during the mid-1990s, the Commission provided an offset from the PERA-P&F retirement annuity for any Social Security coverage from Rice County employment at the same time (see Minnesota Statutes, Section 353.652). If the Commission pursues the issue and believes that Ms. Arnlund is being inappropriately enriched by the double coverage by both Social Security and PERA-P&F during the period 1990-1996, some similar offset could be considered by the Commission in this instance.

6. Precedent. The policy issue is whether there is any precedent for this type of special legislation and whether the potential draft proposed legislation could constitute an inappropriate future precedent. There are some precedents for this proposed legislation, which are:

   - Laws 1977, Chapter 429, Section 57: Transfer of pre-1/1/1970 Ramsey County Sheriff's department employment covered by PERA-General to PERA-P&F.
   - Laws 1980, Chapter 341, Section 7: Extension of PERA-P&F coverage to St. Anthony City public works employee with secondary firefighter duties.

   The proposed legislation could become a precedent within the Maple Grove fire department if there are other similarly situated fire inspectors before 1996 and could become a precedent for other fire marshals and other fire inspectors that could be problematic if the transfer is ultimately subsidized by the pension plan or if the transfer liability is disproportionately shifted to the city without ample documented evidence of a prior municipal error.

Appendix A

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

a. History. The Public Employees Retirement Association (PERA) was established in 1931. The legislation governing the plan was modeled heavily on the 1929 law governing the State Employees Retirement Association (SERA), renamed in 1969 as the Minnesota State Retirement System (MSRS). PERA was the third major statewide public pension plan established by the Legislature, following the creation of the predecessor to the Teachers Retirement Association (TRA) in 1915 and the creation of SERA in 1929. PERA was the second public pension plan that was established by the Legislature for local government general (not specifically police or fire) employees, after the Minneapolis Municipal Employees Retirement Plan (now the Minneapolis Employees Retirement Fund (MERF)) in 1919. The 1931 PERA plan was the predecessor to the current PERA General Employee Retirement Plan.

Because PERA preceded the creation of the Social Security system (federal Old Age, Survivors, and Disability Insurance Program (OASDI)) and because Social Security initially did not extend to federal, state, or local government employees, PERA was a "basic" program. This means that the public employee's entire retirement benefit comes from the public pension plan, without any Social Security benefit. PERA coordinated with Social Security for hospital employees in 1963 and for other local government employees in 1967.

The 1931 PERA plan membership was optional for governmental subdivisions and, if the governmental subdivision elected to be a participating employer, was optional for employees employed before April 24, 1931, and was mandatory for employees employed after April 23, 1931. All counties, all first (except Minneapolis), second, and third class cities, including home rule cities, all public schools (except the Minneapolis Public Schools), and all villages with a population of at least 7,000 were eligible to be participating employers. Employees of a participating employer who were not paid in whole or in part from public funds, or who were covered by another public pension plan, or who were temporary employees, or who had an average length of employment annually of less than six months were excluded from PERA membership.

In 1974, until 1977, the minimum salary threshold for PERA membership was increased to $150 in any month during a year, or $1,800 annually. The minimum salary threshold for PERA membership was increased in 1977 to $250 in any month during a year or $3,000 annually in 1977. In 1981, the minimum salary threshold for PERA membership increased to $325 in any month during the year, or $3,900 annually. The minimum salary threshold for PERA membership was set at $425 in any month during the year or $5,100 annually in 1988. In 2001, the exclusion from PERA membership was shifted from a minimum threshold salary to a minimum number of calendar days (185) per business year.

The 1931 PERA benefit plan provided a superannuation benefit at age 65 with 20 years of service credit or at any age with 35 years of service credit in an amount equal to 50 percent of the person's final five years of service, to a maximum of $150 per month, and subject to reduction if annual contributions to the pension plan were less than the total superannuation annuities payable. The superannuation annuity was not initially payable until July 1, 1935, and if the retiring member rendered or purchased PERA service credit was less than 20 years, the superannuation annuity would be prorated based on the relationship of total PERA service credit to 20 years. PERA initially also provided disability benefits, but did not provide survivor benefits. PERA repealed its disability benefit coverage in 1933.

In 1973, the salary base for calculating retirement annuities was shifted from a career average salary to a highest five successive years' average salary. The benefit accrual formula rates were also reset from the prior four-part backloaded percentages to a two-part set of backloaded percentages:

	Basic Program	Coordinated Program
First ten years	2.0 percent	1.0 percent
Thereafter	2.5 percent	1.5 percent

An unreduced normal retirement annuity also was made payable at age 62 with 30 years of allowable service.

In 1980, the 1969 Minnesota Adjustable Fixed Benefit Fund was replaced by the Minnesota Post Retirement Adjustment Fund and the basis for the post-retirement adjustment was shifted from a total rate of investment performance to investment yield.

In 1982, the "Rule of 90" early unreduced retirement annuity provision, when the sum of age and service credit total at least 90, was added. The actuarial equivalent early retirement reduction process was replaced by an early retirement reduction factor of one-quarter of one percent per month under age 65. In 1983, the 1982 early retirement reduction factor was extended to retirement before age 63 with 30 years of service. In 1984, the early retirement age was lowered to age 55 with 30 years of allowable service.

In 1987, vesting for a retirement annuity was reduced to five years of allowable service. In 1989, vesting for a retirement annuity was reduced to three years of allowable service. Two alternative benefit tiers were established, with the prior "Rule of 90" normal retirement age and a two-part backloaded benefit accrual rate provision constituting one benefit tier, and a later normal retirement age level benefit accrual rate provision constituting the other benefit tier. Normal retirement age for the level benefit formula tier is indexed to the Social Security full benefit receipt age. The early retirement reduction under the level benefit formula tier is set at the full actuarial equivalent amount.

In 1992, the Minnesota Post Retirement Investment Fund post-retirement adjustment formula was modified, with a portion based on the increase in the federal Consumer Price Index and a portion based on a five-year average of total rate of investment performance.

In 1997, the benefit accrual rate percentages were increased from 2.0 percent and 2.5 percent to 2.2 percent and 2.7 percent for the Basic Program and 1.0 percent and 1.5 percent to 1.2 percent and 1.7 percent for the Coordinated Program. The post-retirement adjustment formula under the Minnesota Post Retirement Investment Fund was also modified to reduce the Consumer Price Index portion.

b. Current Actuarial Condition and Benefit Plan. 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 144,000 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 $12.5 billion, but liabilities exceed $16.7 billion, creating a funding ratio of 74.7 percent. To deal with plan contribution deficiencies, the 2005 Legislature phased in contribution rate increases. The employee contribution rate is 6.0 percent of pay in 2008. The employer contribution rate is 6.0 percent in 2008, with an employer additional contribution of 1.0 percent of pay in 2010.

The table below presents the plan's actuarial condition as of June 30, 2007:

	2007	
Membership		
Active Members		146,226
Service Retirees		52,554
Disabilitants		1,988
Survivors		6,894
Deferred Retirees		39,722
Nonvested Former Members		109,599
Total Membership		356,983
Funded Status		
Accrued Liability		$17,705,626,649
Current Assets		$13,500,024,678
Unfunded Accrued Liability		$4,205,601,971
Funding Ratio	76.25%	
Financing Requirements		
Covered Payroll		$4,957,789,826
Benefits Payable		$784,013,433
Normal Cost	7.78%	$385,359,657
Administrative Expenses	0.19%	$9,419,801
Normal Cost & Expense	7.97%	$394,779,458

		2007
Normal Cost & Expense	7.97%	$394,779,458
Amortization	4.77%	$236,486,575
Total Requirements	12.74%	$631,266,033
Employee Contributions	5.88%	$291,588,497
Employer Contributions	6.38%	$316,425,146
Employer Add'l Cont.	0.00%	$0
Direct State Funding	0.00%	$0
Other Govt. Funding	0.00%	$0
Administrative Assessment	0.00%	$0
Total Contributions	12.26%	$608,013,643
Total Requirements	12.74%	$631,266,033
Total Contributions	12.26%	$608,013,643
Deficiency (Surplus)	0.48%	$23,252,390

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 x 1.7 percent x 30 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.

Appendix B

Background Information on the Public Employees Police and Fire Retirement Plan (PERA-P&F)

a. History. Before 1959, local government police officers and firefighters who were not required to be covered by a local police or paid firefighter relief association were covered by the Public Employees Retirement Association. PERA was established by the Legislature in 1931, essentially replicating the retirement coverage provided to state employees by the State Employees Retirement Association (SERA, now the Minnesota State Retirement System General Plan (MSRS-General)) in 1929.

Because SERA and PERA preceded the creation of the Social Security system (federal Old Age, Survivor, and Disability Insurance Program (OASDI)) and because Social Security initially did not extend to federal, state, or local government employees, SERA and PERA initially were "basic" programs. This means that the state or public employee's entire retirement benefit comes from the public pension plan, without any Social Security benefit.

In 1959, to assist police officers and firefighters in local government, the Legislature established the Public Employees Police and Fire Plan (PERA-P&F). Initially, the coverage applied to any public employee in law enforcement or fire suppression, but the membership qualifications were refined as the licensing of police officers began in the 1970s. Coverage is governed by Minnesota Statutes, Section 353.64, Subdivisions 1 and 2.

Since 1959, all newly employed county deputy sheriffs have pension coverage by PERA-P&F and since 1980, all newly employed municipal police officers have pension coverage by PERA-P&F.

In 1965, for public hospital employees, and in 1967, for other public employees, PERA coordinated with Social Security. The Social Security program was amended in the mid-1950s to permit coverage of public employees. The PERA-Coordinated Program supplements Social Security coverage, while the PERA-Basic Program provides total retirement coverage for those public employees who declined Social Security coverage in the 1965, 1967 and 1969 Social Security coverage referendums. The PERA Basic Program was closed to new entrants in 1967.

b. PERA-P&F Membership and Coverage. Currently, PERA-P&F membership requires that the employees meet the following requirements to qualify as a police officer:

1. Police Employment. Employment must be as a police officer by a municipal police department of a county sheriff's office.
2. Primary Law Enforcement Function. Primary employment function must be to enforce the law.
3. POST Board Licensure. Peace officers must be licensed by the Peace Officers Standards and Training Board (POST Board).
4. Property and Safety Protection. Peace officers must be engaged in the hazards of protecting the property and safety of others.
5. Arrest with a Warrant. Peace officers must be empowered to arrest with a warrant.

For firefighters, the PERA-P&F membership provision requires that the municipal employee must either be a full-time firefighter or a person in charge of a designated fire company and be engaged in the hazards of firefighting.

For part-time employees engaged in police work or firefighting, PERA-P&F membership is available if the employing municipality declares by governing body resolution that the part-time employee meets the statutory police officer or firefighter requirements, except that the individual does not perform the applicable duties full-time. For full-time police officers or firefighters who are periodically assigned other duties, the other duties must be in the same department and the other duties must be secondary services, with the police or firefighting services being the primary focus of the person's employment.

As a public safety employer pension plan, PERA-P&F pays larger retirement annuities, disability benefits, and survivor benefits than a general employee retirement plan and has an earlier normal retirement age for the retirement annuity. Because of these benefit plan differences, the plan typically has a greater actuarial cost and greater member and employer contributions than a general employee retirement plan. As law enforcement officers, members of PERA-P&F are not covered by Social Security under both state and federal law for their state law enforcement employment.

The policy reasons for having a more lucrative benefit program for public safety employee retirement plans are that:

- Public safety employment (police officer or firefighter service) is particularly hazardous;
- It requires the maintenance of a particularly vigorous and robust workforce to meet the strenuous requirements of the employment position; and
- The normally expected working career of a public safety employee will be significantly curtailed as a consequence of the hazards and strenuous requirements of that type of employment when compared to a general public employee.

Public employee pension plans are intended to assist the governmental personnel system by encouraging the recruitment of qualified and motivated new employees, the retention of able and valued existing employees, and the orderly and predictable out-transitioning of employees at the expected end or normal conclusion of their working career. For public safety employees, public safety employee retirement plans provide more lucrative benefits to assist in the recruitment and retention of new and existing personnel, but most clearly emphasize the out-transitioning function.

Appendix C

Comparison between PERA-General and PERA-P&F Benefit Plans

The General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) was established in 1931. The Public Employees Police and Fire Retirement Plan (PERA-P&F) was established in 1959.

The following compares the retirement benefit plans of PERA-General and of PERA-P&F:

	PERA-General	PERA-P&F
GENERAL		
Eligibility:	A public employee who is covered under the Social Security Act. General exceptions are employees covered by other public funds, certain part-time employees and full-time students under age 23. City managers and persons holding elective office may choose to become Members.	All full-time and certain part-time police officers and firefighters, who are not contributing to any other local retirement fund.
Contributions:	Shown as a percent of salary: Date of Increase / Member / Employer Current (2006): 5.50% / 6.00% January 2007: 5.75% / 6.25% January 2008: 6.00% / 6.50% January 2009: 6.00% / 6.75% January 2010: 6.00% / 7.00%	Shown as a percent of salary: Date of Increase / Member / Employer Current (2006): 7.0% / 10.5% January 2007: 7.8% / 11.7% January 2008: 8.6% / 12.9% January 2009: 9.4% / 14.1%
Allowable Service:	Service during which member contributions were deducted. May also include certain leaves of absence and military service. Does not include pro-rated service credit for part-time employment for post-December 31, 2001, hires.	Police and fire service during which member contribution were deducted. May also include certain leaves of absence and military service.
Salary:	Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes unused annual leave and sick leave payments, severance payments, Workers' Compensation benefits and employer-paid flexible spending accounts, cafeteria plans, healthcare expense accounts, daycare expenses, fringe benefits, and the cost of insurance coverage.	Includes amounts deducted for deferred compensation or supplemental retirement plans, net income from fees and sick leave payments funded by the employer. Excludes lump sum annual leave and sick leave payments and Workers' Compensation benefits
Average Salary:	Average of the five highest successive years of salary. Average salary is based on all Allowable Service if less than five years.	Average of the five highest successive years of salary. Average salary is based on all Allowable Service if less than five years.
RETIREMENT		
<u>*Normal Retirement Benefit:*</u>		
Eligibility:	**First hired before July 1, 1989:** (a) Age 65 and three years of allowable service. (b) Proportionate retirement annuity is available at age 65 and one year of allowable service. **First hired after June 30, 1989:** (a) The greater of age 65 or the age eligible for full Social Security retirement benefits but no later than age 66 and three years of allowable service. (b) Proportionate retirement annuity is available at normal retirement age and one year of allowable service.	Age 55 and three years of allowable service. Proportionate retirement annuity is available at age 65 and one year of Allowable Service.
Amount:	**First hired before July 1, 1989:** The greater of (a) or (b): (a) 1.2% of average salary for each of the first 10 years of allowable service and 1.7% of average salary for each subsequent year; **OR** (b) 1.7% of average salary for each year of allowable service. **First hired after June 30, 1989:** 1.70% of average salary for each year of allowable service.	3.00% of average salary for each year of allowable service.

	PERA-General	PERA-P&F
Early Retirement Benefit: *Eligibility:*	**First hired before July 1, 1989:** (a) Age 55 and three years of allowable service. (b) Any age with 30 years of allowable service. (c) Rule of 90: age plus allowable Service totals 90. **First hired after June 30, 1989:** Age 55 and three years of Allowable Service.	Age 50 and three years of allowable service.
Amount:	**First hired before July 1, 1989:** The greater of (a) or (b): (a) 1.2% of average salary for each of the first 10 years of allowable service and 1.7% of average salary for each subsequent year with reduction of 0.25% for each month the member is under age 65 at time of retirement or age 62 if 30 years of allowable service. No reduction if age plus years of allowable service totals 90; **OR** (b) 1.7% of average salary for each year of allowable service assuming augmentation to age 65 at 3% per year and actuarial reduction for each month the member is under age 65. **First hired after June 30, 1989:** 1.7% of average salary for each year of Allowable service assuming augmentation to age eligible for full Social Security retirement benefits at 3% per year and actuarial reduction for each month the member is under the Social Security retirement age, but no later than age 66.	Normal retirement benefit based on allowable service and average salary at retirement date and a 0.10% reduction for each month the member is under age 55.
Form of Payment:	Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are: 25%, 50%, 75%, or 100% joint and survivor with bounce back feature without additional reduction (option canceled if member is pre-deceased by beneficiary).	Life annuity with return on death of any balance of contributions over aggregate monthly payments. Actuarially equivalent options are: 25%, 50%, 75%, or 100% jointand survivor with bounce back feature without additional reduction.
Benefit Increases:	Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Benefit recipients receiving benefits for at least one full month but less than 12 full months will receive a partial increase. Members retired under laws in effect before July 1, 1973, receive an additional lump sum payment each year. In 1989, this lump sum payment was $25 times each full year of allowable service. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from MPRIF.	Benefits may be increased each January 1 depending on the investment performance of the Minnesota Post Retirement Investment Fund (MPRIF). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Benefit recipients receiving benefits for at least one full month but less than 12 full months will receive a partial increase. Members retired under laws in effect before July 1, 1973, receive an additional lump sum payment each year. In 1989, this lump sum payment is the greater of $25 times each full year of allowable service or the difference between $400 times each full year of allowable service and the sum of the benefits paid from any Minnesota public pension plan plus cash payments from the Social Security Administration for the preceding fiscal year July 1, 1988, through June 30, 1989. In each following year, the lump sum payment will increase by the same percentage increase that is applied to regular annuities paid from MPRIF. Effective January 1, 2002, annual lump sum payment is divided by 12 and paid as a monthly life annuity in the annuity form elected.

	PERA-General	PERA-P&F
DISABILITY		
Occupational (Duty) Disability:		
Eligibility:		Physically or mentally unable to perform duties as a police officer or firefighter as a direct result of an act of duty. Members age 55 or older with 20 or more years of allowable service are not eligible to apply for disability benefits.
Amount:		60.00% of average salary plus 3.00% of average salary for each year in excess of 20 years of allowable service. The disability benefit is reduced to that amount which when added to Workers' Compensation and actual earnings, does not exceed salary or 125.00% of pay for an employee at same position. Payments change to retirement annuity at age 65. If a member became disabled prior to July 1, 1997, but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5% to 6%.
Non-Occupational Disability:		
Eligibility:	Total and permanent disability before normal retirement age with three years of allowable service.	Physically or mentally unable to perform duties as a police officer or firefighter with one year of allowable service. Members age 55 or older with 15 or more years of Allowable service are not eligible to apply for disability benefits.
Amount:	Normal retirement benefit based on allowable service and average salary at disability without reduction for commencement before normal retirement age. The disability benefit is reduced to that amount which, when added to Workers' Compensation , does not exceed the salary the disabled member received as of the date of the disability or the salary currently payable for the same employment position substantially similar to the one the person held as of the date of the disability, whichever is greater. If a member became disabled prior to July 1, 1997, but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5% to 6%. Payments stop if disability ceases or death occurs. Payments change to a retirement annuity at normal retirement age. Benefits may be reduced on resumption of partial employment.	Normal retirement benefit based on allowable service (minimum of 15 years) and average salary at disability without reduction for commencement before age 55. Payments change to retirement annuity at age 65. If a member became disabled prior to July 1, 1997, but did not commence their benefit before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5% to 6%.
Form of Payment:	Same as for retirement.	Same as for retirement.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.	Adjusted by PERA to provide same increase as MPRIF.
Retirement After Disability:		
Eligibility:	Normal retirement age.	Age 55.
Amount:	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before normal retirement age or the normal retirement benefit available at normal retirement age, or an actuarially equivalent optional annuity.	Any optional annuity continues. Otherwise, the larger of the disability benefit paid before age 55 or the normal retirement benefit available at age 55, or an actuarially equivalent optional annuity.
Form of Payment:	Same as for retirement.	Same as for retirement.
Benefit Increases:	Same as for retirement.	Same as for retirement.

	PERA-General	PERA-P&F
DEATH		
Surviving Spouse Benefit:		
Eligibility:	Member or former member who dies before retirement or disability benefits commence.	Active or disabled member with surviving spouse, married for at least one year unless death in the line of duty.
Amount:	Survivor's payment of the 100% joint and survivor benefit the Member could have elected if terminated or an actuarial equivalent term certain annuity. If commencement is prior to age 65 (age 62 if 30 years of service), the benefit is reduced same as early retirement with half the applicable reduction factor used from age 55 to the actual commencement age. If no surviving spouse, then an actuarial equivalent dependent child benefit is paid to age 20 or for five years if longer. If the member became deceased prior to July 1, 1997, and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.	50% of salary averaged over last six months. Benefit paid until spouse's death but no payments while spouse is remarried prior to July 1, 1991. If the member became deceased prior to July 1, 1997, and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:	Adjusted by PERA to provide same increase as MPRIF.	Adjusted by PERA to provide same increase as MPRIF.
Surviving Spouse Optional Annuity:		
Eligibility:		Active or disabled member dies before age 55, benefits commence when member would have attained age 55 or as early as age 50, if qualified for early retirement except that benefits commence immediately if member had 30 years of service.
Amount:		Survivor's payment of the 100% joint and survivor benefit the member could have elected if terminated. Alternatively, spouse may elect refund of deceased's contributions with interest if there are no dependent children. If the member became deceased prior to July 1, 1997, and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Benefit Increases:		Adjusted by PERA to provide same increase as MPRIF.
Surviving Dependent Children's Benefit:		
Eligibility:		Active or disabled member with dependent child.
Amount:		10% of salary averaged over last six months for each child. Family benefit minimum (including spouse's benefit) of 50% of salary and maximum of 70% of salary. Benefits paid until child marries, dies, or attains age 18 (age 23 if full-time student). If the member became deceased prior to July 1, 1997, and the beneficiary was not eligible to commence their survivor benefits before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.
Refund of Contributions:		
Eligibility:	Member dies before receiving any retirement benefits and survivor benefits are not payable.	
Amount:	The excess of the Member's contributions with 6% interest over any disability or survivor benefits paid.	

TERMINATION

	PERA-General	PERA-P&F
Refund of contributions:		
Eligibility:	Termination of public service.	Termination of public service.
Amount:	Member's contributions with 5% interest compounded annually if termination occurred before May 16, 1989, and 6% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund if three or more years of allowable service.	Member's contributions with 5% interest compounded annually if termination occurred before May 16, 1989, and 6% interest if termination occurred on or after May 16, 1989. A deferred annuity may be elected in lieu of a refund if three or more years of allowable service.
Deferred Benefit:		
Eligibility:	Three years of Allowable Service.	Three years of Allowable Service.
Amount:	Benefit computed under law in effect at termination and increased by the following percentage compounded annually: (a) 0.00% before July 1, 1971; (b) 5.00% from July 1, 1971, to January 1, 1981; (c) 3.00% thereafter until January 1 of the year following attainment of age 55; and (d) 5% thereafter until the annuity begins. Members active with public employers the day prior to the privatization of the employer become vested immediately and receive augmentation at the rate of 5.50% compounded annually through the year the member turns age 55 and 7.50% thereafter until the annuity begins. Amount is payable as a normal or early retirement. If a member terminated employment prior to July 1, 1997, but was not eligible to commence their pension before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.	Benefit computed under law in effect at termination and increased by the following percentage compounded annually: (a) 0.00% before July 1, 1971; (b) 5.00% from July 1, 1971, to January 1, 1981; (c) 3.00% thereafter until January 1 of the year following attainment of age 55; and (d) 5% thereafter until the annuity begins. Amount is payable at normal or early retirement. If a member terminated employment prior to July 1, 1997, but was not eligible to commence their pension before July 1, 1997, the benefit payable is calculated under the laws in effect before July 1, 1997, and an actuarial increase shall be made for the change in the post-retirement interest rates from 5.00% to 6.00%.

City of Maple Grove
12800 Arbor Lakes Parkway, P.O. Box 1180, Maple Grove, MN 55311-6180

FIRE-RESCUE DEPARTMENT

Fire Operations
763-494-6300
763-494-6421 – Fax

Fire Prevention
763-494-6090
763-494-6439-Fax

August 22, 2007

Representative Joyce Pepin
411 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Representative Pepin:

My name is Marilyn Arnlund. I am a constituent and a firefighter with the City of Maple Grove. I am writing this letter with the support of my City with includes the Fire Chief, Scott Anderson, City Administrator, Al Madsen, and Finance Director, Jim Knutson. I am seeking your support and to meet with you to discuss special legislation regarding my retirement benefits with Public Employees Retirement Association of Minnesota (PERA).

I currently have service credit in the Coordinated Plan and in the Police and Fire Plan. As I am approaching retirement age I have found there are financial disparities. When I was hired as a full time employee with the City of Maple Grove I was placed in the Coordinated Plan even though I was a firefighter who responded to fire calls and hazardous materials incidents. On April 2, 1990, the City of Maple Grove agreed I was placed in the wrong plan and switched me to the Police and Fire Plan. The disparity I am now faced with is the years I was in the Coordinated Plan decreases my pension benefit significantly. I have written a letter to PERA and have requested calculations showing the differences of being in the Coordinated Plan verses the Police and Fire Plan.

I am including a memorandum from Jim Knutson, Finance Director to Chris Arcand with PERA, dated May 7, 2007 requesting my start date for the PERA Police and Fire plan be changed to April 2, 1990.

Upon receipt of the calculations I requested from PERA and accommodating your schedule I would like to meet with you to discuss your support for special legislation. I can be reached at 763.494.6091 or 612.597.1141.

Sincerely,

Marilyn Arnlund

Marilyn Arnlund

CC: Senator Warren Limmer, Representative Kurt Zellers

City of
Maple Grove

MEMORANDUM

TO: Chris Arcand - PERA

FROM: Jim Knutson, Finance Director

DATE: May 7, 2007

SUBJECT: Police/Fire PERA Classification for Marilyn Arnlund

RECEIVED
MAY 08 2007
Public Employees
Retirement Asn.

I talked to you on the phone yesterday concerning Marilyn Arnlund and her PERA classification. Below is a summary of her time with the City.

- She became a full time Fire Inspector with the City of Maple Grove on April 2, 1990. As part of her employment, she responded (and continues to respond) to fire calls during the day. At that time, she was classified in the PERA Coordinated Plan.

- On November 20, 1995 the Maple Grove City Council approved the conversion of the Deputy Fire Marshall and Fire Inspector (Marilyn's original position) to the Police/Fire PERA classification. A copy of the Council action form is attached and I believe you would also have copies in your files as well. The change was effective January 1, 1996.

- During subsequent years, all fire inspectors at the City of Maple Grove have been added to the Police/Fire PERA classification due their fire response duties.

In 1995, I'm not sure why the City did not require PERA change her classification status retroactive to her Fire Inspector start date (April 2, 1990). The duties for the position had not changed from 1990 to 1996.

The City requests that Marilyn's start date for the PERA Police/Fire plan be changed to April 2, 1990. The City understands that we will be responsible for the past due employer contributions and the employee will be responsible for past due employee contributions.

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 employer ID No.: 6100-00

May 18, 2007

JIM KNUTSON, FINANCE DIRECTOR
CITY OF MAPLE GROVE
PO BOX 1180
OSSEO MN 55311-6180

Dear Jim Knutson:

Thank you for the memo you sent dated May 7, 2007. In it you inquired as to whether or not it would be feasible for Marilyn Arnlund to have her initial membership with PERA changed from the Coordinated to the Police & Fire Plan, for her position as a 'Deputy Fire Marshall and Fire Inspector' beginning April 2, 1990. A resolution was passed on November 20, 1995 to have her begin membership in the Police and Fire Plan effective January 1, 1996.

MN Statute §353.64 Subd. 2, under certain circumstances and through a governing body resolution, allows for other than full-time fire fighters to participate in PERA's Police and Fire Plan. PERA Board policy (see enclosed copy) however, clarifies the process and prohibits a resolution to be applied retroactively.

Therefore, there is no provision in statute or policy that would allow Ms. Arnlund to have her PERA membership changed from the Coordinated to the Police and Fire Plan retroactive to April 2, 1990. Please pass this information along to her and keep it in your records in case this question arises again.

Sincerely,

Chris Arcand
Division of Account Information Management
Public Employees Retirement Association of Minnesota

Enclosures

EMP00999003204.doc

positions qualify for coverage in this plan; however, employers are required to certify all positions that meet the plan's membership requirements. The Board

5.1 (contd.)

authorizes staff to review an employer's decision about eligibility when circumstances are presented which raise concern about legal compliance or the proper application of the laws in effect.

Correctional plan coverage is restricted to those positions that are certified by employers to be eligible. A properly completed certification form will generally have a prospective application only unless:

1. The employing unit had already withheld contributions at the Correctional Plan rate at the start of the person's employment in the qualifying position. Thus, an employer that withheld Coordinated Plan deductions from the salary of a correctional officer cannot later request Correctional Plan coverage that would be effective before the date in which the employer certified the person's eligibility for the Correctional Plan.

2. It is discovered that the employing unit did not certify a position that had clearly met the membership criteria in a timely manner. In such instances, the position shall be granted Correctional Plan coverage retroactively as provided for under M.S. Section 353.27, subdivision 12, once the balance of omitted Correctional Plan employee deductions and employer contributions with interest are paid.

Employers may certify the eligibility of employees who hold position titles not identical to those named in MS §353E.02, subdivision 2(1) and correctional supervisors provided the positions meet the criteria listed in MS Section 353E.02, subdivision 2, paragraphs 1 through 4.

The Board of Trustees authorizes PERA staff to recognize the eligibility of correctional workers employed in a juvenile detention or juvenile residential facility when the employing unit certifies that the positions meet the criteria listed in MS Section 353E.02, subdivision 2, paragraphs 1 through 4.

I. <u>Police and Fire Plan Membership</u>

Employers may optionally provide Police and Fire Plan coverage for employees who hold full-or part-time positions not titled "police officer" or "fire fighter" only by having their governing body adopt a resolution certifying that the position meets the membership requirements in statute. To qualify for Police and Fire Plan coverage, the ***primary*** purpose of the position must be law enforcement or fire fighting for fire fighters. The term "primary" means either a) a time allocation of 50% or more, or b) the highest level of importance within the position's duties. Coverage in the Police and Fire Plan is not to be given to an employee who is required to engage in hazardous situations as a secondary requirement of the position.

5.1 (contd.)

Police and Fire Plan coverage, which is provided to an eligible employee through a resolution from the governing-body, is to be applied prospectively only unless the employing unit had already withheld contributions from the employee's earnings at the Police and Fire Plan rate and the resolution is received within the deadline established in law. For example, if the employer had withheld Police and Fire Plan deductions from the salary paid to the eligible employee from the date of hire and subsequently obtains the governing body resolution, coverage may be effective as of the date of the initial Police and Fire Plan deduction. However, if an employer withheld Coordinated Plan deductions from the salary of an eligible part-time or less than full-time police officer or firefighter, the employer cannot later pass a resolution that would retroactively move the member from the Coordinated plan to the Police and Fire Plan.

J. <u>Defined Contribution Plan Membership</u>

1. *Elected Officials*

Participation in the Defined Contribution Plan (DCP) is optional for governing body and non-governing body elected officials and these officials may start and stop their DCP coverage at any time. If an elected official opts out of the DCP, he or she must then begin paying the FICA portion of Social Security. If, later, the official decides to re-join the DCP, the FICA contributions must be discontinued.

2. *Ambulance Personnel*

Persons who are "first responders," including those who are volunteers, are eligible to contribute to the Defined Contribution Plan if a) some level of service they are authorized to render is considered "basic life support" and b) they perform the services for an ambulance service, not a rescue squad that is separate from the ambulance service.

K. <u>Commencement of PERA Deductions</u>

Deductions are to commence on an employee's beginning employment date in an eligible position(s) or from the payroll period in which the $425 threshold is first met. Example: An employee made $300 from July 1 through July 15 (no PERA deductions are required). In the next pay period (ending July 31), the employee earns $350. Since the monthly salary threshold was first met with the second payroll, deductions for credit in PERA must be taken on the salary of $350.

L. <u>Salary</u>

City of
Maple Grove

MEMORANDUM

TO: Chris Arcand - PERA

FROM: Jim Knutson, Finance Director

DATE: May 7, 2007

SUBJECT: Police/Fire PERA Classification for Marilyn Arnlund

RECEIVED
MAY 08 2007
Public Employees Retirement Assn.

I talked to you on the phone yesterday concerning Marilyn Arnlund and her PERA classification. Below is a summary of her time with the City.

- She became a full time Fire Inspector with the City of Maple Grove on April 2, 1990. As part of her employment, she responded (and continues to respond) to fire calls during the day. At that time, she was classified in the PERA Coordinated Plan.

- On November 20, 1995 the Maple Grove City Council approved the conversion of the Deputy Fire Marshall and Fire Inspector (Marilyn's original position) to the Police/Fire PERA classification. A copy of the Council action form is attached and I believe you would also have copies in your files as well. The change was effective January 1, 1996.

- During subsequent years, all fire inspectors at the City of Maple Grove have been added to the Police/Fire PERA classification due their fire response duties.

In 1995, I'm not sure why the City did not require PERA change her classification status retroactive to her Fire Inspector start date (April 2, 1990). The duties for the position had not changed from 1990 to 1996.

The City requests that Marilyn's start date for the PERA Police/Fire plan be changed to April 2, 1990. The City understands that we will be responsible for the past due employer contributions and the employee will be responsible for past due employee contributions.

State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH SESSION

HOUSE FILE NO. 3242

February 19, 2008
Authored by Peppin
The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

A bill for an act

relating to retirement; public employees police and fire retirement plan; authorizing a transfer of service credit for a prior period of firefighter employment by the city of Maple Grove.

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

Section 1. **PERA-P&F; TRANSFER OF SERVICE CREDIT FOR PRIOR MAPLE GROVE CITY EMPLOYMENT PERIOD.**

Subdivision 1. **Authorization.** An eligible person described in subdivision 2 is authorized to have service credit transferred under subdivision 3 upon the payment of the additional amounts required under subdivision 4 and upon the substantiation of the nature of the employment under subdivision 5.

Subd. 2. **Eligible person.** For purposes of this section, an eligible person is a person who:

(1) was born on April 12, 1956;

(2) was initially employed by the city of Maple Grove on February 16, 1988;

(3) was employed as a full-time fire inspector by the fire-rescue department of the city of Maple Grove, including daytime response to fire calls, with retirement coverage by the coordinated program of the general employees retirement plan of the Public Employees Retirement Association, on April 2, 1990; and

(4) was transferred to retirement coverage by the public employees police and fire retirement plan as a fire inspector by Maple Grove city council action on January 1, 1996.

Subd. 3. **Service credit transfer.** (a) An eligible person, upon filing a written application as prescribed by the executive director of the Public Employees Retirement Association and upon compliance with subdivisions 4 and 5, shall have service credit for the period from April 2, 1990, to January 1, 1996, transferred from the coordinated program of the general employees retirement plan to the public employees police and fire retirement plan on the first of the month next following the receipt of the additional payments under subdivision 4.

(b) Upon the transfer of service credit under paragraph (a), the service credit of the eligible person in the coordinated program of the general employees retirement plan for the period from April 2, 1990, to January 1, 1996, is forfeited and may not be subsequently restored under Minnesota Statutes, section 353.35, or any other applicable provision of law.

Subd. 4. **Additional payment amounts.** (a) Accompanying the written application under subdivision 3, the eligible person shall include an additional member contribution payment for the period from April 2, 1990, to January 1, 1996. The additional member contribution payment amount is the difference between the member contribution rate under Minnesota Statutes, section 353.65, subdivision 2, and the member contribution rate under Minnesota Statutes, section 353.27, subdivision 2, applied to the eligible person's total covered salary for the period from April 2, 1990, to January 1, 1996, plus annual compound interest from August 1, 1993, to the date on which the payment is made at the rate of 8.5 percent.

(b) Upon receipt of the additional member contributions under paragraph (a), the executive director of the Public Employees Retirement Association shall notify the city of Maple Grove that the payment was made and the amount of the additional employer contribution. Within 30 days of the receipt of the notification from the Public Employees Retirement Association, the city of Maple Grove shall pay the additional employer contribution amount. The amount is the difference between the present value of the eligible person's combined retirement annuity from the coordinated program of the general employees retirement plan and from the public employees police and fire retirement plan as of the end of the month preceding the payment of the additional member contribution amount and the present value of the potential retirement annuity from the public employees police and fire retirement plan if the service credit transfer occurred as of the same date, reduced by the amount of the retirement plan asset transfer under paragraph (c) and by the amount of the additional member contribution amount. The present value computation must be made by the actuary retained under Minnesota Statutes, section 356.214, and must utilize the applicable actuarial assumptions under Minnesota Statutes, section 356.215. The additional employer contribution amount must be paid in a lump sum. If the additional employer contribution payment is not made in a timely fashion, the executive director of the Public Employees Retirement Association shall notify the commissioners of finance and revenue of that fact and the commissioners shall deduct the required amount from any state aid or other state payment amount applicable to the city, plus interest on the amount at the rate of one percent per month from the payment due date to the actual payment date.

(c) Upon the receipt of the additional member contribution under paragraph (a), the executive director shall transfer an amount equal to double the eligible person's member contributions to the coordinated program of the general employees retirement plan for the period from April 2, 1990, to January 1, 1996, plus compound interest at the annual rate of 8.5 percent from August 1, 1993, to the date of transfer from the general employees retirement fund to the public employees police and fire retirement fund.

Subd. 5. **Public safety employment substantiation.** Service credit is transferrable under this section only if the employment for the city of Maple Grove by the eligible person during the period from April 2, 1990, to January 1, 1996, is documented as constituting firefighter employment sufficient to qualify for public employees police and fire retirement plan membership and eligibility if the city of Maple Grove had adopted the resolution under Minnesota Statutes, section 353.64, subdivision 2, as of April 2, 1990. The city of Maple Grove and the eligible person must provide any relevant documentation required by the executive director of the Public Employees Retirement Association.

Subd. 6. **Expiration.** Authority to transfer service credit under this section expires on July 1, 2009.

EFFECTIVE DATE. This section is effective the day following final enactment.

H.F. 3242