



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director
RE: Retirement Bills Remaining from the 2011 Legislative Session
DATE: October 21, 2011

Introduction

There are 19 bills remaining from the 2011 Legislative Session that deal with retirement or pension issues and await Commission consideration and action.

List of 2011 Legislative Session Proposed Retirement Legislation

1. H.F. 215 (Rukavina); S.F. 106 (Tomassoni): Virginia Fire, PERA-P&F; Administrative consolidation of the Virginia Fire Department Relief Association into PERA-P&F.
2. H.F. 280 (Hayden); S.F. xxxx: MSRS, PERA: State employee postretirement option eligibility provisions modified.
3. H.F. 1167 (Smith); S.F. 1182 (Rosen): PERA Privatization; Cedarview Care Center and Traverse Care Center added to covered privatization list.
4. H.F. 1168 (Smith); S.F. 854 (Bakk; Rosen): PERA-VF; Municipal or independent nonprofit firefighting corporation contributions permitted in excess of the applicable funding requirements.
5. H.F. 1256 (Franson); S.F. 813 (Hoffman/Parry): State and public employees retirement plans; Member and employer contribution rates modifications.
6. H.F. 1377 (Murphy, M.); S.F. 1114 (Reinert): PERA; Seaway Port Authority of Duluth employees included in PERA-General retirement coverage, and purchase of allowable service credit for prior Seaway Port Authority of Duluth employment authorized.
7. H.F. 1474 (Anderson, D.); S.F. xxxx: Judges' Plan; Judicial election districts created, mandatory judge retirement date amended, optional retirement dates created, and partial forfeiture of annuity imposed if elected retirement date results in governor appointment.
8. H.F. 1507 (Banaian); S.F. xxxx: Major plans; Minnesota public retirement plans other than lump sum volunteer fire plans actuarial valuation interest rate assumptions revised..
9. H.F. 1516 (Ward); S.F. 1474 (Rosen/Pogemiller): Major plans; Public employment retirement incentives.
10. H.F. 1536 (Shimanski); S.F. 627 (Newman): Judges' Plan; Judges mandatory retirement date modification; ballot incumbency designation for judicial offices elimination.
11. H.F. 1539 (Poppe); S.F. 1295 (Sparks): MnSCU/TRA; MnSCU faculty member permitted to elect prospective and retroactive TRA coverage. (Benegas, Michelle)
12. H.F. 1554 (Murphy, M.); S.F. 928 (Rosen): VFRA's; State Auditor's Volunteer Fire Relief Association Working Group recommendations.
13. H.F. 1555 (Murphy, M.); S.F. 927 (Rosen): MN public plans; State Auditor's Investment Study Group recommendations.
14. H.F. 1626 (Murphy, M.); S.F. 1367 (Daley): MSRS-Unclassified; Unclassified program transfer of coverage provision clarified.
15. H.F. 1627 (Murphy, M.); S.F. xxxx: PERA; Service credit purchase for uncredited prior public employment. (Reitmeier, Gerald)
16. H.F. 1688 (Kahn); S.F. 1403 (Pappas): MSRS; State Senate former retired employee retirement incentive election deadline waiver. (LaRue, Sheryl)
17. H.F. 1689 (Davids); S.F. xxxx: PERA; Privatization; Green Lee Manor in Mabel added to the list of privatized facilities covered by chapter 353F.
18. H.F. 1712 (Hortman); S.F. xxxx: TRA; Anoka-Hennepin school district teacher authorized to purchase service credit for voluntary layoff and extended leave of absence despite a failure to make timely payments. (Reiersen, Herbert)
19. H.F. 1759 (Smith, by req.); S.F. 1181 (Rosen, by req.): PERA; Augmentation rates applicable to new privatizations decreased.

Summary of Remaining Proposed 2011 Legislative Session Retirement Legislation

A. Interest Rate Actuarial Assumptions.

1. H.F. 1507 (Banaian); S.F. xxxx revises actuarial interest rate assumptions for all MSRS plans, all PERA plans, TRA, DTRFA, and SPTRFA downward by one full percentage point.

B. Pension Fund Investment Authority.

1. H.F. 1555 (Murphy, M.); S.F. 927 (Rosen) revises provisions specifying permitted investments applicable to the State Board of Investment (SBI), first class city teacher plans, the remaining local police and paid fire plans, and volunteer fire plans by making the substantive and administrative changes, as follows:
 - a. Substantive changes:
 - i. For SBI, creating authority to invest in exchange-traded funds (ETFs), and by permitting unlimited use of mutual funds rather than limiting mutual funds to a small portion of the total portfolio;
 - ii. New investment authority is created for volunteer fire plans. For those that are limited list plans, the bill provides authority to invest in ETFs and in below-investment-grade bonds (junk bonds) if the bond investment is through a mutual fund or ETF. Expanded list volunteer fire plans are given explicit authority to invest in junk bonds, with or without the use of a mutual fund or ETF;
 - iii. For expanded list plans other than volunteer fire plans, a cap limiting international debt and emerging market equity investments to no more than 20% of the total portfolio is removed, while volunteer fire expanded list plans will be subject to a 15% cap; and
 - iv. For all plans, any investment in the SBI Supplemental Fund must be included in determining whether portfolio asset mix limits are met. (Under law, no more than 85% of a pension fund's investment can be in equity or equity-like investments).
 - b. Administrative changes:
 - i. Makes technical corrections and removing obsolete language;
 - ii. Makes the expanded list investment authority provision more comparable to that of SBI; and
 - iii. Moves SBI Supplemental Plan and junk bond investment authority from various first class city teacher plan law and police and paid fire law provisions to the expanded list provision.

C. Retirement Plan Member and Employer Contributions.

1. H.F. 1256 (Franson); S.F. 813 (Hoffman) amends the member and employer contribution provisions of Minnesota Statutes, Chapters 3A, the Legislators Retirement Plan; 352, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) and the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional); 352D, the Unclassified State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Unclassified); 353, the Public Employees Retirement Association (PERA); 353E, the Local Government Correctional Service Retirement Plan (PERA-Correctional); 354, the Teachers Retirement Association (TRA); and 354A, the Duluth Teachers Retirement Fund Association (DTRFA) and the St. Paul Teachers Retirement Fund Association (SPTRFA), by increasing the member contribution rates by three percent of covered salary and by decreasing the employer contribution rates by three percent of covered salary, effective at the start of the first pay period after June 30, 2011.

D. PERA-General Membership and Coverage.

1. H.F. 1377 (Murphy, M.); S.F. 1114 (Reinert) amends Minnesota Statutes, Chapter 353, the law governing the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), by including the current and future employees of the Seaway Port Authority of Duluth in PERA-General retirement coverage and membership and by transferring to PERA General service credit for past Seaway Port Authority of Duluth employment currently uncovered by PERA-General in proportion to the amount of assets of each in the current Seaway Port Authority of Duluth defined contribution retirement plan, their deferred compensation supplemental retirement program, any additional retirement-related funding provided by the Seaway Port Authority of Duluth, and any additional personal funding provided bears to the total actuarial liability for the benefits related to their past service under the PERA-General retirement plan, but not to exceed their total past Seaway Port Authority of Duluth employment.

E. PERA Privatization Law Changes.

1. H.F. 1167 (Smith); S.F. 1182 (Rosen) adds Cedarview Care Center and Traverse Care Center to the list of eligible medical facilities in Minnesota Statutes, Chapter 353F, the Public Employees Retirement Association (PERA) privatized employee chapter, permitting the employees of those organizations to be provided with the treatment under that chapter following a privatization.
2. H.F. 1759 (Smith, by req.); S.F. 1181 (Rosen, by req.) revises deferred annuity augmentation rates for new Public Employees Retirement Association (PERA) privatizations covered by Chapter 353F and occurring in 2011 or later. If the privatization occurs in 2011, rather than 4% deferred annuities augmentation to age 55 and 6% thereafter, the deferred annuity will be augmented by 1% per year. If the privatization occurs in 2012 or later, no augmentation will apply.
3. H.F. 1689 (Davids); S.F. xxxx amends Minnesota Statutes, Section 353F.02, Subdivision 4, the definition of “medical facility” that specifies coverage by the post-privatization retirement coverage by the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), by including the Green Lee Manor in Mabel, Minnesota, in coverage in the special benefit package.

F. PERA Statewide Volunteer Fire Retirement Plan.

1. H.F. 1168 (Smith); S.F. 854 (Bakk/Rosen) amends Minnesota Statutes, Section 353B.08, the provision of the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan governing the employing unit funding of the separate accounts for participating volunteer fire departments, by adding a subdivision that makes the following changes:
 - a. Permits Additional Contributions for Municipalities with Statewide Plan Accounts. Municipalities and independent nonprofit firefighting corporations associated with fire departments that have already joined the statewide volunteer fire retirement plan are permitted, at their discretion, to make additional contributions to their statewide retirement plan account;
 - b. Extra/Anticipatory Municipal Contributions Must Comply with PERA Requirements. The PERA executive director is permitted to set requirements for the form of, the timing of, and the information to be supplied with extra or anticipatory municipal contributions; and
 - c. Extra/Anticipatory Municipal Contributions Must Be Used In Future Municipal Contribution Determinations. Any extra or anticipatory contributions made by municipalities or independent nonprofit firefighting corporations must be used in computing account assets in determining future municipal contribution requirements.

G. Volunteer Firefighter Relief Associations.

1. H.F. 1554 (Murphy, M.); S.F. 928 (Rosen), containing the recommendations of the 2010-2011 State Auditor’s Volunteer Firefighter Relief Association Working Group, makes the following changes in law applicable to volunteer firefighter relief associations:
 - a. Clarification of the Countersigners for Fire Relief Association Financial Documents. Minnesota Statutes, Sections 69.011, Subdivision 1; and 69.051, Subdivisions 1 and 1a, defining various terms for the fire state aid program and requiring financial reports or statements from firefighter relief associations receiving fire state aid, are modified to permit the chief financial official or the chief administrative official, if so designated by the municipality, to countersign volunteer firefighter relief association financial reports or statements instead of the municipal clerk or municipal clerk-treasurer and to permit the chief county financial official to countersign for volunteer firefighter relief associations associated with a non-municipal fire department.
 - b. Clarification of Volunteer Firefighter Relief Association Financial Requirement Determination Certification Recipients. Minnesota Statutes, Sections 69.772, Subdivision 4; and 69.773, Subdivision 5, setting out the financial requirements of lump sum and monthly benefit volunteer firefighter relief associations, are modified to specify that the recipient of the financial requirement determination certification is the entity responsible for paying the minimum obligation and, if a joint powers entity, as required by the joint powers agreement or to the joint powers board chair if no requirement is specified.
 - c. Inclusion of All Relief Association Board Members Beyond the President, Secretary, and Treasurer to Receive Salaries as Authorized Special Fund Expenditures. Minnesota Statutes, Section 69.80, delineating authorized expenditures from local police, paid firefighter, and volunteer firefighter relief association special funds, is amended to permit all relief association

board members to be paid a salary from the relief association special fund if the salary amounts are approved by the applicable governmental subdivision governing body.

- d. Addition of Governmental Filing and Application Fees as Authorized Special Fund Expenditures. Minnesota Statutes, Section 69.80, the local police, paid firefighter, and volunteer firefighter relief association authorized special fund expenditure provision, is expanded to include filing and application fees payable to federal and other governmental entities.
- e. Modification of Volunteer Firefighter Relief Association Former Firefighter Return to Service and Relief Association Coverage Provisions. Minnesota Statutes, Section 424A.01, Subdivision 6, the 2009 law permitting firefighters who have a 60-day or greater break in firefighter service to return to service with volunteer firefighter relief association coverage, is amended to clarify how defined contribution volunteer firefighter relief association service provisions would be computed after a resumption of service and to permit returning firefighters who do not meet the minimum service requirement period to receive service credit for post-break service, with the service pension based on either the original service pension benefit level or the current service pension benefit level, as specified in the bylaws of the relief association.
- f. Authorization of Survivor Benefit Installment Payments for Defined Contribution Volunteer Firefighter Relief Associations. Minnesota Statutes, Section 424A.016, Subdivision 5, the authority for defined contribution volunteer firefighter relief associations to pay service pensions in installments, is amended to also permit the installment payment of survivor benefits upon the request of the intended recipient.

H. Judges' Retirement Plan Changes.

1. H.F. 1474 (Anderson, D.); S.F. xxxx amends various portions of Minnesota Statutes, Chapters 2, 10A, 204B, and 490, and adds new law to Minnesota Statutes, Chapter 480B, by making the following changes:
 - a. Creates Judicial Election Precincts for the Second and Fourth Judicial Districts. The Commission on Judicial Selection is mandated on October 1, 2011, and periodically thereafter to establish boundaries for compact and contiguous election precincts for judges in the Second Judicial District (Ramsey County) and in the Fourth Judicial District (Hennepin County) with substantially equal populations and with boundaries that follow visible, clearly recognizable physical features.
 - b. Requires Economic Interest Statements for Judicial Candidates. The current exclusion from the economic interest statement filing requirement for judges is eliminated.
 - c. Incumbent Judge Pledge to Serve Until Expiration of Term in Office. Appearance on the ballot by an incumbent judge is conditioned on a pledge by the judge to serve until the term expiration, mandatory retirement date, optional retirement date, appointment to another government office, disability date, or inability to serve due to a physical or personal reason.
 - d. Creates Placeholder Judges for Judicial Vacancies Before the Term Expiration. The governor is required to appoint a placeholder person to fill a judicial office vacancy occurring before the expiration of the term in office.
 - e. Resets the Judicial Mandatory Retirement Date to December 31 of the Next General Election Year. The mandatory retirement date for a judge is set at December 31 of the year of a general election occurring after the judge attains age 70.
 - f. Creates Optional Retirement Date Early Normal Judicial Retirement Age Provision. Without any minimum retirement age, an early normal retirement provision is created in the Judges Plan, without an early retirement reduction, set at December 31 of a general election year.
 - g. Creates a Compelling Physical or Personal Reason Benefit for Judges. A variant of a disability benefit, payable upon the termination of judicial service for a compelling physical or personal reason as determined by the Court of Appeals is established, with a one-year continuation of full salary and then an unreduced normal retirement annuity.
 - h. Imposes 25% Retirement Annuity Reduction for Judicial Retirements Resulting in a Judicial Appointment Other than a Placeholder. For any judge elected or appointed to a new term in office after June 30, 2011, a retirement that results in a gubernatorial appointment other than another judicial appointment, a disability, or a retirement for physical or personal reasons will result in the judicial retirement annuity being reduced by 25%.
2. H.F. 1536 (Shimanski); S.F. 627 (Newman) amends the Judges Retirement Plan mandatory retirement law to make the mandatory retirement date the last day of the month in official year of the state in the first even-numbered year during which a judge has attained 70 years of age.

I. Early Retirement Incentive.

1. H.F. 1516 (Ward); S.F. 1474 (Rosen/Pogemiller) provides an early retirement incentive provision offering an employer payment toward healthcare, and is applicable to all MSRS plans, Higher Education IRAP, PERA defined benefit plans, TRA, first class city teacher plans, and MERF. An early retirement incentive, in the form of a payment toward healthcare, may be provided by an eligible appointing authority to a terminating employee who is immediately eligible for an annuity; has at least 15 years of covered service in Higher Education IRAP or one or more of the combined service annuity plans, accepts the incentive no later than December 31, 2011; retires no later than June 30, 2012; and is not already receiving an annuity from one of the included plans. An eligible appointing authority is PERA, MSRS, TRA, or MnSCU, or any appointing authority in the executive, legislative, or judicial branch of state government. Appointing authorities are permitted but not required to offer the early retirement incentive. The incentive is an amount, not to exceed 24 months of the employer contribution, as specified in the collective bargaining agreement or compensation plan, for health and dental insurance. If the employee had dependent coverage at the time of separation, the amount will include dependent coverage. Appointing authorities in the executive branch must apply for approval from the Commissioner of Management and Budget before providing an early retirement incentive. Unilateral implementation is not an unfair labor practice. Acceptance of an incentive must be in writing. Anyone accepting an incentive may not be rehired or provide consulting services for three years to any entity that participates in the State Employee Group Insurance Program.

J. Miscellaneous Retirement Changes.

1. H.F. 280 (Hayden); SF xxxx revises the Postretirement Option Program eligibility provisions by permitting inclusion of terminated state employees who terminate from service at age 62 or later and qualify for reduced annuities due to early receipt, rather than requiring that the terminated state employee qualify for an unreduced retirement benefit.
2. H.F. 1626 (Murphy, M.); S.F. 1367 (Daley) revises Minnesota Statutes, Section 352D.02, Subdivision 3, the MSRS-Unclassified Program transfer to MSRS-General Plan provision, by clarifying that it is employees first employed after June 30, 2010, who are prohibited from transferring to MSRS-General after the first seven years of service, rather than applying that restriction to any existing employee who continues in employment beyond June 30, 2010.

K. Local Retirement Bills.

1. H.F. 215 (Rukavina); S.F. 106 (Tomassoni) amends portions of Minnesota Statutes, Chapters 69, 353, 356, and 423A, statutes applicable to local paid firefighter relief associations, the Public Employees Retirement Association (PERA), the Public Employees Police and Fire Retirement Plan (PERA-P&F), retirement plans generally, and police and fire amortization state aid, by providing for an administrative consolidation of the Virginia Fire Department Relief Association into PERA-P&F, administered by the PERA board of trustees and executive director as the Virginia Fire Department Division, with the retired membership provided the option to elect post-retirement adjustments under either the current adjustment method (rate of increase in the current salary of a top grade firefighter) or the PERA-P&F method (Consumer Price Index percentage increase up to one percent in 2010 and up to 1.5 percent annually thereafter), with other benefit plan provisions governed by the Virginia Fire Department Relief Association benefit plan document, in all other respects, with the plan actuarial accrued liabilities and assets held in a separate account, valued separately and underwritten by the City of Virginia, which will be credited with any division account assets remaining after the last beneficiary dies.

L. Single Person/Small Group Special Authorizations.

1. H.F. 1539 (Poppe); S.F. 1295 (Sparks) permits a certain Minnesota State Colleges and Universities (MnSCU) faculty member, initially employed at Metropolitan State University on August 27, 2005, to elect Teachers Retirement Association (TRA) coverage, rather than the default MnSCU Individual Retirement Account Plan (MnSCU-IRAP) coverage, from her hire date because of an apparent failure by MnSCU to provide the employee with timely information about the options for retirement coverage, with MnSCU obligated to pay part of the full-actuarial value cost of the past service credit purchase.
2. H.F. 1627 (Murphy, M.); S.F. xxxx permits Gerald Arnold Reitmeier, a 61-year-old road grader/snowplow driver for Crookston Township, Minnesota, and has been employed as such since July 1, 1990, but was not reported as a public employee to the General Employees Retirement Plan of

the Public Employees Retirement Association (PERA-General) until September 1, 2010, to obtain 17 years of additional allowable service credit from the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), with his payment of the equivalent member contributions he would have paid from July 1, 1990, until December 31, 2006, plus 8.5 percent compound interest for the period of unpaid contributions, and with Crookston Township obligated to pay the balance of the full actuarial cost of the benefits Mr. Reitmeier would obtain by the additional service credit, with PERA permitted to collect the employer obligation by certifying a property tax levy on Crookston Township to the Polk County auditor if the township declines to make the payment voluntarily.

3. H.F. 1688 (Kahn); S.F. 1403 (Pappas) permits Sheryl LaRue, a former Senate employee, to be eligible for an early retirement incentive under a 2010 early retirement incentive provision (Laws 2010, Chapter 337), despite not applying for an incentive under that program and having already terminated service.
4. H.F. 1712 (Hortman); S.F. xxxx permits Herbert Reiersen to purchase service credit in Teachers Retirement Association (TRA) for a period of voluntary layoff or “other leave” (July 1, 1989, to June 30, 1991) and extended leave of absence (July 1, 1991, to June 30, 1994), a total of five years, for which he does not have service credit. Mr. Reiersen would be required to make a full actuarial value purchase payment to receive the service credit.