



TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Susan Lenczewski, Executive Director  
Rachel Barth, Deputy Director  
RE: S.F. 545 (Rosen); H.F. 565 (O'Driscoll): Revised and Updated 2016 Omnibus Retirement Bill  
DATE: February 13, 2017

## Introduction

S.F. 545 (Rosen); H.F. 565 (O'Driscoll) is the 2016 omnibus retirement bill, revised to remove the sections that were cited by the Governor as the reasons for his veto and updated to reflect the current statutes. Specifically, the bill contains the following changes from the 2016 omnibus bill:

- Sections that are being amended in legislation to be introduced for the first time this session were deleted and incorporated into these new bills so there will be one source for all changes to a particular statute. For example, the section in the 2016 bill that extended the amortization period for the Teachers Retirement Association (TRA) from 2037 to 2046 was not carried forward from the 2016 bill into these bills because TRA is proposing a new amortization date in its 2017 funding proposal bill.
- Each section of the bills refers to the section in the Minnesota Statutes 2016, rather than the 2014 statutes.
- Effective dates were advanced by a year or otherwise revised to reflect introduction in 2017 rather than 2016.

## Article-by-Article Summary of S.F. 545 (Rosen); H.F. 565 (O'Driscoll)

### Article 1: Minnesota State Retirement System (MSRS) Administrative Provisions.

- Revises the refund repayment provision for each MSRS plan to make them uniform.
- Authorizes transfers of funds from the general fund to the Legislators retirement fund, a provision requested by Minnesota Management & Budget (MMB).
- Exempts transactions among defined contribution funds in the MSRS Deferred Compensation Plan from the requirement to report transactions through the State's SWIFT (State Wide Integrated Financial Tools) system.
- Revises criteria for appointing an executive director and inserts references to deputy director.

### Article 2: Teachers Retirement Association (TRA) Administrative Provisions.

- Adds a definition for "former spouse."
- Revises criteria for appointing an executive director and inserts references to deputy director.
- Extends the number of years of authorized medical leave that can be considered allowable service credit, if the member makes the required payment, from one to five years.

- Requires the executive director to reject an application for TRA disability benefits if the member is only applying because a long-term disability insurance policy requires the application.
- Updates a reference to an 85-day period to a half year to reflect time period increments currently used by TRA.
- Permits designated beneficiaries to receive death benefits as each beneficiary applies for the benefits.
- Clarifies that a member is not entitled to disability benefits if he or she has reached normal retirement age and removes an obsolete reference to minimum salary requirement.
- Removes a waiting period requirement that will allow TRA to collect delinquent payments quicker from a school district or charter school.
- Removes obsolete references to the Duluth school district and the Minnesota State Colleges and Universities System (MnSCU).

Article 3: Public Employees Retirement Association (PERA) Administrative Provisions.

- Merges the service credit purchase provision into the salary purchase provision and repeals the service credit purchase provision.
- Clarifies that if a member passes away or terminates service before receipt of a retirement annuity, any prior payments of disability or survivors benefits must be deducted from the refund of contributions.
- Clarifies that Hennepin Healthcare System Inc. supervisors and managers of paramedics and emergency medical technicians are included in the Public Employees Police and Fire Plan (PERA-P&F).

Article 4: St. Paul Teachers Retirement Fund Association Administrative Provisions.

- Replaces obsolete reference to “applicable first class city” with “St. Paul.”
- Clarifies the periods during which 8.5% or 8% interest rate applies for service credit purchases and repayment of refunds.

Article 5: Retirement Systems, Generally, Administrative Provisions.

- Clarifies the periods during which 8.5% or 8% interest rate applies for service credit purchases for all retirement plans but TRA.
- Revises and clarifies the provisions setting forth the annual limits on annual additions to state-sponsored defined contribution plans and on pension benefits under state-sponsored defined benefit plans, which are imposed by the federal Internal Revenue Code. Repeals duplicative provisions regarding annual limits.
- Adds a provision authorizing retirement plans to correct operational, document and other errors to preserve tax-qualification, including measures authorized by the IRS’ employee plans compliance resolution system.
- Revises the appeals procedures that apply to PERA, TRA and MSRS by clarifying time periods, the decision-maker and procedural details applicable at each stage in the process and requirements relating to development of the administrative record, among other requirements. Eliminates obsolete references and repeals obsolete provisions.

Article 6: Actuarial Assumptions.

- Lowers TRA’s interest rate assumption from 8.5% to 8%, which occurred for all other public retirement plans during the 2015 legislative session.
- Lowers TRA’s payroll growth assumption from 3.75% to 3.5%, which occurred for all other public retirement plans during the 2015 legislative session.

- Updates the future salary increase assumption for MSRS-General, PERA-General, and TRA to incorporate the recommendations of the plans' 2015 experience study results.
- Updates the future salary increase assumption for St. Paul Teachers Retirement Fund Association (SPTRFA) and removes obsolete references.

Article 7: Volunteer Firefighter Relief Association Modifications.

- Eliminates the requirement that the next nine relief associations to join the Monthly Benefit Division of the Statewide Volunteer Firefighter Retirement Plan reimburse the Spring Lake Park-Blaine-Moundsview Fire Department for PERA administrative expenses in excess of \$33,600.
- Adopts the changes recommended by the Volunteer Fire Relief Association Working Group, including adding a certification process for firefighter service credit, explicitly prohibiting giving credit for service in a VFRA plan if the individual is receiving credit for the same service under a PERA plan, giving VFRAs the option to provide coverage to volunteer emergency medical personnel, giving VFRAs the option to provide combined service pensions to individuals with service in more than one VFRA, and adding provisions regarding dissolution of a VFRA where there is a joint powers agreement and related entity.
- Increases the maximum lump-sum service pension amount payable for each year of credited service under defined benefit volunteer firefighter relief associations statewide effective January 1, 2017, or earlier for the Eden Prairie relief association, upon approval by the Eden Prairie city council.
- Reduces the vesting requirements for Eden Prairie volunteer firefighters upon return to active service.

Article 8: MSRS-Administered Retirement Plan Modifications.

- Adds a cross reference to the deadline for submitting an application for total and permanent disability benefits, which is 18 months after termination of employment.

Article 9: PERA-Administered Retirement Plan Modifications.

- Revises the definition of "line of duty death" to add a second definition, which is a death as determined by the Commissioner of Public Safety to meet the definition of "killed in the line of duty" at section 299A.41, subdivision 3. "Killed in the line of duty" was amended separately in a non-Pension Commission bill enacted at the end of the 2016 session. The definition was expanded in that bill to include death from heart attack, stroke, or vascular rupture that occurs while performing dangerous police and fire duties or within 24 hours of performing such duties, making the definition consistent with the definition under the federal Hometown Heroes Act.

Article 10: Generally Applicable Retirement Changes.

- Increases the maximum employer contribution from \$5,000 to \$7,000 per year per employee to the laborers national industrial pension plan.
- Authorizes all state public retirement plans to accept gifts, donations, bequests, and life insurance death benefits, at the discretion of the plan; repeals similar provisions applicable to MSRS and PERA.

Article 11: Small Group Retirement Changes.

- Permits 22 Department of Transportation (MnDOT) employees to purchase service credit and gain Rule of 90 eligibility for period of seasonal or temporary employment. This had been introduced during the 2016 session as separate bills by Representative Metsa and Senator Tomassoni, approved by the Pension Commission, and incorporated into the omnibus pension bill.

- Permits one employee of St. Cloud State University to purchase service credit in PERA for five years of erroneous MnSCU Individual Retirement Account Plan (IRAP) coverage. This had been introduced during the 2016 session as separate bills by Representative Theis and Senator Pederson, approved by the Pension Commission, and incorporated into the omnibus pension bill.
- Permits one employee of St. Cloud State University to elect retroactive and prospective TRA coverage rather than MnSCU-IRAP coverage to correct a MnSCU error. This had been introduced during the 2016 session as a separate bill by Representative Knobloch, approved by the Pension Commission, and incorporated into the omnibus pension bill.
- Permits two employees of Mesabi Range Community and Technical College to elect retroactive and prospective TRA coverage rather than their current MnSCU-IRAP coverage to correct a MnSCU error. This had been introduced during the 2016 session as separate bills by Representative Metsa and Senator Tomassoni, approved by the Pension Commission, and incorporated into the omnibus pension bill.

**Article 12: Technical Corrections.**

- Removes obsolete references to the Duluth Teachers Retirement Fund Association and the Duluth school district in SPTRFA statutes and repeals obsolete provisions.
- Removes obsolete references to provisions that are repealed in Article 3.

**Sections that were not brought forward from the 2016 omnibus bill to the 2017 bill:**

1. The COLA and funding changes for MSRS, TRA, and SPTRFA, including the following provisions:
  - An increase in the employer contribution of 0.5% of salary, for both the basic and coordinated plans of St. Paul Teachers Retirement Fund Association (SPTRFA), effective July 1, 2018;
  - Elimination of the automatic increase in the post-retirement adjustment rate when specified funding thresholds are reached (the “triggers”) for MSRS-General, the MSRS Correctional State Employees Retirement Plan, TRA, and SPTRFA;
  - Extension of the amortization period for reaching full funding for TRA to June 30, 2046, from the current June 30, 2037; and
  - A reduction in the post-retirement adjustment for the MSRS plans (other than the State Patrol and Judges plans) and TRA for one year, effective January 1, 2017, by 0.25% for MSRS and by 1% for TRA, resulting in a calendar year 2017 COLA rate of 1.75% for MSRS and 1% for TRA.
2. A change in the effective date of the consolidation of two volunteer firefighter relief associations, in Coleraine and Bovey, from January 1, 2017, to September 1, 2016, to ensure that the resulting new relief association qualifies for 2016 fire state aid. The relief associations were able to resolve the effective date problem with the Department of Revenue so this session law is no longer needed.