



TO: Senate Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Director *EB*

RE: 2012 Omnibus Retirement Bill (S.F. 1808, 2<sup>nd</sup> Engrossment),  
as Recommended by the Senate Finance Committee

DATE: March 29, 2012

### Introduction

S.F. 1808 (Rosen), the second engrossment, contains the contents of the Senate Omnibus Retirement Bill as recommended by the Senate State Government Innovation and Veterans Committee on March 23, 2012, and the Senate Finance Committee on March 29, 2012.

### Source Legislation for the 2012 Omnibus Retirement Bill

The 2012 Senate Omnibus Retirement Bill, S.F. 1808 (Rosen), the second engrossment, is derived from the following retirement bills:

1. HF 215 (Rukavina); SF 106 (Tomassoni): PERA-P&F; Merger of Virginia Fire consolidation account. (Art. 11)
2. HF 1167 (Smith); SF 1182 (Rosen): PERA; Cedarview Care Center and Traverse Care Center privatizations. (Art. 7)
3. HF 1168 (Smith); SF 854 (Bakk): PERA-SVFP; Additional municipal/independent nonprofit firefighting corporation contribution authority. (Art. 12)
4. HF 1377 (Murphy, M.); SF 1114 (Reinert): PERA; Coverage for Seaway Port Authority of Duluth employees; purchase of prior service credit. (Art. 13)
5. HF 1539 (Poppe); SF 1295 (Sparks): TRA/MnSCU; MnSCU faculty member prospective and retroactive TRA coverage election. (Art. 13)
6. HF 1554 (Murphy, M.); SF 928 (Rosen): State Auditor's 2011 volunteer fire relief association working group recommendations. (Art. 12)
7. HF 1555 (Murphy, M.); SF 927 (Rosen): State Auditor's investment authority working group recommendations. (Art. 10)
8. HF 1626 (Murphy, M.); SF 1367 (Daley): MSRS-Unclassified; Coverage transfer provision clarified. (Art. 5)
9. HF 1627 (Murphy, M.); SF 1475 (Stumpf): PERA; Service credit purchase; Uncredited Crookston Township public employment. (Art. 13)
10. HF 1759 (Smith, by request); SF 1181 (Rosen, by request): PERA privatizations; Decreasing augmentation rates applicable to new privatizations. (Art. 7)
11. HF 1987 (Lanning); SF 1692 (Rosen): TRA administrative provisions. (Art. 8)
12. HF 2005 (Kahn); SF 1604 (Dibble): Former Minneapolis Police Relief Association; providing for successor custodian for transferred health insurance account assets. (Art. 11)
13. HF 2028 (Gunther); SF 1633 (Rosen): Fairmont Police Relief Association consolidation into PERA-P&F. (Art. 11)
14. HF 2168 (Lanning); SF 2010 (Rosen): MN public plans; Select-and-ultimate interest rate, salary scale, and payroll growth actuarial assumption revisions. (Art. 1)
15. HF 2199 (Lanning); SF 1808 (Rosen): MSRS-Correctional; DHS plan coverage change recommendations. (Art. 3)
16. HF 2264 (Banaian); SF 2192 (Chamberlain): Minnesota Management and Budget report on budgeted and forecasted defined benefit plan contributions required. (Art. 2)
17. HF 2265 (Lanning); SF 1890 (Rosen): MSRS Health Care Savings Plan administrative provisions. (Art. 4)
18. HF 2266 (Lanning); SF 1891 (Rosen): PERA administrative provisions. (Art. 6)
19. HF 2360 (O'Driscoll); SF 2031 (Rosen): PERA; Membership salary threshold increased. (Art. 6)
20. HF 2391 (Murphy, M.); SF 1952 (Rosen): State Auditor's 2012 volunteer fire relief association working group recommendations. (Art. 10 & 12)
21. LCPR amendment H2199-45A: PERA-P&F; Late retroactive duty disability benefit application. (Art. 13)
22. Senate Gov Ops amendment SCH2199A-3 (Parry): METO program name change.

## General Summary of S.F. 1808 (Rosen), the Second Engrossment

### Article 1: Statutory Actuarial Assumption and Conforming Changes *(Derived from H2168/S2010)*

- The current undifferentiated pre-retirement interest rate assumption of 8.5% annually is replaced by a select-and-ultimate pre-retirement interest rate assumption for all statewide and major local Minnesota public retirement plans, with the pre-retirement select interest rate assumption set at 8.0% annually for the period July 1, 2012, to June 30, 2017, and with the pre-retirement ultimate interest rate assumption for the period beginning July 1, 2017, set at 8.5% annually. *(Section 2)*
- The statutory changes are made that are needed to accommodate the recommendations of the consulting actuarial firm retained by MSRS in the 2006-2011 Experience Study of the State Patrol Retirement Plan, the 2007-2011 Experience Study of the Judges Retirement Plan, the 2006-2010 Experience Study of the Correctional State Employees Retirement Plan and in additional materials related to the Legislators Retirement Plan and the Elective State Officers Retirement Plan, and to accommodate the recommendations of the consulting actuarial firm retained by PERA in the 2006-2011 Experience Study of the Local Government Correctional Service Retirement Plan. *(Section 2)*
- The interest rate assumptions of the Legislators Retirement Plan and the Elective State Officers Retirement Plan are reduced, the salary scale assumptions of the Judges Retirement Plan, the State Patrol Retirement Plan, MSRS-Correctional, and PERA-Correctional are modified, and the payroll growth assumption of the Legislators Plan and the Judges Plan are reduced. *(Section 2)*
- The amortization procedure for the Legislators Retirement Plan is changed from a level percentage of covered payroll amortization procedure to a level dollar amortization procedure. *(Section 3)*
- The service-related salary scale actuarial assumptions of MSRS-General and PERA-General are modified to implement the original recommendation of their consulting actuary in the 2009 experience studies and the payroll growth assumptions of most statewide retirement plans are made uniform. *(Section 2)*
- The next quadrennial experience studies of MSRS-General, PERA-General, and TRA will be delayed to June 30, 2015, and will cover a six-year rather than a four-year period. *(Section 4)*

### Article 2: Contribution Adequacy Reporting *(Derived from HF 2264/SF 2192)*

- The Commissioner of Minnesota Management and Budget, in each odd-numbered year, must provide a report to the Legislature on the adequacy of the budgeted and forecasted defined benefit retirement plan appropriations, aid, and contributions to meet the actuarial funding requirements. *(Section 1)*

### Article 3: MSRS-Correctional Plan Membership Changes *(Derived from HF 1987/SF 1692, Art. 1; HF 2199/SF 1808; and Senate Gov Ops amendment SCH2199A-3)*

- The provision delineating the membership of the MSRS Correctional State Employees Retirement Plan (MSRS-Correctional) is revised by adding the employment classification of psychiatric advanced practice registered nurse to the nursing personnel inclusion provision. *(Section 2)*
- The employment classifications of Corrections Program Therapist 1, 2, 3, and 4 are changed to Clinical Program Therapist 1, 2, 3, and 4 in the other correctional personnel inclusion provisions. *(Section 3)*
- The employment classifications of Clinical Program Therapist 3 and 4 are added to the additional Department of Human Services (DHS) personnel inclusion provision. *(Section 5)*
- The Minnesota Extended Treatment Options Program provision is revised by updating the name to Specialty Health System-Cambridge. *(Sections 1, 4)*

### Article 4: Health Care Savings Plan Modifications *(Derived from HF 2265/SF 1890)*

- Allows the use of MSRS Health Care Savings Plan assets following employment termination and in other circumstances specified in the plan document rather than following termination or during active employment. *(Section 1)*
- Clarifies the reimbursement for expenses so that any assets remaining after the death of the participant and the participant's spouse must be used solely by a living person or persons designated by the personal representative of the estate for reimbursement of health care-related expenses. *(Section 2)*
- Allows the executive director to establish an account with sufficient assets to cover one additional year of administrative fees. *(Section 3)*

Article 5: MSRS-Unclassified Retirement Program Modifications (Derived from HF 1626/SF 1367)

- Clarifies for the Unclassified Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified) transfer to the MSRS General State Employees Retirement Plan (MSRS-General) provision that initial employment determines that post-June 30, 2010, employees 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, and repositions various portions of the provision to improve its readability. (Section 1)

Article 6: PERA-Administered Retirement Plan Modifications (Derived from HF 2266/SF 1891 and Commission Amendment H2199-8A, related to HF 2360/SF 2031)

- Mandates PERA to study options for updating its member minimum salary threshold provision. (Section 5)
- Corrects a cross-reference in the PERA allowable service provision and clarifies a vesting provision. (Sections 1-2)
- Clarifies the dates for supplemental employer contributions and the actuarial valuations upon which the contributions are based for the Minneapolis Employees Retirement Fund (MERF) account contribution provision for the merged MERF plan. (Section 3)
- Clarifies a PERA-P&F disability benefit/workers' compensation law coordination provision. (Section 4)

Article 7: Revisions in the PERA Privatization Law (Derived from HF 1167/SF 1182 and HF 1759/SF 1181)

- The definition of "medical facility" for application of the PERA privatization law, Minnesota Statutes, Chapter 353F, is updated to include the two most recent medical facilities covered by the special benefit provisions, Cedarview Care Center in Steele County and Traverse Care Center in Traverse County. (Section 1)
- The enhanced deferred annuity augmentation under the privatization law is modified to reduce the rate for post-December 31, 2010, privatizations to two percent or one percent, whichever percentage is supported by the actuarial gain resulting from the privatization. (Section 2)
- The privatization law refund effect provision is amended to reduce the interest rate to the current PERA-General refund interest rate. (Section 3)

Article 8: TRA Administrative Changes and Related Modifications (Derived from HF 1987/SF 1692 and HF 2411/SF 2009)

- Updates a Management and Budget reporting provision to recognize the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA. (Section 1)
- Consolidates into TRA law the various retirement state aid and related programs that TRA inherited when the Minneapolis Teachers Retirement Fund Association was consolidated into TRA, with appropriate cross-reference updates and other conforming changes. (Sections 2, 3, 6, 9, and 10)
- Creates a general payment deficiency recovery provision. (Sections 4-5)
- Removes obsolete language from the actuarial valuation interest and salary assumptions provision for Minnesota public defined benefit plans. (Section 7)
- Revises the TRA post-retirement adjustment procedure for prorating the first benefit adjustment after retirement for retirees who retired within 18 months before a benefit adjustment. (Section 8)

Article 9: Federal Internal Revenue Code Conformity Provisions (Derived from HF 1987/SF 1692 and HF 2266/SF 1891)

- Revises a federal compensation limit provision applicable to all plans by requiring that any differential wage payment must be treated as compensation for purposes of determining whether a limitation on wages for pension purposes has been exceeded. (Section 1)
- Revises the maximum benefit limitation provision to comply with federal IRC § 415(b). (Section 2)
- Revises the annual addition (contribution) limitation provision initially applicable to defined contribution plans to apply to all Minnesota defined contribution plans, not just to the MSRS Unclassified Employees Retirement Program and the Public Employees Defined Contribution Retirement Plan. (Section 3)
- Revises the definition of "compensation" for federal Internal Revenue Code compliance purposes by clarifying that the compensation limit for pension purposes cannot be exceeded, and by indicating that compensation must take into account the various exclusions and inclusions in federal Treasury Department regulations. (Section 4)

- Defines "limitation year" by moving existing language from another statutory provision. (*Section 5*)
- Revises the eligible retirement plan provision to include Roth IRAs. (*Section 6*)
- Revises the military service compliance provision to include death and disability benefits. (*Section 7*)

Article 10: Authorized Public Pension Fund Investment Revisions (*Derived from HF 1555/SF 927 and HF 1554/SF 928*)

- Eliminates a requirement that financial statements for managed funds be prepared by the SBI. (*Sections 1-2*)
- Creates authority for SBI to invest in exchange-traded funds (ETFs), and permits unlimited use of mutual funds rather than limiting mutual funds to a small portion of the total portfolio. (*Section 3*)
- 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. (*Sections 4-6*)
- Removes defined contribution plans from various rate of return reporting requirements. (*Sections 7-8*)
- Clarifies that the asset threshold for the limited investment legal list applicable to some volunteer firefighter relief associations is based on relief association special fund assets. (*Section 10*)
- Creates new investment authority for volunteer fire plans, with limited list plans authorized to invest in ETFs and in junk bonds if the bond investment is through mutual funds or ETFs and with expanded list plans given explicit authority to invest in junk bonds with or without the use of mutual funds or ETFs. (*Sections 10-11*)
- For all plans, any investment in the SBI Supplemental Fund must be included in determining whether portfolio asset mix limits are met. (*Section 10-11*)
- 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. (*Section 11*)
- Makes technical corrections and removes obsolete language, makes the expanded list investment authority provision more comparable to that of SBI. (*Section 11*)

Article 11: Local Relief Association or Consolidation Account Mergers with PERA-P&F. (*Derived from HF 215/SF 106, HF 2005/SF 1604, and HF 2028/SF 1633*)

- The 2011 Minneapolis Police Relief Association special health insurance account trustee provision is amended to permit a shift in the designated trustee necessitated by the cancellation of the trustee contract by the pre-2012 trustee. (*Section 3*)
- The Fairmont Police Relief Association is totally consolidated into the Public Employees Police and Fire Retirement Plan (PERA-P&F), with a 15.6% benefit increase for the affected service pensioners and survivor benefit recipients, by legislative mandate, with a transfer of current relief association assets and the amortization of any remaining unfunded actuarial accrued liability transferred to PERA-P&F by December 31, 2020, or the return of any overfunding to the City of Fairmont and the termination of the Fairmont Police Relief Association and the repeal of the Fairmont Police Relief Association special laws. (*Section 4*)
- The Virginia Fire Consolidation Account is totally merged into PERA-P&F by legislative mandate, with any overfunding used to provide two (one-half of overfunding each) ad hoc post-retirement adjustments to former consolidation account benefit recipients, and the termination of the consolidation account and the repeal of Virginia Fire Relief Association special laws. (*Section 5*)
- The provisions specific to the Fairmont Police Relief Association and the provisions specific to the Virginia Fire Relief Association in Minnesota Statutes, Chapters 69, 356, 423, and 423A, are removed or repealed. (*Sections 1, 2, 6, 7, and 10*)

Article 12: Volunteer Fire Retirement Changes. (*Derived from HF 1168/SF 854, HF 1554/SF 928, and HF 2391/SF 1952*)

- Allows municipalities and independent nonprofit firefighting corporations to make additional contributions to the Statewide Volunteer Firefighter Retirement Plan of the Public Employees Retirement Association (PERA-SVFP) to their particular fire department account to pre-fund future employer retirement coverage costs. (*Section 8*)
- Clarifies the counter-signers for fire relief association financial documents and the recipients of volunteer firefighter relief association financial requirements determinations. (*Sections 2-3*)

- Expands the authority to pay salaries to all volunteer firefighter relief association board members. (*Section 7*)
- Authorizes governmental filing and application fees as authorized special fund expenses. (*Section 7*)
- Clarifies the volunteer firefighter relief association former firefighter return to service and volunteer firefighter relief association coverage provisions. (*Section 10*)
- Authorizes installment payments of survivor benefits for defined contribution volunteer firefighter relief associations. (*Section 11*)
- Permits some member dues to be credited as volunteer firefighter relief association special fund contributions. (*Section 17*)
- Recognizes as deferred service pensioners of volunteer firefighter relief associations firefighters who terminate active service after age 50 or who become full-time firefighters and specifies a default method and timing for deferred service pension interest if the volunteer firefighter relief association bylaws do not specify a method or timing. (*Sections 12, 14*)
- Clarifies the application of the lump sum volunteer firefighter relief association ancillary benefit limitation for combined monthly/lump sum volunteer firefighter relief associations and makes other technical clarifications. (*Section 15*)

Article 13: Small Group or One Person Retirement Provisions. (*Derived from HF 1377/SF 1114, HF 1539/SF 1295, HF 1627/SF 1475, and Commission amendment H2199-45A*)

- Includes employees of the Seaway Port Authority of Duluth in retirement coverage by the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) and transfers all ten current Seaway Port Authority of Duluth employees to PERA-General, including that portion of past service with the port authority that can be funded from the person's account balance with the port authority's defined contribution retirement plan, the person's deferred compensation program account balance, any supplemental funding provided by the port authority, and any personal resources expended by the affected current employees for this purpose. (*Sections 1-3*)
- Permits certain Minnesota State Colleges and Universities System (MnSCU) faculty members hired in 2005 to elect Teachers Retirement Association (TRA) coverage retroactive to hire date due to an apparent MnSCU failure to inform the person, when hired, of right to elect TRA during first year of MnSCU employment. (*Section 4*)
- Permits certain employees of Crookston Township to obtain 17 years of additional allowable service credit from PERA-General, with his payment of the equivalent member contributions, and with Crookston Township obligated to pay the balance of the full actuarial cost of the benefits obtained 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. The payments may be spread over five years, with interest, and any unpaid amount is due in a lump sum upon the member's termination of Crookston Township employment. (*Section 5*)
- Permits the spouse of a deceased Mahnommen County deputy sheriff to file and to receive disability benefits that would have been received prior to the deputy sheriff's death if a disability application had been filed in a timely manner. (*Section 6*)

Section-by-Section Summary of S.F. 1808 (Rosen), the Second Engrossment

A section-by-section summary of S.F. 1808 (Rosen), the second engrossment, is attached.

cc: Senator Claire Robling, Finance Committee Chair  
 Jennifer Berquam, Finance Committee Administrator  
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## Section-by-Section Summary of S.F. 1808, 2nd Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
<b>Article 1: Statutory Actuarial Assumption and Conforming Changes</b>					
1	2.11	HF 2168 (Lanning); SF 2010 (Rosen)	Actuarial reporting law	356.215, Subd. 1	Eliminates obsolete definitions of the actuarial value of assets.
2	7.7	HF 2168 (Lanning); SF 2010 (Rosen)	Statewide and major local plans	356.215, Subd. 8	Sets a select & ultimate interest rate assumption of 8% for the period from 6/30/2012 to 6/30/2017, and an ultimate interest rate assumption of 8.5% after 6/30/2017, resets the ultimate salary increase assumption for MSRS-General and PERA-General consistent with a 2009 experience study recommendation, adds service-related salary scale assumptions for the State Patrol Plan and MSRS-Correctional consistent with recent experience studies, revises the age and service select-and-ultimate salary scale assumption for PERA-Correctional consistent with the recent experience study, revises the Judges Plan single rate salary scale assumptions consistent with the recent experience study, and resets the payroll growth assumption for all statewide plans except the Legislators Plan at 3.75%.
3	12.23	LCPR Amendment H2199-20A	Legislators plan	356.215, Subd. 11	Shifts the Legislators Plan from a level percentage of covered payroll amortization procedure to a level dollar amortization procedure.
4	15.10	LCPR Amendment H2199-50A	MSRS, PERA, TRA	Uncoded	Delays MSRS-General, PERA-General and TRA experience studies until 2015, and the studies will cover 6 years rather than 4 years.
<b>Article 2: Contribution Adequacy Reporting</b>					
1	15.21	LCPR Amendment H2199-31A, based on HF 2264 (Banaian); SF 2192 (Chamberlain)	Statewide and major local plans	New 16A.106	Requires Minnesota Management and Budget to prepare a report, in each odd-numbered year, on the adequacy of pension plan support (appropriations, aid, and contributions to pension plans) compared to the actuarial funding requirements.
<b>Article 3: MSRS-Correctional Plan Membership Changes</b>					
1	17.16	Senate Gov Ops Amendment SCH2199A-3 (Parry)	MSRS-Correctional	352.90	Renames the Minnesota Extended Treatment Options program to Minnesota Specialty Health System-Cambridge.
2	17.25	HF 2199 (Lanning); SF 1808 (Rosen)	MSRS-Correctional	352.91, Subd. 3c	Adds to plan membership the occupational title psychiatric advance practice registered nurse.
3	18.14	HF 1987 (Lanning); SF 1692 (Rosen)	MSRS-Correctional	352.91, Subd. 3d	Reflects in plan membership the renaming of corrections program therapist 1, 2, 3, & 4 as clinical program therapist 1, 2, 3, & 4.
4	19.29	Senate Gov Ops Amendment SCH2199A-3 (Parry)	MSRS-Correctional	352.91, Subd. 3e	Renames the Minnesota Extended Treatment Options program to Minnesota Specialty Health System-Cambridge.
5	20.19	HF 2199 (Lanning); SF 1808 (Rosen)	MSRS-Correctional	352.91, Subd. 3f	Adds to Dept. of Human Services personnel plan membership provision the occupational titles clinical program therapist 3 and 4.
<b>Article 4: Health Care Savings Plan Modifications</b>					
1	21.29	HF 2265 (Lanning); SF 1890 (Rosen)	MSRS Health Care Savings Plan	352.98, Subd. 3	Allows the use of plan assets following termination, and in other circumstances specified in the plan document, rather than following termination or during active employment.
2	22.17	HF 2265 (Lanning); SF 1890 (Rosen)	MSRS Health Care Savings Plan	352.98, Subd. 4	Clarifies the reimbursement for expenses so that any assets remaining after the death of the participant and the participant's spouse must be used solely by a living person or persons designated by the personal representative of the estate for reimbursement of health care-related expenses.
3	22.30	HF 2265 (Lanning); SF 1890 (Rosen)	MSRS Health Care Savings Plan	352.98, Subd. 5	Allows fees not needed to cover current costs to be placed in an administrative fee account, with a balance not to exceed one year's expected fees.
4	23.8	HF 2265 (Lanning); SF 1890 (Rosen)	MSRS Health Care Savings Plan	352.98, Subd. 8	Revises spelling in an exemption from process subdivision.
<b>Article 5: MSRS-Unclassified Retirement Program Modifications</b>					
1	23.17	HF 1626 (Murphy, M); SF 1367 (Daley)	MSRS-Unclassified	352D.02, Subd. 3	Clarifies that it is MSRS-Unclassified employees first employed after 6/30/2010 who are prohibited from transferring to MSRS-General after the first seven years of service, rather than applying the restriction to any existing employee who continues in employment beyond 6/30/2010.
<b>Article 6: PERA-Administered Retirement Plan Modifications</b>					
1	24.27	HF 2266 (Lanning); SF 1891 (Rosen)	PERA-General, -P&F, and -Correctional	353.01, Subd. 16	Revises the PERA allowable service provision by correcting a cross-reference.
2	28.6	LCPR Amendment H2199-38A	PERA-General, -P&F, and -Correctional	353.01, Subd. 47	Clarifies the PERA vesting provision.

## Section-by-Section Summary of S.F. 1808, 2nd Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
3	29.1	HF 2266 (Lanning); SF 1891 (Rosen)	PERA- MERF Division	353.50, Subd. 7	Revises the MERF account contribution provision by clarifying the dates for supplemental employer contributions and the actuarial valuations upon which the contributions are based.
4	31.1	LCPR Amendment H2266-3A	PERA-P&F	353.656, Subd. 2	Clarifies the PERA-P&F disability benefit/workers' compensation coordination provision.
5	32.1	LCPR Amendment H2199-8A (O'Driscoll), related to HF 2360 (O'Driscoll) SF 2031 (Rosen)	PERA plans	Uncoded	Requires PERA to study minimum salary threshold options and report to the Commission.

### **Article 7: Revisions in the PERA Privatization Law**

1	32.17	HF 1167 (Smith); SF 1182 (Rosen)	PERA Privatizations	353F.02, Subd. 4	Adds Cedarview Care Center in Steele County and Traverse Care Center in Traverse County to the definition of medical facility, specifying the application of the law.
2	33.10	HF 1759 (Smith); SF 1181 (Rosen)	PERA Privatizations	353F.04, Subd. 1	Reduces the enhanced deferred annuity augmentation rate to 2% for post-12/31/10 privatizations with the sufficient actuarial gain, or 1% with a smaller actuarial gain.
3	34.6	LCPR Amendment H1759-1A	PERA Privatizations	353F.07	Indexes the refund interest rate for privatized employees to the PERA-General law instead of a 6% compound interest rate.

### **Article 8: TRA Administrative Changes and Related Modifications**

1	34.22	LCPR Amendment 1987-6A	TRA	16A.06 Subd. 9	Revises and updates a requirement that the MMB commissioner report state aid amounts being paid to first class city teacher plans by specifying TRA as the successor to the former MTRFA.
2	35.1	HF 1987 (Lanning); SF 1692 (Rosen)	Education funding levy provision	126C.41, Subd.3	Cross-references in an education funding retirement levy provision are revised to conform with other revisions in the article.
3	35.32	HF 1987 (Lanning); SF 1692 (Rosen)	TRA	New 354.435	Two existing law aid provisions are moved from other statutes to a new provision in the TRA chapter. In Subd. 1, as special direct state matching aid, each fiscal year the City of Minneapolis and the Mpls. school district must each contribute \$1.25 million to TRA, which the state shall match with an annual \$2.5 million contribution. In Subd. 2, as additional contribution amounts, in addition to any other required contributions the City of Mpls. and the Mpls. school district must each contribute an additional \$1 million. This section is repealed when TRA becomes fully funded.
4	37.1	HF 1987 (Lanning); SF 1692 (Rosen)	TRA	354.51, Subd. 5	The TRA payment of shortages provision is revised by striking shortage recapture language which is moved to another section.
5	38.21	HF 1987 (Lanning); SF 1692 (Rosen)	TRA	New 354.512	Specifies a procedure for recovering contribution/aid payment deficiencies, based on language moved from 354.51, Subd. 5. In addition to any other remedies in law, if an employing unit fails to pay in full within 60 days any aid or contributions required to be remitted to TRA, the executive director may certify amounts to the MMB commissioner, who will withhold needed amounts from aid to the employing unit and transmit the amounts to TRA.
6	38.30	HF 1987 (Lanning); SF 1692 (Rosen)	TRA	354A.12, Subd. 3c	A termination of supplemental contributions and direct matching aid provision is revised by striking language moved to new Sec. 354.435.
7	39.12	HF 1987 (Lanning); SF 1692 (Rosen)	MN defined benefit plans	356.215, Subd. 8	The actuarial valuation interest and salary assumption provision is revised by clarifying the provision and removing obsolete language.
8	44.9	HF 1987 (Lanning); SF 1692 (Rosen)	TRA	356.415, Subd. 1d	The TRA post-retirement adjustment procedures provision is revised by paying prorated adjustments rather than full adjustments to those who are retired up to 18 rather than 12 months prior to the adjustment.
9	45.20	HF 1987 (Lanning); SF 1692 (Rosen)	SPTRFA, TRA	423A.02, Subd. 3	The reallocation of amortization or supplementary amortization state aid provision is revised to simplify the provision and by striking obsolete language and language being moved to another provision.
10	46.30	HF 1987 (Lanning); SF 1692 (Rosen)	--	Repealer	Section 128D.18, an aid rededication provision for the Minneapolis school district made redundant by subsequent legislation, and Sec. 128D 354A.12, Subd. 3b, the special direct state matching aid language being moved to new Sec. 354.435, are repealed.

### **Article 9: Federal Internal Revenue Code Conformity Provisions**

1	47.3	HF 2266 (Lanning); SF 1891 (Rosen)	Various plans	356.611, Subd. 2	Revises a federal compensation limit provision applicable to all plans by stating that any differential wage payment must be treated as compensation for purposes of determining whether wages for pension purposes have been exceeded.
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## Section-by-Section Summary of S.F. 1808, 2nd Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
2	47.22	HF 1987 (Lanning); SF 1692 (Rosen)	MN defined benefit plans	356.611, Subd. 3	The federal code compliance maximum benefit limitation provision is revised by striking language specifying the limitation year (moved to a new provision), and to specify that if an annuitant participated in more than one pension plan maintained by the same employer, the benefits under each plan must be reduced proportionately to satisfy any applicable limitation.
3	48.1	HF 1987 (Lanning); SF 1692 (Rosen)	MN defined contrib. plans	356.611, Subd. 3a	The federal code compliance maximum annual additional limitation provision is revised by removing obsolete language and by generalizing the provision to apply to all defined contribution plans.
4	48.10	HF 1987 (Lanning); SF 1692 (Rosen)	MN public plans	356.611, Subd. 4	The federal code compliance compensation definition provision is revised by clarifying that compensation for pension plan purposes must not exceed compensation limits for pension plan purposes as set in applicable federal treasury regulations, and by removing all statements specifying compliance with federal code.
5	48.25	HF 1987 (Lanning); SF 1692 (Rosen)	MN public plans	356.611, New Subd. 5	A new subdivision (containing language moved from another provision) is added defining "limitation year" as the plan's calendar year or fiscal year, whichever is applicable, for purposes of complying with federal code.
6	48.31	LCPR Amendment H1987-7A	Various plans	356.635, Subd. 6	Revises a federal compliance provision by including references to Roth IRAs as eligible retirement plans.
7	49.25	LCPR Amendment H1987-7A	Various plans	356.635, Subd. 9	Revises a federal compliance provision by including a reference to military death and disability benefits in a military service compliance provision.

### Article 10: Authorized Public Pension Fund Investment Revisions

1	49.33	LCPR Amendment H1555-19A	State Board of Investment	11A.07, Subd. 4	Eliminates a requirement for including financial statements for its funds under generally accepted accounting principles from an annual reporting requirement.
2	51.8	LCPR Amendment H1555-19A	State Board of Investment	11A.14, Subd. 14	Eliminates a requirement for providing participants with financial statements prepared under generally accepted accounting principles.
3	51.14	HF1555 (Murphy, M.); SF 927 (Rosen)	State Board of Investment	11A.24	The SBI authorized investment provision is revised as follows: <ul style="list-style-type: none"> <li>– Permits SBI to use mutual funds without limit and adds new authority to use exchange-traded funds without limit;</li> <li>– Clarifies the United States and Canadian government debt investment authority subdivision and removes obsolete language;</li> <li>– Clarifies the United States and Canadian corporate bond investment authority subdivision, including revising the limit on below-investment grade bonds to not exceed 5% of the fund based on market value, rather than market or book value, whichever is greater;</li> <li>– Clarifies the miscellaneous debt investments provision;</li> <li>– Clarifies the domestic stock provision, and moves the existing limitation on equity and equity-like investments to new Subd. 5a;</li> <li>– Revises the venture capital language to permit "equity and debt" investment businesses through limited partnership, trusts, private placements, and similar arrangements, rather than "venture capital" investment businesses through those arrangements; and</li> <li>– Clarifies the asset manager appropriation language provision.</li> </ul>
4	56.6	HF1555 (Murphy, M.); SF 927 (Rosen)	Local police and paid fire	69.77, Subd. 9	A local police and paid fire investment authority provision is revised by reformatting the provision and by removing mutual fund and below-investment grade bond investment authority language which is being moved to the expanded list investment authority provision in Sec. 11.
5	57.4	HF1555 (Murphy, M.); SF 927 (Rosen)	VFRAs	69.775	A volunteer fire investment authority provision is revised by reformatting the provision, and by removing mutual fund investment authority language which is being moved to the limited and expanded list investment authority provisions in Sec.10 and 11.
6	57.29	HF1555 (Murphy, M.); SF 927 (Rosen)	First class city teachers	354A.08	A first class city teacher investment authority provision is revised by removing below-investment grade bond investment authority which is moved to the expanded list investment authority provision in Sec.11.
7	58.16	LCPR Amendment H1555-39A	Various defined contrib. plans	356.219, Subd. 1	Excludes various self-directed defined contribution retirement funds from an investment performance reporting requirement.
8	59.9	LCPR Amendment H1555-39A	Various defined contrib. plans	356.219, Subd. 8	Eliminates obsolete or inapplicable retirement fund references in a reporting requirement provision.
9	59.31	HF1554 (Murphy, M.); SF928 (Rosen)	Fiduciary responsibility law	356A.01, Subd. 19	Clarifies that "pension fund" means the special fund of a volunteer fire relief association or of a local police or paid firefighter relief association.
10	60.4	HF1554 (Murphy, M.); SF928 (Rosen) HF1555 (Murphy, M.); SF 927 (Rosen)	Limited list plans	356A.06, Subd. 6	The limited list investment authority provision is revised as follows: <ul style="list-style-type: none"> <li>– Clarifies that threshold asset size relates to the pension fund;</li> <li>– Bases the criteria for inclusion as a limited list plan on market value rather than book value;</li> <li>– Adds a new paragraph authorizing pension plan governing boards</li> </ul>



## Section-by-Section Summary of S.F. 1808, 2nd Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
					to select and appoint investment authorities to act on their behalf (language is moved here from local police and paid fire, volunteer fire, and first class city teacher plan investment authority provisions);
					– Expands the authorized debt investments to be more similar to that permitted by expanded list plans, including permitting investments in high-grade guaranteed investment contracts; modernizing criteria defining permitted government-backed securities and permitting investment in similar Canadian securities; eliminating criteria based on multi-year pre-tax earnings for permitted corporate debt obligations and replacing it with a requirement that the securities be rated as investment-grade by a nationally recognized ratings agency;
					– Authorizes investing in limited list permitted investments through ETFs;
					– Moves to this provision authority for limited list plans to invest in assets authorized for expanded list plans (other than miscellaneous “other investments” found in the expanded list provision, Section 6, paragraph (h)), if the investment is through a mutual fund, and expands this to include investments through ETFs;
					– Moves to this provision authority to invest in the SBI Supplemental Fund; and
					– Clarifies that the pension fund’s asset mix must not exceed 85% in equity/equity-like investments, including the SBI Supplemental Fund.
11	62.28	HF1555 (Murphy, M.); SF 927 (Rosen)	Expanded list plans	356A.06, Subd. 7	The expanded list investment authority provision is revised as follows: <ul style="list-style-type: none"> <li>– Obsolete language is removed;</li> <li>– Permits expanded list volunteer fire plans to invest in below-investment grade bonds;</li> <li>– Authorizes investments in closed-end mutual funds (and places a 20% ownership interest maximum in any closed-end mutual fund and in any real estate investment trust);</li> <li>– Revises the “other investments” provision to be identical to the proposed revised SBI provision;</li> <li>– Restricts expanded list volunteer fire plans to have no more than 15% of the portfolio devoted to emerging market equity and foreign debt;</li> <li>– Moves to this provision authority to invest in the SBI Supplemental Fund; and</li> <li>– Clarifies that the pension fund’s asset mix must not exceed 85% in equity/equity-like investments, including the SBI Supplemental Fund.</li> </ul>
12	67.28	HF1555 (Murphy, M.); SF 927 (Rosen)	All Minnesota public plans	Uncoded	If a previously authorized investment is no longer permitted due to the sections of this act, the investment must be liquidated before 6/30/2013.
13	68.1	LCPR Amendment H1555-39A	Various retirement plans	Repealer	Repeals M.S. Sec. 356.219, Subd. 4, a provision setting forth alternative investment performance reporting requirements for obsolete or inapplicable retirement plans.

### Article 11: Local Police and Paid Fire Retirement Plan Consolidations

1	68.7	HF 2028 (Gunther); SF 1633 (Rosen); HF 215 (Rukavina); SF 106 (Tomassoni)	Local Police and Paid Fire Guidelines Act	69.77, Subd. 1a	Removes references in a local police and fire covered retirement plan provision to the Fairmont Police Relief Association and to the Virginia Fire Department Relief Association.
2	68.20	HF 2028 (Gunther); SF 1633 (Rosen); HF 215 (Rukavina); SF 106 (Tomassoni)	Local Police and Paid Fire Guidelines Act	69.77, Subd. 4	Removes references in a financial requirements provision to the Fairmont Police Relief Association and to the Virginia Fire Department Relief Association.
3	70.18	HF 2005 (Kahn); SF 1604 (Dibble)	PERA-P&F; Mpls. Police Consolidation	353.668, Subd. 4	On behalf of members of the former Minneapolis Police Relief Association, allows for a replacement trustee for a prefunded health insurance account.
4	72.19	HF 2028 (Gunther); SF 1633 (Rosen)	Fairmont Police Relief Assoc. PERA-P&F	New 353.669	Provides for a total consolidation of the Fairmont Police Relief Association into PERA-P&F, including an ad hoc post-retirement adjustment to offset the elimination of the relief association 13 <sup>th</sup> check mechanism.
5	75.18	HF 215 (Rukavina); SF 106 (Tomassoni)	PERA-P&F Virginia Fire Consol. Acct.	New 353.6691	Provides for a merger of the Virginia Fire consolidation account into PERA-P&F, with an ad hoc post-retirement adjustment based on any overfunding upon merger, split into two annual parts.
6	77.19	HF 2028 (Gunther); SF 1633 (Rosen)	Actuarial assumption provision	356.215, Subd. 8	Removes references in an actuarial interest and salary assumption provision to the Fairmont Police Relief Association and to the Virginia Fire Department Relief Association.
7	82.22	HF 2028 (Gunther); SF 1633 (Rosen)	Revisor instruction	Laws 2002, Ch. 392, Art. 1, Sec. 8	Eliminates former Sections 423.41 to 423.62, Fairmont Police Relief Association local provisions.

## Section-by-Section Summary of S.F. 1808, 2nd Engrossment

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
8	83.16	HF 2028 (Gunther); SF 1633 (Rosen)	Fairmont Police Relief Assoc.	Uncoded	Terminates the Fairmont Police Relief Association upon consolidation.
9	83.23	HF 215 (Rukavina); SF 106 (Tomassoni)	Virginia Fire Consol. Acct.	Uncoded	Terminates the Virginia Fire Consolidation Account upon merger.
10	83.29	HF 2028 (Gunther); SF 1633 (Rosen) HF 215 (Rukavina); SF 106 (Tomassoni)	Fairmont Police Relief Assoc. Virginia Fire Consol. Acct.	Repealer	Repeals the various statutory and local law provisions related to the two former relief associations.
<b>Article 12: Volunteer Fire Retirement Changes</b>					
1	84.32	HF1554 (Murphy, M.); SF928 (Rosen)	Police & fire state aid	69.011, Subd. 1	Revises the definition of "municipal clerk" for the police state aid and fire state aid programs, redesignating the existing definition for the police state aid program and adding a new definition for the fire state aid program and fire relief association financial reports that permits local governments to designate the chief financial official or the chief administrative official of the municipality instead of the municipal clerk or clerk-treasurer for fire state aid financial reporting.
2	87.9	HF1554 (Murphy, M.); SF928 (Rosen) HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	69.051, Subd. 1	Restructures the financial report and audit requirement applicable to relief associations with larger asset amounts and their associated municipalities into two lettered paragraphs, improves the language style and usage of the provision, requires countersigning of relief association financial reports and audits by the chief county financial officer for relief associations and fire departments outside of organized municipalities, and eliminates an obsolete reference to "public accountant."
3	88.9	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	69.051, Subd. 1a	Improves the language style and usage in the financial statement filing requirement applicable to relief associations with smaller asset amounts and their associated municipalities and requires countersigning of relief association financial statements by the chief county financial officer for relief associations/fire departments outside of organized municipalities.
4	89.10	HF1554 (Murphy, M.); SF928 (Rosen)	Fire state aid	69.051, Subd. 3	Eliminates an obsolete requirement that the State Auditor forward a municipal fire state aid report to the applicable county, consistent with the fire state aid change under Laws 1991, Ch. 291, Art. 13, Sec. 6.
5	90.1	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	69.772, Subd. 4	Reorganizes the letter paragraphs of the requirement for the determination of the financial requirements of the lump sum VFRAs and the minimum municipal obligation of the associated municipality, clarifying that the certifications must be made to the entity responsible for paying the minimum municipal obligation, with certifications to a joint powers entity under the joint powers agreement or, if no provision, to the joint powers board chair.
6	91.4	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	69.773, Subd. 5	Reorganizes the letter paragraphs of the requirement for the determination of the financial requirements of the monthly benefit VFRA and the minimum municipal obligation of the associated municipality, clarifying that the certification must be made to the entity responsible for paying the minimum municipal obligation, with certifications to a joint powers entity under the joint powers agreement or, if no provision, to the joint powers board chair.
7	92.16	HF1554 (Murphy, M.); SF928 (Rosen) HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	69.80	Expands the persons eligible to receive a salary for relief association functions, if approved by the municipal governing body, from the president, secretary, and treasurer, to all relief association officers and board of trustee members, and adds as an authorized VFRA expense federal or other governmental filing and application fees.
8	93.22	HF1168 (Smith); SF854 (Bakk)	PERA-SVFP	353G.08 New Subd. 2a	Allows municipalities and nonprofit firefighting corporations to make additional employing unit contributions to the fire department account.
9	94.2	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	424A.001, Subd. 4	Upgrades the language style and usage of the 1983 definition of "relief association" and clarifies the operation of the definition by including a specification of those entities which are not covered by M.S., Ch. 424A.
10	94.29	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	424A.01, Subd. 6	For firefighters who have a 60-day or greater break in firefighter service and return to service with VFRA coverage under current law, it is clarified how defined contribution VFRA service provisions would be computed after a resumption of service and it permits 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.
11	97.35	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	424A.016, Subd. 5	The defined contribution VFRA service pension installment payment election provision is expanded to also include survivor benefits.

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Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
12	98.13	HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	424A.016, Subd. 6	Amends the defined contribution VFRA deferred annuity provision to eliminate the age-specific limit on deferred service pensioner status, clarifies that deferred service pensioners include former volunteer firefighters who have been hired as full-time firefighters in the same department, and specifies a default method for calculating interest amounts credited to deferred service pensions if the relief association bylaws do not specify a different interest credit method.
13	99.35	HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	424A.02, Subd. 1	Eliminates an obsolete special authorization for service pension receipt by a volunteer firefighter who is employed as a full-time firefighter at or after the age 50 usual normal retirement age.
14	101.15	HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	424A.02, Subd. 7	Amends the defined benefit VFRA deferred annuity provision to eliminate the age-specific limit on deferred service pensioner status, clarifies that deferred service pensioners include former volunteer firefighters who have been hired as full-time firefighters in the same department, and specifies a default method for calculating interest amounts credited to deferred service pensions if the relief association bylaws do not specify a different interest credit method.
15	103.8	HF1554 (Murphy, M.); SF928 (Rosen) HF2391 (Murphy, M.); SF1952 (Rosen)	VFRAs	424A.02, Subd. 9	Clarifies the application of the one "benefit only" limitation on lump-sum VFRAs for relief associations providing alternative lump-sum or monthly service pensions and clarifies the payment priority for death/survivor-related benefits in the limitation on benefits other than service pensions for death benefits payable to an estate when there are no direct family survivors, correcting a language omission in Laws 2010, Ch. 359, Art. 13, Sec. 9.
16	105.5	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	424A.04, Subd. 3	Eliminates an obsolete reference to "licensed public accountant," correcting an omission in Laws 2010, Ch. 191.
17	105.21	HF1554 (Murphy, M.); SF928 (Rosen)	VFRAs	424A.06, Subd. 2	Clarifies the general fund revenue item of member dues does not include any member dues amounts payable as member contributions to the special fund.

### Article 13: Small Group or One Person Retirement Provisions

1	106.7	HF1377 (Murphy, M.); SF 1114 (Reinert)	PERA-General	353.01, Subd. 2a	Includes current and future employees of the Seaway Port Authority of Duluth in PERA-General retirement coverage and membership, effective upon approval by the Seaway Port Authority of Duluth.
2	107.27	HF1377 (Murphy, M.); SF 1114 (Reinert)	PERA-General	353.01, Subd. 6	Adds the Seaway Port Authority of Duluth to the definition of "governmental subdivision."
3	109.14	HF1377 (Murphy, M.); SF 1114 (Reinert)	PERA-General	Uncoded	For current Seaway Port Authority of Duluth employees, transfers to PERA-General the portion of past service with the port authority that can be funded from the person's account balance with the port authority's defined contribution retirement plan, the person's deferred compensation program account balance, any supplemental funding provided by the port authority, and any personal resources expended by the affected current employees for this purpose.
4	111.11	HF1539 (Poppe); SF1295 (Sparks)	TRA MnSCU-IRAP	Uncoded	Permits a certain MnSCU faculty member hired in 2005 to elect TRA coverage retroactive to hire date due to an apparent MnSCU failure to inform the person, when hired, of right to elect TRA during first year of MnSCU employment. Requires that TRA receives the full actuarial value of the service credit purchase.
5	112.29	HF1627 (Murphy, M.); SF1475 (Stumpf)	PERA-General	Uncoded	Permits certain employees of Crookston Township to obtain 17 years of additional allowable service credit from PERA-General, with the payment of the equivalent member contributions and with Crookston Township obligated to pay the balance of the full actuarial cost of the benefits obtained by the additional service credit. PERA is permitted to collect the employer obligation by certifying a property tax levy on Crookston Township to the Polk Co. auditor if the township declines to make the payment voluntarily. Payments may be spread over five years, with interest on the deferred payments. If the member terminates service, the remaining balance must be paid in a lump sum.
6	114.6	LCPR Amendment H2199-45A	PERA-P&F	Uncoded	The widow of a Mahnomens Co. deputy sheriff who died 1-1/2 years after being shot while on duty but who failed to apply for disability benefits may apply to receive that benefit amount