



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JLM*
RE: Summary of the Compilation of Proposed 2015 Legislation Heard and Laid Over for Possible Further Consideration
DATE: March 5, 2015

Introduction

The Legislative Commission on Pensions and Retirement has heard a number of retirement bills introduced during the 2015 Legislative Session, and has laid those bills over for possible inclusion in the eventual 2015 omnibus retirement bill or bills.

Document LCPR15-02A is a compilation of the proposed legislation heard by the Commission through March 3, 2015.

Source Proposed Retirement Legislation Compiled through March 3, 2015

Document LCPR15-02A is a compilation of the following:

1. HF 565 (O'Driscoll); SF 519 (Pappas): MSRS, PERA-P&F, TRA, SPTRFA; Modifying the financial sustainability triggers for post-retirement adjustment mechanisms.
2. HF 566 (O'Driscoll); SF 518 (Pappas): Various plans; Modifications in contribution stabilizer provisions.
3. HF 660 (O'Driscoll); SF 613 (Pappas): MSRS, PERA, SPTRFA; Modifying various economic actuarial assumptions.

General Summary of the 2015 Proposed Retirement Legislation Compilation

Article 1: Interest Rate, Salary Rate, and Payroll Growth Actuarial Assumption Changes. *(Derived from HF660/SF613)*

- Amends the economic actuarial assumption specification portion of the Minnesota public employee retirement plan actuarial valuation reporting law by eliminating the 2011 select and ultimate interest rate actuarial assumption for almost all statewide and major local retirement plans, by reducing in most instances the future interest rate actuarial assumption to 8% for the applicable retirement plans, and by reducing in most instances the salary increase actuarial assumption and the payroll growth assumption for the applicable retirement plans.

Article 2: Conforming Changes in Refund Repayment Provisions Related to Interest Assumption Changes. *(Derived from amendment H0660-5A to HF660/SF613)*

- Resets the refund repayment compound interest rate at the current 8.5% rate through June 30, 2015, and at an 8.0% rate after June 30, 2015.

Article 3: Conforming Changes in Leave and Prior Service Credit Purchase Provisions Related to Interest Assumption Change. *(Derived from amendment H0660-6A to HF660/SF613)*

- Resets the prior service credit purchase payment determination interest rate at the current 8.5% rate through June 30, 2015, and at a 8% rate after June 30, 2015.

Article 4: Post-Retirement Adjustment Financial Sustainability Trigger Modifications. *(Derived from HF565/SF519)*

- Revises the reduced rate post-retirement adjustment mechanisms of many statewide retirement plans (all but the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the Local Government Correctional Service Retirement Plan (PERA-Correctional)) and the post-retirement adjustment mechanism of the St. Paul Teachers Retirement

Fund Association (SPTRFA), by increasing the minimum receipt period required to qualify for an SPTRFA post-retirement adjustment, by reducing the minimum receipt period required to qualify for a postretirement adjustment for most of the statewide retirement plans, by providing for a future post-retirement adjustment reduced rate if funded ratios fall below the current law rate restoration triggers for the plans administered by the Minnesota State Retirement System (MSRS), for the Teachers Retirement Association (TRA), and for the St. Paul Teachers Retirement Fund Association (SPTRFA), and by eliminating the Consumer Price Index-based post-retirement adjustment mechanism currently applicable, but never implemented by, the Public Employees Police and Fire Retirement Plan (PERA-P&F)

Article 5: Contribution Stabilizer Provision Modifications. (Derived from HF566/SF518)

- Revises the member and employer contribution stabilizer mechanisms added to some or all retirement plans administered by the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA), by shifting the mechanism from a mandatory, virtually automatic, rate-setting procedure to an advisory procedure, by relaxing the specific increments of contribution rate increases or decreases to be imposed to resolve funding deficiencies or sufficiencies, and by specifying the circumstances that each of the governing boards should consider prior to forwarding its contribution rate change recommendation to the Commission.

Section-by-Section Summary of the 2015 Proposed Retirement Legislation Compilation

A section-by-section summary of delete-all amendment LCPR15-02A is attached.

cc: Amanda Tinsley, Government Operations and Elections Policy Committee
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Section-by-Section Summary of Delete-All Amendment LCPR15-02A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
Article 1: Interest Rate, Salary Rate, and Payroll Growth Actuarial Assumption Changes					
1	1.7	HF 660 (O'Driscoll); SF 613 (Pappas)	356.215, Subd. 11	Various plans except TRA	Sets single 8% interest rate assumption, reduces salary increase assumption, and reduces payroll growth assumption.
Article 2: Conforming Changes in Refund Repayment Provisions Related to Interest Assumption Change					
1	6.27	Amendment H0660-5A to HF660/SF613	3A.03, Subd. 3	Legislators	Refund repayments; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
2	7.8	Amendment H0660-5A to HF660/SF613	352.01, Subd. 13A	MSRS-General	Work comp salary payments; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
3	7.22	Amendment H0660-5A to HF660/SF613	352.01, Subd. 8	MSRS-General	Omitted deduction payments; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
4	8.12	Amendment H0660-5A to HF660/SF613	352.01, Subd. 9	MSRS-General	Erroneous deduction transfers; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
5	8.33	Amendment H0660-5A to HF660/SF613	352.23	MSRS-General	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
6	9.16	Amendment H0660-5A to HF660/SF613	352.271	MSRS-General	Transit employee refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
7	10.1	Amendment H0660-5A to HF660/SF613	352B.11, Subd. 4	State Patrol	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
8	10.11	Amendment H0660-5A to HF660/SF613	352D.05, Subd. 4	MSRS-Unclassified	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
9	10.24	Amendment H0660-5A to HF660/SF613	352D.12	MSRS-Unclassified	Prior service contribution transfer; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
10	11.15	Amendment H0660-5A to HF660/SF613	353.27, Subd. 7a	PERA-General	Erroneous transmitted deduction; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
11	12.9	Amendment H0660-5A to HF660/SF613	353.27, Subd. 12	PERA-General	Omitted salary deductions; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
12	13.21	Amendment H0660-5A to HF660/SF613	353.27, Subd. 12a	PERA-General	Terminated employee omitted deductions; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
13	14.5	Amendment H0660-5A to HF660/SF613	353.28, Subd. 5	PERA-General	Amounts due interest; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
14	14.11	Amendment H0660-5A to HF660/SF613	353.35, Subd. 1	PERA-General	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
15	14.26	Amendment H0660-5A to HF660/SF613	354A.093, Subd. 6	First class city teachers	Military service credit payments; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
16	15.1	Amendment H0660-5A to HF660/SF613	354A.38, Subd. 3	First class city teachers	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
17	15.8	Amendment H0660-5A to HF660/SF613	354B.23, Subd. 5	MnSCU-IRAP	Omitted deductions; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
18	15.22	Amendment H0660-5A to HF660/SF613	354C.12, Subd. 2	MnSCU Higher Ed. Suppl.	Omitted deductions; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
19	16.3	Amendment H0660-5A to HF660/SF613	356.44	Various plans	Partial refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
20	16.23	Amendment H0660-5A to HF660/SF613	490.124, Subd. 12	Judges	Refund repayment; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
21	17.3	Amendment H0660-5A to HF660/SF613	Effective date	--	Effective July 1, 2015
Article 3: Conforming Changes in Leave and Prior Service Credit Purchase Provisions Related to Interest Assumption Change					
1	17.8	Amendment H0660-6A to HF660/SF613	352.017, Subd. 2	MSRS-General	General leave service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
2	17.33	Amendment H0660-6A to HF660/SF613	352.27	MSRS-General	Military service leave purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
3	19.10	Amendment H0660-6A to HF660/SF613	352.955, Subd. 3	MSRS-Correctional	Transfer of MSRS-General service credit; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
4	20.27	Amendment H0660-6A to HF660/SF613	352B.013, Subd. 2	State Patrol	Leave of absence service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
5	21.17	Amendment H0660-6A to HF660/SF613	352B.085	State Patrol	Disability leave service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
6	21.32	Amendment H0660-6A to HF660/SF613	352B.086	State Patrol	Military leave service credit; sets two interest rates, 8.5% before July 1, 2015, and 8% after.

Section-by-Section Summary of Delete-All Amendment LCPR15-02A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
7	23.7	Amendment H0660-6A to HF660/SF613	352D.11, Subd. 2	MSRS-Unclassified	Prior service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
8	23.18	Amendment H0660-6A to HF660/SF613	353.01, Subd. 16	PERA-General	Repetitive and military leave service purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
9	26.18	Amendment H0660-6A to HF660/SF613	353.0161, Subd. 2	PERA-General	Authorized leave service purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
10	27.7	Amendment H0660-6A to HF660/SF613	353.0162	PERA-General	Salary reduction credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
11	28.23	Amendment H0660-6A to HF660/SF613	354A.096	First class city teachers	Military leave service purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
12	29.10	Amendment H0660-6A to HF660/SF613	354A.108	First class city teachers	Work comp salary credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
13	30.3	Amendment H0660-6A to HF660/SF613	356.195, Subd. 2	Various	Strike period service purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
14	30.23	Amendment H0660-6A to HF660/SF613	356.50, Subd. 2	Various	Salary back pay service and salary purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
15	31.12	Amendment H0660-6A to HF660/SF613	356.551, Subd. 2	Various	General service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
16	32.19	Amendment H0660-6A to HF660/SF613	490.121, Subd. 4	Judges	Leave service purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
17	33.5	Amendment H0660-6A to HF660/SF613	490.1211	Judges	Military service credit purchase; sets two interest rates, 8.5% before July 1, 2015, and 8% after.
18	34.14	Amendment H0660-6A to HF660/SF613	Effective date	--	Effective July 1, 2015

Article 4: Post-Retirement Adjustment Financial Sustainability Trigger Modifications

1	34.19	HF 565 (O'Driscoll); SF 519 (Pappas)	354A.29, Subd. 7	SPTRFA	Post-retirement adjustment eligibility; eligibility waiting period extended from 3 months to 6 months.
2	34.31	HF 565 (O'Driscoll); SF 519 (Pappas)	354A.29, Subd. 8	SPTRFA	Partial adjustment set at one-half of full adjustment until there is one year wait; trigger set for future funded ratio decline.
3	35.26	HF 565 (O'Driscoll); SF 519 (Pappas)	354A.29, Subd. 9	SPTRFA	Partial adjustment set at one-half of full adjustment until there is one year wait; trigger set for future funded ratio decline.
4	36.25	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1	Various	Partial post-retirement adjustment; revises waiting period during partial calendar year initial receipt.
5	37.9	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1a	MSRS-General MSRS-Corr. Legislators	Revises partial post-retirement adjustment waiting period during partial calendar year initial receipt; trigger set for future funded ratio decline.
6	39.1	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1c	PERA-P&F	Eliminates CPI-based post-retirement adjustment in favor of flat rate adjustment.
7	40.30	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1d	TRA	Revises partial post-retirement adjustment waiting period during partial calendar year initial receipt; trigger set for future funded ratio decline.
8	42.17	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1e	State Patrol	Revises partial post-retirement adjustment waiting period during partial calendar year initial receipt; trigger set for future funded ratio decline.
9	44.1	HF 565 (O'Driscoll); SF 519 (Pappas)	356.415, Subd. 1f	Judges	Partial post-retirement adjustment; revises waiting period during partial calendar year initial receipt.

Article 5: Contribution Stabilizer Provision Modifications

1	44.33	HF 566 (O'Driscoll); SF 518 (Pappas)	352.045	MSRS Plans	Makes the contribution rate revision permissive rather than mandatory, removes the specific increase or decrease increments, and specifies the criteria to be employed to determine any adjustment.
2	48.4	HF 566 (O'Driscoll); SF 518 (Pappas)	353.27, Subd. 3b	PERA-General	Makes the contribution rate revision permissive rather than mandatory, removes the specific increase or decrease increments, and specifies the criteria to be employed to determine any adjustment.
3	51.4	HF 566 (O'Driscoll); SF 518 (Pappas)	354.42, Subd. 4b	TRA	Makes the contribution rate revision permissive rather than mandatory.
4	52.1	HF 566 (O'Driscoll); SF 518 (Pappas)	354.42, Subd. 4d	TRA	Makes change to rate revision reporting requirement conforming to shift to permissive adjustment.