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TO: Legislative Commission on Pensions and Retirement

FROM: James E. Heidelberg, Assistant Director 

RE: Summaries of Legislation Enacted in 1987 Regular Session

DATE: June, 1987

I. Provisions Applying to All Public Employee Pension Plans

A. Laws 1987, Chapter 372 (HF 1159)

Article 6, Sections 1 and 2, provides that all money held or credited to a plan as assets, including contributions, state aid, appropriations from the state or a governmental subdivision, and accrued investment earnings constitute a dedicated fund that can be used only for the payment of benefits and reasonable administrative expenses. No assets may be loaned or transferred to the state or a governmental subdivision or be used to amortize an unfunded actuarial accrued liability of another public pension plan. The provisions apply to all public employee pension plans in the state, including supplemental retirement plans and volunteer firefighter plans.

Article 10, Sections 1 and 2, authorize a public pension fund to request opinions from the attorney general.

B. Laws 1987, Chapter 157 (HF 940)

The act provides for a division of pension rights as marital property in a marriage dissolution action. The present value of the accrued pension benefit is included in marital property and can be divided up by the court with other marital property. A pension fund must write separate annuity checks to a divorced spouse in the event that there are insufficient other liquid assets to divide up at the time of the dissolution. Benefit payments to a divorced spouse do not start until the member retires. Each pension fund assumes a new administrative task of keeping track of spouses as well as members.

C. Laws 1987, Chapter 284 (HF 1213)

Article 2, Sections 3 and 4, amend the general statutory provisions concerning the wages, conditions, and hours of employment in the state. The sections limit the application of the mandatory retirement provision to private sector employers by removing reference to public sector employers, and they delete obsolete language.

These changes are part of the effort to make statutory changes that conform with the 1986 amendments to the federal Age Discrimination in Employment Act (ADEA) which prohibits most mandatory retirement age provisions.

II. Provisions Applying to the Commission

A. Laws 1987, Chapter 259 (HF 1026)

The act amends various provisions of statute to clarify the duties of the commission actuary and of actuaries retained by the various pension plans. It clarifies the responsibility of the Commission actuary in assisting the various pension plans when they establish reserve factors and actuarial equivalent annuity forms. It clarifies and revises various actuarial valuation and actuarial determination procedures applying to the Commission actuary. It also establishes a separate fund for the MSRS correctional employees plan. Assets of the correctional plan have been commingled with the assets of the MSRS general employees plan.

B. Laws 1987, Chapter 404 (HF 1315)

HF 1315 is the State Departments bill.

Section 62, requires the Commissioner to assess the major pension plans for the cost of the actuarial valuations performed by the Commission actuary. The plans are:

- | | |
|-----------------|-----------------------------|
| 1) TRA | 7) MSRS general |
| 2) PERA | 8) MSRS correctional |
| 3) PERA P&F | 9) Duluth Teachers |
| 4) MERF | 10) St. Paul Teachers |
| 5) Judges | 11) Minneapolis Teachers |
| 6) State Patrol | 12) Legislators |
| | 13) Constitutional Officers |

The assessment will be based on the total number of active, inactive, and retired members of the plans.

III. Provisions Applying to the Statewide Funds

A. Laws 1987, Chapter 404

Section 52, provides lump sum post retirement payments to "pre-73" retirees of the following funds:

- | | |
|---------|-------------------|
| 1) TRA | 4) Highway Patrol |
| 2) MERF | 5) PERA |
| 3) MSRS | 6) PERA P&F |

Each retiree will receive \$20 for each full year of service in the December 1, 1987 and December 1, 1988 payments.

B. Laws 1987, Chapter 372

Article 9, Sections 1-10, 12-14, 17-18, and 22-36, provide for 5 year vesting for the statewide funds and the first class city teacher funds, and allows the local police and paid fire relief associations to adopt 5 year vesting with municipal approval. The bill does not include the judges plan, the legislators plan, Minneapolis Employees Retirement Fund (MERF), nor the volunteer firefighters plans.

C. Laws 1987, Chapter 284

Article 8, Sections 1 through 4, provide combined service disability and survivor benefits for the statewide funds, the first class city teacher funds, and MERF, but does not include the local police and paid fire or volunteer fire funds. The sections essentially expand the portability features of the existing combined service annuity provisions.

Article 1, Section 1, amends the state's data privacy law by limiting the disclosure of data collected and maintained by "statewide retirement systems to 1) name; 2) gross pension; and 3) type of benefit provided.

IV. Provisions Applying to MSRS

A. General Plan Provisions

1. Laws 1987, Chapter 284

Article 2, Section 1, eliminates mandatory retirement for all general state employees (except tenured state university and community college faculty). The amendment is part of the effort to bring statutory provisions in compliance with the 1986 amendments to the federal Age Discrimination in Employment Act (ADEA). Article 2, Section 9, repeals a section of law that specifies an age 70 mandatory retirement age for MTC transit operating division employees.

Article 4, Section 1, includes 5 percent a year interest on a refund of employee contributions upon the death of a member who does not otherwise qualify for an annuity. The change brings this section of law in conformance with other sections of statute. (Laws 1984, Chapter 564 increased to 5 percent the interest paid on refunds of employee contributions for the major funds.)

2. Laws 1987, Chapter 372

Article 1, Sections 2, 3, 5, and 8, shift retirement coverage for firefighters in the department of military affairs from MSRS to PERA police and fire.

3. Laws 1987, Chapter 404

Section 158, authorizes a retired judge to hear cases and be paid accordingly, but with a reduction equal to the retirement benefits the judge may be receiving from the MSRS general plan or the judges plan.

B. Correctional Plan Provisions

1. Laws 1987, Chapter 259

Sections 20 and 81, establish a separate fund for the correctional plan within MSRS. Assets of the correctional plan have been commingled with the assets of the MSRS general employees plan. According to section 81, the assets are to be allocated between the general plan and new correctional employees fund based on the actuarial report for July 1, 1986. Laws 1987, Chapter 372, Article 11, Section 3, change the date on which the new fund will be established by requiring the assets to be allocated based on the July 1, 1987 actuarial valuation.

2. Laws 1987, Chapter 372

Article 1, Section 4, provides that "special teachers" in juvenile as well as adult correctional facilities may be certified by the department of employee relations for coverage by the MSRS correctional plan. The section also requires the department of corrections to establish written criteria upon which to base its recommendations to DOER for certifying additional civil service classifications as rendering covered correctional service.

C. Highway Patrol Plan Provisions

Laws 198, Section 284

Article 2, Section 2, replaces a cross reference for a mandatory retirement age provision that is made obsolete by the provisions of Article 2, Section 1, which eliminates age 70 mandatory retirement except for certain tenured faculty and public safety employees.

D. Unclassified Plan Provisions

Laws 1987, Chapter 284

Article 4, Section 4, clarifies that covered employment for the plan includes state employment covered by the regular MSRS plan. The change corrects an error made in the provision in Laws 1986, Chapter 458.

E. Deferred Compensation Plan

Laws 1987, Chapter 284

Article 4. Sections 2 and 3, clarify that participation in the statewide deferred compensation plan is the option of the public employee not of the governmental employing unit. The plan is administered by MSRS and is available to all public employees. The provisions authorize the MSRS executive director to order a governmental unit to implement the plan if a public employee requests to participate. If the employing unit fails to implement the plan, the unit may not defer compensation to any other deferred compensation plan until the plan is implemented.

V. Provisions Applying to TRA

A. Laws 1987, Chapter 372

Article 7, Section 2, changes the retirement date of a Roseau school district teacher contingent upon the findings of an administrative hearing to be held by the TRA.

B. Laws 1987, Chapter 284

Article 1, Section 3, amends the state's data privacy law by classifying as private data the following TRA information about an individual: 1) address; 2) birth date; 3) direct deposit account number; and 4) tax withholding data.

Article 2, Sections 1 and 5, amend statutory provisions to comply with the 1986 federal Age Discrimination in Employment Act (ADEA). Section 1 removes mandatory retirement for all general state employees except for tenured state university and community college faculty, for which an age 70 mandatory retirement age remains. Section 5 amends a section of TRA law to remove mandatory retirement for all TRA members except for tenured state university and community college faculty, for which an age 70 mandatory retirement age remains. Article 2, Section 9, repeals a provision which authorizes a school board to establish an age 70 mandatory retirement provision.

Article 3, Sections 1 to 3, amend the state university and college supplemental retirement plan. Beginning January 1, 1988, participants will have an expanded list of investment options in the Minnesota supplemental investment fund and may choose to transfer among investment options more often. Beginning July 1, 1987 a participant may redeem shares (withdraw money) from the plan at age 55 rather than at age 60 (if the person is no longer employed by the state university or community college board).

Article 6, Section 1, excludes from the definition of "salary" payments in lieu of employer paid group insurance and other forms of employer paid fringe benefits.

Article 6, Section 2, adds the definition of "termination of teaching service" to mean termination by resignation of the member or termination of the member's contract by the employer.

Article 6, Section 3, adds the requirement that a retiree must have a petition signed by 10 retirees in order to file for election to the TRA board.

Article 6, Section 4, clarifies that the attorney general is the TRA legal advisor and that venue of all legal actions involving TRA is in the Ramsey County district court.

Article 6, Section 5, limits the length of time during which payments of member and employer contributions for extended leave of absence service credit may be made, and requires 6 percent interest on late payments.

Article 6, Section 6, adds an imputed salary to the definition of income from teaching service for purposes of determining the limit on earnings that applies to a TRA retiree who is drawing an annuity. The imputed salary is to be based on equivalent positions to determine how much teaching income a returning administrator

