



TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Lawrence A. Martin, Executive Director *LAM*  
RE: Summary of Pension Legislation Enacted by the 1988 Legislature  
DATE: May 24, 1988

During the 1988 regular legislative session, the Legislature enacted several pieces of legislation related to or affecting pension coverage for Minnesota public employees and Minnesota volunteer firefighters, Minnesota public employee pension plans and the Minnesota State Board of Investment.

A. 1988 Legislation Related to the Minnesota State Retirement System

1. General State Employees Retirement Fund.

- a. Gillette Children's Hospital Employees. Employees of the nonprofit corporation that is the successor to the Gillette Children's Hospital Board are not state employees, but employees who were members of the general state employees retirement fund of the Minnesota State Retirement System (MSRS) at the time of incorporation remain MSRS members during the course of their future employment by the nonprofit corporation. Newly hired employees are members of any pension plan established by the nonprofit corporation. (Laws 1988, Chapter 599, Section 2, Subdivision 2.)
- b. Metropolitan Sports Facilities Commission Employee Buyback. Two Metropolitan Sports Facilities Commission employees with prior employment by the predecessor Metropolitan Sports Area Commission are authorized to purchase service credit for that prior employment upon payment of the full actuarial cost, with the employee share set at the employee contributions which would have been paid at the time of the service plus interest at the rate of six percent per year and the mandatory employer share set at the balance of the full actuarial cost. (Laws 1988, Chapter 709, Article 3, Section 1.)
- c. Special Military Affairs Department Retirement Plan Amendments. The qualifying mandatory retirement age requirement for eligibility to a retirement annuity or disability benefit under the special retirement program was clarified as the applicable pre-age 65 mandatory retirement age set by federal law or regulation. (Laws 1988, Chapter 709, Sections 1 and 2.)

2. MSRS Unclassified Employees Retirement Plan.

- a. Guaranteed Return Investment Account. A participant in the MSRS Unclassified Employees Retirement Plan is authorized to invest the person's account in the guaranteed return account of the Minnesota Supplemental Investment Fund administered by the State Board of Investment. A participant may also transfer all or a portion of the balance in the person's account to a guaranteed return account investment if done one month before a new contract and if in the case of a partial transfer a minimum of \$1,000 is transferred and \$1,000 remains in the prior investment. No withdrawal from the guaranteed return account is permitted before the expiration of the contract unless the participant qualifies for a benefit. (Laws 1988, Chapter 453, Section 10.)
- b. Participation by Assistant Carlton County Attorney. An assistant Carlton County attorney who previously retired from the Public Employees Retirement Association under the Rule of 85 and was reemployed retains entitlement to a PERA deferred annuity during the period of reemployment and is also entitled to participate in the MSRS Unclassified Employees Retirement Plan, with the required employee and county employer contributions deducted or made under Minnesota Statutes, Chapter 352D. (Laws 1988, Chapter 658, Section 2.)

3. Judges Retirement Fund.

- a. Exemption From Legal Process and Restriction on Assignment. Money in or benefits payable from the Judges Retirement Fund are not assignable in law or equity and are not subject to execution, levy, attachment, garnishment or other legal process other than the division of marital property in a marriage dissolution action or the withholding of dependent child support or spousal maintenance. (Laws 1988, Chapter 668, Section 10.)

- b. Five Year Vesting. The vesting requirement for a normal or early retirement annuity from the Judges Retirement Fund was reduced from ten years of service to five years of service. (Laws 1988, Chapter 709, Article 9, Section 4.)
- c. Coordinated Member Contribution Increase. The contribution by judges covered by the Social Security System (Old Age, Survivor, Disability and Health Insurance Program (OASDHI)) was increased by three quarters of one percent of salary to 8.76 percent of total salary, inclusive of the Social Security contribution amount, in connection with the change in the OASDHI benefit offset. (Laws 1988, Chapters 709, Article 10, Section 1.)
- d. Bounce Back Optional Annuity Form. In addition to other actuarial equivalent optional annuity forms, a retiring judge is entitled to elect a joint and survivor annuity form where the annuity amount is reinstated to the amount of the single life annuity in the event that the designated beneficiary predeceases the retired judge. (Laws 1988, Chapter 709, Article 10, Section 2.)
- e. Reduced Social Security Benefit Offset. The amount of the retired judge's Social Security primary benefit that is offset from the retirement annuity or benefit payable from the Judges Retirement Fund was reduced from 75 percent to 50 percent. (Laws 1988, Chapter 709, Article 10, Section 3.)

B. 1988 Legislation Related to the Public Employees Retirement Association

1. Public Employees Retirement Association.

- a. Refund Repayment by Former St. Paul School District Employee. A former employee of the St. Paul school district who terminated service in October 1987 and has taken a refund from the Public Employees Retirement Association (PERA) for service between October 1, 1954 and March 31, 1955 is entitled until October 30, 1988 to repay that refund to PERA. (Laws 1988, Chapter 599, Section 4.)
- b. Deferred Retirement Annuity for Assistant Carlton County Attorney. An assistant Carlton County attorney who previously retired from PERA under the Rule of 85 and was reemployed has that retirement annuity which is suspended during the period of reemployment converted to a PERA deferred retirement annuity during the course of that subsequent employment, with contemporaneous retirement coverage by the MSRS Unclassified Employees Retirement Plan. (Laws 1988, Chapter 658, Section 2.)
- c. Membership by County Historical Society Employees. Employees of a county historical society certified by the county in which the society is located under a uniformly applied certification process are members of PERA for the duration of county historical society employment. (Laws 1988, Chapter 709, Article 2, Section 1.)
- d. City of Hibbing Employee Buyback. An employee of the city of Hibbing who began employment in June, 1971, but for whom no salary deductions were taken until June, 1973, is authorized to purchase service credit for that period upon payment of the full actuarial cost, with the employer at its option authorized to pay any amount beyond the employee contributions which would have been paid at the time of the service plus interest. (Laws 1988, Chapter 709, Article 3, Section 1.)
- e. Fond du Lac Indian Reservation Employee Buyback. A current state employee who was a Fond du Lac Indian reservation employee from July 1, 1973 to December 29, 1980, is authorized to purchase service credit for that period upon payment of the full actuarial cost, with the employer at its option authorized to pay any amount beyond the employee contributions which would have been paid at the time of the service plus interest. (Laws 1988, Chapter 709, Article 3, Section 1.)
- f. Public Hospital Employee Buyback. A public hospital employee who terminated PERA coordinated program membership between July 1, 1963 and June 30, 1967 and who elected to resume PERA coordinated program membership is authorized to purchase service credit for the uncovered public hospital service upon payment of the full actuarial cost, with the employer at its option authorized to pay any amount beyond the employee contributions which would have been paid at the time of the service plus interest. (Laws 1988, Chapter 709, Article 3, Section 1.)
- g. Fillmore County Court Administrator Buyback. The former court administrator for Fillmore County who held that position from January 1977 to March 1988, but for whom no salary deductions were taken until 1985, is authorized to purchase service credit for calendar years 1979 to 1981 upon payment of the full actuarial cost, with the county at its

option authorized to pay any amount beyond the employee contributions which would have been paid at that time plus interest. (Laws 1988, Chapter 709, Article 3, Section 1.)

- h. Modified Membership Exclusion Provision. Employees in employment who are not expected to continue longer than six consecutive months are excluded from PERA membership, changed from an exclusion of temporary or seasonal characters not employed for more than 120 working days in any calendar year. Part-time employees and elected officials receiving less than \$425 monthly compensation or with annual compensation stipulated in advance in writing not to exceed \$5,100 are also excluded from PERA membership, changed from an exclusion of part-time employees with less than \$325 monthly compensation or \$3,900 stipulated annual compensation. A special membership exclusion provision for assessors hired by more than one employing unit is eliminated. Employees excluded from PERA membership due to the amount of compensation or length of service who return to employment within 30 days by the same employer in another position that is also excluded from PERA membership due to the amount of compensation or the length of service will not be excluded from membership unless the amount of compensation or the length of service provision for exclusion was met in the course of the total service. (Laws 1988, Chapter 709, Article 5, Sections 1 and 2.)
- i. Definition of Salary. Salary for PERA purposes includes compensation covered by a voluntary salary reduction program, excludes lump sum sick leave payments and excludes all payments in lieu of employer paid group insurance coverage, whether the difference between single and family rates or otherwise. (Laws 1988, Chapter 709, Article 5, Section 3.)
- j. Definition of Dependent Child. A dependent child who is a full time student is required to be a full time student in an accredited school, university or college or was a full time student in an accredited school, university or college and is medically unable to continue educational pursuits on a full time basis under a written procedure to be established by the PERA Board of Trustees, limited to a one year period. (Laws 1988, Chapter 709, Article 5, Section 4.)
- k. Definition of Surviving Spouse. A surviving spouse is required to have been legally married to a PERA member at the time of the death of the member, changed from the requirement of maintaining the same legal residence as the member. (Laws 1988, Chapter 709, Article 5, Section 6.)
- l. Definition of Designated Beneficiary. A designated beneficiary includes an organization as well as a person if designated by a former member, disabilitant or retired member in addition to a member and if designated before the death of the member, former member, disabilitant or retired member. (Laws 1988, Chapter 709, Article 5, Section 7.)
- m. City Manager Membership Exclusion Election Period. The election period for a city manager to exercise the option to be excluded from PERA membership was increased from 30 days to six months, with the addition of a provision for a refund of any member contributions made during the election period if the exclusion option is eventually exercised. (Laws 1988, Chapter 709, Article 5, Section 8.)
- n. Board of Trustees Election Filing Time Period. The period for filing for an elected board of trustee position is set as the first seven days of October, changed from the first seven days of November. (Laws 1988, Chapter 709, Article 5, Section 9.)
- o. Erroneous Deduction Adjustment. Erroneous deductions upon a refund include interest at five percent per annum compounded annually. An erroneous deduction is required to have been made within three years of the calendar year in which the erroneous deduction was received by PERA or the deduction will be considered to be valid, the appropriate service credit granted and membership status achieved with continuation to the termination of public service. For deductions or contributions erroneously transmitted to PERA but properly payable to another major or statewide Minnesota public employee pension plan, PERA is required to make the appropriate transfer without interest and without the application of any time limitations. (Laws 1988, Chapter 709 Article 5, Sections 10 and 11.)
- p. Employer Payroll Abstract Reporting. Employing units covered by PERA are required to furnish copies of payroll abstracts for May for school districts and December for other employing units, changed from March and October respectively. Alternatively, an employing unit may file an exception report. Upon request, every employing unit must file a duplicate copy of the payroll abstract. The PERA executive director can assign a PERA employee the responsibility to conduct a field audit of the payroll records of a governmental subdivision. (Laws 1988, Chapter 709, Article 5, Section 12.)

