



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Executive Director *EB*

RE: Summary of 1990 Legislative Session Pension Legislation

DATE: May 21, 1990

The following is a summary of all pension related provisions passed by the 1990 Legislature. The primary pension bill was H.F. 2103 (MN Laws 1990, Chapter 570). Changes in appropriations and decreases in statutory contribution rates for MSRS General, MSRS Correctional, MSRS State Patrol, and TRA, all of which had been running sufficiencies, appeared in the Higher Education Bill, S.F. 2618 (MN Laws 1990, Chapter 591). Various other provisions appeared in revisor's and other bills.

The material that follows is grouped into two broad sections. The first is fund specific legislation. This includes a summary of legislation for single funds and for funds of a specific type, as the first class city teacher funds, local police and paid fire funds, and volunteer fire funds. The second grouping is miscellaneous legislation applying to all public pension funds or to miscellaneous groupings of funds.

I. Fund Specific Legislation

A. Minnesota State Retirement System (MSRS)

1. General State Employees Retirement Plan (MSRS General)

This year's MSRS General legislation covers various clarifications and technical corrections to the 1989 benefit increase legislation (MN Laws 1989, Chapter 319), miscellaneous service credit purchases at full actuarial value, several administrative changes, and a decrease in employee and employer contributions with an accompanying reduction in appropriations. The items passed as technical corrections relating to 1989 pension legislation are:

- a. Scope of Tier I benefit eligibility. Age 65 normal retirement age provision for pre-July 1, 1989 MSRS hires revised to include MSRS members who were members of any fund, prior to July 1, 1989, included under the combined service annuity provisions. (MN Laws 1990, Chapter 570, Article 12, Sections 2 and 6).
- b. Scope of Tier I early retirement annuity reduction eligibility. Eligibility for three percent per year annuity reduction for early retirement under Tier I benefit broadened to include MSRS members who were members of any fund, prior to July 1, 1989, included under combined service annuity provisions. (MN Laws 1990, Chapter 570, Article 12, Section 7)
- c. Clarification of Tier II minimum retirement age. Tier II level benefit provision clarified by noting it applies only to individuals at least age 55, the minimum retirement age for the fund. (MN Laws 1990, Chapter 570, Article 12, Section 6.)
- d. Clarification of Tier II actuarial reduction provision. Actuarial reduction provision clarified by noting it applies only to individuals who have attained at least age 55, the minimum retirement age of the plan. (MN Laws 1990, Chapter 570, Article 12, Section 8.)
- e. Appeal procedure revised. The benefit termination or denial appeal procedure is amended by requiring the executive director to notify the petitioner that any documentation submitted by the petitioner to the executive director must be received 30 days before the board meeting at which the petition will be discussed. (MN Laws 1990, Chapter 570, Article 12, Sections 3 and 4.) Also, the executive director will inform the board of cases where no relevant facts are in dispute and the board can issue findings, a decision, and final order; adverse decisions can be appealed to the Court of Appeals. (MN Laws 1990, Chapter 570, Article 12, Section 5.)
- f. Effective date of joint and survivor bounce-back. The bounce-back on a joint and survivor annuity will occur on the first of the month after the death of the designated beneficiary if a death certificate is submitted within one year to the executive director. If a death certificate is not submitted within one year, the bounce-back is retroactive to the first day of the eleventh month prior to the date of actual submission. (MN Laws 1990, Chapter 570, Article 12, Section 9.)
- g. Supplemental benefit clarification. Supplemental benefit payable under pre-June 30, 1963 retiree long-service provision is to be added and considered a part of the total annuity payable. (MN Laws 1990, Chapter 570, Article 12, Section 10.)

Miscellaneous MSRS General benefit-related provisions are:

- h. Purchase of Service Credit. An employee of the Department of Military Affairs between April 14, 1967

and December 31, 1974, and employees of the Willmar Regional Treatment Center who left state service to attend the University of Michigan between February 1966 and April 1 may purchase relevant service credit at full actuarial value. (MN Laws 1990, Chapter 570, Article 13, Section 1.)

- i. Recomputing annuity to exclude reduced salary. An individual who received a reduced salary based on service with the Metropolitan Transit Commission between November 4, 1987 and March 1, 1988 may have that service excluded from the high five average salary for retirement annuity calculations, but the individual must pay to the retirement fund the difference in the present value of the annuity due to this change. (MN Laws 1990, Chapter 570, Article 13, Section 1.)

The MSRS General administrative changes are:

- j. Definition of salary. Salary is defined to include compensation before deductions for deferred compensation or supplemental retirement plans, and includes net income from fees. Salary does not include sick leave payments, severance payments, payments in lieu of insurance coverage and workers compensation. (MN Laws 1990, Chapter 570, Article 10, Section 1.)
- k. Rejection of Individual Retirement Account Plan (IRAP) is an irrevocable selection. MSRS covered employees who become eligible for the state university and community college IRAP plan but choose not to join are making an irrevocable selection. (MN Laws 1990, Chapter 570, Article 10, Section 2.)
- l. Disabled members to vote in election of MSRS retired board member. Disabled members are added to the group who elects the retired MSRS board member. (MN Laws 1990, Chapter 570, Article 10, Section 4.)
- m. Change in start of board member term. State employee board member terms will begin in May rather than March. (MN Laws 1990, Chapter 570, Article 10, Section 4.)
- n. Employees of MSRS not eligible for MSRS board. Employees of MSRS cannot serve on the board. (MN Laws 1990, Chapter 570, Article 10, Section 4.)
- o. Clarification of annuity application provision. Specifies that application for an annuity or an optional annuity is at the time of retirement. (MN Laws 1990, Chapter 570, Article 10, Section 5.)
- p. Removal of reference to employees of the Grand Army of the Republic. In a revisor's bill, employees of the Grand Army of the Republic are deleted from definition of employees excluded from MSRS. (MN Laws 1990, Chapter 426, Article 1, Section 41.)

The provision reducing contribution rates and appropriations is:

- q. Reduction in contribution rates. The employee contribution rate is reduced from 4.34 to 4.15 percent of salary. The employer contribution rate is reduced from 4.51 to 4.29 percent of salary. Appropriations for fiscal 1991 for state agencies whose employees are covered by MSRS General are reduced by .22 percent of salary. By January 1st of each year the MSRS board must report to the Legislative Commission on Pensions and Retirement, and the chairpersons of the Finance and Appropriations Committees on whether the statutory contribution rates differ from the actuarially determined contribution rates. (MN Laws, Chapter 591, Article 2, Sections 1, 2, and 7.)

2. MSRS Unclassified Plan.

MSRS Unclassified Plan legislation includes providing coverage to State Lottery management plan employees and one technical correction to last year's legislation. The coverage provision is:

- a. State Lottery management plan employees to be covered by MSRS Unclassified Plan. Employees of the Division of the State Lottery in the Department of Gaming who are covered by the management plan are members of the MSRS Unclassified Plan unless they elect MSRS General. Those with past MSRS General service can transfer accumulated employee and employer shares with 8.5 percent interest to the MSRS Unclassified Plan. (MN Laws 1990, Chapter 570, Article 4, Sections 1 and 2.)

The technical correction is:

- b. MSRS Unclassified Plan retirement age lowered. Members of MSRS Unclassified Plan first become eligible to retire and select an annuity option at age 55 rather than at age 58. (MN Laws 1990, Chapter 570, Article 12, Section 18.)

3. Legislator's Retirement Plan

The following is a technical correction to the Legislator's Plan:

- a. Refund interest rate increased. Consistent with changes in refund interest rates in the 1989 pension legislation, the interest rate on refunds from the Legislator's Plan is increased from five to six percent. (MN Laws 1990, Chapter 570, Article 12, Section 1.)

4. Elected State Officers Plan

The following is a technical correction to the Elected State Officer's Plan:

- a. Refund interest rate increased. Consistent with changes in refund interest rates in the 1989 pension legislation, the interest rate on refunds from the Elected State Officers Plan is increased from five to six percent. (MN Laws 1990, Chapter 570, Article 12, Section 17.)

5. MSRS State Patrol Plan

Changes include coverage provisions for Gambling Enforcement Division peace officers and certain data processing managers, various administrative changes, and a decrease in employer contribution rates with an accompanying reduction in appropriations. The coverage provisions are:

- a. Gambling Enforcement Division Peace Officers to be covered by the State Patrol Plan. Members of the Gambling Enforcement Division who are peace officers are excluded from coverage under MSRS General. They will be covered under the State Patrol Plan and subject to the State Patrol age 60 mandatory retirement provision. (MN Laws 1990, Chapter 570, Article 1, Sections 1, 2, and 3.)
- b. Certain data processing managers retain State Patrol Plan membership. Crime Bureau officers who became data processing managers in September 1987 or January 1988 continue as State Patrol Plan members. (MN Laws 1990, Chapter 570, Article 1, Section 3.)
- c. Omitted contributions to be paid. Individuals effected by (a) or (b) who have not made full member contributions to the State Patrol Plan for the period of prior service must make the contributions with 8.5 percent interest. Within 30 days of payment of the employee's share, the Department of Public Safety will make the required employer contribution. (MN Laws 1990, Chapter 570, Article 1, Section 5.)

Administrative changes relating to MSRS State Patrol Plan are:

- d. Correction of vesting requirements. Consistent with the general move to three year vesting in last year's legislation, vesting is reduced from five years to three years in an early retirement provision, and a reference to 5 year vesting in an optional annuity provision is deleted. (MN Laws 1990, Chapter 570, Article 12, Sections 13 and 14.)
- e. Clarification of maximum monthly benefit provision. Language clarified in payment to surviving spouse and children provision; maximum monthly benefit provision clarified to apply to any one family. (MN Laws 1990, Chapter 570, Article 12, Section 15.)
- f. Increase in refund interest rate. Consistent with the general increase in refund interest rates in last year's legislation, the repayment of refund interest rate is increased from 5 percent to 6 percent. (MN Laws 1990, Chapter 570, Article 12, Section 16.)

The reduction in contribution rates and appropriations is:

- g. Reduction in contribution rates. The employer contribution rate is reduced from 18.9 to 14.88 percent of salary. Appropriations for fiscal 1991 to the agency are reduced by 4.02 percent of salary. By January 1st of each year the MSRS board must report to the Legislative Commission on Pensions and Retirement, and the chairpersons of the Finance and Appropriations Committees on whether the statutory contribution rates differ from the actuarially determined contribution rates. (MN Laws ,Chapter 591, Article 2, Section 4 and 7.)

6. MSRS Correctional Plan.

The changes include extending coverage when an MSRS Correctional Plan member becomes employed by a labor organization, providing a higher benefit to the surviving spouse of a certain correctional officer, various technical corrections, and a decrease in the employer contribution rate with an accompanying reduction in appropriations. The coverage provisions are:

- a. Labor organizations and MSRS Correctional membership. MSRS Correctional employees are permitted to retain membership while employed by a labor organization. (MN Laws 1990, Chapter 570, Article 10, Section 3.)
- b. Increased benefit to a surviving spouse. The surviving spouse of a correctional officer who was born on February 25, 1905 and died on June 14, 1970, and who worked at the Saint Cloud Reformatory, is entitled to the surviving spouse benefit specified in Minnesota Statutes 1971, Section 352.12, Subdivision 2, although the date of death was after the effective date of that provision and although a refund was paid. (MN Laws 1990, Chapter 589, Article 1, Section 3.)

The technical corrections relating to last year's benefit legislation are:

- c. Reduced Vesting. Consistent with the move to three year vesting in last year's legislation, references to vesting in an early retirement provision are reduced from five to three years. (MN Laws 1990, Chapter

