



TO: Members of the Legislative Commission on Pensions and Retirement  
 FROM: Ed Burek, Deputy Director  
 RE: Summary of the 2005 Legislative Session and First Special Session Pension Provisions  
 DATE: August 23, 2005

This memo summarizes the 2005 Legislative Session and 2005 First Special Session pension provisions. Most of the pension legislation passed during the First Special Session as Laws 2005, First Special Session, Chapter 8.

The first major section, Fund-Specific Legislation, summarizes all pension-related legislation for individual plans and for plans of a specific category, such as the first class city teacher plans, local police and paid fire plans, or volunteer fire plans. The second major section, General Pension Provisions, summarizes pension legislation applying to all public plans or to miscellaneous plan groupings. The third major section, Miscellaneous Provisions, mentions legislation which in some cases is not related directly to pension plan law but which is of interest to Commission members and public sector retirees.

## I. FUND-SPECIFIC LEGISLATION

### A. Minnesota State Retirement System (MSRS)

#### General State Employees Retirement Plan (MSRS-General)

1. Cross-Reference Added to Salary Definition. The MSRS-General definition of salary is revised by adding a cross-reference to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 1. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*
2. Definition of High-Five Average Salary Moved to Definition Section. Language defining “average salary” (high-five average salary) is moved from existing MSRS-General and MSRS-Correctional Plan provisions to the definition section, and cross-references are revised as necessary to the new definition provision. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 2,3,4,5 and 6. Source: S.F. 436 (Betzold); H.F. 2115 (Smith)*
3. Retirement Fund Definition Added. A definition of “retirement fund,” applicable to MSRS-General and MSRS-Correctional, is added to the MSRS definition provision. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 8. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
4. Obsolete Language Removed from Accrued Annuities Definition. Obsolete language is removed from the MSRS accrued annuities definition. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 9. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
5. Obsolete Dates Removed, Clarifications Added, Various MSRS Provisions. Various MSRS provisions (dealing with plan coverage, optional exemptions, reemployment following a refund, creation-of-fund, fund disbursements, allowable service credit, contribution withholding procedures, contribution-for-leaves-provisions, healthcare premium deductions, direct transfer of refunds) are revised by removing obsolete dates, providing clarifying language, and correcting references. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 12 to 20, and 22 to 24. Source: S.F. 438 (Betzold); H.F. 2093 (Smith) and S.F. 439 (Betzold); H.F. 2094 (Smith)*
6. Exemption/Non-Garnishment Language, Direct Deposit Authority Language, Moved to General Provision. Language prohibiting garnishment of benefits, and authorizing direct deposit of benefit checks, is added to Chapter 356, “Retirement Systems, Generally,” and similar language deleted or repealed in the MSRS chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 21 and 81. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*
7. Obsolete Language Removed: Adjustable Fixed Benefits Fund. Language defining “adjustable fixed benefit annuity” (Section 352.119, Subdivision 1) is repealed since it is now obsolete. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 76. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*
8. Coverage for Employees of the Department of Commerce, Insurance Fraud Prevention Division. This is a coverage change provision, shifting some individuals currently covered by MSRS-General to the State Patrol Retirement Plan. Employees of the Insurance Fraud Prevention Division who are peace officers, are members of the State Patrol Plan up to the mandatory retirement age for State Patrol officers, age 60. If the individual continues in Insurance Fraud Prevention Division employment after that age, the

individual is covered by the MSRS-General Plan for that continuing employment. *Laws 2005, First Special Session, Chapter 8, Article 4, Sections 2 and 4. Source: S.F. 1834 (Michel); H.F. 2080 (Smith), Commission Amendment*

9. Delayed Application for Disability Benefits Permitted After Termination of Service, DNR Photo Lab Supervisor. This is a special law provision enacted as part of an agricultural, environment, and natural resources appropriations bill. The provision was not heard by the Commission. A Department of Natural Resources photo lab supervisor who terminated service in June 1998 is permitted to apply for a disability benefit, notwithstanding a general law requirement that an application must be filed while an active employee or within 180 days of terminating covered employment. To be eligible for a disability benefit, the individual must provide conclusive evidence that the disability occurred while the individual was a state employee. *Laws 2005, First Special Session, Chapter 1, Article 2, Section 159. Source: First Special Session S.F. 69 (Bakk) – Omnibus Environment, Natural Resources, Agriculture and Economic Development Appropriations Bil, derived from First Special Session S.F. 14 (Metzen); H.F. 16 (Hansen)*
10. Continued MSRS-General Coverage: Willmar Regional Treatment Center Employees Transferred to County Employment. This is a special law provision found in a health and human services bill. The provision was not heard by the Commission. Employees of the Willmar Regional Treatment Center whose position at the treatment center transfers from state to county employment are permitted to retain MSRS-General coverage rather than commence PERA-General coverage, unless the individual elects to have PERA coverage. *Laws 2005, First Special Session, Chapter 4, Article 2, Section 21. Source: First Special Session S.F. 107 (Berglin); H.F. 139 (Bradley) – Omnibus Health and Human Services Bill*

#### **Elected State Officers Retirement Plan**

1. Definition of High-Five Average Salary Moved to Definition Section. Language defining “average salary” (high-five average salary) is moved from an existing Elected State Officers Retirement Plan provision to a new subdivision in the definition section. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 8 and 32. Source: S.F. 436 (Betzold); H.F. 2115 (Smith)*
2. Revision Cross-Reference, Non-Garnishment/Direct Deposit Provision. As a conforming change, a reference to a non-garnishment/direct deposit provision is revised to cite language moved to Chapter 356, Retirement Systems, Generally. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 1. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*

#### **Correctional State Employees Retirement Plan (MSRS-Correctional)**

1. Process for Recommending Potential Employment Positions for Correctional Plan Inclusion. The Department of Corrections and Department of Human Services must establish a procedure for recommending positions for Correctional Plan coverage, and for determining positions no longer qualified for inclusion under that plan. The evaluation must consider the extent of working time spent in direct contact with patients of inmates, the extent of the physical hazard, and extent of intervention routinely expected by the employee in a facility incident. Positions may be recommended for inclusion if the individual routinely spends 75 percent of the employee’s time in direct inmate contact and is regularly engaged in rehabilitation, treatment, custody, or supervision of inmates or patients. Any recommendations must be in the form of proposed legislation and be forwarded to the Chair of the Legislative Commission on Pensions and Retirement, the Executive Director of the Legislative Commission on Pensions and Retirement, the Chair of the House Government Operations and Veterans Affairs Policy Committee, and the Chair of the Senate Government Operations Committee. The recommendations must be received by January 15 to be considered during the upcoming Legislative Session. *Laws 2005, First Special Session, Chapter 8, Article 4, Section 3. Source: S.F. 2139 (Pogemiller); H.F. 2367 (Smith)*
2. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, “Retirement Systems, Generally,” and similar language is deleted in the MSRS chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 21. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*

#### **Unclassified State Employees Retirement Program (MSRS-Unclassified)**

1. Clarification of Interest Rate on Transfers to the Program. The interest rate on transfers to the program is clarified, and an obsolete reference to MSRS-General funding is removed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 33. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
2. Clarification of Repayment of Refund Provision. A cross-reference to the Chapter 356 installment refund repayment provision is added to the Unclassified Program refund repayment provision. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 34. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
3. Clarification of Unclassified Program Combined Service Provision. A cross-reference to the Chapter 356 portability provisions (combined service annuity, combined service disability, combined service survivor

benefits) is added to an Unclassified Program combined service provision. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 35. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*

4. Removal of Obsolete Language, Transfer of Prior Service Contributions Provision. Obsolete language relating to the Legislators Retirement Plan and the Elected State Officers Plan is removed from the prior service contribution provision. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 37. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*

### **State Patrol Retirement Plan**

1. Cross-Reference Added to Average Monthly Salary Definition. The State Patrol Retirement Plan definition of average monthly salary is revised by adding a cross-reference to applicable federal-law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 7. Source: S.F. 995 (Betzold); H.F. 2115 (Smith)*
2. Coverage for Employees of the Department of Commerce, Insurance Fraud Prevention Division. Employees of the Insurance Fraud Prevention Division, who are peace officers, are members of the State Patrol Retirement Plan up to the mandatory retirement age for State Patrol officers, age 60. If the individual continues in Insurance Fraud Prevention Division employment after that age, the individual is covered by MSRS-General for that continuing employment. *Laws 2005, First Special Session, Chapter 8, Article 4, Sections 2 and 4. Source: S.F. 1834 (Michel); H.F. 2080 (Smith), Commission Amendment*
3. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, "Retirement Systems, Generally," and similar language deleted in the State Patrol Retirement Plan chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 29. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*
4. Definition on Member Clarified. The definition of "member" is clarified and an obsolete date removed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 26. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
5. Definition on Allowable Service Clarified. The definition of "allowable service" is clarified by correcting cross-references, and by stating that allowable service means service in a month during which a member is paid salary from which member contributions are deducted. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 27. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
6. Reference Corrected in Audit Provision. A reference to the "Commission-retained actuary" is corrected to refer to the actuary jointly retained by the large pension funds, since the Commission no longer retains an actuary. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 28. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*

### **Judges Retirement Plan**

1. Final Average Compensation (High-Five Average Salary) Clarified. The Judges Retirement Plan "final average compensation" provision is clarified, and new language is added clarifying that it is subject to federal law requirements. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 30 and 31. Source: S.F. 436 (Betzold); H.F. 2115 (Smith) and S.F. 995 (Betzold); H.F. 2109 (Smith)*
2. Indefinite Duration Leave of Absence Provision Created in Judges Retirement Plan and Eligible for Service Credit Purchase. A judge may receive service credit in the Judges Retirement Plan for a leave of absence by making payment to the plan. The judge would pay an amount equal to the normal cost of the plan upon return to service multiplied by the judge's average monthly salary during the leave, for each month of the leave. This is payable with 8.5 percent annual interest within one year of termination of the leave. The provision is retroactive to January 1, 2005. *Laws 2005, First Special Session, Chapter 8, Article 2, Sections 2 and 8. Source: S.F. 1165 (Betzold); H.F. 1255 (Smith)*
3. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, "Retirement Systems, Generally," and similar language is deleted in the Judges Retirement Plan chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 79. Source: S.F. 438 (Betzold); H.F. 2094 (Smith)*

## **B. Public Employees Retirement Association (PERA)**

### **General Employee Retirement Plan (PERA-General)**

1. Clarification of Salary Definition. The PERA definition of salary is revised by adding a cross-reference to applicable federal law limitations on salary for pension purposes, and by clarifying that salary for pension purposes (for individuals also covered by a laborer's national industrial pension fund, a plumber's or pipe fitter's national or local pension fund, or by an international union of operating engineers pension fund) includes any mandatory withholding of wages for the supplemental plan. *Laws*

2005, First Special Session, Chapter 8, Article 1, Section 9. Source: S.F. 995 (Betzold); H.F. 2109 (Smith), and S.F. 1682 (Pogemiller)

2. Definition of High-Five Average Salary Moved to Definition Section. Language defining “average salary” (high-five average salary) is moved from existing PERA provisions to the definition section, and cross-references in PERA-General and PERA-P&F annuity and disability benefit provisions are revised accordingly. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 10 to 14, and 32. Source: S.F. 436 (Betzold); H.F. 2115 (Smith)*
3. PERA-General Contribution Rate Increases. Coordinated employee and matching employer contribution rates are increased over several years as follows:
  - (1) The coordinated member contribution rate and matching employer contribution is increased from 5.1 percent to 5.5 percent on January 1, 2006, to 5.75 percent on January 1, 2007, and to 6.0 percent on January 1, 2008.
  - (2) The employer additional contribution rate is increased from .43 percent of pay to 0.5 percent of pay on January 1, 2006, to 0.75 percent on January 1, 2009, and to 1.0 percent of pay on January 1, 2010. If the July 1, 2008, or 2009 actuarial valuations indicate that the 2009 and or 2010 proposed increase in the employer additional contribution rate is not needed to cover the plan’s actuarially determined required contributions, those increases would not be implemented. *Laws 2005, First Special Session, Chapter 8, Article 5, Sections 2 and 3. Source: S.F. 286 (Betzold-by request); H.F. 1755 (Smith)*
4. Provision to Automatically Adjust Contribution Rates. After July 1, 2010, if there are two consecutive years with a contribution sufficiency or deficiency of at least half of one percent, the PERA Executive Director must determine an appropriate increase or decrease in contribution rates, whichever is applicable, not to exceed a one-quarter percent in either the employee or employer rate. These proposed increases or decreases must be reported to the Legislative Commission on Pensions and Retirement by February 1. If the Commission does not recommend modification or elimination of the proposed change, the rate changes go into effect the next July 1. *Laws 2005, First Special Session, Chapter 8, Article 5, Section 4. Source: S.F. 286 (Betzold-by request); H.F. 1755 (Smith)*
5. Collection Procedure for Unpaid Amounts from Employer not Funded by Property Taxation. If an employer which is not funded by property taxation fails to pay employer contributions or other amounts due, the PERA Executive Director will certify amounts due to the Commissioner of Finance, and the necessary amounts will be deducted from any subsequent aid or appropriation. *Laws 2005, First Special Session, Chapter 8, Article 5, Section 6. Source: S.F. 429 (Betzold); H.F. 2090 (Smith)*
6. Remitting Overcharges to Certain Minneapolis Community Development Agency Employees. PERA is authorized to remit any overpayments by Minneapolis Community Development Agency employees who purchased PERA service credit under a 2003 law (the overcharges were due to incorrect salary data supplied to PERA by the employer, or other clerical error). PERA may pay six percent interest on the refunds. If an individual wishes a have the entire service credit purchase amount refunded, and thus forfeit the service credit, PERA is authorized to do this if an institution-to-institution transfer to a federal tax qualified plan is used. *Laws 2005, First Special Session, Chapter 8, Article 5, Sections 9 and 10. Source: Commission Document LCPR05-091*
7. Water and Wastewater Treatment Facility Privatizations: Revision of Policy. Individuals who work at municipal water or wastewater treatment facilities which are privatized will no longer be permitted to remain in PERA as active employees following the privatization. *Laws 2005, First Special Session, Chapter 8, Article 6, Section 2. Source: S.F. 1963 (Betzold)*
8. Coordinated and Basic Member Definitions Revised by Updating References. The PERA coordinated and basic member definitions are clarified and obsolete references are revised. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 38 and 39. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
9. Technical Corrections to Range Association of Municipalities and Schools Provision. The Range Association of Municipalities and Schools provision is clarified, and an obsolete date removed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 40. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
10. Clarification, Various Sections. A section dealing with certain Minneapolis municipal and school district employees who were excluded from the short-lived MERF coordinated program, a section dealing with coverage for certain Ramsey County court employees, and a section dealing with city manager coverage options are clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 41 to 43. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
11. Exemption/Non-Garnishment Language, and Direct Deposit Authority Language, Moved to General Provision. Language prohibiting garnishment of benefits and authorizing direct deposit of benefit checks is added to Chapter 356, “Retirement Systems, Generally,” and similar language deleted or repealed in the

PERA chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 45 and 81. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*

12. Obsolete Reference Deleted from Salary Reporting Provision. The salary/employee information reporting provision is divided into paragraphs, and obsolete language is removed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 47. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
13. Technical Revisions in PERA Post Retirement Investment Fund Participation. The section authorizing PERA participation in the State Board of Investment's Post Retirement Investment Fund is revised to clearly include all applicable PERA plans under this authority, by revising obsolete references to the Commission-retained actuary, and by removing other obsolete language. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 48. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
14. Survivor Benefit Reference Clarified. References to the PERA Coordinated survivor benefits are clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 49. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
15. Payment-to-Minor Survivor Benefit Provision Clarified. The PERA payment to minor provision is clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 50. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
16. Basic Member Disability Survivor Benefit Provision Clarified. The PERA basic member death while disabled survivor benefit provision is revised for clarity. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 51. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
17. Repealers. Various obsolete provisions are repealed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 81. Source: S.F. 438 (Betzold); H.F. 2093 (Smith) and S.F. 439 (Betzold); H.F. 2094 (Smith)*
  - (1) Obsolete Provision for Certain Former Municipal Court Judges. A PERA deferred annuity provision for certain municipal court judges terminated by a 1971 law, is repealed.
  - (2) Obsolete Purchase of Service Credit Provision. A PERA purchase of service credit provision that had applied to individuals who terminated before July 1, 1982, is repealed.
  - (3) Obsolete Survivor Benefit Provision. A PERA survivor benefit provision applicable to certain 1973 or earlier PERA survivors is repealed.
  - (4) Obsolete Survivor Benefit Provision. A PERA survivor benefit provision enacted in 1963, applicable to the surviving spouse of a former PERA member who became employed in the judicial branch of state government after 18 or more years of PERA-covered service, is repealed.
  - (5) Obsolete PERA Benefit Provision. A PERA benefit provision enacted in 1965, specifying computation of a benefit for certain long service employees who had gaps in service, is repealed.

#### **PERA Privatized Employees Chapter (Chapter 353F)**

1. Various Privatized Healthcare Facilities Added to PERA Privatization Chapter. The Bridges Medical Services, the Hutchinson Area Health Care, and the Northfield Hospital are added to the PERA Privatized Employee Chapter. Local approval is required. Also required is a finding that the privatization will not impose a loss on PERA. The cost of any actuarial work must be borne by the facility, the city, or the purchaser of the facility. *Laws 2005, First Special Session, Chapter 8, Article 6, Sections 1 and 4. Source: S.F. 1091 (Dille); H.F. 1100 (Newman), S.F. 1149 (Skoe); H.F. 1080 (Eken), and S.F. 1352 (Neuville); H.F. 920 (Cox)*
2. Extension of Time to File Local Approval Related to Privatization: Fair Oaks Lodge, Wadena. The Fair Oaks Lodge, Wadena, for which PERA privatized employee legislation passed in 2004 but for which local approval was not provided by the deadline (the start of the 2005 Legislative Session), is given an extension to January 1, 2006, to complete and properly file the local approval documents. *Laws 2005, First Special Session, Chapter 8, Article 6, Section 3. Source: S.F. 888 (Kubly); H.F. 704 (Koenen)*

#### **Public Employees Police and Fire Retirement Plan (PERA-P&F)**

1. Coverage for University of Minnesota Police Officers Clarified; Aid Revised. Language is added to PERA-P&F law clarifying that University of Minnesota police officers are covered by PERA-P&F, and that the University is a governmental subdivision for purposes of making necessary contributions. However, any University of Minnesota police officer who is required by the Board of Regents to contribute to the University's Faculty Retirement Plan is not eligible for PERA-P&F coverage, and must not be included in any certification for state police aid. *Laws 2005, First Special Session, Chapter 8, Article 4, Sections 1, 5, and 6. Source: S.F. 1763 (Pogemiller); H.F. 2031 (Thissen), Commission Amendment*
2. Repealer: Obsolete PERA-P&F Plan Administration Provision Relating to Merger of University of Minnesota Peace Officers into PERA-P&F. An obsolete plan administration provision relating to the merger of University of Minnesota peace officers into the PERA-P&F plan in 1978 is repealed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 81. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*

3. Employee Contribution Rate Increase. The employee contribution rate is increased from the current 6.2 percent of pay to 7.0 percent for calendar year 2006, 7.8 percent the next calendar year, followed by 8.6 percent in calendar 2008, and 9.4 percent in calendar 2009 and thereafter. *Laws 2005, First Special Session, Chapter 8, Article 5, Section 7. Source: S.F. 621 (Betzold, by request); H.F. 1756 (Smith)*
4. Employer Contribution Rate Increase. The employer contribution rate is increased from the current 9.3 percent of pay to 10.5 percent for calendar year 2006, 11.7 percent the next calendar year, followed by 12.9 percent in calendar 2008, and 14.9 percent in calendar 2009 and thereafter. *Laws 2005, First Special Session, Chapter 8, Article 5, Section 8. Source: S.F. 621 (Betzold, by request); H.F. 1756 (Smith)*
5. Revision in PERA-P&F Death While Active Survivor Benefit Eligibility; Payment of Survivor Annuity to Wife of PERA-P&F Member Killed in Iraq Conflict Despite Less than One Year of Marriage. The PERA-P&F surviving spouse benefit eligibility is revised by stating that death in the line of duty includes death while providing active military service. The change is retroactive to September 11, 2001. A consequence of the change is that the spouse of a St. Louis Park police officer who was killed in the Iraq conflict, after a marriage of less than one year will be provided with a PERA-P&F surviving spouse annuity. *Laws 2005, First Special Session, Chapter 1, Article 4, Section 97. Source: First Special Session S.F. 69 (Bakk), derived from First Special Session S.F. 78 (Kelley); H.F. 103 (Westrom), First Special Session 31 (Kelley); H.F. 30 (Latz, Westrom), and Regular Session S.F. 2192 (Kelley); H.F. 2365 (Latz)*

This provision appeared in an agricultural, environment, and natural resources appropriations bill. The provision stems from an effort to provide a PERA-P&F surviving spouse benefit to a survivor of a St. Louis Park police officer who was killed in the Iraq conflict. His surviving spouse was not eligible for a surviving spouse benefit because the death was not in the line of duty as a police officer, as defined in PERA-P&F law, and applicable law did not allow a survivor benefit in non-line-of-duty deaths if the marriage occurred less than one year prior to the death. The St. Louis Park police officer was killed while on active military duty less than one year after marriage.

The Commission did consider this St. Louis Park issue on a few occasions. The final Commission recommendation on this matter was to use a special law approach, to cap benefits from all sources (federal and state) at \$615,000 or less, to require St. Louis Park to cover the full cost of the PERA-P&F survivor annuity, and to terminate the survivor annuity upon remarriage. No action passed during the regular session on this matter. The provision which passed in the Special Session did not pass in a pension bill, and it differs significantly from the approach recommended by the Commission.

#### **Public Employees Local Relief Association Benefit Plan Chapter**

1. Clarification of Salary Definition. The definition of salary in the PERA Local Relief Association Benefit Plan Chapter (Chapter 353B) is revised by adding a cross-reference to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 15. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*

#### **C. Teachers Retirement Association (TRA)**

1. Definition of High-Five Average Salary Moved to Definition Section. Language defining “average salary” (high-five average salary) is moved from an existing TRA provision to the definition section, and cross-references in TRA’s formula annuity provision are revised accordingly. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 16 and 18. Source: S.F. 436 (Betzold); H.F. 2115 (Smith)*
2. Clarification of Salary Definition. The TRA definition of salary is revised by adding a cross-reference to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 17. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*
3. Revised Payment Procedures for Extended Leaves of Absence. Payment procedures for extended leaves of absence are revised to permit payment after June 30 if payment is to be made by a pretax asset transfer and the third party administrator has been notified of the pending asset transfer by June 30. These payments after June 30 must be made no later than September 30 and must include 0.708 percent interest per month from June 30 until received. (An interest rate of 0.708 per month is equivalent to an annual rate of 8.5 percent per year, the plan’s actuarial interest rate assumption.) *Laws 2005, First Special Session, Chapter 8, Article 3, Section 4. Source: S.F. 1758 (Jungbauer); H.F. 1648 (Abeler)*
4. Stylistic Revision: Service Credit Provision. TRA’s service credit provision is revised by making stylistic changes and by removing an obsolete date. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 52. Source: S.F. 439 (Betzold), H.F. 2094 (Smith)*
5. Exemption/Non-Garnishment Language, and Direct Deposit Authority Language, Moved to General Provision. Language prohibiting garnishment of benefits and authorizing direct deposit of benefit checks is added to Chapter 356, “Retirement Systems, Generally,” and similar language is deleted or repealed in the TRA chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 53 and 81. Source: S.F. 438 (Betzold); H.F. 2094 (Smith)*

6. Payment to Public Body Provision Clarified. The TRA provision authorizing benefit payment to a public body on behalf of a benefit recipient, if necessary, is clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 54. Source: S.F. 438 (Betzold); H.F. 2094 (Smith)*
7. Stylistic Revision: Change-of-Beneficiary Provision. The TRA change of beneficiary provision is revised by splitting the provision into paragraphs. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 55. Source: S.F. 438 (Betzold); H.F. 2094 (Smith)*
8. Stylistic Revision: Establishment of Higher-Education Facility Provision. The TRA provision specifying the nature of TRA coverage for any employee of new universities is revised by eliminating obsolete dates and making stylistic changes. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 57. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
9. Stylistic Revision: Mandatory TRA Coverage Provision. A mandatory TRA coverage provision is revised by eliminating obsolete dates and making stylistic changes. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 58. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
10. TRA Fund Provision Re-Created. A TRA fund provision is created to hold the association's pension-related assets. (A TRA fund was established in 1931, but was inexplicably repealed in 1974. The new fund provision is comparable to those found in MSRS and PERA law.) *Laws 2005, First Special Session, Chapter 8, Article 10, Section 59. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
11. Stylistic Revision: TRA Money Purchase Annuity Provision. TRA's money purchase annuity provision is revised by making stylistic changes. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 60. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
12. Repealer: Obsolete Benefit Provision, Certain July 1, 1957, Teachers. A TRA benefit provision granting an additional \$1 per month to TRA-covered teachers who had at least 15 years of service on July 1, 1957, is repealed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 81. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
13. Special Law Provision: Anoka-Hennepin Teacher; Authority to Make Extended Leave of Absence Leave Payments. An Anoka-Hennepin teacher, born on April 2, 1949, who was on an extended leave for the 2002-2003, 2003-2004, and 2004-2005 school years, and who was unable to make timely payment for the 2003-20004 school year because of a problem in transferring funds from the individual's tax-sheltered annuity account, is authorized to make payment plus interest to receive service credit for the 2003-2004 and 2004-2005 school years. *Laws 2005, First Special Session, Chapter 8, Article 12, Section 1. Source: S.F. 1758 (Jungbauer); H.F. 1648 (Abeler)*

#### **D. First Class City Teacher Plans**

**Duluth Teachers Retirement Fund Association (DTRFA)  
St. Paul Teachers Retirement Fund Association (SPTRFA)  
Minneapolis Teachers Retirement Fund Association (MTRFA)**

1. Definition of High-Five Average Salary Moved to Definition Section. Language defining "average salary" (high-five average salary) is moved from existing first class city teacher plan provisions to the definition section, and cross-references in the annuity provisions are revised accordingly. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 19, 21, and 22. Source: S.F. 436 (Betzold); H.F. 2115 (Smith)*
2. Clarification of Salary Definition. The first class city teacher plan definition of salary is revised by adding a cross-reference to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 20. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*
3. Filing of Updated Articles of Incorporation and Bylaws. By July 1, 2006, and within six months of the effective date of any subsequent amendment to the articles of incorporation or bylaws, the chief administrative officer of a first class city teacher fund association must prepare and publish an updated compilation of the articles of incorporation and bylaws. The association may charge a fee to members and any other interested parties to cover the cost of producing the copy. Two free copies are to be filed with the Legislative Commission on Pensions and Retirement, the Legislative Reference Library, the State Auditor, the Commissioner of Education, the superintendent of the school district, and the MnSCU Chancellor. Hard copies need not be made or filed if the updated articles of incorporation and bylaws are available on the web. *Laws 2005, First Special Session, Chapter 8, Article 7. Source: S.F. 437 (Betzold); H.F. 2095 (Smith)*
4. Stylistic Revision: Tax-Sheltered Annuity Program Provision. The first class city teacher plan tax-sheltered annuity provision is revised by making stylistic changes. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 61. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
5. Full-Actuarial Value Military Service Credit Provision, Correcting Reference to Computation Procedure. The first class city teacher plan full actuarial value service credit purchase provision is corrected by

striking a cross-reference to an expired methodology and inserting the reference to the current law full actuarial value methodology. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 62.* Source: *Commission Amendment to S.F. 439 (Betzold); H.F. 2094 (Smith)*

6. Correcting Retirement Annuity Cross-Reference. A retirement annuity provision is revised to correctly reference the computation procedure for the DTRFA, if applicable. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 63.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*

## **E. Minneapolis Employees Retirement Fund (MERF)**

1. Technical Change: References to MERF Chapter. All references to “sections 422A.01 to 422A.25” (the sections contained in the MERF chapter of statutes), will be changed to “this chapter.” *Laws 2005, First Special Session, Chapter 8, Article 10, Section 80.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
2. Definition of High-Five Average Salary Moved to Definition Section. Language defining “average salary” (high-five average salary) is moved from existing MERF provisions to a definition section, and cross-references in the annuity provisions are revised accordingly. *Laws 2005, First Special Session, Chapter 8, Article 1, Sections 24, 26, and 27.* Source: *S.F. 436 (Betzold); H.F. 2115 (Smith)*
3. Clarification of Salary Definition. A MERF definition of covered salary is created with a cross-reference to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 25.* Source: *S.F. 995 (Betzold); H.F. 2109 (Smith)*
4. MERF Membership Provision, Clarification. MERF’s membership provision is revised for style and by adding the phase-out date (July 1, 1979) to define MERF’s membership group. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 67.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
5. MERF Disability Benefits Fund Provision. MERF’s disability benefit fund provision is revised for style and by removing obsolete dates. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 68.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
6. MERF Employee Contribution Provisions Clarified. MERF’s employee contribution provisions are revised for style and by deleting obsolete language. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 69 and 70.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
7. MERF Retention/Transfer Provision Clarified. A MERF retention/transfer provision is revised for style and by clarifying that the interest rate on any refund is six percent. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 71.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
8. MERF Prohibition on “Double-Dipping” Provision Clarified. A MERF provision prohibiting double coverage for the same service is clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 72.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
9. MERF Death While Active Refund Provision Clarified. A MERF death while active refund provision is clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 73.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
10. MERF Refund Repayment Provision Clarified. A MERF refund repayment provision is clarified. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 74.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
11. MERF Cost Allocation Provision Clarified. A MERF cost allocation provision is revised by correcting obsolete references to the actuary retained by the Commission. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 75.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
12. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, “Retirement Systems, Generally,” and similar language is deleted in the MERF chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 76.* Source: *S.F. 438 (Betzold); H.F. 2093 (Smith)*
13. Repealers. Various obsolete provisions are repealed. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 81.* Source: *S.F. 439 (Betzold); H.F. 2094 (Smith)*
  - (1) Obsolete Plan Retention Provision. A MERF provision which authorized persons with 15 or more years of MERF-covered service prior to July 1, 1967, who became an elected official or employee of Hennepin County, to continue MERF coverage rather than be covered by another pension plan, is repealed.
  - (2) Obsolete Plan Refund Repayment Provision upon MERF-Covered Reemployment. A MERF provision which authorized persons to repay a refund if they became reemployed in MERF-covered employment is repealed.

- (3) Obsolete Plan Refund Repayment Provision Due to 1957 Statute. A MERF provision which authorized persons to repay a refund if they had been forced by a 1957 statute (Minnesota Statutes 1957, Section 422.09) to take a refund is repealed.

## **F. Minnesota State Colleges and Universities System Higher Education Individual Retirement Account Plan (MnSCU IRAP)**

1. Revised Coverage Elections for Minnesota State Colleges and Universities Employees. Rather than requiring an election within 90 days of first employment between defined contribution plan coverage (IRAP) and defined benefit plan coverage (TRA), individuals have up to one year to make the election. Prior to making the election, the default coverage is generally IRAP. For individuals who elect TRA, purchases of TRA service credit for any period of MnSCU employment prior to making the election is prohibited. *Laws 2005, First Special Session, Chapter 8, Article 4, Sections 7 and 8. Source: S.F. 1557 (Betzold); H.F. 1738 (Murphy)*
2. Flexibility in Offering State Board of Investment Supplemental Investment Fund Investments. MnSCU is authorized to offer some, rather than all, State Board of Investment Supplemental Investment Fund investments. *Laws 2005, First Special Session, Chapter 8, Article 8. Source: S.F. 1556 (Betzold, by request); H.F. 2101 (Murphy)*

## **G. Local Police and Paid Fire Relief Associations**

### **Minneapolis Fire Relief Association (MFRA)**

1. Clarification of Salary Definition. A provision is added to the plan indicating that covered salary is subject to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 29. Source: S.F. 995 (Betzold); H.F. 2109 (Smith)*
2. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, "Retirement Systems, Generally," and similar language is deleted in the Minneapolis Fire Relief Association chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 78. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*
3. Revised Service Pension Schedule, Removal of Funding Level Contingencies. The service pension schedules applicable when the funding ratio is less than 90 percent, and between 90 percent and 92.5 percent, are stricken. Requires local approval. *Laws 2005, First Special Session, Chapter 8, Article 11, Sections 10 and 11. Source: H.F. 2453 (Kahn), Commission Amendment*
4. Ratification of Past Disability Benefit Recomputations at Normal Retirement Age. Non-duty related disability pensions that were recomputed and increased to full 25-year service pensions, despite any legal authority for this action, are ratified. In future cases, the board shall not re-compute the disability benefit (presumably at the time of retirement), if the disability is service related. Any prior re-computation of a service-related disability benefit may be revoked by the member through a sworn agreement. Requires local approval. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 14. Source: H.F. 1504 (Thissen)*

### **Minneapolis Police Relief Association (MPRA)**

1. Clarification of Salary Definition. A provision is added to the plan indicating that covered salary is subject to applicable federal law limitations on salary for pension purposes. *Laws 2005, First Special Session, Chapter 8, Article 1, Section 28. Source: S.F. 1556 (Betzold, by request); H.F. 2101 (Murphy)*
2. Exemption/Non-Garnishment Language Moved to General Provision. Language prohibiting garnishment of benefits is added to Chapter 356, "Retirement Systems, Generally," and similar language is deleted in the Minneapolis Police Relief Association chapter, replaced by a reference to the new provision in Chapter 356. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 77. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*

Items 3 to 6 are part of a package of funding/benefit improvement changes and require local approval.

3. Full-Funding Date Extension to 2020. The full funding date is extended from December 31, 2010, to December 31, 2020. *Laws 2005, First Special Session, Chapter 8, Article 11, Sections 1 and 3. Source: S.F. 2038 (Michel); H.F. 2173 (Larson), and H.F. 2453 (Kahn)*
4. Board Continuation Provision Revised. The MPRA fund will become a city trust fund when there are 225 or fewer remaining members (active, retired, and or survivors), rather than fewer than 100. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 9. Source: House Ways and Means Committee Amendment*

5. Revised Service Pension Schedule, Benefit Enhancement. The service pension schedule applicable when the funding ratio is less than 90 percent is stricken; making the highest schedule applicable under all funding conditions, and the pension amounts applicable in that schedule for 20 or more years of service credit are increased by one unit, with the increase phased in over two years (the 25-year pension is increased from 42 units to 42.5 units retroactively to January 1, 2005, and is increased to 43 units on January 1, 2006). Those members who selected joint and survivor benefits must have their pensions increased by comparable amounts. *Laws 2005, First Special Session, Chapter 8, Article 11, Sections 10 and 11. Source: H.F. 2453 (Kahn), Commission Amendment*
6. Revised Survivor Benefits, Benefit Enhancement. The survivor benefit for survivors of officers who took the automatic survivor benefit option is increased by one half unit through December 31, 2005 (from 22 units to 22.5 units), and by another half unit on January 1, 2006 (from 22.5 units to 23 units). *Laws 2005, First Special Session, Chapter 8, Article 11, Section 12. Source: H.F. 2453 (Kahn)*

#### **Eveleth Police and Fire Trust Fund**

1. Ad Hoc Post –Retirement Adjustment, and Establishment of Automatic Mechanism. The service and survivor benefits paid by the trust fund are increased by \$100 per month, retroactive to January 1, 2005. Every two years thereafter, the Eveleth City Council is authorized to provide permanent uniform increases of not less than \$10 per month and not more than \$100 per month. The city council must pass a resolution approving any increase. The resolution must be filed with the Executive Director of the Legislative Commission on Pensions and Retirement, the chair of the House Government Operations and Veterans Affairs Committee, and the chair of the Senate State and Local Government Operations Committee. A statement showing the remaining benefit recipients, their age, and benefit amounts must be included. Requires local approval. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 17. Source: S.F. 157 (Tomassoni); H.F. 94 (Rukavina)*

#### **H. Volunteer Firefighter Relief Associations**

Numerous changes were made in volunteer fire laws. While a few changes have some substantive impact, most changes reflect an effort to remove ambiguity by more clearly specifying requirements.

1. Resetting Nature of Trigger for Filing a Financial Report Rather than a Financial Statement. An annual financial report, rather than a financial statement, must be filed every year after a relief association first exceeds \$200,000 in liabilities or assets, rather than being dependent on whether assets or liabilities exceeded that trigger in the most recent year. *Laws 2005, First Special Session, Chapter 8, Article 9, Sections 1 and 2. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
2. Specification of Actions that Will Cause Withholding or Forfeiture of State Aid. The State Auditor's responsibility to withhold aid to a relief association if the association fails to comply with law is clarified by adding a listing of specific actions which will cause aid withholding. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 3. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*

These specific actions include failure to:

- (1) file an accurate financial report of statement;
  - (2) meet treasurer bonding requirements;
  - (3) file an actuarial report (if applicable), or properly determine the accrued liability and annual accruing liability of the relief association;
  - (4) obtain a sufficient municipal contribution;
  - (5) obtain any required municipal ratification of benefit improvements;
  - (6) invest only in authorized investments;
  - (7) control expenses by incurring only authorized special fund expenses;
  - (8) provide investment portfolio reporting;
  - (9) obtain broker acknowledgements of investment restrictions;
  - (10) engage in only authorized transactions; and
  - (11) pay service pensions consistent with the flexible service pension maximum law.
3. Lump Sum Plans: Revision, Clarification of Financial Requirements Determination Procedures. Obsolete references are removed, and amortization procedures are revised to match the procedure as indicated in State Auditor forms, with one tenth of any initial unfunded liability related to a benefit improvement to be retired annually. The amortization procedures are revised for lump sum plans to include amortization of investment losses. The annual amortization amount is capped to not exceed the total remaining unfunded liability after considering other investment or contribution gains. The deduction of fire state aid in the municipal contribution determination procedure is limited to last year's aid plus 3.5 percent. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 4. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
  4. Lump Sum Plans: Disclosure of Financial Requirements and Minimum Municipal Obligation. The financial report or financial statement must include the relief association financial requirements and the minimum municipal obligation. The State Auditor is authorized to obtain copies of any certification forms related to

these financial requirements and city obligations if contributions are found to be insufficient. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 5. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*

5. Monthly Plans: Amortization of Experience Losses. Monthly plans must amortize experience losses (from mortality, retirement age, or investments) over ten years, which previously were not required to be amortized. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 6. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
6. Monthly Plans: Revision, Clarification of Financial Requirements Determination Procedures; Disclosure of Financial Requirements. The deduction of fire state aid in the municipal contribution determination procedure is limited to last year's aid plus 3.5 percent. The financial report or financial statement must include the relief association financial requirements and the minimum municipal obligation. The State Auditor is authorized to obtain copies of any certification forms related to these financial requirements and city obligations if contributions are found to be insufficient. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 7. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
7. Treatment of Money Market Funds in Mutual Fund Investment Limit. Money market mutual funds will not be considered in the determination of whether a relief association exceeds the 75-percent investment limit in mutual funds. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 8. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
8. Monthly Plans: Reduction in Financing Amounts Needed to Support any Given Benefit Level. The minimum three-year average amount of available financing per firefighter for monthly benefit plans is reduced from \$84 per firefighter to \$81 per firefighter for each \$1 of monthly benefit per year of service, and the prior year's service pension maximum is grandfathered if average financing per firefighter has fallen. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 10. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
9. Relief Associations Offering Defined Contribution Plan Accounts; Clarified Account Allocation Procedure. The allocation to accounts provision is clarified by indicating the allocation procedure applies only to active member accounts, and by clarifying the investment return crediting period. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 11. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
10. Deferred Service Pensions: Revised Interest Crediting Options. The five-percent interest option is revised to allow interest of five percent or less, as set by the board of directors and approved by the municipality. Interest would be payable from the first of the month following separation from service to the first of the month in which the individual becomes eligible to receive the service pension. New language is added to specifically address interest crediting procedures on deferred defined contribution plan benefits. If provided for in the bylaws, the association may use any of the approaches approved in law for defined benefit plans, or it may credit any investment return on the special fund assets in proportion to the share of the assets in the special fund to the credit of the given deferred member. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 12. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
11. Volunteer Fire Plans: Military Leave Provision. A military leave of absence service credit procedure is added to volunteer fire law. A volunteer firefighter with a break in service to provide military service shall receive not more than five years of service credit upon prompt return to the relief association, or if the association provides a defined contribution benefit, up to five years of contributions. To be eligible the military service must be honorably served. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 13. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
12. Revised Ex-Officio Board Membership Requirements. For relief associations associated with a municipal fire department, the two positions previously filled by the mayor; and the clerk, clerk treasurer, or finance director; will be filled by an elected municipal official and elected or appointed municipal official designated by the municipal governing board. If the relief association is a subsidiary of an independent nonprofit firefighting corporation, the board is reduced from ten to nine members. There will be two, rather than three, trustees drawn from the officials of the municipalities served by the firefighting corporation. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 14. Source: S.F. 259 (Betzold); H.F. 1706 (Smith)*
13. Consolidating Relief Associations, Alternative Prior Service Benefit Related Amounts. Rather than setting benefits for prior service following a volunteer firefighter relief association consolidation at the highest level previously authorized by any of the consolidating relief associations, another option will be permitted – providing a benefit for that past service equal to the last approved benefit level of the prior association which covered the individual. *Laws 2005, First Special Session, Chapter 8, Article 9, Section 15. Source: Commission Amendment to S.F. 623 (Tomassoni); H.F. 240 (Rukavina)*
14. Monthly Volunteer Fire Plans: Elimination of Obsolete Amortization Date Language. The financial requirements provision is revised to eliminate obsolete amortization target dates. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 6. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*

15. Bloomington Fire Department Relief Association: Revised Amortization Procedure and Salary/Rate of Return Assumptions. The salary increase assumption is revised to 4.0 percent per year, rather than 3.5 percent; the rate of return assumption is revised to 6.0 percent rather than 5.0 percent, and any unfunded liability, including experience losses, are to be amortized over rolling 20 year periods. *Laws 2005, First Special Session, Chapter 8, Article 11, Sections 1, 2, and 3. Source: S.F. 2038 (Michel); H.F. 2173, and H.F. 2453 (Kahn)*
16. Aurora, Biwabik City, Hoyt Lakes, and Palo Volunteer Firefighters Relief Associations, Merger. If two more of these associations consolidate, notwithstanding current general law, for any service rendered by a person prior to the consolidation the benefit is as provided by the plan that provided coverage just prior to the consolidation, and for service after the consolidation, the service is covered by the highest benefit level provided by any of the consolidating relief associations at the time of consolidation. Further increases can occur consistent with benefit level increase procedures in law (the flexible service pension maximum provisions). Local approval is required. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 16. Source: S.F. 623 (Tomassoni); H.F. 240 (Rukavina)*
17. Maplewood and Oakdale Volunteer Fire Relief Associations: Asset and Liability Transfer. If both cities and both relief association boards provide approval, the Maplewood Firefighters Relief Association can transfer assets equal to the total value of the service credit earned by members of the Oakdale Fire Department Relief Association (who are currently eligible to receive a combined service pension for firefighting service in both associations) related to the service credit that the applicable firefighters accrued while working for the Maplewood Fire Department. The asset/liability transfer would relieve the Maplewood association of further obligations related to the future retirement benefits. A certified copy of the ratified agreement must be filed with the State Auditor and Secretary of State. Local approval required. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 18. Source: S.F. 1431 (Wiger); H.F. 1608 (Slawik)*

## I. Hennepin County Supplemental Plan

1. Hennepin County Supplemental Plan, Shift of Administration to MSRS. Many administrative activities for the Hennepin County Supplemental Plan will be shifted from the county to the Minnesota State Retirement System (MSRS). MSRS will create accounts for each participant within the State Board of Investment Supplemental Retirement Fund to receive transferred assets. The participants' accounts will be administered by MSRS on behalf of the county and the applicable eligible employees. Any annual redemption of funds following termination of service may be in a lump sum or spread out over 12 months. MSRS is authorized to enter into an interagency agreement with Hennepin County to cover the MSRS costs. Local approval is required. *Laws 2005, First Special Session, Chapter 8, Article 11, Sections 4 to 8. Source: S.F. 2250 (Pogemiller); H.F. 2466 (Smith)*

## II. GENERAL PENSION PROVISIONS

This portion of the memo summarizes provisions applying to all pension plans or to miscellaneous plan groupings.

1. Service Credit Purchase for Strike Periods. This provision applies to members of any plan included under the Combined Service Annuity provision. Individuals who were on a public employee strike without pay may purchase service credit in the applicable plan for the strike period if payment is received within five years of the end of the strike. The purchase may be made within the first year by paying the employee and employer contributions that would have been made if there were no strike, plus interest. The employer may pay the employer share on behalf of the employee. During years two to five, a purchase can be made by paying full actuarial value. The employer is not permitted to pay any portion of a full actuarial value purchase. Service credit purchases are prohibited later than five years from the end of the strike. Additional special law language is included to permit previously striking employees of Metro Transit, the Crosby-Ironton school district, and the University of Minnesota to purchase service credit using the contributions plus interest approach within one year of the effective date of the section (the day following final enactment). *Laws 2005, First Special Session, Chapter 8, Article 2, Sections 1, 5, 6, 7, and 8. Source: S.F. 996 (Betzold); H.F. 1636 (Hornstein), Senate Government Operations Committee Amendment, and House Ways and Means Committee Amendment.*
2. Expiration Extension of Military Service Full Actuarial Value Service Credit Purchase Provisions. This expiration date extension of the full actuarial value military service credit purchase provisions apply to MSRS-General, MSRS-Correctional, the State Patrol Retirement Plan, PERA-General, PERA-P&F, TRA, and the first class city teacher retirement fund associations. The expiration date on the military service full actuarial value service credit purchase provisions in statute are extended from May 16, 2006, to May 16, 2007. *Laws 2005, First Special Session, Chapter 8, Article 2, Sections 3 and 4. Source: S.F. 1160 (Senjem); H.F. 567 (Demmer)*
3. Correction of Reference in Provisions Defining Actuarial Equivalence or Present Value. This is a technical correction applying to various plans (MSRS-General, MSRS-Correctional, PERA-General, PERA-P&F, TRA, the first class city teacher retirement fund associations, MERF, and the Judges Retirement Plan). References to actuarial services in provisions defining actuarial equivalence or present value are changed from the actuary retained by the Commission to the actuary jointly retained by the various major public pension funds, for consistency with past legislative changes. (The Commission no longer retains an actuary; that responsibility has

been shifted to an actuary jointly retained by the major public pension fund administrations.) *Laws 2005, First Special Session, Chapter 8, Article 3, Sections 1, 2, 3, 5, 8, and 9. Source: S.F. 434 (Betzold); H.F. 2113 (Smith)*

4. Revised Financial Report Requirements. This provision applies to nearly all Minnesota public pension plans (MSRS-General, MSRS-Correctional, the State Patrol Retirement Plan, the Judges Retirement Plan, PERA-General, PERA-Correctional, PERA-P&F, TRA, the first class city teacher retirement fund associations, MERF, the University of Minnesota Faculty Retirement Plan and Supplemental Plan, any police plan, and any paid or volunteer fire plan including the Bloomington Fire Relief Association). The provision specifying the content of financial reports (Section 356.20, Subdivision 4, in Chapter 356) is revised by correcting obsolete references to the Commission-retained actuary, and by requiring exhibits detailing administrative and investment-related expenses. The administrative expense exhibit must provide meaningful detail on personnel expenses, communication-related expenses, office building and maintenance expenses, professional service fees, and other expenses. The investment-related exhibit must describe in meaningful detail the internal investment-related expenses and the external investment-related expenses. *Laws 2005, First Special Session, Chapter 8, Article 3, Section 6. Source: S.F. 430 (Betzold); H.F. 2089 (Smith)*
5. Rollovers from a Reemployed Annuitant Account. This item applies to any individual who has earnings after retirement which caused annuity payments to be redirected to a reemployed annuitant account. In lieu of a direct payment from a reemployed annuitant account (following age 65 or one year after termination of the reemployment that gave rise to the account, whichever is later) a person may elect to rollover all or part of a distribution from the reemployed annuitant account if permitted under federal code. *Laws 2005, First Special Session, Chapter 8, Article 3, Section 7. Source: Commission Amendment*
6. Non-Garnishment, Automatic Deposit Provision Applicable to Most Plans. This is a non-garnishment and automatic deposit provision (to be coded in Minnesota Statutes, Chapter 356, "Retirement Generally") applicable to members of the following plans: the Legislators Retirement Plan, MSRS-General, MSRS-Correctional, the State Patrol Retirement Plan, the Elective State Officers Plan, MSRS-Unclassified, the Judges Retirement Plan, PERA-General, PERA-P&F, PERA-Correctional, the PERA Defined Contribution Plan, TRA, the first class city teacher retirement fund associations, the Higher Education IRAP, MERF, the Minneapolis Police Relief Association, and the Minneapolis Fire Relief Association. This authority is new for a few of the plans, but in most cases the general uniform provision replaces similar provisions in various chapters of pension statutes. Money, annuities, or other benefits provided by a covered pension plan are not assignable or subject to state estate tax, or to execution, levy, attachment, garnishment, or other legal process, except as provided in a marriage dissolution decree. Upon the request of a retiree, disabled, survivor, or former member, the pension administration may remit a benefit check to an applicable financial institution for deposit in the person's individual or joint account. If paid to a joint account, any overpayment upon the death of the benefit recipient must be repaid by the joint tenant. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 64. Source: S.F. 438 (Betzold); H.F. 2093 (Smith)*
7. Full Actuarial Value Methodology Procedure Refined and Clarified. This provision has broad applicability. It is a clarification of the full actuarial value methodology provision (Section 356.551), which typically is required to be used when any public plan member is permitted to purchase service credit. The full actuarial value procedure is clarified by explicitly stating that the computed service credit purchase price must include any liability impacts on other funds due to the combined service annuity provisions, by requiring any refunds to be repaid before this purchase procedure can be used, by setting a minimum purchase price equal to contributions plus interest, and by correcting a reference to the Commission actuary. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 65. Source: Commission Amendment to S.F. 439 (Betzold); H.F. 2094 (Smith)*
8. Revised Stock Investment Authorization. This item revises the investment authority for virtually all Minnesota public defined benefit pension plans other than plans invested by the State Board of Investment combined funds (MSRS, PERA, and TRA). Stocks listed on any exchange regulated by the United States or Canadian governments, rather than just those listed on the New York or American stock exchanges, are authorized stock investments, exchange traded funds are authorized, and various references are corrected. *Laws 2005, First Special Session, Chapter 8, Article 10, Section 66. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
9. No Benefit Reduction. This is an uncoded provision applicable to the Minneapolis Police Relief Association and the Minneapolis Fire Relief Association. Local approval is required. Any pension benefit that has been properly paid to a member may not be reduced, despite any collective bargaining agreement between the city and the police officers or firefighters that would otherwise require a reduction. *Laws 2005, First Special Session, Chapter 8, Article 11, Section 15. Source: H.F. 2453 (Kahn)*

Minnesota Statutes contained a general salary cap provision (Minnesota Statutes, Section 43A.17, Subdivision 9) which placed a salary cap on employees of political subdivisions and MERF, except for school district employees, various doctors, and other excluded employees; and a salary cap for pension purposes provision (Minnesota Statutes, Section 356.611, Subdivision 1). Both were revised. Minnesota Statutes, Section 43A.17, Subdivision 9, was modified during the 2005 Regular Session in a non-retirement bill, as indicated below.

10. Cap on Salary Modified. The limitation on salary and total compensation for persons employed by political subdivisions of the state and MERF (Minnesota Statutes, Section 43A.17, Subdivision 9) is increased from 95 percent to 110 percent of the Governor's salary, with the 110 percent amount to be annually indexed to changes

in the Consumer Price Index. *Laws 2005, Chapter 169, Section 1. Source: S.F. 953 (Kelley); H.F. 995 (Erhardt)*

The related salary cap for pension-purposes provision (Minnesota Statutes, Section 356.611, Subdivision 1), was repealed during the 2005 Regular Session and was then amended during the 2005 Special Session, making the effect of these combined actions difficult to determine.

11. Partially Inconsistent Revisions: Revision and Removal of Limitations on Salary for Pension Purposes. Section 356.611, Subdivision 1, which had applied to most public employees and which placed a salary limit for pension purposes of 95 percent of the Governor's salary, was repealed during the Regular Session. That same subdivision in Section 356.611 was later revised during the First Special Session to reset the cap from 95 percent of the Governor's salary to 110 percent of that salary, and by adding to the list of excluded positions employees of the Southern Minnesota Municipal Power Association, the director of the Duluth Port Authority, and any employees or elected officials who are also excluded under the salary cap limit (in Section 43A.17, Subdivision 9). This amendment during the First Special Session was made retroactive to April 28, 1994.

A reasonable interpretation (other interpretations are certainly possible) of the impact of this combination of a repealer (in the Regular Session) followed by an amendment to the repealed provision retroactive to 1994 during the Special Session, is that the revisions in the salary for pension purposes provision (the higher cap, and the additional excluded provisions) are retroactive to 1994, and are in effect from 1994 until the date the subdivision is repealed in 2005. *Laws 2005, Chapter 169, Section 2, which repealed Section 356.611, Subdivision 1, did not have an effective date stated in the bill. Therefore, the repeal is effective August 1, 2005. Laws 2005, Chapter 169, Section 2, and Laws 2005, First Special Session, Chapter 8, Article 1, Sections 23 and 33. Source: S.F. 953 (Kelley); H.F. 995 (Erhardt), and S.F. 995 (Betzold); H.F. 2109 (Smith)*

The following provision, which appeared in a data practices bill, revises SBI investment authority. SBI invests assets for the MSRS, PERA, and TRA systems.

Revised Investment Authority: SBI Alternative Investments: Restriction of Information Disclosure on Venture Capital, Real Estate, Resource Investments. The SBI alternative investment provision, Minnesota Statutes, Section 11A.24, Subdivision 6, is revised by classifying as nonpublic most financial, business, or proprietary data on venture capital investments, real estate, and resource investments. The nonpublic data is any data which, if released, could cause competitive harm to SBI, the entity in which SBI has invested, or general or limited partners. Information about these investments which is public is the name of the investment, the amount SBI has committed to the investment, the market value, the investment's age, and the investment's internal rate of return. *Laws 2005, Chapter 163, Sections 2 and 44. Source: House Civil Law and Elections Committee Amendment to S.F. 361 (Skoglund); H.F. 225 (Holberg).*

### III. MISCELLANEOUS PROVISIONS

This section covers miscellaneous legislation, some of which is not directly related to pensions but which is of interest to Commission members and various retiree and employee groups.

1. Removal of Obsolete Language from Police State Aid, Fire State Aid Provisions. Obsolete language dealing with certification of police officers for aid purposes by the Department of Public Safety and the Department of Natural Resources, general fund transfer amounts, excess police state aid transfers, and aid to first class city fire relief associations, is eliminated or revised. *Laws 2005, First Special Session, Chapter 8, Article 10, Sections 2 to 5. Source: S.F. 439 (Betzold); H.F. 2094 (Smith)*
2. Early Retirement Incentive, Iron Range Resources and Rehabilitation (IRRR). This is an early retirement incentive program offered to certain employees of Iron Range Resources and Rehabilitation (IRRR), which appeared in an agricultural, environment, and natural resources bill. Although the section expires in one year, on June 30, 2006, the drafting includes proposed coding. The proposed placement, in Chapter 354B, is incorrect since that chapter is the Higher Education IRAP chapter, which does not cover IRRR employees, and the only plans mentioned in the language are MSRS plans. The Commission on Iron Range Resources and Rehabilitation, in consultation with the Commissioner of Employee Relations, may provide an early retirement incentive to employees who are at least age 60 with at least five years of MSRS-General Plan coverage, or who are any age with 30 or more years of MSRS-General Plan coverage. The incentive can include one or both of the following: employer-paid health and dental coverage to age 65, and cash incentives, which may, but which are not required to be, used to purchase MSRS service credit if the purchase is permitted under law. The Commissioner of IRRR may designate specific programs or employees to be eligible for this program, and must establish eligibility requirements. *Laws 2005, First Special Session, Chapter 1, Article 4, Section 98. Source: First Special Session S.F. 69 (Bakk) – Omnibus Environment, Natural Resources, Agriculture and Economic Development Appropriations Bill*
3. Post-Retirement Employment Option. This item is a post-retirement provision for the Metropolitan Council and for various state employees, suggested for permanent coding in Chapter 43A, Department of Employee Relations. The provision seems intended as a governmental cost saving provision and a phased retirement provision for employees. MSRS and PERA plans have annuity redirection provisions, under which a portion of the annuity of a reemployed annuitant could be redirected into a savings account for later release to the retired

member. Under this new post-retirement employment option, these provisions are waived. An option is made available to certain employees of the Metropolitan Council and to “state employees” (defined as individuals in civil service positions in the executive branch of state government), or with the Office of the Legislative Auditor, or an employee of the Minnesota State Retirement System. *Laws 2005, Chapter 156, Article 3, Section 2. Source: H.F. 1481 (Seifert) – Omnibus State Government Finance Bill*

To be eligible, the Metropolitan Council or state employee must have worked for the last five years at least half time in an MSRS or PERA-covered position, must terminate from service, and at the time of termination must qualify for an “unreduced annuity.” The eligible individual must accept a post-retirement option position with the same or different appointing authority that is half time or less, and which represents at least a 25 percent reduction in hours compared to the previous employment.

The post-retirement option position will be in the unclassified service but shall not be covered by any retirement plan. Any reemployed annuitant benefit redirection into a savings account because of reemployment is waived. The post-retirement option position is authorized for one year, but may be renewed for up to five years. Partial employer paid health insurance is provided. The employer health care payment is a fraction of payment that would be provided for a full-time employee, not to exceed 75 percent of the employer payment for a full time employee for employee-only coverage.

4. Voluntary Hour Reduction Program. This provision is a voluntary hour reduction program for “state employees,” although that term is not defined in the provision beyond indicating that to be eligible the individual must be covered by an MSRS Plan. The uncoded provision, applicable through June 30, 2007, allows individuals to make contributions to the retirement plan as though they had not reduced employment. A state employee who currently works at least half time in an MSRS-covered position, who enters into an agreement with an appointing authority to reduce hours to half time or less, will be authorized to make employee contributions to the applicable retirement plan or fund as though hours had not been reduced. The employer will make the applicable employer contribution. The work hours and work schedule must be agreed to be the employee and employer. The appointing authority has discretion to decide whether this program will be available to any given employee. All pension contributions are to be made in a time and manner prescribed by the MSRS Executive Director. *Laws 2005, Chapter 156, Article 3, Section 3. Source: H.F. 1481 (Seifert) – Omnibus State Government Finance Bill*
5. Voluntary Unpaid Leave of Absence. This uncoded provision is a voluntary unpaid leave of absence provision, applicable to employees of “appointing authorities in state government,” at the discretion of the employer. Individuals are able to obtain service credit for the leave period, which must occur between July 1, 2005, and June 30, 2007. The scope of the plans involved is unspecified. Appointing authorities in state government may allow employees to take leaves up to 1,040 hours (the equivalent of one-half year) between July 1, 2005, and June 30, 2007. While on leave, the employee retains health coverage and accrues sick and vacation leave as though the individual were not on leave. The individual may make contributions to the applicable pension plan or fund as though not on leave, and receive full service credit. If employee contributions are made, the employer must make applicable employer contributions. If the individual is covered by a defined contribution plan, the appointing authority, at its discretion, may make the employee contribution to the pension fund on behalf of the employee. All pension contributions are to be made in a time and manner prescribed by the pension plan executive director. *Laws 2005, Chapter 156, Article 3, Section 4. Source: H.F. 1481 (Seifert) – Omnibus State Government Finance Bill*

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