



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Ed Burek, Deputy Director *EB*
RE: Summary of 2006 Legislative Session Pension Provisions
DATE: August 22, 2006

This memo summarizes the 2006 Legislative Session pension provisions. Nearly all of the pension provisions passed in the two omnibus retirement bills, which were enacted as Laws 2006, Chapter 271 (S.F. 2239 (Pogemiller); H.F. 2362 (Smith), Omnibus Retirement Bill I) and Laws 2006, Chapter 277 (S.F. 1057 (Pogemiller); H.F. 1120 (Ozment), Omnibus Retirement Bill II).

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. An example of legislation summarized there is the five percent cap on post retirement increases applicable to retirees from all defined benefit plans in the Minnesota State Retirement System (MSRS), Public Employee Retirement Association (PERA), and Teachers Retirement Association (TRA) systems. 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 Legislative Commission on Pensions and Retirement members and public sector retirees.

I. FUND-SPECIFIC LEGISLATION

A. Minnesota State Retirement System (MSRS)

General State Employees Retirement Plan (MSRS-General)

1. MSRS-General Employee Contribution Rate Increase. Starting on July 1, 2007, the current 4.0 percent of pay employee contribution rate is increased in quarter-percent annual increases to 5.0 percent on July 1, 2010, and thereafter. *Laws 2006, Ch. 271, Art. 1, Sec. 1. Source: S.F. 264 (Betzold-by request); H.F. 1757 (Smith)*
2. MSRS-General Employer Contribution Rate Increase. Starting on July 1, 2007, the current 4.0 percent of pay employer contribution rate is increased in quarter-percent annual increases to 5.0 percent on July 1, 2010, and thereafter. *Laws 2006, Ch. 271, Art. 1, Sec. 2. Source: S.F. 264 (Betzold-by request); H.F. 1757 (Smith)*
3. Reemployed Disabilitant Benefit Reduction Waiver Provision is Revised and Made Permanent. The MSRS reemployed disabilitant benefit reduction waiver provision, which was enacted in 2004 and set to expire in 2006, and which was intended to encourage disabilitants to return to work by waiving disability benefit reductions or benefit termination for six months after an individual returns to work, is made permanent, and the provision is restricted by allowing an individual to use this provision only once, and by clarifying that no service credit is earned during the six-month period covered by the provision unless the individual waives further disability payments. *Laws 2006, Ch. 271, Art. 3, Sec. 2 and 42. Source: Commission Amendment to S.F. 2379 (Pogemiller); H.F. 2701 (Smith)*
4. Bounce-Back Annuity Language Simplified. Bounce-back annuity language, applicable when the individual covered by the second-half of a joint-and-survivor annuity dies before the primary annuitant, is simplified and obsolete language is removed. *Laws 2006, Ch. 271, Art. 3, Sec. 3. Source: Commission Amendment to S.F. 2379 (Pogemiller); H.F. 2701 (Smith)*
5. Special Law Provision: Distribution to Certain Divorced Spouse. The provision allows the immediate commencement of a retirement annuity to a divorced spouse who was born on August 12, 1944, if a court finds the former state employee's decision not to commence receiving an MSRS annuity is due solely to an effort to frustrate the judgment awarded to the ex-spouse. *Laws 2006, Ch. 271, Art. 14, Sec. 13. Source: S.F. 2047 (Michel); H.F. 2230 (Peterson, N.)*

Legislators' Retirement Plan

The Legislators' Retirement Plan, which covers legislators first elected before July 1, 1997, unless they chose to be covered by the MSRS-Unclassified Program instead, was recodified. All sections described below are from that recodification, which appeared in Laws 2006, Ch. 271, Art. 10, unless otherwise indicated.

1. Definition of Actuarial Equivalent Added. A definition of actuarial equivalent is added to the Legislators' Retirement Plan. *Laws 2006, Ch. 271, Art. 10, Sec. 2. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
2. Numerous Definitions Moved. Several definitions are moved to alphabetical order within the plan's definition section, and in some cases are also clarified. These are the definition of "average monthly salary," "former legislator," "member of the legislature," "retirement," and "salary." *Laws 2006, Ch. 271, Art. 10, Sec. 3, 7-8, 10-11. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
3. Constitutional Officer Definition Added. A definition of "constitutional officer" is added to the plan. *Laws 2006, Ch. 271, Art. 10, Sec. 4. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
4. Dependent Child Definition Clarified. The dependent child definition is clarified and obsolete language is removed. *Laws 2006, Ch. 271, Art. 10, Sec. 5. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
5. Director Definition Clarified. The definition of "director" is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 6. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
6. Obsolete Language Removed from Normal Retirement Age Definition. The "normal retirement age" definition is revised by eliminating obsolete language relating to members who terminated before the 1981 legislative session. *Laws 2006, Ch. 271, Art. 10, Sec. 9. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
7. Plan Administration Provision Clarified. The plan administration provision is clarified by more clearly indicating that MSRS and its Executive Director are responsible for administering the plan according to the Legislators' Retirement Plan chapter, Minnesota Statutes, Chapter 3A, and other applicable law. *Laws 2006, Ch. 271, Art. 10, Sec. 12. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
8. Retirement Annuity Calculation and Reduced Retirement Allowance Provisions Updated. The plan's retirement annuity calculation provision and reduced annuity due to early retirement provisions are revised by removing obsolete language and references, and by adding clarifying language. *Laws 2006, Ch. 271, Art. 10, Sec. 13-14. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
9. Appropriation Provision Language Revised. The appropriation provision language is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 15. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
10. Deferred Annuities Augmentation Provision Revised. Obsolete dates are removed and the language of the deferred annuities augmentation provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 16. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
11. Optional Annuities Provision Clarified. The optional annuities provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 17. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
12. Employee Contribution Rate Provision Clarified. The employee contribution rate provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 18. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
13. Refund Provision Clarified. The refund provision, which includes terms for repaying a refund, is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 19. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
14. Surviving Spouse Benefit Provision Clarified. The language of the surviving spouse provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 20. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*

15. Dependent Children Provision Clarified. The dependent child provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 21. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
16. Surviving Spouse and Child Benefit Payment Provision Updated. The style and language of the survivor spouse/dependent child benefit payment provision is updated. *Laws 2006, Ch. 271, Art. 10, Sec. 22. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
17. Death Refund Provision Updated. The language of the death refund provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 23. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
18. Appropriation/Disbursement Subdivision Added. A new subdivision is added to clarify that the plan survivor benefits and death refunds are appropriated from the state's General Fund when they become payable. *Laws 2006, Ch. 271, Art. 10, Sec. 24. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
19. Survivor Benefit Application Provision Clarified. The survivor benefit application provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 25. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
20. Application, Referendum Provision Clarified. The provision is revised by clarifying that the second chance referendum authorized in 2002 is irrevocable. *Laws 2006, Ch. 271, Art. 10, Sec. 26. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
21. Service Credit for Legislative Term Provision Clarified. The language of the special legislative service credit provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 27. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
22. Service in More than One Fund Provision Clarified. The language of the Legislators' Retirement Plan service in more than one plan provision is clarified. *Laws 2006, Ch. 271, Art. 10, Sec. 28. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
23. Repealer. As part of the recodification of the Legislators' Retirement Plan chapter, various definitions are repealed because similar language is being added elsewhere in the definition section in an alphabetical order. These repealed definitions are Section 3A.01, Subdivisions 3,4,6a, and 7, which are the existing law definitions of "member of the legislature," "retirement," "salary," and "average monthly salary." Also repealed as obsolete provisions are a payment for past service before July 1, 1965 (Section 3A.02, Subdivision 2), a provision that provided a one-time increase in survivor benefits on June 3, 1977 (Section 3A.04, Subdivision 1a), and an optional legislator-PERA membership provision (Section 3A.09). *Laws 2006, Ch. 271, Art. 10, Sec. 33, Subd. 1. Source: S.F. 428 (Betzold); H.F. 2091 (Smith)*
24. Surviving Spouse Automatic Benefit Provision, Clarification. The automatic surviving spouse coverage provision, which provides a benefit of half the amount to which the member qualified on the date of death, is clarified by adding a statement that this coverage is an alternative to the optional joint-and-survivor annuity mentioned below. This provision was not part of the recodification. *Laws 2006, Ch. 271, Art. 12, Sec. 2. Source: Commission Amendment to S.F. 2462 (Pogemiller); H.F. 2852 (Smith)*
25. Optional Surviving Spouse Annuity, Resetting Minimal Age for Commencing Benefit. If a member of the Legislature dies in office, the surviving spouse may elect to commence receipt of a surviving spouse optional joint-and-survivor annuity as early as age 55, rather than at minimum age 60. This provision may have a slight benefit enhancement effect for surviving spouses of any member who dies while in office. (This treatment is consistent with the treatment common in other Minnesota public plans.) This provision was not part of the recodification. *Laws 2006, Ch. 271, Art. 12, Sec. 1. Source: Commission Amendment to S.F. 2462 (Pogemiller); H.F. 2852 (Smith)*

Elected State Officers Retirement Plan

1. Plan Application Provision Added. A section is added stating that this plan applies to constitutional officers first elected after July 1, 1967, and before July 1, 1997. *Laws 2006, Ch. 271, Art. 10, Sec. 29. Source: S.F. 427 (Betzold); H.F. 2092 (Smith)*

