



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Ed Burek, Deputy Director **EB**
RE: Summary of 2007 Legislative Session Pension Legislation
DATE: August 10, 2007

This memo summarizes the 2007 Legislative Session pension provisions. Nearly all of the pension provisions passed in the Omnibus Retirement Bill, S.F. 430 (Betzold); H.F. 1978 (Murphy, M.), enacted as Laws 2007, Ch. 134, but a few pension provisions appeared in other bills. The Legislature also passed a few provisions tangentially related to public pensions, such as lump sum payments to induce early retirement and retiree health care provisions.

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. This section includes several conforming changes relating to the merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into the Teachers Retirement Association (TRA). Since the MTRFA no longer exists, these changes are generally noted under the TRA portion of this section. 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 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. Included Employees Provision, Technical Changes. The MSRS included employee provision is revised by removing obsolete references and by clarifying that University of Minnesota employees are in the plan unless they are excluded by action of the Board of Regents. *Laws 2007, Ch. 134, Art. 2, Sec. 2. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
2. Excluded Employees Provision Changes. The MSRS excluded employee provision is revised by more clearly excluding independent contractors regardless of the payment arrangement; by removing obsolete language; by excluding interns from coverage; and by allowing coverage for teachers for incidental employment as a state employee not covered by a teacher retirement association. *Laws 2007, Ch. 134, Art. 2, Sec. 3. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
3. Allowable Service Provisions Changes: Revised Leave Service Credit Purchase Procedures. The MSRS allowable service credit provisions are revised by removing obsolete language relating to pre-1957 service and by creating new service credit payment procedures for leaves. If payment is made within one year, the payment is the sum of the employee and employer contribution amounts, plus monthly interest equivalent to 8.5 percent annual interest. If payment is made after one year, the individual must pay the full actuarial value. *Laws 2007, Ch. 134, Art. 2, Sec. 4-5. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
4. Surviving Spouse Term-Certain Provision Changes. The term-certain annuity for survivors of deceased former employees is revised by eliminating the five-year, term-certain option and by eliminating the requirement that payments not exceed 75 percent of the deceased employee's high-five average salary. *Laws 2007, Ch. 134, Art. 2, Sec. 6. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
5. Military Leave USERRA Provision Generalized. The USERRA (Uniformed Services Employment and Reemployment Rights Act of 1994)-compliant leave of absence provision is revised to clearly apply to all groups governed by Chapter 352 (MSRS-Correctional, MSRS-General, Military Affairs, Transportation Department Pilots, State Fire Marshals). *Laws 2007, Ch. 134, Art. 2, Sec. 7. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*

6. General Law Application Clarification. Section 352.951, Application of General Law, is clarified by stating that Chapter 352 (MSRS) applies to State Fire Marshal employees. *Laws 2007, Ch. 134, Art. 2, Sec. 8. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
7. MSRS-General Membership Authorized for Middle Management Association Employees. Middle Management Association employees who are first employed after July 1, 2007, are MSRS-General members even if they are not former state employees. *Laws 2007, Ch. 134, Art. 11, Sec. 6. Source: H.F. 2078 (Murphy, M.); S.F.1457 (Frederickson)*

Legislators Retirement Plan

1. Correction of Survivor Benefit Accrual Provision. Section 3A.05, the survivor benefit accrual provision, is revised to have the benefit accrue upon application or one year prior to the date of the application, whichever is later rather than whichever is earlier. This change ensures that the benefit can not accrue prior to the date of the qualifying death. *Laws 2007, Ch. 134, Art. 1, Sec. 1. Source: H.F. 1978 (Murphy, M.); S.F. 430 (Betzold)*
2. Revision of Annuity Application Provision. The annuity application provision is revised by removing obsolete or redundant language and by clarifying that an unreduced retirement annuity requires that the annuity commence no earlier than normal retirement age (age 62). *Laws 2007, Ch. 134, Art. 2, Sec. 1. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
3. Revision of Optional Annuity Provision. The optional annuity provision is revised to allow a surviving spouse of a former legislator who dies before age 55 to elect an optional annuity form, in lieu of the plan's automatic surviving spouse benefits, when the former legislator would have reached age 55. The provision is effective retroactively to include a former legislator who died on March 5, 2007. *Laws 2007, Ch. 134, Art. 2, Sec. 2. Source: Betzold Amendment*
4. Optional Division of Retirement Allowance. Notwithstanding a prohibition against payment of a pension benefit representing a division of marital property before the former public employee applies for a pension, a portion of a former legislator's benefit as specified in the decree can be paid to the ex-spouse when the former legislator reaches age 62 (the normal retirement age for the plan), even if the former legislator has not applied for a benefit. When the former legislator does begin drawing benefit, the present value of the benefit paid or payable to the ex-spouse must be deducted from the present value of the benefit payable to the former legislator. The present value calculations must include the impact of the combined service annuity provision, if applicable. The provision is retroactive to decrees rendered after September 2003. *Laws 2007, Ch. 134, Art. 2, Sec. 3. Source: H.F. xxx; S.F. 1762 (Betzold)*

Correctional State Employees Retirement Plan (MSRS-Correctional)

1. Correction of a 2006 Prior Coverage Transfer Provision. A 2006 prior coverage transfer provision is revised to correct a drafting error. *Laws 2007, Ch. 134, Art. 1, Sec. 14. Source: H.F. 1978 (Murphy, M.); S.F. 430 (Betzold)*
2. Correction of a 2006 Payment Due Date Provision. The payment due date in a 2006 Omnibus Retirement Bill is revised. As contained in the original omnibus bill, the required payments would have had to be made prior to the date those payments were authorized. *Laws 2007, Ch. 134, Art. 1, Sec. 15. Source: H.F. 1978 (Murphy, M.); S.F. 430 (Betzold)*
3. Revisions in Department of Corrections Covered Positions. Four Department of Corrections occupational titles (chemical dependency counselor supervisor, general maintenance worker, laundry coordinator, and water treatment plant operator) are removed from plan coverage and two Department of Corrections occupational titles (corrections program therapist 4 and plant maintenance engineer lead) are added to plan coverage. *Laws 2007, Ch. 134, Art. 3, Sec. 1. Source: Source: H.F. 1911 (Murphy, M.); S.F. 937 (Betzold)*
4. Correction of Department of Human Services Covered Position Title. An occupational title for the residential program lead position in the Department of Human Services, Minnesota Extended Treatment Options Program, is corrected. *Laws 2007, Ch. 134, Art. 3, Sec. 2. Source: H.F. 1912 (Murphy, M.); S.F. 423 (Betzold)*
5. Revision in Department of Human Services Covered Positions. One Department of Human Services Security Hospital or Sex Offender Program occupational position (office and

administrative specialist senior) is removed from plan coverage and nine Department of Human Services Security Hospital or Sex Offender Program occupational positions (certified occupational therapy assistant 1, certified occupational therapy assistant 2, customer services specialist principal, human services support specialist, licensed alcohol and drug counselor, management analyst 3, recreation therapist lead, security supervisor, and special education program assistant) are added to plan coverage. *Laws 2007, Ch. 134, Art. 3, Sec. 3. Source: H.F. 1912 (Murphy, M.); S.F. 423 (Betzold)*

6. Department of Corrections Review Committee Must Identify Eligible Past Service. If the Department of Corrections position inclusion review committee recommends a position for the MSRS-Correctional, the committee must also identify eligible past service that should be allowed to transfer. *Laws 2007, Ch. 134, Art. 3, Sec. 4. Source: H.F. 1911 (Murphy, M.); S.F. 937 (Betzold)*
7. Past Service Transfer Requirements. This is a new section specifying procedures to be used when transferring past service from MSRS-General to MSRS-Correctional for positions identified for inclusion under MSRS-Correctional. These procedures will be used for employees transferred to MSRS-Correctional under 2006, 2007, or future legislation. *Laws 2007, Ch. 134, Art. 3, Sec. 5. Source: Amendment to H.F. 1911 (Murphy, M.); S.F. 937 (Betzold); and H.F. 2363 (Murphy, M., by request); S.F. 2020 (Prettner Solon)*
 - If the employee is transferred to MSRS-Correctional before July 1, 2007, the procedure to transfer past service keeps MSRS-General whole but may not fully compensate MSRS-Correctional for the added liabilities. For the applicable past service the member must pay the member contribution rate differential (the difference between the MSRS-General employee contribution that was paid and the employee contribution that would have been made to MSRS-Correctional if that plan had covered that past service), plus 8.5 percent compound interest. If that payment is made, the employer must pay the equivalent employer contribution rate differential, plus 8.5 percent compound interest. In addition to these employee and employer payments, assets will transfer from MSRS-General in an amount equal to the funded portion of the present value of benefits earned for that service in MSRS-General.
 - For transfers that occur on or after July 1, 2007, MSRS-General is left unharmed and MSRS-Correctional is made whole by requiring payment of the full actuarial value. To transfer the past service credit, MSRS will compute the full actuarial value of the service credit transfer in MSRS-Correctional. From this amount, MSRS will subtract the employee and employer payment, with interest, and the asset transfer from MSRS-General, as described above. The remainder, if positive, must be paid to MSRS-Correctional through additional payments to be shared on a 40 percent employee/60 percent employer basis.
8. Special Law Provision: Stores Clerk Past Service Credit Transfer. An individual with service as a stores clerk from 1990 to 1994 at the Minnesota Correctional Facility-St. Cloud is authorized to transfer that past service from MSRS-General to MSRS-Correctional using the process specified above. *Laws 2007, Ch. 134, Art. 3, Sec. 6. Source: H.F. 2279 (Doty); S.F. 2027 (Koering)*

Unclassified State Employees Retirement Program (MSRS-Unclassified)

1. Included Employee Provision Technical Changes. The MSRS-Unclassified included employee provision is revised by removing references to employing units that no longer exist and by listing in the provision groups that had been added to the plan by prior special or general law but which had not been listed in the included employee provision. These include employees of Minnesota Technology Incorporated (MTI); the Agricultural Utilization Research Institute (AURI); Minnesota State Colleges and Universities System (MnSCU) faculty or eligible MnSCU unclassified administrators who were employed by the former state university or community college system prior to May 1, 1995, and who elected MSRS-Unclassified coverage; and MnSCU employees employed in state service prior to July 1, 1995, and who were subsequently employed in an eligible MnSCU unclassified administrative position. *Laws 2007, Ch. 134, Art. 2, Sec. 10. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*
2. Limited Post-Termination Transfers to General Plan Authorized. Individuals eligible to transfer from MSRS-Unclassified to the MSRS-General (MSRS-Unclassified members with at least ten years of covered service) are permitted to transfer to MSRS-General up to one month after termination of service rather than prior to termination of service. *Laws 2007, Ch. 134, Art. 2, Sec. 11. Source: H.F. 1139 (Murphy, M., by request); S.F. 629 (Betzold)*

