



TO: Members of the Legislative Commission on Pensions and Retirement
 FROM: Ed Burek, Deputy Director *EB*
 RE: Summary of 2008 Legislative Session Pension Legislation
 DATE: July 1, 2008

This memo summarizes the 2008 Legislative Session pension provisions. Nearly all of the pension provisions passed in the Omnibus Retirement Bill, H.F. 3082 (Murphy, M.), enacted as Laws 2008, Chapter 349, but a few pension-related provisions appeared Revisor's bills or in other substantive bills.

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 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. Conforming Revision: Death While Active or Deferred Surviving Spouse Benefit Provision. Consistent with the revised M.S., Sec. 356.46, making joint-and-survivor optional annuities mandatory unless waived by the spouse, the MSRS-General death while active or deferred surviving spouse benefit provision (M.S., Sec. 352.12, Subd. 2) is revised to require spousal consent for any employee request that a survivor benefit be paid to a designated beneficiary other than the spouse. *Laws 2008, Ch. 349, Art. 4, Sec. 1. Source: H.F. 2451 (Nelson); S. F. 2266 (Wergin)*
2. Coverage for Minnesota Government Engineers Council Employees. The included employee provision is revised to provide coverage to Minnesota Government Engineers Council employees. *Laws 2008, Ch. 349, Art. 5, Sec. 1. Source: Commission amendment (Betzold)*
3. MSRS Leave of Absence Service Credit Purchase Methodology Provision Revised. The MSRS-General service credit for leaves of absence purchase provision is revised to also cover situations where the individual terminates employment during or at the end of a leave. In such cases, the individual is authorized to purchase the leave period, or portion of the period, as applicable, within 30 days of termination. *Laws 2008, Ch. 349, Art. 5, Sec. 2. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
4. MSRS Duties and Powers of MSRS Board Provision Reorganized. The MSRS duties and powers of the board provision is organized into paragraphs and language dealing with the employment classification of the executive director and assistant director is moved to the executive director provision. *Laws 2008, Ch. 349, Art. 5, Sec. 3. Source: Amendment to H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
5. MSRS Executive Director Provision Revised. The MSRS executive director provision is revised by moving language into this provision dealing with the executive director and assistant director employment classifications and salaries. *Laws 2008, Ch. 349, Art. 5, Sec. 4. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
6. MSRS Miscellaneous Refund Provision Revised by Removing Application Delay Requirement. A miscellaneous refund provision (M.S., Sec. 352.22, Subd. 10) dealing with those who shift coverage to other plans is revised by removing a requirement that a refund application can not be made until 30 days have elapsed since termination of MSRS-General plan coverage, making the provision consistent with other MSRS refund provisions which no longer have a delay requirement. *Laws 2008, Ch. 349, Art. 5, Sec. 5. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*

7. MSRS-General to MSRS-Correctional Past Service Credit Transfer Provision Clarified. The post-June 30, 2007, provision for transferring past coverage in situations where a position has been transferred from MSRS-General to MSRS-Correctional is clarified and reorganized, without changing the combined total amount of the required transfer in order to keep both MSRS-General and MSRS-Correctional unharmed. *Laws 2008, Ch. 349, Art. 5, Sec. 6.* *Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
8. Revisor Bill: Technical Corrections to MSRS-General Provisions. Three technical corrections to MSRS-General provisions appeared in a Revisor's Bill, as follows:
 - M.S., Sec. 352.01, Subd. 2b, the excluded employee provision, is revised by correcting a citation.
 - M.S., Sec. 352.03, Subd. 11, a legal advisor provision, is revised by correcting a cross-reference.
 - M.S., Sec. 352.119, Subd. 3, a benefit escalation provision, is revised by removing a cross reference to a repealed provision.

Laws 2008, Ch. 277, Art. 1, Sections 73 to 75. Source: H.F. 3928 (Olin); S.F. 3674 (Moua)

Correctional State Employees Retirement Plan (MSRS-Correctional)

1. Conforming Revision: Death While Active or Deferred Surviving Spouse Benefit Provision. Consistent with the revised Section 356.46, making joint-and-survivor optional annuities mandatory unless waived by the spouse, the MSRS-Correctional death while active or deferred surviving spouse benefit provision (M.S., Sec. 352.931, Subd. 1) is revised to require spousal consent for any employee request that this spousal coverage provision not apply and that a benefit should instead be paid to a designated beneficiary other than the spouse. *Laws 2008, Ch. 349, Art. 4, Sec. 2. Source: H.F. 2451 (Nelson); S.F. 2266 (Wergin)*
2. MSRS-General to MSRS-Correctional Past Service Credit Transfer Provision Clarified. The post-June 30, 2007, provision for transferring past coverage in situations where a position has been transferred from MSRS-General to MSRS-Correctional is clarified and reorganized, without changing the combined total amount of the required transfer in order to keep both MSRS-General and MSRS-Correctional unharmed. *Laws 2008, Ch. 349, Art. 5, Sec. 6.* *Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
3. Positions Added to Correctional Plan. The positions "general maintenance worker lead" and "painter lead" are added to the positions eligible for Correctional Plan coverage providing the employee has at least 75 percent inmate or patient contact. The painter lead position is placed in the plan for prospective service only. An eligible individual or individuals in the general maintenance worker lead position are authorized to have MSRS-Correctional coverage back to December 1, 2007, if the individual elects that retroactive coverage and makes the contributions necessary to have that service transferred from MSRS-General to MSRS-Correctional. *Laws 2008, Ch. 349, Art. 6, Sec. 1-2. Source: H.F. 3082 (Murphy, M.); S.F. 2720 (Betzold)*

Unclassified State Employees Retirement Program (MSRS-Unclassified)

1. MSRS Unclassified Program Surviving Spouse Term Certain Annuity Authority Revised. The MSRS-Unclassified surviving spouse death while active or deferred term certain provision is revised by removing authority to provide five- or six-year term certain annuities, and by authorizing payment of a ten-year term certain annuity, consistent with revisions made in other MSRS and PERA plans in recent years. *Laws 2008, Ch. 349, Art. 5, Sec. 13. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
2. Maximum Annual Contribution Limitation Provision Created. For federal compliance purposes, a maximum annual contribution limitation provision is added to Chapter 356, stating that for the PERA Defined Contribution Plan and MSRS-Unclassified, total annual contributions can not exceed 100 percent of compensation, or \$40,000 as adjusted for inflation by the Secretary of the Treasury, whichever is less. *Laws 2008, Ch. 349, Article 5, Section 34. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
3. Special Law: State Lottery Employee Marital Property Division. A state lottery employee born on July 19, 1953, may elect to have that person's MSRS-Unclassified account divided as provided in a marital property division decree, prior to the date the individual terminates state

employment. If the election is made, the spouse of the eligible employee may withdraw the cash value allocated to that former spouse or elect to leave that amount on deposit in the Supplemental Investment Fund. The lottery employee, if he or she later chooses to transfer coverage to MSRS-General, will receive prorated service credit based on the share of the account remaining after the division of MSRS-Unclassified assets. *Laws 2008, Ch. 349, Art. 16, Sec. 11. Source: Commission amendment LCPR08-027 (Kahn)*

B. Public Employees Retirement Association (PERA)

General Employee Retirement Plan (PERA-General)

1. Conforming Change: PERA Optional Annuity Form Authorization Provision. Consistent with new mandatory joint-and-survivor requirements unless waived by the spouse (Minnesota Statutes, Section 356.46, as revised) the PERA optional annuity form authorization provision and death while active or deferred surviving spouse benefit provision are revised to require a joint-and-survivor annuity unless waived by the spouse. *Laws 2008, Ch. 349, Art. 4, Sec. 3-4. Source: H.F. 2451 (Nelson); S. F. 2266 (Wergin)*
2. Revised Excluded Employee Provision. The PERA excluded employee provision is revised by clarifying that the exclusion of physicians and pharmacists serving in degree, intern, or residency programs includes those working in clinics, and not just in hospitals. *Laws 2008, Ch. 349, Art. 5, Sec. 14. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
3. Revised Salary Definition. The PERA definition of salary is revised by:
 - Clarifying that salary includes employer contributions to certain supplemental plans (laborers industrial pension fund, plumbers and pipefitters pension fund, and international union of operating engineers) if all contributions to the supplemental plan must be made by the employer and if an agreement between the parties establishes that the contribution will either result in a mandatory reduction of the employee's wage or is in lieu of additional wages; and
 - Stating that salary does not include amounts paid from a federal or state grant which specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions are made from other unrestricted sources.*Laws 2008, Ch. 349, Art. 5, Sec. 15. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
4. Revised Termination of Public Service Definition. The PERA termination of public service definition is revised by stating that a termination is not valid if, prior to termination of service, the member has a verbal or written agreement to return to a government subdivision as an employee, independent contractor, or employee of an independent contractor. *Laws 2008, Ch. 349, Art. 5, Sec. 16. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
5. Leave of Absence Service Credit Purchase Methodology Provision Revised. The PERA leaves of absence service credit purchase provision is revised by basing the salary used to compute contributions on the average monthly salary during the six months prior to the leave, rather than the hourly salary rate upon return from the leave; by permitting payment within 30 days of termination if an individual terminates rather than returning from a leave; and by requiring that in cases where a full actuarial value payment is required (situations where the payment is not made within one year of the end of the leave), payment can not be made after termination of service. *Laws 2008, Ch. 349, Art. 5, Sec. 18. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
6. Clarification of Permissible Payment Period, Periods Before Initial Coverage Date. A clarifying statement is added to PERA's provision covering purchases of service for eligible periods prior to the date an entity receives written notice that its members must be covered by PERA, stating that, notwithstanding language in the full actuarial value service credit purchase methodology provision, payment for a service credit purchase may be made any time before termination of service. *Laws 2008, Ch. 349, Art. 5, Sec. 20. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*
7. Revision in Workers' Compensation Benefit Coordination Provision. Workers' compensation permanent partial disability payments and retraining payments may not be offset from PERA-General disability payments. *Laws 2008, Ch. 349, Art. 5, Sec. 21. Source: H.F. 3798 (Murphy, M.); S.F. 3324 (Betzold)*

