



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Ed Burek, Deputy Director EB
RE: Summary of 2012 Legislative Session Pension Legislation
DATE: June 29, 2012

This memo summarizes the 2012 legislative session pension provisions. Nearly all were contained in the Commission's omnibus pension bill which was passed as Laws 2012, Chapter 286.

The memo is divided into three major sections:

- I. **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 retirement plans, local police and paid fire retirement plans, or volunteer firefighter retirement plans.
- II. **General Pension Provisions** summarizes pension legislation applying to all public plans or to miscellaneous plan groupings.
- III. **Miscellaneous Provisions** mentions legislation which 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. Plans Governed by the Minnesota State Retirement System (MSRS)

General State Employees Retirement Plan (MSRS-General)

1. Minnesota Sports Facilities Authority Employees Pension Coverage. This provision appeared in the Vikings stadium bill. Employees of the Minnesota Sports Facilities Authority are added to the MSRS-General included employee provision.
– Laws 2012, Ch. 299, Article 1, Section 8. Source: HF 2958 (Lanning); SF 2469 (Rosen).
2. Allowable Service Provision, Correction of Cross-References. This provision was in the Revisor's bill correcting errors in prior legislation. Certain cross-references are corrected in language specifying how to treat part-time service that would result in duplicate service credit.
– Laws 2012, Ch. 187, Art. 1, Sec. 59. Source: HF 2770 (Wardlow); SF 2060 (Limmer).

Correctional State Employees Retirement Plan (MSRS-Correctional)

1. METO Program Renamed. The Minnesota Extended Treatment Options Program (METO) is renamed the Minnesota Specialty Health System-Cambridge.
– Laws 2012, Ch. 286, Art. 3, Sec. 1, 4. Source: House Ways & Means and Senate Gov Ops amendments.
2. Addition to Membership: Psychiatric Advance Practice Registered Nurse. The position of psychiatric advance practice registered nurse is added to the plan.
– Laws 2012, Ch. 286, Art. 3, Sec. 2. Source: HF 2199 (Lanning); SF 1808 (Rosen).
3. Correcting Position Titles: Various Program Therapist Positions. Corrections program therapist 1, 2, 3, and 4 positions in the plan are renamed clinical program therapist 1, 2, 3, and 4.
– Laws 2012, Ch. 286, Art. 3, Sec. 3. Source: HF 2199 (Lanning); SF 1808 (Rosen).
4. Positions Added to the Department of Human Services Personnel Membership Provision. Occupation titles clinical program therapist 3 and 4 are added to the Department of Human Services membership provision.
– Laws 2012, Ch. 286, Art. 3, Sec. 5. Source: HF 2199 (Lanning); SF 1808 (Rosen).

Legislators Retirement Plan

1. Actuarial Report Amortization Procedure Revised. For the Legislators Retirement Plan, the amortization contribution requirement will be computed on a level dollar basis rather than as a level percentage of payroll.
– Laws 2012, Ch. 286, Art. 1, Sec. 2-3. Source: HF 1626 (Murphy, M.); SF 1367 (Daley).

Unclassified State Employees Retirement Program (MSRS-Unclassified)

1. MSRS-Unclassified to MSRS-General Transfer Provision Clarified. The MSRS-Unclassified to General Plan transfer provision is rewritten for clarity, including clarifying that those covered by the MSRS-Unclassified Plan who are first employed after June 30, 2010 are prohibited from transferred after the first seven years of service.
– *Laws 2012, Ch. 286, Art. 5, Sec. 1. Source: Commission Amendment H2199-20A.*
2. Account Withdrawal Procedure Provision Revision. In the Revisor's errors and omissions bill, extraneous wording is removed from an account withdrawal provision.
– *Laws 2012, Ch. 187, Art. 1, Sec. 60. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*

B. Plans Governed by the Public Employees Retirement Association (PERA)

General Employee Retirement Plan (PERA-General)

1. Allowable Service Provision Correction of Cross-Reference. A cross-reference is corrected in the PERA allowable service provision.
– *Laws 2012, Ch. 286, Art. 6, Sec. 1. Source: HF 2266 (Lanning); SF 1891 (Rosen).*
2. Vesting Provision Clarified. The PERA vesting provision is clarified by indicating that requirements for vesting apply to public employees who become members rather than members who become public employees.
– *Laws 2012, Ch. 286, Art. 6, Sec. 2. Source: Commission Amendment H2199-38A.*
3. MERF Division Account Employer Contributions Clarified. Dates are specified for MERF Division account employer contributions. The first half is payable before July 31 and the second before December 15. The amounts are to be based on official actuarial valuation results occurring 18 months earlier.
– *Laws 2012, Ch. 286, Art. 6, Sec. 3. Source: HF 2266 (Lanning); SF 1891 (Rosen).*
4. Seaway Port Authority of Duluth Employees Added to PERA. Current and future employees of the Seaway Port Authority of Duluth are added to PERA-General, and the port authority is made a PERA employing unit by adding that port authority to the PERA governmental subdivision. Current port authority employees may receive salary and service credit for past service with that employer by transferring the value of the person's defined contribution plan account to PERA, plus additional assets. If the transferred amounts are less than the full actuarial value of the past service, service credit will be prorated accordingly. Purchase of service periods prior to July 1, 1989, does not make the person eligible for a "Rule of 90" annuity.
– *Laws 2012, Ch. 286, Art. 13, Sec. 1-3. Source: HF 1377 (Murphy, M.); SF 1114 (Reinert).*
5. Special Law: Crookston Township Employee Permitted to Purchase 1990-2006 Service Credit. A certain employee of Crookston Township, who was treated by the township as an independent contractor but who should have been enrolled in PERA as a township employee, is authorized to obtain 17 years of additional allowable service credit from PERA-General by paying equivalent member contributions. Crookston Township is obligated to pay the balance of the full actuarial cost of the benefits obtained by the additional service credit. PERA is permitted to collect the employer obligation by certifying a property tax levy on Crookston Township to the Polk County auditor if the township declines to make the payment voluntarily. Payments may be spread over five years with interest on the deferred payments, but if the member terminates service during that five-year period the remaining balance must be paid in a lump sum.
– *Laws 2012, Ch. 286, Art. 13, Sec. 5. Source: HF 1627 (Murphy, M.); SF 1475 (Stumpf).*
6. Benefit Computation Provision for Former MERF Coordinated Members is Revised by Specifying Proper Statute Edition. This provision was in the Revisor's bill correcting errors in prior legislation. For former members of the Minneapolis Employees Retirement Fund (MERF) coordinated program who have not yet retired, a benefit computation provision is revised to specify that it is the 2008 edition of statutes (the edition in effect just prior to the merger of MERF into PERA) that will be used to determine benefits.
– *Laws 2012, Ch. 187, Article 1, Sec. 61. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*

PERA Privatized Employees Chapter (Chapter 353F)

1. Cedarview Care Center and Traverse Care Centers Added to Medical Facility Definition. Cedarview Care Center in Steele County and Traverse Care Center in Traverse County are

added to the definition of medical facility, making the privatized employees eligible for the treatment specified in the PERA privatization chapter.

– *Laws 2012, Ch. 286, Art. 7, Sec. 1. Source: HF 1167 (Smith); SF 1182 (Rosen).*

2. Reduction of Deferred Annuity Augmentation for Newer Privatizations. For PERA privatizations in 2011 or later, the deferred annuity augmentation rate will not exceed 2% per year, rather than 4% to age 55 and 6% thereafter. The 2% rate will apply if the privatization actuarial work indicates no net expected loss for PERA. If not, then the deferred annuity augmentation rate will be 1% if supported by the actuarial work.
– *Laws 2012, Ch. 286, Art. 7, Sec. 2. Source: HF 1759 (Smith); SF 1181 (Rosen).*
3. Privatization Refund Interest Rate Made Same as PERA-General Refund Rate. The refund interest rate under PERA privatizations will be the same as under PERA-General law (4% currently) rather than 6%.
– *Laws 2012, Ch. 286, Art. 7, Sec. 3. Source: Commission Amendment H1759-1A.*

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

1. Provision Governing Disability Benefits Payable If Workers' Compensation is Also Received is Clarified. The PERA-P&F disability benefits/workers' compensation provision is clarified by clearly indicating that the two benefits must be added. If, after reducing this total by attorney fees and other deductible amounts, the total exceeds the person's equivalent salary, the PERA-P&F disability amount must be reduced to eliminate the excess.
– *Laws 2012, Ch. 286, Art. 6, Sec. 4. Source: Commission Amendment H2266-3A.*
2. Guidelines Act: Removal of Certain Relief Associations Due to Merger/Consolidation. The covered-plans subdivision and relief association financial requirements subdivision in the Guidelines Act (M.S., Sec. 69.77) are revised by removing the Virginia Fire and Fairmont Police relief associations due to the merger of those organizations into PERA-P&F.
– *Laws 2012, Ch. 286, Art. 11, Sec. 1-2. Sources: HF 2028 (Gunther); SF 1633 (Rosen), and HF 215 (Rukavina); SF 106 (Tomassoni).*
3. Consolidation of Fairmont Police Relief Association into PERA-P&F. The Fairmont Police Relief Association is consolidated into PERA-P&F, with transfer of membership, records, assets, and liabilities to PERA-P&F. Benefits continue as before consolidation, except for an ad hoc 15.5% post-retirement adjustment to offset the elimination of the relief association 13th check mechanism. After that, post-retirement increases will be determined under PERA-P&F provisions. If the present value of future benefits exceeds the transferred assets, the city must make payments sufficient to amortize this net amount to PERA-P&F on a level dollar basis through December 31, 2020. If the present value of future benefits is less than the transferred assets, amounts will be paid to the city. The present value of future benefits amount must be computed using the investment interest rate changes enacted in 2012. The relief association terminates upon consolidation.
– *Laws 2012, Ch. 286, Art. 11, Sec. 4, 8. Source: HF 2028 (Gunther); SF 1633 (Rosen).*
4. Merger of the Virginia Fire Consolidation Account into PERA-P&F. The Virginia Fire consolidation account, created in 2011 by a consolidation of the Virginia Fire Relief Association with PERA under the consolidation procedure in Minnesota Statutes, Chapter 353A, is merged into PERA-P&F and the consolidation account assets and liabilities transfer to the PERA-P&F fund. Before September 1, 2012, benefit recipients are permitted to elect PERA-P&F post-retirement adjustments rather than those of the local plan. If the present value of future benefits exceeds the consolidation account asset value on the date of transfer to PERA-P&F, the amount necessary to cover that excess must be paid by the city to PERA-P&F on a level dollar basis by December 31, 2020. If assets exceed the present value of future benefits the excess assets are to be placed in a suspense account, with half distributed in 2013 as an ad hoc post-retirement adjustment. The remainder must be paid in the following year if the account's return exceeds the applicable PERA-P&F post-retirement interest assumption.
– *Laws 2012, Ch. 286, Art. 11, Sec. 5, 9. Source: HF 215 (Rukavina) and SF 106 (Tomassoni).*
5. Conforming Changes: Removal of Virginia Fire and Fairmont Police Provisions. References to the Fairmont Police Relief Association and the Virginia Fire consolidation account as they appear in statute and local law are stricken or repealed upon the termination of the relief associations.
– *Laws 2012, Ch. 286, Art. 11, Sec. 6, 7, 10. Sources: HF 2028 (Gunther); SF 1633 (Rosen), and HF 215 (Rukavina); SF 106 (Tomassoni).*

6. Special Law: Deceased Mahnomen County Sheriff; Payment to Surviving Spouse of Amount Equivalent to Forgone Disability Benefit. The widow of a Mahnomen County deputy sheriff who died one and one-half years after being shot while on duty, but who failed to apply for disability benefits, may apply to PERA to receive that benefit amount.
– *Laws 2012, Ch. 286, Art. 13, Sec. 6. Source: Commission Amendment H2199-45A.*
7. Benefit Computation Provision for Unmarried Members of the Consolidated Minneapolis Firefighters Relief Association; Clarified by Specifying Edition of Statutes. This provision was in the Revisor's bill correcting errors in prior legislation. The benefit computation provision for certain unmarried members of the Minneapolis Firefighters Relief Association, which was merged with PERA-P&F, is revised by stating the edition of Minnesota Statutes that will be used to determine the validity of the retirement application.
– *Laws 2012, Ch. 187, Art. 1, Sec. 62. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*
8. Post-Retirement Adjustment Provision for Consolidated Minneapolis Firefighters Relief Association Clarified by Specifying Edition of Statutes. In the Revisor's errors and omissions bill, the provision specifying post-retirement adjustment procedures for Minneapolis Firefighters Relief Association benefit recipients following the merger into PERA-P&F is revised by stating the edition of Minnesota Statutes applicable to optional annuities.
– *Laws 2012, Ch. 187, Art. 1, Sec. 63. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*
9. Minneapolis Firefighters and Minneapolis Police Relief Associations Fraternal Organization Approval Provisions Revised by Correcting a Cross-Reference. In the Revisor's errors and omissions bill, the Minneapolis Firefighters and Minneapolis Police relief association provisions authorizing continuation of the two relief associations as fraternal organizations following their respective mergers into PERA-P&F are revised by correcting cross-references.
– *Laws 2012, Ch. 187, Art. 1, Sec. 64- 65. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*
10. Correction of Local Approval Effective Date Provision in Minneapolis Police Relief Association Consolidation Legislation. In the Revisor's errors and omissions bill, a cross-reference to the Minneapolis Firefighters Relief Association consolidation in the Minneapolis Police Relief Association consolidation local approval clause is corrected.
– *Laws 2012, Ch. 187, Art. 1, Sec. 72. Source: HF 2770 (Wardlow); SF 2060 (Limmer).*

Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan (PERA-VSFP)

1. Additional Municipal Contributions Authorized. A new subdivision is added to the Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan funding provision, permitting the supporting municipality or firefighting corporation to make contributions in excess of requirements to the account.
– *Laws 2012, Ch. 286, Art. 12, Sec. 8. Source: HF 1168 (Smith); SF 854 (Bakk).*

C. Teachers Retirement Association (TRA)

1. Special Direct State Aid and Matching Aid Provisions Related to the Merged MTRFA are Moved to TRA Chapter. The special direct state aid matching aid provisions, which require the City of Minneapolis and the Minneapolis school district to each contribute \$1.25 million to TRA on behalf of the former Minneapolis Teachers Retirement Fund Association (MTRFA), to be matched by the state, and the additional contribution provision which requires the city and school district to pay an addition \$1 million annually, are moved from other statutory provisions into TRA's chapter. These aid provisions will be repealed when TRA becomes fully funded. Various sections or subdivisions where these aid provisions had appeared are revised by striking the aid language or by repeal.
– *Laws 2012, Ch. 286, Art. 8, Sec. 3, 6, 9, 10. Source: HF 1987 (Lanning); SF 1692 (Rosen).*
2. Contribution Shortage/Aid Shortage Recovery Provision. Recovery of deficient payment language is moved from Section 354.51, Subdivision 5, to New Section 354.512 and is made more general. In addition to any other remedies in law, the new provision states that if an employing unit fails to pay in full within 60 day any aid or contributions required to be remitted to TRA, the executive director may certify amount to the Commissioner of Management and Budget, who will withhold needed amounts from aid to the employing unit and transmit those amounts to TRA.
– *Laws 2012, Ch. 286, Art. 8, Sec. 4-5. Source: HF 1987 (Lanning); SF 1692 (Rosen).*

3. Revised Post-Retirement Adjustments for Those Recently Retired: Extended Prorated Adjustment Period. The TRA post-retirement adjustment procedure provision is revised by extending the period during which prorated rather than full adjustments will be paid. Rather than paying a prorated rather than a full adjustment to those who have been retired at least six months but less than 12 months, a prorated adjustment will be paid to those who have been retired at least six months but less than 18 months.
– *Laws 2012, Ch. 286, Art. 8, Sec. 8. Source: HF 1987 (Lanning); SF 1692 (Rosen).*
4. Redundant Minneapolis School District Aid Rededication Provision Repealed. Minnesota Statutes, Sec. 128D.18, an aid rededication provision for the Minneapolis school district made redundant by subsequent legislation, is repealed.
– *Laws 2012, Ch. 286, Art. 8, Sec. 10. Source: HF 1987 (Lanning); SF 1692 (Rosen).*
5. Special Law: MnSCU Faculty Member Permitted to Elect TRA Retroactive to Hire Date. A certain Minnesota State Colleges and Universities System (MnSCU) faculty member hired in 2005 is permitted to elect TRA retroactive to the hire date, because of an apparent MnSCU failure to inform the person of the right to elect TRA coverage during the first year of employment. If TRA coverage is elected, the person's IRAP account must transfer to TRA, and if that is less than the full actuarial value of the service credit, the remainder of the full actuarial value must be paid by MnSCU.
– *Laws 2012, Ch. 286, Art.13, Sec. 4. Source: Source: HF 1539 (Poppe); SF 1295 (Sparks).*

D. Local Police and Paid Fire Relief Associations

Legislation passed to merge the Fairmont Police Relief Association and Virginia Fire consolidation account into PERA-P&F. The provisions are described in the PERA-P&F portion of this memo.

E. Volunteer Fire Relief Associations

1. Relief Association Financial Report and Audit Provisions Revised. The financial report and audit requirement provisions applicable to small and large plans are revised by clarifying language, and by requiring the chief county financial officer to countersign relief association financial reports and audits if the relief association and fire department is outside of organized municipalities, and by eliminating an obsolete reference to "public accountant."
– *Laws 2012, Ch. 286, Art. 12, Sec. 2-3. Sources: HF 1554 (Murphy, M.); SF 928 (Rosen), and HF 2391 (Murphy, M.); SF 1952 (Rosen).*
2. Revision of Receipts/Disbursements Provision, Municipalities without Relief Associations. A provision requiring municipalities lacking relief associations to report fire protection receipts/disbursements to the State Auditor is revised by removing an obsolete requirement that the State Auditor forward a municipal fire state aid report to the applicable county. This change is consistent with the fire state aid procedure changes enacted in 1991.
– *Laws 2012, Ch. 286, Art. 12, Sec. 4. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*
3. Certification of Financial Requirements; Certification to Appropriate Entity. The lump sum plan and monthly plan provisions for certifying the minimum obligation of the supporting municipality are clarified and language is added to deal with situations where the plan is not associated with a municipality. If the relief association is associated with a joint powers entity, the certification will be made to the joint powers entity under the joint powers agreement or, if no provision, to the joint powers board chair.
– *Laws 2012, Ch. 286, Art. 12, Sec. 5-6. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*
4. Expansion of Authorized Expenses. The authorized administrative expense provision is expanded to include salary for all members of the board of trustees if the salary amounts are approved by the municipal or joint powers governing body; rather than just the president, secretary, and treasurer; and any governmental filing and application fees are made authorized expenses.
– *Laws 2012, Ch. 286, Art. 12, Sec. 7. Sources: HF 1554 (Murphy, M.); SF 928 (Rosen), and HF 2391 (Murphy, M.); SF 1952 (Rosen).*
5. Clarification of Relief Association Definition. The definition of "relief association" in the Volunteer Firefighters' Retirement chapter (M.S. Ch. 424A) is revised by stating that "relief association" also means "volunteer fire relief association," by indicating that a relief association may be associated with a joint powers entity rather than a single municipality, by restructuring

the provision, and by indicating that the term "relief association" does not mean the PERA Voluntary Statewide Lump-Sum Volunteer Firefighter Retirement Plan or the Bloomington Fire Department Relief Association.

– *Laws 2012, Ch. 286, Art. 12, Sec. 7. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*

6. Clarification/Specification of Benefit in Return-to-Service Situations. For firefighters who have a 60-day or greater break in firefighter service and return to service with the relief association, benefit procedures for defined benefit plans are clarified and procedures for defined contribution plans are newly specified. For defined contribution plans, if the returning firefighter has received a benefit, any new second benefit due to the new service can be paid upon termination of service if the person qualifies based only on the new service. If the returning firefighter did not qualify for a benefit based on prior service, and a combination of past and new service is required to meet minimum service requirements, upon subsequent termination of service a benefit may be paid based on the combination of past and new service, less amounts previously forfeited.
– *Laws 2012, Ch. 286, Art. 12, Sec. 10. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*
7. Defined Contribution Plan Installment Payment Provision Expanded by Extending the Treatment to Survivor Benefits. The defined contribution service pension installment payment election provision is expanded by extending that same treatment to survivor benefits.
– *Laws 2012, Ch. 286, Art. 12, Sec. 11. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*
8. Deferred Service Pension Provisions Revised. The defined contribution and defined benefit deferred service pension provisions are revised to permit persons who terminate after age 50 to defer the benefit; by clarifying that deferred service pensioners can include former volunteer firefighters who have been hired as full-time firefighters in the same department; and by specifying a default method for calculating interest amounts credited to deferred service pensions if the relief association bylaws do not specify a different interest credit method.
– *Laws 2012, Ch. 286, Art. 12, Sec. 12, 14. Source: HF 2391 (Murphy, M.); SF 1952 (Rosen).*
9. Defined Benefit Plan Service Pension Authorization Provision; Removal of Redundant Language. The defined benefit plan service pension authorization provision is revised by eliminating service pension payment exception language now found in another provision.
– *Laws 2012, Ch. 286, Art. 12, Sec. 13. Source: HF 2391 (Murphy, M.); SF 1952 (Rosen).*
10. Ancillary Benefit Limitation Provision Clarification. The ancillary lump sum benefit limitation statement (the total amount paid to a pensioner or designated survivors cannot exceed the service pension amount) is revised to also apply in cases where a plan offers an option of either a monthly pension or lump sum, and the lump sum is chosen.
– *Laws 2012, Ch. 286, Art. 12, Sec. 15. Sources: HF 1554 (Murphy, M.); SF 928 (Rosen), and HF 2391 (Murphy, M.); SF 1952 (Rosen)*
11. Consultant Use Provision; Removal of Obsolete Language. A provision requiring any relief association using a consultant to obtain a copy of the consultant's certificate of insurance is revised by removing an obsolete title, licensed public accountant, from the list of consultant types.
– *Laws 2012, Ch. 286, Art. 12, Sec. 16. Source: HF 1554 (Murphy, M.); SF 928 (Rosen)*
12. General Fund Asset and Revenue Provision Clarified. The provision is revised by clarifying that general fund revenue does not include any member dues payable to the special fund.
– *Laws 2012, Ch. 286, Art. 12, Sec. 17. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*

II. GENERAL PENSION PROVISIONS

This portion of the memo summarizes provisions applying to all pension plans or to various plan groups.

1. Police and Fire State Aid: Definition Subdivision Revisions.

Application: Recipients of police and fire state aid.

The definition of municipal clerk, clerk-treasurer, and county auditor in the police and fire state aid qualification provisions are revised. The definitions as applied to police state aid and police relief association financial reports are clarified. Those terms, for purposes of fire state aid and fire relief association purposes, is expanded. For governmental entities other than counties, the definitions of municipal clerk, clerk-treasurer, and county auditor are expanded to include the chief financial officer or the chief administrative official.

– *Laws 2012, Ch. 286, Art. 12, Sec. 1. Source: HF 1554 (Murphy, M.); SF 928 (Rosen)*

2. Removal of Obsolete Language: Actuarial Value of Assets.
Application: MSRS, PERA, TRA, and first class city teacher plans.
 The definition of actuarial value of assets for actuarial valuations is revised by removing obsolete phase-in language which had been applicable to actuarial valuations prior to 2012.
 – *Laws 2012, Ch. 286, Art. 1, Sec. 1. Source: HF 2168 (Lanning); SF 2012 (Rosen).*

3. Resetting Interest, Salary, and Payroll Growth Assumptions.
Application: MSRS, PERA, TRA, and first class city teacher plans.
 Minnesota Statutes, Sec. 356.215, Subdivision 8, the interest and salary assumption provision applicable to MSRS, PERA, TRA, and first class city teacher plans, is revised by clarifying the provision and removing obsolete language. Substantive changes were also made, as follows:
 - In recognition that there is no pension fund for the Legislators Retirement Plan and the Elective State Officers Retirement Plan, the pre-retirement interest rate for those plans is revised from 8.5% to zero, and the post-retirement assumption is changed from 6.0% to -2.0% until June 30, 2040 (because of presumed 2.0% annual post-retirement increases), and -2.5% thereafter;
 - For all other MSRS, PERA, and TRA plans, the interest rate assumptions are temporarily reduced. The pre-retirement interest assumption will be 8.0% rather than 8.5% through June 30, 2017, and the post-retirement interest assumption will be 5.5% rather than 6.0% through that date;
 - The Duluth Teachers Retirement Fund Association (DTRFA) and St. Paul Teachers Retirement Fund Association (SPTRFA) pre-retirement and post-retirement interest rate assumptions are temporarily reduced from 8.5% to 8.0% through June 30, 2017;
 - The Judges Retirement Plan salary increase assumption is reduced from 4.0% per year to 3.0%;
 - The Local Government Correctional Service Retirement Plan (PERA-Correctional) plan ultimate future age related salary increase assumption is revised by increasing the assumption for ages prior to age 27 and decreasing the assumption for those age 29 and older;
 - The State Patrol Retirement Plan and MSRS-Correctional will use service related ultimate salary increase assumptions rather than age related assumptions;
 - MSRS-General and PERA-General service-related ultimate salary increase assumptions are reduced for all years of service, and
 - Payroll growth assumptions for the MSRS-Correctional, the State Patrol Retirement Plan, and PERA-Correctional are reduced from 4.5% to 3.75%; and the Judges Retirement Plan payroll growth assumption is reduced from 4.0 to 3.0%.
 – *Laws 2012, Ch. 286, Art. 1, Sec. 2; Art. 8, Sec. 7. Sources: HF 2168 (Lanning); SF 2012 (Rosen), and HF 1087 (Lanning); SF 1692 (Rosen).*

4. Commissioner of Management and Budget Required Report on Adequacy of Pension Plan Funding.
Application: MSRS, PERA, TRA, and first class city teacher plans.
 Following the end of the legislative session in each budget year, the Commissioner of Minnesota Management and Budget must report on the adequacy of state retirement aids and employee and employer contributions in meeting pension plan contribution requirements as computed by the actuary for all MSRS and PERA defined benefit plans, TRA, and the first class city teacher plans. The report must also include information on unfunded liability, actuarial value, market value, funding ratios, plan participants, post-retirement adjustments, interest rate assumptions and investment performance, plan normal retirement age, amortization target date, and various other information. The information must be provided to the Legislature and be available on the department web page.
 – *Laws 2012, Ch. 286, Art. 2, Sec. 1. Source: Commission Amendment H2199-31A, based on HF 2264 (Banaian); SF 2192 (Chamberlain).*

5. PERA to Study Minimum Salary Thresholds.
 PERA must study the issue of minimum salary thresholds for membership in PERA plans including the impact of alternative thresholds on plan actuarial condition and funding requirements. PERA will report its findings and recommendations to the Commission before February 15, 2013.
 – *Laws 2012, Ch. 286, Art. 6, Sec. 5. Source: Commission Amendment H2199-8A, related to HF 2360 (O'Driscoll); SF 2031 (Rosen).*

6. Internal Revenue Code Compliance Provisions.
 - Revision of Compensation Limits for Pension Purposes. For all plans, any wage differential payment must be treated as compensation for purposes of determining whether wages for pension purposes have been exceeded. Differential wage payments are payments by the state or local public employer while that employee is on military active duty, representing some portion of the salary that the person would have received from the state or local public employer if the active duty had not occurred.
 - Revision of Maximum Benefit Limitation Provision. For all plans, if an annuitant participated in more than one pension plan maintained by the same employer, the benefits under each plan must be reduced proportionately to satisfy any applicable maximum benefit limitation.

- Revision of Maximum Annual Limitation for Defined Contribution Plans. The defined contribution plan maximum annual addition limitation provision is clarified, and it is expanded to cover all defined contribution plans rather than just MSRS-Unclassified and the Higher Education Individual Retirement Account Plans (IRAP).
 - Revision of Compensation Definition Provision. The federal code compliance compensation definition provision is revised by clarifying that compensation for pension plan purposes must not exceed compensation limits for pension plan purposes as set in applicable federal treasury regulations, and by removing all statements specifying compliance with federal code.
 - New Subdivision Defining “Limitation Year,” created by moving language from another provision, defines “limitation year” as the plan’s calendar year of fiscal year, whichever is applicable.
 - Roth IRAs are added to the definition of “eligible retirement plans.”
 - Military Service Subdivision Revised. The military service subdivision of the Internal Revenue Code compliance provision is revised by requiring that any pension plan death or disability benefits must be offered and computed consistent with requirements of Section 414(u) of the Internal Revenue Code. The revision is retroactive to January 1, 2007.
- *Laws 2012, Ch. 286, Art. 9. Source: HF 1987 (Lanning); SF 1692 (Rosen).*

7. SBI Annual Reporting Requirement Provision.

A State Board of Investment annual reporting provision is revised by eliminating a requirement to include financial statements for funds managed by SBI.

– *Laws 2012, Ch. 286, Art. 10, Sec. 1-2. Source: Commission Amendment H1555-19A.*

8. SBI Investment Authority Revisions.

The State Board of Investment authorized investment provision is revised by:

- Permitting SBI to use mutual funds without limit and adding new authority to use exchange-traded funds without limit;
- Clarifying the United States and Canadian government debt investment authority subdivision and removing obsolete language;
- Clarifying the United States and Canadian corporate bond investment authority subdivision, including revising the limit on below-investment grade bonds to not exceed 5% of the fund based on market value, rather than market or book value, whichever is greater;
- Clarifying the miscellaneous debt investments provision;
- Clarifying the domestic stock provision, and moving the existing limitation on equity and equity-like investments to a new subdivision;
- Revising the venture capital language to permit “equity and debt” investment businesses through limited partnership, trusts, private placements, and similar arrangements, rather than “venture capital” investment businesses through those arrangements; and
- Clarifying the asset manager cost appropriation language provision.

– *Laws 2012, Ch. 286, Art. 10, Sec. 3. Source: HF 1555 (Murphy, M.); SF 927 (Rosen).*

9. Expanded List Plan Investment Authority Revised.

The expanded list investment authority provision is revised as follows:

- Obsolete language is removed;
- Expanded list volunteer fire plans are permitted to invest in below-investment grade bonds;
- Investments in closed-end mutual funds are authorized (and a 20% ownership interest maximum is placed on any closed-end mutual fund and in any real estate investment trust);
- The “other investments” provision is revised to be substantively identical to the SBI provision;
- Expanded list volunteer fire plans are restricted to have no more than 15% of the portfolio devoted to emerging market equity and foreign debt; and
- Statements are added clarifying that the pension fund’s asset mix must not exceed 85% in equity/equity-like investments, including any investments in the SBI Supplemental Fund.
- Language permitting investing in the SBI Supplemental Fund is moved to this provision from other sections. Investment authority sections for police and paid fire, volunteer fire, and first class city teacher plans are revised by striking mutual fund and junk bond authority language which is moved to the expanded list plan investment authority provision.

– *Laws 2012, Ch. 286, Art. 10, Sec. 4-6, 11. Source: HF 1555 (Murphy, M.); SF 927 (Rosen).*

10. Limited List Plan Investment Authority Revised.

The volunteer fire limited list investment authority provision is revised as follows:

- The criteria for inclusion as a limited list plan are based on market value rather than book value;
- A new paragraph is added authorizing pension plan governing boards to select and appoint investment authorities to act on their behalf (language is moved here from local police and paid fire, volunteer fire, and first class city teacher plan investment authority provisions);

- The authorized debt investments are expanded to be more similar to that permitted by expanded list plans, including permitting investments in high-grade guaranteed investment contracts; modernizing criteria defining permitted government-backed securities and permitting investment in similar Canadian securities; eliminating criteria based on multi-year pre-tax earnings for permitted corporate debt obligations and replacing it with a requirement that the securities be rated as investment-grade by a nationally recognized ratings agency;
- Permitted investments may be made through ETFs;
- Language, permitting limited list plans to invest in assets authorized for expanded list plans (other than miscellaneous “other investments” found in the expanded list provision, if the investment is through a mutual fund), is moved to this provision. Authority is expanded by permitting authorized investments to be made using ETFs;
- Existing law authority to make investments in the SBI Supplemental Fund is moved to the limited list provision; and
- The permitted pension fund asset mix maximum of 85% in equity/equity-like investments is clarified, and equity and equity-like investments through the SBI Supplemental Fund must be included in this maximum.

– *Laws 2012, Ch. 286, Art. 10, Sec. 5, 11. Source: HF 1555 (Murphy, M.); SF 927 (Rosen).*

11. Investment Performance Reporting Law; Removal of Self-Directed Defined Contribution Plans.

A provision requiring pension funds to report investment performance information to the State Auditor is revised by eliminating employee-directed defined contribution plans from the reporting requirement.

– *Laws 2012, Ch. 286, Art. 10, Sec. 7. Source: Commission Amendment H1555-39A.*

12. Investment Performance Reporting Law; Removal of Inappropriate Plans from Reporting Requirement.

Minnesota Statutes, Sec. 356.219, Subdivision 8, specifying the timing for reporting investment performance information to the State Auditor is revised by removing employee-directed defined contribution plans and two plans that no longer exist (MTRFA and MERF), and another subdivision specifying alternative reporting requirement for these removed plans is repealed.

– *Laws 2012, Ch. 286, Art. 10, Sec. 8, 13. Source: Commission Amendment H1555-39A.*

13. Uncoded Provision: Liquidation of Impermissible Assets.

Any assets, if any, which were permissible investments but which are no longer permitted due to investment authority changes in 2012 laws, must be liquidated by June 30, 2013.

– *Laws 2012, Ch. 286, Art. 10, Sec. 8, 13. Source: HF 1555 (Murphy, M.); SF 927 (Rosen)*

14. Public Pension Fiduciary Responsibility Chapter Definition of Pension Fund: Clarification.

For clarity, for any relief association the term “pension fund” in the Public Pension Fiduciary Responsibility Chapter, Minnesota Statutes, Chapter 356A, mean relief association special fund.

– *Laws 2012, Ch. 286, Art. 10, Sec. 8. Source: HF 1554 (Murphy, M.); SF 928 (Rosen).*

III. MISCELLANEOUS PROVISIONS

This section covers miscellaneous legislation which may impact plan active members or retirees, but which does not clearly fall into the domain of pension plan legislation.

1. Special Law: Delay in Experience Studies.

The next MSRS-General, PERA-General, and TRA experience studies will be delayed until 2015 and will cover six years of data rather than four.

– *Laws 2012, Ch. 286, Art. 1, Sec. 4. Source: Commission Amendment H2199-50A.*

2. Updating Commissioner of Minnesota Management and Budget First Class City Teacher Plan Aid Reporting Law.

A provision requiring the Commissioner of Minnesota Management and Budget to report first class city teacher plan aid amounts to the Senate Finance and House Ways and Means committees is revised to include reporting aid paid to TRA on behalf of the former MTRFA.

– *Laws 2012, Ch. 286, Art. 8, Sec. 1. Source: Commission Amendment H1987-6A.*

3. MSRS Health Care Savings Plan Modifications.

The MSRS Health Care Savings Plan is revised by:

- Specifying that the assets in an account may be used after retirement or as specified in the plan document, rather than after retirement or during active employment;
- Specifying that any assets remaining after the death of the participant and the spouse must be used for healthcare expenses by living persons designated by the personal representative of the estate; and
- Establishing an administrative fee account, funded by fees in excess of current plan needs, with a balance not to exceed one year’s expected fees.

– *Laws 2012, Ch. 286, Art. 4, Sec. 1-4. Source: HF 2265 (Lanning); SF 1890 (Rosen).*