



**H.F. 1911**  
(Murphy, M.)

**S.F. 937**  
(Betzold)

**Executive Summary of Commission Staff Materials**

*Affected Pension Plan(s):* MSRS-Correctional  
*Relevant Provisions of Law:* Minnesota Statutes, Section 352.91, Subdivisions 3d and 4b  
*General Nature of Proposal:* Adds additional Department of Corrections employees to plan coverage  
*Date of Summary:* April 23, 2007

**Specific Proposed Changes**

- Adds two occupational titles, involving nine State Department of Corrections employees to the MSRS-Correctional Plan.
- Permits the transfer of MSRS-General service credit to MSRS-Correctional for past correctional service.

**Policy Issues Raised by the Proposed Legislation**

1. Adequacy of the assessment/determination process.
2. Extent of actual inmate/patient/client contact in the recommended inclusions.
3. Extent of compliance with other historic MSRS-Correctional coverage requirements
4. Appropriateness of inclusion in light of lack of transfer recommendations in 1996, 1998, 1999, and 2006.
5. Appropriateness of the elimination of laundry coordinator position from MSRS-Correctional membership.
6. Actuarial condition of MSRS-Correctional.
7. Budget impact on department from coverage transfers.
8. Appropriateness of retroactive coverage for past position service.

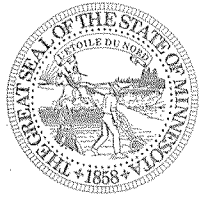
**Potential Amendments**

H1911-1A (substantive) addresses MSRS-Correctional contribution deficiency with contribution increases over current phase-in period.

H1911-2A (substantive) addresses MSRS-Correctional contribution deficiency with additional two-year extension to the current phase-in period.

H1911-3A (substantive) allows transfer of prior correctional service credit to MSRS-Correctional from MSRS-General with additional member contribution payment.

H1911-4A (substantive) adds additional employer contributions to prior service credit transfer payment obligation.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director *JAM*

RE: H.F. 1911 (Murphy, M.); S.F. 937 (Betzold): MSRS-Correctional; Including Additional Department of Corrections Employees in Plan Coverage

DATE: April 23, 2007

Summary of H.F. 1911 (Murphy, M.); S.F. 937 (Betzold)

H.F. 1911 (Murphy, M.); S.F. 937 (Betzold) amends Minnesota Statutes, Section 352.91, Subdivisions 3d and 4b, portions of the statutes governing the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) that define the employment positions with the Department of Corrections that are covered by the plan, by adding the positions of corrections program therapist ( \_\_ employees) and plant maintenance engineer lead (one employee) by requiring the department review committee to evaluate eligible prior service credit for potential transfer to MSRS-Correctional; and by providing for past service credit transfers for 2006 and 2007 newly included personnel who desire to do so.

Background Information

- a. MSRS-Correctional Retirement Plan. Background information on the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) is contained in Attachment A.
- b. Department of Corrections Facilities with MSRS-Correctional Plan-Covered Employees. Background information on the three facilities/programs operated by the Department of Corrections with employees covered by the MSRS-Correctional Plan is set forth in Attachment B.
- c. Department of Corrections correctional employee retirement plan policy. The Department of Corrections correctional employee retirement plan policy, Minnesota Statutes, Section 352.91, Subdivision 4b, is set forth in Attachment C.

Analysis and Discussion

H.F. 1911 (Murphy, M.); S.F. 937 (Betzold) amends the membership inclusion provisions of the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) to add to plan coverage two occupational titles within the Department of Corrections, involving nine current state employees, to add past service credit transfer eligibility to the internal eligibility determination process, and to provide for potential transfers newly included in plan coverage in 2006 and 2007.

The proposed legislation raises numerous pension and related public policy issues for Commission consideration and discussion as follows:

1. Adequacy of the Assessment/Determination Process. The policy issue is the adequacy of the process implemented by the Department of Corrections for identifying departmental employment positions for potential inclusion in the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) and its determination of positions for recommendation to the Legislature. Since the MSRS-Correctional Plan was expanded from prison guards and security hospital guards in 1974, both explicit statutory requirements for coverage and historic requirements for coverage have been utilized to decide which occupational positions to include in the plan coverage. If the department has internalized the statutory and historic criteria and has seriously and rigorously implemented those criteria in making its recommendations, the Commission and the Legislature can rely on that process without any extensive or intensive scrutiny of the recommendations. This is the second year that the department has undertaken these formal reviews with a recommendation of statutory additions and deletions, with the internal process still likely to be in its formative stages or subject to refinement. The process utilized by the Department of Corrections is governed by Minnesota Statutes, Section 352.91, Subdivision 4b, as set forth in Attachment C. The Commission should take sufficient testimony from the department and collective bargaining representatives to gain a comfort level about the department's seriousness, rigor, and conformity to explicit and historic special retirement plan coverage standards in its process.

2. Extent of Actual Inmate/Patient/Client Contact in the Recommended Inclusions. The policy issue is whether or not the two occupational positions and the nine incumbents in those positions recommended by the department actually engage in the required 75 percent of working time direct inmate or patient contact requirement contained in Minnesota Statutes, Section 352.91. The Commission staff reviewed each supplied job description and assessed the job description percentage attribution elements for inmate or patient contact, either “unclear” if contact was not predominantly or exclusively indicated, “clear” if contact was predominantly or exclusively indicated, and “none indicated” where inmate or patient contact is not indicated at all. While the Commission staff appraisal of the job descriptions is not a substitute for the rigorous process that the department was required to utilize in making its recommendations, the analysis does allow the Commission to focus on those recommendations that might be borderline qualified or actually unqualified. Based on the job description appraisal of the extent of inmate contact, the Commission staff recommends that the Commission take additional testimony or additional appropriate steps to verify the extent of actual contact for the following employment positions for the following identified reasons:

- a. “No contact” elements totaled at least 25 percent of working time. One Department of Corrections job descriptions has work elements that included no indicated contact with inmates or patients and the total of those elements is more than nominal. The position that may merit additional scrutiny by the Commission in this regard is the Plant Maintenance Engineer Lead.
- b. “Unclear contact” percentage very large. The other Department of Corrections job descriptions have elements of inmate contact, but have elements without the inmate contact items appearing to predominate. The position that may merit additional scrutiny in this regard is the Corrections Program Therapist 4 at the various correctional facilities other than MCF-St. Cloud.

The process of the Department of Corrections relating to the evaluation of potential inclusion in the MSRS-Correctional Plan does not reference the use of actual job audits by a human resources professional (either facility-based or non-facility), although job audits may actually have been a part of the process. If the positions identified above were the subject of job audits by a disinterested human resources professional and if records of the applicable audits were available for Commission or Commission staff review, the Commission could more reasonably rely on the results of review job audits.

3. Extent of Compliance With Other Historic MSRS-Correctional Plan Coverage Requirements. The policy issue is the extent of compliance by the Department of Corrections with other coverage transfer requirements that the Commission has historically utilized. Since the Commission first reviewed demands from trades personnel and special teachers to be included in MSRS-Correctional Plan coverage in 1974, the Commission has considered as part of its consideration of potential MSRS-Correctional membership inclusion the questions of:
- i. whether or not the considered occupational position was responsible to intervene in the event of a facility incident;
  - ii. whether or not the extent that workers’ compensation claims support the notion that the hazards of the positions approximate that of a public safety position; and
  - iii. whether or not the extent that the position’s duty days lost to incidents or employment hazards are consistent with a public safety-like position.

The Commission staff requested from the department information on the compliance of the various occupational positions recommended for MSRS-Correctional Plan inclusion with these historic requirements. For the Department of Corrections employees, department information indicated that all of the employees proposed for MSRS-Correctional inclusion have, as an employment requirement, the obligation to intervene in the event of a facility incident. With respect to workers’ compensation claims, the department provided claims information for seven employees, but only one of those employees is proposed for inclusion in MSRS-Correctional and that employee had two claims, one an injury from a patient altercation and one an allergic reaction to spraying a chemical disinfectant. With respect to lost work time from facility incidents or employment hazards, the department reported any lost time by employees was covered by workers’ compensation.

From the provided information, the hazards of the employment position are not independently substantiated and must be assessed from other indicators.

4. Appropriateness of Inclusion in Light of Lack of Transfer Recommendations in 1996, 1998, 1999, and 2006. The policy issue is the appropriateness of the proposed transfers when the occupational positions were not recommended for transfer to the MSRS-Correctional Plan in 1996, the last comprehensive review of the Department of Corrections and transfer recommendation process for the

plan, in the department-sponsored administrative transfers that occurred in June 1998, June 1999, and December 1999, or in the inclusion recommendations reviewed by the Commission in 2006. If the extent of inmate contact is as great as suggested in the current recommendations, the positions should have been likely candidates for transfer previously, and some explanation should be provided why these occupational positions were not included in those past transfer requests. Over the last decade, there should have been a heightened awareness about retirement plan coverage issues and consequently the department should have identified these positions as eligible for transfer previously or something dramatically changed about the employment positions recently.

Specifically, in this regard, three employment positions are certified by the Department of Human Services as having 100 percent of the employee's working time spent in inmate or patient contact (Human Services Support Specialist, Licensed Alcohol and Drug Counselor, and Security Supervisor), one employment position is certified by the Department of Human Services as having 95 percent of the employee's working time spent in inmate or patient contact (Special Education Program Assistant) and two employment positions are certified by the Department of Human Services as having 90 percent of the employee's working time spent in inmate or patient contact (Certified Occupational Therapy Assistant 1 and Certified Occupational Therapy Assistant 2). Unless those positions have been newly created since 2006 or have had a substantial change in their duties that greatly increased inmate or patient contact, it is logical to conclude that the extent of the position's inmate or patient contact should have been evident to a well-designed or well-implemented evaluation process previously.

5. Appropriateness of the Elimination of Laundry Coordinator Position from MSRS-Correctional Plan Membership. The policy issue is the appropriateness of the proposed elimination of the reference to the laundry coordinator position in Minnesota Statutes, Section 352.91, Subdivision 3d, in light of the inclusion of the position in plan coverage in 2006 (Laws 2006, Chapter 271, Article 2, Section 5). The MCF-Faribault laundry coordinator position was included in the Department of Corrections recommendation on inclusions, but was questioned by the Commission staff because the job description included job elements without inmate contact that exceeded 25 percent. The Department of Corrections strongly asserted that the position had sufficient contact, even though the job description did not reflect that circumstance. One year later, the Department of Corrections is recommending excluding the position from plan inclusion, although "laundry coordinator" still appears as a job title on the Department of Employee Relations (DOER) website. The Commission may wish to inquire from the department about the rationale for the removal of this position title from the plan membership.
6. Actuarial Condition of MSRS-Correctional. The policy issue is the actuarial condition of the MSRS-Correctional Retirement Plan. The following sets forth the July 1, 2004, July 1, 2005, and July 1, 2006, actuarial valuation results for the MSRS-Correctional Plan:

	2004		2005		2006	
<u>Membership</u>						
Active Members		3,326		3,607		3,910
Service Retirees		943		1,025		1,101
Disabilitants		154		150		168
Survivors		91		104		106
Deferred Retirees		678		738		817
Nonvested Former Members		<u>339</u>		<u>351</u>		<u>388</u>
Total Membership		5,531		5,975		6,490
<u>Funded Status</u>						
Accrued Liability		\$524,215,028		\$546,117,680		\$647,480,269
Current Assets		<u>\$486,617,032</u>		<u>\$503,573,272</u>		<u>\$535,356,819</u>
Unfunded Accrued Liability		\$37,597,996		\$42,544,408		\$112,123,450
Funding Ratio	92.83%		92.21%		82.68%	
<u>Financing Requirements</u>						
Covered Payroll		\$134,117,624		\$147,385,402		\$162,744,640
Benefits Payable		\$17,265,693		\$19,025,766		\$26,506,726
Normal Cost	14.96%	\$20,066,740	15.01%	\$22,111,459	17.69%	\$28,786,714
Administrative Expenses	<u>0.20%</u>	<u>\$268,235</u>	<u>0.20%</u>	<u>\$294,771</u>	<u>0.21%</u>	<u>\$341,764</u>
Normal Cost & Expense	15.16%	\$20,334,975	15.21%	\$22,406,230	17.90%	\$29,128,478
Normal Cost & Expense	15.16%	\$20,334,975	15.21%	\$22,406,230	17.90%	\$29,128,478
Amortization	<u>2.31%</u>	<u>\$3,098,117</u>	<u>2.50%</u>	<u>\$3,684,635</u>	<u>5.44%</u>	<u>\$8,853,309</u>
Total Requirements	17.48%	\$23,433,092	17.71%	\$26,090,865	23.34%	\$37,981,787

	2004		2005		2006	
Employee Contributions	5.69%	\$7,631,293	5.69%	\$8,386,229	5.69%	\$9,260,170
Employer Contributions	7.98%	\$10,702,586	7.98%	\$11,761,355	7.98%	\$12,987,022
Employer Add'l Cont.	0.00%	\$0	0.00%	\$0	0.00%	\$0
Direct State Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0
Other Govt. Funding	0.00%	\$0	0.00%	\$0	0.00%	\$0
Administrative Assessment	0.00%	\$0	0.00%	\$0	0.00%	\$0
Total Contributions	13.67%	\$18,333,879	13.67%	\$20,147,584	13.67%	\$22,247,192
Total Requirements	17.48%	\$23,433,092	17.71%	\$26,090,865	23.34%	\$37,981,787
Total Contributions	13.67%	\$18,333,879	13.67%	\$20,147,584	13.67%	\$22,247,192
Deficiency (Surplus)	3.81%	\$5,099,213	4.04%	\$5,943,281	9.67%	\$15,734,595

Revised actuarial assumptions were approved by the Commission in December 2005, and were first included in the July 1, 2006, actuarial valuation. The assumption changes as well as experience factors have further eroded the adequacy of the funding of the plan. The 2006 Session began a phase-in of increased member and employer contributions over the period 2007-2010, but even with the contribution increases fully phased in, the plan has a contribution deficiency of some magnitude, as follows:

	MSRS-Correctional	
Normal Cost	17.69%	\$28,786,714
Admin. Expenses	0.21%	\$341,764
Amortization	5.44%	\$8,853,309
Total Req.	23.34%	\$37,981,787
Employee Contrib.	8.60%	\$13,996,039
Employer Contrib.	12.10%	\$19,692,101
Total Contrib.	20.70%	\$33,688,140
Total Requirements	23.34%	\$37,981,787
Total Contributions	20.70%	\$33,688,140
Deficiency/(Surplus)	2.64%	\$4,293,647

An expansion of the MSRS-Correctional Plan membership is likely to add some additional pressure to the contribution deficiency situation unless the newly included members have significantly younger entry ages than the current plan membership.

To gain contribution sufficiency for the retirement plan, additional increases will be needed in the member and employer contribution rates to the retirement plan. **Amendment H1911-1A** would retain the current contribution increase phase-in period, until 2010, but increases each incremental increase to eliminate the contribution deficiency. **Amendment H1911-2A** would extend the contribution increase phase-in period from 2010 to 2012, with additional increments resulting in a sufficient total contribution in 2012.

- Budget Impact on Department from Coverage Transfers. The policy issue is the impact on the budget of the Department of Human Services if the recommended transfers are approved. The upcoming (July 1, 2007) employer contribution for MSRS-General is 4.25 percent and the ultimate MSRS-General employer contribution in 2010 will be 5.00 percent. The upcoming (July 1, 2007) MSRS-Correctional employer contribution rate is 9.10 percent and the ultimate MSRS-Correctional employer contribution in 2010 will be 12.10 percent. If the affected employees earn, on average, the current (July 1, 2006) MSRS-Correctional Plan average salary of \$41,623, the initial increase in the employer contribution rate of 4.85 percent would total \$18,168 and the fully phased-in increase in the employer contribution rate of 7.10 percent would total \$26,597.
- Appropriateness of Retroactive Coverage for Past Position Service. The policy issue is whether or not the process for evaluating the amount of credit for past service in the employment position proposed to be newly included in coverage by the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) to be transferred from the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) to MSRS-Correctional is accurate and appropriate. The Department of Corrections did not address the issue of past service credit for its employees newly included in MSRS-Correctional in 2006, but did address the issue this year. The Commission staff did request information on past service by this set of employees proposed for MSRS-Correctional Plan inclusion and 28 have some prior service credit for potential transfer (the other two are current MSRS-Correctional Plan members with occupational position title changes), with the bulk of the prior service dating to late 2006 or early 2007. There were two employees with past Department of Human Services service dating to late 2005. If the past service credit issue is not addressed when a plan coverage change occurs or soon thereafter, the issue will likely arise again at

the brink of eventual retirement, when handling the issue as a prior service credit purchase will be much more expensive for the affected employees and the appropriateness of transferring past service credit will be difficult or impossible to accurately determine because job records and memories will be lost or less reliable.

If the Commission wishes to provide for past service credit transfers from MSRS-General to MSRS-Correctional for employees with prior service credit in their current position or a prior position that is determined to qualify as correctional service, **Amendment H1911-3A** is an updated service credit transfer, additional member contribution payment, and prior asset transfer provision derived from the 1996 MSRS-Correctional Plan expansion (Laws 1996, Chapter 408, Article 8, Section 22). The approach underlying Amendment H1911-3A is premised on the status of the MSRS-Correctional Plan being virtually a single employer retirement plan (covering portions of two state departments) and on historically having a contribution sufficiency, meaning that any unfunded actuarial accrued liability attributable to past service credit transfers would be retired systematically. Since the plan no longer has a contribution sufficiency, and since there could be inappropriate cost shifting between the two departments as these membership expansions become routine, it would be appropriate to have each department pay past additional equivalent employer contributions at the time of service credit transfers and to retire any additional unfunded actuarial accrued liability retired over a short period of years. **Amendment H1911-4A** adds these additional employer contribution/payment requirements to Amendment H1911-3A.

## Attachment A

### Background and Historical Information on the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional)

1. Pre-1973 Correctional State Employee Retirement Coverage. Before 1973, all employees of the Department of Corrections were covered by the State Employees Retirement Association (SERA) until 1967, and then by SERA's successor, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). MSRS-General's predecessor was established in 1929 (Laws 1929, Chapter 191).

MSRS-General has been a defined benefit plan since its creation 1929 and has been entirely coordinated with the federal Social Security program since 1957. At that time, coordination was available on an "all or none" basis. The then SERA members, by a majority vote on a Social Security referendum, chose coordination. At the same time, and on the same basis of all or none coverage, the other two statewide funds, the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the Teachers Retirement Association (TRA), held similar referenda, which were rejected by the existing membership of those plans. TRA coordinated with Social Security in 1959 on a "split fund" basis, with the members who did not elect Social Security coverage placed in a phasing-out Basic program. In 1965-1967, PERA coordinated on a "split fund" basis.

The SERA/MSRS-General benefit plan has changed considerably since 1929. Significant plan changes have occurred in 1967, when retirement coverage and contributions were extended to a person's full salary (up to a limit of \$4,800 before 1965 and a limit of \$7,200 before 1967), in 1969, when the predecessor to the Minnesota Post Retirement Investment Fund was created, in 1973, when the calculation of retirement benefits shifted from a career average salary to the highest five successive years average salary and the benefit accrual rates were simplified and increased, in 1989, when the "Rule of 90" benefit tier was created, in 1992, when the Minnesota Post Retirement Investment Fund adjustment mechanism was revised, and in 1997, when the benefit accrual rates were increased to achieve "uniformity" among the various general employee retirement plans.

2. 1973 Creation of the MSRS-Correctional Retirement Plan. The Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) was established in 1973 as a result of collective bargaining by the State of Minnesota with the American Federation of State, County and Municipal Employees, Council 6, and the resulting implementing legislation (Laws 1973, Chapter 653, Sections 39 to 44). The membership of the 1973 plan was limited to a small number of employees of the Department of Corrections or of the Department of Public Welfare (now Human Services), as follows:

Attendant Guard	Director of Attendant Guards
Attendant Guard Supervisor	Guard Farmer Garden
Correctional Captain	License Plant Manger
Correctional Counselor I	Prison Industry Foreman
Correctional Counselor II	Prison Industry Supervisor
Correctional Counselor III	Food Service Manager
Correctional Counselor IV	Prison Farmer Supervisor
Correctional Lieutenant	Prison Farmer Assistant Supervisor
Correctional Officer	Rehabilitation Therapist
Correctional Sergeant	

Pre-July 1, 1973, service in a covered position was generally transferred from the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), as was prior State employment as a houseparent, guard instructor, and guard farmer dairy. The identification of the State personnel for inclusion in the plan was made by the collective bargaining process and the administrations of the two affected departments. Although a separate retirement plan, MSRS-Correctional shared the State Employees Retirement Fund as its funding and investment mechanism until 1987, when a separate retirement fund was created for the MSRS-Correctional Retirement Plan. The creation of the MSRS-Correctional Retirement Plan, with an age 55 normal retirement age, coincided with the imposition of a statutory early mandatory retirement age for correctional personnel covered by MSRS-Correctional. Under Laws 1973, Chapter 653, Section 12, the previously applicable age 70 mandatory retirement age was reduced for correctional employees to age 65 as of July 1, 1974, to age 62 as of January 1, 1975, and phased down to age 55 as of July 1, 1976. The creation of the MSRS-Correctional Plan was part of an initiative to accelerate the retirement of the prior cadre of Minnesota prison guards, to upgrade the function and reliability of the security personnel at the State's correctional facilities, reflected in the renaming of the prison guards as correctional officers, to increase the pre-



employment educational attainment of correctional personnel to match their upgraded job responsibilities, and to reduce the amount of contraband that was then entering correctional facilities from correctional employees. The initial active membership of the plan on July 1, 1973, was 677.

3. 1974 Membership Expansion of the MSRS-Correctional Retirement Plan. The initial expansion for the MSRS-Correctional Retirement Plan occurred in 1974 (Laws 1974, Chapter 520). Following Interim hearings by the Legislative Retirement Study Commission (renamed in 1975 the Legislative Commission on Pensions and Retirement) at the St. Cloud Reformatory and otherwise, the Legislature authorized an expansion in the plan membership to include special teachers, trades personnel, and maintenance personnel at the Minnesota Correctional Facility-Stillwater, the Minnesota Correctional Facility-St. Cloud, and the Minnesota Correctional Facility-Shakopee. The special teachers, trades personnel, and maintenance personnel transferred to coverage by the MSRS-Correctional Retirement Plan were those certified by the then newly created Commissioner of Personnel (now Commissioner of Employee Relations) as being regularly engaged in the rehabilitation, treatment, custody, or supervision of inmates. Credit for past applicable correctional employment, including employment as a special schools counselor or a shop instructor, was transferred to the MSRS-Correctional Retirement Plan. For correctional teachers covered by TRA, a transfer of past member, employer regular, and employer additional contributions from TRA accompanied the service credit transfer. The Commission hearings leading to the 1974 expansion focused primarily on the safety hazards reportedly suffered by these State employees from inmates and the public safety-related rationale of the need to maintain a particularly vigorous workforce through emphasizing an early age normal retirement. The 1974 expansion of the plan increased its active membership by 60, to 737.
4. 1975-1978 MSRS-Correctional Retirement Plan Coverage Changes. In 1975 (Laws 1975, Chapter 230, Section 1), following complaints from correctional personnel facing imminent early retirement, the mandatory retirement age for MSRS-Correctional Plan active members was modified by making it a conditional mandatory retirement age through age 65, with annual extensions beyond the mandatory age if a medical examination supports the extension. The amendment reflected considerable disgruntlement by MSRS-Correctional Plan active members approaching the mandatory retirement age because the 1974 recession considerably reduced the second career employment prospects of the early retirees, especially when those members believed that they retained a physical capacity to continue to perform the employment position responsibilities.

Also in 1975 (Laws 1975, Chapter 368, Section 35), allowable service credit for prior State employment at a correctional facility as a farmer or a farmer manager by an MSRS-Correctional Plan active member on July 1, 1973, was transferred to the plan. Special teachers previously covered by the TRA Basic program had a TRA Basic program retirement annuity amount set as a floor benefit amount.

In 1978 (Laws 1978, Chapter 781, Section 2), institution educational administrators and institution educational supervisors at correctional facilities were included in the MSRS-Correctional Plan membership.

5. 1980 Addition of MSRS-Correctional Plan Covered Position Administrative Certification Process. In 1980 (Laws 1980, Chapter 600, Sections 2 through 5), coverage by the MSRS-Correctional Plan was classified as applicable only to employees in adult correctional facilities, and post-June 1, 1980, employment as a special teacher, a tradesperson, or a maintenance person at the Minnesota Correctional Facility-Lino Lakes was included in MSRS-Correctional Plan coverage. Additionally, special authority was enacted for the Commissioner of Personnel (also renamed Employee Relations in 1980), upon the recommendation of the Commissioner of Corrections or the recommendation of the Commissioner of Public Welfare (subsequently renamed Human Services), whichever applies, the notification of and receipt of comments from the Legislative Commission on Pensions and Retirement, and the approval of the Legislative Advisory Committee, to certify additional civil service classifications in adult correctional facilities or in the Minnesota Security Hospital as covered by the MSRS-Correctional Retirement Plan. The provision was codified as Minnesota Statutes, Section 352.91, Subdivision 4. The provision was intended to allow for plan expansions between legislative sessions when there was an urgency to do so.
6. 1981-1987 MSRS-Correctional Retirement Plan Coverage Changes. In 1981 (Laws 1981, Chapter 297, Sections 3 and 4), service credit for pre-1981 State employment as a security guard by an MSRS-Correctional Plan member was transferred to the MSRS-Correctional Plan, with the payment of an additional contribution amount.

In 1986 (Laws 1986, Chapter 458, Sections 31 and 32), service credit for correctional employment rendered between 1973 and 1980, that was excluded from MSRS-Correctional Plan coverage because the person was age 45 or older upon hiring were given the option to elect MSRS-Correctional Plan coverage with the payment of an additional contribution amount.



In 1987 (Laws 1987, Chapter 372, Article 1, Section 4), the 1980 administrative certification process for additional MSRS-Correctional Retirement Plan active members was amended to require both the Commissioner of Corrections and the Commissioner of Human Services to establish written criteria for basing a recommendation on certifying additional positions for MSRS-Correctional Retirement Plan membership to the Commissioner of Employee Relations.

7. 1980s MSRS-Correctional Plan Administrative Transfers. Before 1998, several transfers of retirement coverage to the Correctional State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) were approved by the Commissioner of Employee Relations and implemented by MSRS without the receipt of Legislative Commission on Pensions and Retirement comments as required by Minnesota Statutes 1998, Section 352.91, Subdivision 4. Some or all of these past coverage changes may have been implemented without Legislative Advisory Commission approval also. Although the requested information was not gathered in a timely fashion, the Commission staff was provided with information for at least 48 recent retirement coverage transfers under Minnesota Statutes 1998, Section 352.91, Subdivision 4, that occurred without explicit Commission comment. The 48 transfers involved 19 employment classifications in six correctional facilities and two Department of Human Services' facilities.
8. 1996 MSRS-Correctional Retirement Plan Coverage Expansion. In 1996 (Laws 1996, Chapter 408, Article 8, Sections 10-17), various positions providing service at a correctional facility or the state security hospital were made newly eligible for Correctional Plan coverage, providing the employee has at least 75 percent inmate or patient contact. The groups added to the MSRS-Correctional Retirement Plan coverage were in 31 job classifications, as follows:

Special Teacher in Juvenile Facilities	Dentist
Registered Nurse Senior	Electrician Supervisor
Registered Nurse	General Repair Worker
Registered Nurse-Principal	Library/Information Research Services Specialist
Licensed Practical Nurse 2	Plumber Supervisor
Baker	Psychologist 3
Chemical Dependency Counselor Supervisor	Recreation Therapist
Chief Cook	Recreation Therapist Coordinator
Cook	Recreation Program Assistant
Cook Coordinator	Recreation Therapist Senior
Corrections Behavior Therapist	Stores Clerk Senior
Corrections Behavior Therapist Specialist	Water Treatment Plant Operator
Corrections Parent Education Coordinator	Work Therapy Technician
Corrections Security Caseworker	Work Therapy Assistant
Corrections Security Caseworker Career	Work Therapy Program Coordinator
Corrections Teaching Assistant	

Incumbents in the State employment positions that were newly included in plan coverage were permitted to waive the coverage change and retain their prior coverage and incumbents were permitted to transfer any prior applicable State employment with the payment of an additional contribution amount. The MSRS-Correctional Plan member and employer contribution rates were increased to cover the cost of the coverage expansion. The transfer involved 54 special teachers, 70 nurses, and 277 other classifications of State employees. By July 1, 1996, the plan active membership had increased to 2,264.

9. 1997 MSRS-Correctional Retirement Plan Coverage Changes. In 1997 (Laws 1997, Chapter 239, Article 9, Sections 40 and 41; Laws 1997, Chapter 241, Article 11), certain individuals at the Minnesota sexual psychopathic personality treatment center and individuals in certain employment classifications at the Minnesota correctional facility at Red Wing (auto mechanic lead, electrician, electrician master of record, groundskeeper intermediate, or plumber master) were added to an uncoded 1996 coverage election law authorizing a prospective coverage by the MSRS-Correctional Plan rather than continued MSRS-General coverage, with the deadline for making an election set at December 31, 1997. The individuals who transferred prospective coverage to MSRS-Correctional were authorized to elect to transfer prior state service if that service would have been eligible for current MSRS-Correctional coverage, with a deadline of December 31, 1997.
10. Post-1996 Administrative Transfers to the MSRS-Correctional Plan. Under the 1980 administrative transfer provision, Minnesota Statutes 1998, Section 352.91, Subdivision 4, the Commission considered requests for the transfer of State employees to the MSRS-Correctional Retirement Plan on three instances – June 1998, June 1999, and December 1999. The June 1998 transfer request involved seven employees in five employment positions in four correctional facilities. The June 1999 transfer request

involved a ratification of prior transfers of 51 employees in 20 employment positions in six correctional facilities and two Department of Human Services facilities and a transfer request that involved 39 employees in 10 employment positions and that involved 13 employment positions without incumbents in eight Department of Corrections facilities and two Department of Human Services facilities. The December 1999 transfer request involved 40 employees in 11 employment positions and one employment position without incumbents in eight Department of Corrections' facilities and two Department of Human Services' facilities. Except for the prospective transfers contained in the June 1999 transfer request, the Legislative Advisory Committee approved the transfers.

11. 1999 MSRS-Correctional Retirement Plan Coverage Changes. In 1999 (Laws 1999, Chapter 222, Article 13), nine positions in the Minnesota Extended Treatment Options Program (METO), located at the Cambridge Regional Treatment Center and operated by the Department of Human Services, were included in MSRS-Correctional Retirement Plan coverage if the positions are certified by the Commissioner of Human Services as having at least 75 percent direct patient contact. The Minnesota Extended Treatment Options Program is a statewide program for adults who have developmental disabilities and who exhibit severe behaviors that present a risk to public safety. The nine job classifications added to MSRS-Correctional Retirement Plan coverage were as follows:

- Behavior Analyst
- Human Services Support Specialist
- Mental Retardation Residential Program Lead
- Psychologist 2
- Recreation Therapist Senior
- Registered Nurse
- Skills Development Specialist
- Social Worker Senior

Individuals who gained prospective MSRS-Correctional Plan coverage were allowed to elect to transfer past METO service to MSRS-Correctional, back to July 1, 1997, providing that the service was in one of the specified positions and the 75 percent inmate contact requirement was met. To transfer past service coverage, the employee was required to pay the difference between the employee contribution paid to MSRS-General and the employee contribution that would have been paid to MSRS-Correctional, if coverage by that plan had been provided during that time period, plus six percent interest. If payment was made by the member, MSRS was required to transfer from MSRS-General to MSRS-Correctional the funded portion of the benefit that accrued during that period. The transfer involved 115 State employees, including 90 Human Services Support Specialists. The 1999 METO transfer also involved the transfer of several part-time employees to MSRS-Correctional Retirement Plan coverage, which was perhaps the first large-scale introduction of part-time employees into Minnesota public safety retirement plan coverage.

12. 2000 MSRS-Correctional Retirement Plan Coverage Changes. In 2000 (Laws 2000, Chapter 461, Article 6, Sections 1 to 4 and 6), several positions in the Department of Corrections and the Department of Human Services were included in the MSRS-Correctional Retirement Plan if the applicable Commissioner certified that at least 75 percent of the employee's working time was spent in direct inmate or patient contact. The applicable positions were as follows:

- (a) registered nurse practitioner at a correctional facility or at the Minnesota Security Hospital;
- (b) behavior analyst 2, licensed practical nurse 1, office and administrative specialist senior, psychologist 2, social worker specialist, behavior analyst 3, and social worker senior at the Minnesota Security Hospital or the Minnesota Sexual Psychopathic Personality Treatment Center;
- (c) corrections discipline unit supervisor at Minnesota correctional facilities at Lino Lakes, Oak Park Heights, and St. Cloud;
- (d) dental assistant registered, at Minnesota correctional facilities at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, and Red Wing;
- (e) dental hygienist, at the Minnesota correctional facility at Shakopee;
- (f) psychologist 2, at the correctional facility at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, Red Wing, St. Cloud, Shakopee, and Stillwater;
- (g) the sentencing-to-service crew chief leader involved with the inmate community work crew program at Faribault and Lino Lakes; and
- (h) director and assistant group supervisor of the former Phoenix/Pomiga treatment/behavioral change program at the Minnesota Correctional facility at St. Cloud.

Individuals who newly gained MSRS-Correctional Retirement Plan coverage were permitted to have comparable past service, if continuous and if performed after June 20, 1975, transferred to MSRS-Correctional. To transfer the past service credit, the individuals were required to have paid in a lump sum by June 30, 2002, the difference for the applicable period between the MSRS-Correctional employee contribution and the employee contributions paid to MSRS-General, plus six percent interest. Upon payment, assets equal to the individual's present value of benefits in MSRS-General were required to be transferred to MSRS-Correctional. The Department of Corrections and the Department of Human Services must cover the expense of computing the proper transfer amounts. The transferred positions were the various Department of Corrections and Department of Human Services employees who were recommended for administrative transfer during 1999, who were formally reviewed by the Legislative Commission on Pensions and Retirement in December 1999, but who were not subsequently approved by the Legislative Advisory Commission.

Additionally, Minnesota Statutes 1998, Section 352.94, Subdivision 4, which previously provided an administrative process for adding additional positions to the MSRS-Correctional Retirement Plan based on recommendations from the Commissioner of Human Services or Corrections, a review by the Legislative Commission on Pensions and Retirement, and approval by the Legislative Advisory Committee, was repealed.

13. 2003-2004 Interim Review of MSRS-Correctional Coverage Provisions. During the 2003-2004 Interim, the Commission staff made a detailed specific comparison of every employment position reported by MSRS as a member of MSRS-Correctional with the governing statutory provisions, indicated that there is a disparity between the MSRS-Correctional Plan membership eligibility provisions and the various Department of Corrections and Department of Human Services occupational positions then reported by MSRS as covered by the plan. The Commission staff analysis identified approximately five percent of the reported MSRS-Correctional Retirement Plan membership who lacked a clear statutory basis for inclusion in the plan. The problematic MSRS-Correctional Plan inclusions occurred where information on the employment position or employing facility was lacking, where there was no specific statutory inclusion authority, where there was ambiguous or unclear statutory authority for inclusion, where coverage authority for some employment positions was lacking for the Minnesota Sex Offender Program, where covered personnel were employed at a non-correctional/non-security facility, where reported job titles were incorrect, or where occupational titles have changed without statutory correction. The 2003-2004 Interim project resulted in the preparation of corrective legislation in 2004, which was not heard by the Commission due to opposition by affected employee organizations.
14. 2004 MSRS-Correctional Retirement Plan Coverage Changes. In 2004 (Laws 2004, Chapter 267, Article 1, Section 1), three additional positions in the Department of Corrections were included in the MSRS-Correctional Retirement Plan if the Commissioner of Corrections certified that at least 75 percent of the employee's working time was spent in direct inmate or patient contact. The positions were:
  - (a) corrections discipline unit supervisor at the Minnesota Correctional Facility-Rush City;
  - (b) dental hygienist at the Minnesota Correctional Facility-Rush City; and
  - (c) psychologist 2 at the Minnesota Correctional Facility-Rush City.

No transfer to the Correctional Employees Retirement Plan of the Minnesota State Retirement System (MSRS-Correctional) of any past service credit related to past employment in the affected position and covered by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) was permitted in the 2004 legislation, which resulted from a House Governmental Operations and Veterans Affairs Policy Committee amendment to the 2004 Omnibus Retirement Bill.

15. 2005 MSRS-Correctional Retirement Plan Coverage Transfer Request Process. In 2005 (First Special Session Laws 2005, Chapter 8, Article 4, Section 3), the Department of Corrections and the Department of Human Services were required to 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 or inmates, the extent of the physical hazard, and the 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. In the initial set of recommendations under

the 2005 transfer request procedure, the Department of Corrections recommended the transfer of 11 positions, involving 36 employees, and the Department of Human Services recommended the transfer of 13 positions, involving 75 employees.

16. 2006 MSRS-Correctional Retirement Plan Coverage Changes. In 2006 (Laws 2006, Chapter 271, Article 2, Sections 2 through 12) 22 additional employment positions within the Department of Corrections or the Department of Human Services were added to Correctional Plan coverage. The corrections officer inclusion provision was updated to correct a reference to the Minnesota Sex Offender Program, to revise the correctional lieutenant title, and to add corrections canine officers. The maintenance and trades coverage provision was revised to add specific correctional industry personnel with a plan qualification requirement that 75 percent of the employee's working time be spent in inmate/patient contact. The nursing personnel inclusion provision was updated to correct the registered nurse advance practice title. The "other" correctional personnel inclusion provision was updated to correct title references for central services administrative specialist, intermediate, central services administrative specialists, principal, corrections program therapists 1, 2, and 3, and work therapy technician, and to add the positions of chaplain, corrections inmate program coordinator, corrections transition program coordinator, delivery van driver, general maintenance worker, laundry coordinator, library technician, psychologist 1, and sports medicine specialist. The Minnesota Extended Treatment Options Program covered personnel provision was expanded by adding the positions of behavior analysts 2 and 3, group supervisor, group supervisor assistant, social worker specialists, and speech pathology specialist. The Department Human Services covered personnel provision was expanded by adding the positions of behavior analyst 3, client advocate, dental assistant registered, group supervisor, group supervisor assistant, licensed practical nurse 1, occupational therapist, occupational therapist senior, skills development specialist, social worker specialist, social worker specialist senior, and speech pathology clinician, chemical dependency counselor senior, psychologist 1, psychologist 3, recreation program assistant, recreation therapist senior, rehabilitation counselor senior, work therapy assistant, and work therapy program coordinator. The Department of Corrections coverage provision was amended to make the positions of correctional discipline unit supervisor, dental assistant registered, dental hygienist, psychologist 2, and sentencing-to-service crew leader involved with the inmate community work crew program eligible for plan coverage, with 75 percent inmate contact, at all facilities. A procedure for retaining coverage following an occupational position name change and a procedure for retaining coverage following the transfer of personnel to a newly established correctional facility were established. The Department of Corrections procedure for recommending coverage changes was also codified. Past service credit was transferred for the laundry coordinators and delivery van drivers at the Minnesota Correctional Facility-Faribault and for the corrections discipline unit supervisor, dental hygienist, and psychologist 2 positions at the Minnesota Correctional Facility-Rush City.
17. Attraction of MSRS-Correctional Plan Membership and Transfer Demands. The attraction of the MSRS-Correctional Plan for groups seeking this coverage is that the plan pays higher benefits than a general employee plan and has an earlier normal retirement age. Because of the better benefits and earlier retirement age, the plan is more costly than a regular employee plan. The plan offers a hybrid of general employee plan and public safety plan features. MSRS-Correctional Plan members are coordinated members, unlike Public Employees Retirement Association Police and Fire Plan (PERA-P&F) members. Like a public safety plan, members can retire without a reduction for early retirement at age 55 or with a reduction at age 50. This annuity is computed using a 2.4 percent yearly service benefit accrual factor. Duty-related disability benefits are generous, typical of a public safety plan. The duty-related disability receives 50 percent of high five average salary, plus 2.4 percent of high five average salary for each year in excess of 20 years of allowable service. Also like a public safety plan, the MSRS-Correctional Plan uses an occupational definition of disability rather than the total impairment disability definition used by the MSRS-General Plan.

The premise for coverage by the MSRS-Correctional Plan is that certain employment positions in correctional or analogous security hospital or psychopathic personality treatment center service are sufficiently hazardous and there is sufficient need for a particularly vigorous workforce in these specific positions to warrant a separate plan with larger retirement benefits payable at an earlier normal retirement age.

Historically, about 85 percent of MSRS-Correctional Plan members are employees of the Department of Corrections and about 15 percent of MSRS-Correctional Plan members are employees of the Department of Human Services. The correctional facilities with the largest numbers of MSRS-Correctional Plan members are MCF-Stillwater, MCF-Lino Lakes, MCF-St. Cloud, and MCF-Faribault. The plan currently has 3,249 members in approximately 100 employment classifications. Correctional officers comprise the largest single occupational group covered by the plan.

**Attachment B**

**Background Information on Department of Corrections  
Correctional Facilities in General**

The Minnesota Department of Corrections was created in 1959 to consolidate state correctional functions into one agency. A service and regulatory agency, the department has a broad scope of activities and responsibilities.

The department currently operates ten correctional facilities including eight for adults and two for juveniles. For adult offenders, a five-level classification system reflects the necessary level of control for offenders classified in each designation. Adult prison populations total over 9,000 inmates and juvenile residents number around 200. Department agents supervise nearly 18,000 adult and juvenile offenders on probation, supervised release, and parole. Through the state Community Corrections Act, the department also administers subsidy funds to units of local government for corrections program. The department is organized into three divisions:

- 1) The Facility Services Division which oversees Health Services, MINNCOR Industries, Safety, Special Investigations, Government Relations, and Finance Services.
- 2) The Community Services Division which oversees Administrative Services, Field Services, Information & Technology, and Policy & Legal Services.
- 3) The Support Services Division which oversees the Office of Diversity, Strategic Planning, Restorative Justice, Best Practices, Employee Development, and Human Resource Management.

The department has approximately 4,100 employees working in facilities, field offices, the central office, and MINNCOR Industries.

All of the department's correctional institutions meet standards established by the American Correctional Association (ACA). The standards relate to all aspects of institutional operation. The department's central office, adult and juvenile release functions, and adult and juvenile field services also meet ACA standards.

Inmates in state facilities have access to a variety of work, education, and other program activities. MINNCOR Industries provides positive activities for inmates while they are incarcerated and develops work skills they can use in productive employment after release. Education programs focus on basic literacy instruction. Programs are also provided for sex offenders and chemically dependent inmates.

The adult inmate profile of the Department of Corrections as of June 2006 was as follows:

Population:	Males .....	8,466.....	93.96%
	Females.....	<u>544.....</u>	6.04%
	Total	9,010	

Types of Offenses:	Offense to Person (non-sex offense)..	2,775.....	30.8%
	Offense to Person (sex offense).....	1,595.....	17.7%
	Drugs .....	2,039.....	22.6%
	Property .....	1,164.....	12.9%
	Weapons .....	412.....	4.6%
	DWI .....	525.....	5.8%
	Other/Not Reported .....	<u>500.....</u>	5.5%
	Total	9,010	

Average Age (in years) .....	35.13
Current Inmates Age 50 or Older.....	796 (8.8%)
Current Inmates Under Age 18 .....	11 (0.1%)
MINNCOR Industry - Inmates Employed.....	1,218 (13.5%)

Race:	White .....	5,211.....	57.8%
	Black.....	2,891.....	32.1%
	Indian .....	704.....	7.8%
	Asian.....	202.....	2.2%
	Unknown.....	<u>2.....</u>	0.0%
	Total	9,010	

(Note: 625 of the above are of Hispanic ethnicity)

Education Level:	Grades 0-8.....	439.....	4.9%
	Grades 9-11.....	2,175.....	24.1%
	High School Graduate .....	1,563.....	17.3%
	GED .....	2,234.....	24.8%
	College and Up .....	783.....	8.7%
	Other/Unknown .....	<u>1,816</u> .....	20.2%
	Total	9,010	

Marital Status:	Single .....	6,248.....	69.3%
	Married .....	1,278.....	14.2%
	Divorced/Separated .....	1,240.....	13.8%
	Other/Unknown .....	<u>244</u> .....	2.7%
	Total	9,010	

County of Commitment:	Hennepin.....	2,177.....	24.2%
	Ramsey .....	1,435.....	15.9%
	Dakota.....	397.....	4.4%
	St. Louis.....	383.....	4.3%
	Olmsted.....	323.....	3.6%
	Anoka.....	348.....	3.9%
	Other .....	<u>3,947</u> .....	43.8%
	Total	9,010	

## Attachment C

### 352.91, Minnesota Statutes 2006

#### 352.91 COVERED CORRECTIONAL SERVICE.

Subd. 4b. **Department of Corrections; procedure for coverage change considerations.**

(a) The commissioner of corrections shall appoint a standing review committee to review and determine positions that should be included in legislative requests for correctional employees retirement plan coverage under subdivision 4a.

(b) Periodically, the Department of Corrections will convene meetings of the review committee. The review committee must review all requests and the supporting documentation for coverage by the correctional employees retirement plan and must determine which classes or positions meet the statutory requirements for coverage. The review committee also must determine if incumbents of and recent retirees from classes or positions determined for inclusion in correctional employees retirement plan coverage have prior Department of Corrections employment which also qualified as correctional service and which should be transferred from the general state employees retirement plan to the plan and the initial date for each potential service credit transfer.

(c) The department must provide a notice of each determination and of the employee's right to appeal from the review committee to each employee who requested inclusion. Appeals must be filed with the agency human resource manager within 30 days of the date of the notice of determination.

(d) The commissioner of corrections shall appoint a standing appeals committee to hear appeals of determinations for coverage. The appeal committee must include relevant department employees and employee representatives. Appeal committee determinations are final.

(e) All positions approved for inclusion must be forwarded to the commissioner of corrections for the preparation of legislation to implement the coverage change and submission. The commissioner will submit a written recommendation documenting classes or positions that should or should not be covered by the correctional employees retirement plan. Documentation of each request and the final determination must be retained in the Department of Corrections' Office of Human Resource Management.



# MERCER

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March 27, 2007

Dave Bergstrom  
Executive Director  
Minnesota State Retirement Systems  
60 Empire Drive, Suite 300  
St. Paul, MN 55103-1805

Subject:

## **Correctional Plan - Cost of New Participant Group**

Dear Dave:

As you requested, we analyzed the cost impact of adding a group of participants to the Correctional Employees Retirement Fund. These costs were determined as of July 1, 2006 using the participant data, methods, assumptions, and plan provisions in effect at that time. The purpose of the reclassification study was to assess whether or not the current reclassification process is harmful to the Correctional Plan.

The process we analyzed has the following key features:

- All past service transfers from the General Plan to the Correctional Plan
- Assets equal to the funded portion of the member's General Plan accrued liability are transferred to the Correctional Plan
- Members make a payment to the Correctional Plan, equal to the difference between the Correctional Plan member contributions and General Plan member contributions for prior years, with 8.5% interest

You provided us with a total of 120 participants, of which 64 participants were active in the General Plan as of 7/1/2006. We started by calculating the General Plan accrued liability for the 64 active participants. We then multiplied the accrued liability by the funded percentage of the General Plan, which was 96.23% as of 7/1/2006.

We also estimated the value of the difference between accumulated member contributions of 5.69% of pay in the Correctional Plan and the accumulated member contributions of 4.00% of pay in the General Plan. The contributions were accumulated at 8.5%. The resulting values represent the contributions the employees seeking reclassification would have to make in order to have all of their service transferred to the Correctional Plan.

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Human Resource Consulting

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March 27, 2007

Dave Bergstrom

Minnesota State Retirement Systems

The sum of the General Plan asset transfer and the total value of past contribution differences equals the total additional assets allocated to funding the new members accrued liability in the Correctional Plan.

The results of our analysis are as follows:

General Plan Asset Transfer	\$3,857,000
Member Payments (Contribution Difference)	\$544,000
<hr/>	
Total Assets for Transfer Group	\$4,401,000
 Correctional Plan Accrued Liability – Transfer Group	 \$6,884,000
 Funded Ratio	 64%

Reclassifying these 64 General Plan active participants under this process would add approximately \$2.5 million in unfunded liabilities to the Correctional Plan.

Proposed legislation adds an additional payment equal to the difference in employer contributions for the Correctional Plan and General Plan, accumulated at 8.5% interest. We estimate these additional assets for this group to be \$1.3 million, which would reduce the unfunded liability due to the transfer from \$2.5 million to \$1.2 million. The funding ratio of this group would increase from 64% to 83%. The additional payment alleviates the underfunding, but does not completely address it.

The Correctional Plan normal cost for the group of 64 members, assuming all prior service transfers, is about 3.6% of pay higher than the overall group of Correctional Plan actives. The average age of the transfer group is 44.5, compared to an average age of 40.2 for the overall group of Correctional Plan actives. This new participant group is clearly older and has a higher normal cost rate than the average Correctional Plan member.

The total normal cost as a percent of pay for the Correctional Plan would increase by 0.06% of pay if this group began participation on July 1, 2006 with past service, while the supplemental contribution would increase by 0.03%. In total, the Correctional Plan contribution deficiency would increase by 0.09%.

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Human Resource Consulting

Page 3  
March 27, 2007  
Dave Bergstrom  
Minnesota State Retirement Systems

Please call me at 612 642 8816 if you have any questions.

Sincerely,



Bonnie Wurst, ASA

Copy:  
Erin Leonard - MSRS  
Jeremy Palm, Sheri Wroblewski - Mercer

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

	A.	B.	C.	D.	E.	F.
	Transferred Assets	Employee Contribution Differences + Interest	Employer Contribution Differences + Interest	Allocated Assets (A. + B. + C.)	New Correctional Liability	D. / E.
A	43.92	1,778	4,188	17,297	25,440	68.0%
B 1	54.17	39,303	92,561	411,431	443,204	92.8%
B 2	52.17	0	0	375	209	179.3%
B 3	51.00	8,740	20,584	87,303	128,418	68.0%
B 4	37.83	554	1,304	4,719	7,204	65.5%
B 5	42.00	22,072	51,980	216,649	266,471	81.3%
C 1	48.83	19,949	46,980	202,730	266,588	76.0%
C 2	33.58	743	1,751	6,359	8,811	72.2%
C 3	41.50	969	2,283	8,837	12,582	70.2%
C 4	36.75	2,978	7,014	26,946	38,029	70.9%
C 5	50.50	18,961	44,653	192,892	247,998	77.8%
D 1	63.25	3,012	7,093	38,572	41,685	92.5%
D 2	25.33	942	2,218	6,668	7,352	90.7%
D 3	27.50	0	0	415	208	199.4%
D 4	37.08	538	1,267	4,712	6,904	68.3%
E 1	64.75	17,729	41,751	187,984	201,808	93.1%
E 2	48.00	3,484	8,204	35,209	49,267	71.5%
F 1	59.08	22,272	52,450	227,591	248,740	91.5%
F 2	51.83	36,565	86,111	387,509	454,136	85.3%
G 1	60.92	15,911	37,471	171,330	188,113	91.1%
G 2	53.17	1,909	4,496	19,365	22,666	85.4%
G 3	44.83	20,499	48,276	207,919	250,778	82.9%
G 4	47.42	15,505	36,516	156,234	200,104	78.1%
G 5	57.83	18,033	42,467	183,891	202,311	90.9%
G 6	26.75	1,565	3,685	12,133	14,372	84.4%
G 7	61.92	5,293	12,466	62,850	71,469	87.9%
H 1	51.33	15,711	37,000	161,807	215,370	75.1%
H 2	25.75	430	1,012	3,088	3,592	86.0%
H 3	55.58	5,101	12,013	92,196	87,932	104.8%
H 4	49.58	10,397	24,486	100,060	143,523	69.7%
H 5	54.08	33,077	77,897	321,131	387,829	82.8%
H 6	38.58	2,662	6,268	24,730	35,188	70.3%
J 1	54.33	1,607	3,786	19,426	27,211	71.4%
K 1	23.67	209	493	1,386	1,539	90.1%
K 2	31.75	0	0	184	33	563.3%
K 3	33.42	617	1,454	5,051	6,920	73.0%

Name	Age	Service	A. Transferred Assets	B. Employee Contribution Differences + Interest	C. Employer Contribution Differences + Interest	D. Allocated Assets (A. + B. + C.)	E. New Correctional Liability	F. D. / E.
L 1	50.50	2.93	20,301	2,585	6,088	28,974	41,092	70.5%
L 2	55.08	18.67	65,721	9,171	21,597	96,489	142,270	67.8%
M 1	30.42	0.83	4,492	1,029	2,423	7,944	10,160	78.2%
M 2	53.50	3.00	13,100	1,566	3,689	18,355	25,034	73.3%
M 3	52.33	29.11	261,814	29,558	69,610	360,982	452,029	79.9%
M 4	50.17	27.36	174,320	25,827	60,823	260,970	288,597	90.4%
M 5	31.17	0.75	911	205	484	1,600	2,100	76.2%
M 6	34.75	0.17	24	0	0	24	14	175.1%
P 1	33.75	0.33	364	0	0	364	100	362.7%
P 2	55.08	2.08	12,253	1,472	3,466	17,191	22,867	75.2%
P 3	42.17	1.69	2,405	373	879	3,657	5,480	66.7%
Q 1	49.42	8.17	47,910	6,981	16,441	71,332	105,028	67.9%
R 1	49.58	26.25	125,015	17,439	41,069	183,523	225,992	81.2%
R 2	48.00	23.03	151,979	20,648	48,626	221,253	277,982	79.6%
R 3	42.42	10.33	37,955	5,769	13,585	57,309	91,001	63.0%
R 4	23.58	1.67	3,930	1,120	2,637	7,687	8,277	92.9%
S 1	27.33	0.61	983	268	632	1,883	2,257	83.5%
S 2	40.25	0.33	4,528	1,313	3,093	8,934	10,832	82.5%
S 3	56.67	16.42	40,513	2,714	6,392	49,619	18,220	272.3%
S 4	32.83	3.75	13,855	3,085	7,265	24,205	31,446	77.0%
S 5	34.25	8.00	43,042	8,793	20,707	72,542	99,578	72.8%
S 6	47.92	14.42	7,265	463	1,091	8,819	19,805	44.5%
S 7	50.58	19.25	166,234	24,038	56,611	246,883	326,960	75.5%
S 8	25.83	0.67	1,580	437	1,028	3,045	3,549	85.8%
S 9	60.83	6.78	32,829	3,861	9,092	45,782	50,539	90.6%
S 10	31.42	0.17	124	0	0	124	21	587.5%
W 1	47.58	4.09	1,975	81	192	2,248	2,207	101.8%
Z 1	58.17	17.50	186,256	25,683	60,485	272,424	306,784	88.8%
	44.62		3,857,364	543,594	1,280,183	5,681,141	6,884,226	
								82.5%

Funded Percentage 82.5%

# MERCER

Human Resource Consulting

333 South 7th Street, Suite 1600  
Minneapolis, MN 55402-2427  
612 642 8600 Fax 612 642 8686  
www.mercerHR.com

April 13, 2007

Dave Bergstrom  
Executive Director  
Minnesota State Retirement System  
60 Empire Drive, Suite 300  
St. Paul, MN 55103-1805

Subject:

## **Correctional Plan – Cost of New Participant Group**

Dear Dave:

Attached you will find a spreadsheet that lists the cost impact of adding a group of participants to the Correctional Employees Retirement Fund by individual. These costs were determined as of July 1, 2006 using the participant data, methods, assumptions, and plan provisions in effect at that time. The purpose of the reclassification study was to assess whether or not the current reclassification process is harmful to the Correctional Plan.

The process we analyzed has the following key features:

- All past service transfers from the General Plan to the Correctional Plan
- Assets equal to the funded portion of the member's General Plan accrued liability are transferred to the Correctional Plan
- Members make a payment to the Correctional Plan, equal to the difference between the Correctional Plan member and employer contributions and General Plan member and employer contributions for prior years, with 8.5% interest

You provided us with a total of 100 participants, of which 84 participants were active in the General Plan and not in the Correctional Plan as of 7/1/2006. We started by calculating the General Plan accrued liability for the 84 active participants. We then multiplied the accrued liability by the funded percentage of the General Plan, which was 96.23% as of 7/1/2006.

We also estimated the value of the difference between accumulated member contributions of 5.69% of pay in the Correctional Plan and the accumulated member contributions of 4.00% of pay in the General Plan. In addition, we estimated the value of the difference between accumulated employer contributions of 7.98% of pay in the Correctional Plan and the accumulated employer contributions of 4.00% of pay in the General Plan. The contributions

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April 13, 2007  
Dave Bergstrom  
Minnesota State Retirement Systems

were accumulated at 8.5%. The resulting values represent the contributions the employees seeking reclassification would have to make in order to have all of their service transferred to the Correctional Plan. The sum of the General Plan asset transfer and the total value of past contribution differences equals the total additional assets allocated to funding the new members accrued liability in the Correctional Plan.

The results of our analysis are as follows:

General Plan Asset Transfer	\$6,830,000
Member Payments (Contribution Differences)	\$3,314,000
<hr/>	
Total Assets for Transfer Group	\$10,144,000
Correctional Plan Accrued Liability – Transfer Group	\$11,766,000
Funded Ratio	86%

Reclassifying these 84 General Plan active participants under this process would add approximately \$1.6 million in unfunded liabilities to the Correctional Plan.

Please call me at 612 642 8816 if you have any questions.

Sincerely,



Bonnie Wurst, ASA

Copy:  
Erin Leonard - MSRS  
Jeremy Palm, Sheri Wroblewski – Mercer

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.



	A.	B.	C.	D.	E.	F.		
Name	Age	Service	Transferred Assets	Employee Contribution Differences + Interest	Employer Contribution Differences + Interest	Allocated Assets (A. + B. + C.)	New Correctional Liability	D. / E.
A1	42.67	6.58	40,573	6,475	15,248	62,296	92,558	67.3%
A2	57.33	4.92	35,479	4,750	11,185	51,414	57,590	89.3%
B1	32.92	4.15	21,650	5,770	13,590	41,010	49,909	82.2%
B2	46.17	26.58	139,365	20,517	48,319	208,201	242,010	86.0%
B3	49.33	26.25	221,028	32,251	75,953	329,232	373,078	88.2%
B4	54.58	20.33	163,460	25,113	59,143	247,716	311,913	79.4%
B5	41.92	7.42	34,496	5,801	13,661	53,958	75,584	71.4%
B6	37.42	2.08	10,319	1,783	4,199	16,301	22,808	71.5%
B7	35.58	1.75	10,912	2,047	4,821	17,780	24,550	72.4%
B8	61.67	36.92	224,389	32,007	75,377	331,773	337,040	98.4%
B9	62.83	24.50	187,794	9,871	23,245	220,910	224,918	98.2%
C1	45.08	19.34	139,965	22,188	52,254	214,407	265,507	80.8%
C2	47.58	23.75	79,780	5,049	11,889	96,718	167,788	57.6%
C3	50.50	2.93	20,301	2,585	6,089	28,975	41,092	70.5%
C4	61.00	3.83	24,754	3,075	7,241	35,070	37,781	92.8%
C5	46.33	7.08	39,380	6,512	15,336	61,228	87,709	69.8%
C6	38.92	12.00	69,827	13,206	31,102	114,135	159,505	71.6%
D1	46.33	1.33	6,062	946	2,229	9,237	13,754	67.2%
E1	58.75	26.08	260,344	38,494	90,655	389,493	412,682	94.4%
E2	42.08	0.58	2,725	502	1,181	4,408	6,443	68.4%
F1	34.50	0.92	3,778	782	1,842	6,402	9,450	67.7%
F2	57.67	27.67	241,066	35,299	83,130	359,495	381,831	94.2%
G1	53.17	0.75	12,960	1,909	4,496	19,365	22,666	85.4%
G2	29.17	0.42	2,201	659	1,553	4,413	5,984	73.7%
G3	33.58	1.67	7,760	1,545	3,639	12,944	17,388	74.4%
G4	34.50	2.50	10,439	1,782	4,195	16,416	22,182	74.0%
G5	52.92	19.08	154,059	24,168	56,916	235,143	293,380	80.1%
H1	49.08	1.08	5,342	767	1,805	7,914	12,480	63.4%
H2	51.50	5.00	30,477	4,321	10,175	44,973	60,713	74.1%
H3	35.50	4.27	9,257	1,641	3,864	14,762	21,963	67.2%
H4	35.42	1.33	4,964	830	1,956	7,750	10,145	76.4%
H5	57.25	18.17	47,557	2,075	4,887	54,519	118,689	45.9%

	A.	B.	C.	D.	E.	F.
Name	Transferred Assets	Employee Contribution Differences + Interest	Employer Contribution Differences + Interest	Allocated Assets (A. + B. + C.)	New Correctional Liability	D. / E.
Hi 6	74,240	12,974	30,553	117,767	159,824	73.7%
Hi 7	290,925	41,159	96,932	429,016	494,418	86.8%
Hi 8	274,364	40,258	94,810	409,432	450,878	90.8%
Hi 9	5,616	768	1,808	8,192	11,708	70.0%
Hi 10	192,936	27,621	65,049	285,606	302,530	94.4%
Jc 1	248,551	37,231	87,680	373,462	418,293	89.3%
Jc 2	1,787	494	1,163	3,444	4,015	85.8%
Jc 3	2,954	706	1,661	5,321	8,386	63.5%
K 1	17,983	3,856	9,081	30,920	41,883	73.8%
K 2	5,015	813	1,916	7,744	11,298	68.5%
K 3	166,812	25,403	59,826	252,041	253,255	99.5%
K 4	249,567	37,304	87,853	374,724	427,366	87.7%
Ki 5	266,000	38,469	90,595	395,064	428,691	92.2%
Lc 1	12,345	2,463	5,801	20,609	27,924	73.8%
M 1	9,494	1,424	3,352	14,270	19,980	71.4%
M 2	7,081	1,162	2,735	10,978	15,236	72.1%
M 3	8,186	1,444	3,402	13,032	18,313	71.2%
M 4	11,873	2,036	4,794	18,703	26,394	70.9%
M 5	174,605	25,654	60,416	260,675	328,110	79.4%
M 6	253,833	36,064	84,932	374,829	451,497	83.0%
M 7	20,241	2,356	5,549	28,146	36,134	77.9%
Ni 1	7,744	1,433	3,376	12,553	17,552	71.5%
Ni 2	2,412	457	1,077	3,946	5,694	69.3%
O 1	195,488	28,727	67,654	291,869	331,558	88.0%
O 2	42,039	5,349	12,596	59,984	65,422	91.7%
O 3	3,732	645	1,518	5,895	8,969	65.7%
P 1	182,209	26,330	62,007	270,546	332,190	81.4%
P 2	10,797	2,434	5,732	18,963	23,122	82.0%
P 3	143,974	21,824	51,395	217,193	249,206	87.2%
P 4	235,594	38,664	91,054	365,312	408,207	89.5%
R 1	11,636	1,795	4,227	17,658	24,493	72.1%

Name	Age	Service	A.	B.	C.	D.	E.	F.
			Transferred Assets	Employee Contribution Differences + Interest	Employer Contribution Differences + Interest	Allocated Assets (A. + B. + C.)	New Correctional Liability	D. / E.
R12	39.92	5.00	23,261	4,062	9,565	36,888	52,056	70.9%
S11	44.33	0.92	4,906	781	1,839	7,526	11,785	63.9%
S12	28.67	1.33	4,146	846	1,992	6,984	9,107	76.7%
S13	61.58	2.50	14,789	1,619	3,812	20,220	23,056	87.7%
S14	45.33	2.00	9,770	1,423	3,351	14,544	21,517	67.6%
S15	48.92	0.75	13,344	2,328	5,481	21,153	25,545	82.8%
S16	46.83	27.67	248,347	32,190	75,808	356,345	408,281	87.3%
S17	27.58	1.25	1,156	255	601	2,012	2,469	81.5%
S18	51.42	33.58	192,651	25,318	59,624	277,593	325,167	85.4%
S19	58.17	2.25	8,803	1,071	2,522	12,396	14,254	87.0%
S10	47.08	27.92	247,012	36,750	86,548	370,310	403,198	91.8%
S11	54.00	3.84	14,754	1,757	4,137	20,648	32,429	63.7%
T11	35.17	1.00	2,980	577	1,359	4,916	7,015	70.1%
T12	51.83	26.83	124,992	17,106	40,284	182,382	225,543	80.9%
T13	51.67	32.25	194,902	28,022	65,993	288,917	310,017	93.2%
V11	36.92	3.67	18,757	3,468	8,167	30,392	42,906	70.8%
V12	35.33	1.83	7,921	1,568	3,693	13,182	18,506	71.2%
W11	35.50	1.08	3,533	660	1,555	5,748	8,056	71.3%
W12	58.42	30.92	293,469	44,769	105,433	443,671	426,112	104.1%
W13	58.67	1.25	4,967	638	1,502	7,107	8,895	79.9%
W14	29.92	0.83	2,881	660	1,553	5,094	6,519	78.1%
	45.74	11.39	6,829,834	987,903	2,326,540	10,144,277	11,766,066	86.2%

1.1 ..... moves to amend H.F. No. 1911; S.F. No. 937, as follows:

1.2 Page 2, after line 33, insert:

1.3 "Sec. 3. Minnesota Statutes 2006, section 352.92, subdivision 1, is amended to read:

1.4 Subdivision 1. **Employee contributions.** (a) Employee contributions of covered  
1.5 correctional employees must be in an amount equal to the following percent of salary:

1.6	before July 1, 2007	5.69
1.7	from July 1, 2007, to June 30, 2008	<del>6.40</del> <u>6.60</u>
1.8	from July 1, 2008, to June 30, 2009	<del>7.00</del> <u>7.51</u>
1.9	from July 1, 2009, to June 30, 2010	<del>7.70</del> <u>8.42</u>
1.10	from July 1, 2010, and thereafter	<del>8.60</del> <u>9.33.</u>

1.11 (b) These contributions must be made by deduction from salary as provided in  
1.12 section 352.04, subdivision 4.

1.13 Sec. 4. Minnesota Statutes 2006, section 352.92, subdivision 2, is amended to read:

1.14 Subd. 2. **Employer contributions.** The employer shall contribute for covered  
1.15 correctional employees an amount equal to the following percent of salary:

1.16	before July 1, 2007	7.98
1.17	from July 1, 2007, to June 30, 2008	<del>9.10</del> <u>9.49</u>
1.18	from July 1, 2008, to June 30, 2009	<del>10.10</del> <u>11.00</u>
1.19	from July 1, 2009, to June 30, 2010	<del>11.10</del> <u>12.51</u>
1.20	from July 1, 2010, and thereafter	<del>12.10</del> <u>14.01."</u>

1.21 Page 3, line 12, delete "Section 2 is" and insert "Sections 2, 3, and 4 are"

1.22 Renumber the sections in sequence and correct the internal references

1.23 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 1911; S.F. No. 937, as follows:

1.2 Page 2, after line 33, insert:

1.3 "Sec. 3. Minnesota Statutes 2006, section 352.92, subdivision 1, is amended to read:

1.4 Subdivision 1. **Employee contributions.** (a) Employee contributions of covered  
1.5 correctional employees must be in an amount equal to the following percent of salary:

1.6	before July 1, 2007	5.69
1.7	from July 1, 2007, to June 30, 2008	6.40
1.8	from July 1, 2008, to June 30, 2009	7.00
1.9	from July 1, 2009, to June 30, 2010	7.70
1.10	from July 1, 2010, <del>and thereafter</del> to	
1.11	<u>June 30, 2011</u>	<del>8.60</del>
1.12	<u>from July 1, 2011, to June 30, 2012</u>	<u>8.97</u>
1.13	<u>from July 1, 2012, and thereafter</u>	<u>9.33.</u>

1.14 (b) These contributions must be made by deduction from salary as provided in  
1.15 section 352.04, subdivision 4.

1.16 Sec. 4. Minnesota Statutes 2006, section 352.92, subdivision 2, is amended to read:

1.17 Subd. 2. **Employer contributions.** The employer shall contribute for covered  
1.18 correctional employees an amount equal to the following percent of salary:

1.19	before July 1, 2007	7.98
1.20	from July 1, 2007, to June 30, 2008	9.10
1.21	from July 1, 2008, to June 30, 2009	10.10
1.22	from July 1, 2009, to June 30, 2010	11.10
1.23	from July 1, 2010, <del>and thereafter</del> to	
1.24	<u>June 30, 2011</u>	<del>12.10</del>
1.25	<u>from July 1, 2011, to June 30, 2012</u>	<u>13.06</u>
1.26	<u>from July 1, 2012, and thereafter</u>	<u>14.01."</u>

1.27 Page 3, line 12, delete "Section 2 is" and insert "Sections 2, 3, and 4 are"

1.28 Renumber the sections in sequence and correct the internal references

1.29 Amend the title accordingly

1.1 ..... moves to amend H.F. No. 1911; S.F. No. 937, as follows:

1.2 Page 2, after line 33, insert:

1.3 "Sec. 3. **TEMPORARY PROVISION; ELECTION TO RETAIN EXISTING**  
1.4 **RETIREMENT COVERAGE.**

1.5 (a) An employer who is employed in an employment position added to retirement  
1.6 coverage by the correctional state employees retirement plan of the Minnesota State  
1.7 Retirement System under section 2 on the date of enactment may elect to retain retirement  
1.8 coverage by the general state employees retirement plan of the Minnesota State Retirement  
1.9 System. If the employee does not elect to retain retirement coverage by June 15, 2007,  
1.10 retirement coverage transfers on the first day of the first full payroll period after July  
1.11 1, 2007.

1.12 (b) The election to retain retirement coverage must be made in writing by the affected  
1.13 employee on a form prescribed by the executive director of the Minnesota State Retirement  
1.14 System and must be filed with the executive director no later than June 15, 2007.

1.15 (c) The election to retain retirement coverage is irrevocable once it is filed with the  
1.16 executive director of the Minnesota State Retirement System.

1.17 Sec. 4. **TRANSFER OF PRIOR MSRS-GENERAL SERVICE CREDIT FOR**  
1.18 **EMPLOYEES WITH TRANSFERRED RETIREMENT COVERAGE.**

1.19 Subdivision 1. Election to transfer prior MSRS-General service credit. (a) An  
1.20 employee who is employed in an employment position added to retirement coverage  
1.21 by the correctional state employees retirement plan of the Minnesota State Retirement  
1.22 System under section 2 on the date of enactment may elect to transfer service credit in the  
1.23 general state employees retirement plan of the Minnesota State Retirement System to the  
1.24 correctional state employees retirement plan for eligible prior correctional employment.

1.25 (b) Eligible prior correctional employment is employment with the Department  
1.26 of Human Services at the state security hospital, in the Minnesota Extended Treatment

2.1 Options Program, or in the Minnesota Sex Offender Program that preceded the effective  
2.2 date of the retirement coverage transfer under section 2, is continuous service, and is  
2.3 certified by the commissioner of human services and the commissioner of employee  
2.4 relations to the executive director of the Minnesota State Retirement System as service that  
2.5 would qualify for correctional state employees retirement plan coverage under Minnesota  
2.6 Statutes, section 352.91, if the service was rendered after July 1, 2007.

2.7 (c) The election to transfer past service credit under this section must be made in  
2.8 writing by the applicable person on a form prescribed by the executive director of the  
2.9 Minnesota State Retirement System and must be filed with the executive director of the  
2.10 Minnesota State Retirement System on or before January 1, 2008.

2.11 Subd. 2. **Payment of additional equivalent member contributions.** (a) An  
2.12 employee who elects to transfer past service credit under this section must pay an  
2.13 additional member contribution for that prior service period. The additional member  
2.14 contribution is the difference between the member contribution rate or rates for the general  
2.15 state employees retirement plan for the period of employment covered by the service  
2.16 credit to be transferred and the member contribution rate or rates for the correctional state  
2.17 employees retirement plan for the period of employment covered by the service credit to  
2.18 be transferred, plus interest at the rate of 8.5 percent per annum, compounded annually.

2.19 (b) The additional equivalent member contribution must be paid in a lump sum.  
2.20 Payment must accompany the election to transfer the prior service credit. No transfer  
2.21 election or additional equivalent member contribution payment may be made by a person  
2.22 or accepted by the executive director after June 30, 2008.

2.23 Subd. 3. **Transfer of assets.** Assets must be transferred from the general state  
2.24 employees retirement fund to the correctional state employees retirement fund in an  
2.25 amount equal to the present value of benefits earned under the general state employees  
2.26 retirement plan for each employee transferring past service to the correctional state  
2.27 employees retirement plan by virtue of the transferred service credit, as determined by  
2.28 the actuary retained under section 356.214, multiplied by the accrued liability funding  
2.29 ratio of the active members of the general state employees retirement plan as derived from  
2.30 the most recent actuarial valuation prepared under section 356.215. The transfer of assets  
2.31 must be made within 45 days after the coverage transfer election is made.

2.32 Subd. 4. **Effect of the asset transfer.** Upon the transfer of assets under subdivision  
2.33 3, the service credit in the general state employees retirement plan of the Minnesota State  
2.34 Retirement System is forfeited and may not be reinstated. The transferred service credit



3.1 and the transferred assets must be credited to the correctional state employees retirement  
3.2 plan and fund respectively.

3.3 Subd. 5. Counseling. (a) The commissioner of human services and the executive  
3.4 director of the Minnesota State Retirement System have the joint responsibility of  
3.5 providing the affected employees of the Department of Human Services with appropriate  
3.6 and timely counseling about retirement benefits and related employment benefits.

3.7 (b) The counseling must include the anticipated impact of the retirement coverage  
3.8 change on the future retirement benefit amounts of the person, the future retirement  
3.9 eligibility of the person, and the future postemployment insurance coverage of the person.

3.10 (c) The commissioner of human services must consult with the appropriate collective  
3.11 bargaining representatives of the affected employees regarding the content, form, and  
3.12 timing of the counseling required by this section.

3.13 Subd. 6. Cost of actuarial calculations. The Department of Corrections or the  
3.14 Department of Human Services, whichever applies, shall pay the cost of the actuarial  
3.15 calculations required by this section."

3.16 Renumber the sections in sequence and correct the internal references

3.17 Amend the title accordingly

1.1 ..... moves to amend the amendment to H.F. No. 1911; S.F. No. 937,  
1.2 H1911-3A, as follows:

1.3 Page ..., after line ..., insert:

1.4 "Subd. 3. **Payment of additional equivalent employer contributions.** (a) If an  
1.5 employee elects to transfer past service credit under this section and pays the additional  
1.6 equivalent member contribution amount under subdivision 2, the applicable employing  
1.7 department shall pay an additional equivalent employer contribution amount. The  
1.8 additional employer contribution is the difference between the employer contribution rate  
1.9 or rates for the general state employees retirement plan for the period of employment  
1.10 covered by the service credit to be transferred and the employer contribution rate or  
1.11 rates for the correctional state employees retirement plan for the period of employment  
1.12 covered by the service credit to be transferred, plus interest at the rate of 8.5 percent per  
1.13 annum, compounded annually.

1.14 (b) The additional equivalent employer contribution must be paid in a lump sum and  
1.15 must be paid within 30 days of the date on which the executive director of the Minnesota  
1.16 State Retirement System certifies to the department that the employer paid the additional  
1.17 equivalent member contribution and the amount of the additional equivalent employer  
1.18 contribution."

1.19 Page ..., after line ..., insert:

1.20 "Subd. 6. **Additional amortization requirement.** (a) In addition to the employer  
1.21 contribution required under Minnesota Statutes, section 352.92, subdivision 2; and  
1.22 subdivision 3, the Department of Corrections or the Department of Human Services,  
1.23 whichever applies, also must make an additional amortization payment annually with  
1.24 respect to the unfunded actuarial accrued liability attributable to past service credit  
1.25 transfers under this section.

1.26 (b) The additional amortization requirement is one-fifth of the initially determined  
1.27 unfunded actuarial accrued liability attributable to the past service credit transfer plus 8.5

2.1 percent annual compound interest on the unfunded actuarial accrued liability remaining  
2.2 after the most recent prior principal payment. The unfunded actuarial accrued liability  
2.3 attributable to the past service credit transfer is the present value of the benefit obtained  
2.4 by the transfer of the service credit to the correctional state employees retirement plan  
2.5 reduced by the amount of the asset transfer under subdivision 4, by the amount of the  
2.6 member contribution equivalent payment under subdivision 2, and by the amount of the  
2.7 employer contribution equivalent payment under subdivision 3.

2.8 (c) The additional amortization requirement is payable annually in a lump sum on  
2.9 or before June 30."

This Document can be made available  
in alternative formats upon request

State of Minnesota  
**HOUSE OF REPRESENTATIVES**

EIGHTY-FIFTH  
SESSION

**HOUSE FILE No. 1911**

March 12, 2007

Authored by Murphy, M.

The bill was read for the first time and referred to the Committee on Governmental Operations, Reform, Technology and Elections

1.1 A bill for an act  
1.2 relating to retirement; correctional state employees retirement plan; including  
1.3 additional Department of Corrections employees in plan coverage; providing for  
1.4 transfer of prior service credit for certain correctional employment; amending  
1.5 Minnesota Statutes 2006, section 352.91, subdivisions 3d, 4b.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 352.91, subdivision 3d, is amended to read:

1.8 Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means  
1.9 service by a state employee in one of the employment positions at a correctional facility or  
1.10 at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the  
1.11 employee's working time is spent in direct contact with inmates or patients and the fact of  
1.12 this direct contact is certified to the executive director by the appropriate commissioner.

1.13 (b) The employment positions are as follows: baker; central services administrative  
1.14 specialist, intermediate; central services administrative specialist, principal; chaplain;  
1.15 ~~chemical dependency counselor supervisor~~; chief cook; cook; cook coordinator;  
1.16 corrections program therapist 1; corrections program therapist 2; corrections program  
1.17 therapist 3; corrections program therapist 4; corrections inmate program coordinator;  
1.18 corrections transitions program coordinator; corrections security caseworker; corrections  
1.19 security caseworker career; corrections teaching assistant; delivery van driver; dentist;  
1.20 electrician supervisor; ~~general maintenance worker~~; general repair worker; ~~laundry~~  
1.21 ~~coordinator~~; library/information research services specialist; library/information research  
1.22 services specialist senior; library technician; plant maintenance engineer lead; plumber  
1.23 supervisor; psychologist 1; psychologist 3; recreation therapist; recreation therapist  
1.24 coordinator; recreation program assistant; recreation therapist senior; sports medicine

2.1 specialist; ~~water treatment plant operator~~; work therapy assistant; work therapy program  
2.2 coordinator; and work therapy technician.

2.3 Sec. 2. Minnesota Statutes 2006, section 352.91, subdivision 4b, is amended to read:

2.4 Subd. 4b. **Department of Corrections; procedure for coverage change**

2.5 **considerations.** (a) The commissioner of corrections shall appoint a standing review  
2.6 committee to review and determine positions that should be included in legislative  
2.7 requests for correctional employees retirement plan coverage under subdivision 4a.

2.8 (b) Periodically, the Department of Corrections will convene meetings of the  
2.9 review committee. The review committee must review all requests and the supporting  
2.10 documentation for coverage by the correctional employees retirement plan and must  
2.11 determine which classes or positions meet the statutory requirements for coverage. The  
2.12 review committee also must determine if incumbents of and recent retirees from classes or  
2.13 positions determined for inclusion in correctional employees retirement plan coverage  
2.14 have prior Department of Corrections employment which also qualified as correctional  
2.15 service and which should be transferred from the general state employees retirement plan  
2.16 to the plan and the initial date for each potential service credit transfer.

2.17 (c) The review committee must evaluate and determine the eligibility date for initial  
2.18 plan participation and all periods of eligibility in the correctional employees retirement  
2.19 plan.

2.20 (d) The department must provide a notice of each determination and of the  
2.21 employee's right to appeal from the review committee to each employee who requested  
2.22 inclusion. Appeals must be filed with the agency human resource manager within 30 days  
2.23 of the date of the notice of determination.

2.24 ~~(d)~~ (e) The commissioner of corrections shall appoint a standing appeals committee  
2.25 to hear appeals of determinations for coverage. The appeal committee must include  
2.26 relevant department employees and employee representatives. Appeal committee  
2.27 determinations are final.

2.28 ~~(e)~~ (f) All positions approved for inclusion must be forwarded to the commissioner  
2.29 of corrections for the preparation of legislation to implement the coverage change and  
2.30 submission. The commissioner will submit a written recommendation documenting  
2.31 classes or positions that should or should not be covered by the correctional employees  
2.32 retirement plan. Documentation of each request and the final determination must be  
2.33 retained in the Department of Corrections' Office of Human Resource Management.

3.1       Sec. 3. **TRANSFER OF PAST MSRS-GENERAL SERVICE CREDIT TO**  
 3.2 **MSRS-CORRECTIONAL.**

3.3       Subdivision 1. Eligibility for service credit transfer. A person who is eligible for  
 3.4 the transfer of past service credit to the correctional state employees retirement plan of  
 3.5 the Minnesota State Retirement System is a person who:

3.6       (1) is a current employee of the Department of Corrections of the state of Minnesota;

3.7       (2) has current retirement coverage by the correctional state employees retirement  
 3.8 plan;

3.9       (3) has prior service credit in the general state employees retirement plan; and

3.10       (4) was determined eligible for a prior service credit transfer under Minnesota  
 3.11 Statutes, section 352.91, subdivision 4b, paragraph (c).

3.12       Subd. 2. Equivalent past member contributions. An eligible person who elects  
 3.13 the transfer of prior general state employees retirement plan service must pay to the  
 3.14 executive director of the Minnesota State Retirement System the difference between  
 3.15 the employee contribution rate for the general state employees retirement plan and the  
 3.16 employee contribution rate for the correctional state employees retirement plan in effect  
 3.17 during the period eligible for transfer, applied to the eligible person's salary at the time  
 3.18 that each additional contribution would have been deducted from pay if coverage had  
 3.19 been provided by the correctional state employees retirement plan. These amounts must  
 3.20 be paid in a lump sum within 18 months following the date of enactment, or before the  
 3.21 termination of service, whichever is earlier, plus 8.5 percent annual compound interest  
 3.22 from the applicable payroll deduction date until the date paid.

3.23       Subd. 3. Equivalent past employer contributions. If an eligible person pays  
 3.24 the past member contributions under subdivision 2, the Department of Corrections, on  
 3.25 behalf of the eligible person, shall pay to the executive director of the Minnesota State  
 3.26 Retirement System the difference between the employer contribution rate for the general  
 3.27 state employees retirement plan and the employer contribution rate for the correctional  
 3.28 state employees retirement plan in effect during the period eligible for transfer applied to  
 3.29 the eligible person's salary at the time that each additional contribution would have been  
 3.30 deducted from pay if coverage had been provided by the correctional state employees  
 3.31 retirement plan. These amounts must be paid by the department in a lump sum within 30  
 3.32 days after the date on which the executive director notifies the department that the amount  
 3.33 under subdivision 2 has been paid, plus 8.5 percent annual compound interest from the  
 3.34 applicable payroll deduction date until the date paid.

3.35       Subd. 4. Transfer of MSRS-general assets. If the payments under subdivisions 2  
 3.36 and 3 are made, assets must be transferred from the general state employees retirement

4.1 fund to the correctional state employees retirement fund in an amount equal to the present  
4.2 value of the benefits earned by the eligible person under the general state employees  
4.3 retirement plan, as determined by the actuary retained under Minnesota Statutes, section  
4.4 356.214, in accordance with Minnesota Statutes, section 356.215. The transfer of assets  
4.5 must be made within 15 days after the receipt of the payment under subdivision 3.

4.6 Subd. 5. **Service credit cancellation; effect of asset transfer.** (a) Upon the transfer  
4.7 of assets under subdivision 4, the service credit and salary credit of the eligible person in  
4.8 the general state employees retirement plan is forfeited and must be credited to the eligible  
4.9 person in the correctional state employees retirement plan. The transferred amount of  
4.10 member contributions to the general state employees retirement fund and the principal  
4.11 amount of the equivalent past member contributions under subdivision 2 must be credited  
4.12 to the person in the event of a refund following the termination of correctional service.

4.13 (b) Service and salary credit forfeited in the general state employees retirement plan  
4.14 under paragraph (a) may not be reinstated.

4.15 Subd. 6. **Payment of cost of actuarial calculations.** The expense for the  
4.16 calculations by the actuary under subdivision 4 must be paid by the Department of  
4.17 Corrections.

4.18 Sec. 4. **EFFECTIVE DATE.**

4.19 Sections 1 to 3 are effective the first day of the first payroll period next following  
4.20 June 30, 2007.