H.F. 2589
(Hamilton)

S.F. 2501
(Vickerman)

Executive Summary of Commission Staff Materials

Affected Pension Plan:	PERA Privatization
Relevant Provisions of Law:	Minnesota Statutes, Chapter 353E
General Nature of Proposal:	Inclusion of Worthington Regional Hospital in special privatization provisions
Date of Summary:	March 3, 2008

Specific Proposed Changes

- Includes the Worthington Regional Hospital in the PERA privatization chapter if the required actuarial work demonstrates a net actuarial gain for PERA-General and if approved by the City of Worthington.

Policy Issues Raised by the Proposed Legislation

1. Consistency with established Commission policy.
2. Extent to which privatized employees are made whole by proposed legislation.
3. Funding implications for PERA-General.
4. Results of special actuarial work.
5. Extent of local support.

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: H.F. 2589 (Hamilton); S.F. 2501 (Vickerman): PERA Privatization; Worthington Regional Hospital

DATE: March 2, 2008

Summary of H.F. 2589 (Hamilton); S.F. 2501 (Vickerman)

H.F. 2589 (Hamilton); S.F. 2501 (Vickerman) attempts to assist privatized Worthington Regional Hospital employees by including those privatized employees in the Public Employees Retirement Association (PERA) privatization law, Minnesota Statutes, Chapter 353F, if the inclusion is determined not to have a net adverse actuarial impact on the PERA General Employee Retirement Plan and is approved by the Worthington City Council. The City of Worthington or the successor entity acquiring the Worthington Regional Hospital is required to reimburse PERA for the actuarial work related to the privatization law inclusion.

Current Situation of Worthington Regional Hospital

The Worthington Regional Hospital is a 66-bed facility that is owned by the City of Worthington and is administered by a seven-member board of trustees appointed by the Worthington City Council. The hospital employs approximately 300 employees with a 2003 total payroll of $10.9 million, most or all of whom have retirement coverage by the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General). The Worthington Regional Hospital entered into a network agreement with the Sioux Valley Hospitals and Health System/Sanford Health in 1996, scheduled to continue to 2016, whereby Sanford Health of Sioux Falls, South Dakota, manages the hospital.

The Worthington Regional Hospital apparently requested a bid from Sanford Health to purchase the hospital and Sanford Health apparently has offered $21 million for its purchase. If Sanford Health purchases the Worthington Regional Hospital under the offer, the current hospital employees would become Sanford Health employees at the same compensation and with the same duties. However, upon purchase by Sanford Health, the Worthington Regional Hospital employees would no longer be Minnesota public employees under Minnesota Statutes, Section 353.01, Subdivisions 2 and 2a, hence losing retirement coverage by PERA-General for any future hospital employment. For employees who are not vested (i.e., with less than three years of public service), the former public employee would have an option for refund of accumulated member contributions plus six percent interest. For employees who have at least three years of public service, the former public employee has the option to take a refund or to retain entitlement to a deferred retirement annuity when reaching retirement age, augmented at three percent compounded annually until age 55 and at five percent compounded annually after age 54. Vested former public employees who have been privatized and who would have qualified for early normal (unreduced) retirement under the "Rule of 90" (total of age and credited service) provision after a full hospital career would lose that eligibility upon privatization.

Background Information on Topics Related to Public Employee Privatizations

Attached is relevant background information related to public employee privatizations and retirement coverage. The background items are:

A. Background Information on Defined Contribution Pension Plans and Defined Benefit Pension Plans. Attachment A sets forth general information on the differences between defined benefit retirement plans, typical in the public employment sector, and defined contribution retirement plans, typical in the nonprofit and private sector health industry.

B. Background Information on Minnesota Statutes, Chapter 353F, the PERA Privatized Medical Facility Privatization Law. Attachment B presents information on Minnesota Statutes, Chapter 353F, the Public Employees Retirement Association (PERA) privatized employee retirement law.

C. Background Information on Health Care Facility Privatizations. Attachment C sets forth information on privatizations by hospitals and other health care facilities.

Discussion and Analysis

H.F. 2589 (Hamilton); S.F. 2501 (Vickerman) includes the Worthington Regional Hospital in Minnesota Statutes, Chapter 353F, the Public Employees Retirement Association (PERA) privatization chapter, providing vested Worthington Regional Hospital employees after the prospective privatization of the hospital with an enhanced deferred annuity augmentation rate and with a recognition of post-privatization hospital employment in qualifying for (but not the calculation of) early unreduced retirement under the "Rule of 90."

The proposed legislation raises the following pension and related public policy issues for Commission consideration and potential discussion:

1. Consistency with Established Commission Policy. The policy issue is the extent to which the proposed legislation conforms with the established policy of the Commission for dealing with privatized public employees. Since 1996, the Commission has provided privatized public employees with enhanced deferred annuities augmentation rates and some continuing "Rule of 90" service recognition in a majority of instances and has exclusively utilized that approach since 2005. The proposed legislation follows the recent approach to privatizations.

2. Extent to Which Privatized Employees Are Made Whole. The policy issue is the extent to which the proposed legislation is of assistance to the Worthington Regional Hospital in the event of a near-term privatization. Unless the pension coverage provided by the successor entity is unusually and uncharacteristically generous to privatized public employees, a privatization dramatically disrupts the pension coverage of career employees. The adverse impact results from a reduced number of years of service credit, a premature freezing of the final average salary figure for the retirement benefit calculation, and a loss of "Rule of 90" eligibility for career employees. While the privatization chapter does not fully offset these losses, which could only occur if full PERA coverage continued after privatization, the enhancement of deferred annuity augmentation rates does offset a fair portion of the negative impact of a premature final average salary freeze and partial recognition of post-privatization service does retain "Rule of 90" eligibility for career employees.

3. Current Actuarial Condition of PERA-General and Privatization Implications. The policy issue is the extent of concerns about the funding of the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General) and the impact of the privatization legislation on the retirement plan. PERA-General has funding difficulties, as the following summary of the July 1, 2007, actuarial valuation indicates:

	2007	
Membership		
Active Members		146,226
Service Retirees		52,554
Disabilitants		1,988
Survivors		6,894
Deferred Retirees		39,722
Nonvested Former Members		109,599
Total Membership		356,983
Funded Status		
Accrued Liability		$17,705,626,649
Current Assets		$13,500,024,678
Unfunded Accrued Liability		$4,205,601,971
Funding Ratio	76.25%	
Financing Requirements		
Covered Payroll		$4,957,789,826
Benefits Payable		$784,013,433
Normal Cost	7.78%	$385,359,657
Administrative Expenses	0.19%	$9,419,801
Normal Cost & Expense	7.97%	$394,779,458
Normal Cost & Expense	7.97%	$394,779,458
Amortization	4.77%	$236,486,575
Total Requirements	12.74%	$631,266,033

		2007
Employee Contributions	5.88%	$291,588,497
Employer Contributions	6.38%	$316,425,146
Employer Add'l Cont.	0.00%	$0
Direct State Funding	0.00%	$0
Other Govt. Funding	0.00%	$0
Administrative Assessment	0.00%	$0
Total Contributions	12.26%	$608,013,643
Total Requirements	12.74%	$631,266,033
Total Contributions	12.26%	$608,013,643
Deficiency (Surplus)	0.48%	$23,252,390

Based on legislation that occurred in 2006 phasing-in additional member and employer contributions, a 0.50 percent contribution increase (0.25 percent member and 0.25 percent employer) occurs on January 1, 2008, and 0.25 percent contribution increases (employer) are scheduled for January 1, 2009, and January 1, 2010, if necessary. Thus, although there is a current contribution deficiency for PERA-General under the currently implemented contribution structure, that deficiency will be addressed by future scheduled contribution increases and PERA-General's long-term funding appears to be adequate. The privatization of the Worthington Regional Hospital would produce an actuarial gain of an unknown magnitude for PERA-General without the proposed legislation. If past actuarial results for other privatizations are replicated for the Worthington Regional Hospital, a majority of that actuarial gain will be consumed by the impact of the proposed legislation. While the proposed privatization legislation does not leave PERA-General worse off actuarially than it is currently, it does forego an actuarial improvement that PERA-General would experience if no proposed privatization legislation was implemented.

4. Results of Special Actuarial Work. The policy issue is whether the results of the special actuarial work prepared on the Worthington Regional Hospital privatized employees and whether the inclusion of those employees in Minnesota Statutes, Chapter 353E, still produces a net gain for the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General). In a January 18, 2008, report from The Segal Company, the actuarial firm retained under Minnesota Statutes, Section 356.214, based on the July 1, 2007, PERA-General actuarial valuation, the inclusion of the Worthington Regional Hospital in the PERA privatization chapter still leaves PERA-General with a net actuarial gain, as follows:

Status	Actuarial Accrued Liability	
1. As ongoing active PERA members	$23,331,942	
2. As terminated members without any enhancement of benefits	$17,436,897	
3. As terminated members with the enhancements of the PERA "privatized plan"		$19,546,765
4. Net actuarial gain to PERA-General	$5,895,045	$3,785,177

5. Local Support. The policy issue is the question of support by the City of Worthington and by the prospective health facility purchaser, Sanford Health. Local support is required under the proposed legislation for the privatization inclusion to be effective, with a requirement for the passage of an approval resolution by the Worthington City Council. If there is not current support for the proposed legislation by the City of Worthington (and Sanford Health), the time and effort likely to be spent by the Legislature processing the proposed legislation could be wasted. Testimony from a representative of the City of Worthington or some other expression of local support, such as a Worthington City Council resolution, could clarify whether processing the proposed legislation will be worthwhile and appropriate.

Attachment A

Background Information on Defined Contribution Pension Plans and Defined Benefit Pension Plans

Pension plans can be one of two types, either a defined contribution plan or a defined benefit plan. The differences between the two types of plans are summarized as follows:

a. Defined Contribution Plans. A defined contribution plan is a pension plan where the funding for the pension plan is fixed as a dollar amount or as a percentage of payroll. Fixing this element leaves a variable element, which is the benefit amount that is ultimately payable. Under a defined contribution plan, the plan member bears the inflation and investment risks. If there is poor investment performance, the plan member's pension assets will be depressed. High inflation is another risk, since inflation lowers the real value of the investment returns and the assets in the account. The plan member's benefit will be less adequate in meeting the person's pre-retirement standard of living. With a defined contribution plan, the employee generally owns the assets in the account. Those assets move with the employee if the employee changes employment. A defined contribution plan favors employees who are very employment mobile, where employment changes beyond a single employer or a multiple-employer group. It also favors short-term employees in comparison to defined benefit plans. It also favors employees with very stable and modestly increasing salary histories and employees who work considerably beyond the plan's normal retirement age.

b. Defined Benefit Plans. The other general plan type is a defined benefit plan. A defined benefit plan is a pension plan where the pension benefit amount that is ultimately payable is pre-determinable or fixed using a formula. Fixing the benefit amount leaves a variable element, which is the funding required to provide that benefit. Because PERA-General is a defined benefit plan, employing units paying into the plan, rather than the employee, bear the inflation and investment risks. If the investment return on plan assets is poor or if inflation produces ever-increasing final salaries and benefit payouts, that risk is borne by the plan and its associated employers. The member has the turnover risks. If a plan member terminates at an early age, or with modest service, the member will receive either no benefit or an inadequate benefit. A defined benefit plan favors long-term or long-service employees. It also favors employees who receive regular promotions and sizable salary increases throughout their careers or who achieve substantial salary increases in their compensation at the end of their career. It also favors employees who retire at or before the plan's normal retirement age.

Defined contribution pension plans predominate in the private sector, while defined benefit pension plans predominate in the public sector. The U.S. Department of Labor, in a study by the Bureau of Labor Statistics entitled National Compensation Survey: Employee Benefits in Private Industry in the United States, 2002, indicates that 36 percent of all private sector employees are covered by a defined contribution plan and that only 18 percent of private sector employees are covered by a defined benefit plan. In a study entitled Employee Benefits in State and Local Governments, 1998, the Bureau of Labor Statistics reports that 90 percent of public employees are covered by a defined benefit plan and only 14 percent of public employees are covered by a defined contribution plan.

Attachment B

Treatment Under Chapter 353F: Privatized Public Hospital, PERA Pension Benefits

When the privatization of a PERA-covered employing unit occurs, the employees no longer qualify as public employees and no longer qualify to continue as active PERA-General members. However, if these employees are made eligible under Chapter 353F, they will have certain benefits that differ from the typical treatment of terminated employees. One justification for this different treatment is that the privatized employees did not choose to leave public service and to end public retirement plan coverage. Their employee status changed from public to nonpublic due to an action by the employer (the transfer from public employer to nonprofit corporation or other nonpublic status), rather than by an exercise of free will by the employees.

If a privatization is included under Chapter 353F, those employees who are employed at the time of the transfer to the nonprofit corporation receive the following special coverage provisions:

1. Vested Benefit With Any Service Length. The normal three-year PERA vesting period is waived, so a privatized employee with less than three years of PERA-covered service would be entitled to receive a PERA retirement annuity, notwithstanding general law.
2. Increased Deferred Annuity Augmentation Rate. For the period between the date of privatization and the date of eventual retirement, the privatized employee's deferred PERA retirement annuity will increase at the rate of 4.0 percent rather than three percent until age 55 and at the rate of 6.0 percent rather than five percent after age 54.
3. "Rule of 90" Eligibility with Post-Privatization Service. For privatized employees with actual or potential long service who could have retired early with an unreduced retirement annuity from PERA under the "Rule of 90" (combination of age and total service credit totals 90), the employee will be able to count future privatized service with the hospital for eligibility purposes, but not for benefit computation purposes.

Attachment C

Background Information on Health Care Facility Privatizations

a. Privatization Trend. There is a trend among health care facilities to convert from public sector ownership to private sector or quasi-public sector ownership. These conversions have involved selling, leasing, or transferring the facility, along with transferring the existing employees to that reorganized health care facility. The privatization of health care facilities is occurring among both large and small hospitals, clinics, and related health care providers. The privatizations typically increase organizational flexibility and reduce various costs, allowing the privatized organization to be financially competitive. One area of potential savings is the elimination of PERA active member coverage (or coverage by another public pension plan, if applicable), which is eliminated by the privatization.

b. Privatization Impact on Retirement Coverage. When a privatization occurs and employees no longer qualify as public employees for PERA pension purposes, PERA membership terminates and retirement benefit coverage problems may emerge. Under current PERA law, three years of PERA coverage is required for vesting. For employees who terminate PERA membership without vesting, no deferred retirement annuity right typically is available. The member may elect a refund of accumulated member contributions with six percent interest, or the individual may leave the contributions at PERA, perhaps in the expectation that the individual will change employment in the future and again become a covered public employee. For a vested employee who terminates PERA membership with at least three years of service, there is a choice between a deferred retirement annuity right or a refund. The deferred retirement annuity is augmented by three percent per year under age 55 and five percent per year thereafter until retirement.

When a privatization occurs and employees lose the right to continue coverage by the public plan, all of the employees are impacted. The employee may be terminated from employment at the time of the sale, transfer, or reorganization. Those employees will lose both continued employment and continued retirement coverage. For employees who remain employed after transfer to the newly organized health care facility, the privatization interrupts their benefit coverage. If there is no pension plan established by the privatized health care facility, the employees will suffer a loss of overall benefit coverage other than Social Security coverage. If the new employer does provide a plan, portability problems between the old plan and the new plan are likely.

c. Evolution of Privatization Treatment. The Legislature has dealt with privatizations on several occasions over the past few decades, primarily health care privatizations. The treatment has evolved over time. At times, in addition to any benefit that the employee may have been eligible for under a public pension plan as a deferred annuitant, the individual was offered an enhanced refund (employee plus employer contributions) plus interest. On a few occasions, the individuals were permitted to remain in PERA-General. The following summarizes treatments used since 1984:

- In 1984, relating to the privatization of the Owatonna City Hospital, legislation allowed the affected employees to receive a deferred retirement annuity with at least five years of service or to receive a refund of employee and employer contributions, plus interest at six percent, compounded annually.
- In 1986, relating to the St. Paul Ramsey Medical Center reorganization, legislation allowed only a delayed right to withdraw from PERA and receipt of a refund of only member contributions plus interest at five percent, compounded annually.
- In 1987, relating to the Albany Community Hospital and the Canby Community Hospital, legislation allowed the affected employees to receive a deferred retirement annuity with a five-year vesting period or to receive a refund of both the employee and employer contributions, plus compound annual interest at six percent.
- In 1988, relating to the Gillette Children's Hospital employees, legislation continued the membership of the affected employees in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), but excluded new employees from public pension plan coverage.
- In 1994, relating to the St. Paul Ramsey Medical Center again, legislation continued the PERA membership of existing employees who were PERA members unless the employee elected to terminate PERA membership before July 1, 1995.

- In 1995 through 1998, the approach used for PERA privatizations during this period required PERA coverage to end for all employees at the time of the transfer of the health care facility to the new ownership. The new health care entity was urged but not required to provide a "PERA-like" plan for individuals who are transferred with the facility and remain as employees of the new entity. For individuals who are terminated at the time of the transfer, and who were not vested in PERA, the city was authorized to match any refund with interest that the individual received from PERA. This model was used with the Olmsted County Medical Center privatization (1995), the Itasca County Medical Center (1995 and 1996), Jackson Medical Center, Melrose Hospital, Pine Villa Nursing Home, and the Tracy Municipal Hospital and Clinic (1997), and the Luverne Community Hospital (1998) privatizations.

- In 1996, a different approach was used for the University of Minnesota Hospital-Fairview merger, a procedure which was coded as Chapter 352F. Prior to the privatization, the University employees were covered by a public plan comparable to PERA-General, the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). This is the model upon which the PERA privatization chapter, Chapter 353F, which was enacted in 1999, is based. In this model, termination of coverage by the public plan occurs at the time of the privatization, but the employees who terminated coverage (even those who were not vested) were permitted deferred annuities from the public plan with an augmentation rate that exceeded that used under general law, and the employees were allowed to use service with the new organization to meet age/service requirements for qualifying for the "Rule of 90" under the public plan. The legislation that included specific privatizations in the in the PERA privatization chapter are contingent upon local approval and a finding by the actuary that the inclusion is not expected to create a loss for PERA.

- In 2004, two different approaches were used. A few groups wished to remain as active PERA members, the new employers were willing to provide that treatment and to cover the resulting PERA-General employer contribution requirements, and PERA did not oppose that proposed treatment. This treatment, allowing the employees to remain as active PERA members following privatization, was extended to Anoka County Achieve Program employees and to Government Training Office employees, despite the changed status of these individuals from public sector to private sector. The chief reservation against this treatment is a federal requirement that public plans should not provide coverage to private sector employees, under threat of losing its qualified status and making contributions subject to immediate taxation. However, public plans are permitted to cover a small percentage of private sector employees, providing the percentage is minimal. While the dividing line between an acceptable minimal percentage and an unacceptable percentage is unclear, it was safe to assume that the small number of individuals involved in these two privatizations would not cause a plan qualification problem. Plan qualification concerns may be an issue in the future if this treatment is proposed for other privatizations, causing the percentage of private employees in PERA to grow.

  The other model used in 2004 was the model specified in the PERA privatized employee chapter. This approach was used for Fair Oaks Lodge, Kanabec Hospital, RenVilla Nursing Home, and the St. Peter Community Health Care Center.

- In 2005 and 2006, the Legislature returned to the use of a single model, approving three more additions to the PERA privatization chapter in 2005 (Bridges Medical Center, Hutchinson Area Health Care, and Northfield Hospital), and in 2006 (City of Cannon Falls Hospital, Clearwater County Health Services, and Dassel Lakeside Community Home), all contingent upon local approval and a find by the actuary that inclusion under the chapter would not create a loss for PERA.

- In 2006, the deferred annuity augmentation rates for post-2006 privatizations were reduced because PERA argued that the pre-2006 privatization deferred annuity augmentation rates were actuarially unsupportable given PERA-s funding problems. For post-2006 privatizations under Minnesota Statutes, Chapter 353F, the deferred annuity augmentation rates are four percent (rather than 5.5 percent) until the first of the year following the year in which the individual turns age 55, and six percent (rather than 7.5 percent) thereafter.

- In 2007, the Legislature continued the use of a single model for treating public employee privatizations, approving the addition of the Lakefield Nursing Home, the Lakeview Nursing Home in Gaylord, and the Oakland Park Nursing Home to the PERA privatization chapter with local approval and with actuarial work indicating no new net actuarial loss for PERA-General.

SEGAL

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January 18, 2008

Mr. Melvin J. Platt
Chief Executive Officer
Worthington Regional Hospital
1018 6th Ave.
Worthington, MN 56187

Re: Worthington Regional Hospital - Privatization Study

Dear Melvin:

At your request, we have completed an analysis of the actuarial accrued liability of the active employees of Worthington Regional Hospital under the Public Employees Retirement Association (PERA). From the data file of 256 employees that you provided, we have identified 241 active participants in PERA as of July 1, 2007. We have not independently confirmed the accuracy of such information.

All of the results in this letter have been calculated using the data as supplied by PERA, as well as the complete set of actuarial assumptions used for the PERA July 1, 2007 actuarial valuation. These results represent the actual change in liabilities that would have occurred had the status of these participants been changed to inactive vested as of the July 1, 2007 actuarial valuation date.

The results were adjusted to use the same Combined Service Annuity load (0.8%) for Worthington Regional Hospital participants as was used for PERA active members. Note that this basis is comparable to the computations performed for those groups that previously considered privatization and requested such actuarial determinations.

For purposes of these calculations, the enhancements reflected in the "privatized plan" are as follows:

> Members active with a public employer on the day prior to privatization of the employer become vested immediately and receive augmentation at the rate of 4.0% compounded annually through the year the member turns age 55, and 6.0% thereafter until the annuity begins.

The results of our actuarial analysis of the actuarial accrued liability of the active employees of Worthington Regional Hospital are as follows:

	Total for 241 Worthington Participants
1. Actuarial Accrued Liability as Ongoing Active PERA Members	$23,331,942
2. Actuarial Accrued Liability as Terminated Members Without Any Enhancement of Benefits	$17,436,897
3. Actuarial Accrued Liability as Terminated Members With the Enhancements of the PERA "Privatized Plan"	$19,546,765

The actuarial accrued liability with privatized plan enhancements (item 3 above) is less than the ongoing active actuarial accrued liability (item 1 above). Thus, the privatized plan enhancements would be available to Worthington Regional Hospital participants if this group privatizes.

The purpose of this letter is to assist the appropriate parties in their consideration of the appropriate treatment of Worthington Regional Hospital employees under PERA. Neither the computations nor the narrative would necessarily be applicable to other groups. No parties should rely on these numbers for purposes other than those stated above.

Sincerely,

Andre Latia

Andre Latia, FSA, MAAA, EA
Senior Vice President and Consulting Actuary

/szh

cc: Mr. Lawrence Martin
Ms. Mary Most Vanek
Ms. Carol Bogosian – The Segal Company

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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH SESSION

HOUSE FILE NO. 2589

January 22, 2008
Authored by Hamilton
The bill was referred to the Committee on Governmental Operations, Reform, Technology and Elections

A bill for an act

relating to retirement; privatized public employee retirement coverage; including the Worthington Regional Hospital in privatization coverage; amending Minnesota Statutes 2007 Supplement, section 353F.02, subdivision 4.

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

Section 1. Minnesota Statutes 2007 Supplement, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **Medical facility.** "Medical facility" means:

(1) Bridges Medical Services;

(2) the City of Cannon Falls Hospital;

(3) Clearwater County Memorial Hospital doing business as Clearwater Health Services in Bagley;

(4) the Dassel Lakeside Community Home;

(5) the Fair Oaks Lodge, Wadena;

(6) the Glencoe Area Health Center;

(7) the Hutchinson Area Health Care;

(8) the Kanabec Hospital;

(9) the Lakefield Nursing Home;

(10) the Lakeview Nursing Home in Gaylord;

(11) the Luverne Public Hospital;

(12) the Northfield Hospital;

(13) the Oakland Park Nursing Home;

(14) the RenVilla Nursing Home;

(15) the Renville County Hospital in Olivia;

(16) the St. Peter Community Healthcare Center; ~~and~~

(17) the Waconia-Ridgeview Medical Center; and

(18) the Worthington Regional Hospital.

EFFECTIVE DATE. (a) This section is effective on the latter of:

(1) the day after the governing body of the city of Worthington and its chief clerical officer timely comply with Minnesota Statutes, section 645.021, subdivisions 2 and 3; or

(2) the first day of the month next following certification to the Worthington city council by the executive director of the Public Employees Retirement Association that the actuarial accrued liability of the special benefit coverage proposed for extension to the privatized Worthington Regional Hospital employees under section 1 does not exceed the actuarial gain otherwise to be accrued by the Public Employees Retirement Association, as calculated by the consulting actuary retained under Minnesota Statutes, section 356.214.

(b) The cost of the actuarial calculations must be borne by the current employer or by the entity which is the employer following the privatization, and the date of the actuarial calculations must be within one year of the date the Worthington Regional Hospital is sold or leased.