



S.F. 2428
(Pappas)

H.F. 2682
(Nelson)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): Statewide and major local retirement plans
Relevant Provisions of Law: Minnesota Statutes, Sections 352.01, 353.01, 354.05, & 354A.011
General Nature of Proposal: Updates/reorganizes membership inclusion & exclusion provisions.
Date of Summary: March 20, 2014

Specific Proposed Changes

- Reorganizes and updates the membership inclusion and exclusion provisions of MSRS-General, PERA-General, TRA, and the two first class city teacher retirement fund associations without making any intended substantive changes.

Related Issue

- Whether or not this proposed legislation should be the vehicle for a resolution of PERA-General minimum salary amount membership inclusion threshold issue considered by the Pension Commission over the 2013-2014 interim.

Potential Amendments

S2428-1A is the PERA is proposal to replace the \$425 in any month minimum salary threshold for membership inclusion with a procedure that was an annualized minimum salary threshold figure of \$5,100 for employees of governmental subdivisions other than school districts and of \$3,800 for employees of school districts.

S2428-2A, an alternative to the PERA suggestion, resets the exclusion from PERA-General membership on an annual stipulation basis, set at a \$4,400 annual calendar compensation figure for school district employees and at a \$6,000 annual calendar year compensation figure for employees of political subdivisions other than school districts, and would provide retirement coverage for those currently excluded minimally compensated employees by the Public Employees Defined Contribution Plan with member and employer contribution rates identical to PERA-General.

S2428-3A is a modification of S2428-2A, with the same PERA-General exclusion and Public Employees Defined Contribution Plan coverage changes, except that currently minimally compensated employees who would be covered by the Public Employees Defined Contribution Plan would have a five-year vesting period for the eventual receipt of the accumulated employer contributions and investment income on those contributions.

This page intentionally left blank

8.1 paragraph (a), clause (1), must make a contribution to the plan, by payroll deduction under
 8.2 section 353.27, in an amount equal to the percent of salary specified in section 353.247,
 8.3 subdivision 2, for the coordinated program.

8.4 (b) The governmental subdivision employing a participant described in paragraph
 8.5 (a) shall contribute an amount equal to the percent of salary specified in section 35.27,
 8.6 subdivision 3, for the coordinated program.

8.7 **Sec. 7. [353D.035] ACCOUNT BALANCE TRANSFERS TO PERA-GENERAL**
 8.8 **IN CERTAIN INSTANCES.**

8.9 (a) If a participant of the defined contribution plan becomes a member of the
 8.10 coordinated program of the general employees retirement plan of the Public Employees
 8.11 Retirement Association and the executive director determines that there was a period
 8.12 during which the person was incorrectly excluded from the defined benefit retirement plan
 8.13 coverage, without limitation as to the period, the amount of employee and employer
 8.14 contributions for the period of the incorrect exclusion , plus the investment return on those
 8.15 amounts, must be transferred to the general employees retirement fund.

8.16 (b) If paragraph (a) applies, additionally, the applicable governmental subdivision
 8.17 shall pay to the general employees retirement fund an amount equal to 7.70 percent of
 8.18 the amount transferred under paragraph (a) to offset the unpaid employer additional
 8.19 contribution amount and applicable investment performance.

8.20 **Sec. 8. REPEALER.**

8.21 Minnesota Statutes 2012, section 353.01, subdivisions 12a and 12b, are repealed.

8.22 **Sec. 9. EFFECTIVE DATE.**

8.23 Sections 1 to 8 are effective January 1, 2015."

8.24 Delete the title and insert:

8.25 "A bill for an act
 8.26 relating to retirement; general employees retirement plan of the Public Employees
 8.27 Retirement Association and the PERA defined contribution retirement plan;
 8.28 including certain modest salary local governmental employees in defined
 8.29 contribution retirement plan coverage; amending Minnesota Statutes 2012,
 8.30 sections 353.27, by adding a subdivision; 353D.01, subdivision 2; 353D.02, by
 8.31 adding a subdivision; 353D.03, by adding a subdivision; Minnesota Statutes
 8.32 2013 Supplement, section 353.01, subdivisions 2a, 2b; proposing coding for new
 8.33 law in Minnesota Statutes, chapter 353D; repealing Minnesota Statutes 2012,
 8.34 section 353.01, subdivisions 12a, 12b."

1.1 moves to amend the amendment (S2428-2A) to S.F. No. 2428; H.F.
1.2 No. 2682, as follows:

1.3 Page 8, after line 19, insert:

1.4 "Sec. 8. Minnesota Statutes 2012, section 353D.07, is amended by adding a subdivision
1.5 to read:

1.6 Subd. 1a. **Defined contribution plan benefit vesting.** (a) Except as provided in
1.7 paragraph (b), members of the plan are vested in a benefit from the plan with any length
1.8 of service covered by the plan.

1.9 (b) Members of the plan under section 353D.02, subdivision 8, are vested in their
1.10 member contributions and any investment performance on that amount with any length
1.11 of service covered by the plan, but are vested in the employer contribution and any
1.12 investment performance on that amount upon the completion of at least 60 months, not
1.13 necessarily consecutive, on which they rendered service and received compensation from
1.14 which a member contribution to the plan was deducted."

1.15 Page 8, line 23, delete "8" and insert "9"

1.16 Renumber the sections in sequence and correct the internal references

1.17 Amend the title accordingly

This page intentionally left blank

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH SESSION

S.F. No. 2428

(SENATE AUTHORS: PAPPAS)

DATE	D-PG	OFFICIAL STATUS
03/06/2014	6003	Introduction and first reading Referred to State and Local Government

A bill for an act

1.1 relating to retirement; Minnesota State Retirement System, Public Employees
 1.2 Retirement Association, and Teachers Retirement Association; reorganizing
 1.3 and updating the membership inclusion and exclusion provisions; amending
 1.4 Minnesota Statutes 2012, sections 352.01, subdivision 2b; 354.05, subdivision
 1.5 2; 354A.011, subdivision 27; Minnesota Statutes 2013 Supplement, sections
 1.6 352.01, subdivision 2a; 353.01, subdivisions 2a, 2b.

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

1.9 Section 1. Minnesota Statutes 2013 Supplement, section 352.01, subdivision 2a,
 1.10 is amended to read:

1.11 Subd. 2a. **Included employees.** (a) "State employee" includes:

1.12 (1) employees of the Minnesota Historical Society;

1.13 (2) employees of the State Horticultural Society;

1.14 (3) employees of the Minnesota Crop Improvement Association;

1.15 (4) employees of the adjutant general whose salaries are paid from federal funds and
 1.16 who are not covered by any federal civilian employees retirement system;

1.17 (5) employees of the Minnesota State Colleges and Universities who are employed
 1.18 under the university or college activities program;

1.19 (6) currently contributing employees covered by the system who are temporarily
 1.20 employed by the legislature during a legislative session or any currently contributing
 1.21 employee employed for any special service as defined in subdivision 2b, clause (8);

1.22 (7) employees of the legislature who are appointed without a limit on the duration
 1.23 of their employment and persons employed or designated by the legislature or by a
 1.24 legislative committee or commission or other competent authority to conduct a special
 1.25 inquiry, investigation, examination, or installation;

- 2.1 (8) trainees who are employed on a full-time established training program
2.2 performing the duties of the classified position for which they will be eligible to receive
2.3 immediate appointment at the completion of the training period;
- 2.4 (9) employees of the Minnesota Safety Council;
- 2.5 (10) any employees who are on authorized leave of absence from the Transit
2.6 Operating Division of the former Metropolitan Transit Commission and who are employed
2.7 by the labor organization which is the exclusive bargaining agent representing employees
2.8 of the Transit Operating Division;
- 2.9 (11) employees of the Metropolitan Council, Metropolitan Parks and Open Space
2.10 Commission, Metropolitan Sports Facilities Commission, or Metropolitan Mosquito
2.11 Control Commission unless excluded under subdivision 2b or are covered by another
2.12 public pension fund or plan under section 473.415, subdivision 3;
- 2.13 (12) judges of the Tax Court;
- 2.14 (13) personnel who were employed on June 30, 1992, by the University of
2.15 Minnesota in the management, operation, or maintenance of its heating plant facilities,
2.16 whose employment transfers to an employer assuming operation of the heating plant
2.17 facilities, so long as the person is employed at the University of Minnesota heating plant
2.18 by that employer or by its successor organization;
- 2.19 (14) personnel who are employed as seasonal employees in the classified or
2.20 unclassified service;
- 2.21 (15) persons who are employed by the Department of Commerce as a peace officer
2.22 in the Commerce Fraud Bureau under section 45.0135 who have attained the mandatory
2.23 retirement age specified in section 43A.34, subdivision 4;
- 2.24 (16) employees of the University of Minnesota unless excluded under subdivision
2.25 2b, clause (3);
- 2.26 (17) employees of the Middle Management Association whose employment began
2.27 after July 1, 2007, and to whom section 352.029 does not apply;
- 2.28 (18) employees of the Minnesota Government Engineers Council to whom section
2.29 352.029 does not apply;
- 2.30 (19) employees of the Minnesota Sports Facilities Authority; ~~and~~
- 2.31 (20) employees of the Minnesota Association of Professional Employees;:
- 2.32 (21) employees of the Minnesota State Retirement System;
- 2.33 (22) employees of the State Agricultural Society;
- 2.34 (23) employees of the Gillette Children's Hospital Board who were employed in the
2.35 state unclassified service at the former Gillette Children's Hospital on March 28, 1974; and

3.1 (24) if approved for coverage by the Board of Directors of Conservation Corps
 3.2 Minnesota, employees of Conservation Corps Minnesota so employed on June 30, 2003.

3.3 (b) Employees specified in paragraph (a), clause (13), are included employees under
 3.4 paragraph (a) if employer and employee contributions are made in a timely manner in the
 3.5 amounts required by section 352.04. Employee contributions must be deducted from
 3.6 salary. Employer contributions are the sole obligation of the employer assuming operation
 3.7 of the University of Minnesota heating plant facilities or any successor organizations to
 3.8 that employer.

3.9 Sec. 2. Minnesota Statutes 2012, section 352.01, subdivision 2b, is amended to read:

3.10 Subd. 2b. **Excluded employees.** "State employee" does not include:

3.11 (1) persons who are:

3.12 (i) students who are employed by the University of Minnesota, or within the
 3.13 Minnesota State Colleges and Universities system, unless approved for coverage by
 3.14 the Board of Regents of the University of Minnesota or the Board of Trustees of the
 3.15 Minnesota State Colleges and Universities, whichever is applicable applies;

3.16 (ii) employed as interns for a period not to exceed six months unless included under
 3.17 subdivision 2a, paragraph (a), clause (8);

3.18 (iii) employed as trainee employees unless included under subdivision 2a, paragraph
 3.19 (a), clause (8);

3.20 (iv) full-time students employed by the Minnesota Historical Society intermittently
 3.21 for a portion of the year and full time during the summer months; or

3.22 (v) employed in the student worker classification as designated by Minnesota
 3.23 Management and Budget;

3.24 (2) employees who are:

3.25 (i) eligible for membership in the state Teachers Retirement Association, except
 3.26 employees unless the person is an employee of the Department of Education who have
 3.27 chosen or may choose elected to be covered by the general state employees retirement plan
 3.28 of the Minnesota State Retirement System instead of the Teachers Retirement Association;

3.29 (ii) employees of the state who, in any year, were credited with 12 months of
 3.30 allowable service as a public school teacher and, as such, are members of a retirement plan
 3.31 governed by chapter 354 or 354A unless the employment is incidental employment as a
 3.32 state employee that is not covered by a retirement plan governed by chapter 354 or 354A;

3.33 (iii) employees of the state who are employed by the Board of Trustees of the
 3.34 Minnesota State Colleges and Universities in an unclassified position that is listed in
 3.35 section 43A.08, subdivision 1, clause (9);

4.1 (iv) persons employed by the Board of Trustees of the Minnesota State Colleges and
 4.2 Universities who elected retirement coverage other than by the general state employees
 4.3 retirement plan of the Minnesota State Retirement System under Minnesota Statutes
 4.4 1994, section 136C.75;

4.5 (v) officers or enlisted personnel in the National Guard or in the naval militia who
 4.6 are assigned to permanent peacetime duty and who are or are required to be members of a
 4.7 federal retirement system under federal law;

4.8 (vi) persons employed by the Department of Military Affairs as full-time firefighters
 4.9 and who, as such, are members of the public employees police and fire retirement plan;

4.10 (vii) members of the State Patrol retirement plan under section 352B.011,
 4.11 subdivision 10;

4.12 (viii) off-duty police officers while employed by the Metropolitan Council and
 4.13 persons employed as full-time police officers by the Metropolitan Council and who, as
 4.14 such, are members of the public employees police and fire retirement plan; and

4.15 (ix) employees of the state who have elected to transfer account balances derived
 4.16 from state service to the unclassified state employees retirement program under section
 4.17 352D.02, subdivision 1d;

4.18 (3) employees of the University of Minnesota who are excluded from coverage by
 4.19 action of the Board of Regents;

4.20 ~~(4) officers and enlisted personnel in the National Guard and the naval militia who~~
 4.21 ~~are assigned to permanent peacetime duty and who under federal law are or are required to~~
 4.22 ~~be members of a federal retirement system;~~

4.23 ~~(5) (4) election officers judges and persons who are employed solely to administer~~
 4.24 ~~elections;~~

4.25 ~~(6) (5) persons who are:~~

4.26 ~~(i) engaged in public work for the state but who are employed by contractors when the~~
 4.27 ~~performance of the contract is authorized by the legislature or other competent authority;~~

4.28 ~~(7) officers and employees of the senate, or of the house of representatives, or of a~~
 4.29 ~~legislative committee or commission who are temporarily employed;~~

4.30 (ii) employed to perform professional services where the service is incidental to the
 4.31 person's regular professional duties and where compensation is paid on a per diem basis; or

4.32 (iii) compensated on a fee payment basis or as an independent contractor;

4.33 (6) persons who are employed by:

4.34 (i) the house of representatives, the senate, or a legislative commission or agency
 4.35 under the jurisdiction of the Legislative Coordinating Commission on a temporary basis;

- 5.1 (ii) the Minnesota State Agricultural Society or the Minnesota State Fair as a
 5.2 temporary employee on or after July 1 for a period ending on or before October 15 of that
 5.3 calendar year or as an employee at any time for a special event held on the fairgrounds;
- 5.4 (iii) the executive branch as a temporary employee in the classified service or as a
 5.5 temporary employee in the unclassified service if appointed for a definite period not to
 5.6 exceed six months, and if employment is less than six months, then in any 12-month period;
- 5.7 (iv) the adjutant general if employed on an unlimited intermittent or temporary
 5.8 basis in the classified service or in the unclassified service for the support of Army or Air
 5.9 National Guard training facilities;
- 5.10 (v) a state or federal program for training or rehabilitation as a temporary employee
 5.11 if employed for a limited period from an area of economic distress and if other than a
 5.12 skilled or supervisory personnel position or other than a position that has civil service
 5.13 status covered by the retirement system; and
- 5.14 (vi) the Metropolitan Council or a statutory board of the Metropolitan Council where
 5.15 the members of the board are appointed by the Metropolitan Council as a temporary
 5.16 employee if the appointment does not exceed six months;
- 5.17 ~~(8)~~ (7) receivers, jurors, notaries public, and court employees who are not in the
 5.18 judicial branch as defined in section 43A.02, subdivision 25, except referees and adjusters
 5.19 employed by the Department of Labor and Industry;
- 5.20 ~~(9)~~ (8) patient and inmate help who perform services in state charitable, penal, and
 5.21 correctional institutions, including ~~the~~ a Minnesota Veterans Home;
- 5.22 ~~(10) persons who are employed for professional services where the service is~~
 5.23 ~~incidental to their regular professional duties and whose compensation is paid on a per~~
 5.24 ~~diem basis;~~
- 5.25 ~~(11)~~ (9) employees of the Sibley House Association;
- 5.26 (10) persons who are:
- 5.27 ~~(12) the~~ (i) members of any state board or commission who serve the state
 5.28 intermittently and are paid on a per diem basis; 2 the secretary, secretary-treasurer, and
 5.29 treasurer of those boards if their compensation is \$5,000 or less per year, or, if they are
 5.30 legally prohibited from serving more than three years; 2 and the board of managers of the
 5.31 State Agricultural Society and its treasurer unless the treasurer is also its full-time secretary;
- 5.32 ~~(13) state troopers and persons who are described in section 352B.011, subdivision~~
 5.33 ~~10, clauses (2) to (8);~~
- 5.34 ~~(14) temporary employees of the Minnesota State Fair who are employed on or~~
 5.35 ~~after July 1 for a period not to extend beyond October 15 of that year; and persons who~~

