



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Lawrence A. Martin, Executive Director

RE: Aggregation of the Proposed Pension Legislation Reviewed by the Commission and Potentially for Inclusion in the 2011 Omnibus Retirement Bill

DATE: May 12, 2010

Introduction

As of the conclusion of the May 11, 2011, meeting of the Legislative Commission on Pensions and Retirement, the Commission has completed its initial review of eleven retirement-related bills for possible inclusion in a 2011 Omnibus Retirement Bill. The Commission staff has engrossed the amendments approved by the Commission for those eleven retirement-related bills and has organized them substantively in the attached document for additional Commission consideration.

Retirement-Related Bills with Completed Review Through May 11, 2011

Through the conclusion of the May 11, 2011, meeting of the Legislative Commission on Pensions and Retirement, the following retirement-related bills have had their initial review completed by the Commission and are potentially available for inclusion in the 2011 Omnibus Retirement Bill:

1. HF 81 (Rukavina); SF 1398 (Tomassoni): PERA; Purchase of service and salary credit authorized for certain former employees of Babbit and Buhl for eligible unreported employment.
2. HF 409 (Poppe); SF xxxx: IRAP/TRA; MnSCU employee retirement coverage specified, and employer required to provide certain notices.
3. HF 476 (Kelly); SF 176 (Howe): PERA; Red Wing Port Authority employees included and retroactive retirement coverage validated.
4. HF 1338 (McFarlane); SF 1113 (Chamberlain): White Bear Lake Volunteer Fire Department Relief Association; Use of special actuarial work authorized in determining the 2009 and 2010 special fund financial requirements and minimum municipal obligations.
5. HF 1354 (Lesch); SF 1088 (Pappas): SPTRFA; Postretirement adjustment procedures revised, refund interest rate reduced, interest payments on reemployed annuitant savings accounts terminated, and deferred annuity augmentation rate lowered.
6. HF 1415 (Melin); SF 1129 (Tomassoni): Police and fire plans; Relief associations extension provided for submitting reports.
7. HF 1528 (Morrow); SF 1277 (Sheran): MSRS; Increased annuity for survivors of DOT employee killed while engaged in emergency response to flooding.
8. HF 1628 (Murphy, M.); SF xxxx: DTRFA; Definition for vesting added, and leave of absence, retirement, survivor, and disability benefits eligibility modified.
9. HF 1647 (Lanning); SF 1369 (Rosen): Major plans; Statutory salary scale and payroll growth actuarial assumptions revisions.
10. HF 1668 (Murphy, M.); SF xxxx: PERA; Duluth and Duluth Airport Authority optional correction of erroneous employee deductions and employer contributions.
11. HF 1671 (Smith); SF 1252 (Olson, G.): TRA; Independent school district #270, Hopkins; part time teacher participant salary credit purchase authorization.

General Summary of Document H1647-5A, Potential 2011 Omnibus Retirement Bill through May 11, 2011

Article 1: Public Employees Retirement Association. Minnesota Statutes, Section 353.01, Subdivisions 2 and 6, specifying local government employees included in General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) retirement coverage and defining the term

“governmental subdivision” are amended to specifically include current and past Red Wing Port Authority employees in PERA-General; specifically include the Red Wing Port Authority as a PERA-covered governmental subdivision; and validate the past retirement coverage, allowable service credit, salary credit, and contributions in or to PERA-General for Red Wing Port Authority since 1984. A special law provision is created for the City of Duluth and the Duluth Airport Authority to handle overpayments of employee and employer contributions, and the resulting overpayment of benefits that occurred due to use of invalid salary amounts for determining Public Employees Retirement Association (PERA) contributions reported from January 1, 1997, through October 23, 2008.

Article 2: Teacher Retirement Coverage. For the St. Paul Teachers Retirement Fund Association (SPTRFA), the post-retirement adjustment mechanism is modified to provide lower increases until greater funding ratios are achieved, the refund interest rate is reduced, the deferred annuities augmentation rate is reduced, the deferred annuities augmentation rate is reduced, and interest on reemployed annuitant earnings limitation deferrals is eliminated. Vesting is revised from three years to five years for purposes of Duluth Teachers Retirement Fund Association (DTRFA) early retirement provisions, survivor benefits, disability benefits, and for the qualified part-time teacher provision as it applies to DTRFA teachers. For any new Minnesota State Colleges and Universities System (MnSCU) employees, the default coverage is revised to be the Teachers Retirement Association (TRA) rather than the Higher Education Individual Retirement Account Plan (IRAP) if the employee has any service in a plan included in the combined service annuity portability provision and adds a notification provision requiring notice and counseling by MnSCU before any coverage election deadline.

Article 3: Actuarial Assumption Update. The salary increase and payroll growth actuarial assumptions are revised for the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), the Public Employees Police and Fire Retirement Plan (PERA-P&F), and the Teachers Retirement Association (TRA), based on recent actuarial experience studies.

Article 4: Volunteer Firefighter Relief Associations. An extension for the deadline for filing the calendar year 2009 volunteer firefighter relief association annual financial reporting is granted for Hibbing, Makinen and Mapleview to qualify for 2010 fire state aid from November 30, 2010, to April 30, 2011, without any aid forfeiture or future aid disqualification, if the 2009 annual volunteer firefighter relief association financial reporting is filed before May 1, 2011. An authorization is granted for the White Bear Lake Volunteer Fire Department Relief Association and the City of White Bear Lake to utilize an October 19, 2009, interim actuarial valuation of the relief association special fund as confirmed by a January 1, 2011, actuarial valuation of the relief association special fund as the basis for determining the actuarial requirements of the relief association and the minimum municipal obligation of the city for the 2010 and 2011 required municipal contributions, effective retroactively from July 31, 2009, if approved by the City of White Bear Lake.

Article 5: Small Group Retirement Provisions. A 53-year-old full-time police officer employed by the City of Babbitt, Minnesota, who has, in addition to the person’s full-time Babbitt City police officer employment, two periods of employment as a part-time police officer for Buhl, Minnesota (July 1988 to November 1996), and for Babbitt, Minnesota (April 1992 to September 1992), during which the person was eligible for retirement coverage by the Public Employees Retirement Association (PERA), but for which he was not reported to PERA and for which no member deductions were taken, is permitted to purchase seven years and eight months of service and salary credit from the Coordinated Program of the PERA General Employees Retirement Plan (PERA-General) for the person’s prior uncredited public employment as a part-time police officer by the City of Buhl and the City of Babbitt, accomplished by the member paying the equivalent member contributions that the person would have made if covered, plus 8.5% interest from the date the contribution should have been made to the date on which payment is made, and by the City of Buhl and the City of Babbitt paying the balance of the full actuarial value of the benefit obtained by the purchase, allocated between the two based on the portions of the benefit amount attributable to each, with a deadline of the earlier of July 1, 2012, or the date of the person’s retirement. A 60-year-old school teacher in the Hopkins School District is permitted to purchase the balance of the full-time equivalent salary for the 2008-2009 school year employed by the Hopkins Public School District with the payment of \$609.98, the member contribution rate applied to the balance of the person’s full-time compensation for the 2008-2009 school year, plus 8.5% annual compound interest from January 31, 2009, the midpoint of the 2008-2009 school year, until the date of actual payment and if the person makes the member contribution equivalent payment, the Hopkins Public School District is obligated to pay the balance of the full actuarial value of the benefit to be obtained by the salary credit increase purchase in excess of the person’s member contribution equivalent payment, with the deadline for making the member payment July 1, 2012, and the special legislation expires on August 1, 2012. An additional surviving spouse benefit is provided from the General State Employees Retirement Plan of the Minnesota

State Retirement System (MSRS-General), set at 4% of the decedent's highest five successive years' average monthly salary, for the surviving spouse of a Minnesota Department of Transportation Department employee who died while engaged in emergency Minnesota River flood response activities, payable when any Workers' Compensation survivor benefits cease, with post-retirement adjustments during the interval before payment and after payment commences, funded by a lump sum payment by the Minnesota Department of Transportation.

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Section-by-Section Summary of Delete-Everything Amendment H1647-5A

Summary of Delete-Everything Amendment H1647-5A

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
Article 1: Public Employees Retirement Association					
1	1.6	HF 476 (Kelly); SF 176 (Howe)	PERA-General	353.01, Subd. 2a	Includes pre-5/1/2011 employees of the Red Wing Port Authority in plan coverage.
2	2.27	HF 476 (Kelly); SF 176 (Howe)	PERA-General	353.01, Subd. 6	Designates the Red Wing Port Authority as a governmental subdivision covered by PERA-General and removes the Red Wing Port Authority from the exclusions from the definition of governmental subdivision.
3	4.8	HF 476 (Kelly); SF 176 (Howe)	PERA-General	Uncoded	Validates all past Red Wing Port Authority employee and employer contributions made by pre-5/1/2011 hires.
4	4.26	HF 1668 (Murphy, M) SF xxxx	PERA-General	Uncoded	Reenacts a prior special law for the City of Duluth and the Duluth Airports Authority providing an alternative procedure for resolving previous overpayments of contributions and benefits that was not previously approved locally due to intervening appeal proceedings.
Article 2: Teacher Retirement Coverage					
1	7.8	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.011, New Subd. 29	Defines "vesting" and requires five years of service credit to qualify for benefits for DTRFA-covered teachers employed after 6/30/2010.
2	7.24	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.094, Subd.3	Requires the same service credit length as vesting to participate in the DTRFA part-time teaching full-time service credit program.
3	8.16	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	354A.29, New Subd. 7	Sets eligibility for a post-retirement adjustment at three months of benefit receipt.
4	8.27	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	354A.29, New Subd. 8	Provides for a reduced post-retirement adjustment until the retirement plan achieves a 90% funding ratio on an actuarial value of assets basis.
5	9.18	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	354A.29, New Subd. 9	Bases the post-retirement adjustment on the Consumer Price Index increase, up to 5% annually, if the retirement plan is funded at least at 90% on an actuarial value of assets basis.
6	10.10	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.31, Subd. 1	Revises the 2010 DTRFA vesting change to accommodate the new "vesting" definition.
7	10.27	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.31, Subd. 5	Replaces a specific vesting requirement with a reference to the "vesting" definition.
8	11.1	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.31, Subd. 6	Replaces a specific vesting requirement with a reference to the "vesting" definition.
9	11.23	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.35, Subd. 2	Replaces a specific vesting requirement with a reference to the "vesting" definition.
10	12.18	HF 1628 (Murphy, M.); SF xxxx	DTRFA	354A.36, Subd. 1	Replaces a specific vesting requirement with a reference to the "vesting" definition.
11	12.27	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	354A.37	Revises the refund and deferred annuity provision, reducing the deferred annuity augmentation rate and the refund interest rate.
12	15.20	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd. 1	Revises the eligibility provision to accommodate the coverage default provision change in Sec. 14 and 15.
13	16.2	HF 409 (Poppe); SF xxx	MnSCU	354B.21, New Subd. 1a	Requires benefit counseling by MnSCU at least 90 days before the end of the benefit coverage election period.
14	16.17	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd. 2	Modifies the election provision to accommodate the coverage default provision change in Sec. 15.
15	17.30	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd. 3	Sets default retirement plan coverage most likely to be appropriate based on prior employment.
16	19.10	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd.	Clarifies the retention of prior defined benefit retirement plan coverage for pre-1995 or pre-1997 hires.
17	19.32	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd. 5	Adds a reference to eligible unclassified administrators to authority to purchase prior uncovered service.
18	20.20	HF 409 (Poppe); SF xxx	MnSCU	354B.21, Subd. 6	Adds a reference to eligible unclassified administrators to authority to the continuation of coverage provision.
19	20.27	HF 409 (Poppe); SF xxx	MnSCU	354B.21, New Subd. 7	Clarifies coverage for certain part-time MnSCU employees.
20	21.6	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	356.47, Subd. 3	Eliminates interest on reemployed annuitant earnings limitation deferrals after 6/30/2011.

Summary of Delete-Everything Amendment H1647-5A

Sec.	Pg.Ln	Source Bill(s)	Retirement Plan	Stat. Provision	Summary
21	22.5	HF 1354 (Lesch); SF 1088 (Pappas)	SPTRFA	Uncoded	Authorizes the necessary bylaw and articles of incorporation changes needed to make the same changes for the Basic Program.
22	22.11	HF 409 (Poppe); SF xxx HF 1354 (Lesch); SF 1088 (Pappas)	MnSCU, SPTRFA	Repealer	Repeals an obsolete 1995 technical college employee provision and an obsolete pre-2004 contribution transfer provision. Repeals the current SPTRFA post-retirement adjustment provision, replaced in Sec. 3-5.
Article 3: Actuarial Assumption Update					
1	22.18	HF 1647 (Lanning); SF 1369 (Rosen)	Various retirement plans	356.215, Subd. 8	Replaces the current salary increase and payroll growth actuarial assumptions with the new assumptions recommended in the quadrennial experience studies.
Article 4: Volunteer Firefighter Relief Associations					
1	27.36	HF 1415 (Melin); SF 1129 (Tomassoni):	Fire State Aid	Uncoded	Extends the deadline for the 2009 calendar volunteer firefighter relief association financial report to the filed with the State Auditor to qualify for the 2010 fire state aid distribution until May 1, 2011, for Hibbing, Makinen, and Mapleview.
2	28.7	HF 1338 (McFarlane); SF 1113 (Chamberlain)	Fire State Aid	Uncoded	Allows White Bear Lake to use interim actuarial valuation work that was validated by a subsequent regular actuarial valuation to be used in financial reporting to qualify for the 2010 and 2011 fire state aid.
Article 5: Small Group Retirement Provisions					
1	28.30	HF 81 (Rukavina); SF 1398 (Tomassoni)	PERA-General	Uncoded	Allows a full actuarial value service credit purchase for prior part-time Buhl and Babbit police employment that was not reported by the cities to PERA-General, with a mandatory contribution by the employers of the balance of the full actuarial value payment amount if the person pays the equivalent member contribution amount plus interest.
2	30.6	HF 1671 (Smith); SF 1252 (Olson, G.)	TRA	Uncoded	Permits a full actuarial value salary credit purchase from TRA for a part-time teaching year for which the applicable agreement was not filed in a timely fashion, with a mandatory Hopkins school district contribution of the full actuarial value balance if the person pays the equivalent member contribution plus interest.
3	31.16	HF 1528 (Morrow); SF 1277 (Sheran)	MSRS-General	Uncoded	Creates an additional survivor benefit of 34% of the final average salary payable to the surviving spouse of a Minnesota Department of Transportation employee killed in flooding response efforts when Workers' Compensation survivor benefits conclude, funded by a lump sum payment from MnDOT.