



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Rachel Barth, Deputy Director
RE: Summary of the 2016 Omnibus Retirement Bill through March 22, 2016
DATE: April 1, 2016

Introduction

This memo summarizes the contents of 2016 Omnibus Retirement Bill as assembled by the Pension Commission through March 22, 2016.

Source Legislation for the 2016 Omnibus Retirement Bill through March 22, 2016

Delete-everything amendment H2807-3A, drawn as a delete-all amendment to H.F. 2807 (O'Driscoll); S.F. 2536 (Pappas), includes all or portions of the contents of the following retirement bills:

1. HF659 (O'Driscoll); SF588 (Pappas): MSRS-General; Disability benefit deadline extension for psychological disabilities.
2. HF2785 (Loon); SF2536 (Hann): Increase lump-sum service pension maximums for defined benefit relief associations; lower vesting requirement for Eden Prairie VFRA firefighters returning to service.
3. HF2807 (O'Driscoll); SF2536 (Pappas): MSRS, PERA, TRA, SPTRFA; Administrative and actuarial assumption provisions.
4. HF3137 (O'Driscoll); SF2473 (Rosen/Pappas); Recommendations of the 2015-2016 Volunteer Fire Relief Association Working Group.
5. HF3347 (Metsa); SF3011 (Tomassoni): MSRS; Rule of 90 eligibility for certain MnDOT employees.
6. HF3494 (Anzelc); SF3158 (Saxhaug): Coleraine and Bovey Fire Relief Associations consolidation date change.

General Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

Article 1: Minnesota State Retirement System Administrative Provisions. (HF2807/SF2536)

- Implements uniform refund repayment provisions in all MSRS plans.
- Authorizes transfers of fund from general fund to the Legislators retirement fund per request from Minnesota Management & Budget.
- Exempts MSRS defined contribution plans from requirement to report transactions through the State's SWIFT system.
- Revises criteria for appointing an executive director and inserts references to deputy director.

Article 2: Teachers Retirement Association Administrative Provisions. (HF2807/SF2536)

- Clarifies whether a charter school director is to be covered by TRA or PERA.
- Removes obsolete references to the Duluth school district and the Minnesota State Colleges and Universities System (MnSCU).
- Adds definition of “former spouse” to clarify death benefit provisions and provides such death benefits to a former spouse to go to the designated beneficiary rather than automatically going to the estate.
- Revises criteria for appointing an executive director and inserts references to deputy director.
- Extends the permitted medical leave period from one to five years.
- Requires the executive director to reject an application for TRA disability benefits if the member is only applying because a long-term disability insurance policy requires the application.
- Clarifies that a member is not entitled to disability benefits if he or she has reached normal retirement age and removes an obsolete reference to minimum salary requirement.
- Removes a waiting period requirement that will allow TRA to collect delinquent payments quicker from a school district or charter school.

Article 3: Public Employees Retirement Association Administrative Provisions. (HF2807/SF2536)

- Merges the separate service credit purchase provision and the salary purchase provision and repeals the separate provision regarding service credit purchases.
- Clarifies that if a member passes away or terminates service before receipt of a retirement annuity, any prior payments of disability or survivors benefits must be deducted from the refund of contributions.
- Clarifies that HCMC supervisors and managers of paramedics and emergency medical technicians are included in the PERA Police and Fire plan.

Article 4: St. Paul Teachers Retirement Fund Association Administrative Provisions. (HF2807/SF2536)

- Removes obsolete reference Duluth Teachers Retirement Fund Association.
- Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit and refund purchases.

Article 5: Retirement Systems, Generally, Administrative Provisions. (HF2807/SF2536)

- Clarifies the combined service annuity (CSA) provision that the applicable augmentation rate is the rate that applies under the plan the annuity was earned and a member must terminate all public service to be eligible for a CSA.
- Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit purchases for all retirement plans but TRA.
- Revises and clarifies the annual limits imposed by the federal Internal Revenue Code that all of the public retirement plans must follow.
- Implements a correction of plan errors procedure that will allow the retirement plans to correct an error without losing the tax-qualified status under federal law.
- Revises the TRA, PERA, and MSRS appeals procedures by clarifying timing requirements, sequences of stages in the appeals process, and what comprises the record of the appeal. Obsolete references are repealed.

Article 6: Actuarial Assumptions. (HF2807/SF2536)

- Lowers TRA's interest rate assumption from 8.5% to 8%, which occurred for all other public retirement plans during the 2015 legislative session.
- Lowers TRA's payroll growth assumption from 3.75% to 3.5%, which occurred for all other public retirement plans during the 2015 legislative session.
- Updates the future salary increase assumption MSRS-General, PERA-General, and TRA to implement the recommendations of the plans' 2015 experience study results.
- Updates St. Paul Teacher's future salary increase assumption language and removes obsolete references.

Article 7: Volunteer Firefighter Relief Association Modifications. (HF2785/SF2536, HF3137/SF2473, HF3494/SF3158)

- Implements the 2016 recommendations of the Volunteer Firefighter Working Group.
- Increases lump-sum maximums for defined benefit volunteer firefighter relief associations.
- Lowers the vesting requirements for Eden Prairie volunteer firefighters returning to active service.
- Moves the Coleraine and Bovey consolidation date from January 1, 2017, to September 1, 2016, to qualify for 2016 fire state aid and requires the new relief association to report the number of firefighters to the Department of Revenue and the State Auditor.

Article 8: MSRS-Administered Retirement Plan Modifications. (HF659/SF588)

- Extends the disability application time period by 18 months for individuals with cognitive disabilities.

Article 9: Small Group Retirement Changes. (HF3347/SF3011)

- Permits group of MnDOT employees to purchase service credit, and gain Rule of 90 eligibility, for period of seasonal or temporary employment due to MSRS statement error.

Section-by-Section Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

A section-by-section summary of delete-all amendment H2807-1A is attached.

cc: Amanda Tinsley, Government Operations and Elections Policy Committee Administrator
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Section-by-Section Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
Article 1: Minnesota State Retirement System Administrative Provisions					
1	1.8	HF2807 (O'Driscoll); SF2536 (Pappas)	3A.03, Subd. 2	Legislators Plan	Implements uniform refund repayment provision; repayment made in partial payments during employment or lump-sum up to six months after termination.
2	2.1	HF2807 (O'Driscoll); SF2536 (Pappas)	3A.03, Subd. 3	Legislators Plan	Clarifies that plan can accept transfers from the general fund.
3	2.9	HF2807 (O'Driscoll); SF2536 (Pappas)	16A.14, Subd. 2a	MSRS defined contribution plans	Enumerates that MSRS' defined contribution plans are excluded from State's SWIFT program in favor of contracted record keeper.
4	2.16	HF2807 (O'Driscoll); SF2536 (Pappas)	352.03, Subd. 5	MSRS Plans	Revises the qualifications the Board of Directors must consider when hiring an executive director; creates a deputy director position.
5	2.31	HF2807 (O'Driscoll); SF2536 (Pappas)	352.03, Subd. 6	MSRS Plans	Authorizes the executive director to appoint a deputy director with Board approval.
6	4.22	HF2807 (O'Driscoll); SF2536 (Pappas)	352.23	MSRS-General	Implements uniform refund repayment provision; repayment made in partial payments during employment or lump-sum up to six months after termination.
7	5.10	HF2807 (O'Driscoll); SF2536 (Pappas)	352B.11, Subd. 4	State Patrol Plan	Implements uniform refund repayment provision; repayment made in partial payments during employment or lump-sum up to six months after termination.
8	5.22	HF2807 (O'Driscoll); SF2536 (Pappas)	352D.05, Subd. 4	MSRS-Unclassified	Implements uniform refund repayment provision; repayment made in partial payments during employment or lump-sum up to six months after termination.
9	6.5	HF2807 (O'Driscoll); SF2536 (Pappas)	490.124, Subd. 12	Judges Plan	Implements uniform refund repayment provision; repayment made in partial payments during employment or lump-sum up to six months after termination.
Article 2: Teachers Retirement Association Administrative Provisions					
1	6.22	HF2807 (O'Driscoll); SF2536 (Pappas)	354.05, Subd. 2	TRA	Removes obsolete references to the Duluth school district and MnSCU; Clarifies if PERA or TRA provides retirement coverage for charter school directors.
2	8.6	HF2807 (O'Driscoll); SF2536 (Pappas)	354.05, New Subd. 17a	TRA	Adds the definition of "former spouse" to clarify that the phrase used in statute refers to a person no longer married to a member due to divorce, separation, or annulment.
3	8.11	HF2807 (O'Driscoll); SF2536 (Pappas)	354.06, Subd. 2	TRA	Revises the qualifications the Board of Directors must consider when hiring an executive director; creates a deputy director position.
4	8.28	HF2807 (O'Driscoll); SF2536 (Pappas)	354.06, Subd. 2a	TRA	Authorizes the executive director to appoint a deputy executive director with Board approval.
5	10.26	HF2807 (O'Driscoll); SF2536 (Pappas)	354.095	TRA	Requires the executive director to reject an application for disability benefits if the member is only applying because an employer-sponsored provider of disability insurance benefits requires such an application.
6	11.15	HF2807 (O'Driscoll); SF2536 (Pappas)	354.44, Subd. 9	TRA	Adds a conforming change to reflect the current method of counting service credit, which is now based on portions of a year rather than number of days.
7	11.23	HF2807 (O'Driscoll); SF2536 (Pappas)	354.45, New Subd. 3	TRA	Specifies that if a former spouse dies before the end of a specified payment period of an optional retirement annuity, the payments are to be made in accordance with the former spouse's beneficiary form.

Section-by-Section Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
8	11.30	HF2807 (O'Driscoll); SF2536 (Pappas)	354.46, Subd. 6	TRA	Clarifies that if a member has multiple designated beneficiaries, each beneficiary has right to apply for the annuity separate from the other beneficiaries.
9	12.10	HF2807 (O'Driscoll); SF2536 (Pappas)	354.48, Subd. 1	TRA	Clarifies that a totally and permanently disabled member who has not reached the normal retirement age is entitled to a disability benefit; removes obsolete minimum salary requirement.
10	12.20	HF2807 (O'Driscoll); SF2536 (Pappas)	354.52, Subd. 4	TRA	Removes requirement that TRA must wait 60 days after notifying a school district/charter school of delinquent contributions to contact MMB.
11	12.31	HF2807 (O'Driscoll); SF2536 (Pappas)	354.52, Subd. 6	TRA	Removes the fine a school district must pay if it fails to report to TRA the beginning and ending dates for the school work year.
12	13.8	HF2807 (O'Driscoll); SF2536 (Pappas)	423A.02, Subd. 3	Amortization State Aid	Removes obsolete reference to the Duluth Teachers Retirement Fund Association in reallocating fire state aid.

Article 3: Public Employees Retirement Association Administrative Provisions

1	13.33	HF2807 (O'Driscoll); SF2536 (Pappas)	353.0162	PERA Defined Benefit Plans	Merges the separate salary and service credit provisions to provide one method for purchasing missed periods of service due to an authorized leave of absence.
2	15.25	HF2807 (O'Driscoll); SF2536 (Pappas)	353.32, Subd. 1	PERA- General	Clarifies that if a member dies before receiving a retirement annuity, any prior disability or survivor benefits paid by the fund must be deducted from the amount refunded to the beneficiary.
3	16.4	HF2807 (O'Driscoll); SF2536 (Pappas)	353.34, Subd. 2	PERA- General	Clarifies that if a member terminates public service and elects to take a refund, any disability benefits paid by the fund must be deducted from the refund.
4	16.21	HF2807 (O'Driscoll); SF2536 (Pappas)	353.64, Subd.10	PERA-P&F	Specifies that an HCMC supervisor or manager of paramedics or emergency medical technicians are covered by the P&F plan.
5	17.14	HF2807 (O'Driscoll); SF2536 (Pappas)	Repealer	PERA	Minn. Stat. 2014 § 353.0161, Subd. 1; and Minn. Stat. 2015 § 353.0161, Subd. 2 and 3, are repealed. The language was merged into Minn. Stat. 2015 § 353.0162.

Article 4: St. Paul Teachers Retirement Fund Association Administrative Provisions

1	17.22	HF2807 (O'Driscoll); SF2536 (Pappas)	354A.093, Subd. 4	SPTRFA	Removes obsolete reference to the "applicable first class city" and replaces it with "St. Paul" to refer to the Teachers Retirement Fund Association.
2	18.1	HF2807 (O'Driscoll); SF2536 (Pappas)	354A.093, Subd. 6	SPTRFA	Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit purchases.
3	18.10	HF2807 (O'Driscoll); SF2536 (Pappas)	354A.096	SPTRFA	Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit purchases after a medical leave.
4	19.1	HF2807 (O'Driscoll); SF2536 (Pappas)	354A.038	SPTRFA	Clarifies the periods for when an 8.5% or 8% interest rate applies for a refund repayment.

Article 5: Retirement Systems, Generally, Administrative Provisions

1	19.26	HF2807 (O'Driscoll); SF2536 (Pappas)	356.30, Subd. 1	Retirement, Generally	Clarifies that the applicable augmentation rate for a combined service annuity is the rate that applies under the plan that the annuity was earned; clarifies that a member must terminate all public service before receiving a combined service annuity.
2	21.23	HF2807 (O'Driscoll); SF2536 (Pappas)	356.50, Subd. 2	Retirement, Generally	Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit purchases for all plans except TRA.
3	22.15	HF2807 (O'Driscoll); SF2536 (Pappas)	356.551, Subd. 2	Retirement, Generally	Clarifies the periods for when an 8.5% or 8% interest rate applies for service credit purchases for all plans except TRA.

Section-by-Section Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
4	23.28	HF2807 (O'Driscoll); SF2536 (Pappas)	356.635, New Subd. 9a	Retirement, Generally	Adds language to ensure that all public pension plans comply with the annual annuity limits imposed by the Federal Internal Revenue Code (IRC).
5	24.33	HF2807 (O'Driscoll); SF2536 (Pappas)	356.635, Subd. 10	Retirement, Generally	Adds language to ensure that all public pension plans comply with the annual annuity limits imposed by the Federal IRC.
6	25.23	HF2807 (O'Driscoll); SF2536 (Pappas)	356.635, New Subd. 11	Retirement, Generally	Adds language to ensure that all public pension plans comply with the annual annuity limits imposed by the Federal IRC.
7	25.32	HF2807 (O'Driscoll); SF2536 (Pappas)	356.635, New Subd. 12	Retirement, Generally	Adds language to ensure that all public pension plans comply with the annual annuity limits imposed by the Federal IRC.
8	26.9	HF2807 (O'Driscoll); SF2536 (Pappas)	356.635, New Subd. 13	Retirement, Generally	Provides a plan's executive director with the authority to correct an error in order to maintain the plan's tax qualified status under the Federal IRC.
9	26.24	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 1	Retirement, Generally	Updates and adds various definitions for the retirement systems' appeal process for member benefit claims.
10	27.12	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 2	Retirement, Generally	Clarifies that a member may appeal a staff decision regarding eligibility, benefits, or other rights to the executive director in writing.
11	27.21	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 3	Retirement, Generally	Clarifies the information the executive director must provide to a member in the notice of determination and the process a member must follow to appeal the executive director's decision.
12	28.18	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 4	Retirement, Generally	Clarifies the specific information the executive director must provide in the notice of determination if the member's benefit is being terminated.
13	29.2	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 5	Retirement, Generally	Specifies the process a member must follow to petition the appropriate plan's governing board to review the executive director's determination.
14	29.22	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 6	Retirement, Generally	Removes obsolete reference to "chief administrative officer" and replaces it with "executive director".
15	29.28	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 7	Retirement, Generally	Clarifies the process if a fact-finding conference occurs and the subsequent filing and timing requirements for a hearing before the applicable plan's governing board.
16	31.2	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 8	Retirement, Generally	Specifies how the record of a fact-finding conference will be included in a hearing before the applicable plan's governing board.
17	31.28	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 9	Retirement, Generally	Removes obsolete reference to "chief administrative officer" and replaces it with "executive director".
18	32.4	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 10	Retirement, Generally	Clarifies how a hearing before the applicable plan's governing board must be conducted and how the governing board shall make a decision.
19	33.6	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 11	Retirement, Generally	Provides the plans' governing boards with more discretion in determining disability medical issues.
20	33.26	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 12	Retirement, Generally	Adds a more specific cross-reference within the provision to describe an administrative fact-finding conference.
21	34.5	HF2807 (O'Driscoll); SF2536 (Pappas)	356.96, Subd. 13	Retirement, Generally	Clarifies the deadlines for appealing a plans' governing board's decision for judicial review.
22	34.14	HF2807 (O'Driscoll); SF2536 (Pappas)	Repealer	Retirement, Generally	Minn. Stat. 2014 §§ 356.611, Subd. 3, 3a, 4, and 5; and 356.96 Subd. 14 and 15, are repealed. Removes obsolete language or moves the language to other statutory sections.

Section-by-Section Summary of the 2016 Omnibus Retirement Bill, Delete-All Amendment H2807-3A

Sec.	Pg.Ln	Source Bill(s)	Stat. Provision	Retirement Plan	Summary
Article 6: Actuarial Assumptions					
1	34.20	HF2807 (O'Driscoll); SF2536 (Pappas)	356.215, Subd. 8	MSRS, PERA, TRA	Sets single 8% interest rate assumption for TRA, revises salary increase assumption calculation for SPTRFA, reduces salary increase assumption for MSRS, PERA and TRA, and reduces payroll growth assumption for TRA.
Article 7: Volunteer Firefighter Relief Association Modifications					
1	39.28	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	New Section 424A.003	VFRAs	Adds a requirement that the fire chief annually certify each volunteer firefighter's service credit to the associated relief association; firefighters have a right to challenge the fire chief's determination.
2	40.25	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	424A.01, New Subd. 4a	VFRAs	Restricts firefighters from receiving relief association service credit for same hours a PERA plan has already provided coverage for.
3	41.1	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	424A.01, New Subd. 5a	VFRAs	Expands relief association membership eligibility to volunteer emergency medical personnel if the associated relief association's bylaws and municipal entity authorizes the eligibility.
4	41.19	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	424A.015, New Subd. 7	VFRAs	Permits defined contribution relief associations to utilize combined service pension; merges the combined service pension language used for defined benefit relief associations.
5	42.13	HF2785 (Loon); SF2536 (Hann)	424A.02, Subd. 3	VFRAs	Increases the lump-sum service pension amount for defined benefit relief associations.
6	50.21	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	424B.20, Subd. 4	VFRA Consolidations	Provides default procedures for allocating special fund assets after a joint powers fire department dissolves and the joint powers agreement is silent on asset allocation.
7	51.33	HF2785 (Loon); SF2536 (Hann)	Special law provision	Eden Prairie VFRA	Lowers the vesting period requirement for the Eden Prairie relief association for retired firefighters returning to active service.
8	52.19	HF3494 (Anzelc); SF3158 (Saxhaug)	Special law provision	Coleraine and Bovey VFRAs Consolidation	Moves the Coleraine/Bovey consolidation date from January 1, 2017, to September 1, 2016, for state aid purpose; new relief association must report the number of firefighters to the Department of Revenue and the State Auditor.
9	53.1	HF3137 (O'Driscoll); SF2473 (Rosen/Pappas)	Repealer	VFRAs	Minn. Stat. 2014 § 424A.02, Subd. 13, is repealed. The language was moved to the newly created subdivision 7 in Minn. Stat. 2015 § 424A.015.
Article 8: MSRS-Administered Retirement Plan Modifications					
1	53.6	HF659 (O'Driscoll); SF588 (Pappas)	352.113, Subd. 2	MSRS-General	Adds a cross reference to the new disability benefit application deadline extension added in section 2.
2	53.16	HF659 (O'Driscoll); SF588 (Pappas)	352.113, Subd. 4	MSRS-General	Extends the disability benefit application by an additional 18 months if a member's cognitive impairment prevented the member from meeting the initial 18 month application deadline.
Article 9: Small Group Retirement Changes					
1	55.3	HF3347 (Metsa); SF3011 (Tomassoni)	Special law provision	MSRS-General	Permits a group of 22 MnDOT employees to purchase two months of service credit to gain Rule of 90 eligibility to correct an MSRS error.