

# Legislative Commission on Pensions and Retirement

55 State Office Building  
Phone: 651-296-2750

100 Rev. Dr. Martin Luther King Jr. Blvd.  
TDD: 651-296-9896; Fax: 651-297-3697

St. Paul, MN 55155-1201  
www.lcpr.leg.mn

---

---

TO: Senate Members of the Legislative Commission on Pensions and Retirement

FROM: Susan Lenczewski, Executive Director  
Rachel Barth, Deputy Director

DATE: May 11, 2017

RE: 2017 Senate Omnibus Retirement Bill (SF 545 (Rosen), First Engrossment), as recommended by the Senate Committee on State Government Finance and Policy and Elections

## Introduction

S.F. 545, (Rosen), the first engrossment, contains the contents of the 2017 Omnibus Retirement Bill as recommended by the Senate Committee on State Government Finance and Policy and Elections on May 10, 2017.

## Source Legislation for the 2017 Retirement Bill

Delete-everything amendment S0545-12A, drawn as a delete-all amendment to S.F. 545 (Rosen); H.F. 565 (O'Driscoll), includes all or portions of the following retirement bills:

1. SF 26 (Sparks); HF 11 (Poppe): Austin Fire Relief Association/PERA-P&F; Permitting an alternative allocation of fire state aid for the City of Austin.
2. SF 436 (Pappas); HF 977 (O'Driscoll): MSRS-Correctional; Expanding coverage to add additional categories of employees at the Department of Corrections.
3. SF 522 (Frentz); HF 637 (Johnson, C.): MSRS-Correctional; Expanding coverage to add an additional category of employees at the Department of Human Services.
4. SF 545 (Rosen); HF 565 (O'Driscoll): Portions of the vetoed 2016 Omnibus Retirement Bill (*2016 original source bills are identified in the section-by-section summary in italics*).
5. SF 746 (Rosen); HF 721 (Murphy, M.): TRA; Administrative provisions.
6. SF 1375 (Rosen); HF 1471 (O'Driscoll): PERA; Administrative provisions.
7. SF 1376 (Rosen); HF 1460 (O'Driscoll): MSRS; Administrative provisions.
8. SF 1384 (Rosen); HF 1672 (Murphy, M.): VFRA; Incorporating the recommendations of the Volunteer Fire Relief Association Working Group.
9. SF 1705 (Rosen); HF 2126 (O'Driscoll): MSRS; Revising augmentation rates for certain terminated privatized employees (Fairview).
10. SF 1839 (Miller); HF xxxx: TRA/IRAP; Authorizing a Winona State University employee to elect prospective and retroactive TRA coverage.

11. SF 1945 (Lourey); HF 2092 (Rarick): PERA-SVFRP; Permitting the City of Brook Park to lower the service pension level for its volunteer firefighters under the PERA voluntary statewide volunteer firefighter retirement plan.
12. SF 2332 (Rosen); HF 2604 (O'Driscoll): PERA-SVFRP; Permitting the transfer of assets and liabilities from the PERA voluntary statewide volunteer firefighter retirement plan to a volunteer firefighter relief association.
13. LCPR17-035 (Murphy, M.): PERA; "Red Mittens Act;" Authorizing an eligible Duluth township employee to elect PERA general plan coverage and receive retroactive coverage.
14. LCPR17-036 (Murphy, M.): MSRS-Unclassified; Grandfathering current factors used in the calculation of annuities under the MSRS Unclassified Program.
15. LCPR17-038: Minnesota public employee pension plans; Benefit and contribution changes.

### **Summary of the 2017 Omnibus Retirement Bill**

#### Article 1-8: Public Employee Pension Plans; Benefit and contribution changes. (LCPR17-038)

Articles 1 through 8 make changes to current law governing all of the statewide pension plans and the St. Paul Teachers Retirement Fund Association. Generally, the changes can be categorized as follows:

- **Benefit changes:** eliminates augmentation, phases in the elimination of augmentation in the early retirement reduction, reduces and delays the commencement of post-retirement adjustments (COLAs), and reduces the rate of interest paid on refunds of employee contributions to former employees. The bill also requires the Pension Commission to conduct a study on the COLA rates and the methodology for determining post-retirement adjustments.
- **Actuarial changes:** reduces the investment rate of return to 7.5% and extends the end of the amortization period to 2047 for all the plans.
- **Contribution increases:** increases the employee and employer contribution rates for most of the plans.
- **Direct state aids:** provides for state aid for the PERA police and fire plan and St. Paul Teachers Retirement Fund Association.
- **Language clean-up changes:** makes a number of clarifying changes to existing provisions, including clarifying combined service annuity and coverage by more than one fund provisions, adds a new interest rate section that sets forth the rates for all the plans, and makes conforming changes to other sections that refer to interest rate.

#### Article 9: MSRS Administrative Provisions. (SF545/HF565; SF1376/HF1460)

- The article makes administrative or technical changes to the statutes governing the Minnesota State Retirement System (MSRS) that bring statutory language into conformity with actual practice, clarify ambiguous or confusing language, and repeal obsolete provisions.

Article 10: PERA Administrative Provisions. (SF545/HF565; SF1375/HF1471)

- The article makes administrative or technical changes to the statutes governing the Public Employees Retirement Association (PERA) that bring statutory language into conformity with actual practice, clarify ambiguous or confusing language, and repeal obsolete provisions.

Article 11: TRA Administrative Provisions. (SF545/HF565; SF746/HF721)

- The article makes administrative or technical changes to the statutes governing the Teachers Retirement Association (TRA) that bring statutory language into conformity with actual practice, clarify ambiguous or confusing language, and repeal obsolete provisions.

Article 12: SPTRFA Administrative Provisions. (SF545/HF565)

- The article makes administrative or technical changes to the statutes governing the St. Paul Teachers Retirement Fund Association (SPTRFA) that bring statutory language into conformity with actual practice, clarify ambiguous or confusing language, and repeal obsolete provisions.

Article 13: Retirement Systems, Generally, Administrative Provisions. (SF545/HF565; SF1375/HF1471)

- The article makes administrative or technical changes to the statutes governing Minnesota public plans in general that bring statutory language into conformity with actual practice, clarify ambiguous or confusing language, and repeal obsolete provisions.

Article 14: Actuarial Assumptions. (SF545/HF565)

- Lowers the TRA investment return assumption and the TRA payroll growth assumption.
- Updates the future salary increase assumption for MSRS-General, PERA-General, TRA, and SPTRFA and removes obsolete references.

Article 15: Volunteer Firefighter Relief Association Modifications.

(SF545/HF565; SF26/HF11; SF1384/HF1672)

- Adopts the changes recommended by the 2015 and 2016 Volunteer Fire Relief Association Working Groups.
- Increases the maximum lump-sum service pension amount for defined benefit volunteer firefighter relief associations (“VFRAs”).
- Reduces the vesting requirements for Eden Prairie volunteer firefighters upon return to active service.
- Authorizes the City of Austin's allocation of fire state aid between its VFRA and PERA-P&F employer contributions.
- Establishes a Fire State Aid Work Group convened by PERA to address fire state aid.

Article 16: MSRS-Administered Retirement Plan Modifications.

(SF436/HF977; SF545/HF565; SF522/HF637; LCPR17-036; SF1705/HF2126; Amendment S0545-11A)

- Revises the requirement regarding one seat on the board of directors to reflect actual practice.
- Clarifies the deadline for submitting an application for disability benefits.

- Adds additional Department of Corrections and Department of Human Services employment positions to MSRS-Correctional.
- Codifies the Department of Human Services' review process for including additional employment positions in MSRS-Correctional.
- Extends the period the current actuarial assumptions will be used for converting an account balance to an annuity under the Unclassified Plan for members close to retirement.
- Reduces the enhanced rate of augmentation for former employees of the University of Minnesota Hospital and Clinics under MSRS-General who were transferred to Fairview Hospital and Healthcare Services in 1996 and makes changes to the exception from enhanced augmentation upon return to public service.

Article 17: PERA-Administered Retirement Plan Modifications.

*(SF545/HF565; SF1945/HF2092; SF2332/HF2604; Amendment S0545-11A)*

- Revises the definition of "line of duty death" to include the definition under section 299A.41, Subdivision 3, which is consistent with the federal Hometown Heroes Act.
- Eliminates the requirement that monthly benefit volunteer firefighter plans that join the Statewide Volunteer Firefighter Retirement Plan ("PERA-SVFRP") must reimburse for PERA administrative expenses.
- Allows the City of Brook Park to lower the annual service pension level for its volunteer firefighters covered under PERA-SVFRP.
- Allows volunteer firefighters in PERA-SVFRP to transfer assets and members from PERA-SVFRP to a local relief association governed by Chapter 424A.

Article 18: Generally Applicable Retirement Changes. *(SF545/HF565)*

- Increases the maximum employer contribution for the laborers national industrial pension plan.
- Authorizes all state public retirement plans to accept gifts, donations, bequests, and life insurance death benefits.

Article 19: Small Group Retirement Changes. *(SF545/HF565; SF1839/HFxxxx; LCPR17-035)*

- Allows certain public pension plan employees to elect retroactive and prospective pension plan coverage in order to correct employer errors.

Article 20: Technical Corrections. *(SF545/HF565)*

- Removes obsolete references and provisions relating to the Duluth Teachers Retirement Fund Association and the Duluth school district.
- Removes obsolete references to provisions that are repealed in Article 10 (PERA).

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
<b>Article 1: Minnesota State Retirement System Benefit and Contribution Changes</b>			
1	3A.02, Subd. 4	Legislators Plan	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
2	352.116, Subd. 1a	MSRS-General	Eliminates augmentation in early retirement benefits over a five year period starting 7/1/2018, resulting in straight actuarial equivalence after 7/1/2023.
3	352.22, Subd. 2	MSRS Plans	Lowers the refund interest rate from 4% to 3%.
4	352.22, New Subd. 2b	MSRS Plans	Clarifies the procedure to repay a refund.
5	352.22, Subd. 3	MSRS Plans	Corrects a cross-reference
6	352.22, New Subd. 3a	MSRS-General MSRS-Corr.	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
7	352B.08, New Subd. 2b	State Patrol	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
8	352D.085, Subd. 1	Unclassified Plan	Corrects cross-references.
9	490.121, Subd. 25	Judges Plan	Corrects cross-references.
10	490.121, Subd. 26	Judges Plan	Corrects cross-references.
11	Repealer	MSRS Plans	Repeals sections 3A.12, 352.72, and 352B.30, the "Coverage by More than One Fund" statutes, which are replaced by new section 356.311; and section 352.045, the "Contribution stabilizer".
<b>Article 2: Public Employees Retirement Association Financial Solvency Measures</b>			
1	353.30, Subd. 5	PERA General	Eliminates augmentation in early retirement benefits over a five year period starting 7/1/2018, resulting in straight actuarial equivalence after 7/1/2023.
2	353.34, Subd. 2	PERA plans	Lowers the refund interest rate from 4% to 3%.
3	353.34, Subd. 3	PERA plans	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
4	Repealer		Repeals section 353.71, the "Coverage by More than One Fund" statute, which is replaced by new section 356.311; and section 353.27, the "Contribution stabilizer".
<b>Article 3: Teachers Retirement Association Financial Solvency Measures</b>			
1	354.436, Subd. 3	TRA	Removes the reference to section 354.42, which is being repealed.

**Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)**

Sec.	Stat. Provision	Retirement Plan	Summary
2	354.44, Subd. 6	TRA	Eliminates augmentation in early retirement benefits over a five-year period starting 7/1/2018, resulting in a flat 4% and 7% per year reduction until normal retirement age by 7/1/2023 (does not impact members who retire under the "62/30" rule).
3	354.49, Subd. 2	TRA	Lowers the refund interest rate from 4% to 3%.
4	354.55, Subd. 11	TRA	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
5	Repealer	TRA	Repeals section 354.60, the "Coverage by More than One Fund" statute, which is replaced by new section 356.311; and section 354.42, the "Contribution stabilizer".

**Article 4: St. Paul Teachers Retirement Fund Association Financial Solvency Measures**

1	354A.011, Subd. 3a	SPTRFA	Updates a reference to the investment return assumption.
2	354A.29, Subd. 7,	SPTRFA	Eliminates the COLA for all members on 1/1/2018 and 1/1/2019, returns to 1% thereafter;  For retirements on or after 1/1/2023, a retiree is not eligible to receive a COLA until normal retirement age (does not apply to Rule of 90 retirees, disability benefit recipients, or survivor benefit recipients).
3	354A.31, Subd. 7	SPTRFA	Eliminates augmentation in early retirement benefits over a five-year period starting 7/1/2018, resulting in a flat 4% and 7% per year reduction until normal retirement age by 7/1/2023 (does not impact members who retire under the "62/30" rule).
4	354A.37, Subd. 2	SPTRFA	Eliminates augmentation for all members after 12/31/2017, maintains augmentation earned up to 12/31/2017.
5	354A.37, Subd. 3	SPTRFA	Lowers the refund interest rate from 4% to 3%.
6	Repealer	SPTRFA	Repeals section 354A.39, the "Coverage by More than One Fund" statute, which is replaced by new section 356.311; and section 354A.29, the "COLA trigger".

**Article 5: Postretirement Adjustments for Statewide Plans and General Provisions**

1	356.215, Subd. 8	MSRS Plans PERA Plans TRA SPTRFA	Lowers the investment return assumption to 7.5% for all MSRS plans, PERA plans, TRA, and SPTRFA, effective 7/1/2017.
2	356.215, Subd. 9	All Plans	Permits the use of recent changes in the methodology for determining the appropriate mortality assumption

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
3	356.215, Subd. 11	MSRS Plans PERA Plans TRA SPTRFA	Resets the 30-year amortization period to 2047 for MSRS plans, PERA plans, TRA, and St. Paul Teachers.
4	356.30, Subd. 1	Combined Service Annuity Plans	Clarifies the Combined Service Annuity provision and the elimination of augmentation.
5	New Section 356.311	All Plans	Combines each plan's "Coverage by More than One Plan" provision for uniformity.
6	356.415, Subd. 1	MSRS-General Legislators Plan MSRS-Unclassified	Removes the automatic COLA increases when specified funding ratios are met.  Lowers the COLA from 2% to 1% for five years, and 1.5% thereafter.  For retirements on or after 1/1/2023, a retiree is not eligible to receive a COLA until the retiree reaches normal retirement age (does not apply to Rule of 90 retirees, disability benefit recipients, or survivor benefit recipients).
7	356.415, Subd. 1a	MSRS-Corr.	Removes the automatic COLA increases when specified funding ratios are met.  Lowers the COLA from 2% to 1.5%.
8	356.415, Subd. 1b	PERA-General	Removes the automatic COLA increases when specified funding ratios are met;  For retirements on or after 1/1/2023, a retiree is not eligible to receive a COLA until the retiree reaches normal retirement age (does not apply to Rule of 90 retirees, disability benefit recipients, or survivor benefit recipients).
9	356.415, Subd. 1c	PERA-P&F	Removes the automatic COLA increases when specified funding ratios are met.
10	356.415, Subd. 1d	TRA	Removes the automatic COLA increases when specified funding ratios are met.  Lowers the COLA from 2% to 1%.  For retirements on or after January 1, 2023, a retiree is not eligible to receive a COLA until the retiree reaches normal retirement age (does not apply to Rule of 90 retirees, disability benefit recipients, or survivor benefit recipients).
11	356.415, Subd. 1e	State Patrol Plan	Removes the automatic COLA increases when specified funding ratios are met.
12	356.415 Subd. 1f	Judges Plan	Adds language to maintain the automatic COLA increases when specified funding ratios are met.
13	356.415, New Subd. 1g	PERA-Corr.	Removes the automatic COLA increases when specified funding ratios are met.  Lowers the COLA from 2.5% to 1.5%.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
14	Uncoded	LCPR Study	Requires the Pension Commission to conduct a study before 12/31/2020 on the plans' COLA rates and make recommendations for any rate modifications and change of methodology for determining the rates.

**Article 6: Interest Rate Conforming Changes**

1	3A.03, Subd. 2	Legislators Plan	Adds cross reference to new interest rate table.
2	352.01, Subd. 13a	MSRS plans	Adds cross reference to new interest rate table.
3	352.017, Subd. 2	MSRS plans	Adds cross reference to new interest rate table.
4	352.04, Subd. 8	MSRS plans	Adds cross reference to new interest rate table.
5	352.04, Subd. 9	MSRS plans	Adds cross reference to new interest rate table.
6	352.23	MSRS plans	Adds cross reference to new interest rate table.
7	352.27	MSRS plans	Adds cross reference to new interest rate table.
8	352.955, Subd. 3	MSRS- Correctional	Adds cross reference to new interest rate table.
9	352B.013, Subd. 2	State Patrol	Adds cross reference to new interest rate table.
10	352B.085	State Patrol	Adds cross reference to new interest rate table.
11	352B.086	State Patrol	Adds cross reference to new interest rate table.
12	352B.11, Subd. 4	State Patrol	Adds cross reference to new interest rate table.
13	352D.05, Subd. 4	MSRS- Unclassified	Adds cross reference to new interest rate table.
14	352D.11, Subd. 2,	MSRS- Unclassified	Adds cross reference to new interest rate table.
15	352D.12	MSRS- Unclassified	Adds cross reference to new interest rate table.
16	353.01, Subd. 16	PERA plans	Adds cross reference to new interest rate table.
17	353.0162	PERA plans	Adds cross reference to new interest rate table.
18	353.27, Subd. 3c	PERA-General	Adds cross reference to new interest rate table.
19	353.27, Subd. 7a	PERA-General	Adds cross reference to new interest rate table.



Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
20	353.27, Subd. 12	PERA plans	Adds cross reference to new interest rate table.
21	353.27, Subd. 12a	PERA plans	Adds cross reference to new interest rate table.
22	353.27, Subd. 12b	PERA plans	Adds cross reference to new interest rate table.
23	353.28, Subd. 5	PERA plans	Adds cross reference to new interest rate table.
24	353.35, Subd. 1	PERA plans	Adds cross reference to new interest rate table.
25	354.50, Subd. 2	TRA	Adds cross reference to new interest rate table.
26	354.51, Subd. 5	TRA	Adds cross reference to new interest rate table.
27	354.52, Subd. 4	TRA	Adds cross reference to new interest rate table.
28	354.53, Subd. 5	TRA	Adds cross reference to new interest rate table.
29	354A.093, Subd. 6	SPTRFA	Adds cross reference to new interest rate table.
30	354A.096	SPTRFA	Adds cross reference to new interest rate table.
31	354A.12, Subd. 1a	SPTRFA	Adds cross reference to new interest rate table.
32	354A.12, Subd. 7	SPTRFA	Adds cross reference to new interest rate table.
33	354A.34	SPTRFA	Adds cross reference to new interest rate table.
34	356.195, Subd. 2,	All plans	Adds cross reference to new interest rate table.
35	356.44	All plans	Adds cross reference to new interest rate table.
36	356.50, Subd. 2	All plans	Adds cross reference to new interest rate table.
37	356.551, Subd. 2	All plans	Adds cross reference to new interest rate table.
38	New Section 356.59	All plans	Compiles the interest rates over different time periods for each of the plans.
39	490.121, Subd. 4	Judges plan	Adds cross reference to new interest rate table.
40	490.1211	Judges plan	Adds cross reference to new interest rate table.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
41	490.124, Subd. 12	Judges plan	Adds cross reference to new interest rate table.
<b>Article 7: Contribution Rates</b>			
1	352.04, Subd. 2	MSRS-General	Increases the member contribution rate by 0.5% over two years.
2	352.04, Subd. 3	MSRS-General	Increases the employer contribution rate by 0.75% over two years.
3	352.92, Subd. 1	MSRS-Corr.	Increases the member contribution rate increased by 0.5% in FY18.
4	352.92, Subd. 2	MSRS-Corr.	Increases the regular employer contribution rate by 1.55% in FY18
5	352.92, New Subd. 2	MSRS-Corr.	Adds a new supplemental employer contribution of 1.45% in FY19; 2.95% in FY20; and 4.45% in FY21, remains in effect until the market value of assets equals or exceeds actuarial accrued liability.
6	352B.02, Subd. 1a	State Patrol	Increases the member contribution rate by 1% over two years.
7	352B.02, Subd. 1c	State Patrol	Increases the employer regular contribution rate by 1.5% over two years. Adds a new supplemental employer contribution of 1.75% in FY18; 3% in FY19; 5% in FY 20; and 7% in FY21, remains in effect until the market value of assets equals or exceeds actuarial accrued liability.
8	354D.04, Subd. 2	MSRS- Unclassified	Sets member contribution rate at 5.5% rather than increase to the MSRS-General member contribution rate.
9	353.65, Subd. 2	PERA-P&F	Increases the member contribution rate by 1% over two years.
10	353.65, Subd. 3	PERA-P&F	Increases the employer contribution rate by 1.5% over two years.
11	354.42, Subd. 2	TRA	Increases the member contribution rate by 0.75% over four years.
12	354.42, Subd. 3	TRA	Increases the employer contribution rate by 1% over four years.
13	354A.12, Subd. 1	SPTRFA	Increases the member contribution rate by 0.25% in FY22.
14	354A.12, Subd. 2a	SPTRFA	Increases the employer contribution rate by 2.5% over four years.
<b>Article 8: Direct State Aid</b>			
1	353.65, New Subd. 3b	PERA-P&F	Requires annual direct state aid payments of \$4.5 million on 10/1/2018 and on 10/1/2019, and \$9 million annually thereafter (the aid should start 10/1/2017, a technical amendment will fix the error).

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
2	354A.12, Subd. 3a	SPTRF A	Requires annual direct state aid payments of \$5 million each October 1.

**Article 9: Minnesota State Retirement System Administrative Provisions**

1	3A.03, Subd. 2	Legislators Plan	Adds a reference to the MSRS-General refund repayment provision.
2	3A.03, Subd. 3	Legislators Plan	Clarifies that plan can accept transfers from the general fund.
3	16A.14, Subd. 2a	MSRS Deferred Compensation Plan	Adds an exception from the SWIFT system for transactions within MSRS' defined contribution funds.
4	352.01, Subd. 2a	MSRS-General	Includes employees of the Perpich Center for Arts Education coverage if they were covered by the plan on 7/1/2016.
5	352.03, Subd. 5	MSRS Plans	Revises the qualifications the Board must consider when hiring an executive director; adds references to a deputy director position.
6	352.03, Subd. 6	MSRS Plans	Authorizes the executive director to appoint a deputy director with Board approval.
7	352.113, Subd. 4	MSRS Plans	Adds "nurse practitioner" to the list of authorized medical providers for disability determinations and extends the disability benefit application deadline in cases of cognitive impairment.
8	352.113, Subd. 14	MSRS Plans	Allows the executive director to waive the earnings reporting requirement for disabled members who do not undergo regular medical exams.
9	352.23	MSRS- General	Clarifies the process to repay a refund.
10	352B.11, Subd. 4	State Patrol Plan	Ties the repayment provision to the General Plan provision.
11	352D.02, Subd. 1	MSRS- Unclassified	Clarifies the MSRS-Unclassified to MSRS-General transfer provision
12	352D.02, Subd. 3	MSRS- Unclassified	Clarifies the MSRS-Unclassified to MSRS-General transfer provision
13	352D.05, Subd. 4	MSRS- Unclassified	Ties the refund repayment provision to the General Plan provision.
14	490.124, Subd. 12	Judges Plan	Ties the refund repayment provision to the General Plan provision.

**Article 10: Public Employees Retirement Association Administrative Provisions**

1	353.01, Subd. 2b	PERA-General	Updates language in the foreign citizens provision and clarifies when membership begins if the employee's work permit or work visa extends beyond three years.
---	---------------------	--------------	--

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
2	353.01, Subd. 10	PERA-General	Clarifies that if an employer spreads out the salary paid to a member over a period of leave, that salary will be used for pension purposes only if it is paid at the full-time rate.
3	353.01, Subd. 47	PERA-General PERA-Corr. PERA-P&F	Clarifies that a member receives service credit for vesting purposes for each year of service covered by the plan in which the member is covered.
4	353.0162	PERA Defined Benefit Plans	Merges the service credit purchase provision into the salary purchase provision to provide one method for purchasing missed periods of service.
5	353.03, Subd. 3	PERA	Deletes a redundant board duty to authorize procedures for use of electronic signatures.
6	353.29, Subd. 4	PERA	Removes the requirement that annuity applications and proof of identity be in writing.
7	353.29, Subd. 7	PERA	Reduces the period of retroactivity for an annuity starting date from the current 12 months to 6 months, aligning PERA with MSRS and TRA.
8	353.30, Subd. 3c	PERA	Provides flexibility in determining the death of a beneficiary.
9	353.32, Subd. 1	PERA- General	Clarifies that if a member dies before receiving a retirement annuity, any prior benefits paid by the fund must be deducted from the amount refunded to the beneficiary.
10	353.34, Subd. 2	PERA- General	Clarifies that if a member terminates public service and elects to take a refund, any prior disability benefits paid by the fund must be deducted from the refund.
11	353.35, Subd. 1	PERA- General	Clarifies language and adds the limitation that a person has a one-time right to repay a refund.
12	353.37, Subd. 1	PERA plans	Clarifies that the reemployed annuitant pension reduction applies only to PERA covered employment or for a labor organization representing PERA employees.
13	353.64, Subd.10	PERA-P&F	Specifies that Hennepin Healthcare Systems Inc. supervisors and managers of paramedics or EMTs are covered by PERA-P&F if they are full-time and certified.
14	353F.02, Subd. 5a	PERA Privatizations	Clarifies the definition of "privatized former public employer" to be the medical facility at the time of the initial privatization.
15	353F.025, Subd. 2	PERA Privatizations	Eliminates an outdated reporting requirement.
16	353F.04, Subd. 2	PERA Privatizations	Replaces the term "successor entity" with the term "privatized former public employer" defined in 353F.02, Subd. 5a.
17	353F.05	PERA Privatizations	Replaces the term "successor entity" with "privatized former public employer" defined in 353F.02, Subd. 5a.
18	353F.057	PERA Privatizations	Deletes the term "successor entity" from the termination from service requirement.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
19	353F.06	PERA Privatizations	Deletes the term "successor entity" from the reemployed annuitant earnings limitations provision.
20	353F.07	PERA Privatizations	Deletes "successor entity" from the effect on refund provision.
21	New 353F.09	PERA Privatizations	Specifies that benefits for privatized employees end when the privatized entity or its operations are sold again to another employer.
22	Repealer	PERA	Repeals Minn. Stat. § 353.0161 because the language was merged into 353.0162.

**Article 11: Teachers Retirement Association Provisions Administrative Provisions**

1	354.05, Subd. 2	TRA	Removes obsolete references to the Duluth school district and MnSCU; excludes employees of the Perpich Center for Arts Education if they were covered by MSRS-General on 7/1/2016; and clarifies that any charter school director covered by PERA as of 7/1/2017, must remain under PERA coverage.
2	354.05, New Subd. 17a	TRA	Adds the definition of "former spouse" to refer to a person no longer married to a member due to divorce, separation, or annulment.
3	354.06, Subd. 2	TRA	Revises the qualifications the Board of Trustees must consider when hiring an executive director.
4	354.06, Subd. 2a	TRA	Authorizes the executive director to designate a deputy executive director with Board approval.
5	354.095	TRA	Extends the number of years of authorized medical leave that can be considered allowable service credit; 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.
6	354.44, Subd. 3	TRA	Extends the time period for applying for pension benefits before termination of employment from 120 days to 180 days.
7	354.44, Subd. 9	TRA	Updates the language to reflect that the current method of counting service credit is based on portions of a year.
8	354.45, New Subd. 3	TRA	Upon the death of a former spouse who was receiving a 15-year certain annuity or other guaranteed payment stream, the remaining payments will be made to the designated beneficiary or to the former spouse's estate or as ordered by a court.
9	354.46, Subd. 6	TRA	Clarifies that if a member has multiple designated beneficiaries, each beneficiary has right to apply for an annuity separate from the other beneficiaries.
10	354.48, Subd. 1	TRA	Clarifies that a totally and permanently disabled member is entitled to a disability benefit if the member has not reached normal retirement age; removes obsolete minimum salary requirement.
11	354.512	TRA	Removes a waiting period requirement that will allow TRA to collect delinquent payments more quickly.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
12	354.52, Subd. 4	TRA	Removes the requirement that TRA must wait 60 days after notifying a school district or charter school of delinquent contributions to contact MMB.
13	354.52, Subd. 4d	TRA	Removes an unnecessary requirement that a school district report to TRA the beginning and ending dates for the school work year by June 30.
14	354.55, Subd. 11	TRA	Deletes an ambiguous requirement regarding how to calculate the automatic 2% augmentation when the teacher has more than one period of service.
15	354.66, Subd. 2	TRA	Permits TRA to waive a fine that would otherwise be imposed for failure to deliver a part-time teacher agreement to TRA according to the statutory due date.
16	354.72, Subd. 1	TRA	Clarifies that the purchase of service credit for leaves of absence and strike periods provision applies to both paid and unpaid leaves.
17	423A.02, Subd. 3	TRA, SPTRFA	Removes obsolete reference to the Duluth Teachers Retirement Fund Association in reallocating fire state aid.

**Article 12: St. Paul Teachers Retirement Fund Association Administrative Provisions**

1	354A.093, Subd. 4	SPTRFA	Removes obsolete reference to “applicable first class city” and replaces it with “St. Paul” to refer to SPTRFA.
2	354A.38	SPTRFA	Clarifies the periods during which 8.5% or 8% interest rate applies to the repayment of a refund.

**Article 13: Retirement Systems, Generally, Administrative Provisions**

1	356.32, Subd. 2	Retirement, Generally; PERA-Corr.	Adds PERA-Correctional to the list of plans subject to the proportionate annuity requirement.
2	356.47, Subd. 3	Retirement, Generally	Replaces the current description of the federal requirements regarding repayment of reemployed annuitant withholding amounts with a reference to § 356.635, Subd. 3-7, which sets forth the federal requirements governing direct rollovers.
3	356.635, New Subd. 9a	All plans	Revises and supplements definitions relating to the annual limits on pension benefits payable and additions to defined contribution accounts under the federal Internal Revenue Code and consolidates all definitions into a new subdivision.
4	356.635, Subd. 10	All plans	Clarifies the language regarding the annual limit on pension benefits payable applicable to all pension plans, as required by the federal Internal Revenue Code.
5	356.635, New Subd. 11	All plans	Adds a new subdivision setting forth the annual limit on additions to defined contribution accounts that is applicable to all defined contribution plans, as required by the federal Internal Revenue Code.
6	356.635, New Subd. 12	All plans	Adds a new subdivision that incorporates by reference Section 415 of the federal Internal Revenue Code, relating to annual limits on pensions and contributions.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
7	356.635, New Subd. 13	All plans	Adds a new subdivision that authorizes the executive director of each retirement plan to correct operational, document or other errors to preserve the plan's tax qualification, including corrections described in the IRS's Employee Plans Compliance Resolution System.
8	356.96, Subd. 1	All plans except SPTRFA and VFRA's	Revises the definitions relating to the retirement plans' appeal procedures for member claims for benefits; adds a new definition for "petitioner."
9	356.96, Subd. 2	All plans except SPTRFA and VFRA's	Clarifies that a member may appeal to the executive director in writing a staff decision regarding eligibility, benefits or other rights.
10	356.96, Subd. 3	All plans except SPTRFA and VFRA's	Clarifies the information the executive director must provide to a member in the notice of determination, which must include timing and contents requirements for filing a petition for review.
11	356.96, Subd. 4	All plans except SPTRFA and VFRA's	Clarifies the additional information the executive director must provide to the member in the notice of determination if the member's benefit is being terminated.
12	356.96, Subd. 5	All plans except SPTRFA and VFRA's	Clarifies the process a member must follow to file a timely petition with the plan's governing board for review of the executive director's determination.
13	356.96, Subd. 6	All plans except SPTRFA and VFRA's	Removes obsolete reference to "chief administrative officer" and replaces it with "executive director."
14	356.96, Subd. 7	All plans except SPTRFA and VFRA's	Clarifies that the executive director may direct that a fact-finding conference with an administrative law judge or a vocational assessment is to occur; clarifies the filing and timing requirements for holding a hearing before the plan's board.
15	356.96, Subd. 8	All plans except SPTRFA and VFRA's	Specifies the limits on the contents of the record to be delivered to the governing board prior to the hearing.
16	356.96, Subd. 9	All plans except SPTRFA and VFRA's	Removes obsolete reference to "chief administrative officer" and replaces it with "executive director".
17	356.96, Subd. 10	All plans except SPTRFA and VFRA's	Clarifies the requirements for conducting a hearing before the applicable plan's governing board, for participation by representatives of the member and the plan, and regarding the content and timing of a decision by the governing board.
18	356.96, Subd. 11	All plans except SPTRFA and VFRA's	Simplifies the requirements and provides the governing board with more discretion in determining disability medical issues.
19	356.96, Subd. 12	All plans except SPTRFA and VFRA's	Simplifies cross-references to the statute governing the conduct of an administrative fact-finding conference.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
20	356.96, Subd. 13	All plans except SPTRFA and VFRAs	Clarifies the deadline for appealing the decision of a governing board to the state Court of Appeals.
21	Repealer	All plans except SPTRFA and VFRAs	Repeals Minn. Stat. §§ 356.611, Subd. 3, 3a, 4, and 5; and 356.96, Subd. 14 and 15, because they are obsolete or have been merged into other subdivisions.

**Article 14: Actuarial Assumption Changes**

1	356.215, Subd. 8	MSRS, PERA, TRA, SPTRFA	Revises salary increase assumption calculation for SPTRFA, reduces salary increase assumptions for MSRS, PERA and TRA, and reduces payroll growth assumption for TRA to 3.5%.
---	---------------------	----------------------------	---

**Article 15: Volunteer Firefighter Relief Association Modifications**

1	356A.06, Subd.7	VFRAs	Clarifies the corporate stock restriction provision by requiring all purchases of shares of exchange-traded or mutual funds to be consistent with the provision governing securities generally.
2	424A.001, Subd. 2	VFRAs	Updates the definition of "fire department" to include joint powers fire departments.
3	424A.001, New Subd. 2a	VFRAs	Adds a new definition of "municipal" to mean a city or township.
4	424A.001, Subd. 3	VFRAs	Updates the definition of "municipality" to include joint powers fire departments.
5	424A.001, Subd. 10	VFRAs	Revises the definition of "volunteer firefighter" to conform to the new definition of "fire department" in 424A.001, Subd. 2.
6	424A.002, Subd. 1	VFRAs	Revises the authorization of new relief associations provision to conform to the new definition of "fire department" in 424A.001, Subd. 2.
7	New Section 424A.003	VFRAs	Adds a new requirement that the fire chief annually certify each volunteer firefighter's service credit to the associated relief association and municipality and provide notice to the firefighter; gives the firefighter a right to challenge the fire chief's determination.
8	424A.01, Subd. 1	VFRAs	Adds "joint powers entity" to the fire prevention personnel membership provision.
9	424A.01, New Subd. 4a	VFRAs	Restricts firefighters from receiving relief association service credit for the same hours for which a PERA plan has already provided coverage.
10	424A.01, Subd. 5	VFRAs	Revises the membership provision to conform to the new definition of "municipality" in 424A.001, Subd. 2a.
11	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.
12	424A.01, Subd. 6	VFRAs	Clarifies that the return to service provision applies only to volunteer firefighters who take a break in service and then return to active firefighting.



Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
13	424A.015, Subd. 1	VFRAs	Revises the separation from active service exception provision to conform to the new definitions of "municipality" and "fire department" in 424A.001, Subd. 2 and 2a.
14	424A.015, New Subd. 7	VFRAs	Adds defined contribution relief associations to the provisions for combined service pensions and moves the provision to the section that applies to both defined benefit and defined contribution relief associations.
15	424A.016, Subd. 2	VFRAs	Revises the term "a nonprofit firefighting corporation" to be "an independent nonprofit firefighting corporation" for consistency.
16	424A.02, Subd. 1	VFRAs	Revises the term "a nonprofit firefighting corporation" to be "an independent nonprofit firefighting corporation" for consistency.
17	424A.02, Subd. 3	VFRAs	Increases the maximum lump-sum service pension amount for all defined benefit relief associations. Allows Eden Prairie VFRA to increase pension amount earlier than 1/1/2018.
18	424A.02, Subd. 3a	VFRAs	Revises the term "nonprofit firefighting corporation" to be "independent nonprofit firefighting corporation" for consistency.
19	424A.02, Subd. 7	VFRAs	Clarifies the deferred service pensions provision to add "joint powers entity."
20	424A.04, Subd. 1	VFRAs	Clarifies defined terms in the board of trustees membership provision.
21	424A.07	VFRAs	Revises the term "a nonprofit firefighting corporation" to be "an independent nonprofit firefighting corporation" for consistency.
22	424A.091, Subd. 3	VFRAs	Revises the term "nonprofit firefighting corporation" to be "independent nonprofit firefighting corporation" for consistency.
23	424A.094, Subd. 3	VFRAs	Revises the term "nonprofit firefighting corporation" to be "independent nonprofit firefighting corporation" for consistency.
24	424A.10, Subd. 1	VFRAs	Authorizes emergency medical personnel to receive supplemental benefits if they are eligible to join the local relief association.
25	424B.20, Subd. 4	VFRAs	Provides default procedures for allocating special fund assets after a joint powers fire department dissolves.
26	Special law provision	Eden Prairie VFRA	Lowers the vesting period requirement for the Eden Prairie relief association for retired firefighters returning to active service.
27	Special law provision	City of Austin; Austin VFRA	Retroactively authorizes the City of Austin to allocate fire state aid between its VFRA and PERA-P&F despite current law, and forgives the \$214,605 debt the City owes the VFRA under current law for that allocation since 2013 (when the law was changed).
28	Special law provision	VFRAs; PERA	Establishes a Fire State Aid Work Group, convened by PERA, to study the impact of allocating of a portion of fire state aid to pay PERA-P&F employer contributions.
29	Repealer	VFRAs	Repeals Minn. Stat. § 424A.02, Subd. 13, because the language was moved to the newly created § 424A.015, Subd. 7.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
<b>Article 16: MSRS-Administered Retirement Plan Modifications</b>			
1	352.113, Subd. 2	MSRS-General	Adds a cross reference to the deadline for submitting an application for total and permanent disability benefits.
2	352.91; Subd. 3f	MSRS-Correctional	Allows the Dept. of Human Services (DHS) "physical therapist" position at the St. Peter Hospital to be eligible for correctional plan coverage.
3	352.91; Subd. 3g	MSRS-Correctional	Allows the Dept. of Corrections (DOC) "food supervisor" and "medical assistant, certified" positions to be eligible for correctional plan coverage.
4	352.91; New Subd. 4c	MSRS-Correctional	Codifies the DHS internal procedure for recommending positions eligible for correctional plan coverage.
5	352D.06, Subd. 1, 1a	MSRS-Unclassified	Extends the period that the current factors will be used for calculating an annuity.
6	352F.04, Subd. 1	MSRS Fairview privatized employees	Reduces the rate of augmentation credited to the pension benefits under MSRS General for former employees of the University of Minnesota Hospital and Clinics who were transferred to Fairview Hospital and Healthcare Services in 1996. The augmentation rate is reduced from 5.5%/7.5% to 4.5% effective January 1, 2018, and by .75% each year thereafter, until 2024, when the benefit will no longer be augmented.
7	352F.04, Subd. 2	MSRS Fairview privatized employees	Makes clarifying language changes and deletes the exception from enhanced augmentation for return to public employment, which is moved to new subdivision 3.
8	352F.04, New Subd. 3	MSRS Fairview privatized employees	Modifies the exception from enhanced augmentation for return to public employment to provide that the member will receive the largest of three benefits: the pension with enhanced augmentation offset by any new pension benefit earned in the subsequent public employment, a combined service annuity, or an annuity under the coverage by more than one fund provision.
9	Uncoded	MSRS Fairview privatized employees	Applies the modified exception for return to public employment to any member who retired on or after January 1, 2015, and is being paid an annuity that would be larger under the modified exception. The member is to receive a lump sum payment in the amount of the difference between the annuity under current law and the annuity under the modified exception.
10	Uncoded	MSRS-Correctional	Specifies the coverage transfer dates and retroactivity for the DOC positions.

**Article 17: PERA-Administered Retirement Plan Modifications**

1	353.01, Subd. 43	PERA-P&F	Amends the definition of "line of duty death" to meet the definition of "killed in the line of duty" in Sec. 299A.41, Subd. 3, which includes death from heart attack, stroke, or vascular rupture that occurs while performing dangerous duties or within 24 hours of performing such duties. Makes the definition consistent with the federal Hometown Heroes Act.
2	353G.01, Subd. 9	PERA-SVFRP	Amends the definition of "municipality" to include fire departments run by an independent nonprofit firefighting corporation and by a joint powers agreement.

## Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
3	353G.01, Subd. 9a	PERA-SVFRP	Adds a new definition for "relief association."
4	353G.02, Subd. 6	PERA-SVFRP	Eliminates the requirement that the next nine relief associations to join the monthly benefit division reimburse the Spring Lake Park-Blaine-Moundsview Fire Dept. for administrative expenses above \$33,600.
5	353G.03, Subd. 3	PERA-SVFRP	Expands the number of volunteer firefighter members on the Advisory Board from eight to ten.
6	353G.08, Subd. 3	PERA-SVFRP	Expands the list of allowable asset disbursements to include a transfer of assets for a withdrawal from PERA-SVFRP.
7	353G.11, Subd. 1	PERA-SVFRP	Amends the maximum lump-sum benefit that can be paid to always equal the allowable maximum benefit that can be paid out under 424A.02, Subd. 3., Para. (d).
8	New Section 353G.17	PERA-SVFRP	Creates a new section that provides procedures and requirements for withdrawing from PERA-SVFRP and transferring assets to a local relief association governed by Chapter 424A.
9	Special law provision	Brook Park PERA-SVFRP	Authorizes the City of Brook Park to lower the annual service pension level for the Brook Park lump-sum account in PERA-SVFRP from \$1200 to \$600, retroactive to 1/1/2016.

### **Article 18: Generally Applicable Retirement Changes**

1	356.24, Subd. 1	Supplemental Plans	Increases the maximum employer contribution from \$5,000 to \$7,000 per year per employee to the laborers national industrial pension plan, under an exception to the prohibition on employer contributions to supplemental pension or deferred compensation plans.
2	New 356.631	All plans	Allows plans to accept additional sources of payments, including gifts, donations, bequests, and life insurance death benefits.
3	Repealer	MSRS, PERA	Repeals Minn. Stat. §§ 352.04, Subd. 11, and 353.34, Subd. 6, the plan-specific additional funding sources provisions, because they are duplicative.

### **Article 19: Small Group Retirement Changes**

1	Special law provision	MSRS-General	Permits a group of 22 MnDOT employees to purchase up to three months of 1989 service credit to gain Rule of 90 eligibility to correct an MSRS communication error.
2	Special law provision	PERA-General, MnSCU-IRAP	Allows an employee of St. Cloud State Univ. to purchase service credit in PERA for five years of erroneous MnSCU-IRAP coverage.
3	Special law provision	TRA, MnSCU-IRAP	Allows an employee of St. Cloud State Univ. to elect retroactive and prospective TRA coverage rather than MnSCU-IRAP coverage to correct a MnSCU error.
4	Special law provision	TRA, MnSCU-IRAP	Allows two employees of Mesabi Range Community & Technical College to elect retroactive and prospective TRA coverage rather than MnSCU-IRAP coverage to correct a MnSCU error.

Section-by-Section Summary of the 2017 Senate Omnibus Retirement Bill (SF 545, 1<sup>st</sup> Engrossment)

Sec.	Stat. Provision	Retirement Plan	Summary
5	Special law provision	TRA, MnSCU-IRAP	Allows an employee of Winona State University to elect retroactive and prospective TRA coverage rather than MnSCU-IRAP coverage to correct a MnSCU error.
6	Special law provision	PERA-General PERA-DC	Allows a Duluth Township clerk to elect retroactive coverage in PERA-General.

**Article 20: Technical Corrections**

1	353.01, Subd. 16	PERA	Removes obsolete references to a provision that is repealed in Article 2, Section 4.
2	353.012	PERA	Removes obsolete references to provisions that are repealed in Article 2, Section 4.
3	353.32, Subd. 4	PERA	Removes obsolete references to a provision that is repealed in Article 10, Section 3.
4	354A.011, Subd. 29	1st Class City Teacher Plans	Removes obsolete references to the Duluth Teachers Retirement Fund Assoc. and makes other conforming changes.
5	354A.095	1st Class City Teacher Plans	Removes obsolete reference to the Duluth Teachers Retirement Fund Assoc.
6	354A.12, Subd. 3c	1st Class City Teacher Plans	Removes obsolete reference to the Duluth Teachers Retirement Fund Assoc.
7	354A.31, Subd. 3	1st Class City Teacher Plans	Removes obsolete reference to the Duluth Teachers Retirement Fund Assoc.
8	354A.35, Subd. 2	1st Class City Teacher Plans	Removes obsolete reference to the Duluth Teachers Retirement Fund Assoc.
9	356.47, Subd. 1	1st Class City Teacher Plans	Removes obsolete reference to the Duluth Teachers Retirement Fund Assoc.
10	Repealer	1st Class City Teacher Plans	Repeals an obsolete provision for the Duluth Teachers Retirement Fund Assoc.