

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Executive Director

RE: Summary of 1991 Pension Legislation

DATE: September 24, 1991

The following is a summary of all pension-related provisions passed by the 1991 Legislature. The first major section contains fund-specific legislation. This includes a summary of legislation for single plans and for plans of a specific type, such as the first class city teacher plans, local police and paid fire plans, and volunteer fire plans. The second major section summarizes general pension legislation, applying to all public plans or to miscellaneous groupings of plans. The third section describes changes in the Public Employees Insurance Plan (PEIP) and early retirement incentive legislation. Though technically not pension legislation, the Commission has followed these areas. The final section notes pension bills passed by the Legislature but vetoed by the Governor.

## I. Fund Specific Legislation

### A. Minnesota State Retirement System (MSRS)

#### 1. Legislators Retirement Plan

- a. Remarriage penalty ended. The surviving spouse benefit payable under the Legislator's Retirement Plan does not terminate upon remarriage. This change is not retroactive. (MN Laws 1991, Chapter 269, Article 2, Sections 1 and 13.)

#### 2. Elected State Officers Plan

- a. Remarriage penalty ended. The surviving spouse benefit payable under the Elected State Officers Plan does not terminate upon remarriage. This change is not retroactive (MN Laws 1991, Chapter 269, Article 2, Sections 3, 4 and 13.)

#### 3. MSRS State Patrol

- a. Remarriage penalty ended. The surviving spouse benefits payable under the State Patrol Plan does not terminate upon remarriage. This change is not retroactive (MN Laws 1991, Chapter 269, Article 2, Sections 2 and 13.)

#### 4. MSRS Unclassified Plan

- a. Retention of unclassified plan coverage upon transfer of position to the classified service. Members of the unclassified retirement plan who held positions transferred from the unclassified service to the classified service by MN Laws 1991, Chapter 238 may retain membership in the unclassified plan as long as they hold that position or a position in a higher class within the same agency. To remain in the unclassified plan, the individual must indicate that preference to the executive director of MSRS within 60 days of being notified of the transfer of the position. (MN Laws 1991, Chapter 238, Section 25.)
- b. Retention of unclassified plan coverage upon moving from one unclassified position to another. Members of the unclassified plan who change employment, moving to an unlimited, full-time position in the unclassified service which is not normally covered by the unclassified plan, may retain unclassified plan coverage. To retain coverage, the individual must notify the executive director of MSRS of that intent within one year of commencing employment in the new position. The provision has retroactive application, providing reestablishment of unclassified plan coverage after past employment changes provided notice is given to the executive director by July 1, 1992. (MN Laws 1991, Chapter 317, Sections 1, 2, and 6.)

5. Judges Retirement Plan

- a. Restructuring of Judges Retirement Plan financing. The Judges Retirement Plan is placed on an actuarial funding basis, eliminating the procedure to terminally fund the employer share, and contribution rates are reset. Coordinated plan judges will contribute four percent of salary; basic judges will contribute 8.15 percent of salary. The employer will contribute 22 percent of salary, payable at the same time as member contributions. (MN Laws 1991, Chapter 345, Article 1, Section 103.)
- b. Judges Retirement Plan disability pay revision. A judge will be entitled to full salary for one year after a disability declaration, rather than for two years. (MN Laws 1991, Chapter 345, Article 1, Section 104.)

B. Public Employees Retirement Association

1. PERA General

PERA General legislation included both benefit-related and administrative provisions. The following are the benefit-related provisions:

- a. Remarriage penalty ended. The surviving spouse benefit payable under the PERA General Plan does not terminate upon remarriage. This change is not retroactive. (MN Laws 1991, Chapter 269, Article 2, Sections 5, 6, and 13.)
- b. Basic member death-while-active or disabled surviving spouse and dependent children provision changes. The maximum family benefit is changed from \$1,000 to 70 percent of the member's average monthly salary, and the minimum benefit per family (including a 100 percent joint and survivor annuity, if the surviving spouse chooses this option rather than a benefit of 50 percent of the member's monthly salary averaged over the last six months) must not be less than 50 percent of the basic member's average monthly salary. If the children's benefit plus the 100 percent joint and survivor annuity exceeds the maximum permitted, the 100 percent joint and survivor annuity must be reduced accordingly, but must be restored as the dependent children lose dependent status over time. (MN Laws 1991, Chapter 341, Section 17.)
- c. Disability optional annuity election provision revisions. Paragraphs were added to the disability optional annuity provision which require that if a person who is not the spouse is named as beneficiary of the joint and survivor optional annuity permitted under this provision, the person is eligible only if the surviving spouse waives all spousal benefits under death-while-active or disabled and surviving spouse optional annuity provisions. If the spouse waives coverage, the dependent children continue eligibility for dependent children benefits, but the total benefit to the children and the joint annuitant may not exceed the 70 percent family maximum requirement, otherwise the joint annuity must be proportionally reduced. If the spouse is named as the joint annuitant, the same maximums apply, and if it is necessary to reduce the joint annuity to stay within the family maximums, the annuity must be increased accordingly as the children lose dependent status over time. (MN Laws 1991, Chapter 341, Section 19.)
- d. PERA P&F disabled member optional annuity election provision revisions. The PERA P&F disabled member optional annuity election provision is changed to provide comparable treatment for PERA P&F and PERA basic members, since both are basic plans. The changes in this PERA P&F provision are as provided in (c) above. (MN Laws 1991, Chapter 341, Section 23.)
- e. PERA P&F survivor benefit changes. To provide comparability between PERA P&F and PERA basic members, the PERA P&F survivor benefit provision is changed to provide identical maximums and joint and survivor offsets to keep total benefits within the maximums as described in (b) above. (MN Laws 1991, Chapter 341, Section 24.)

The following are special law provisions:

- a. Omitted contribution correction. A PERA member employed by the City of Minneapolis as a construction equipment operator beginning on June 24, 1983, who was incorrectly classified during 1985 and part of 1986 as a temporary or seasonal

employee prior to becoming a PERA member, may purchase credit in PERA for the period of improper classification. The cost is the full actuarial value of the additional retirement annuity to be received due to the additional service credit, assuming continuous service until retirement. The individual must pay the employee contributions that should have been contributed for the period, plus six percent interest. The employer, the City of Minneapolis, must pay the remainder of the full actuarial value within 60 days of PERA's receipt of the employee's share. (MN Laws 1991, Chapter 269, Article 4, Section 7.)

- b. Appointed public officer authorization to purchase PERA service credit. Ex-elected public officers who became appointed public officers prior to May 9, 1990 are authorized to purchase PERA General service credit (at full actuarial value) for prior uncredited service as an elected public officer due to failure to exercise the option to join the plan. (MN Laws 1991, Chapter 29.)
- c. Retroactive maternity leave, certain Saint Louis County Employee. PERA will grant two months maternity leave to a member who was forced to resign on August 30, 1956 due to then current child birth policies, and who was reemployed by the county on April 1, 1957. (MN Laws 1991, Chapter 66.)

The following are administrative provisions:

- a. Certain nuns and chaplains can be included in definition of public employee. Nuns and chaplains whose religious orders make an irrevocable election to participate in Social Security can be included in the definition of "public employee." (MN Laws 1991, Chapter 341, Section 1.)
- b. Revision of hospital district inclusion / exclusion provision. The definition of "governmental subdivision" is amended to require hospital districts organized or reorganized after July 1, 1975 to seek special legislation if they want to be excluded from PERA. The provision also excludes from PERA coverage the successor to any hospital district if the preceding hospital district organized or reorganized prior to July 1, 1975. (MN Laws 1991, Chapter 341, Section 2.)
- c. Exclusion of unused annual leave or unused annual sick leave from salary. Unused annual leave or unused sick leave payments, whether in lump-sum or periodic payments, are not salary for pension purposes. (MN Laws 1991, Chapter 341, Section 3.)
- d. Revision of dependent child definition. A full-time student can qualify as a dependent child up to age 23, rather than up to age 21. (MN Laws 1991, Chapter 341, Section 4.)
- e. Establishing paternity and adoption leaves. Up to 2 months of service credit without contributions is permitted for paternity or adoption leaves. (MN Laws 1991, Chapter 342, Section 5.)
- f. Redefinition of surviving spouse. The definition of a surviving spouse is amended to eliminate the requirement that the spouse not remarry. (MN Laws 1991, Chapter 341, Section 6.)
- g. Appointing PERA P&F member to PERA Board. The size of PERA's Board is increased from 8 to 9, the governor appoints 6 individuals to the board rather than 5, and one of the appointees must be a PERA P&F member. (MN Laws 1991, Chapter 341, Section 7.)
- h. Reporting requirement changes. Governmental subdivisions should send a single warrant to PERA covering the aggregate amount of employee plus employer contributions, and the association is authorized to require less frequent reporting and payments by small governmental units. (MN Laws 1991, Chapter 341, Section 8.)
- i. Clarification of PERA contributions on wrongful discharge settlements. Employee and employer contributions on wrongful discharge settlement payments must be made on salary before subtracting unemployment compensation, workers compensation, and wages from other sources. (MN Laws 1991, Chapter 341, Section 9.)

- j. Clarification of language in erroneous deduction provision. Language in the erroneous section provision is clarified. (MN Laws 1991, Chapter 341, Section 10.)
- k. Suspension of refund or benefits in cases of overpayment. PERA is permitted to reduce annuity, benefit, or refund payments to a current or past member who has received an overpayment until the overpayment has been recovered. (MN Laws 1991, Chapter 341, Section 11.)
- l. Expansion of omitted deduction recapture provision. Omitted employee deductions can be corrected by deductions from pay up to the pay period in which the 60th day preceding enrollment falls rather than prorating to the exact day. Clarifies the employer's liability to pay omitted employee deductions as well as omitted employer contributions plus interest when the employer fails to make the proper deductions. (MN Laws 1991, Chapter 341, Section 12.)
- m. Revision of omitted deduction provision, terminated employees. A terminated employee may make payments for omitted deductions within 6 months after being notified by the association the employer has paid the employer contributions, or within 6 months of subsequent termination if reemployed in a position covered by a public pension fund covered by the combined service annuity provision. (MN Laws 1991, Chapter 341, Section 13.)
- n. New subdivision, omitted contributions involving final pay, terminating employee. The employer is required to pay omitted employer deductions from final pay plus interest for a terminating employee, and the employee is responsible for proper employee deduction. (MN Laws 1991, Chapter 341, Section 14.)
- o. Clarification of levy certification provision. Clarifies language to state that PERA has the authority to certify the unpaid liabilities of a governmental subdivision to the county auditor for all of the pension funds it administers. (MN Laws 1991, Chapter 341, Section 15.)
- p. Revised spousal notification requirements. The notarized signature of a spouse on a member's retirement application form meets the spousal notification requirement. (MN Laws 1991, Chapter 341, Section 16.)
- q. Increase in refund interest rate for individuals joining another PERA administered plan. The interest rate on refunds is increased from 5 to 6 percent for terminated members who become members of another PERA administered fund. (MN Laws 1991, Chapter 341, Section 20.)
- r. Surviving spouse penalty eliminated for old law members. Surviving spouses of old law members (those who died before 1973) may remarry without loss of benefits. (MN Laws 1991, Chapter 341, Section 21.)
- s. Continuation of PERA P&F membership after moving to a different position. PERA P&F members are permitted to continue membership in that fund after assuming a different position with police or fire department functions in the same or a related department in the same governmental subdivision if the governing body sends a resolution to that effect to the association. (MN Laws 1991, Chapter 341, Section 22.)
- t. Consolidating relief associations consolidate with PERA. Several provisions are revised to state that a consolidating relief association technically consolidates with PERA, not PERA P&F. (MN Laws 1991, Chapter 341, Section 25 through 29.)
- u. Partial post retirement adjustments, PERA Consolidation Accounts. Consolidation account members are eligible for partial post retirement adjustments in the same manner as other PERA fund members. (MN Laws 1991, Chapter 341, Section 30.)
- v. Local Government Correctional Plan clarification of annuity computation procedures. A local government correctional employee who has earned allowable service credit under the basic plan, coordinated plan, or the PERA P&F plan will have that credit computed under the respective plan formulas. (MN Laws 1991, Chapter 341, Section 31.)

- w. Clarification of deferred annuities treatment for local government correctional employees with service in more than one PERA plan. Deferred annuities of local government correctional officers who subsequently become members of the PERA P&F plan or PERA coordinated plan are computed under coverage-in-more-than-one-fund deferred annuity augmentation provisions or combined service annuity provisions, as appropriate. (MN Laws 1991, Chapter 341, Section 32.)
- x. Non-duty disability vesting requirement for local government correctional plan reduced. The non-duty disability eligibility vesting requirement is reduced from five years to one year. (MN Laws 1991, Chapter 341, Section 33.)
- y. Local government correctional plan surviving spouse death-while-active provision vesting reduction. Local government correctional plan surviving spouse death-while-active vesting requirement is reduced from five years at age 50 to three years. (MN Laws 1991, Chapter 341, Section 34.)
- z. Elected official defined contribution plan eligibility and contribution restrictions. Elected local government officials are eligible to participate in the plan only if holding elected rather than appointed office. Elected officials can not make contributions for positions that they hold on boards and commissions in addition to the one on which they are elected. (MN Laws 1991, Chapter 341, Section 35.)
- aa. Elected official defined contribution plan clarification of eligibility period. If the application is received within 60 days of the contributions, participation in the defined contribution plan will begin on the first day of the pay period for which the contributions were deducted or, if pay period coverage dates are not available, the date on which the membership application or contributions are received, whichever is received first. Otherwise, the elected official is not considered a participant and may request a refund. (MN Laws 1991, Chapter 341, Section 36.)
- bb. Establishing policies for refunds for deductions taken in error, elected officials defined contribution plan. Present board policy regarding total or partial refunds for contributions taken in error is codified. (MN Laws 1991, Chapter 341, Section 37.)
- cc. Elected official defined contribution plan, investment option changes. Investment options can be changed at any time rather than twice a year, and minimum transfer amount requirements and minimum balance requirements on partial transfers are eliminated. (MN Laws 1991, Chapter 341, Section 38.)
- dd. Elected official defined contribution plan, change of investment options after death or termination prohibited. Changing investment options or transferring account shares to different investment options after the death or termination of a defined contribution plan participant is prohibited. (MN Laws 1991, Chapter 341, Section 39.)
- ee. Elected official defined contribution plan, clarification of insurance company options. PERA will transfer the total value of an individual's account to an insurance company of the participant's choice (rather than PERA's choice) for the purchase of an annuity. (MN Laws 1991, Chapter 341, Section 40.)
- ff. Elected official defined contribution plan, extending the date for prior service credit purchases. The date to which purchases of prior service credit may be made is extended from May 9, 1990 to June 30, 1991, and language is changed to specify that no contributions can be accepted after an elected official leaves office. (MN Laws 1991, Chapter 341, Section 41.)
- gg. Defined benefit plan buy-backs not permitted after elected official leaves office. Laws 1990, Chapter 570, Article 8, Section 14, Subdivision 1, which permits local elected officials to purchase service credit at full actuarial value for past, previously uncovered service, is amended so that elected officials who are members of the defined benefit plan are not permitted to make purchases of prior service credit after they cease to be elected officials. (MN Laws 1991, Chapter 341, Section 43.)
- hh. Repealer. Section 353.33, Subdivision 5a, dealing with authority to recover disability payments, and Section 353C.07, Subdivision 2, a PERA Correctional Plan deferred

annuities augmentation provision is repealed. (MN Laws 1991, Chapter 341, Section 51.)

2. PERA Police and Fire (PERA P&F).

The following are benefit-related provisions:

- a. Remarriage penalty ended. The surviving spouse benefit payable under the PERA P&F Plan does not terminate upon remarriage. This change is not retroactive. (MN Laws 1991, Chapter 269, Article 2, Sections 7 and 13.)
- b. PERA P&F disabled member optional annuity election provision revisions. The PERA P&F disabled member optional annuity election provision is changed to provide comparable treatment for PERA P&F and PERA basic members, since both are basic plans. Paragraphs were added to the disability optional annuity provision which require that if a person who is not the spouse is named as beneficiary of the joint and survivor optional annuity, the person is eligible only if the surviving spouse waives surviving spouse benefits. If the spouse waives coverage, the dependent children continue eligibility for dependent children benefits including the family minimum benefit, but the total benefit to the children and the joint annuitant may not exceed the 70 percent family maximum requirement, otherwise the joint annuity must be proportionally reduced. If the spouse is named as the joint annuitant, the same 70 percent maximum applies, and the joint and survivor annuity must be reduced as needed to keep the total benefits within the family maximum limits. The joint and survivor annuity is increased accordingly as the children gradually lose dependent status. (MN Laws 1991, Chapter 341, Section 23.)
- c. PERA P&F survivor benefit changes. To provide comparability between PERA P&F and PERA basic members, the PERA P&F survivor benefit provision is changed to provide that if the children's benefit plus the 100 percent joint and survivor optional annuity exceeds the 70 percent family maximum benefit, the 100 percent joint and survivor annuity must be reduced accordingly, but must be restored as the dependent children lose dependent status over time. (MN Laws 1991, Chapter 341, Section 17.)

The following is a special law provision:

- a. Permitting an exception to surviving spouse coverage. The surviving spouse of a person born on February 20, 1958 who worked as a police officer for the city of Saint Paul and who died before July 1, 1990 is entitled to PERA P&F survivor benefits although the spouse and the decedent had been married for less than one year prior to the member's death. (MN Laws 1991, Chapter 230.)

The following are provisions from the PERA administrative bill:

- a. Appointing PERA P&F member to PERA Board. The size of PERA's Board is increased from 8 to 9, the governor appoints 6 individuals to the board rather than 5, and one of the appointees must be a PERA P&F member. (MN Laws 1991, Chapter 341, Section 7.)
- b. Increase in refund interest rate for individuals joining another PERA administered plan. The interest rate on refunds is increased from 5 to 6 percent for terminated members who become members of another PERA administered fund. (MN Laws 1991, Chapter 341, Section 20.)
- c. Continuation of PERA P&F membership after moving to different position. PERA P&F members are permitted to continue membership in that fund after assuming a different position with police or fire department functions in the same or a related department in the same governmental subdivision if the governing body sends a resolution to that effect to the association. (MN Laws 1991, Chapter 341, Section 22.)

3. PERA Police and Fire Consolidation Accounts

The following are benefit-related provisions:

- a. Partial post retirement adjustments, PERA Consolidation Accounts. Consolidation account members are eligible for partial post retirement adjustments in the same manner as other PERA fund members. (MN Laws 1991, Chapter 341, Section 30.)
- b. Benefit election for survivors of members killed in the line of duty. The surviving spouse of a member killed in the line of duty is permitted to elect survivor benefits computed under PERA P&F plan provisions, including participation in the Minnesota post retirement investment fund, in lieu of survivor benefits under provisions of the relevant local relief association plan. If there is no surviving spouse, the guardian of the children, or the oldest child if over age 18, can make the election. (MN Laws 1991, Chapter 172.)
- c. Termination of remarriage penalty for certain consolidating relief associations. The surviving spouse remarriage penalty is terminated for the following consolidated relief associations, but it does not have retroactive application:
  1. Anoka Police Relief Association,
  2. Buhl Police Relief Association,
  3. Chisholm Fire Department Relief Association,
  4. Chisholm Police Relief Association,
  5. Crookston Fire Relief Association,
  6. Duluth Police Relief Association,
  7. Faribault Fire Department Relief Association,
  8. Hibbing Firefighters Relief Association,
  9. Hibbing Police Relief Association,
  10. Red Wing Fire Department Relief Association,
  11. Red Wing Police Relief Association,
  12. Rochester Fire Department Relief Association,
  13. Rochester Police Relief Association,
  14. Saint Cloud Fire Department Relief Association,
  15. Saint Louis Park Fire Department Relief Association,
  16. Saint Louis Park Police Relief Association, and
  17. Winona Police Relief Association.

(MN Laws 1991, Chapter 269, Article 2, Sections 8 and 13.)

- d. Increased survivor benefits, Chisholm and Hibbing consolidated relief associations. The surviving spouse benefit under the Chisholm Police Relief Association, the Chisholm Fire Relief Association, the Hibbing Fire Relief Association, and the Hibbing Police Relief Association (all of which have consolidated with PERA P&F) is, for all current and prospective surviving spouses eligible for benefits under the local plan, 50 percent of the annuity amount received by the former member immediately prior to death, unless the annuity computed under prior law is greater. (MN Laws 1991, Chapter 269, Article 2, Section 12.)

The following are provisions from PERA's administrative bill:

- a. Consolidating relief associations consolidate with PERA. Several provisions are revised to state that a consolidating relief association technically consolidates with PERA, not PERA P&F. (MN Laws 1991, Chapter 341, Section 25 through 29.)

4. PERA Local Government Correctional Plan

The following provisions clarify the planned operation of the PERA Local Government Correctional Plan. Currently there are no members. These provisions were in the PERA administrative bill:

- a. Local Government Correctional Plan clarification of annuity computation procedures. A local government correctional employee who has earned allowable service credit under the basic plan, coordinated plan, or the PERA P&F plan will have that credit computed under the respective plan formulas. (MN Laws 1991, Chapter 341, Section 31.)

- b. Clarification of deferred annuities treatment for local government correctional employees with service in more than one PERA plan. Deferred annuities of local government correctional officers who subsequently become members of the PERA P&F plan or PERA coordinated plan are computed under coverage-in-more-than-one-fund deferred annuity augmentation provisions or combined service annuity provisions, as appropriate. (MN Laws 1991, Chapter 341, Section 32.)
  - c. Non-duty disability vesting requirement for local government correctional plan reduced. The non-duty disability eligibility vesting requirement is reduced from five years to one year. (MN Laws 1991, Chapter 341, Section 33.)
  - d. Local government correctional plan surviving spouse death-while-active provision vesting reduction. Local government correctional plan surviving spouse death-while-active vesting is reduced from five years at age 50 to three years. (MN Laws 1991, Chapter 341, Section 34.)
5. PERA Public Employees Defined Contribution Plan

The PERA Public Employees Defined Contribution Plan was expanded to include separate provisions covering volunteer emergency medical personnel, defined as properly certified ambulance attendants, ambulance drivers, and ambulance service medical directors earning less than \$3,000 due to the services provided. Previously, the plan included elected public officials and primarily paid basic and advanced life support emergency medical service personnel. The funding for the existing emergency medical service personnel plan is provided by the employer. The new provisions add volunteer ambulance service personnel with funding for this new group to be provided by a \$2 charge on drivers licenses. A description of the new provisions follows:

- a. Ambulance Service Personnel Incentive Program. The eligibility provisions of the Public Employees Defined Contribution Plan (Chapter 353D) are amended to include eligible ambulance attendants, ambulance drivers, and ambulance service medical directors as described below. These individuals are made eligible for the Ambulance Service Personnel Incentive Program, which will provide a tax deferred savings account and potential annuities for these individuals. To provide funding, drivers license fees are increased by \$2 to be credited to a newly created Emergency Medical Services Personnel Account. This account will receive the increase in drivers license fees and forfeitures due to failure to vest or failure of ambulance services to provide proper reporting.

To be eligible for the ambulance service personnel incentive program, the individual must be an ambulance attendant, ambulance driver, or an ambulance service medical director, who is certified by the Department of Health, serving an ambulance service licensed by the State of Minnesota, performing a predominant portion of services in the state, and who has income less than \$3,000 due to the services provided.

Eligible ambulance attendants, ambulance drivers, and ambulance service medical directors can elect to participate in the ambulance service personnel incentive program by June 30, 1994 or by June 30th of the year they first become eligible for the plan, if that is later. Ambulance services in the existing plan with personnel who meet the eligibility requirements of the ambulance service personnel incentive program may discontinue funding to the existing plan after giving 18 months notice to its members.

PERA is required to inform eligible individuals of the new program, to prescribe reporting forms, and to determine eligibility for allocation under the program.

The total revenue in the emergency medical services personnel account is to be allocated among participants based on service units, with each individual receiving two service units for each year of new service. If individuals have service prior to the start of the new plan, during the first five years in which the individual participates in the new plan he or she will receive two service units for the current year's service plus one-fifth of a service unit for each year of service prior to January 1, 1992, or the date of participation, whichever is later.

Sixty months of service are required to vest, but this is waived if death occurs. These sixty months must be accumulated within 120 months of the first service earned after the

individual elects to participate in the plan. If the individual does not vest, funds previously allocated to the individual's account are forfeited and reallocated to the remaining accounts.

Individual accounts will be invested through SBI in the Minnesota Supplemental Investment Fund.

PERA will delay implementation if a determination from the federal Department of Labor indicates that ERISA standards must be met, or if IRS indicates that the plan does not receive tax exempt status, or if PERA plan administration would jeopardize the tax qualification of other PERA administered plans. PERA must report these determinations to the chairs of the LCPR and House and Senate Government Operations Committees. (MN Laws 1991, Chapter 291, Article 19, Sections 1 through 11.)

The following is a special law provision:

- a. Revocation of defined contribution plan membership. A member of the Public Employees Defined Contribution Plan born on September 22, 1948 and employed by independent school district #701 from 1984 to the present may revoke participation in the plan, which began on October 1, 1990. The employee contributions will be returned to the individual, and the remaining value of the account will be retained by PERA. (MN Laws 1991, Chapter 341, Section 48.)

The following provisions were in the PERA administrative bill:

- a. Elected Official Defined Contribution Plan eligibility and contribution restrictions. Elected local government officials are eligible to participate in the plan only if holding elected rather than appointed office and elected officials can not make contributions for positions that they hold on boards and commissions in addition to the one on which they are elected. (MN Laws 1991, Chapter 341, Section 35.)
- b. Elected Official Defined Contribution Plan clarification of eligibility period. Participation in the defined contribution plan begins on the first day of the pay period for which the contributions were deducted or, if pay period coverage dates are not available, the date on which the membership application or contributions are received, whichever are received first, if the application is received within 60 days of the contributions. Otherwise, the elected official is not considered a participant and may request a refund. (MN Laws 1991, Chapter 341, Section 36.)
- c. Establishing policies for refunds for deductions taken in error, elected officials defined contribution plan. Present board policy regarding total or partial refunds for contributions taken in error is codified. (MN Laws 1991, Chapter 341, Section 37.)
- d. Elected official defined contribution plan, investment option changes. Investment options can be changed at any time rather than twice a year, and minimum transfer amount requirements and minimum balance requirements on partial transfers are eliminated. (MN Laws 1991, Chapter 341, Section 38.)
- e. Elected official defined contribution plan, change of investment options after death or termination prohibited. Changing investment options or transfers of account shares after the death or termination of a defined contribution plan participant is prohibited. (MN Laws 1991, Chapter 341, Section 39.)
- f. Elected official defined contribution plan, clarification of insurance company options. PERA will transfer the total value of an individual's account to an insurance company of the participant's choice (rather than PERA's choice) for the purchase of an annuity. (MN Laws 1991, Chapter 341, Section 40.)
- g. Elected official defined contribution plan, extending the date for prior service credit purchases. The date to which purchases of prior service credit may be made is extended from May 9, 1990 to June 30, 1991, and language is changed to specify that no contributions can be accepted after an elected official leaves office. (MN Laws 1991, Chapter 341, Section 41.)

C. Teachers Retirement Association (TRA)

The benefit-related general law is:

- a. Remarriage penalty ended. The surviving spouse benefit payable under the TRA basic and coordinated plans does not terminate upon remarriage. This change is not retroactive. (MN Laws 1991, Chapter 269, Article 2, Sections 9, 10, and 13.)

TRA benefit-related special laws are:

- a. Medical leave purchase of service credit. An employee of school district #624 who was on a medical leave during the 1986-87 school year may purchase TRA service credit for one year of leave at full actuarial value. Payment must be made during the fiscal year beginning July 1, 1991. (MN Laws, Chapter 89.)
- b. Purchase of service credit for a period of involuntary extension of military service. A TRA member born on May 23, 1936 and who is employed by independent school district #833 may purchase service credit in TRA for a one-year involuntary extension of military active duty performed after June 30, 1984 and before July 1, 1985. Requires payment of full actuarial value. (MN Laws 1991, Chapter 293, Sections 2 and 3.)
- c. Prospective revocation of IRAP transfer. A person employed by the state university board before 1964, and who elected to transfer retirement coverage from TRA to the IRAP may revoke that transfer prospectively and have future service credited with TRA. (MN Laws 1991, Chapter 340, Section 33.)

Provisions from TRA's administrative bill are:

- a. Deduction of disability benefits from workers compensation benefits. TRA members receiving total and permanent disability benefits will have the disability benefits deducted from workers' compensation benefits otherwise payable. (MN Laws 1991, Chapter 340, Section 2.)
- b. Retiree who resumes teaching is member for social security purposes only. Membership provision clarified to indicate that retired, former TRA members who resume teaching service in what would otherwise be a TRA covered position, are members of the fund only for purposes of social security coverage. (MN Laws 1991, Chapter 340, Section 3.)
- c. Obsolete language removed from allowable service provision. Obsolete language relating to service credit restrictions under 1967 statutes is eliminated. (MN Laws 1991, Chapter 340, Section 4.)
- d. Designated beneficiary clarified. Designated beneficiary definition clarified to explicitly include beneficiaries designated by a retiree, and by stating that a beneficiary designation is valid only if made on an appropriate form provided by the executive director, properly completed, and received by the fund postmarked on or before the date of death of the retiree or member. (MN Laws 1991, Chapter 340, Section 5.)
- e. Salary excludes certain payments to administrators and principals. For pension purposes, salary excludes payments to school principals and all other administrators for services in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other non-duty day. (MN Laws 1991, Chapter 340, Section 6.)
- f. Severance payments defined to include certain lump-sum payments made during high-five salary years. Severance payments include lump sum payments during the high-five years for additional services performed without pay during other years of salary. (MN Laws 1991, Chapter 340, Section 7.)
- g. Administrators normal work year defined. Principals and all other administrators' normal work year is defined as 12 consecutive full months of continuous employment from July 1 to June 30. (MN Laws 1991, Chapter 340, Section 8.)

- h. Notice of benefit termination or denial provisions revised to include Individual Retirement Account Plan. The notice of benefit termination or denial provisions is revised to also include individuals claiming a right to the Individual Retirement Account Plan for state university and community college teachers. (MN Laws 1991, Chapter 340, Section 9.)
- i. Sabbatical leave revised to include re-employment requirement. Retirement credit for sabbatical leaves is not permitted unless the member retains the right to full reinstatement both during and at the end of the sabbatical leave. Sabbatical leave includes sabbaticals as defined by the personnel policies of the state university and community college boards. (MN Laws 1991, Chapter 340, Section 10.)
- j. Maternity leave revisions. The provision is revised by expanding the provision to include both maternity and parental leaves, by requiring notification to TRA of the leave by the end of the fiscal year in which the leave is granted, by basing required employee and employer contribution amounts for the leave period on the salary at the beginning of the leave rather than the monthly salary upon returning, and by requiring that the member retain the right to full reinstatement at the end of the leave. (MN Laws 1991, Chapter 340, Section 11.)
- k. Extended leave of absence revisions. The provision is revised by requiring notification to TRA of the leave by the end of the fiscal year in which the leave is granted, by specifying that a member may not receive more than five years of allowable service credit under this provision, and by requiring that the member retain the right to full reinstatement during and at the end of the leave. (MN Laws 1991, Chapter 340, Section 12.)
- l. Medical leave of absence revisions. The provision is revised by requiring notification to TRA of the leave at the time the leave is granted, by requiring that contributions be based on the salary when the leave commences rather than upon returning, by requiring 8.5 percent interest from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made rather than charging 8.5 percent interest from the midpoint of the leave, and by requiring that the member retains the right to full reinstatement during and at the end of the leave. (MN Laws 1991, Chapter 340, Section 13.)
- m. Non-assignment, non-garnishment provision cross-reference added. The non-assignment, non-garnishment provision is revised by adding an omitted cross reference permitting payments to public bodies. (MN Laws 1991, Chapter 340, Section 14.)
- n. Automatic deposits permitted in unrestricted joint accounts. Automatic deposits of annuity or benefit payments are permitted in joint accounts of the recipient and any other person properly designated by the recipient. Any overpayment after the death of the annuitant or benefit recipient must be repaid by the joint account tenant if not repaid by the financial institution. (MN Laws 1991, Chapter 340, Section 15.)
- o. Change in beneficiary provision clarified. Any application to change designated beneficiaries must be on a form provided by the executive director, must be properly completed, and must be postmarked on or before the date of death of the retiree or the member. (MN Laws 1991, Chapter 340, Section 16.)
- p. Combination of basic and coordinated service provision clarified. The combination of basic and coordinated service provision is clarified and revised to indicate that if a previously coordinated member retires with a basic member status due to transferring from public school teaching to community college teaching, the annuity is computed as a coordinated member for any coordinated member service. (MN Laws 1991, Chapter 340, Section 17.)
- q. Accelerated or social security leveling option corrected. In the accelerated or social security leveling option provision, inappropriate references to normal retirement ages are replaced by references to age 65. (MN Laws 1991, Chapter 340, Section 18.)

- r. Board election restriction broadened. Certain employee organization officers and TRA employees are added to the group of individuals ineligible for election to the TRA board. (MN Laws 1991, Chapter 340, Section 19.)
- s. Death-while-eligible-to-retain provision retroactivity. The death-while-eligible-to-retain provision is revised to provide for a benefit accrual date that is retroactive up to six months before the date of the filing of the application. (MN Laws 1991, Chapter 340, Section 20.)
- t. TRA disability filing change. Filings for TRA disability benefits must be filed with the executive director, rather than with the board. (MN Laws 1991, Chapter 340, Section 21.)
- u. Responsibility shift for determination of disability. Responsibility for determination of disabilities rests with the executive director rather than the board. (MN Laws 1991, Chapter 340, Section 22.)
- v. Responsibility shift for post-disability medical examinations. Responsibility for post-disability medical examinations shifts from the board to the executive director. (MN Laws 1991, Chapter 340, Section 23.)
- w. Partial re-employment disability provision revisions. The offset for partial reemployment earnings applies against the following calendar year's disability benefit rather than the current year's disability benefit, and the responsibility for disability determinations shifts from the TRA Board to the executive director. (MN Laws 1991, Chapter 340, Section 24.)
- x. Disabling medical examination refusal provision designation shift. Responsibility for ordering a discontinuation of benefits shifts from the board to the executive director. (MN Laws 1991, Chapter 340, Section 25.)
- y. Clarification of money purchase plan interest provisions and refund interest rates. Money purchase rates of interest apply to money purchase members who are not eligible for an annuity and the formula interest rates apply to refunds to money purchase members who are eligible for an annuity. Interest is on fiscal year end balances. (MN Laws 1991, Chapter 340, Section 26.)
- z. Refund provisions incorporate Individual Retirement Account Service. Service under the Individual Retirement Account Plan in the state university and community college systems can be used to meet the two year re-employment period required prior to repaying a refund to TRA to re-establish service credit. (MN Laws 1991, Chapter 340, Section 27.)
- aa. Annual service and contribution report by TRA service unit revisions. The service and contribution report must be filed with the executive director rather than the board, and the penalty for late reporting is increased to \$50 from \$25. (MN Laws 1991, Chapter 340, Section 28.)
- bb. New requirement for report on reemployment income. A new subdivision is added to Section 354.52, requiring each TRA covered employing unit to report post retirement teaching service income of each reemployed TRA annuitant, with a \$50 per month penalty for late filing. (MN Laws 1991, Chapter 340, Section 29.)
- cc. Additional employer contribution to TRA by IRAP members eliminated. The additional employer contribution to TRA made by state university and community colleges on behalf of Individual Retirement Account Plan members is discontinued. (MN Laws 1991, Chapter 340, Section 30.)
- dd. Repealer. Three obsolete provisions are repealed. Section 354.094, Subdivision 1a related to state payments of employer contributions for extended leaves of absence for leaves beginning in 1981-82 through 1983-84. Section 354.094, Subdivision 1b was a similar provision dealing with pre-May 16, 1981 leaves, and Section 354.48, Subdivision 5 was a provision requiring an offset from TRA disability benefits for workers compensation benefit amounts. (MN Laws 1991, Chapter 340, Section 34.)

The TRA administrative bill also amended Section 136.82, dealing with administration of the supplemental retirement account for state university and community college teachers. However, Section 136.82 was repealed by MN Laws 1991, Chapter 269, Article 4, Section 8.

D. State University and Community Colleges

- a. Modification and recodification of the Supplemental Retirement Plan. Supplemental Retirement Plan provisions in Minnesota Statutes, Chapter 136 are repealed and similar provisions are added to Minnesota Statutes, Chapter 354B, Individual Retirement Account Plan. The investment options are expanded beyond the investment options of the Minnesota Supplemental Retirement Investment Fund. (MN Laws 1991, Chapter 269, Article 4, Sections 1 to 6.)
- b. Additional employer contribution to TRA by IRAP members eliminated. The additional employer contribution to TRA made by state university and community colleges on behalf of Individual Retirement Account Plan members is discontinued. (MN Laws 1991, Chapter 340, Section 30.)

E. Minneapolis Employees Retirement Fund (MERF)

A number of provisions passed during the 1991 session which impacted MERF funding, actuarial assumptions, administration, investment authority, and benefits.

MERF funding changes:

- a. The state contribution is capped at \$10,455,000 per year plus the cost of the pre-1974 and \$2 bill and annuity provision mentioned below in the benefit improvement section. If this cap causes insufficient funding to meet the financial needs, the additional amounts must be supplied by participating employers other than units of metropolitan government, with the additional contributions from each being proportional to their relative unfunded liability. Also, if the assets of the Deposit Accumulation Account (active account) at any time become insufficient to make a required transfer to the Retirement Account, the employing units must contribute the necessary amounts to make the transfer. (MN Laws 1991, Chapter 345, Article 4, Section 10.)
- b. Minneapolis is granted authority to levy for any additional amounts required due to the cap on the state contribution to MERF. (MN Laws 1991, Chapter 345, Article 4, Sections 1,2, and 14.)
- c. Contributions by the Metropolitan Airports Commission and Metropolitan Waste Control Commission are increased by an amount equivalent to a proportionate share of a \$1 million additional contribution from all employing units, although these two commission are the only ones that actually make the payment. (MN Laws 1991, Chapter 345, Article 4, Section 10.)

MERF actuarial changes:

- a. The pre-retirement interest rate is increased from five to six percent, and the salary assumption is increased from 3.5 to 4 percent. (MN Laws 1991, Chapter 345, Article 4, Section 3.)
- b. The amortization date was changed from 2017 to 2020. (MN Laws 1991, Chapter 345, Article 4, Section 4.)

MERF benefit improvements. The benefit improvements are:

- a. The short service deceased active member survivor benefit dollar amounts for pre-1983 active member deaths are increased from \$325 to \$500 per month for the surviving spouse, and from \$150 to \$225 per month for surviving children. (MN Laws 1991, Chapter 345, Article 4, Section 12.)
- b. The MERF Board will establish an actuarial equivalent joint and survivor optional annuity form with a bounceback. (MN Laws 1991, Chapter 345, Article 4, Section 11.) Individuals already retired with a living designated optional annuity recipient may elect to have the annuity changed to an actuarial equivalent bounceback annuity if the retiree exercises the option before July 1, 1992. (MN Laws 1991, Chapter 345, Article 4, Section 13.)

- c. A permanent, lump-sum post-retirement adjustment, to be funded by the state, replaces a long-standing practice of state-financed ad hoc adjustments. The benefit is set at \$28 per year of MERF service for pre-1974 and "\$2 bill and annuity" recipients and is indexed to the benefit changes generated by the MERF Retirement Benefit Fund. (MN Laws 1991, Chapter 345, Article 4, Section 12.)

Several miscellaneous changes also occurred in MERF statutes:

- a. Redefinition of MERF administrative expenses. Administrative expenses include any amounts related to investment activities of the deposit accumulation fund other than actual investment transaction amounts. (Since the employer is responsible for covering administrative expenses, this will shift the cost of litigation and other investment related expenses from the state to the employing units contributing to MERF.) (MN Laws 1991, Chapter 345, Article 4, Section 10.)
- b. Limitation on parties to law suits. If suit is brought by the state or a MERF contributing employer, no separate claims on behalf of taxpayers, the state, a political subdivision, or beneficiaries is allowed. (MN Laws 1991, Chapter 345, Article 4, Section 6.)
- c. Awarding attorney fees. The court shall award reasonable attorney fees and costs of litigation, in addition to damages and other relief, in any MERF suit where breach of fiduciary duty is found. (MN Laws 1991, Chapter 345, Article 4, Section 7.)
- d. Board approval for positions. The MERF executive director is permitted to appoint other necessary employees only to the extent that the positions are approved in advance by the board. (MN Laws 1991, Chapter 206, Section 3).
- e. Elimination of obsolete membership exclusion language. An obsolete provision is stricken which dealt with excluding from MERF membership individuals employed in subsidized on-the-job training, work experience, or enrollees under the federal Comprehensive Employment and Training Act (CETA). (MN Laws 1991, Chapter 206, Section 5).
- f. Elimination of obsolete mandatory retirement restriction. An obsolete mandatory age 70 retirement provision is stricken. (MN Laws 1991, Chapter 206, Section 6).
- g. Deferred compensation retirement allowance provision vesting reduction. Individuals with as little as three years service, rather than the previous 20 year service requirement, may leave their contributions on deposit with MERF after terminating employment, and unnecessary language is removed from the refund upon death provision. (MN Laws 1991, Chapter 206, Sections 7 and 8).

The investment authority provisions are:

- a. Exceptions to SBI Guidelines. For pre-July 1, 1991 investments MERF is not required to follow State Board of Investment (SBI) investment authority guidelines (Section 11A.24). For post-July 1, 1991 investments, MERF must follow the SBI investment guidelines except that MERF may make mortgage loans to individuals buying MERF-owned residential property. The SBI guidelines are amended to permit owning authorized securities as units in commingled trusts. (MN Laws 1991, Chapter 206, Sections 1, 2, and 4.)
- F. First Class City Teacher Plans

The following are benefit-related provisions:

- a. Remarriage penalty ended. The surviving spouse benefit payable under the first class city teacher coordinated plans does not terminate upon remarriage. This change does not apply retroactively. (MN Laws 1991, Chapter 269, Article 2, Sections 11 and 13.)
- b. Saint Paul Teachers Retirement Fund, authorizing post-retirement adjustment for pre-1978 benefit recipients. Basic plan benefit recipients and surviving spouses receiving annuities computed under pre-June 30, 1978 law are entitled to a 1991 post-retirement adjustment under whichever of the following provides the larger benefit:
  - a) \$27.34 per year of service, or

- b) \$437 per year of service minus benefits from other Minnesota public pension plans and minus any social security benefits.

The post-retirement adjustment in future years will be determined by indexing the 1991 post-retirement adjustment to increases generated by the Minnesota Post Retirement Investment Fund. (MN Laws 1991, Chapter 67.)

The following three items are largely administrative, but have some financial implications. These provisions were vetoed as part of S.F. 449. However, these provisions became law because identical language was included in other legislation that the Governor signed (S.F. 1224, which became MN Laws 1991, Chapter 317).

- b. First class city teacher funds, omitted salary deductions. Omitted salary deductions are the sole responsibility of the employing unit for up to three years following the end of the fiscal year in which the shortage occurred. The employee and employer share along with six percent interest is payable upon notification to the employing unit by the retirement fund association. (MN Laws 1991, Chapter 317, Section 3.)
- c. Minneapolis Teachers Retirement Fund Association, basic member medical leave. The MTRFA may amend its by-laws to provide a medical leave for basic members consistent with existing provisions for coordinated members. (Leaves can be for up to one year, member pays the employee and employer contributions plus 8.5 percent interest from the midpoint of the leave to the date of payment.) (MN Laws 1991, Chapter 317, Section 4.)
- d. Minneapolis Teachers Retirement Fund Association, basic member retired teacher earnings limitations. The annuity reduction in effect for retired coordinated members of MTRFA who return to teaching in the school district (the annuity is reduced by \$.50 for each dollar of earnings above the social security maximum) is applied to basic members. (MN Laws 1991, Chapter 317, Section 5.)

G. Local Police and Paid Fire Relief Associations

The following are benefit-related provisions applying to all or most relief associations:

- a. Remarriage penalty ended, police and paid fire relief associations. With local approval, police and paid fire relief associations are authorized to amend their by-laws to have surviving spouse benefits which do not terminate upon remarriage. The change applies to potential surviving spouses of all active, deferred, and retired members of the respective relief association. If a surviving spouse had benefits discontinued due to remarriage, benefits can be resumed on the last day of the month following receipt by the association secretary of an application to resume benefits. (MN Laws 1991, Chapter 269, Article 1, Section 2.)
- b. Refund death benefit, police and paid fire relief associations. If an active, deferred, or retired member of the relief association dies and no survivor benefit is payable, the designated beneficiary or, if none, the legal representative of the estate is entitled, upon application, to a refund of member contributions plus five percent interest. The refund amount is reduced by any pension or disability benefit already received. (MN Laws 1991, Chapter 290.)

The following are benefit-related provisions applying to specific police or paid fire relief associations:

- a. Richfield Police Relief Association Benefit Improvements. Benefits for active and retired members are increased by defining unit value at the normal retirement age (age 55) at 1/75 of the average monthly salary of a first grade patrol officer including college incentive pay for the previous calendar year. Retirement is permitted as early as age 50, with a reduced benefit. Annuity reductions or penalties for deferring a pension are eliminated. Member contributions are increased from six percent to eight percent of the pay of the highest paid patrol officer including college incentive pay. The increase in unit value and contributions is retroactive to January 1, 1990. (MN Laws 1991, Chapter 96.)
- b. Benefit increase, Eveleth Police and Fire Trust Fund. Retroactive to January 1, 1991, benefits payable to retired police officers, firefighters and surviving spouses are increased by \$75 per month. Requires local approval. (MN Laws 1991, Chapter 27, Sections 1 and 2.)

- c. Survivor benefit increase, Nashwauk Police Relief Association. Retroactive to July 1, 1990, surviving spouse benefits are increased from \$125 per month to \$375, and the family maximum benefit is increased from \$145 per month to \$395. Requires local approval. (MN Laws 1991, Chapter 28, Sections 1 and 2.)
- d. Virginia Firefighters Relief Association, remarriage penalty ended. The surviving spouse benefit does not terminate upon remarriage. This change is not retroactive. Surviving spouse provision language made gender neutral. Requires local approval. (MN Laws 1991, Chapter 62, Sections 1 and 3.)

The following are provisions applying to the Minneapolis Police Relief Association. The provisions are largely administrative, but some have benefit implications:

- a. Minneapolis Police Relief Association, surviving spouse defined. A definition of surviving spouse is added to Minneapolis Police Relief Association special laws, defining surviving spouse as a person who was legally married to a member and who resided with the decedent while the individual was on the payroll of the police department, or in the case of pensioners or deferred pensioners, was legally married to the member at least one year prior to retirement from the police department. The definition excludes a surviving spouse who deserts the member or who is not dependent on the member for support, and common law spouses. (MN Laws 1991, Chapter 90, Section 1.)
- b. Minneapolis Police Relief Association, changes in board composition. The mayor, chief of police, and city comptroller/treasurer are removed as ex officio members. The city council will appoint two individuals to serve as board members, appointed for two year terms beginning January 1st in odd-numbered years. Beginning in 1991, a surviving spouse will be elected to the board by the surviving spouse members of the relief association. (MN Laws 1991, Chapter 90, Section 2.)
- c. Minneapolis Police Relief Association, board phase-out. The board will govern the relief association until there are less than 100 members, at which time the pension fund will revert to a trust fund. (MN Laws 1991, Chapter 90, Section 2.)
- d. Minneapolis Police Relief Association, time on disability counted toward service for pension purposes. The by-laws may provide that periods of disability up to one year may be included in computing total years for pension purposes. (MN Laws 1991, Chapter 90, Section 3.)
- e. Minneapolis Police Relief Association, board member compensation. Minneapolis Police Relief Association special laws are amended to permit pay of up to three units for elected board members (excluding the secretary and the president of the association, who receive compensation under existing law). (MN Laws 1991, Chapter 90, Section 4.)

The following is a Virginia Firefighters Relief Association administrative provision:

- a. Virginia Firefighters Relief Association, final disposition of assets. Upon the death of the last benefit recipient the assets of the relief association or trust fund revert to the city to be used for firefighting purposes. (MN Laws 1991, Chapter 62, Section 2.)

The following impacts police and fire tax aids:

- a. Revision of police and fire aid provisions. Rather than the current requirement of total forfeiture of aid for non-compliance with reporting requirements, the commission must notify the municipality or nonprofit firefighting corporation if the proper certifications are not timely filed. The municipality or nonprofit firefighting corporation is given 10 days from the postmark of the notification to submit proper certification, or it forfeits 5 percent of its aid for each week following notification that the certification is late. Forfeited amounts revert to the general fund. State fire aid will be distributed one-half in proportion to population and one-half in proportion to market value (rather than basing half the distribution on net-tax capacity) including tax exempt property, but excluding the market value of minerals. (MN Laws 1991, Chapter 291, Article 13, Sections 1 through 9.)
- b. Police and fire amortization aid. \$1,520,000 is eliminated from amortization aid distribution requirements for the Minneapolis relief associations. \$5,055,000 is appropriated for the

allocation. If this is insufficient, the amortization state aid must be reduced pro rata. The supplemental amortization aid provision is codified. (MN Laws 1991, Chapter 345, Article 1, Sections 33 and 92.)

#### H. Volunteer Fire Relief Associations

The following is a benefit-related provision for the Edina Volunteer Firefighters Relief Association:

- a. Edina Volunteer Firefighters Relief Association, eliminating surviving spouse remarriage penalty, and modifying limitations on surviving child benefits. The surviving spouse benefit does not terminate upon remarriage. This change is not retroactive. The maximum benefit eligibility age for dependent children and the dependent child benefit amount will be specified in by-laws rather than in special law. (MN Laws 1991, Chapter 125.)

The following provision impacts aids received by volunteer fire relief associations:

- a. Revision of police and fire aid provisions. Rather than the current requirement of total forfeiture of aid for non-compliance with reporting requirements, the commission must notify the municipality or nonprofit firefighting corporation if the proper certifications are not timely filed. The municipality or nonprofit firefighting corporation is given 10 days from the postmark of the notification to submit proper certification, or it forfeits 5 percent of its aid for each week following notification that the certification is late. Forfeited amounts revert to the general fund. State fire aid will be distributed one-half in proportion to population and one-half in proportion to market value (rather than basing half the distribution on net-tax capacity) including tax exempt property, but excluding the market value of minerals. (MN Laws 1991, Chapter 291, Article 13, Sections 1 through 9.)

## II. General Provisions

- a. SBI investment authorization changes. The SBI guidelines, which by reference also apply to MERF, local police and paid fire relief associations, and some volunteer fire relief associations, are amended to permit owning authorized securities as units in commingled trusts. Also, authorization for certificates of deposit and savings accounts is broadened from those insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation to those insured by any federal agency. (MN Laws 1991, Chapter 47 and Chapter 206, Sections 1, 2, and 4).
- b. Public Pension Plan Actuarial Reporting Revisions. The actuary retained by the LCPR continues to function as the primary provider of actuarial valuations, experience studies, benefit proposal cost estimates, and technical advice on optional annuities, early reduction factors, and mortality assumptions, but the scope of services is reduced. The changes are:
  1. a full commentary for each plan to accompany the actuarial valuation calculations for the plan may be eliminated in favor of a combined narrative summary document;
  2. an actuarial valuation requirement for the PERA Local Government Correctional Employees Retirement Plan is void until a county implements the plan;
  3. the cash flow projection requirement may be eliminated;

4. the separate basic and coordinated program actuarial valuation and membership demographic summary items may be eliminated if the program is sufficiently small;
5. the PERA P&F Local Consolidation Account separate membership demographic summary items may be eliminated;
6. the actuarial balance sheet exhibit requirement may be replaced by a requirement for accounting information in compliance with general public sector accounting standards;
7. the requirement for experience studies for all but the three largest funds (MSRS, PERA, and TRA) may be eliminated unless actuarial valuation gain and loss analysis indicate the need for a special experience study;
8. the requirement for annual experience studies may be replaced by a requirement for annual experience data collection and calculations, with quadrennial published results;
9. the requirement for separate basic and coordinated program experience results may be eliminated for PERA and TRA; and
10. the cost of any benefit projections relating to the Minnesota postretirement investment fund for SBI will be paid by SBI.

For the actuary retained by the LCPR, the LCPR will pay 28 percent of the cost for experience studies, annual experience study data collection and processing, and actuarial valuations, and the various pension funds will pay 72 percent. The 72 percent is the result of a charge of 1.67 percent per administrative system, a charge of 1.5 percent per pension plan, and various per member charges. For the first 2,000 members a plan would be charged \$2.55 per member, between 2,001 and 10,000 members there would be a \$1.33 charge per member, and over 10,000 members the per member charge would be \$0.11 per member. These rates are for the July 1, 1991 actuarial valuations, and are indexed to the cost-of-living for future years. The term of the contract is two years with an option for two single year extensions. (MN Laws 1991, Chapter 269, Article 3.)

- c. Clarification to avoid double coverage by retirement plans. A person serving in the state unclassified service under an employee interchange program, who retains coverage by the prior retirement plan, is not a member of the Minnesota State Retirement System for this service. (MN Laws 1991, Chapter 269, Article 1, Section 3.)
- d. Allocation of revenue from service credit purchase among plans involved in a combined service annuity. The combined service annuity law is revised to include an appropriate allocation of a full actuarial value purchase of prior service payment among applicable funds when a combined service annuity is involved. This provision applies to all funds included in combined service annuity provisions--MSRS General, MSRS Correctional, MSRS Unclassified, MSRS State Patrol, the Legislators' Plan, Elected Senate Officers, PERA General, PERA P&F, TRA, MERF, first class city teacher funds, and PERA Local Correctional Plan. (MN Laws 1991, Chapter 340, Section 31.)
- e. Reimbursement for health insurance withholding. The Public Employee Insurance Plan (PEIP) must reimburse the pension funds for the administrative expense of withholding PEIP premiums and by holding the pension fund harmless for any liability related to improper withholding. Applies to MSRS General, PERA, TRA, MSRS State Patrol, first class city teacher funds, MERF, University of Minnesota faculty plan, University of Minnesota faculty supplemental plan, Judges plan, local police relief associations, paid and volunteer fire relief associations, PERA P&F, MSRS Correctional, PERA Local Correctional. (MN Laws 1991, Chapter 340, Section 32. Also passed as MN Laws 1991, Chapter 341, Section 47.)
- f. Spousal notification requirements. A spousal signature on the annuity application form is sufficient evidence of spousal notification. If no spousal signature is on the form, the association can follow up by certified mail with registered mail delivery. This provision applies to any Minnesota public pension plan or supplemental plan except volunteer fire plans. (MN Laws 1991, Chapter 341, Section 44.)

- g. Post-retirement adjustment refusal rights, pre-73er automatic adjustment provision. Allows those receiving post retirement adjustments under the pre-73er and similar group automatic adjustment provision (Section 356.86) to waive it annually or return the adjustment to the public pension fund. Applies to PERA, PERA P&F, TRA, MSRS State Patrol, MSRS General, and the first class city teacher plans. (MN Laws 1991, Chapter 341, Section 45.)
- h. Pension levy limit changes. Authority for special levies to pay pension liabilities (Minnesota Statutes 1990, Section 275.50, Subdivision 5) is terminated, but the amount levied under this provision in 1990 is added to the levy limit base. (MN Laws 1991, Chapter 291, Article 4, Sections 2 and 4.)

### **III. Retirement Insurance and Early Retirement Incentives**

The following two issues are of general interest to members.

- a. Public Employees Insurance Plan (PEIP) revisions. A requirement that the individual be at least age 55 is added to the list of eligibility requirements. The commission of employee relations is authorized to establish health insurance premiums for eligible participants, in addition to actual participants, and for group participants. The employer of a participating group is authorized to inform the commission that various current employees intend to enroll in PEIP upon retirement. (MN Laws 1991, Chapter 128, Section 4.)
- b. Paid medical benefits for certain newly retiring public employees. Civil service state employees, employees of the state university or community college systems, and staff employees of MSRS, PERA, and TRA are eligible for state-paid hospital, medical, and dental benefits if the person:
  1. is eligible for state-paid insurance;
  2. has at least 25 years of state civil service employment, or employment on the staff of MSRS, PERA, or TRA or any combination;
  3. is at least of minimum retirement age;
  4. is at least 55 but less than 65 years of age;
  5. retires between July 1, 1991 and before October 1, 1991.

Legislators and legislative and commission staffs are eligible if they meet requirements (1), (3), and (4) above and have 30 or more years of service and retire between January 1, 1991, and before May 20, 1991.

The University of Minnesota or the governing bodies of cities, counties, or other political subdivisions (including school districts) of the state may provide employer-paid hospital, medical, and dental benefits to certain retiring employees. If an employer offers these benefits, it can not exclude any eligible employees. Eligible individuals are employees who:

1. are eligible for employer-paid insurance under collective bargaining agreements or personnel plans;
2. have at least 25 years of service with the employer that will pay the benefits under this provision;
3. is at least the minimum retirement age;
4. is at least 55 but less than age 65;
5. retire on or after July 1, 1991, and before October 1, 1991.

(MN Laws 1991, Chapter 345, Article 1, Section 112.)

#### **IV. Vetoed Legislation**

The following bills were passed by the Legislature but vetoed by the Governor.

The following item was in S.F. 449, which the Governor vetoed:

- a. Duluth and Saint Paul Teachers Retirement Fund Associations, lump sum post-retirement adjustment. The Duluth and Saint Paul teachers retirement fund associations may pay lump sum post-retirement adjustments. Up to one percent of the assets of the fund may be distributed. The portion of assets distributed to each annuitant or survivor is determined by the number of years of service plus the number of years of benefit receipt, relative to the total for all eligible recipients. The benefit may be annuitized. (S.F. 449. This would have been MN Laws 1991, Chapter 222, Sections 1 and 2.)

The following three items were vetoed as part of S.F. 449. However, these provisions became law because identical language was included in other legislation that the Governor signed. (S.F. 1224, which became MN Laws 1991, Chapter 317.)

- a. First class city teacher funds, omitted salary deductions. Omitted salary deductions are the sole responsibility of the employing unit for up to three years following the end of the fiscal year in which the shortage occurred. The employee and employer share along with six percent interest is payable upon notification to the employing unit by the retirement fund association. (S.F. 449. This would have been MN Laws 1991, Chapter 222, Section 3.)
- b. Minneapolis Teachers Retirement Fund Association, basic member medical leave. The MTRFA may amend its by-laws to provide a medical leave for basic members consistent with existing provisions for coordinated members. (Leaves can be for up to one year, member pays the employee and employer contributions plus 8.5 percent interest from the midpoint of the leave to the date of payment.) (S.F. 449. This would have been MN Laws 1991, Chapter 222, Section 4.)
- c. Minneapolis Teachers Retirement Fund Association, basic member retired teacher earnings limitations. The annuity reduction in effect for retired coordinated members of MTRFA who return to teaching in the school district (the annuity is reduced by \$.50 for each dollar of earnings above the social security maximum) is applied to basic members. (S.F. 449. This would have been MN Laws 1991, Chapter 222, Section 5.)