

TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Edward Burek, Deputy Executive Director  
RE: Summary of 1998 Legislative Session Pension Legislation  
DATE: April 22, 1998

The following summarizes 1998 legislative session pension provisions. The first major section covers all pension-related legislation for individual plans and for plans of a certain category, such as the first class city teacher plans, local police and paid fire plans, and volunteer fire plans. The second major section summarizes pension legislation applying to all public plans or to miscellaneous groupings of plans. The third major section covers legislation not directly related to pensions but of interest to retirees and various public employee groups, such as changes in retiree health insurance withholding laws, tax deferred annuity vendor and expense provisions, caps on deferred compensation plan expenses, and laws revising terms of the Legislative Commission on Pensions and Retirement (LCPR) contract with its retained actuary.

## I. FUND SPECIFIC LEGISLATION

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

#### 1. MSRS General

The following item is a purchase of service credit, with payment terms to be computed under the new payment determination procedures passed by the 1998 Legislature and discussed in the General Pension Legislation section. The new procedure is a revision of the full-actuarial value method that the Legislative Commission on Pensions and Retirement (LCPR) has used in recent years, but the general intention is the same: to determine a payment that will equal (or modestly exceed) the additional liability imposed on the plan by the service credit purchase, to ensure the fund is not harmed.

- a. Service credit purchase, Middle Management Association employee. A Middle Management Association employee born on September 13, 1958 and employed by the association since February 13, 1994 may purchase service credit in MSRS General back to the date of hire. The individual must make the full payment on or before July 1, 1999. If payment is made, the individual is an MSRS General member and retains that membership as long as employment with the association continues and proper contributions are made. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 4.)

#### 2. MSRS Legislators Retirement Plan

The following two items apply to the voluntary transfer of certain short-service legislators and constitutional officers into the MSRS Unclassified Plan.

- a. Short service legislator and constitutional officer transfer authorization. Legislators and constitutional officers with less than six years of service who elect to transfer from the Legislators Retirement Plan or the Elective State Officers Retirement Plan, as applicable, are authorized to transfer past member contributions plus 8.5 percent interest, plus an equivalent matching amount to represent past employer contributions, to an account established for the individual in the MSRS Unclassified Plan. (Laws 1998, Chapter 390, Article 6, Section 1.)
- b. Financing the transfers from the Legislators Plan, Elected State Officers Plan. To finance the transfers of past contributions in item (b) above by short service legislators and constitutional officers into the MSRS Unclassified Plan, \$700,000 is appropriated, plus any amounts that have been appropriated for Post Retirement Fund transfers on behalf of retired legislators but which are in excess of amounts needed for that purpose. (Laws 1998, Chapter 390, Article 6, Section 2, and Laws 1998, Chapter 366, Section 12.)

#### 3. MSRS Elected State Officers Plan

Two items may impact short service constitutional officers. Those items are discussed above in the MSRS Legislators Retirement Plan section.

4. MSRS Judges Plan

- a. Salary increase coupled with increased coordinated member contribution rates. The salary of all judges who are members of the MSRS Judges Plan is increased by 1.5 percent, but the coordinated member contribution rate is increased by 1.73 percentage points of salary (from 6.27 percent to 8.0 percent of pay). The increase in judicial salaries for coordinated members is conditional upon the member accepting the increase in the contribution rate. Effective July 1, 1998. (Laws 1998, Chapter 390, Article 5, Sections 1, 2, 3, 4, 6, and 7).
- b. MSRS Judges Plan employer contribution rate decrease. The employer contribution rate for coordinated and basic plan members to the MSRS Judges Plan is decreased from 22.0 percent of payroll to 20.5 percent, effective July 1, 1998. (Laws 1998, Chapter 390, Article 5, Section 5.)

5. MSRS Unclassified Plan

- a. MSRS Unclassified Plan administrative expense cap. In anticipation of a future fee reduction, the MSRS Unclassified Plan is revised to provide flexibility in amounts charged for investment administrative fees and by specifying that future fees can not exceed those currently charged. The plan's existing administrative expense provision is repealed. The changes are effective on July 1, 1999. (Laws 1998, Chapter 390, Article 2, Sections 7 and 21.)

The Legislature also passed two items applying to the voluntary transfer of certain short-service legislators and constitutional officers into the MSRS Unclassified Plan, with an accompanying transfer of assets. These provisions are described above in the MSRS Legislators Retirement Plan section.

B. Public Employees Retirement Association (PERA)

1. PERA General

The following three items create an enhanced duty disability benefit for certain PERA General members working in county or regional correctional facilities. The first item describes the enhanced benefit, while the second and third item note the increases in covered employee and employer contribution requirements relating to eligible employees.

- a. Correctional employee duty-disability benefit. For purposes of eligibility for this benefit, a "local government correctional service employee" is a PERA General member who is an essential employee working at a county or regional jail or correctional facility and who has at least 75 percent direct inmate contact as certified by the employer. A local government correctional service employee who, due to duty-related injury or illness, becomes disabled and physically or mentally unfit to perform the duties of the position is eligible for enhanced duty-disability benefits. The enhanced benefit is 45 percent of the high-five average salary plus an additional 1.8 percent for each year of service as a correctional service employee after July 1, 1998, in excess of 25 years. If the individual also has some covered service that does not qualify for the enhanced disability benefit treatment, the employee is entitled to a disability benefit or deferred retirement annuity based on that other covered service only for that service which, when added to the eligible correctional service, exceeds the number of years upon which the enhanced benefit is based. This section applies to disabilities occurring after June 30, 1998. (Laws 1998, Chapter 390, Article 9, Section 3.)
- b. Local government correctional service employee revised employee contribution rate. For local government correctional service employees, as defined in item (a) above, the employee contribution rate is increased from 4.75 percent to 4.96 percent of salary. (Laws 1998, Chapter 390, Article 9, Section 1.)
- c. Local government correctional service employee revised employer contribution rate. On behalf of local government correctional service employees, as defined in item (a) above,

the employer contribution rate is increased from 4.75 percent to 5.06 percent of salary. (Laws 1998, Chapter 390, Article 9, Section 2.)

The following item summarizes special laws covering the treatment of PERA-covered employees if the Luverne Community Hospital or Arnold Memorial Hospital becomes privatized.

- d. Luverne Community Hospital, Arnold Memorial Hospital privatizations, treatment of continuing employees; treatment of terminated, non-vested employees. If the applicable hospital is privatized, continued PERA coverage terminates for the transferred employees, but the applicable city is authorized to make payments to a qualified pension plan established by the new employer for the transferred employees which provides benefits similar to PERA General. For any PERA covered employee who is not vested and who is terminated from employment upon the sale, lease, or transfer, the city may pay an additional amount matching the PERA refund if the individual applies for a PERA refund within one year of termination. City refund-matching payments in excess of \$200 must be transferred to an Individual Retirement Account (IRA) or to another qualified pension plan. Local approval required. (Laws 1998, Chapter 390, Article 1.)

The following is a special law provision for the surviving spouse of a Saint Paul building inspector killed while performing his duties.

- e. Rule of 90 survivor benefit, Saint Paul building inspector killed while on duty. The surviving spouse of a murdered Saint Paul building inspector, who was a PERA General Basic member and who died shortly before qualifying for early normal retirement, may receive a survivor benefit computed under the Rule of 90. To cover the added liability to PERA, \$73,395, the state will contribute \$10,000 and the City of Saint Paul will cover the remainder. Requires local approval. (Laws 1998, Chapter 390, Sections 17 and 18, and Laws 1998, Chapter 366, Section 11.)

The following is a special law provision.

- f. Minneapolis Park Board member, retirement annuity based on Regional Park District service prior to becoming an appointed/elected official. A Minneapolis Park Board member, who is also a Hennepin County Regional Park District employee, is authorized to begin drawing an annuity from PERA General following termination of the Hennepin County Regional Park District service, based on that non-elected, non-appointed service and salary. The individual may elect PERA Defined Contribution Plan coverage rather than PERA Coordinated Program coverage for the continuing elected service. Past contributions due to the Minneapolis Park Board service plus six percent interest may be transferred to the PERA Defined Contribution Plan. (Laws 1998, Chapter 390, Article 2, Section 19.)

## 2. PERA Defined Contribution Plan

- a. PERA Board advice on procedures to cover PERA Defined Contribution Plan administrative expenses. The PERA Defined Contribution Plan administrative expense provision is revised to require advice and consent of the PERA Board on provisions to cover plan administrative expenses. (Laws 1998, Chapter 390, Article 2, Section 8.)

Also see PERA General, item (f), for a special law dealing with a Minneapolis Park Board member who is authorized to transfer coverage to the PERA Defined Contribution Plan.

## C. Teachers Retirement Association (TRA)

The following revises a TRA law applicable to MNSCU employees participating in the MNSCU phased retirement program. A similar provision relating to the employer-paid healthcare component of this program is covered in the third major section of this summary, Miscellaneous Provisions.

- a. Clarification of rights under MNSCU higher education phased retirement program no annuity reduction provision. TRA's provision, which excludes participants in the MNSCU phased retirement program from reemployed annuitant annuity reductions, is clarified by indicating that the institution president (rather than the employer) must agree to participant's initial participation in the program, the time to be worked, and the duration in

the program. Program participants are members of the applicable collective bargaining unit and rights under the collective bargaining agreement may not be waived as a requirement of program participation. (Laws 1998, Chapter 390, Article 2, Section 9 and 22.)

The following two items revise TRA's part-time teacher program. Identical changes were made in the first class city teacher plan programs.

- b. TRA part-time teacher filing deadline revisions. The October 1 filing deadline for program participation in the TRA part-time teaching program is revised. Filings after October 1 will be permitted, but the employer must pay a \$5 per day fine from October 1 until the date TRA receives the agreement forms. TRA is not authorized to waive fines, and TRA must not accept forms received more than 15 months late. (Laws 1998, Chapter 390, Article 3, Section 1.)
- c. Increase in upper compensation limit for part-time teachers. The upper limit for teacher compensation in the part-time teaching program is increased from 67 percent to 80 percent of full-time equivalent salary. (Laws 1998, Chapter 390, Article 3, Section 2.)

The following items are purchases of service credit, with payment terms to be computed under the new payment determination procedures passed by the 1998 Legislature and discussed in the General Pension Legislation section. The new procedure revises the full-actuarial value method that the LCPR has used in recent years, but the general intention is the same: to determine a total payment to the applicable pension fund that will equal (or modestly exceed) the additional liability imposed on the fund, to ensure the fund is not harmed.

- d. Service credit purchase, Mankato teacher, for a misclassified leave. A teacher in school district No. 77, Mankato, who was granted an extended leave of absence for the period July 1, 1986 to June 30, 1989, and whose leave was erroneously characterized in the miscellaneous "other" category on the leave of absence report submitted by the district to TRA, may purchase service credit for the leave period. To receive service credit, the individual must pay an employee contribution equivalent payment (employee contributions plus 8.5 percent interest) by September 1, 1998. The employing school district must pay the remainder of the full liability amount within 30 days following payment to TRA by the eligible individual. If the school district fails to make the payment, the necessary amount will be deducted from the district's state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 1.)
- e. Service credit purchase, Inver Grove Heights teacher, medical leave for multiple sclerosis. A teacher in Inver Grove Heights (school district No. 199) who was on a medical leave for multiple sclerosis during the fall of 1990 and who was not properly notified of the payment deadlines for service credit under the leave of absence provision, may purchase 18 days of service credit. The member must pay an employee equivalent contribution by September 1, 1998, and the school district must pay the remainder within 30 days. If the school district fails to make the payment, the necessary amount will be deducted from the district's state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 2.)
- f. Service credit purchases, part-time teacher program, late reporting. TRA-covered teachers who rendered part-time teaching service after the end of the 1993-1994 school year and before the beginning of the 1998-1999 school year under part-time teacher program agreements with the applicable school district, but for which the school district failed to file the form with TRA by October 1, may purchase any foregone service credit. The teacher must make an employee equivalent contribution by November 30, 1998, and the applicable school district must pay the remainder within 30 days. If the applicable school district fails to make the payment, the necessary amount will be deducted from that district's state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 3.)
- g. Columbia Heights teacher, service credit purchase for extended leave. A teacher in school district No. 13 (Columbia Heights), who was granted a five year extended leave for the July 1, 1994 through June 30, 1999 period, may purchase service credit for the 1996-97 period that was lost due to the district's failure to timely forward the teacher's leave payment to TRA. The teacher must pay the employee, employer, and employer additional payment applicable to the 1996-97 period, plus 8.5 percent interest, by September 1, 1998.

The employer must cover, within 30 days, the remainder of the liability. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 5.)

- h. Winona State University faculty member, service credit purchase for extended leave. A Winona State University teacher, granted an extended leave and who was unable to make contributions to TRA due to a failure by the university to timely submit the leave of absence report to TRA, may purchase service credit for the first year of a three year leave of absence that began in the 1996-97 school year. The employee must pay the employee, employer, and employer additional payment applicable to the 1996-97 period, plus 8.5 percent interest, by September 1, 1998. The employer must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the university, the necessary amount will be deducted from applicable state aids or appropriations. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 6.)
- i. Mounds View teacher, service credit purchase for portion of sabbatical leave. A Mounds View teacher (school district No. 621), born on December 19, 1940, may purchase service credit for an uncredited portion of a sabbatical leave during the 1984-85 school year. The teacher must pay an employee equivalent payment by September 1, 1998. The school district must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 7.)
- j. Hastings teacher, service credit purchase. A Hastings teacher (school district No. 200), born on December 17, 1941, may purchase service credit for the 1996-97 school year relating to an extended leave of absence. The teacher must pay an employee equivalent payment by September 1, 1998. The school district must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 9.)

D. Individual Retirement Account Plan (IRAP) and Supplemental Plan

- a. IRAP treatment of excess contributions. If contributions in excess of federal law or regulation are made, the excess is to be returned to the employee and employer in proportion to the contribution rates. If, in any given year, the employer contribution would exceed permitted limits due to payments for sabbatical leaves or prior omitted contributions the amount in excess is to be contributed by the employer during the next calendar year. (Laws 1998, Chapter 390, Article 2, Section 10.)
- b. Supplemental Plan treatment of excess contributions. If contributions in excess of federal law or regulation are made, the excess is to be returned to the employee and employer in equal shares. If, due to prior omitted contributions, total employer contributions would exceed permitted limits, the amount in excess is to be contributed by the employer during the next calendar year. (Laws 1998, Chapter 390, Article 2, Section 13.)
- c. IRAP and Supplemental Plan Advisory Committee voting procedures. The IRAP and Supplemental Plan Advisory Committee, established last year to advise SBI and the Minnesota State Colleges and Universities (MNSCU) on administration of IRAP and the Supplemental Plan, is authorized to adopt recommendations by a majority vote. (Laws 1998, Chapter 390, Article 2, Section 11.)
- d. IRAP and Supplemental Plan administrative expense cap on investments in the SBI Supplemental Fund. In anticipation of a future fee reduction, the IRAP and Supplemental Plan administrative fees provisions on SBI Supplemental Fund investments are revised to provide flexibility in amounts charged and by specifying that future fees can not exceed those currently charged. Effective on July 1, 1999. (Laws 1998, Chapter 390, Article 2, Sections 12 and 14.)

E. First Class City Teacher Plans

The following two items revise the first class city teacher plan part-time teacher programs. Identical changes were made in TRA's corresponding program.

- a. Part-time teacher filing deadline revisions. The October 1 filing deadline for program participation in the part-time teaching program is revised. Filings after October 1 will be permitted, but the employer must pay a \$5 per day fine from October 1 until the date the applicable association receives the agreement forms. The associations are not authorized to waive fines and they must not accept forms received more than 15 months late. (Laws 1998, Chapter 390, Article 3, Section 4.)
- b. Increase in upper compensation limit for part-time teachers. The upper limit for teacher compensation in the part-time teaching program is increased from 67 percent to 80 percent of full-time equivalent salary. (Laws 1998, Chapter 390, Article 3, Section 3.)

The following item is a purchase of service credit, with payment terms to be computed under the new payment determination procedures passed by the 1998 Legislature and discussed in the General Pension Legislation section.

- c. Duluth teacher, service credit purchase. A Duluth teacher (District No. 709) who was granted a maternity leave beginning on February 26, 1968, and who was employed by the district on a less-than-full-time basis during the 1970-71 and 1971-72 school years, may purchase service credit in the DTRFA for any portion of the February 26, 1968 to September 4, 1972 period not previously credited by the association. To receive service credit, the individual must make payment to cover the full liability imposed upon DTRFA by the purchase. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 8.)

F. Minneapolis Employees Retirement Fund (MERF)

- a. Increase in MERF short-service death-while-active survivor benefits. The short service (at least 18 months of service but less than 20 years of service) deceased active member survivor benefit, if the benefit commenced before July 1, 1983, is increased from \$500 to \$750 per month. The financial impact of this increase for the pre-July 1, 1983 group is to be allocated among MERF employing units. For the post June 30, 1983 short-service survivors, the benefit currently received is to be increased by 15 percent. Local approval required. (Laws 1998, Chapter 390, Article 2, Section 16.)

G. Local Police and Paid Fire Relief Associations

- a. Minneapolis Fire Relief Association, right to elect optional annuity surviving spouse benefit; retroactive accrual. If the Minneapolis Fire Relief Association service pensioner or disabilitant died between July 1, 1997 and October 1, 1997, the surviving spouse is entitled to a 100 percent joint-and-survivor benefit in lieu of any other plan benefit. The first check under the joint-and-survivor annuity must include any increased amounts back to October 1, 1997. Local approval required. (Laws 1998, Chapter 390, Article 7, Section 2.)

The following provision applies to the Eveleth trust fund, which provides benefits to a small group of Eveleth police and fire retirees and survivors.

- b. Eveleth Trust Fund; change in funding requirements. The funding requirements for the Eveleth trust fund are changed from actuarial funding to pay-as-you-go financing. If Eveleth fails to levy for a sufficient amount, given fund assets and investment return, to cover benefits for the next year, the recent post-retirement increases (authorized by 1995 and 1997 special laws) must not be paid. (Laws 1998, Chapter 390, Article 7, Section 4.)

H. Volunteer Fire Relief Associations

- a. Columbia Heights Volunteer Fire Relief Association. The Columbia Heights Relief Association, Volunteer Division is to reincorporate as the Columbia Heights Volunteer Fire Department Relief Association; the board must restructure to conform with volunteer fire general law (currently the city council acts as the relief association board), and the association must convert from a defined benefit plan to a defined contribution plan. (Laws 1998, Chapter 390, Article 7, Section 1.)

I. Hennepin County Supplemental Plan

- a. Hennepin County Supplemental Plan administrative expense cap. In anticipation of a future fee reduction, the Hennepin County Supplemental Plan administrative fee provision is revised to provide flexibility in amounts charged and by specifying that future fees can not exceed those currently charged. Effective on July 1, 1999. (Laws 1998, Chapter 390, Article 2, Section 15.)

## II. GENERAL PENSION PROVISIONS

This section summarizes provisions applying to all pension plans or miscellaneous groupings of plans. The first two items result from an LCPR interim review of methods for estimating the liability imposed upon pension plans by purchases of prior service credit. Item (a) below is a revised method for estimating the full actuarial value. The new method will be coded in statute and will be further reviewed to determine if the results are satisfactory. The new method sunsets on July 1, 2001, unless the automatic repealer included in the provision is removed by a future Legislature. If the section is allowed to sunset, the full-actuarial value methodology that was used in calendar 1997 and earlier will apply to post-July 1, 2001 purchases of service credit.

- a. Revised prior service credit purchase payment procedure. A revised prior service credit purchase payment procedure was enacted, intended to equal or exceed the increase in the plan's actuarial accrued liability due to the purchase of service credit. Under the revised procedure, the payment required to purchase service credit is whichever of the following is larger:
  - (1) An amount equal to the sum of employee, employer, and employer additional contributions for the length of service being purchased, based on current salary and current contribution rates for the applicable plan, or
  - (2) The difference between the present value of the annuity with the purchase and the present value of the annuity without the purchase assuming the individual works until becoming eligible for an unreduced annuity, with an additional correction for the expected decrease in the length of time that the plan will receive employee and employer contributions from pay if the purchase occurs.

The plan administrators will compute the purchase amounts using this process, after review and approval by the LCPR-retained actuary. The public pension plan may charge a processing fee for computing the purchase amounts for service credit purchase requests. The full service purchase amount is the responsibility of the employee unless the general or special law authorizing the purchase specifies different treatment. However, the employer may, at its option, pay the portion of the full purchase payment amount that exceeds the employee contribution equivalent payment (employee contributions plus 8.5 percent interest). This revised methodology is repealed on July 1, 2001, and any purchase payment under the procedure must be received by the fund by October 1, 2001.

To facilitate LCPR review of the new method, as part of the regular annual information reported to the LCPR actuary, the administrators for each pension plan that had a purchase of prior service credit during the year will report the following information for each purchase: the employer, the employee and that purchaser's age, the period purchased, the service credit before and after the purchase, the purchase payment (including any amount that may have been paid by the employer), and the amount of the additional benefit received due to the purchase. The actuary will use the information to provide an exhibit in the actuarial report showing the total payment received for each purchase and the increased public pension plan actuarial accrued liability resulting from the purchase. (Laws 1998, Chapter 390, Article 4, Section 1.)

- b. Pre-1998 full actuarial value method to apply to post July 1, 2001 service credit purchases. If the procedure in (a) above is permitted to sunset, the full actuarial value method used by the Legislature during 1997 and earlier will again be used to compute service credit purchase amounts after July 1, 2001. (Laws 1998, Chapter 390, Article 4, Section 2.)

The revised purchase payment process in item (a) above, in some cases with a mandatory payment by the employer, was applied by the 1998 Legislature to several service credit purchase requests as indicated by items (c) through (k) below. If there was clear evidence of employer error which harmed the employee,

these special laws require mandatory employer payments of the excess requirement above the employee equivalent payment. The authorized purchase of service cases indicated below also appear in the applicable plan-specific sections in the first part of this memo.

- c. Service credit purchase, Mankato teacher, for a misclassified leave. A teacher in school district No. 77, Mankato, who was granted an extended leave of absence for the period July 1, 1986 to June 30, 1989, and whose leave was erroneously characterized in the miscellaneous “other” category on the leave of absence report submitted by the district to TRA, may purchase service credit for the leave period. To receive service credit, the individual must pay an employee contribution equivalent payment (employee contributions plus 8.5 percent interest) by September 1, 1998. The employing school district must pay the remainder of the amount required under the revised purchase payment amount procedure required in item (a) above, within 30 days following payment to TRA by the eligible individual. If the school district fails to make the payment, the necessary amount will be deducted from the district’s state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 1.)
- d. Service credit purchase, Inver Grove Heights teacher, medical leave for multiple sclerosis. A teacher in Inver Grove Heights (school district No. 199) who was on a medical leave for multiple sclerosis during the fall of 1990 and who was not properly notified of the payment deadlines for service credit under the leave of absence provision, may purchase 18 days of service credit. The member must pay an employee equivalent contribution by September 1, 1998, and the school district must pay the remainder within 30 days. If the school district fails to make the payment, the necessary amount will be deducted from the district’s state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 2.)
- e. Service credit purchases, part-time teacher program, late reporting. TRA-covered teachers who rendered part-time teaching service after the end of the 1993-1994 school year and before the beginning of the 1998-1999 school year under part-time teacher program agreements with the applicable school district, but for which the school district failed to file the form with TRA by October 1, may purchase any lost service credit. The teacher must make an employee equivalent contribution by November 30, 1998, and the applicable school district must pay the remainder within 30 days. If the applicable school district fails to make the payment, the necessary amount will be deducted from that district’s state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 3.)
- f. Service credit purchase, Middle Management Association employee. A Middle Management Association employee born on September 13, 1958 and employed by the association since February 13, 1994 may purchase service credit in MSRS General back to the date of hire. The individual must make the full payment on or before July 1, 1999. If payment is made, the individual is an MSRS General member and retains that membership as long as employment with the association continues and proper contributions are made. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 4.)
- g. Columbia Heights teacher, service credit purchase for extended leave. A teacher in school district No. 13 (Columbia Heights), who was granted a five year extended leave for the July 1, 1994 through June 30, 1999 period, may purchase service credit for the 1996-97 period that was lost due to the district’s failure to timely forward the teacher’s leave payment to TRA. The teacher must pay the employee, employer, and employer additional payment applicable to the 1996-97 period, plus 8.5 percent interest, by September 1, 1998. The employer must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 5.)
- h. Winona State University faculty member, service credit purchase for extended leave. A Winona State University teacher, granted an extended leave and who was unable to make contributions to TRA due to a failure by the university to timely submit the leave of absence report to TRA, may purchase service credit for the first year of a three year leave of absence that began in the 1996-97 school year. The employee must pay the employee, employer, and employer additional payment applicable to the 1996-97 period, plus 8.5 percent interest, by September 1, 1998. The employer must cover, within 30 days, the remainder of the liability imposed. If payment is not made by the university, the necessary



amount will be deducted from applicable state aids or appropriations. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 6.)

- i. Mounds View teacher, service credit purchase for portion of sabbatical leave. A Mounds View teacher (school district No. 621) born on December 19, 1940, may purchase service credit for an uncredited portion of a sabbatical leave during the 1984-85 school year. The teacher must pay an employee equivalent payment by September 1, 1998. The school district must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 7.)
- j. Duluth teacher, service credit purchase. A Duluth teacher (district No. 709) who was granted a maternity leave beginning on February 26, 1968, and who was employed by the district on a less-than-full-time basis during the 1970-71 and 1971-72 school years, may purchase service credit in the DTRFA for any portion of the February 26, 1968 to September 4, 1972 period not previously credited by the association. To receive service credit, the individual must pay the full liability amount imposed on DTRFA. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 8.)
- k. Hastings teacher, service credit purchase. A Hastings teacher (District No. 200), born on December 17, 1941, may purchase service credit for the 1996-97 school year relating to an extended leave of absence. The teacher must pay an employee equivalent payment by September 1, 1998. The school district must cover, within 30 days, the remainder of the liability imposed on TRA. If payment is not made by the school district, the necessary amount will be deducted from applicable state aids. (Laws 1998, Chapter 390, Article 4, Section 3, Subdivision 9.)

### III. MISCELLANEOUS PROVISIONS

This section covers various miscellaneous legislation not directly related to pensions, but of interest to various retiree and public employee groups.

The first two provisions below change the length of the LCPR's contract with the actuary and revise quadrennial projection valuation requirements.

- a. Length of LCPR actuarial contract. The actuarial services contract will be for four years, rather than two years with up to two one-year extensions. (Laws 1998, Chapter 390, Article 8, Section 1.)
- b. Reduction in mandatory quadrennial projection valuations. Rather than requiring projection actuarial valuations for the three major plans (MSRS General, PERA, and TRA), a projection actuarial valuation will be required for at least one major plan. (Laws 1998, Chapter 390, Article 8, Section 2.)

The provision below authorizes MSRS to withhold and directly transfer health insurance premiums from the annuities of retired legislators.

- c. Health insurance premium deductions, retired legislators. MSRS must, at the request of a retired legislator who is enrolled in a health insurance plan covering state employees, deduct the premium from the annuity check and transfer the premium to the insurance carrier. Effective July 1, 1999. (Laws 1998, Chapter 390, Article 2, Sections 1 and 22.)

The following three items apply to MNSCU's operation of the federal Section 403(b) tax sheltered annuity program on behalf of MNSCU's employees.

- d. SBI's Supplemental Investment Fund may serve as a federal Section 403(b) investment vehicle for MNSCU employees. In addition to other authorized federal Section 403(b) investments and providers, MNSCU may authorize its eligible employees to use the SBI Supplemental Fund investments as investment options. (Laws 1998, Chapter 390, Article 2, Sections 2 and 3.)
- e. MNSCU active solicitation of no-load and low cost federal Section 403(b) investment providers. Beginning July 1, 2000, MNSCU must try to include in its program low

expense and no-load federal Section 403(b) providers. There should be at least five additional insurance annuity providers and one to three new mutual fund providers, available by direct access. (Laws 1998, Chapter 390, Article 2, Section 3.)

- f. MNSCU fee sharing and other expense recapture arrangements. MNSCU is authorized to create fee sharing arrangements with federal Section 403(b) providers to cover MNSCU's necessary and reasonable federal Section 403(b) program expenses. If fee sharing arrangements can not be negotiated with new low cost or no-load providers, MNSCU is authorized to charge employee participants a fee not to exceed \$20 per year or one percent of contributions, whichever is greater. The existing law provision which authorized MNSCU to charge annuity service providers for MNSCU's necessary and reasonable expenses for administering this program, not to exceed \$100,000 in total, is repealed. (Laws 1998, Chapter 390, Article 2, Sections 3, 4, and 21.)

The following is a special law requiring MNSCU to examine implications of expanding its federal Section 403(b) program to permit use of any authorized federal Section 403(b) vendor.

- g. MNSCU study of removing vendor restrictions on tax sheltered annuity program. MNSCU, in consultation with respective collective bargaining units, must consider removing all restrictions on the number of eligible vendors for the MNSCU tax sheltered annuity program, to permit employees to have maximum flexibility over their personal retirement savings decisions. The study must be submitted to the LCPR Chair, the Chair of the House Governmental Operations Committee, and the Chair of the Senate Governmental Operations and Veterans Committee by February 1, 1999. (Laws 1998, Chapter 390, Article 2, Section 20.)

The following provision clarifies certain rights under the MNSCU phased retirement program.

- h. Clarification of rights under MNSCU employer-paid health insurance component of higher education phased retirement program. Clarifies that the institution president (rather than the employer) must agree to participant's initial participation in the phased retirement program, time to be worked, and duration of participation authority. Specifies that the program participants are members of the applicable collective bargaining unit and that, under any new agreements entered into following the effective date, rights under the collective bargaining agreement may not be waived as a requirement of program participation. (Laws 1998, Chapter 390, Article 2, Sections 5 and 22.)

The following provision changes procedures for assessing fees in the MSRS Deferred Compensation program (a federal Section 457 plan).

- i. MSRS Deferred Compensation Plan administrative expense cap. In anticipation of a future fee reduction, the MSRS Deferred Compensation Plan administrative fee provision is revised to provide flexibility in amounts charged and by specifying that future fees charged for plan administration for the Minnesota Supplemental Fund investments can not exceed those currently charged. The Existing Supplemental Fund administrative expense provision is repealed. (Laws 1998, Chapter 390, Article 2, Sections 6 and 21.)

The following is a paid healthcare provision for certain members of the MSRS State Patrol Plan.

- j. Paid healthcare, certain retiring and retired MSRS State Patrol Plan members. Any employee of the Bureau of Criminal Apprehension in the Department of Public Safety who (1) is a member of the MSRS State Patrol Plan, and (2) retires during the pay period in which the individual turns age 55 or in the pay period in which the employee's anniversary date occurs following the 55th birthday, is entitled to a continuation of the employer contribution toward health and dental coverage until the individual reaches age 65. The payment will include dependent coverage if the individual had that coverage immediately before retirement. Bureau of Criminal Apprehension employees who are State Patrol Plan members and who retire before age 55 are entitled to partial employer payments for healthcare.

This healthcare provision also applies to individuals age 55 or over who have already retired and to certain employees age 55 or older who have not yet retired, providing the

individual is a Bureau of Criminal Apprehension employee (or was before retiring), covered by the State Patrol Plan, and retires between June 30, 1997 and July 1, 1998.

The employer-paid healthcare offered under this law is no longer effective for new retirees if a collective bargaining agreement for law enforcement employees is implemented which does not contain a benefit similar to that described in this law.

The provision is effective the day following final enactment. (Laws 1998, Chapter 351, Section 3.)