

TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Edward Burek, Deputy Executive Director
RE: Summary of 1999 Legislative Session Pension Legislation
DATE: June 3, 1999

The following summarizes 1999 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 which may not be directly related to pension plan law, such as state appropriations to various pension systems, legislation regarding tax-sheltered or tax-deferred plans, legislation revising Legislative Commission on Pensions and Retirement (LCPR) membership, and language authorizing construction of a building to house the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA).

I. FUND SPECIFIC LEGISLATION

A. Minnesota State Retirement System (MSRS)

1. MSRS General

Provisions were added to the MSRS General Plan which provide special benefits, somewhat comparable to that provided in correctional employee or public safety plans, for fire/arson investigators in the Department of Public Safety, State Fire Marshal Division.

- a. Special retirement and disability benefit provisions, deputy state fire marshals-fire/arson investigators. Deputy state fire marshals-fire/arson investigators who elect this new coverage have an age 55 normal retirement age (no reductions apply to retirements at age 55 or later), with a 2.0 percent per year benefit accrual rate. A disability benefit is computed like a retirement annuity, waiving any minimum age requirement, and based on a minimum of 20 years service if the disability is duty-related, or 15 years of service if non-duty related. The employee contribution rate is the MSRS General Plan employee contribution rate plus an additional 2.78 percent of pay. The employer contribution is the MSRS General employer contribution rate plus an additional 4.20 percent of pay. Coverage is prospective only. (Laws 1999, Chapter 222, Article 15.)

The following provision applies to MNSCU faculty members who have MSRS General coverage and who retire under an agreement with MNSCU to return to work on a part-time basis. The provision is substantively identical to that currently found in TRA law for MNSCU reemployed annuitants.

- b. Partial waiver of reemployed annuitant offsets--certain MNSCU faculty with MSRS General coverage. MSRS General law is revised by adding special reemployed annuitant expanded earnings limits for MNSCU retirees with MSRS-General coverage, comparable to that in current TRA law. To be eligible, the individual must be a MSRS General-covered employee who retires from MNSCU as a faculty member or unclassified administrator, be employed full-time immediately preceding retirement, begin drawing an annuity, and return to work with MNSCU working one-third to two-thirds time under an agreement with MNSCU. Annuity reductions are waived on reemployment earnings up to \$35,000. (Laws 1999, Chapter 222, Article 19, Section 3.)

2. MSRS Legislators Retirement Plan

- a. Early retirement permitted with full actuarial reduction. The MSRS Board may establish an earlier retirement age for the Legislators Plan, less than the current early retirement age in the plan, age 60, but not less than age 55. A retiring legislator must pay any amount necessary to remove any subsidy that might otherwise occur. MSRS must report to the LCPR on utilization before September 1, 2000. (Laws 1999, Chapter 222, Article 9, Section 1.)

There is also a revision in Teacher Retirement Association (TRA) law relevant for legislators covered by either the Legislators Plan or MSRS Unclassified Plan, and who are also teachers who might use the TRA part-time teacher program. That provision is summarized in the TRA section of this memo.

3. MSRS Unclassified Plan

There is a revision in Teacher Retirement Association (TRA) law relevant for legislators covered by either the Legislators Plan or MSRS Unclassified Plan, and who are also teachers who might use the TRA part-time teacher program. That provision is summarized in the TRA section of this memo.

4. MSRS Correctional Plan

- a. Plan membership expansion to include certain Minnesota Extended Treatment Options (METO) Program employees. Nine METO employment positions at the Cambridge Regional Treatment Center may be included for coverage by the MSRS Correctional Plan. To be eligible for that inclusion, the Commissioner of Human Services must certify to the MSRS Executive Director that the employee has 75 percent inmate contact. The positions are: behavior analyst I, human services support specialist, mental retardation residential program lead, psychologist 2, recreation program assistant, recreation therapist senior, registered nurse senior, skills development specialist, and social worker senior. Employees in these positions, if certified for inclusion in the Correctional Plan, may elect to remain in MSRS General or transfer future coverage to the Correctional Plan. (Laws 1999, Chapter 222, Article 13, Sections 1, 2, and 6.)
- b. Eligible METO employees, transfer of past coverage. Individuals who elect prospective Correctional Plan coverage under (a) above may also elect to transfer past METO service to MSRS-Correctional Plan, back to July 1, 1997, providing that the service was in one of the positions specified in (a) above and the 75 percent inmate contact requirement was met. To transfer past service coverage, the employee must pay the difference between the employee contribution paid to MSRS General and the employee contribution that would have been paid to the Correctional Plan, if coverage by that plan had been provided during that time period, plus six percent interest. If payment is made, MSRS must transfer from the MSRS General Plan to the MSRS Correctional Plan the funded portion of the benefit that accrued during the period. (Laws 1999, Chapter 222, Article 13, Sections 7 and 8.)
- c. Transferred METO employees eligible for early retirement healthcare incentive. METO employees who elect MSRS Correctional Plan coverage are eligible for the early retirement medical insurance incentive provided by the employer. (Laws 1999, Chapter 222, Article 13, Section 9.)

The following MSRS Correctional Plan modifications apply to all MSRS Correctional Plan members.

- d. Subsidized early retirement created. For retirements before age 55, the annuity will be reduced by two-tenths of one percent for each month that the covered employee is under age 55, rather than requiring a full actuarial reduction. (Laws 1999, Chapter 222, Article 13, Section 5.)
- e. Revised employee and employer contribution rates. The MSRS Correctional Plan employee contribution rate is increased from 5.5 to 5.69 percent of salary. The employer contribution rate is increased from 7.70 percent to 7.98 percent of salary. (Laws 1999, Chapter 222, Article 13, Sections 3 and 4.)

5. MSRS State Patrol Plan

- a. Further subsidization of early retirement. For retirements before age 55, the normal retirement age for this plan, the annuity is reduced by one-tenth of one percent, rather than two-tenths of one percent, for each month that the member is under age 55 at the time of retirement. (Laws 1999, Chapter 222, Article 14, Section 1.)

B. Public Employees Retirement Association (PERA)

1. PERA General

The following three items are special law purchase of service credit provisions.

- a. Purchase of service credit for military duty, Rush City school district employee. A PERA member born on October 28, 1948, with employment by Rush City school district is authorized to purchase service credit for one year of military leave at full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 2.)
- b. Purchase of service credit, ex-Saint Paul Bureau of Health employee. A PERA member born on May 22, 1932, employed by the Saint Paul Bureau of Health from March 17, 1958 to September 21, 1962, who forfeited all Saint Paul Bureau of Health Plan service credit upon leaving that employment, is authorized to purchase service credit in the PERA Coordinated Plan for the Bureau of Health service at full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 5.)
- c. Third Judicial District public defense employee, purchase of service credit. A PERA member with prior uncredited service while employed by the State Board of Public Defense in the third judicial district from December 19, 1992 through December 27, 1994 is authorized to purchase PERA service credit for that period. The individual must pay equivalent employee contributions plus interest. If that payment is made, the State Board of Public Defense must pay the remainder of the full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 9.)

2. New chapter, privatized health organizations.

A new chapter is proposed (Minnesota Statutes, Chapter 353F) containing pension benefit provisions for employees currently covered by PERA General who are employed by the Glencoe Area Health Center, the Luverne Public Hospital, the Waconia-Ridgeview Medical Center, or Metro II, a joint powers organization. The proposed chapter will be applicable to employees of these organizations if the applicable organization is privatized. The intent is to ensure, to the extent possible, that the ex-PERA General covered employees will receive future retirement benefits from PERA General commensurate with prior contributions made by them or on their behalf.

- a. Treatment of employees who were covered by PERA-General prior to privatization of Glencoe Area Health Center, Luverne Public Hospital, Waconia-Ridgeview Medical Center, or Metro II. As of the date of privatization of the applicable organization, the employees of the privatized organization are considered to be terminated employees for purposes of PERA General coverage. Terminated employees are eligible for a refund or a deferred annuity. Taking a refund terminates further rights under the plan. Those rights will not be restored unless the refund is repaid following subsequent employment by a public employer with coverage by one of the public pension plans included in the combined service annuity provisions (Section 356.30). If a refund is not taken, the terminated employee qualifies for a deferred annuity. If the employee begins to draw that annuity while employed by the privatized facility or a successor organization, standard augmentation rates in PERA General law would be used to compute the annuity. If payment from a deferred annuity begins after termination of employment from the privatized organization or its successor and the individual does not again become employed by a public employer, the benefit is increase by 5.5 percent per year (rather than 3.0 percent) to age 55, and by 7.5 percent (rather than 5.0 percent) thereafter. For Rule-of-90 purposes, years of employment in the privatized organization will be counted for purposes of qualifying for a PERA General Rule-of-90 annuity, but that service will not be used in computing the benefit amount. The individual is not eligible to receive a Rule-of-90 benefit while remaining employed by the privatized organization. Reemployed annuitant earnings limitations apply to any PERA General annuity received while the individual is employed by the privatized organization or its successor. The medical facility or other privatized organization and PERA must provide counseling. For the organizations mentioned above, other than Metro II, all sections are effective on the day following final enactment. For Metro II, the sections will be effective if it is determined that the expected actuarial gain to PERA General is greater than the expected accrued liability imposed on PERA for Metro II employees due to this special benefit coverage. (MN Laws 1999, Chapter 222, Article 1, Sections 1 to 8, and 10.)

The following repeals a special law passed last session for the City of Luverne intended to cover a potential hospital privatization.

- b. Repealer. Laws 1998, Chapter 390, Article 1, Section 1, a special law authorizing the city of Luverne to match any refunds received by non-vested Luverne Community Hospital employees terminated from PERA General following a privatization of the facility, is repealed. (MN Laws 1999, Chapter 222, Article 1, Section 9.)

3. PERA Defined Contribution Plan

- a. Kandiyohi County, Litchfield City Volunteer Rescue Squad members; eligibility for PERA Defined Contribution Plan. If Kandiyohi County and Litchfield elect to participate, the members of their respective rescue squad, if the members are not eligible for volunteer fire or ambulance plan membership, may elect to participate in the PERA Defined Contribution Plan. The government unit may assign a unit value for each call or period of duty for purposes of determining contributions. (Laws 1999, Chapter 222, Article 20.)

4. New PERA Local Government Correctional Plan

A new plan is established for certain local government correctional employees with sufficient inmate contact. The plan will be administered by PERA.

- a. Actuarial valuation; actuary cost allocation; financial reporting requirements. In recognition of the establishment of the PERA Local Correctional Employees Plan, the new plan is added to the list of plans for which the actuary will perform an annual actuarial valuation study, the plan is added to the allocation arrangement for covering the actuarial valuation and quadrennial experience study cost, and a financial report must be compiled for the plan. (Laws 1999, Chapter 222, Article 2, Sections 1, 2, and 16.)
- b. Retention of local aid for PERA-covered employees. A state aid provision, added to law in 1997 to help cover PERA General employer costs, is revised to not reduce the aid when PERA General covered employees transfer coverage to the PERA Local Government Correctional Plan. (Laws 1999, Chapter 222, Article 2, Section 3.)
- c. Special local levy authority to cover added cost of PERA Correctional employer cost. A special levy provision is revised to allow local government units to raise taxes to cover the added employer contribution cost due to the PERA Correctional Plan. (Laws 1999, Chapter 222, Article 2, Section 4.)
- d. Revision of PERA General employee and employer contribution language. The PERA General employee and employer contribution provisions are revised to conform to the establishment of a separate plan for local correctional employees. (Laws 1999, Chapter 222, Article 2, Sections 5 and 6.)
- e. PERA Local Government Correctional Plan; plan and fund established. The PERA Local Government Correctional Plan is established, to be administered by PERA with its pension fund invested by SBI. Plan annuitants will participate in the SBI Post Fund. Funds of the PERA Local Correctional Plan may be disbursed only for necessary and reasonable administrative expenses and to pay benefits under the plan. (Laws 1999, Chapter 222, Article 2, Section 7.)
- f. Eligibility requirements. Covered employees of the plan are employees who are employed in a county-administered jail or correctional facility or in regional facilities, who are certified by the employer to have 95 percent inmate contact, and who would otherwise be a PERA General member. The coverage is prospective. (Laws 1999, Chapter 222, Article 2, Section 8.)
- g. Contribution requirements. The employee contribution rate under the plan is 5.83 percent; the employer contribution rate is 8.75 percent. (Laws 1999, Chapter 222, Article 2, Section 9.)
- h. Retirement annuities. Retirement annuities for covered service under the plan will be computed with a 1.9 percent accrual rate per year, with a high-five average salary defined as the highest average for any five years of successive service. The normal retirement age is age 55; retirement may occur as early as age 50 with an actuarial reduction. Augmentation, as found in current PERA law, applies to deferred annuities. (Laws 1999, Chapter 222, Article 2, Sections 10, 11, and 15.)
- i. Disability benefits. Disability benefits under the plan are computed like a normal retirement annuity, except that the minimum duty-related disability benefit is based upon 25 years of service, and the minimum non-duty-related disability benefit is based upon ten years of service. Optional annuities may be elected. (Laws 1999, Chapter 222, Article 2, Section 12.)

- j. Survivor benefits. If a vested active or deferred plan member dies after attaining age 50 but before other benefits become payable, the surviving spouse is entitled to a 100 percent joint-and-survivor annuity for which the member would have qualified for on the date of death. In lieu of the joint-and-survivor annuity, the survivor of an active or deferred member who was at least age 50 at death may elect a 10, 15, or 20 year term-certain annuity. If the member was under age 50 at the time of death, the survivor is entitled to a reduced 100 percent joint-and-survivor annuity based on the age of the employee and spouse on the date of the employee's death. The annuity reduction is a full actuarial reduction to age 50 and one-half of a full actuarial reduction from age 50 until the age payment begins. Deferred annuity augmentation would apply. A survivor benefit may be paid to a dependent child or children if there is no surviving spouse, with the benefit terminating at age 20 or five years after commencement of the benefit, whichever is later. (Laws 1999, Chapter 222, Article 2, Section 13.)
- k. Combined service provisions. The plan is included under the combined service annuity, disability, and survivor provisions. (Laws 1999, Chapter 222, Article 2, Sections 17 to 19.)
- l. Repealer. Section 353.33, Subdivision 3a, the provision passed last year which provided an enhanced duty-related disability benefit within PERA General for certain essential employees working in county correctional facilities, and who had sufficient inmate contact, is repealed. (Laws 1999, Chapter 222, Article 2, Section 20.)

5. PERA P&F Consolidation Accounts

- a. Saint Cloud Police Consolidation Account; special resetting of benefit levels. A special ad hoc post retirement adjustment equal to the 1997 "uniformity bill" adjustment for current retirees is extended to members of the Saint Cloud Police Consolidation Account who began receipt of pensions before December 31, 1997. (The relief association began the consolidation process in April 1997, but the consolidation occurred at the end of calendar 1997, after the date of the ad hoc post retirement adjustment authorized in the 1997 "uniformity bill.") Requires local approval. (Laws 1999, Chapter 222, Article 3, Section 6.)

Laws 1999, Chapter 222, Article 4, contains numerous provisions to merge existing PERA consolidation accounts into the PERA P&F fund, distribute a portion of surplus assets (assets in excess of liabilities) in the current consolidation accounts back to the municipalities, and provide benefit enhancements to PERA P&F and consolidation account members.

- b. Revised actuary cost allocation procedure. The provisions which allocate the cost of actuarial services between the various public plans is revised by removing from the allocation the consolidation accounts which merge into PERA-P&F under this article, and by including the cost of quadrennial projection valuations in the allocation. (Laws 1999, Chapter 222, Article 4, Section 1.)
- c. Revised definition of excess police state aid. The determination of excess police state aid is revised to conform with the voluntary merger of pre-March 1, 1999 consolidation accounts into PERA-P&F; and by defining excess police aid for pre-July 1, 1999 consolidation accounts to be aid in excess of the employer additional contribution requirement, if applicable. (Laws 1999, Chapter 222, Article 4, Section 2.)
- d. Revised police state aid provision. The deposit-of-police-state-aid provision is revised to conform to the merger of some or all of the existing consolidation accounts into PERA-P&F. (Laws 1999, Chapter 222, Article 4, Section 3.)
- e. Revised PERA definition of excluded employee. The PERA definition of excluded employee for plan membership purposes is revised to exclude only those consolidation account members who have not elected PERA-P&F coverage under the revised selection procedures (discussed in item (j) below). (Laws 1999, Chapter 222, Article 4, Section 4.)
- f. Revised PERA salary definition, conforming changes. PERA's salary definition is revised to conform to the merger of accounts into PERA-P&F and to recognize the revised selection procedures. (Laws 1999, Chapter 222, Article 4, Section 5.)

- g. PERA allowable service definition, conforming changes. PERA's allowable service definition is revised to conform to the merger of accounts into PERA-P&F and to recognize the revised selection procedures. (Laws 1999, Chapter 222, Article 4, Section 6.)
- h. PERA P&F membership definition revision. The PERA-P&F membership provision is revised to exclude individuals from the merged consolidation account who have not chosen PERA-P&F benefits. (Laws 1999, Chapter 222, Article 4, Section 7.)
- i. Revised PERA P&F employee and employer contribution rates. The PERA-P&F employee contribution rate is reduced from 7.6% of salary to 6.2%, and the corresponding employer contribution rate is reduced from 11.4% of salary to 9.3% of salary. (Laws 1999, Chapter 222, Article 4, Sections 8 and 9.)
- j. Merger of consolidation accounts into PERA P&F. Laws 1999, Chapter 222, Article 4, Section 10 contains provisions specific to the merger of consolidation accounts into the PERA P&F fund. Its provisions are as follows:

Subd. 1 [Merger Authorized.] Unless the municipality declines to participate, all PERA-P&F consolidation accounts in existence as of March 1, 1999 are merged into the PERA-P&F fund on July 1, 1999. Municipalities may choose to be excluded from the merger by filing a resolution before June 15, 1999. If a municipality has more than one consolidation account, a resolution to decline merger must apply to both accounts.

Subd. 2 [Transfer of Liabilities.] For consolidation accounts merging into PERA-P&F, consolidation account liabilities transfer to PERA-P&F.

Subd. 3 [Transfer of Assets] For consolidation accounts merging into PERA P&F, consolidation account assets (except for amounts to be distributed back to the municipality as described in Subdivision 7) are transferred to PERA-P&F or the SBI Post Fund, as applicable. For accounts where additional municipal contributions are necessary to cover existing liabilities (accounts where there is a positive amortizable base as described below) the amortizable base amount is added to PERA P&F assets as a receivable.

Subd. 4 [Active Member Benefit Coverage]: Active members of consolidation accounts may elect PERA-P&F coverage in an election before September 1, 1999. If no election is made, the individual retains the right to elect that coverage, in lieu of local plan benefit provisions, within 90 days of termination of service. Despite any prior municipal action to not extend recently enacted PERA-P&F benefit improvements to the municipality's consolidation account members, any active member electing PERA-P&F benefits receives full PERA-P&F benefits as specified in the most recent version of PERA P&F law.

Subd. 5 [Retiree, Other Benefit Recipient Coverage]: Consolidation account service pensioners, disabilitants, and survivors, who previously had chosen to retain local plan post retirement adjustments, are authorized to rescind that irrevocable election and elect PERA-P&F post retirement adjustments.

Subd. 6 [Deferred Retiree Coverage]: Deferred consolidation account members are authorized to elect PERA-P&F post retirement adjustments in an election before September 1, 1999.

Subd. 7 [Funded Status]: The LCPR-retained actuary is required to compute the final funded status of each consolidation account which will merge into the PERA P&F fund. If an account is more than fully-funded, half of the assets reflecting amounts above full funding up to the June 30, 1999 PERA-P&F funding ratio and all assets reflecting amounts in excess of that PERA P&F funding ratio are remitted to the municipality with interest. These amounts are to be used by the municipality for fire or police related expenditures, as applicable. Before the municipality can receive any of these amounts, the municipality must hold a public hearing and adopt a plan for the expenditure of these assets.

If a municipality has more than one consolidation account and one is over-funded while the other has unfunded liabilities, 75 percent of the amounts that would otherwise be refunded to the municipality must be credited to the consolidation account which has unfunded liabilities.

Subd. 8 [Contribution]: As of July 1, 1999, the employee and regular employer contribution

rates for the merging consolidation accounts are those applicable to PERA-P&F. If the account had unfunded liabilities at the time of merger, the amount is to be amortized on a level-dollar basis ending December 31, 2009. Annual payments are due by December 31st; late payment requires 8.5% interest.

Subd. 9 [Benefit Plan Coverage]: Unless a consolidation account member revises their benefit election as provided in this section, any prior election remains in effect.

Subd. 10 [Consolidation Account Termination]: Upon transfer of liabilities and assets as specified in this section, the merging consolidation accounts are terminated.

- k. Consolidation account contribution rates. For any remaining consolidation accounts (those where the municipality declines to merge the account into PERA P&F, or those created after the merger date) the applicable employee and employer contribution rates are those specified in Minnesota Statutes 1998, unless the municipality, by municipal resolution, chooses to implement current PERA P&F contribution rates rather than those in 1998 statutes. (Note: The post-1998 PERA P&F employee and employer contribution rates are being reduced under item (i) above.) (Laws 1999, Chapter 222, Article 4, Sections 11 to 13.)
- l. Negative amortization of PERA P&F excess assets. Excess assets in PERA-P&F (assets in excess of 100% funding ratio) will be used to reduce the PERA-P&F contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of payroll over a rolling 30 year amortization period. (Laws 1999, Chapter 222, Article 4, Section 14.)
- m. Revised additional amortization aid allocation, inclusion of SPTRFA and MTRFA in allocation. The additional amortization aid provision is revised to specify that municipalities with a continuing amortization requirement due to their previous consolidation account (see item (j) above, subdivision 8) will continue to be eligible for additional amortization aid; by revising plans that are eligible for that aid; and by specifying the post October 1, 2000 allocation among participants. Of the total, 64.5% will go to prior consolidation accounts with remaining liabilities, 34.2% is directed to Minneapolis relief associations, and 1.3% for Virginia Fire. If aid is released or unallocated because there is no unfunded liabilities in Minneapolis relief associations or Virginia Fire, any released aid is redirected to Minneapolis Teachers Retirement Fund Association (49 percent) and St. Paul Teachers Retirement Fund Association (21 percent), and the remaining 30 percent of any released aid is allocated to the minimum fire state aid floor. To be eligible for this reallocation, the Minneapolis and St. Paul teacher funds must have five-year average investment returns, beginning on July 1, 2005, which equal or exceed the return on a 10 percent cash/60 percent bond/30 percent stock indexed portfolio. (Laws 1999, Chapter 222, Article 4, Section 15.)
- n. Clarification of various amortization aid eligibility; aid caps. Municipalities with prior consolidation accounts with unfunded liabilities remain eligible for additional amortization aid for the duration of the required additional contributions (December 31, 2009). The total of amortization, supplemental amortization aid, and additional amortization aid to municipalities with ex-consolidation accounts with remaining amounts to amortize is capped at an amount equal to their level dollar amortization requirement. Any excess is redirected back to remaining eligible consolidation accounts; if any excess continues to exist, that excess is redirected to pension funds eligible under item (m) above. (Laws 1999, Chapter 222, Article 4, Sections 16 and 17.)
- o. Amortization aid termination. Amortization, supplemental amortization, and additional amortization aid programs terminate when the MTRFA and SPTRFA become fully funded. (Laws 1999, Chapter 222, Article 4, Section 18.)
- p. PERA P&F 1999 actuarial valuation procedures. Consolidation account actuarial valuations will continue to be performed for accounts not merged into PERA P&F. The liabilities computed for PERA-P&F will include liabilities transferred from the prior consolidation accounts, and assets for the 1999 PERA P&F actuarial valuation will include the PERA P&F June 30, 1999 assets plus various assets transferred from prior consolidation accounts and SBI post fund assets attributable from those accounts, plus a receivable amount equal to the remaining amortization requirements. (Laws 1999, Chapter 222, Article 4, Section 19.)

- q. Repealer. Section 353.65, subdivision 3a, which required automatic revisions in PERA-P&F contribution rates if excess contributions were noted in the prior four actuarial valuations, is repealed.

In the next section of this memo, covering PERA P&F provisions, we note that the law governing PERA P&F early retirements was amended to further subsidize those retirements, which adds to plan cost. It has become typical, when a PERA P&F benefit improvement is enacted, to also include a provision which authorizes municipalities, with consolidation accounts in existence prior to the effective date of the benefit improvement, to decide whether to extend any new PERA P&F benefit improvements to the consolidation account active members. The justification is that new benefit improvements add to the municipality's contribution requirement to support the consolidation account, and these new costs were not reviewed or foreseen when the municipality decided to support the voluntary consolidation. The municipal approval provision which corresponds to the revised PERA P&F early retirement subsidization provision referred to earlier is summarized below.

- r. Municipal approval required, PERA P&F subsidized early retirement extension to consolidation accounts. Unless the municipality approves the extension of the newly revised PERA P&F subsidized early retirement provision for the municipality's consolidation account members (the newly revised PERA P&F provision is that for retirements before age 55 the annuity is reduced by one-tenth of one percent, rather than two-tenths of one percent, for each month that the member is under age 55 at the time of retirement), the version of the PERA P&F benefit plan applicable to the consolidation account members is the most recent revised plan approved by the municipality. Note: This municipal approval provision will be repealed on June 30, 1999 if all consolidation accounts in effect on March 1, 1999 merge into PERA P&F. (Laws 1999, Chapter 222, Article 14, Sections 6 and 8.)

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

- a. Further subsidization of early retirement. For retirements before age 55, the normal retirement age for this plan, the annuity is reduced by one-tenth of one percent, rather than two-tenths of one percent, for each month that the member is under age 55 at the time of retirement. (Laws 1999, Chapter 222, Article 14, Section 3.)

Several provisions (items (b) through (e) below) were enacted in response to the Rice County situation, where the county incorrectly certified some local correctional employees for PERA P&F membership.

- b. Grandparenting of certain Rice County correctional employees. Rice County correctional employees, who for many years have been covered by PERA P&F due to incorrect certification by the county, remain as PERA P&F members although the employees are not peace officers licensed by the Peace Officers Standards and Training Board. (Laws 1999, Chapter 222, Article 14, Section 2.)
- c. Rice County PERA P&F-covered correctional employees. Since the Rice County correctional employees in PERA P&F may also have Social Security coverage due to that employment, to avoid a windfall PERA is required to reduce the monthly benefit to be received under the PERA P&F annuity by any Social Security benefit coverage attributable to Rice County correctional employment. (Laws 1999, Chapter 222, Article 14, Section 4.)
- d. Rice County, partial repayment of police state aid. Rice County is required to repay a total of \$101,000, spread over twenty years, to reimburse the state for police state aid improperly used for Rice County correctional employee pension coverage for the 1994-1998 period. (Laws 1999, Chapter 222, Article 14, Section 7.)
- e. New penalty added to law for miscertifying employees for pension coverage. If a local government employer miscertifies an employee for PERA-P&F membership when that coverage is not appropriate, the employee retains that coverage for the period of miscertification, but the government unit must pay a penalty equal to the difference in the actuarial present value of the PERA P&F annuity and the corresponding value assuming coverage had been provided by the appropriate plan. Also, if a government unit fails to certify an eligible person for retirement plan coverage, the government unit will be fined \$25 for each membership certification error, in addition to procedures and remedies in existing law. This provision is effective July 1, 2000. (Laws 1999, Chapter 222, Article 14, Section 5.)

C. Teachers Retirement Association (TRA)

Item (a) below may impact Legislators covered by either the Legislators Plan or the Unclassified Plan.

- a. Revision of TRA part-time teacher program law, authorizing simultaneous contributions in certain instances. TRA's part-time teacher program law is revised to allow contributions by legislators to the Legislators Plan or the MSRS Unclassified Plan, as applicable, while the individual is in the TRA part-time teaching program. The provision is effective January 2, 2001. (Laws 1999, Chapter 222, Article 8, Section 1.)
- b. Definition of timely receipt is revised. TRA's definition of timely receipt is revised to be based on the date received rather than the date a document is postmarked. (Laws 1999, Chapter 222, Article 9, Section 4.)
- c. Retiree board member term extended. TRA's Board provision is revised to extend the retiree board member term from two years to four years. (Laws 1999, Chapter 222, Article 9, Section 5.)
- d. Designated beneficiary revised. TRA's designated beneficiary provision is revised to base beneficiary changes or revocation on received dates rather than postmark dates. (Laws 1999, Chapter 222, Article 9, Section 6.)
- e. MNSCU reemployed annuitant waiver law clarifications. The TRA-law reemployed annuitant waiver for MNSCU faculty is revised by correcting obsolete references to universities and technical colleges, and by clarifying various pension coverage restrictions. (Laws 1999, Chapter 222, Article 19, Section 4.)
- f. TRA part-time teaching program, revisions relating to MNSCU faculty members. For purposes of this part-time teaching program, the definition of "district" is revised by updating obsolete university and community college references; and, for MNSCU faculty members who retire immediately after first semester, part-time teaching program participation must be based on half a full fiscal year rather than a whole year, that faculty member must be employed at least 25 days rather than 50, and the maximum salary may not exceed 40 percent of full year compensation, rather than 80 percent. (Laws 1999, Chapter 222, Article 19, Sections 5 to 7.)

The following items are special law purchase of service credit provisions for specific individuals:

- g. Purchase of service credit, Bertha-Hewitt school district teacher. A TRA member from the Bertha-Hewitt school district (Independent School District No. 786) who had one year of uncredited leave is authorized to purchase TRA service credit for the leave year. To receive the service credit, the member must pay employee and employer contributions plus interest. If that payment is made, the school district is mandated to pay the remainder of the full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 3.)
- h. Purchase of service credit, Virginia school teacher. A Virginia school district teacher who was placed on unrequested leave is authorized to purchase service credit for that two year leave period at full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 4.)
- i. Purchase of service credit, Minnetonka teacher. A teacher in the Minnetonka school district, on a medical leave during the 1994-95 and 1995-96 school years, who could not receive service credit for those years due to a failure by the school district to file appropriate forms with TRA, and due to a failure by TRA to promptly notify the teacher, is authorized to receive service credit for the period by paying the employee, employer, and employer additional contributions plus interest. The school district is mandated to pay one-half the remainder of the full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 6.)
- j. Purchase of service credit, Spring Lake Park teacher sabbatical leave. A Spring Lake Park teacher, with an uncredited portion of a sabbatical leave during the 1976-77 school year, is authorized to receive service credit for that period upon payment of an employee equivalent contribution plus interest. If paid, the school district is mandated to pay the remainder of the full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 8.)

- k. Purchase of service credit for period of extended leave of absence, Anoka-Hennepin teacher. An Anoka-Hennepin elementary school principal, who failed to obtain service credit for the last two years (July 1, 1987 to June 28, 1989) of an extended leave of absence, is authorized to purchase that service credit at full actuarial value. (Laws 1999, Chapter 222, Article 8, Section 10.)

The following item reimburses a teacher for an interest payment made by the teacher relating to an employee contribution underpayment.

- l. Reimbursement of interest charge, Hopkins school district teacher. The Hopkins school district is required to reimburse a teacher for an interest payment made by the teacher on an omitted member deduction payment. (Laws 1999, Chapter 222, Article 8, Section 7.)

The following provisions provide purchase of service credit authority to broad groups of teachers. The drafting proposes that these be coded as general law provisions. Laws 1999, Chapter 222, Article 16 includes a repealer (Section 16) which will repeal these provisions on May 16, 2002.

- m. Military service credit purchase. A vested member who performed service in the armed forces before becoming a TRA member, or who failed to obtain service credit while on a military leave of absence, is entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to this military service. (Laws 1999, Chapter 222, Article 16, Section 1.)
- n. Out-of -state teaching service credit purchase. A vested member may purchase up to ten years of service credit in TRA for out of state teaching in an educational institution established and operated by another state, a governmental subdivision of another state, or the federal government, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 2.)
- o. Maternity leave of absence or maternity break in service purchase of service credit. A vested member may purchase up to five years of service credit in TRA for maternity leaves for which service credit was not received, or for a maternity break in teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 3.)
- p. Parochial or private school teaching, purchase of service credit. A vested member may purchase up to ten years of service credit in TRA for private or parochial school teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 4.)
- q. Peace Corps or VISTA (Volunteers in Service to America) service credit purchase. A vested member may purchase up to ten years of service credit in TRA for Peace Corps or VISTA service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 5.)
- r. Charter school teaching, purchase of service credit. A vested member may purchase up to ten years of service credit in TRA for charter school teaching service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 6.)
- s. Effective date; conditions; repealer. The service credit purchase authorization noted above, items (m) through (r), are effective May 16, 1999 and are repealed May 16, 2002. A teacher retiring before May 16, 1999 is not eligible to purchase service credit under these provisions. A teacher rendering service after May 16, 1999 with an application for retirement effective on or before July 1, 1999, may purchase service credit under these provisions on or before September 1, 1999. (Laws 1999, Chapter 222, Article 16, Sections 16 and 18.)

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

- a. Expansion of eligibility, MNSCU Supplemental Plan. The MNSCU Supplemental Retirement Account Plan coverage provision is expanded to include MNSCU unclassified employees in general professional and supervisory units. (Laws 1999, Chapter 222, Article 9, Section 7.)
- b. Full-time equivalent IRAP contributions required for sabbatical leave. Contributions to IRAP based on full-time equivalent salary during a sabbatical leave is made mandatory rather than optional. (Laws 1999, Chapter 222, Article 19, Section 8.)
- c. Expansion of investment products available to IRAP members. The range of investment products available to IRAP participants and the number of providers are expanded to include investment options from banks and mandatory inclusion of low-cost and no load mutual fund providers. (Laws 1999, Chapter 222, Article 19, Sections 9 and 10.)
- d. Increased flexibility added for charging IRAP and Supplemental Plan administrative expenses. IRAP/Supplemental Plan administrators may cover administrative expenses through an annual fee, an asset-based fee, a charge on plan contributions, or any combination. (Laws 1999, Chapter 222, Article 19, Sections 11 and 13.)
- e. Part-time teacher service credit mobility program created in IRAP. An IRAP part-time teacher service credit mobility program is created, comparable to that in TRA law for IRAP participants. (Laws 1999, Chapter 222, Article 19, Section 12.)

E. First Class City Teacher Plans

The following provisions provide purchase of service credit authority to broad groups of teachers. The drafting proposes that these be coded as general law provisions. Laws 1999, Chapter 222, Article 16 includes a repealer (Section 16) which will repeal these provisions on May 16, 2002.

- a. Military service credit purchase. A vested member who performed service in the armed forces before becoming a first class city teacher plan member, or who failed to obtain service credit while on a military leave of absence, is entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty not including any voluntary extension. To receive the service credit, the member must pay the full actuarial value. The purchase is not permitted if the individual is eligible for a military pension or if the individual has service credit in another plan due to this military service. (Laws 1999, Chapter 222, Article 16, Section 7.)
- b. Out-of -state teaching service credit purchase. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for out of state teaching in an educational institution established and operated by another state, a governmental subdivision of another state, or the federal government, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 8.)
- c. Maternity leave of absence or maternity break in service purchase of service credit. A vested member may purchase up to five years of service credit in the applicable first class city teacher plan for maternity leaves for which service credit was not received, or for a maternity break in teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 9.)
- d. Parochial or private school teaching, purchase of service credit. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for private or parochial school teaching service, providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 10.)
- e. Peace Corps or VISTA (Volunteers in Service to America) service credit purchase. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for Peace Corps or VISTA service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 11.)

- f. Charter school teaching, purchase of service credit. A vested member may purchase up to ten years of service credit in the applicable first class city teacher plan for charter school teaching service providing the individual is not eligible for service credit in another plan. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 12.)
- g. Previously uncredited part-time teacher service, purchase of service credit. A vested member with previously uncredited part-time teaching service may purchase service credit in the applicable first class city teacher plan for that teaching service providing the individual was not previously eligible for credit for that service. To receive the service credit, the member must pay the full actuarial value. (Laws 1999, Chapter 222, Article 16, Section 13.)
- h. Effective date; conditions; repealer. The service credit purchase authorization noted above, items (a) through (g), are effective May 16, 1999 and are repealed May 16, 2002. A teacher retiring before May 16, 1999 is not eligible to purchase service credit under these provisions. A teacher rendering service after May 16, 1999 with an application for retirement effective on or before July 1, 1999, may purchase service credit under these provisions on or before September 1, 1999. (Laws 1999, Chapter 222, Article 16, Sections 16 and 18.)

F. Minneapolis Employees Retirement Fund (MERF)

- a. Deposit accumulation fund; survivor's benefit fund, clarification on source of benefit payments. The deposit accumulation fund provision is clarified to indicate that death-while-active refunds are paid from this fund, while all other survivor benefits are payable from the survivor benefit fund. (Laws 1999, Chapter 222, Article 17, Sections 1 and 2.)
- b. Authority to bill required payment to cover negative balances. MERF is authorized to bill applicable participating employing units for deposit accumulation fund negative asset balances; payments will include six percent interest from the billing date until paid. (Laws 1999, Chapter 222, Article 17, Section 3.)
- c. Revised annuity adjustment procedure, disability benefits. Disability benefits are to be increased over time at the same rate as MERF retirement annuities, rather than at the same rate as annuities payable from the SBI Post Fund. (Laws 1999, Chapter 222, Article 17, Section 4.)
- d. Clarification of death-while active refund eligibility and refund amount. Clarifies the member must be an active employee at the time of death to be eligible for the refund; that the refund not include any portion of the total employee contribution allocated to the survivors benefit fund; and the refund is in addition to a survivor annuity, if payable. (Laws 1999, Chapter 222, Article 17, Section 5.)
- e. Refund repayment provisions clarified. The MERF refund repayment provision is clarified by specifying the time period for computing the refund repayment interest. (Laws 1999, Chapter 222, Article 17, Section 6.)
- f. Survivor benefit provision is clarified; and survivor benefit escalation is expanded and revised. The active member and deferred member survivor benefit provisions are simplified and merged

into a single provision; post-retirement benefit escalation for short-service death-while-active survivors is created, with annuities to increase at the same rate as MERF retirement annuities; and procedures for escalating long-service survivor annuities are revised to escalate these annuities at the same rate as MERF retirement annuities, rather than at the same rate as annuities payable from the SBI Post Fund. (Laws 1999, Chapter 222, Article 17, Section 7.)

- g. Cost of benefit improvement to be borne by local employing units rather than the state. The cost of the survivor benefit escalation and all other costs relating to the provisions of this article must be borne by local employing units; and the financial requirements are allocated to the employing units. (Laws 1999, Chapter 222, Article 17, Section 8.)
- h. Repealer. Minnesota Statutes, Section 422A.16, Subdivision 3a, a redundant deferred member survivor benefit provision, is repealed. (Laws 1999, Chapter 222, Article 17, Section 9.)
- i. Effective date requirements. Laws 1999, Chapter 222, Article 17 is effective upon approval by Minneapolis City Council. No section is effective unless all sections are approved. (Laws 1999, Chapter 222, Article 17, Section 10)

G. Local Police and Paid Fire Relief Associations

- a. Minneapolis Police Relief Association, revised fund disbursement authorization. The authority to pay the board secretary 30 percent of salary of a top grade patrol officer and the board president ten percent of that patrol officer salary is removed. (Laws 1999, Chapter 222, Article 6, Section 1.)
- b. Minneapolis Fire Relief Association, extending the existence of the relief association. The Minneapolis Fire Relief Association and its board will continue until fewer than 100 benefit recipients remain, rather than until there are fewer than 100 active members. Requires local approval. (Laws 1999, Chapter 222, Article 6, Section 2.)

Item (c) below applies to the Eveleth trust fund, which provides benefits to a small group of Eveleth police and fire retirees and survivors.

- c. Eveleth Trust Fund; ad hoc benefit increase; elimination for penalties for insufficient contributions. Benefits are increased by \$100 per month, retroactive to January 1, 1999. Language requiring prior granted benefit increases to be withheld if financing was insufficient is stricken. (Laws 1999, Chapter 222, Article 3, Sections 1 and 2.)
- d. Fairmont Police; additional asset distribution to pensioners. In addition to post retirement increases matching the percentage increase in first grade patrol officer salary, annuitants of the Fairmont Fire Relief Association are authorized to receive a further post retirement adjustment-- a distribution of one percent of plan assets--payable if the plan is at least 102 percent funded and if the plan earns an investment rate of return which is at least two percent more than active police officer pay increases, averaged over the most recent five year period. Requires local approval. (Laws 1999, Chapter 222, Article 3, Section 3.)
- e. Fairmont Police; extension of a 1963 special law surviving spouse benefit increase or pre-1963 survivor. A pre-1963 surviving spouse is to be included in a 1963 special law surviving spouse benefit improvement, with the increase first payable following the effective date. Requires local approval. The Fairmont Police Relief Association is required to implement necessary by-law amendments consistent with this provision and the additional asset distribution discussed in (d) above. (Laws 1999, Chapter 222, Article 3, Sections 4 and 5.)

H. Volunteer Fire Relief Associations

- a. Minimum floor fire aid extended to post-1993 volunteer fire relief associations. Volunteer fire relief associations established after 1993 are eligible for inclusion in the minimum floor fire aid distribution, using the 1998 member count for those post-1993 relief associations, not to exceed 30 firefighters. (Laws 1999, Chapter 222, Article 5.)
- b. Repeal of 30 year service credit maximum, volunteer fire monthly benefit plans. The 30 year cap on service credit, which applied to volunteer fire relief association plans providing monthly service pensions, is repealed effective July 1, 1999. (Laws 1999, Chapter 222, Article 11.)

II. GENERAL PENSION PROVISIONS

This section of the memo summarizes provisions applying to all pension plans or miscellaneous groupings of plans.

The following item is a special law early retirement incentive extended to certain Metropolitan Council employees in an effort to downsize the organization. Most covered individuals are in MSRS General, but some may be covered by other Minnesota public pension funds, and employees may have past service in various Minnesota pension funds. While the incentive is provided through the applicable pension fund or funds, it is financed entirely by the employer, who is required to transfer the necessary amounts to the applicable pension fund or funds. The pension fund or funds serve to pay the additional incentive amounts over the lifetime of the retiree, rather than have the new retiree receive a lump sum incentive payment of equivalent value paid directly from the Metropolitan Council to the individual.

- a. Metropolitan Council targeted early retirement incentive. The Metropolitan Council is authorized to provide an early retirement incentive to individuals employed on January 1, 1999 in specific, designated positions within the Environmental Services, Community Development, and Regional Administration Divisions, and who meet age and length of service requirements. To be eligible, an individual in the designated position must have at least 25 years of service or combined service in Minnesota public pension plans and be at least age 55. The retirement incentive is an additional .25 percentage points in the accrual rate or rates used to compute the defined benefit annuity, but not to exceed 30 years of service. The cost of the early retirement incentive is to be borne entirely by the Metropolitan Council rather than the retirement funds. The Metropolitan Council is prohibited from rehiring or developing consulting arrangements with any employee who accepts the retirement incentive. The retirement incentive is declared not to be an unfair labor practice. (Laws 1999, Chapter 222, Article 7.)

Laws 1999, Chapter 222 contains a provision permitting a supplemental needs trust, established for a disabilitant, to be named to receive the survivor interest of a joint-and-survivor annuity. The provision is applicable for many Minnesota public pension plans, as indicated in the following item.

- b. Supplemental Needs Trusts. A retiring plan member may designate a supplemental needs trust as the recipient of the second half of a joint-and-survivor annuity, with the period of receipt not to exceed the lifetime of the supplemental needs trust beneficiary. The supplemental needs trust must be solely for a disabled person, as determined under Social Security disability determination standards, to cover reasonable living expenses and other basic needs of the disabilitant when public assistance does not provide sufficiently for these needs. This new provision of law applies to the following plans: MSRS General, MSRS Correctional, MSRS State Patrol, MSRS Legislators Plan, MSRS Judges Plan, PERA General, PERA P&F, TRA, DTRFA, SPTRFA, MTRFA, MERF, Minneapolis Fire Relief Association, Minneapolis Police Relief Association, and the new PERA Local Government Correctional Plan. (Laws 1999, Chapter 222, Article 10.)

The following three provisions (items (c) to (e)) apply to all Minnesota public pension plans.

- c. Limitation on public employee retirement annuities; revision to conform to federal law. The definition of total compensation, for purposes of comparison to the initial annuity benefit to determine whether the maximum allowable benefit is exceeded, is revised to include in the definition of total compensation any amounts contributed to tax sheltered or deferred compensation plans. (Laws 1999, Chapter 222, Article 12.)
- d. Revision in full actuarial value service credit purchase procedure to reflect combined service annuity situations and refund situations. The full actuarial value methodology in general law (Section 356.55) is revised to require that recognition is given to service credit in other combined service annuity plans when computing the full actuarial value cost of a service credit purchase, and by requiring that any refund, which would reinstate service credit, be repaid prior to any full actuarial value purchase of service credit. (Laws 1999, Chapter 222, Article 16, Section 14.)
- e. Revised reporting requirements, service credit purchase reports. The presentation required by Section 356.55 on the adequacy of prior service credit purchase payments will appear in a separate report, rather than in the actuarial valuation reports. (Laws 1999, Chapter 222, Article 16, Section 15.)

III. MISCELLANEOUS PROVISIONS

This section covers miscellaneous legislation, some of which is not directly related to pensions but which is of interest to various retiree and public employee groups. This section includes some appropriations for aid to various pension systems.

The 1999 Tax Bill, Chapter 243, in Article 14, established two water and sanitary sewer districts. The first is the Cedar Lake Water and Sanitary Sewer District, and the other is the Banning Junction Area Water and Sanitary Sewer District. Under this article, a board is established for each of these districts and each board is authorized to hire an Executive Director, general staff, and persons or firms to provide engineering, legal, and other professional services required by the board to conduct its duties. That article, which was not reviewed by the LCPR, includes pension-related provisions which are problematic. (Problems include pension coverage language which is optional rather than mandatory, lack of a specified plan to provide the coverage, and possible extension of public pension coverage to non-public employees and consultants.) Each board is established as a “public corporation and political subdivision of the state.” Pension coverage may be extended to “persons” hired by the board, and for purposes of the article, a “person” means “an individual, partnership, corporation, limited liability company, cooperative, or other organization, public or private.”

- a. Cedar Lake Water and Sanitary Sewer District, Banning Junction Area Water and Sanitary Sewer District, employee pension coverage. The Executive Directors of these organizations and “other persons employed by the district” are declared to be public employees, and the board “may elect to have employees become members of either the public employees retirement association or the Minnesota state retirement system.” (Laws 1999, Chapter 243, Article 14, Sections 1, 3, 20, and 22.)

(We also note that Laws 1999, Chapter 223, an economic development program and related agency appropriations bill, includes language transferring the World Trade Center Corporation’s contracts and property to the Department of Trade And Economic Development, Minnesota Trade Office. The corporation’s staff is transferred to the executive branch of state government, and the Department of Employee Relations (DOER) is required to review each position to determine whether to place the position in the classified or unclassified service. The article does not include any pension-related language. In the course of absorbing these employees into the executive branch, the issue of whether employees placed in unclassified service should be offered MSRS Unclassified Plan coverage may arise. The Legislature may be asked to resolve this issue or related issues in an upcoming session.)

The following item revises the definition of extended leaves of absence, which would be applicable for service credit purposes in TRA and the first class city teacher plans.

- b. Clarification of extended leave of absence definition. The definition of extended leaves of absence is clarified to specify that the leave must be granted for a period of at least three years and not to exceed five years. (Laws 1999, Chapter 222, Article 9, Section 2.)

The following item revises the MSRS Board retiree member term of office. A similar revision is found in the TRA section.

- c. MSRS retiree board member term revised. The MSRS Board provision is revised by eliminating obsolete references and by extending the retiree board member term from two years to four years. (Laws 1999, Chapter 222, Article 9, Section 3.)

The following revises current law regarding investment providers authorized to receive matching employer contributions on tax deferred annuities (under Section 403(b) of the Internal Revenue Code).

- d. Expansion; revision of investment options. Mutual funds or mutual fund families are authorized as investment options eligible to receive employer matching money; up to five to be included; expands permissible insurance company vendors from a maximum of ten to a maximum of 20; and authorizes vendor rebidding by the SBI before July 1, 2000. This section is effective May 15, 2000. (Laws 1999, Chapter 222, Article 18, Section 1.)

The following two provisions clarify IRAP member eligibility for continuing health insurance group coverage and updates references in a higher education employer paid health provision.

- e. Retired employee insurance group coverage revision. A retired public employee continuing rights provision is revised to clarify that retired higher education faculty who receive retirement income

from their IRAP account are eligible to be in the group insurance pool and are authorized to purchase healthcare at their own expense. (Laws 1999, Chapter 222, Article 19, Section 1.)

- f. Clarification of IRAP reemployed annuitant program employer-aid healthcare provision. The IRAP reemployed annuitant program employer-paid healthcare provision is revised by removing obsolete references. (Laws 1999, Chapter 222, Article 19, Section 2.)

The omnibus pension bill included the following provisions (items (g) through (k) below) authorizing construction or purchase of a building to house MSRS, PERA, and TRA.

- g. Revised waiver of immunity provision. A state waiver of immunity provision is revised to include retirement fund revenue obligations offered to finance building construction. (Laws 1999, Chapter 222, Article 22, Section 1.)
- h. Removal of requirement that PERA locate in Saint Paul. A requirement that PERA offices locate in a state office building or elsewhere in Saint Paul is removed from law. (Laws 1999, Chapter 222, Article 22, Section 2.)
- i. Department of Administration authorized to build or otherwise provide a building to house MSRS, PERA, and TRA. The Commissioner of Administration is authorized to construct a building or otherwise provide space for MSRS, PERA, and TRA. Any land, building, or facility leased, constructed, or acquired will be held in trust by the state for the three retirement systems. The commissioner may lease any portions of the building not immediately needed by the retirement systems to other government units. Plans for the public pension facility must be submitted to the chairs of the House Ways and Means Committee and the Senate State Government Finance Committee. (Laws 1999, Chapter 222, Article 22, Section 3.)
- j. Pension Building Fund created, \$38 million pledged. The Commissioner of Finance may issue revenue bonds for up to \$38 million plus issuance costs to finance the facility. The bonds are not public debt; the assets of the pension organization are pledged as security for the bonds. A pension building fund is created and \$38 million is appropriated from that fund. (Laws 1999, Chapter 222, Article 22, Sections 3 and 4.)
- k. Administrative service consolidation report required. MSRS, PERA, and TRA must jointly report to the Legislature by July 15, 2001, on a plan to consolidate administrative services if the pension systems are in a shared facility. (Laws 1999, Chapter 222, Article 22, Section 5.)

Under existing special laws, the City of Minneapolis, Special School District No. 1, and the Municipal Building Commission are authorized to make pension contributions to trade union employee benefit funds, on behalf of trade union members employed by those public employers. A 1999 session law (Laws 1999, Chapter 15, summarized below as item (l)) contains language mandating that these public employers provide those employees access to the employer's deferred compensation plan or plans. While the drafting is vague, presumably the options include the deferred compensation plan administered by MSRS.

- l. Skilled trades workers, inclusion in employer's deferred compensation plan. The City of Minneapolis, Special School District No. 1, and the Municipal Building Commission are mandated to allow for the enrollment and full participation of skilled building and construction trades workers, stagehands or production technicians, electrical workers, and apprentices in these trades, in the employer's deferred compensation plan. (Laws 1999, Chapter 15.)
- m. Elimination of management study filing requirement, MSRS, PERA, TRA. The requirement that a copy of any MSRS, PERA, or TRA management study be forwarded to the Legislative Auditor is removed. (Laws 1999, Chapter 99, Sections 15, 16, and 18.)
- n. Elimination of consolidation study actuarial report filing requirement. The requirement that a copy of any actuarial work for local relief association PERA consolidation studies be filed with the Legislative Auditor is removed. (Laws 1999, Chapter 99, Section 17.)

The following two items (items (o) and (p)), from an appropriation bill, notes language to finance actuarial reserve requirements for the Legislators Plan and to finance monthly benefit payments to recipients of the Elected State Officers Plan (Constitutional Officers Plan).

- o. Retiring Legislators--post fund transfers. \$3.8 million in each year of the biennium are appropriated from the state's general fund to MSRS for transfer to the SBI Post Fund to cover the full actuarial reserves for retiring legislators and their survivors. (Laws 1999, Chapter 250, Article 1, Section 30.)
- p. Retired Constitutional Officers--appropriation to cover benefit payments. \$198,000 the first year and \$214,000 the second year are appropriated to MSRS for cover benefit payments for retired constitutional officers or their survivors. (Laws 1999, Chapter 250, Article 1, Section 30.)

The following three items are provisions in an appropriations bill to finance aid to certain retirement systems.

- q. MERF aid. \$5.892 million is appropriated in each year of the biennium to cover state aid payments to MERF as determined by MERF's financing law, Section 422A.101. An additional \$550,000 in each year is appropriated as the state contribution toward the special benefit for MERF pre-1974 retirees. (Laws 1999, Chapter 250, Article 1, Section 30.)
- r. Police and fire amortization and supplemental amortization aid. \$4.925 million in amortization aid plus \$1 million in supplemental amortization aid is appropriated in each year of the biennium to cover aid payments to local police and paid fire relief associations or PERA P&F consolidation accounts with unfunded pension liabilities. (Laws 1999, Chapter 250, Article 1, Section 30.)
- s. Volunteer fire relief associations, reimbursement for supplemental benefits paid. \$370,000 in each year of the biennium is appropriated to the Department of Revenue to pay reimbursements to volunteer fire relief associations which paid supplemental benefits. (Laws 1999, Chapter 250, Article 1, Section 30.)

The final three items impact the LCPR. This first item reduces the LCPR's size. The final two items note the two mandated studies found in 1999 legislation.

- t. LCPR size reduced. The LCPR membership provision is revised to require five members each from the House and Senate, rather than six. The section is effective on the day following final enactment. (Laws 1999, Chapter 222, Article 20.)
- u. Mandated LCPR study: options for employer matching contribution tax sheltered annuity programs. The LCPR is required to study options for employer matching contribution tax sheltered annuity programs, including use of a single provider. (Laws 1999, Chapter 222, Article 18, Section 2.)
- v. Mandated LCPR study: public sector/private sector pension comparison. The LCPR is required to study the comparability of pension post retirement increases between the public and private sectors, and provide a report to the legislature by January 15, 2000. (Laws 1999, Chapter 250, Article 1, Section 2.)