

TO: Members of the Legislative Commission on Pensions and Retirement  
FROM: Edward Burek, Deputy Executive Director  
RE: Summary of 2000 Legislative Session Pension Legislation  
DATE: June 12, 2000

This memo summarizes pension provisions from the year 2000 legislative session. The first major section, titled Fund-Specific Legislation, 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, titled General Pension Provisions, summarizes pension legislation applying to all public plans or to miscellaneous plan groupings. New law governing how the actuarial value of assets is computed, revising actuarial assumptions, and revising allocation procedures for covering the actuary's cost are noted in that portion of the memo. The third major section, titled Miscellaneous Provisions, mentions legislation not related directly to pension plan law but which is of interest to Commission members and public sector retirees. Provisions summarized in that section include police and fire insurance tax law recodification, retiree health care provisions, and health care funding studies.

## I. FUND-SPECIFIC LEGISLATION

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

#### 1. MSRS General

- a. Military Service Credit Purchase. A vested member who performed service in the armed forces before becoming an MSRS General 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. The provision sunsets on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Sections 1 and 4.)
- b. Late Disability Benefit Application Authorized. Notwithstanding a requirement in general law that the application for a disability benefit must occur within 180 days of the disability date, an individual employed by the Department of Economic Security from August 1978 to December 1994, who is disabled as defined in MSRS law, and who began receiving Social Security Disability Insurance Benefits in January 1995, may apply for an MSRS General disability benefit. Authority expires on December 31, 2000 if not utilized. (Laws 2000, Chapter 461, Article 19, Section 1.)
- a. Plan Membership Revision, Legislative Employees. The MSRS General eligible member provision is clarified by indicating that membership includes legislative staff appointed without a limit on the duration of their employment, rather than legislative staff who are "permanent." (Laws 2000, Chapter 457, Section 6.)

#### 2. MSRS Unclassified Plan

- a. MSRS Board Approval Requirement Removed; Unclassified Plan Coverage Positions at Metropolitan Council. A requirement that the MSRS Board approve any further designations or redesignations at the Metropolitan Council for inclusion in the MSRS Unclassified Plan is removed from law. (Laws 2000, Chapter 461, Article 3, Section 3.)
- b. End-of-Month Account Valuation. MSRS Unclassified Plan law is clarified by specifying that for purposes of any withdrawals, the accounts will be valued at the end of the month. (Laws 2000, Chapter 461, Article 3, Section 4.)
- c. Full Discretion to Specify Partial Value Annuity; Retroactive Accrual. Plan participants electing a partial value annuity may elect to transfer any portion of their account value to the Post Fund, rather than just half of that value, and the annuity may accrue up to six months prior to

redemption of shares but not prior to termination of service. (Laws 2000, Chapter 461, Article 3, Section 5.)

- d. Small Balance Disposition Provision Revised. Inactive accounts to which the ex-employee contributed less than \$500, rather than less than \$100, may be appropriated to the MSRS General Plan fund. (Laws 2000, Chapter 461, Article 3, Section 6.)

The treatment indicated in item (e) below is mandatory for new judges appointed on or after July 1, 2000. Current judges who exceed the service credit limit in the Judges Plan as revised during this legislative session may elect the specified treatment.

- e. Judges; MSRS Unclassified Plan Membership For Service In Excess Of Judges Plan Service Credit Limits. Judges, for service in excess of the new Judges Plan service credit limits, are members of the MSRS Unclassified Plan, with an employee contribution of 8.0 percent of salary and no employer contribution to the Unclassified Plan. Current judges with excess service may elect this treatment. (Laws 2000, Chapter 461, Article 17, Sections 1, 2, 7, and 9.)
- f. Plan Membership Revision And Asset Transfer Provision Revision; Legislative Employees. The MSRS Unclassified Plan membership eligibility provision is clarified by indicating that membership may include legislative staff appointed without a limit on the duration of their employment, rather than legislative staff who are “permanent.” A similar change is made in a provision permitting transfer of account assets from the MSRS General Plan due to prior coverage by that plan. (Laws 2000, Chapter 457, Sections 7 and 8.)
- g. World Trade Center Staff; Obsolete Reference Removed. An obsolete reference to World Trade Center staff is removed from the MSRS Unclassified Plan eligibility provision. (Under 1999 legislation, the World Trade Center was terminated and its staff was transferred to the Executive Branch.) (Laws 2000, Chapter 260, Section 56.)

### 3. MSRS Correctional Plan

- a. Military Service Credit Purchase. A vested member who performed service in the armed forces before becoming an MSRS Correctional 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. The provision sunsets on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Sections 1 and 4.)
- b. MSRS Correctional Plan Membership Additions. If the applicable Commissioner certifies that at least 75 percent of the employee’s working time is spent in direct inmate contact, the following positions are included in the MSRS Correctional Plan:
  - (1) registered nurse practitioner at a correctional facility or at the Minnesota Security Hospital;
  - (2) behavior analyst 2, licensed practical nurse 1, office and administrative specialist senior, psychologist 2, social worker specialist, behavior analyst 3, and social worker senior at the Minnesota Security Hospital or the Minnesota Sexual Psychopathic Personality Treatment Center;
  - (3) corrections discipline unit supervisor at Minnesota correctional facilities in Lino Lakes, Oak Park Heights, and Saint Cloud;
  - (4) dental assistant registered, at Minnesota correctional facilities in Faribault, Lino Lakes, Moose Lake, Oak Park Heights, and Red Wing;
  - (5) dental hygienist, at the Minnesota correctional facility at Shakopee;
  - (6) psychologist 2, at the correctional facility at Faribault, Lino Lakes, Moose Lake, Oak Park Heights, Red Wing, Saint Cloud, Shakopee, and Stillwater;
  - (7) the sentencing-to-service crew chief leader involved with the inmate community work crew program at Faribault and Lino Lakes; and
  - (8) director and assistant group supervisor of the Phoenix/Pomiga treatment/behavioral change program. (Laws 2000, Chapter 461, Article 6, Sections 1 to 4.)
- c. Past Service Coverage For Positions Newly Authorized For Correctional Plan. Individuals offered MSRS Correctional Plan coverage under (b) above may have comparable past service, if continuous and performed after June 20, 1975, transferred to the Correctional Plan. To transfer

the past service credit, the individual must pay in a lump sum by June 30, 2002, the difference for the applicable period between the Correctional Plan employee contribution and the employee contributions paid to the General Plan, plus six percent interest. Upon payment, assets equal to the individual's present value of benefits in the General Plan will be transferred to the Correctional Plan. The Department of Corrections and the Department of Human Services must cover the expense of computing the proper transfer amounts. (Laws 2000, Chapter 461, Article 6, Section 5.)

- d. Repealer: Section 352.91, Subdivision 4, Certification Process For Additional MSRS Correctional Plan Positions. Section 352.91, Subdivision 4, which provided a process for adding additional positions to the MSRS Correctional Plan based on recommendations from the Commissioner of Human Services or Corrections and a review by the Legislative Advisory Committee, is repealed. (Laws 2000, Chapter 461, Article 6, Section 6.)

#### 4. MSRS State Patrol Plan

- a. Service Credit Granted On Monthly Basis. MSRS State Patrol Plan service credit will be granted for any month in which contributions have been made to the plan, rather than on a daily or payroll period basis. (Laws 2000, Chapter 461, Article 3, Section 2.)
- b. Military Service Credit Purchase Authorization/Repealer. A vested member who performed service in the armed forces before becoming an MSRS State Patrol Plan member 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. The provision sunsets on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Sections 2 and 4.)

#### 5. MSRS Judges Plan

Several related provisions passed for the MSRS Judges Plan. The existing maximum plan benefit provision (70 percent of the judge's actual annual salary immediately before retirement) is replaced with a new limit of 76.8 percent of the member's high-five average salary. (In the new law, this new limit is referred to as a service credit limit, presumably because given the accrual rates for the plan, the dollar pension limit occurs at a specified length of service. For judges who only have post-July 1, 1980, service, the new pension limit occurs at 24 years service. Judges with pre-July 1, 1980 service could provide some further service before reaching the limit, because the accrual rate for pre-July 1, 1980, service is less than the accrual rate applicable to July 1, 1980-and-later service.) Judges who remain active after the limit is reached are authorized under the new law to make contributions to the MSRS Unclassified Plan for any additional service.

- a. Creation Of Service Credit Limit. Rather than an annuity limit at the time of retirement of 70 percent of the judge's annual salary for the 12 months preceding retirement, the annuity from the Judges Plan at the time of retirement cannot exceed 76.8 percent of the high-five average salary (which for a post-July 1, 1980, judge will occur at 24 years of service). Years of service beyond that point does not earn additional service credit in the Judges Plan, but the compensation during these "extra service years" may be used in computing the high-five average salary. (Laws 2000, Chapter 461, Article 18, Sections 4, 5, and 8.)
- b. Employee Contributions In "Excess Service Years" Directed To The MSRS Unclassified Plan. Judges, for their "excess service years" are members of the MSRS Unclassified Plan, and their eight percent employee contribution is directed to that plan. No employer contribution is made to the Unclassified Plan; the employer contribution continues to be directed to the MSRS Judges Plan. (Laws 2000, Chapter 461, Article 18, Sections 1, 2, 4, 6, and 7.)
- c. Election By Current Judges. Current Judges Plan active members who have service exceeding the service credit limits indicated in (a) above may elect to have employee contributions representing service in excess of those limits transferred to the MSRS Unclassified Plan. The election may be made within 120 days of July 1, 2000, or before retirement, whichever is earlier. If a transfer is elected, the judge forfeits any Judges Plan service credit in excess of the limit. (Laws 2000, Chapter 461, Article 18, Section 9.)
- d. Judge Using Combined Service Annuity Law, Use Of Full Accrual Rate. The Judges Plan accrual rate for post-July 1, 1980, service, 3.2 percent per year of service, may be used in a

combined service annuity rather than the current limit of 2.7 percent per year of service. (Laws 2000, Chapter 461, Article 18, Section 3.)

## B. Public Employees Retirement Association (PERA)

### 1. PERA General

- a. Public Employee Definition Revised To Clarify Status Of Reemployed Annuitants. PERA's "public employee" definition is revised to clarify that a reemployed annuitant is not a public employee for purposes of the reemployment. (Laws 2000, Chapter 461, Article 3, Section 7.)
- b. Governmental Subdivision Definition Revised. PERA's governmental subdivision definition is revised by revising a port authority reference. (Laws 2000, Chapter 461, Article 3, Section 8.)
- c. Salary Definition Revised. PERA's salary definition is revised to clarify that salary does not include unused vacation payments. (Laws 2000, Chapter 461, Article 3, Section 9.)
- d. Termination Of Service Definition Revised. Termination of service includes situations where an individual's employment position ends and the individual is not reassigned nor considered by the governmental subdivision to be on a temporary layoff. (Laws 2000, Chapter 461, Article 3, Section 10.)
- e. Retirement Definition Revised; Returning As Independent Contractor. PERA's retirement definition is revised by specifying that a public employee who terminates service but returns within 30 days to provide service to a governmental subdivision as an independent contractor or an employee of an independent contractor has not met the 30 day separation requirement for retirement. (Laws 2000, Chapter 461, Article 3, Section 11.)
- f. Coordinated Member Definition Revised. PERA's coordinated member definition is revised by clarifying that a basic member may become a coordinated member following a complete and continuous separation from public employment lasting at least 30 days. (Laws 2000, Chapter 461, Article 3, Section 12.)
- g. Member Data Reporting Provision Revised. PERA's member data reporting provision is revised by clarifying language; by requiring employer and employee contributions to be received by PERA within 14 days of the salary deductions rather than within 20 days; by requiring reporting of social security numbers rather than membership numbers; and by requiring PERA to provide employing units with sufficient notice prior to implementing any new or revised computerized reporting systems. (Laws 2000, Chapter 461, Article 3, Section 14.)
- h. Omitted Salary Deduction Provision Revisions. PERA's omitted salary deduction provision is revised by making the employing unit responsible for addressing omissions of less than 60 days, rather than waiting for a billing from PERA; and by requiring the government subdivision to supply documentation permitting PERA to compute the omitted employee and employer obligations and interest if the omission period exceeds 60 days. (Laws 2000, Chapter 461, Article 3, Section 15.)
- i. Disability Benefit Application Provision; Eligibility Clarification. PERA's disability application provision is revised by specifying that an individual is not entitled to disability benefits for any period where unused annual leave or sick leave remains, or for any period where the individual continues to receive full salary. (Laws 2000, Chapter 461, Article 3, Section 16.)
- j. Disability Benefit Termination Provision Revised. If an individual is no longer totally and permanently disabled, disability benefits terminate 30 days after the member receives a certified letter notifying the individual of benefit termination, rather than upon reinstatement to the payroll. (Laws 2000, Chapter 461, Article 3, Section 17.)
- k. Refund Provision Clarification. PERA's refund provision is clarified by stating that an individual on temporary layoff is not eligible for a refund (a refund is not payable until PERA membership terminates). (Laws 2000, Chapter 461, Article 3, Section 18.)
- l. Deferred Annuity Augmentation Clarification; Inclusion Of Certain Survivor Benefit Group In Reserve Recomputation. PERA's deferred annuity augmentation provision is clarified, and the annuity reserve requirements for a certain survivor benefit group first payable after June 30,

1997, is revised to reflect the SBI Post Fund reformulation in 1997. (Laws 2000, Chapter 461, Article 3, Section 25.)

- m. Repealer, Suburban Public Health Nursing Service Incorporated Employee PERA Membership Provision. Section 353.024, which authorized Suburban Public Health Nursing Service employees to be PERA General members, is repealed. (Laws 2000, Chapter 461, Article 3, Section 47.)
  - n. Military Service Credit Purchase. Vested members who performed service in the armed forces before becoming PERA General Plan member, or who failed to obtain service credit while on a military leave of absence, are entitled to purchase service credit for the initial period of enlistment, induction, or call to active duty, but 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 the military service. The provision sunsets on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Sections 3 and 4.)
  - o. Exclusion From PERA Coverage: Saint Paul City And School District Electrical Workers, Plumbers, Carpenters, And Associated Trades Personnel. Electrical workers, plumbers, carpenters, and associated trades personnel first employed by Independent School District No. 625 (Saint Paul) or the city of Saint Paul after May 2, 2000 are excluded from PERA General coverage. Similar employees hired before that date may, through an election, terminate further PERA coverage and receive a refund or deferred annuity. Local approval is required. (Laws 2000, Chapter 461, Article 7, Sections 1, 5, and 7.)
  - p. Certain Spring Lake Park Fire Department, Incorporated Employees, Purchase Of Prior Service Credit In PERA General. Spring Lake Park Fire Department employees who became PERA General members on June 1, 1999, due to that employment may purchase prior service credit back to June 1, 1996, at full actuarial value. (Laws 2000, Chapter 461, Article 7, Section 6.)
  - q. Service Credit Purchase For Uncredited Hennepin County Service. An individual born on April 12, 1936 who retired from TRA on July 1, 1997, and who also is receiving an MSRS General annuity is authorized to receive one year of PERA General service credit for the September 1966 to September 1967 period. During that period the individual was employed as a Hennepin County parole officer and employee contributions were deducted from pay, but no allowable PERA General service credit was recorded. Upon application to PERA, the individual is entitled to an annuity from PERA, retroactive to July 1, 1997, and may have the benefit calculated as a combined service annuity. Within 30 days of receipt of the PERA benefit application, PERA will bill Hennepin County for one-half of the full actuarial value as computed under Section 356.55; PERA will absorb the remaining half of actuarial value as an administrative expense. Authorization expires January 1, 2001. (Laws 2000, Chapter 461, Article 19, Section 2.)
  - r. Dakota County Part-Time Maintenance Employee Service Credit Purchase. A Dakota County employee who was employed as a part-time maintenance worker on October 16, 1985, but did not have PERA General member contributions deducted until September 15, 1986, is authorized to purchase eight months of PERA General service credit. The employee is required to pay the omitted member contributions plus 8.5 percent interest; Dakota County must pay the remainder of the full actuarial value. Local approval is required. (Laws 2000, Chapter 461, Article 19, Section 3.)
  - s. County Employee, Waiver Of Minimum Reemployment Requirement Before Disability Application. An individual with 14 months of service credit since the last termination of membership may apply for a PERA General disability, notwithstanding the two-year requirement in general law. The individual was born on May 30, 1945, and has been employed at various times by Todd, Morrison, and Meeker Counties. Most recently the individual had resumed employment with Todd County in August 1998 and terminated that employment on October 8, 1999. (Laws 2000, Chapter 461, Article 19, Section 4.)
2. PERA Privatized Employees Chapter (Chapter 353F)

The following provision adds the Saint Paul Civic Center Authority to the employing units covered by Chapter 353F, a chapter enacted last year to handle various PERA privatization employee groups. Under that chapter, 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 increased 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.

- a. Saint Paul Civic Center Authority Employees, Privatization. The Saint Paul Civic Center is added as an employing unit specified in Chapter 353F, PERA's privatized employee chapter, making the employees of that organization subject to that chapter. The provision is effective if the change does not create a net actuarial loss for PERA General. (Laws 2000, Chapter 461, Article 9.)

### 3. PERA Local Government Correctional Plan

- a. Revised Eligibility Requirements For Plan Participation. The previous plan eligibility requirement—that the county or regional correctional employee have at least 95 percent inmate contact—is replaced with position specific and duty specific requirements. Under the revised requirements, eligible plan members must be employed in county or regional correctional facilities as correctional guards, correctional officers, joint jailer/dispatchers, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers. In addition, the individual must be directly responsible for the direct security, custody, and control of inmates and be expected to respond to incidents within the correctional facility. Language is also added clarifying that the county must certify eligible positions in writing. Although they may not meet the revised eligibility requirements, current plan members remain in the plan as long as they remain in their current employment. (Laws 2000, Chapter 461, Article 10, Section 1.)
- b. Revised Contribution Requirements. The employee contribution rate is increased from 5.83 percent of pay to 6.01 percent, and the employer contribution rate is increased from 8.75 percent of pay to 9.02 percent. The change is effective January 1, 2002. (Laws 2000, Chapter 461, Article 10, Section 2.)

### 4. PERA Police and Fire (PERA P&F)

- a. PERA P&F Mandatory And Optional Plan Membership Provisions Clarified. PERA P&F's mandatory membership provision, optional membership provision for part-time employment, and membership exclusion provisions are redrafted and clarified. (Laws 2000, Chapter 461, Article 3, Sections 19 to 21.)
- b. Position Resolution Filing Requirement Time Limit. A time limit is created for filing resolutions declaring a part-time position to be police or fire related. If a resolution is not filed within six months following a notice from PERA, coverage will transfer to PERA General and any applicable contributions that were received for the position by PERA P&F will be treated as contributions in error. (Laws 2000, Chapter 461, Article 3, Section 22.)
- c. PERA P&F Disability Benefit Provisions Revised To Include Hennepin County Paramedics. PERA P&F's line-of-duty and non-duty related disability benefit provisions are revised to also cover PERA P&F members who are Hennepin County paramedics. (Laws 2000, Chapter 461, Article 3, Sections 23 and 24.)
- d. Deferred Annuity Augmentation Clarification; Inclusion of Certain Survivor Benefit Group in Reserve Recomputation. PERA's deferred annuity augmentation provision is clarified, and the reserves for a certain survivor benefit group first payable after June 30, 1997 is revised to reflect the SBI Post Fund reformulation in 1997. (Laws 2000, Chapter 461, Article 3, Section 25.)

- e. Administrative Change; Correction of General Law For Certain Prior Consolidation Accounts. Minnesota Statutes, Chapter 352B, a compilation of special laws governing local police and paid fire relief association benefits, is revised to reflect previous changes made in special law governing the Hibbing Police and Hibbing Fire local plan surviving spouse benefits, and Saint Paul Police Relief Association local plan surviving spouse benefits. (Laws 2000, Chapter 461, Article 3, Section 26.)
- f. Military Service Credit Purchase. Vested members who performed service in the armed forces before becoming a PERA P&F Plan members, or who failed to obtain service credit while on a military leave of absence, are 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. The provision sunsets on May 16, 2003. (Laws 2000, Chapter 461, Article 4, Sections 3 and 4.)
- g. PERA P&F Coverage Extended To Certain Tribal Police Officers. The governing body of a tribal police department which is an agency of instrumentality of the state for purposes of enforcing state law may request, by resolution, that the tribal police officers become PERA P&F members. Credit for past service may be received if a full actuarial value payment is received by PERA. (Laws 2000, Chapter 461, Article 7, Sections 2 and 3.)
- h. Optional Annuity Election, Certain Formal Consolidation Account Members. Ex-consolidation account members who are restricted to local plan benefits (individuals who were retirees, disabilitants, or deferred annuitants at the time of consolidation) and who elected PERA P&F post-retirement adjustments are authorized in a one-time election to elect an actuarially equivalent 15 or 25 percent optional joint-and-survivor annuity to supplement the value of existing survivor benefits. (Laws 2000, Chapter 461, Article 9, Section 4.)
- i. Certain Spring Lake Park Fire Department, Incorporated Employees, Purchase Of Prior Service Credit In PERA P&F. Spring Lake Park Fire Department employees who became PERA P&F members on June 1, 1999, due to that employment may purchase service credit back to June 1, 1996, at full actuarial value, providing Social Security coverage for that prior period is not in effect. (Laws 2000, Chapter 461, Article 7, Section 6.)

The following may be applicable to some prior consolidation accounts or to any new consolidation account, if any are newly created:

- j. Source Of Additional Revenues If Shortfall Occurs. If police or fire relief association or police or fire consolidation account funding requirements exceed all applicable revenue sources, including tax revenues derived from taxes on life insurance providers and town and farmers' mutual insurance companies and mutual property and casualty companies, any shortfall or additional revenue needs must be paid from the state's general fund if appropriated by the Legislature. The provision is not to be interpreted as relieving any municipality of its obligations to a relief association or consolidation account. (Laws 2000, Chapter 461, Article 15, Section 2.)

#### C. Teachers Retirement Association (TRA)

- a. Teacher Definition Revised. TRA's teacher definition is revised by clarifying language; by removing obsolete references; and by excluding customized trainers, as defined by MnSCU, if the service is incidental to the regular non-teaching occupation of the person and the service does not exceed 300 hours in a fiscal year. (Laws 2000, Chapter 461, Article 3, Section 27.)
- b. Salary Definition Revised. TRA's salary definition is revised by specifying that salary refers to periodic compensation and includes compensation prior to any voluntary salary deduction program. Salary excludes employer-paid amounts toward health care, day care, or any similar insurance, savings, or cafeteria plan benefits. TRA's Executive Director is given discretion to determine whether various other amounts are salary for pension purposes. (Laws 2000, Chapter 461, Article 3, Section 28.)
- c. Service Credit Provision Revised to Reflect Alternative Schedules and Different School Year Lengths. TRA's service credit provision is revised by clarifying language; by specifying that a full year of service credit must be based on the number of days in the employer's school year if

less than 170 days; and by indicating that a teacher may not be harmed by the employer converting to a flexible or alternative work schedule. (Laws 2000, Chapter 461, Article 3, Section 29.)

- d. Revised Employer-TRA Notification Dates, Various TRA Leaves of Absence. For parental leaves, extended leaves, and sabbatical leaves, the employing unit must inform TRA of a leave when the leave is granted, rather than by the end of the fiscal year in which the leave is granted. (Laws 2000, Chapter 461, Article 3, Sections 20, 31, and 32.)
- e. Social Security Leveling Option (Optional Accelerated Retirement Annuity) Made Revocable. Language which specified that TRA's optional accelerated retirement annuity is not revocable is removed from the provision. (Laws 2000, Chapter 461, Article 3, Section 34.)
- f. Clarification, Estate Receiving Remaining Interest In Surviving Spouse Term Certain Annuity. Language specifying the estate to receive the remaining payments under a surviving spouse term-certain annuity, in cases where that recipient dies before the expiration of the term certain period, is clarified. (Laws 2000, Chapter 461, Article 3, Section 35.)
- g. Death Refund To Minor. If a death refund is payable to a minor following the member's death, rather than computing interest until the date of the member's death, the refund will include interest to the date the minor reaches legal age, or the date of receipt, whichever is earlier. (Laws 2000, Chapter 461, Article 3, Section 36.)
- h. Disability Physical Examinations, Change in Location. Language dealing with locations where physical examinations can be conducted is removed from TRA's continuing eligibility-for-disability provision. (Laws 2000, Chapter 461, Article 3, Section 37.)
- i. Refund Entitlement Provision Revised. TRA's refund entitlement provision is revised to authorize payment of refunds within 45 days of TRA's receipt of the refund application, rather than within 90 days, and the provision is made consistent with revised employer reporting requirements. (Laws 2000, Chapter 461, Article 3, Section 38.)
- j. TRA Deduction Provisions Clarified; Responsibilities For Transmitting To TRA Revised. TRA deduction provisions are revised to more clearly state the responsibilities of the employer to withhold deductions; deductions must be made and transmitted to TRA each payroll period rather than monthly; amounts are delinquent and subject to interest penalties if not received by TRA within seven days of the payroll warrant, rather than after 15 days following the due date. (Laws 2000, Chapter 461, Article 3, Sections 39 and 40.)
- k. TRA Member Data And Payroll Cycle Reporting Revised By Adding A Due Date. TRA's member and payroll cycle reporting requirements provisions are revised by adding a specific due date—14 calendar days after the end of the payroll cycle. (Laws 2000, Chapter 461, Article 3, Sections 42 and 42.)
- l. TRA Post Fund Reserve Transfer Provision Clarified. TRA's provision requiring transfer of assets to the SBI Post Fund when annuities commence is revised by explicitly allowing TRA to transfer assets on or before the due date, rather than on the due date. (Laws 2000, Chapter 461, Article 3, Section 43.)
- m. Repealer: Annual Employing Unit Report Provision. Section 354.52, Subdivision 2, a subdivision which required TRA employing units to submit an annual summary report to TRA, is repealed. (Laws 2000, Chapter 461, Article 3, Section 47.)
- n. TRA Service Credit Purchase For Nonprofit Community-Based Corporation Service. The TRA provision which authorizes service credit purchases at full actuarial value for private or parochial school teaching service is revised to also authorize purchase of nonprofit community-based corporation teaching service. (Laws 2000, Chapter 461, Article 11, Section 3.)
- o. MnSCU Teachers; Use of Supplement Plan Account to Purchase TRA Or First Class City Teacher Plan Service Credit. Supplemental Plan participants may use supplemental plan account assets to purchase service credit in TRA or a first class city teacher plan (whichever is providing the primary coverage) under the full actuarial cost service credit purchase provisions in those plans for previously uncredited military service, out-of-state teaching service, maternity leaves and breaks in service, parochial, private, nonprofit community-based corporation teaching



service, Peace Corps service, VISTA (Volunteers in Service to America) service, and charter school teaching service. (Laws 2000, Chapter 461, Article 12, Sections 5, 11, and 14.)

The following (item (p)) is a special law provision applying to certain Anoka-Hennepin teachers.

- p. Part-Time Teacher Program; Inclusion Of Certain Anoka-Hennepin Teachers. Two Anoka-Hennepin teachers, one born on October 16, 1947, and the other on October 19, 1957, may be included in TRA's part-time teacher program despite failure to execute the agreements before October 1 of the 1999-2000 school year. One-quarter of the fine on the employer is waived if the agreement is filed with TRA by May 10, 2000. If the agreement is not filed with TRA by July 1, 2000, the special law authority is voided. (Laws 2000, Chapter 461, Article 11, Section 7.)
- q. TRA—Refund Of Interest Charged To Member Due To Delayed Processing. TRA must provide a refund of part of the interest charges it assessed a member who repaid a refund previously taken, due to TRA delays in processing the repayment-of-refund application. The period covered by the refund from TRA is a period during which TRA failed to provide requested information and failed to contact PERA and the Saint Paul Teachers Retirement Fund Association. The refund rate is 0.708 percent per month (8.5 percent per year) applied to the refund that would have been payable on April 23, 1999. (Laws 2000, Chapter 461, Article 19, Section 5.)

D. Minnesota State Colleges And Universities (MnSCU)

- a. MnSCU Extended Leave Of Absence Provision Revisions. The MnSCU extended leave of absence provision is revised to include MnSCU employees who are members of a first class city teacher plan; and by allowing service in several plans in combination (TRA, a first class city teacher plan, IRAP, or the MSRS Unclassified Plan) to be used in meeting the ten-years-of-service eligibility requirement for the leave. (Laws 2000, Chapter 461, Article 12, Sections 1, 2, and 3.)
- b. MnSCU Tax-Sheltered Annuity Vendor Contract Delay. MnSCU is granted a delay until after July 1, 2000, in renegotiating vendor contracts and soliciting bids from low-expense and no-load mutual fund providers, and MnSCU may extend existing contracts, with any mutually agreeable revisions, for up to two years. (Laws 2000, Chapter 461, Article 12, Sections 4 and 19.)
- c. MnSCU Teachers; Use Of Supplement Plan Account To Purchase TRA Or First Class City Teacher Plan Service Credit. Supplemental Plan participants may use supplemental plan account assets to purchase service credit in TRA or a first class city teacher plan (whichever is providing the primary coverage) under the full actuarial cost service credit purchase provisions in those plans for previously uncredited military service, out-of-state teaching service, maternity leaves and breaks in service, parochial, private, nonprofit community-based corporation teaching service, Peace Corps service, VISTA (Volunteers in Service to America) service, and charter school teaching service. (Laws 2000, Chapter 461, Article 12, Sections 5, 11, and 14.)
- d. IRAP And Supplemental Plan, Excess Contribution Revision. The IRAP and Supplemental Plan provisions for handling excess contributions are revised to specify that any excess must be returned to the employee and employer in proportions required by federal law and regulations, and inoperative language is removed from the provisions. (Laws 2000, Chapter 461, Article 12, Sections 12 and 13.)
- e. Maximum Employer-Matching Contribution, MnSCU Employees. The maximum employer matching contribution to the Supplemental Plan, if provided for in a collective bargaining agreement, is increased from \$2,000 to \$2,700. (Laws 2000, Chapter 461, Article 12, Section 15.)

E. First Class City Teacher Plans

- a. First Class City Teacher Plan Service Credit Purchase For Nonprofit Community-Based Corporation Service. The first class city teacher plan provision which authorizes service credit purchases at full actuarial value for private or parochial school teaching service is revised to also authorize purchase of nonprofit community-based corporation teaching service. (Laws 2000, Chapter 461, Article 11, Section 5.)

- b. MnSCU Extended Leave Of Absence Provision Revisions. MnSCU extended leave of absence provision is revised to include MnSCU employees who are members of a first class city teacher plan; and by allowing service in several plans in combination (TRA, a first class city teacher plan, IRAP, or the MSRS Unclassified Plan) to be used in meeting the ten-years-of-service eligibility requirement for the leave. (Laws 2000, Chapter 461, Article 12, Sections 1, 2, and 3.)
- c. MnSCU Teachers; Use of Supplement Plan Account to Purchase TRA Or First Class City Teacher Plan Service Credit. Supplemental Plan participants may use supplemental plan account assets to purchase service credit in TRA or a first class city teacher plan (whichever is providing the primary coverage) under the full actuarial cost service credit purchase provisions in those plans for previously uncredited military service, out-of-state teaching service, maternity leaves and breaks in service, parochial, private, nonprofit community-based corporation teaching service, Peace Corps service, VISTA (Volunteers in Service to America) service, and charter school teaching service. (Laws 2000, Chapter 461, Article 12, Sections 5, 11, and 14.)
- d. Extended Leave Of Absence Provision Revised To Recognize Leaves Granted By MnSCU. Various subdivisions in the first class city teacher plan extended leave of absence provision are revised to recognize extended leaves granted by MnSCU. (Laws 2000, Chapter 461, Article 12, Sections 6 to 10.)

The following section applies to the MTRFA.

- e. MTRFA; Plan Coverage For Union Business Agents. MTRFA members on a leave of absence from teaching who are employed by employee organizations representing MTRFA teachers may elect continued plan coverage under a union-business-agent-continuing-coverage-provision rather than any leave of absence provision that may otherwise apply. Applicable salary for contribution and annuity purposes is the individual's actual salary or 75 percent of the Governor's salary, whichever is less. The employee is responsible for all contributions, although the employing unit may pay any applicable employer contribution requirements on the employee's behalf. An employee receiving coverage under this provision is not eligible for the MTRFA Board. (Laws 2000, Chapter 461, Article 11, Sections 4 and 6.)

The following provision (item (f)) is a special law MTRFA service credit purchase, but there may be liability effects on certain other plans if a combined service annuity law annuity is selected. These other impacts are required to be recognized in the full actuarial value service credit purchase cost estimate.

- f. MTRFA Service Credit Purchase; Uncredited School Social Worker Service. An individual currently employed by Hennepin County with PERA General coverage may purchase service credit in the MTRFA for the periods August 28, 1973 through June 12, 1974, and August 29, 1974, through June 11, 1975, for service as a school social worker in the Minneapolis schools. The purchase price, at full actuarial value, is to be computed by the actuary retained by the LCPR, giving recognition to liabilities created in MTRFA and in other systems due to the possible application of the combined service annuity law. (Laws 2000, Chapter 461, Article 19, Section 6.)
- g. MTRFA Service Credit Purchase, Basic Plan. A current MTRFA member who was an adult basic education English and Social Studies teacher from May 25, 1970, through December 17, 1984, and who was employed as an English teacher at Franklin Junior High School on December 17, 1984, as a result of binding arbitration, may purchase service credit for any portion of the May 25, 1970, to December 17, 1984, that is currently uncredited. The full actuarial value service credit purchase authorization expires on July 1, 2001. (Laws 2000, Chapter 461, Article 19, Section 7.)
- h. MTRFA Service Credit Purchase, Hourly Rate Teaching Service Credit Purchase. An individual retained by Special School District #1 at an hourly wage rate as a teacher in the adult basic education program from April 23, 1980, to September 28, 1992, may purchase service credit for that period at full actuarial value. Any portion of that period for which the individual signed an independent contract waiving pension coverage or any period as an independent contractor is excluded. (Laws 2000, Chapter 461, Article 19, Section 8.)

#### F. Minneapolis Employees Retirement Fund (MERF)

- a. Purchase Of Service Credit, Temporary Employment Period. A MERF member born on August 15, 1951, and hired by the City of Minneapolis as a maintenance worker/truck driver in

1976 may purchase MERF service credit for a period as a temporary city employee in 1975. A MERF member born on December 17, 1953, may purchase MERF service credit for a period as a temporary city employee during 1974 and 1975. The purchases are at full actuarial value, and may be made by October 1, 2001, or prior to retirement, whichever is earlier. (Laws 2000, Chapter 461, Article 19, Section 9, and 10.)

The following revises MERF aid appropriations.

- b. MERF Aid. State aid to MERF will be paid on September 15 annually, rather than in four quarterly installments. The state appropriation for the year ending June 30, 2000, (fiscal year 2000) is reduced by \$1.334 million, and the appropriation for fiscal year 2001 is reduced by \$1.892 million. The fiscal year appropriations for 2002 and 2003 are estimated to be \$1.892 each. (Laws 2000, Chapter 488, Article 12, Sections 8 and 18.)

#### G. Local Police And Paid Fire Relief Associations

The following item has application to police, paid fire, and volunteer fire funds.

- a. Source Of Additional Revenues If Shortfall Occurs. If police or fire relief association or police or fire consolidation account funding requirements exceed all applicable revenue sources, including tax revenues derived from taxes on life insurance providers and town and farmers' mutual insurance companies and mutual property and casualty companies, any shortfall or additional revenue needs must be paid from the state's general fund if appropriated by the Legislature. The provision is not to be interpreted as relieving any municipality of its obligations to a relief association or consolidation account. (Laws 2000, Chapter 461, Article 15, Section 2.)

Laws 2000, Chapter 461, Article 17 included benefit improvements for the Minneapolis Police Relief Association, Minneapolis Fire Relief Association, and special contribution relief for the city. All provisions require local approval. A correction in the local approval provisions was included in a Revisor's Correction Bill (Laws 2000, Chapter 499, Section 11).

- b. Minneapolis Police Relief Association, Net Excess Asset Amount Payments Authorized For Benefit Recipients. Following determination of payments required to benefit recipients under the Minneapolis Police Relief Association thirteenth check, the relief association board is to determine whether the association's funding ratio (assets divided by total liabilities) remains at or above 110 percent. The market value of assets reflecting funding above 110 percent, if any, is declared to be an excess asset amount. This excess asset amount is multiplied by the proportion of the total membership who are benefit recipients rather than active members. The result is the net excess market value. Twenty percent of this net asset market value, if any, is to be distributed as of May 1 to the plan's benefit recipients. Each recipient's share is determined by that individual's share of total units upon which plan benefits are determined, compared to the total units of all benefit recipients. Individuals receiving plan benefits for less than a full year as of the determination date receive a prorated share. (Laws 2000, Chapter 461, Article 17, Sections 1 and 2.)
- c. Minneapolis Fire Relief Association, Net Excess Asset Amount Payments Authorized For Benefit Recipients. Following determination of payments required to benefit recipients under the Minneapolis Fire Relief Association thirteenth check, the relief association board is to determine whether the association's funding ratio (assets divided by total liabilities) remains at or above 110 percent. The market value of assets reflecting funding above 110 percent, if any, is declared to be an excess asset amount. This excess asset amount is multiplied by the proportion of the total membership who are benefit recipients rather than active members. The result is the net excess market value. Twenty percent of this net excess asset market value, if any, is to be distributed as of May 1 to the plan's benefit recipients. Each recipient's share is determined by that individual's share of total units upon which plan benefits are determined, compared to the total units of all benefit recipients. Individuals receiving plan benefits for less than a full year as of the determination date receive a prorated share. (Laws 2000, Chapter 461, Article 17, Sections 7 to 9.)

The following three changes (items (d) through (f)) were made in City of Minneapolis funding requirements for its two relief associations.

- d. City Normal Cost Contribution Adjustment. Notwithstanding general public pension financing laws, retroactive to July 1, 1990, the city contributions toward the normal cost requirements of the Minneapolis Fire and Minneapolis Police Relief Associations are permitted to be underpaid by the amount of any employee contribution amounts allocated to the health insurance escrow account rather than to the given association's special fund. (Laws 2000, Chapter 461, Article 17, Section 3.)
- e. City Normal Cost Contribution Waiver If Net Asset Amount Payments Are Made. Notwithstanding general public pension financing laws, if net asset amount payments are authorized in a given year because the assets of the association exceed 110 percent of liabilities, the city normal cost contribution requirement to that association are waived. (Laws 2000, Chapter 461, Article 17, Section 4.)
- f. Amortization Period Altered. Notwithstanding general public pension financing laws, if the given Minneapolis relief becomes fully funded and an unfunded obligation later occurs, the unfunded amounts are to be amortized on a level-dollar basis over a 15-year period. (Laws 2000, Chapter 461, Article 17, Section 5.)

The following is a Minneapolis Fire Relief Association special law provision requiring local approval.

- g. Minneapolis Fire Relief Association, Surviving Spouse Benefit Entitlement. Notwithstanding a five-year-length-of marriage survivor benefit eligibility requirement, the surviving spouse of a deceased relief association member, where the marriage occurred after the member's retirement and less than five years before that retired member's death, is entitled to a surviving spouse benefit. Requires local approval. (Laws 2000, Chapter 461, Article 17, Section 6.)

#### H. Volunteer Fire Relief Associations

The first item below has application for police, paid fire, and volunteer fire funds.

- a. Source Of Additional Revenues If Shortfall Occurs. If a police or fire relief association or police or fire consolidation account funding requirements exceed all applicable revenue sources, including tax revenues derived from taxes on life insurance providers and town and farmers' mutual insurance companies and mutual property and casualty companies, any shortfall or additional revenue needs must be paid from the state's general fund if appropriated by the Legislature. The provision is not to be interpreted as relieving any municipality of its obligations to a relief association or consolidation account. (Laws 2000, Chapter 461, Article 15, Section 2.)
- b. Minimum Floor Fire Aid Extended To New (Post-1999) Volunteer Fire Relief Associations. Volunteer fire relief associations established after 1999 are eligible for inclusion in the minimum floor fire aid distribution. The member count the association will use in the distribution is the member count, up to a limit of 20 firefighters, reported in the first annual financial reporting submitted to the State Auditor by the association. (Laws 2000, Chapter 461, Article 15, Section 1.)
- c. Applicable Actuarial Funding And Procedures, Relief Association Discontinuing Monthly Pensions, Or Purchasing Annuities To Finance Monthly Pensions. If a volunteer fire relief association discontinues providing monthly pensions or purchases annuities to cover the monthly pensions, the funding procedures and minimum municipal obligation requirements applicable to lump sum plans apply, rather than those applicable to monthly benefit plans. (Laws 2000, Chapter 461, Article 15, Section 3.)
- d. Definition Of "Separation From Active Service" Clarified; Penalties For Violating Separation. The definition of "separation from active service" (for purposes of benefit entitlement) is clarified by specifying that the separation must be permanent. If a firefighter resumes service, no additional service pension accrues and the individual must repay any previously received service pension. (Laws 2000, Chapter 461, Article 15, Sections 4 and 8.)
- e. Increase In Flexible Service Pension Maximums. The monthly plan flexible service pension maximum is increased from \$40 per month per year of service to \$44 per month per year of service beginning December 31, 2000, \$48 per month per year of service beginning December 31, 2001, \$52 per month per year of service beginning December 31, 2002, and \$56 per month per year of service beginning December 31, 2003. The lump sum plan flexible service pension

maximum is increased from the current maximum of \$5,500 per year of service to \$6,000 per year of service beginning December 31, 2000, to \$6,500 per year of service beginning December 31, 2001, to \$7,000 per year of service beginning December 31, 2002, and to \$7,500 per year of service beginning December 31, 2003. (Laws 2000, Chapter 461, Article 15, Section 5.)

- f. Deferred Pensions, Variable Interest. If provided in the bylaws, a deferred pension may accrue interest at the actual rate earned on the assets for the deferral period, rather than limiting interest to five percent. To be eligible for this treatment, the deferred assets must be in a separate account or investment vehicle maintained by the relief association. The deferred retiree bears the full investment risk for the deferred account. (Laws 2000, Chapter 461, Article 15, Section 6.)
- g. Volunteer Fire Combined Service Provision Clarifications. The volunteer fire combined service provision is clarified by revising language, clarifying dates and notification requirements. (Laws 2000, Chapter 461, Article 15, Section 9.)
- h. Ex Officio Members, Relief Association Not Associated With Municipalities. If a fire department is not located in or associated with an organized municipality, the ex officio board members must be appointed from the fire department service area by the county Board of Commissioners. (Laws 2000, Chapter 461, Article 15, Section 10.)
- i. Special Fund Authorized Disbursements Provision, Revised And Expanded. The authorized disbursements provision is revised by permitting a survivor benefit to be paid to a designated beneficiary (which must be a natural person) if there is no surviving spouse or children, and by permitted payment of fees or assessments to the Minnesota Area Relief Association Coalition (MARAC). (Laws 2000, Chapter 461, Article 15, Section 11.)

The following is a special law for the survivor of a deceased Saint Paul Building inspector, who also was a Woodbury volunteer firefighter.

- j. Woodbury Volunteer Fire, Survivor Benefit. The survivor of a Saint Paul Building inspector killed during the course of his employment duties, who was also a Woodbury volunteer firefighter, is entitled to a relief association survivor benefit computed based on the benefits in effect as of January 1, 1998, rather than the pre-January 1, 1998 benefits in effect at the time of the individual's death. Requires local approval. (Laws 2000, Chapter 461, Article 15, Section 12.)

Provisions (k) through (r) below establish a general law procedure for dissolving and consolidating volunteer fire relief associations, and is proposed for coding as Minnesota Statutes, Chapter 424B.

- k. Definitions. "Applicable municipality," "consolidating relief association," "prior relief association," "relief association membership," and "subsequent relief association" are defined. (Laws 2000, Chapter 461, Article 16, Section 1.)
- l. Consolidations Authorized. With approval of the governing bodies of each municipality, two or more relief associations servicing contiguous fire districts may initiate consolidation. Initiation involves proposing a consolidation resolution to the relief association board of trustees, notification of members, and a public hearing. If adopted by the majority of the board, a copy of the resolution must be filed with other relief associations which may be part of the consolidation. If two or more of the applicable relief associations adopt a consolidation resolution, those relief associations are consolidated as of the following January 1. (Laws 2000, Chapter 461, Article 16, Section 2.)
- m. Subsequent Relief Association. If the subsequent relief association following the consolidation is a new relief association, the association must incorporate as a nonprofit corporation and the new board must include at least one board member from each prior association. If the consolidation retains one association and dissolves the others, the articles of incorporation of the remaining association must be revised as necessary. (Laws 2000, Chapter 461, Article 16, Section 3.)
- n. Governance; Relief Association And Special Fund. The president, secretary, and treasurer of the consolidated relief association must be elected by the association membership. On the effective date of the consolidation, the assets of the prior relief association special funds transfer to the consolidated special fund, and all liabilities, fund management and plan administration, and all

records transfer to the new board of trustees. The consolidated relief association is the successor in interest in all claims for and against the special funds of the prior relief associations. (Laws 2000, Chapter 461, Article 16, Section 6.)

- o. Dissolution Of General Fund. Before consolidation, the secretaries of the prior relief associations must settle all accounts payable from the respective general fund. Remaining balances transfer to the general fund of the consolidated relief association. (Laws 2000, Chapter 461, Article 16, Section 7.)
- p. Termination Of Prior Relief Associations. Following transfer of administration, records, special and general fund assets and liabilities, the prior relief associations cease to exist. The Secretary of State, State Auditor, Commissioner of Revenue, and the Commissioner of the federal Internal Revenue Service are to be notified of the termination. (Laws 2000, Chapter 461, Article 16, Section 8.)
- q. Appropriate Administrative Expenses. Administrative expenses consistent with Section 69.80 (authorized special fund administrative expenses) may be paid from the consolidated special fund. All other expenses must be paid from the general fund. (Laws 2000, Chapter 461, Article 16, Section 9.)
- r. Benefits, Funding. The service pension of the consolidated relief association is the highest service pension amount payable by any of the relief associations that were included in the consolidation. Subsequent benefit increases after that date must conform to general law applicable to volunteer fire benefit levels. Unless the municipalities agree in writing to another procedure, the minimum annual financial obligation to the consolidated relief association must be allocated between the applicable municipalities in proportion to their fire state aid. If a municipality fails to pay its share, contributions must be covered by the remaining municipalities. The municipality which is delinquent or deficient in its payments must reimburse the other municipalities plus a 25 percent surcharge. (Laws 2000, Chapter 461, Article 16, Section 10.)

The following items, also intended for coding in the proposed new chapter of statutes, Minnesota Statutes, Chapter 424B, apply to situations where a volunteer fire relief association is terminated but a consolidation is not involved. A municipality might decide to dissolve its fire department and its associated relief association, or the fire department may remain but the relief association is terminated.

- s. Dissolution Without Consolidation. If a relief association is dissolved without consolidation, prior to the effective date of the dissolution the board must pay all accounts payable against the special fund other than the accrued liabilities for pensions and other benefits. The remainder of the special fund assets after settling those non-benefit related obligations are transferred, in cash or securities, to the municipal finance officer. The board also transfers any records needed to settle future benefit-related claims. The assets of the prior special fund create a municipal trust fund to be invested according to investment and fiduciary law applicable to volunteer fire plans. The municipality and the trust fund are responsible for any remaining liabilities of the prior special fund, including any unfunded liabilities. The board must notify the Commissioner of Revenue, the State Auditor, and the Secretary of State of the dissolution action within 30 days of the effective date of the dissolution. (Laws 2000, Chapter 461, Article 16, Section 11.)
- t. Dissolution Without Consolidation; Annuity Purchase In Lieu Of Asset Transfer. In lieu of the asset transfer to the municipality mentioned above, the board of the dissolving relief association may purchase annuity contracts. Payment of the annuity for which the contract is purchased may not begin before the retirement age specified in law and bylaw. Legal title to the annuity contract transfers to the municipality in trust. (Laws 2000, Chapter 461, Article 16, Section 12.)

The following is a repealer, removing language superseded by the provisions of proposed chapter 424B.

- u. Repealer. Minnesota Statutes 1998, Section 424A.02, Subdivision 11, (language covering relief association dissolutions which required distributing a prorata share of the special fund assets to each member based on the individual's service credit relative to the total for the whole group) is repealed. (Laws 2000, Chapter 461, Article 16, Section 13.)

## II. GENERAL PENSION PROVISIONS

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

The following two items apply to the defined benefit plans in the MSRS System, PERA system (including the new Local Government Correctional Plan established last year), TRA, the first class city teacher plans, and MERF. The first item revises the cost allocation of actuarial reports, experience studies, and similar services provided by the actuary retained by the LCPR.

- a. Revised Actuarial Cost Allocation Procedure. Each retirement plan will be assessed a proportionate share of the cost of the LCPR-retained actuary's services, based on the plan's proportional share of the total cost of the actuarial calculations and reports, annual experience data collection and processing, and quadrennial experience studies. This allocation replaces the prior allocation process, which was based a combination of per-member charges, plan charges, and system charges. (Laws 2000, Chapter 461, Article 1, Section 1.)
- b. Projection Valuations; Made Voluntary At The Determination Of The Commissioner Of Finance. A projection valuation requirement (introduced in 1997 legislation) is made voluntary at the option of the Commissioner of Finance; and language is clarified which authorizes the Commissioner to use the LCPR-retained actuary to provide those projection valuations. (Laws 2000, Chapter 461, Article 1, Sections 2 and 4.)

The following item redefines the actuarial value of assets. The provision applies to all Minnesota public pension funds required to provided annual actuarial valuations, except the Minneapolis Fire Department Relief Association and the Minneapolis Police Relief Association.

- c. Actuarial Value Of Assets (Current Assets), Revised Definition. The definition of actuarial value of assets (currently defined as cost plus one-third of the difference between cost and market) is revised by basing the actuarial value on current market value at the date of the current actuarial valuation adjusted for past differences between the expected annual change in market value between actuarial valuation dates, given the actuarial earnings assumption, and the actual change in market value on the date of the applicable prior valuations. Following a transition period beginning June 30, 2000, the new system will be fully implemented for valuations after July 1, 2002. For valuations after July, 1, 2002, the actuarial value of assets is the market value on the valuation date reduced by:
  - (1) 20 percent of the difference between the net change in market value for the fiscal year beginning four years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption;
  - (2) 40 percent of the difference between the net change in market value for the fiscal year beginning three years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption;
  - (3) 60 percent of the difference between the net change in market value for the fiscal year beginning two years prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption; and
  - (4) 80 percent of the difference between the net change in market value for the fiscal year beginning one year prior to the current valuation date and the computed increase for the same period assuming asset growth at the pre-retirement interest rate assumption. (Laws 2000, Chapter 461, Article 1, Section 3.)

Economic assumptions—the investment earnings (interest) assumptions and salary increase assumptions for numerous plans as indicated below—were revised. (Note: Numerous demographic assumptions were also changed for many plans. Demographic assumptions include mortality probabilities, separation and retirement decrement factors, combined service load factors, disability probability factors, and probabilities of electing subsidized joint-and-survivor options with a bounce-back. Demographic assumptions are not in statute and do not require a change in law for their revision. The demographic changes were adopted by LCPR resolution and are not noted below.)

- d. Investment Earnings Assumption Revisions. As technical corrections, the post-retirement investment earnings assumptions in law for plans in the MSRS and PERA systems and TRA are

revised from five percent to six percent, for consistency with the 1997 pension law changes which changed the investment earnings assumption underlying the State Board of Investment (SBI) Post Retirement Fund. (Laws 2000, Chapter 461, Article 1, Section 5.)

- e. Salary Increase Assumption Revisions. The salary increase assumptions for PERA General and MSRS General are revised by adding a salary increase factor which is a declining function of service. Higher increases are assumed during the early years of the members service, with the effect trailing off after ten years of service. MSRS General, MSRS State Patrol, MSRS Correctional, PERA General, PERA Local Government Correctional, and TRA age-related salary increase factors are also revised. The MERF four percent salary increase factor per fiscal year is clarified. (Laws 2000, Chapter 461, Article 1, Section 5.)

The following provision applies to Minnesota public plans other than the Minneapolis Fire Department Relief Association Plan and the Minneapolis Police Relief Association Plan.

- f. Negative Amortization Policy Established. If the annual actuarial valuation indicates assets in excess of the accrued liability, the current contribution requirements are reduced by an amount expressed as a level percentage of pay sufficient to negatively amortize the excess over a rolling 30-year period. (Previously, this process was used only for the PERA P&F Plan.) (Laws 2000, Chapter 461, Article 1, Section 6.)

The following item revises reemployed annuitant earnings limitation policies and applies to PERA Plans, including PERA P&F, various MSRS plans, TRA, and first class city teacher plans.

- g. Revised Reemployed Annuitant Policy (other than a MnSCU retiree in the MnSCU phased retirement program). If an MSRS, PERA, TRA, or first class city teacher plan annuity is reduced or terminated in any given year due to reemployment earnings within the given retirement system which exceeds annual maximum earnings allowable for that age for the continued receipt of full benefit amounts under the federal Old Age, Survivors, and Disability Insurance Program (Social Security), the balance of the individual's annuity payments are to be retained in an account in the applicable Minnesota public retirement fund. Upon attaining age 65 or thirteen months following termination of the reemployment, whichever is later, the individual may apply for payment of his or her account balance plus six percent interest. (Laws 2000, Chapter 461, Article 2, Sections 2, 5, 6, 8, and 10.)

The following item notes the revision in reemployed annuitant exemption limits in MSRS, TRA, and First Class City Teacher Plans applicable to MnSCU retirees in the MnSCU phased retirement program.

- h. Revised Reemployed Annuitant Exemption Limit For MnSCU Retirees In MSRS, TRA, And First Class City Teacher Plans In MnSCU Reemployed Annuitant Phased Retirement Program. The calendar year exemption from reemployment earnings limits in MSRS, TRA, and first Class City Teacher Plans is increased from \$35,000 per year to \$46,000. (Laws 2000, Chapter 461, Article 2, Sections 3, 4, 7, and 9.)

The following item is a required report.

- i. Required Report: MnSCU Phased Retirement Program Utilization. The MnSCU Board must report to the LCPR by November 15, 2000, on utilization of the MnSCU Reemployed Annuitant Phased Retirement Program, including an evaluation of the program's effectiveness as a human resource management tool. (Laws 2000, Chapter 461, Article 2, Section 11.)

The following item liberalizes automatic deposit procedures for annuitants and refund recipients in MSRS Plans, TRA, and PERA plans.

- j. Automatic Deposit Authority Generalized. Checks for retirees, survivors, disabilitants, or refund recipients may be directly remitted to any financial institution association with the National Automated Clearinghouse Association or a comparable successor organization, rather than just to banking institutions or trust companies. (Laws 2000, Chapter 461, Article 3, Sections 1, 13, and 33.)

The following applies to any pension plan which is included in the combined service annuity retirement, survivor benefit, and disability benefit provisions (plans included under Sections 356.30, 356.302, and 356.303).



- k. References To Six Months Revised To One-Half Year, Combined Service Provisions. References to six months in the combined service annuity law are replaced with references to one-half year, and the provision is revised for clarity. References to six months in the combined service disability provision and combined service survivor benefit provision will be replaced with reference to one-half year through an instruction to the Revisor. (Laws 2000, Chapter 461, Article 3, Sections 44 and 46.)

The following authority is granted to MSRS and PERA for the plans they administer.

- l. Combined Payments, In Lieu Of Separate Combined Service Annuity Checks Or Other Separate Check Procedures. In situations where MSRS system or PERA system annuitants would otherwise receive separate checks from two or more plans or systems, MSRS and PERA are authorized to combine payments to retirees if the retiree approves. The pension system making the payment would issue a single combined payment, and is responsible for all administration. The process must not permit one system to subsidize another. (Laws 2000, Chapter 461, Article 3, Section 45.)

The following items revise and clarify provisions allocating amortization, supplemental amortization, and additional amortization aids among the various pension funds eligible to share in those allocations.

- m. Amortization Aids; Revisions And Clarification. On behalf of municipalities required to make additional municipal contributions to PERA P&F on behalf of their consolidation accounts which merged into PERA P&F under the 1999 merger legislation, the Department of Revenue will transmit additional amortization aid to the municipality rather than directly to PERA P&F; duplicate investment performance-related aid eligibility requirement language applicable to the MTRFA and SPTRFA is eliminated; and aid termination language is clarified by stating that the amortization aid systems terminate when the MTRFA and SPTRFA unfunded liabilities are terminated or December 31, 2009 (the date when local police and paid fire relief associations are scheduled to be fully funded and additional municipal contributions end by municipalities with additional contribution requirements under the 1999 PERA-P&F consolidation account merger law), whichever is later. (Laws 2000, Chapter 461, Article 9, Sections 1 to 3.)

The following items expands the definition of teacher for purposes of eligibility for an extended leave of absence. It may have application to some individuals with MSRS Correctional, MSRS General, TRA, first class city teacher plans, or possibly IRAP coverage.

- n. Extended Leave Of Absence Eligibility, Teacher Definition Expanded. For purposes of eligibility for an extended leave of absence, the term “teacher” is revised to include teachers in state residential instructional units. (Laws 2000, Chapter 461, Article 11, Sections 1 and 2.)

Several changes were made in the Public Pension Fiduciary Responsibility Chapter, clarifying application to defined contribution plans and extending responsibilities in general.

- o. Fiduciary Responsibility, Application To Additional Defined Contribution Plans. The PERA Defined Contribution Plan; Higher Education IRAP; the Higher Education Supplemental Retirement Plan; and the Arts Board, Humanities Commission IRAP are explicitly included under the Fiduciary Responsibility chapter. No defined contribution plan fiduciary is responsible for any loss due to a participant’s self-direction of their account. The Higher Education IRAP Plan and Supplemental Plan are exempt from the following requirements found in the Fiduciary Responsibility chapter: title to assets provision, diversification requirements, restrictions on permissible investments, and liquidity and collateralization requirements. (Laws 2000, Chapter 461, Article 12, Sections 16 and 18.)
- p. Higher Education IRAP Advisory Committee Members—Fiduciary Status. Members of the Higher Education IRAP Advisory Committee (which was created to provide advice to MnSCU and SBI regarding IRAP and Supplemental Plan administration) are fiduciaries. (Laws 2000, Chapter 461, Article 12, Section 17.)
- q. Additional Functions Defined To Be Fiduciary Activities. Fiduciary activities include the reinvestment of plan assets, selection of financial institutions, and investment products. (Laws 2000, Chapter 461, Article 12, Section 17.)

The following changes, which remove restrictions on the number of companies permitted to receive employer matches on Section 403(b) plan annuities, will impact teacher plan members.

- r. Removal Of Limitations On The Number Of Providers Eligible To Receive Employer 403(b) Matching Contributions. Restrictions in law on the number of providers eligible to receive employer 403(b) matching contributions (previously limited to 20 providers) is removed, although school boards are authorized to set limits. SBI is required to establish a review system under which any insurance company, mutual fund company, or similar company providing Section 403(b) products may voluntarily request a review of the competitiveness of its products and its financial standing. (Laws 2000, Chapter 2000, Chapter 461, Article 13.)

The following section repeals state law which set limits on the amount of Minnesota public retirement annuities at the time of initial receipt. The provision was based on federal provisions, but failure to amend the state law to mirror changes at the federal level caused inconsistencies. Following repeal of the Minnesota law, the annuitants remain subject to whatever federal law is in effect at the time the annuity commences.

- s. Public Employee Retirement Annuities Limitation Is Repealed. Retroactive to July 1, 1999, Minnesota Statutes 1999 Supplement, Section 356.61, which placed limitations on public employee pensions relative to final salary, is repealed. (Laws 2000, Chapter 461, Article 14.)

The following revises State Board of Investment (SBI) investment authority. SBI invests the assets of the MSRS, PERA, and TRA plans. Due to a cross-reference found in a first class city teacher plan law (Section 354A.28, Subdivision 5) applicable to the MTRFA, the provision also revises MTRFA investment authority.

- t. SBI/MTRFA Investment Authority Revision, Stock And Miscellaneous Investment Authority. In addition to existing authority permitting SBI/MTRFA to invest in all stock and convertible issues of any corporation organized under United States or Canadian law, the investment authority is expanded to include any stock or convertible issue listed on an exchange regulated by the an agency of the United States or Canadian national government, rather than being limited to those listed on the New York Stock Exchange or the American Stock Exchange. Authority is also granted to invest in closed-end mutual funds, not to exceed 20 percent of the outstanding shares. SBI/MTRFA venture capital and resource investments authority (Section 11A.24, Subdivision 6, "Other Investments") is revised to include investments in the form of trusts, private placements, limited liability corporations, limited liability companies, and limited liability partnerships. (Laws 2000, Chapter 392, Sections 1 and 2.)

### 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 aid appropriations for retiree health care provisions and studies.

The provision below applies to MnSCU reemployed annuitants.

- a. MnSCU Reemployed Annuitant Employer-Paid Health Care Provision, Elimination Of Earnings Limit. The MnSCU reemployed annuitant employer-paid health care provision is revised by removing the \$35,000-per-year salary limitation eligibility requirement. (Laws 2000, Chapter 461, Article 2, Section 1.)

The following provision establishes a task force composed of public employers and public employee representatives to study providing health care to retired and active public employees.

- b. Commissioner Of Employee Relations To Convene Health Care Task Force. The Commissioner of Employee Relations will convene a task force on post-retirement and active public employee health care. The mandate is to develop strategies for providing coverage in an appropriate and efficient manner, giving consideration to adverse selection, cost containment, and consumer choice. The task force, which is required to have an equal number of employer representatives and employee representatives, must report its findings to the Legislature by November 15, 2000. A \$100,000 general fund appropriation is made to help cover study costs, and the retirement plans included in the task force (the task force must include a representative from MSRS, PERA, TRA, first class city teacher plans, Minneapolis police and fire relief associations, and MERF) may contribute, in total, another \$100,000. (Laws 2000, Chapter 461, Article 5, and Laws 2000, Chapter 488, Article 12, Section 6.)

The Legislature recodified insurance premium tax law provisions, which have served as funding sources for fire and police state aids, and insurance premium tax reporting provisions.

- c. Insurance Premium Tax Recodification. The Legislature recodified insurance premium tax rate and reporting provisions, which have served as funding sources for fire and police state aids, by repealing provisions in Minnesota Statutes, Chapter 60A (General Insurance Powers), Chapter 69 (Fire and Police Department Aid; Relief Associations), Chapter 299F (Fire Marshall) and related chapters, and creating similar provisions in a new proposed chapter, Minnesota Statutes, Chapter 297I (Insurance Premium Tax). (Laws 2000, Chapter 394.)

The following item applies to independent school district # 2711, Mesabi East.

- d. Mesabi East School District Levy Authority For Severance Payments And Early Retirement Incentives. Independent school district # 2711, Mesabi East, may levy up to \$250,000 per year for a five-year period for severance and early retirement incentives that were effective July 1, 1991, due to district consolidation. (Laws 2000, Chapter 489, Article 2, Section 38.)

The following item revises authority to sponsor charter schools and appears to blur further public/private sector employer distinctions for employees covered by public pension plans. Existing law allows school districts, the University of Minnesota, colleges and universities in the MnSCU system, and private colleges to sponsor charter schools. Law was further revised this last session to also permit some charitable organizations to sponsor charter schools.

- e. Charitable Organizations Authorized To Sponsor Charter Schools. The charter school sponsor provision, which allows school districts and public and private colleges and universities to sponsor charter schools, is amended to also allow charitable organizations (under Section 503(c)(3) of the Internal Revenue Code) and which has a year-end fund balance of at least \$2 million to sponsor a charter school. (Laws 2000, Chapter 489, Article 6, Section 18.)