

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Edward Burek, Deputy Executive Director

RE: Summary of 2001 Pension Legislation (First Special Session)

DATE: August 1, 2001

This memo summarizes pension provisions from the 2001 Regular and Special Legislative Sessions. A few provisions related to public pensions or pension administration, largely technical corrections, were included in bills passed during the 2001 Regular Session. Most of the public pension legislation, however, passed during the 2001 First Special Session and was approved by the Governor as various articles found in Laws 2001, First Special Session, Chapter 10.

In this summary, the first major section, titled Fund-Specific Legislation, covers all pension-related legislation for individual plans and for plans of a specific category, such as the first class city teacher plans, local police and paid fire plans, or volunteer fire plans. The second major section, General Pension Provisions, summarizes pension legislation applying to all public plans or to miscellaneous plan groupings. The third major section, 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 pension data privacy provisions, early retirement window provisions, police and fire insurance tax law revisions, revisions in the open meeting law to cover all public pension plan administrations, and healthcare savings plan provisions.

## I. FUND-SPECIFIC LEGISLATION

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

#### 1. MSRS-General

- a. MSRS-General Included Employee Provisions Revisions. Language permitting MSRS coverage, rather than IRAP or TRA coverage, for Minnesota State Colleges and Universities System (MnSCU) employees who have multiple public employers (MnSCU teachers and other MnSCU employees who divide their time between MnSCU teaching and employment by MSRS contributing employers, if most of the total salary comes from MSRS employing units, or if certified for MSRS coverage by the Chancellor) is stricken from law. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 4).
- b. Excluded Employee Provision Clarifications. The MSRS excluded employee provision is revised by clarifying language, and by clarifying that unclassified MnSCU employees (teachers, other higher level MnSCU administrators, and various categories of student employees) are excluded from MSRS coverage. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 5).
- c. Disability Medical Examination Provision; Expanded Authority. Additional authority is added to the MSRS disability medical examination provision permitting evidence of a psychological nature to be submitted, and permitting medical reviews and examinations by psychologists and chiropractors. (Laws 2001, First Special Session, Chapter 10, Article 3, Sections 6 and 7.)
- d. Refund Account Balance Reestablishment Provisions. Low value inactive account balances, previously forfeited to the MSRS-General fund due to their minimal amounts, must be reestablished if the individual returns to covered service and the prior balance was greater than \$25, rather than greater than \$2. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 8.)
- e. State Fire Marshall Provisions, Removal of Age Restrictions on Disability Eligibility. The duty-related and non-duty-related disability benefit provisions are revised by removing the

requirement that an individual must be less than age 55 to qualify. (Laws 2001, First Special Session, Chapter 10, Article 3, Sections 9 and 10.)

2. MSRS-Legislators Plan

- a. Refund Provisions Clarified. The Legislator's Plan refund provision is clarified by more clearly indicating that a member must terminate from service to be eligible for a refund. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 1).

3. MSRS-Correctional Plan

- a. Disability Medical Examination Provision Changes. Psychological evidence may be submitted in support of a disability claim; and disability benefits will automatically terminate not at age 62, but at age 65 or the five-year anniversary of the effective date of the disability benefit, whichever is later. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 11.)
- b. Disability Retirement Status at Normal Retirement Age Provision, Revised Age Requirement. A disabilitant will be considered a retiree not at age 62, but when age 65 is reached or the five-year anniversary of the disability benefit, whichever is later. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 12.)
- c. Reemployed Disabilitant Benefit Offset Revisions. When a disabilitant has some reemployment income, the determination of whether the disability benefit must be reduced will be based on a comparison of the current full income (disability benefit plus reemployment income) to the salary of the disabilitant at the time of disability indexed for inflation, rather than to the current salary for that position or similar positions. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 13.)

4. MSRS-State Patrol Plan

- a. MSRS-State Patrol Plan, Average Monthly Salary Definition Revision. The definition of average monthly salary (high-five salary) is clarified by indicating it does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 14.)
- b. Reemployed Disabilitant Benefit Offset Revisions. When a disabilitant has some reemployment income, the determination of whether the disability benefit must be reduced will be based on a comparison of the current full income (disability benefit plus reemployment income) to salary of the disabilitant at the time of disability indexed for inflation, rather than to the current salary for that position or similar positions. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 15.)
- c. Disability Medical Examination Provision Changes. Psychological evidence may be submitted in support of a disability claim. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 16.)
- d. Extension of Coverage to Fugitive Apprehension Unit Officers. The State Patrol Plan will provide coverage for service after October 31, 2000, for fugitive apprehension officers who are peace officers and are employed by the Office of Special Investigations, Department of Corrections. Employee and employer contributions made by or on behalf of these individuals since November 1, 2000, transfer, with 8.5 percent interest, from the MSRS-General Fund to the MSRS-State Patrol Retirement Fund. In addition, the applicable employees and the Department of Corrections, as the employer, must make additional contributions to the State Patrol Plan retirement fund relating to these past contributions to reflect the higher contributions required by State Patrol Plan compared to the General Plan. (Laws 2001, First Special Session, Chapter 10, Article 8.)

5. MSRS-Judges Plan

- a. Allowable Service Redefined. Allowable service is revised to include any month in which the judge provided service, making the provision more consistent with service credit procedures used in other MSRS plans. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 27.)

6. University Hospital Employee Retirement (Fairview/University of Minnesota Merger, Former MSRS-General Employees).
  - a. Continuation of Disability Benefit Eligibility Coverage. Employees who were terminated from active membership in the MSRS-General Plan due to the Fairview Hospital/University of Minnesota merger, who become totally and permanent disabled at some date following that merger, and who had a medically documented preexisting condition of the disability before the merger date, may apply for an MSRS disability benefit, computed under MSRS disability benefit law applicable at the time of the merger. The benefit must be augmented from the merger date (January 1, 1997) until the date of first payment.

An eligible individual, who attempted to apply for an MSRS-General disability benefit prior to the effective date of this law change, may receive a benefit retroactive to March 1, 2000, or to the first of the month following the date on which the individual attempted to apply for a disability benefit, whichever is later. (Laws 2001, First Special Session, Chapter 10, Article 9, Sections 1 and 3.)

## **B. Public Employees Retirement Association (PERA)**

1. PERA-General
  - a. Dakota County Agricultural Society Employees Eligible for PERA-General Coverage. The Dakota County Board of Commissioners may certify that full-time Dakota County Agricultural Society employees are public employees for purposes of PERA-General coverage eligibility. The Dakota County Agricultural Society is deemed to be a governmental subdivision for purposes of plan coverage qualification, and the Society's full time employees are added to PERA's eligible employee provision. Requires local approval. (Laws 2001, First Special Session, Chapter 10, Article 10, Sections 1, 3, 7, and 8.)
  - b. Spring Lake Park Fire Department Deemed to be Governmental Subdivision. Consistent with PERA and PERA-P&F coverage that was extended to certain Spring Lake Park Fire Department employees through legislation during the 2000 Session, PERA's governmental subdivision provision is revised to include the Spring Lake Park Fire Department as a governmental subdivision. (Laws 2001, First Special Session, Chapter 10, Article 10, Section 3.)
  - c. PERA Coverage Exclusions: Certain Saint Paul and Saint Paul School District Union Employees With Union Pension Plan Coverage, and Metropolitan Airports Commission Plumbers. Applicable employees (as defined below) are excluded from PERA-General coverage if first hired after May 1, 2001. If an applicable employee was hired before May 2, 2001, and PERA-General coverage has commenced, the applicable employee is given an option, void if not exercised before January 1, 2001, to terminate continued PERA-General coverage.

Applicable employees are: (1) union employees working for the City of Saint Paul or Independent School District No. 625 who are bricklayers, allied craftworkers, cement masons, glaziers, glassworkers, painters, allied tradesworkers, or plasterers, who have coverage by specified union pension plans; or (2) union plumbers employed by the Metropolitan Airports Commission, with union pension plan coverage.

Applicable employees hired before May 2, 2001, who choose to terminate PERA coverage are eligible for an employee contribution refund or a deferred annuity, as provided under PERA law. Local approval by the applicable employing unit is required. (Laws 2001, First Special Session, Chapter 10, Article 10, Sections 2, 6, and 8.)

Several changes were made in the PERA-General Plan, including changes in service crediting procedures for new members, changes in eligibility and coverage groups, and contribution rates, relating to efforts to address PERA's funding condition and the cost of the plan. These provisions passed as Laws 2001, First Special Session, Chapter 10, Article 11, and are summarized below as items (d) through (q).

- d. Reorganization, Revision, and Clarification of PERA Public Employee, Included Employee, and Excluded Employee Provisions. PERA's public employee definition is revised by

clarifying that a public employee is a governmental employee performing services for a governmental subdivision. The term includes, where applicable, employees of governmental subdivisions where PERA law authorizes a government unit or the employee of that government unit to elect PERA coverage and the election is exercised. Language excluding independent contractors and their employees and reemployed annuitants from coverage is retained although moved to another provision. A new optional membership provision is created, largely containing coverage groups moved from other provisions.

The PERA coverage group is revised for new hires after June 30, 2002. The earnings threshold criteria for PERA membership (\$425 per month or \$5,100 per year) is removed from law, which extends PERA membership to those earning less than those amounts. Local governing body elected officials (other than elected county sheriffs) and individuals appointed to fill one of these elected positions are excluded from PERA-General coverage. The PERA exclusion of all full-time students who are part-time employees is made more limited, revised to apply to full-time students in high school, undergraduate, graduate, and professional-technical students, only if the individual is in that status on the hire date and the employment is predicated on the student status of the individual. A coverage exclusion is created for seasonal employees, hired for periods not longer than six months in length.

Any individual who is a PERA-General active member before July 1, 2002, and who is in any category that will be excluded after that date retains PERA coverage for the full period of employment. (Laws 2001, First Special Session, Chapter 10, Article 11, Sections 1 to 6, and 22.)

- e. Termination of Membership Provision Revised. PERA's termination of membership provision is revised by eliminating reference to the exclusion of full-time students, by eliminating salary threshold references, and by specifying that any termination of membership must be reported to PERA. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 7.)
- f. Temporary Position Provision Revised. PERA's temporary position definition is revised to include any employment position filled by an employee hired for a predetermined period of six months or less, and by clarifying probationary period language. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 8.)
- g. Seasonal Position Defined. A new subdivision is created to define seasonal position, which is a position where the nature of the work or its duration are related to a specific season of seasons, regardless of whether the same individual fills the position in each season in which the position becomes available. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 9.)
- h. Allowable Service Revisions: Proration of Service Credit for Less than Half-Time Employment. PERA's allowable service credit provision is revised by specifying that in the PERA-General Plan, PERA-Correctional Plan, and PERA-P&F Plan, for new members (including terminated/rehired members) after January 1, 2002, the member will receive one month of service credit for each month with 80 or more compensated hours. If there are less than 80 compensated hours in a given month, the individual will receive a fraction of one month of allowable service equal to the percentage relationship that the number of compensated hours bear to 80 hours. Prorated service will be used for benefit computation purposes. For purposes of vesting, individuals will receive a month of service credit for vesting purposes for any month in which any salary was received.

Prorating does not apply to elected officials and or to any other public employees who are compensated solely on an annual basis. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 10.)

- i. Allowable Service Revisions; Revisions of Leave Provision to Incorporate Prorating; Other Revisions. PERA's allowable service provision is revised by specifying that for all PERA leaves for which service credit is obtainable (personal, parental, family, medical, and military) service credit due to the leave will be full months if the salary or compensated hours used in computing the leave payment amounts were from a non-prorated period, or will be prorated if the salary or compensated hours used in computing the leave payment amounts were from a prorated period. In addition, for military leaves, the time period for

purchasing service credit is revised. Rather than within five years of the date of discharge, payment must be made within three times the length of the military leave period, if that is less than five years. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 10.)

- j. Allowable Service Revisions; Service Credit for Temporary Layoff Periods. After January 1, 2002, for members who earned a month of service credit in each of the nine calendar months immediately preceding the temporary layoff, the member will receive a month of service credit for each month of the temporary leave, not to exceed three months per year. If any of the prior nine months was prorated, the individual will receive prorated service credit for each month of the leave, determined by divided the total number of months of service credit earned for the compensated employment by nine and multiplying the resulting number by the total number of months in the layoff period. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 10.)
- k. Business Year Definition. A definition of business year is added to PERA's definition section, defining a business year as the period from the first day of the first full pay period in the fiscal year through the last day of the last full pay period in the fiscal year. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 11.)
- l. Compensated Hours Definition. A definition of compensated hours is added to PERA's definition section, defining compensated hours as hours during which the employee performs services in one or more positions for the single government subdivision and for which the employee receives compensation. The term also includes paid holidays, used sick leave hours, paid personal leave hours and vacation hours, and paid hours drawn from accrued compensatory time. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 12.)
- m. Employee and Employer Contribution Rate Increases. On January 1, 2002, the employee and employer regular contribution rate increases from 8.75 percent of pay to 9.10 for basic members, and from 4.75 percent of pay to 5.1 percent of pay for coordinated members. (Laws 2001, First Special Session, Chapter 10, Article 11, Sections 13 and 14.)
- n. Revised Employer Reporting Provisions, Reporting of Compensated Hours. Given the new service credit prorating provisions, PERA employing unit reporting requirements are revised to include reporting of actual or estimated compensated hours for PERA-covered employees. (Laws 2001, First Special Session, Chapter 10, Article 11, Sections 15 and 16.)
- o. Volunteer Ambulance Service, PERA or PERA-P&F Participation Provision Revised to Exclude Post-June 30, 2002 Hirees. A PERA provision which permits volunteer ambulance personnel who are members of PERA or PERA-P&F due to other service to also include contributions based on the volunteer ambulance service, provided no coverage for that volunteer service is provided by any other fund or plan, is revised to limit application to pre-July 1, 2002, hirees. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 17.)
- p. Amortization Date Extended to 2031. PERA-General's full funding date is extended from June 30, 2024, to June 30, 2031. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 18.)
- q. PERA-General Study of Financial Needs. The actuary retained by the Legislative Commission on Pensions and Retirement (LCPR), as part of the PERA July 1, 2001, actuarial report, must include a finding on the adequacy of the PERA-General support rates. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 21.)

The following items (r) through (v) are special law purchase of service credit provisions.

- r. Purchase of Service Credit, Uncredited White Bear Lake Public School Clerical Service. An individual employed as a full-time clerical employee in the White Bear Lake school district from the 1973-1974 through 1990-1991 school years, and who was subsequently employed as a teacher by that district beginning in August 1991, may receive service credit in PERA for the 1973-1974 school year, a year in which the individual was not reported by the district for PERA coverage. The school district is required to pay the entire full actuarial value, including any impact on the Teacher Retirement Association. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 3.)

- s. Purchase of Service Credit, Lac Qui Parle County Employee. An individual employed by Lac Qui Parle County in March 1989, June 1989, and July 1989, with PERA contributions first deducted in August 1989, is entitled to purchase PERA service credit for service in March, June, and July 1989. The individual would pay the employee contribution plus 8.5 percent interest; the county is mandated to pay the remainder of the full actuarial value. Authority expires on July 1, 2002, or upon termination of service, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 5.)
  - t. Purchase of Service Credit, Minneapolis Park Board Employees. Two PERA members employed by the Minneapolis Park Board, one born on February 11, 1948, and first employed by the board on March 8, 1983, and the other born on August 12, 1936, and first employed on April 4, 1983, may purchase PERA service credit at full actuarial value for any period of previously uncredited service unless the period was properly excluded under PERA law. Authority expires on January 1, 2002, or upon termination of service, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 6.)
  - u. Purchase of Service Credit by Minneapolis Employees Retirement Fund Employee in PERA-General. A current MERF employee currently covered by PERA-General for that employment, who was born on April 26, 1949, and who was employed in a full-time instructor temporary classification by the Department of Accounting at the Carlson School of Management, University of Minnesota, on August 15, 1981, and who was reappointed for three additional years, terminating that employment on August 14, 1985, is authorized to purchase service credit at full actuarial value for the period of employment as a University of Minnesota instructor. Authority expires on July 1, 2002, or upon termination of PERA-covered service, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 7.)
  - v. Purchase of Service Credit for Uncredited Service as a Saint Paul Council Member. An individual born on September 10, 1938, who began service as a St. Paul city council member in 1970, who was eligible for PERA membership due to that council service starting in July 1, 1974, but had no contributions made to PERA for that service from July 1, 1974, to March 31, 1975, and who retired on September 1, 2000, receiving annuities from the Saint Paul Teachers Retirement Fund Association, PERA, and MSRS, is eligible to purchase PERA service credit for the period of omitted PERA coverage. The individual would pay employee contributions plus interest; the City of Saint Paul would pay the remainder of the full actuarial value. Authority to make the purchase expires on September 1, 2001. If payment is made, the annuity from PERA is recomputed, and the individual receives an additional amount in a lump sum equal to the difference between the benefit received and the benefit that would have been received under the recomputed annuity, back to the retirement date. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 9.)
2. PERA Privatized Employees Chapter (Chapter 353F)
- a. Continuation of Disability Benefit Eligibility Coverage. Employees who are terminated from continued PERA-General Plan coverage due to privatization, who had a medically documented preexisting condition of disability before the privatization date, who become totally and permanent disabled following the privatization, may apply for a PERA-General disability benefit computed under applicable 1998 PERA-General disability benefit law. The benefit must be augmented from the date of privatization until the date of first payment. (Laws 2001, First Special Session, Chapter 10, Article 9, Section 2.)
3. PERA-Local Government Correctional Plan
- a. Allowable Service Revisions: Proration of Service Credit for Less than Half-Time Employment. PERA's allowable service credit provision is revised by specifying that in the PERA-General, PERA-Correctional, and PERA-P&F Plans, for new members after January 1, 2002, (included terminated members who are rehired after that date), the member will receive one month of service credit for each month with 80 or more compensated hours. If there are less than 80 compensated hours in a given month, the individual will receive a fraction of one month of allowable service equal to the percentage relationship that the number of compensated hours bear to 80 hours. Prorated service, if any, will be used for benefit computation purposes. For purposes of vesting, individuals will receive a month of service credit for vesting purposes for any month in which any salary was received.

Prorating does not apply to elected officials and or to any other public employees who are compensated solely on an annual basis. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 10.)

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

- a. Allowable Service Revisions: Proration of Service Credit for Less than Half-Time Employment. PERA's allowable service credit provision is revised by specifying that in the PERA-General, PERA-Correctional, and PERA-P&F Plans, for new members after January 1, 2002, (included terminated members who are rehired after that date), the member will receive one month of service credit for each month with 80 or more compensated hours. If there are less than 80 compensated hours in a given month, the individual will receive a fraction of one month of allowable service equal to the percentage relationship that the number of compensated hours bear to 80 hours. Prorated service, if any, will be used for benefit computation purposes. For purposes of vesting, individuals will receive a month of service credit for vesting purposes for any month in which any salary was received.

Prorating does not apply to elected officials and or to any other public employees who are compensated solely on an annual basis. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 10.)

- b. Purchase of Service Credit, PERA-P&F Member with Prior Service in Local Police Relief Association. A PERA-P&F member, who was employed by the City of Brainerd as a police officer covered by a local relief association, may purchase service credit in PERA-P&F at full actuarial value for years of service provided to city as a police officer with local plan coverage, not to exceed ten years, if the individual is not entitled to any pension or disability benefit from any plan for that City of Brainerd service. Payment must be made before the person's effective date of retirement or May 16, 2002, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Sections 8 and 11.)
- c. Transfer of Service Credit and Assets from PERA-General to PERA-P&F, White Bear Lake Part-Time Town Constable. An eligible person born on October 12, 1956, hired as a part-time town constable by White Bear Township from May 5, 1983, to August 29, 1987, and who was covered for that public safety-related service by PERA-General rather than PERA-P&F, may elect to transfer service for that period from PERA-General to PERA-P&F. To transfer service credit, the individual must pay the difference to PERA-P&F between the employee contributions to PERA during the applicable period and the employee contributions that would have been made to PERA-P&F for the same period, plus 8.5 percent interest. If those additional contributions are made, assets equal to 86.31 percent of the individual's actuarial accrued liability for that period transfer from PERA-General to PERA-P&F. If the employee makes the payment, the city must pay the full actuarial value of the PERA-P&F service credit net of the employee contribution and the assets transferred from PERA-P&F, or have an equivalent amount deducted from state aids. The city must also cover the cost of computing the proper transfer amount. Authority expires on July 1, 2002. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 10.)

The following item appeared in a claims bill, relating to a Saint Paul police officer who several years ago had been on a mobility assignment with the Minnesota Department of Public Safety. While on that leave the Saint Paul Police Relief Association consolidated with PERA-P&F.

- d. Appropriation to PERA, Claim Against State on Behalf of Deborah Montgomery. PERA is appropriated \$69,637 from the state's general fund for the benefit of Deborah Montgomery, "in full and final payment of her claim against the state for inadvertent diminution of her pension benefits while she was service as Assistant Commissioner of Public Safety." (Laws 2001, Chapter 169, Section 5.)

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

- a. Teacher Definition Revised. TRA's teacher definition is revised by clarifying MnSCU employee coverage. MnSCU employees who are covered by TRA are those MnSCU employees who are categorized as president, vice-president, dean, managers or professionals in academic or academic support programs, administrative or service support faculty,

teachers, research assistants, and who are not covered by the MSRS-Unclassified Plan, a first class city teacher plan, or the Individual Retirement Account Plan (IRAP). (Laws 2001, First Special Session, Chapter 10, Article 3, Section 17.)

- b. Relaxation of Employer Reporting/Remittance Requirements. Interest charges on delinquent employee withholding and employer share remittance amounts to TRA will commence 14 days after the date of the payroll warrant, rather seven days. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 18.)
- c. Out-Of-State Teaching Service Credit Purchase Provision Expanded. TRA's out-of-state-teaching service credit purchase provision is expanded to include teaching service provided in another country or teaching service where the employing unit is a federally-recognized American Indian tribe. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 5.)
- d. Developmental Achievement Center Service Credit Purchase. The TRA service credit purchase provision permitting service credit purchase for teaching in a nonprofit community-based corporation, private school, or parochial school, is expanded to include teaching at a developmental achievement center. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 6.)
- e. Individual Retirement Account Plan (IRAP) members vested in TRA Eligible to Purchase Service Credit. Higher Education IRAP-covered employees who are vested in TRA are permitted to purchase TRA service credit under the various temporary TRA full actuarial value service credit purchase provisions. Authority expires on May 16, 2002. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 9.)
- f. Use of College Supplemental Retirement Fund Accounts to Purchase Service Credit; Repay Refunds. Teachers who have a college supplemental retirement account may transfer assets from the account to cover service credit purchases under the various TRA temporary full actuarial value service credit purchase provisions or to repay a refund to TRA unless prohibited under federal law. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 7.)
- g. Purchase of Service Credit for Uncovered Prior Teaching at the University of Minnesota. TRA members who are vested, and who provided University of Minnesota teaching service but are not entitled to a current or deferred age and service retirement annuity or disability benefit related to that service, may purchase service credit in TRA at full actuarial value reflecting that university service, not to exceed ten years. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 8.)

Items (h) and (i) are special purchase of service credit provisions.

- h. Purchase of Service Credit, Anoka-Hennepin School District. An Anoka-Hennepin teacher on a sabbatical leave from July 1, 1977, to June 30, 1978, who received only partial year service credit due to a clerical error by the school district, is authorized to purchase service credit for the remaining fraction of that year (0.34). To purchase the credit, the eligible person must pay the shortage in member contributions plus 8.5 percent interest from June 30, 1978, to the payment date. The school district is mandated to pay the remainder of the full-actuarial value. Purchase authority expires July 1, 2002, or before termination of covered service, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 1.)
- i. Purchase of Service Credit, Hutchinson Teacher on Extended Leave of Absence. An individual who taught in the Hutchinson school district for 26 years and was granted an extended leave of absence on May 27, 1997, and who failed to make contributions for the leave for the 1997-98 school year due to clerical error in the individual's electrical business, is authorized to purchase service credit at full actuarial value for the 1997-1998 through 1999-2000 school years. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 2.)

#### **D. Minnesota State Colleges And Universities (MnSCU)**

- a. Individual Retirement Account Plan (IRAP) Members Vested in TRA or A First Class City Teacher Plan Eligible to Purchase Service Credit. Higher Education IRAP-covered



employees who are vested in TRA or a first class city teacher retirement plan are permitted, until May 16, 2002, to purchase service credit under the various TRA or first class city teacher plan temporary full actuarial value service credit purchase provisions. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 9 and 15.)

- b. Use of College Supplemental Retirement Fund Accounts to Purchase Service Credit; Repay Refunds. Teachers who have a college supplemental retirement account may transfer assets from the account to cover service credit purchases under the various TRA or first class city teacher plan temporary full actuarial value service credit purchase provisions or to repay a refund to the applicable plan, unless prohibited under federal law. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 7 and 13.)
- c. References Revised to Reflect Changes in Bargaining Units. Three sections in Higher Education IRAP and Higher Education Supplemental Retirement Plan law are revised by changing bargaining group references, reflecting changes in those bargaining groups associated with the merger of the various higher education systems. The provisions are Section 354B.21, Subdivision 1, an IRAP eligibility provision, Section 354B.25, Subdivision 1a, an IRAP administration advisory committee provision, and Section 354C.11, Subdivision 2, the Higher Education Supplemental Retirement Plan eligibility provision. (Laws 2001, Chapter 133, Section 3,4, and 5.)

#### **E. First Class City Teacher Plans.**

Duluth Teachers Retirement Fund Association (DTRFA)  
St. Paul Teachers Retirement Fund Association (SPTRFA)  
Minneapolis Teachers Retirement Fund Association (MTRFA)

- a. Salary Definition Revised. Consistent with changes made last year in TRA law, the first class city teacher plan definition of salary 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. The applicable first class city teacher plan Executive Director is given discretion to determine whether various other amounts are salary for pension purposes. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 19.)
- b. Allowable Sources of Funds for Service Credit Purchases; Leaves of Absence; Refund Repayments. Funds to cover payments required under applicable law for service credit purchases, leaves of absences, and refund repayments, may be transferred from 401(a), 401(k), 403(b), 457(b) plans or from an individual retirement account (IRA) to the extent permitted under federal law, if the applicable first class city teacher plan member provides documentation in writing to the applicable Executive Director that the amounts are eligible for a tax-free rollover. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 20.)
- c. Data Reporting Requirements Revised; Penalties Created. Data reporting requirements are revised, similar to those created for TRA in 1994. Employing units must provide member identification (name, address, employee number, social security number); association status; employment status (full or part time, intermittent, substitute, mobility); employment position (teacher, administrator, other); employment activity (hire, termination, resumption of employment, disability, or death); leave of absence. Each payroll cycle, the employing unit must identify each employee, salary amounts, contribution amounts, and annual summary information is required by August 1. A \$5 per day fine is created for each day that member data reports are delinquent. Any retirement plan contributions not received within 30 days of being due will be certified to the Commissioner of Finance, who will deduct the necessary amounts from any aid that would otherwise be paid to the employing unit. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 22.)
- d. Reemployed Annuitant Data Reporting Requirements. By February 15, the first class city employing unit must report to the applicable first class city teacher fund association on salary or other compensation paid to each annuitant of the association for teaching reemployment during the prior year. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 23.)

- e. Revised Death Minimal Refund Provision. If a coordinated member of a first class city teacher plan dies without specifying a beneficiary, a member refund may be paid to the spouse or kin as determined under laws of descent in the absence of probate providing the refund does not exceed \$1,500, rather than \$500. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 24.)
- f. Annual Report to Serve as Investment Business Disclosure Document. An investment disclosure report included as part of the association's annual report is deemed sufficient to satisfy investment business disclosure requirements. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 26.)
- g. Out-Of-State Teaching Service Credit Purchase Provision Expanded. The first class city teacher plan out-of-state teaching service credit purchase provision is expanded to include teaching service provided in another country or teaching service where the employing unit is a federally-recognized American Indian tribe. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 11.)
- h. Developmental Achievement Center Service Credit Purchase. The first class city teacher plan provision permitting service credit purchase for teaching in a nonprofit community-based corporation, private school, or parochial school, is expanded to include teaching at a developmental achievement center. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 12.)
- i. Use of College Supplemental Retirement Fund Accounts To Purchase Service Credit; Repay Refunds. Teachers who have a college supplemental retirement account may transfer assets from that account to cover service credit purchases under the various temporary full actuarial value service credit purchase provisions applicable to the first class city teacher plan, or to repay a refund to that teacher plan, unless prohibited under federal law. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 13.)
- j. Individual Retirement Account Plan (IRAP) Members Vested in A First Class City Teacher Fund Association Plan are Eligible to Purchase Service Credit. Higher Education IRAP-covered employees who are vested in a first class city teacher plan are permitted, until May 16, 2002, to purchase service credit in the first class city plan under the various temporary full actuarial value service credit purchase provisions. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 15.)
- k. Purchase of Service Credit For Uncovered Prior Teaching at the University of Minnesota. Teachers in a first class city teacher plan who are vested, and who provided University of Minnesota teaching service but are not entitled to a current or deferred age and service retirement annuity or disability benefit related to that service, may purchase service credit in the first class city plan at full actuarial value reflecting that university service, not to exceed ten years. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 14.)

The following two sections apply to the DTRFA.

- l. Payment for Service Credit During Periods of Temporary Workers' Compensation. Any DTRFA member receiving temporary workers' compensation related to the member's teaching duties, and who is receiving reduced teacher salary or no salary, may receive full service credit for the applicable period by making an employee equivalent contribution based on the forgone salary and the applicable employee contribution rate in law. If the employee makes the payment, the employer must make a corresponding full-time equivalent employer payment. To receive the applicable service credit, the payments must be made no later than one year after the termination of the workers' compensation payments. Interest payments at an 8.5 percent annual rate are required on any payment made after June 30 of the year during which the workers' compensation payments are received. This section is effective May 1, 2001. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 21.)
- m. Repealer: DTRFA Full Funding Date Provision. Section 354A.026 (a provision enacted in 1995 as part of a DTRFA benefit increase package) which restricted the DTRFA full funding date to June 30, 2020, notwithstanding other law which would have extended the full funding date beyond the year 2020, is repealed. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 29.)

The following is a MTRA special law service credit purchase.

- n. Minneapolis Teacher, Service Credit Purchase for Period of Uncredited Service. A teacher who began employment with Independent School District No. 281, Robbinsdale, in 1962, and who began employment as a Minneapolis teacher in August 1985, but who had no MTRFA retirement contributions or Social Security contributions withheld for the 1985-1986 school year, may purchase MTRFA service credit for the 1985-1986 school year at full actuarial value. Authority expires on September 1, 2001, or the date of termination of service, whichever is earlier. (Laws 2001, First Special Session, Chapter 10, Article 17, Section 4.)

## **F. Local Police and Paid Fire Relief Associations**

The following two items apply to Minneapolis Police Relief Association election and balloting procedures.

- a. Minneapolis Police Relief Association: Voting for Board Candidates by Mail-In Ballot. Active members, retired members, and surviving spouses of the relief association have a right to vote in board member elections by mail-in ballot. (Laws 2001, First Special Session, Chapter 10, Article 14, Section 1.)
- b. Minneapolis Police Relief Association: Referendum on Voting by Mail on Bylaw Amendments. A membership referendum will be conducted by mail on the question of whether mail-in balloting will be permitted on membership consideration of future amendments to the association's bylaws. Before submitting the question to the membership for voting, the board must solicit the opinions of relief association members on the question, by mailing a request for comments to all members and by posting the request on the association's website. A 30-day comment period must be provided. The Executive Director must summarize the comments received from association members supporting and against the question of permitting mail-in balloting. The draft summary of the comments must be posted on the website for five days. If any relief association board member challenges the objectivity of the summary, the draft must be reviewed by a neutral accredited professional mediator. The recommendations of that mediator must be included in the final summary document. Ballots, including a printed copy of the referendum question, the summary of comments from the membership, and recommendations of the mediator, if applicable, will be mailed to all active members, retired association members, and surviving spouse benefit recipients.

Balloting procedures must not disclose the identity of any voting members. Ballot receipt and counting must be conducted by an accounting firm designated by the board. To be approved, the ballot question must be approved by two-thirds of those who submit ballots. If the question is approved, no proposed bylaw amendment may be submitted for membership approval by mail until January 1, 2002. (Laws 2001, First Special Session, Chapter 10, Article 14, Sections 2 and 4.)

The following item applies to members of the Eveleth Police and Fire Trust Fund.

- c. Eveleth Police and Fire Trust Fund; Ad Hoc Post-Retirement Increase. The monthly benefit received by each benefit recipient (retirees and surviving spouse benefit recipients) is increase by \$100 per month, retroactive to January 1, 2001. Local approval is required. (Laws 2001, First Special Session, Chapter 10, Article 14, Sections 3 and 4.)

An article in the state department appropriations bill (Laws 2001, First Special Session, Chapter 10, Article 15) codifies the various Minneapolis Fire Relief Association special laws, but also includes some changes in benefit provisions including, but not limited to, higher benefits for disabilitants and for unmarried retirees, and revised threshold criteria for paying the thirteenth check. Items (d) through (x) below summarize the provisions of the article.

- d. Definition of Terms. Terms used in the chapter are defined, including the membership groups (dependent, active member, retired member, surviving spouse member, deferred member, disabilitant), various terms used to compute benefits (actuarial equivalent, age, annual post-retirement adjustment, discharge, unit value, determination date, excess investment income, net excess asset amount payment, net total excess asset amount, period

of service, time-weighted total rate of return, total excess asset amount), and various terms relating to governance (board, city, fund, relief association). (Laws 2001, First Special Session, Chapter 10, Article 15, Section 1.)

- e. Nature of Association; Governance. The association is a nonprofit corporation; the association's board shall create and manage the various funds from which benefits and authorized expenses are paid. The board shall continue to govern the association until less than 100 members remain, at which time the special fund shall become a trust fund. The membership is composed of the active, deferred, retired, and surviving spouse members. Upon the death of the last benefit recipient, any remaining assets of the association revert to the city to be used for firefighting expenditures. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 2.)
- f. Board Membership; Elections. The board consists of two appointed city representatives who are not eligible to be association officers, and ten members selected by the association membership. Board officers are the President, one or more Vice-Presidents, an Executive Secretary, Treasurer, Assistant Executive Secretary, and an Assistant Treasurer. All officers are elected at the association's annual meeting in even years for a two-year term. The salaries of the Executive Secretary, President, and all other elected members may not exceed 30 percent, 10 percent, and 2.5 percent, respectively, of the salary of a first-grade firefighter. The Executive Secretary and President must post bond, with premiums to be paid from the general fund. The board will have an annual meeting and other meetings as necessary to conduct the duties of the board. The board will create a board of examiners to investigate all disability benefit applications, and to make recommendations to the board on disability eligibility and benefit matters. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 3.)
- g. Association Funds. The board must establish and administer the special fund, general fund, and health insurance accounts. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 4.)
- h. Benefits:
  - (1) Service Pension. When an active member with a minimum of five years of service terminates, and attains at least age 50, the individual receives a pension as specified in tables appearing in the law. The stated pension amounts increase with years of service, not to exceed 25. The pension benefit corresponding to specific years of service is also dependent upon the special fund's funding level. For a 25-year service pension, the pension is 41 units if the special fund's funding ratio (assets divided by liabilities) is under 90 percent; 41.5 units if the funding ratio is at least 90 percent but less than 92.5 percent; and 42 units if the funding ratio is 92.5 or more. A unit is defined as 1/80 of the maximum monthly salary of a first grade firefighter in the month in which the pension benefit is paid. For deferred members, benefits may commence upon attainment of age 50.
  - (2) Temporary Disability. If a sickness or injury is duty-related, a member may be granted a temporary disability benefit in an amount determined by the board.
  - (3) Service-Related Permanent Disability. For permanent, service-related disabilities, the benefit will be increased to 42 units, from the 40 or 41 unit benefit permitted under current law.
  - (4) Non-Service-Related Permanent Disability. For permanent non-service-related disabilities, the benefit is 41 units.
  - (5) Surviving Spouse Benefits. The surviving spouse benefit in (a) death-while-active situations, or (b) death during deferred or retired status providing the marriage occurred at least two years before termination of active service, is 22 units. If death occurs during deferred or retired status but the marriage occurred less than two years before termination of service, or if the marriage occurred during retirement, an "adjusted" 22 unit pension is payable providing the surviving spouse was married to the deceased for at least two years prior to death and was residing with the deceased at the time of death. An adjusted benefit applies if the surviving spouse is younger than the deceased. In that case, the benefit is adjusted to be actuarially equivalent to the benefit from an annuity payable to a surviving spouse assumed to be the same age as the deceased. If the

surviving spouse is actually the same age or older than the deceased, no adjustment is made.

- (6) Dependent Children. A dependent child is entitled to a benefit of 8.0 units to age 18, or to age 22 of enrolled full time in an accredited educational institution. Benefits cease if the child marries. Combined benefits to a surviving spouse and dependent children may not exceed 41 units in total.
- (7) New Provision—Benefit Enhancement for Certain Unmarried Retirees. A retired member who was not legally married on September 1, 1997, and who remains unmarried on the effective date of this legislation may select a service pension of 42.3 units notwithstanding the maximum pension of 42 units or less found in the association's service pension law.
- (8) Optional Annuities. In lieu of any of the retirement or disability benefits stated previously, as applicable, a retiring or disabled member may select a 50 percent, 75 percent, or 100 percent joint-and-survivor optional annuity equivalent in actuarial value to the retirement benefit or disability benefit, including the automatic survivor benefit coverage that would otherwise apply. These optional annuity forms may be either with or without a bounce-back feature. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 5.)
  - i. Investment-Related Post-Retirement Adjustments (Thirteenth Check). If the five-year average time-weighted rate of return is more than two percent greater than the percentage increase in the current year's top grade firefighter salary, rather than a five-year average of those salary increases as required under existing law, a thirteenth check may be paid. If the funding ratio is less than 102 percent, one-half of one percent of assets is available for distribution under the provision, allocated based on each benefit recipient's proportional share of total units. If the funding ratio is 102 percent or greater, 1.5 percent of total assets may be distributed. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 6.)
  - j. Excess Asset Amount Payments; Reporting. If the funding ratio exceeds 110 percent, in addition to all other post-retirement adjustments or payments, net excess asset amount payments can be made. The net excess asset amount payments represent a distribution of 20 percent of all assets in excess of the asset amount corresponding to a 110 percent funding level, after an adjustment reflecting the assets of active employees. Each benefit recipient's share of the net excess asset amount is based on that recipient's proportional share of total units. The Executive Secretary will submit a report on thirteenth check payment and excess asset amount payments, and how these distributions were determined, to the Executive Director of the LCPR, the State Auditor, and the Minneapolis city clerk. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 6.)
  - k. City Tax Levy Waived. If the funding ratio in any year is greater than 102 percent and subsequently drops below 100 percent, no property tax levy to amortize the deficit will be made unless a deficit is indicated in at least two successive actuarial valuations. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 6.)
  - l. Actuarial Valuation Date. The annual actuarial valuation must be completed by May 1 of each year. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 7.)
  - m. Death Refund to Beneficiaries. If an active, deferred, or retired member dies and no survivor benefit is payable, the designated beneficiary or legal representative of the estate is entitled to a refund of the employee contributions plus five percent interest from the date of death, reduced by the total of any retirement or disability benefits received, if any, prior to the member's death. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 8.)
  - n. Payments Exempt From Garnishment. Benefits under this article are exempt from garnishment. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 9.)
  - o. Applicable Laws. A service pension or other retirement benefit for or on behalf of a member must be calculated under the laws and bylaws in effect on the day the active member terminated employment. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 10.)

- p. Workers Compensation Act Not Affected. Nothing in this chapter should be interpreted as revising or otherwise impacting workers' compensation law. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 11.)
- q. Pension Reduction Right. The association may reduce the amount of pensions and benefits paid, and may subsequently increase those pensions within the limits of this chapter. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 12.)
- r. Minneapolis Finance Director Reports. Before March of each year the city Finance Director shall file reports with the Hennepin County Auditor and the state Commissioner of Revenue indicating the existence of the association and any other information that may be required. The Commissioner of Revenue will supply any documents for the city and association necessary to receive any state aids for which the city or association may qualify. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 13.)
- s. State Auditor to Examine Records. The State Auditor shall annually examine the records and accounts of the association. If any special fund assets were expended for unauthorized purposes, state aid shall cease until any amounts unlawfully expended have been replaced. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 14.)
- t. Normal Cost Payment Exemptions. Notwithstanding requirements in general law, city contributions toward normal cost are to be computed net of any active member contributions directed to the association's health insurance escrow account rather than to the special fund. If the association's funding ratio is greater than 110 percent, the city is exempted from making any normal cost contribution. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 15.)
- u. Amortization Treatment. If an unfunded liability occurs, it is to be amortized using a level contribution approach over rolling 15-year periods, with the limitation that the amortization period may not exceed the average life expectancy of the membership. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 15.)
- v. Effect on Accrued Benefits and Benefits Payable. The Legislature intends this article to recodify prior local laws applicable to the relief association. The article is not intended to increase or reduce pensions payable except for the benefit increase for unmarried members (item h.(7) above). If the Executive Secretary determines that provisions of the article do modify, impair, or diminish the benefits payable, except as indicated above, the Executive Secretary is to notify the Chair of the Senate State and Local Government Operations Committee, the Chair of the House Government Operations and Veterans Affairs Policy Committee, and the Chair and Executive Director of the LCPR. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 16.)
- w. Repealer. The various Minneapolis Fire Relief Association special laws are repealed. (Laws 2001, First Special Session, Chapter 10, Article 15, Section 17.)
- x. Effective Date; Local Approval. Sections 1 to 16 required local approval. (Note: Section 17, which repeals Minneapolis Fire Relief Association special laws, is not included in the local approval language, and no other effective date for that provision is stated. The implication is that the relief association special laws are repealed August 1, 2001.) (Laws 2001, First Special Session, Chapter 10, Article 15, Section 18.)

## **G. Volunteer Fire Relief Associations**

The item below applies to all volunteer fire relief associations.

- a. Consultant Certificate of Insurance. Before hiring or contracting with a consultant, a volunteer fire relief association must obtain a copy of the consultant's certificate of insurance. A consultant is an individual or firm providing legal or financial advice, including an actuary; attorney; accountant; investment advisor, manager, counselor, or investment manager selection consultant; pension benefit design advisor or consultant; or any other financial consultant. (Laws 2001, First Special Session, Chapter 10, Article 16.)

## II. GENERAL PENSION PROVISIONS

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

The following provision applies to all retirement plans which participate in the State Board of Investment (SBI) Post Retirement Investment Fund (Post Fund). (These would be the various plans administered by MSRS, PERA, and TRA which require or permit transfers to the Post Fund.)

- a. Post Fund Financial Reporting Revisions. The Post Fund participation provision is revised by specifying that the year-end total fair market value of each participating fund must be calculated according to generally-accepted accounting principles. The fair market value share of each participating fund must be allocated by adding to the beginning-year fair market value any funds transferred from the applicable fund to the Post Fund and a pro rata share of unrealized gains and losses based on monthly weights. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 2.)

The following provision applies to certain retirees and survivors from PERA-General, PERA-P&F, TRA, MSRS-General, MSRS-State Patrol, the three first class city teacher fund associations, and MERF.

- b. Annuitizing of Pre-1973 Retirees and Related Group Lump Sum Additional Benefits. Benefit recipients from the above mentioned plans or associations who are pre-1973 retirees, or members of similar miscellaneous groups, and who are receiving an additional lump sum annual benefit payment payable on December 1 of each year under Section 356.86 or 356.865, will have that benefit annuitized and added to the primary monthly pension benefit. Pension plans which participate in the SBI Post Fund must transfer necessary reserves to cover this annuitization by January 31, 2002. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 25.)

A temporary parental/family leave service credit purchase provision was enacted, applicable to members of various pension plans. The provision is described in item (c) below. Applicable plans specifically mentioned in the provision are the general and correctional plans within the MSRS system, the general and police and fire plans within PERA, TRA, the first class city teacher plans, MERF, and the Minneapolis Police and Fire plans. The MSRS and PERA plan administrators may interpret the language as also being applicable to some other plans within their systems. The parental/family leave provision expires on May 16, 2003.

- c. Parental/Family Leave or Break-in-Service Service Credit Purchase Provision. A member of an applicable plan, as described above, who had or has a family leave of absence, a parental leave, or a break in service from the same employer due to parental or family-related matters (due to birth of a child, adoption, or care of a near relative or in-laws), may purchase service credit for the period of the leave or break in service, not to exceed five years, by paying the full actuarial value of the service credit purchase. Allowable service credit provisions in the pension plans to which this provision applies are temporarily revised to include any period purchased under this leave/break-in-service provision. (Laws 2001, First Special Session, Chapter 10, Article 6, Sections 1 to 4, 10, 12, 16 to 20.)

The revised methodology which the Legislature adopted a few years ago for computing full actuarial value cost estimates for service credit purchases was revised in the 2001 Special Session by extending the expiration date for using this procedure. This methodology currently is used for computing the price of service credit purchases under the various generalized service credit purchase provisions enacted into law in recent years, under the family/parental leave of absence/break-in-service provision enacted this Session, and in all special law purchases of service credit unless some other procedure is specified.

- d. Use of Revised Full Actuarial Value Methodology Extended. The revised full actuarial value methodology (found in Section 356.55 of statutes) expires on July 1, 2003, rather than July 1, 2001, and authority for any plan administration to accept a payment computed using the procedure expires on October 1, 2003, rather than on October 1, 2001. (Laws 2001, First Special Session, Chapter 10, Article 6, Section 16.)

The three major pension systems, MSRS, PERA, and TRA, are required to provide a study of implementation steps needed to consolidate the systems.

- e. Implementation Plan; Major Statewide Pension Systems Administrative Consolidation. MSRS, PERA, and TRA must prepare a report detailing implementation steps necessary to consolidate the three systems into a single administrative structure. The report must include the detailed steps, a timetable, and draft implementation legislation. The report must be filed by February 15, 2003, with the Chair of the LCPR, the Chair of the Senate State and Local Government Operations Committee, and the Chair of the House Government Operations and Veterans Affairs Policy Committee. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 19.)

The three first class city teacher plans and TRA must provide an implementation plan to aggregate the teacher pension systems.

- f. Implementation Plan; TRA, First Class City Teacher Plan Report on Merged, Restructured Teacher Plan System. The four teacher fund systems must prepare a report detailing implementation steps necessary to merge and restructure the existing teacher plans systems into a single system. In preparing the report, the administrators must consult with a task force composed of representatives of the employee bargaining units and the employing units. The report must include the detailed steps, a timetable, and draft implementation legislation. The report must be filed by February 15, 2002, with the Chair of the LCPR, the Chair of the Senate State and Local Government Operations Committee, and the Chair of the House Government Operations and Veterans Affairs Policy Committee. (Laws 2001, First Special Session, Chapter 10, Article 11, Section 20.)

The LCPR is required to recommend a mechanism to recover unpaid member and employer pension plan contributions from closed charter schools.

- g. LCPR Study of Closed Charter School Unpaid Pension Contributions. The LCPR is required to study and recommend a mechanism to recover unpaid employee and employer contributions from closed charter schools. The study shall include draft proposed legislation and must be filed by February 15, 2002, with the Chairs of the Senate State and Local Government Operations Committee and the Senate Education Committee; and with the Chairs of the House Government Operations and Veterans Affairs Committee and the House Education Committee. (Laws 2001, First Special Session, Chapter 10, Article 14, Sections 1 and 2.)

The following items apply to all Minnesota public pension plans, but the change is technical rather than substantive in nature. In Laws 2001, Chapter 7, a Revisor's Bill intended to make technical corrections, various sections in Minnesota Statutes, Chapter 356, Retirement Systems, Generally, were revised by changing a cross-reference used in defining "public pension plan" or "public pension fund," which appears in those three sections. Those three sections had referenced Section 356.61, a provision previously applicable to all public plans but which was repealed by the 2000 Legislature. Applicable sections in the Revisor's Bill strike the reference to the repealed section, Section 356.61, and attempt to substitute a reference to a comparable provision referencing all Minnesota public plans. However, a typographical error was made in the new reference in one of the provisions, which should refer to Section 356.615, paragraph (b), rather than Section 365.615, paragraph (b).

- h. Technical Correction in Referencing All Public Plans. The reference used in the "public pension fund" definition appearing in Section 356.371, an application-for-retirement-annuity provision, and in Section 356.65, a disposition-of-unclaimed-public-pension-fund-account provision, are revised by striking a reference to a repealed provision and substituting a comparable cross-reference to a currently applicable law. (Laws 2001, Chapter 7, Sections 65 and 67.)
- i. Change in Cross-Reference to All Public Plans. The "public pension plan" reference appearing in Section 356.62, the employee-contribution-pick-up provision, is revised by removing a reference to a repealed provision and substituting a cross-reference to Section 356.615, paragraph (b). (This is a probable error. The correct reference should be Section 356.615, paragraph (b)). (Laws 2001, Chapter 7, Section 66.)



A similar reference change was made in an LCPR data request provision.

- j. Corrected Cross-Reference, LCPR Data Request Provision. The LCPR data request provision (Section 3.85, Subdivision 6) is revised by correcting an obsolete cross-reference. (Laws 2001, Chapter 7, Section 1.)

### 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.

The following item is a data privacy provision for the first class city teacher plans.

- a. First Class City Teacher Plan Benefit Recipient Data Classification. For the first class city teacher plans, the following data on benefit recipients are private: home address, date of birth, direct deposit number, and tax withholding data. (Laws 2001, First Special Session, Chapter 10, Article 3, Section 3.)

The following item applies to all Minnesota public pension plans.

- b. Open Meeting Law Coverage Extended. The Open Meeting Law is revised to make all board and committee meetings of statewide and local public pension plans subject to the open meeting law. (Laws 2001, First Special Session, Chapter 10, Article 4.)

The following provision includes allows certain American Indian tribal governments to share in the police state aid program.

- c. Expanded Police State Aid Eligibility. Definitions in police state aid law are revised to permit police officers with the power to arrest, who are working for tribal police departments under American Indian tribal government to be included in the police state aid program. (Laws 2001, First Special Session, Chapter 10, Article 5.)

Provisions passed during the Special Session authorize creation of investment trusts with separate employee accounts, from which a covered employee can make withdrawals during retirement to help cover health-care-related costs.

- d. Post-Retirement Health Care Savings Plan. MSRS will establish a post-retirement health care savings plan or plans, allowing public employees in state and local government to save to cover post-retirement healthcare costs. One or more trusts will be used with separate accounts for each individual, as permitted under Internal Revenue Code, to provide tax-preferred or tax-free treatment of contributions, earnings, and distributions. MSRS is authorized to contract with public and private entities to provide investment services, record-keeping, benefit payouts and other functions. SBI Supplemental Fund investment options may be offered. Contributions are to be determined through personnel policy or through collective bargaining agreements. The law states that public employers are not obligated to meet and bargain with employee group representatives regarding an employer contribution to the plan or plans, and that it is not the Legislature's intent to authorize the state to incur new funding obligations for retiree healthcare costs or for plan administration. After retirement, a covered employee can draw from the assets of his or her account to cover healthcare-related costs. If the retiree dies before the account is exhausted, the remainder can be used by the spouse or dependents for their healthcare-related costs. (Laws 2001, First Special Session, Chapter 10, Article 7, Section 1.)
- e. Expanded Eligibility, Long-Term Care Insurance Program. A long-term care insurance program recently enacted by the Legislature is revised by extending eligibility to terminated and retired state employees. (Laws 2001, Chapter 94, Section 1.)
- f. Exceptions to the Supplemental Pension Plan Prohibition. Two additional exceptions are added to the prohibition against creation of new supplemental pension or deferred compensation plans. The first is by allowing an exception for the post-retirement healthcare savings plan mentioned above. The second is for a laborer's national industrial pension fund for the employees of a governmental subdivision, with an employer contribution not to

exceed \$2,000 per year per employee. (Laws 2001, First Special Session, Chapter 10, Article 7, Section 2.)

The following change in a police state aid provision presumably is an effort to minimize the impact of a repeal of the automobile self-insurance tax. That tax had been directed to the police state aid program.

- g. Automobile Risk Self-Insurance Tax Repealed; Comparable Amount Added to Police State Aid. Starting in fiscal year 2002 and each year thereafter, the total police state aid amount for distribution is increased by an amount equal to the tax on automobile risk self-insurance that was collected in fiscal year 2001. The automobile self-insurance tax, which had been dedicated to police state aid, is repealed. (Laws 2001, First Special Session, Chapter 5, Article 13, Sections 1 and 15.)

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