

Background Information on Port Authorities and Retirement Coverage by the PERA-General Retirement Plan

In General

Although the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) covers most local government public sector employing units in Minnesota, the retirement plan does not cover all port authorities in the state.

Port Authorities in General

Based on the best available information obtained by the Commission staff, 27 port authorities have been established or authorized by state law in Minnesota.

- In 1929 (Laws 1929, Ch. 61), the Legislature authorized the creation of port authorities in every city with more than 50,000 inhabitants, then defined as a city of the first class, and located on, adjacent to, or embracing within its boundaries in whole or in part a port or harbor on a navigable lake or stream which in any year has handled 40 million tons of freight. Except for authority to operate a toll bridge granted in 1941 (Laws 1941, Ch. 52, Sec. 1), the port authority law was unchanged until 1955 and 1957.
- Laws 1955, Chapter 685, clarified the legal independent status of port authorities, and permitted port authority governing boards to consist of seven commissioners instead of three, permitted the Duluth Port Authority to receive the proceeds of a property tax levy by St. Louis County, clarified the broad ownership authority of port authorities over port facilities, and permitted broad engineering employment or contract powers by port authorities.
- Laws 1957, Chapter 812, Sections 1 and 2, permitted first class city port authorities to function within the entire geographical confines of the first class city and increased the governing board of some port authorities to seven commissioners. The balance of Laws 1957, Chapter 812, authorized the creation of industrial development districts.
- Laws 1957, Chapter 831, Section 1, specified that port authorities on the Great Lakes-St. Lawrence Seaway system were to be known as seaway port authorities.
- In 1959 (Laws 1959, Ch. 316), clarification was added to Minnesota Statutes, Sections 458.09 to 458.19, that the general law applied solely to seaway port authorities, with Minnesota Statutes, Sections 458.191 to 458.1991, applicable to other port authorities.
- In 1987 (Laws 1987, Ch. 291, Sec. 49-90), the port authority law was recodified as Minnesota Statutes, Sections 469.048 to 469.089.

Port Authorities and Minnesota Public Employee Defined Benefit Retirement Plan Coverage

Before 1959, Minnesota Statutes were silent or unspecific about retirement coverage by a public employee retirement plan for port authorities and seaway port authorities.

- In 1959 (Laws 1959, Ch. 447, Sec. 3, and Ch. 633, Sec. 1-2), port authority employees were included in coverage under the federal Old Age, Survivors, and Disability Insurance Program, more commonly known as Social Security, amending a 1955 law (Laws 1955, Ch. 684) initially enacted for municipal housing and redevelopment authority employees. Also in 1959 (Laws 1959, Ch. 650, Sec. 2), seaway port authorities were specifically excluded from General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) retirement plan coverage.
- In 1961 (Laws 1961, Ch. 746, Sec. 1-2), the 1959 seaway port authority PERA-General exclusion was broadened to include all port authorities, with a legislative intent section that indicated that the exclusion in 1959 was intended to be all port authorities and the inclusion of only seaway port authorities was inadvertent. Social Security coverage was not extended to public employees covered by PERA-General until 1963 (Laws 1963, Ch. 793, Sec. 1-11) for public hospital employees and, after much controversy and even state court litigation, until 1967 (Laws 1967, Ch. 687, Sec. 10-21) for other PERA-General covered employment positions. While the Commission office does not have records contemporaneous with the 1959-1961 exemption of port authority employees from PERA-General, it is likely that the 1959-1961 PERA-General exclusion was a function of the presence of Social Security coverage for port authority employees in 1959 and the nature of PERA-General in 1959 as a basic program, without any accommodation for Social Security coverage, and not any other apparent pension policy consideration specific to the Seaway Port Authority of Duluth.

Of the three port authorities about which the Commission staff has specific information, the Seaway Port Authority of Duluth, the St. Paul Port Authority, and the Red Wing Port Authority, the Seaway Port Authority of Duluth and the St. Paul Port Authority each established its own defined contribution retirement plan in response to the 1959-1961 exclusion from PERA-General, and the Red Wing Port Authority incorrectly had retirement coverage for its employees by PERA-General by virtue of using the City of Red Wing as its fiscal agent, blurring its excluded status.

- In 2003 (1st Spec. Sess. Laws 2003, Ch. 12, Art. 4, Sec. 1-5, 7-9), prospective retirement coverage for St. Paul Port Authority employees was authorized by PERA-General and St. Paul Port Authority employees were permitted to purchase prior service credit in PERA-General for past port authority employment with a full actuarial value payment.
- In 2011 (1st Spec. Sess. Laws 2011, Ch. 8, Art. 1, Sec. 1-3), past PERA-General coverage for pre-May 1, 2011, Red Wing Port Authority employees was validated and prospective PERA-General coverage was authorized for those pre-May 1, 2011, Red Wing Port Authority employees.
- In 2012 (Laws 2012, Ch. 286, Art. 13, Sec. 1-3), prospective retirement coverage for the Seaway Port Authority of Duluth employees was authorized by PERA-General and Seaway Port Authority of Duluth employees were permitted to purchase prior service credit in PERA-General for past seaway port authority employment with a full retirement value payment.

The remaining 24 port authorities authorized by Minnesota Statutes, Sections 469.069 to 469.089, are excluded from PERA-General coverage, but it is unclear whether or not many (or any) of the established port authorities have permanent full-time employees, since many may exist to access the special economic development powers that have been vested in port authorities and may utilize existing municipal employees to perform any related administrative duties. The port authorities are:

Albert Lea	Hastings	Roseville
Austin	Koochiching County	St. Cloud
Bloomington	Minneapolis	South St. Paul
Breckinridge	North Mankato	Wabasha
Cannon Falls	Ortonville	Wadena
Detroit Lakes	Plymouth	Warroad
Fergus Falls	Redwood Falls	White Bear Lake
Granite Falls	Rosemount	Winona

Seaway Port Authority of Duluth

1. Creation. The Seaway Port Authority of Duluth is a public agency created by state statute in 1955 to expand and improve facilities at the Port of Duluth-Superior in anticipation of the opening of the St. Lawrence Seaway in 1959. In 1957, with \$10 million in public funding, the Port Authority created the 120-acre Clure Public Marine Terminal, which is the port's only general cargo facility. The Seaway Port Authority of Duluth operates under Minnesota Statutes, Sections 469.048 through 469.068 and 469.074.
2. Board of Directors. The members of the board of directors of the Seaway Port Authority of Duluth are:
 - Bill Kron, a retired St. Louis County Commissioner (St. Louis County Board appointee)
 - Steve Raukar, a St. Louis County Commissioner (St. Louis County Board appointee)
 - Cal Larson, a retired Minnesota State Senator (Minnesota Governor appointee)
 - Ray Klosowski, the retired Duluth Airport Authority executive director (Duluth City Council appointee)
 - Lowell Hellervik, the board chair and chief executive officer of PDI Personnel Decisions International in Minneapolis (Minnesota Governor appointee)
 - Norm Voorhees, a market development representative for the Iron Workers Union Local 512 (Duluth City Council appointee)
 - Rick Revoir, an assistant professor in the School of Business & Technology at the College of St. Scholastica (Duluth City Council appointee)
3. Facilities. The port of Duluth-Superior is the largest tonnage port on the Great Lakes and ranks among the top 20 ports in the United States, handling an average of 46 million short tons of cargo and hosting more than 1,100 vessel visits each year. The Seaway Port Authority of Duluth owns and manages multiple waterfront properties, including the Clure Public Marine Terminal, the Garfield Docks C & D, the Erie Pier, and an industrial park near the Duluth International Airport.

4. Authority Functions. The Seaway Port Authority of Duluth undertakes five functions, which are:
 - a. Administration. The Authority oversees all departments and monitors all enterprise operations within the Port District. Revenue consists principally of rental revenues. Substantially all property and equipment is leased to others.
 - b. Port Promotion. The Authority promotes the use of the Port of Duluth on a local, regional, national and global basis; responds to the needs of both the users of the Port and the providers of services within the Port; and encourages shippers to use the public marine terminal.
 - c. Port Development. The Authority oversees owned property and facilities and assists with development of the private and public enterprise operations within the Port District.
 - d. Marine Terminal. The Authority owns maritime facilities that are operated by a private company under an operating agreement.
 - e. Tax Increment Financing District. The Authority administered Rice's Point Industrial Development District, which was a tax increment financing district organized under Minnesota law and which was decertified in 2008.

5. Annual Revenue and Expenses. Operating revenue for the Seaway Port Authority of Duluth is generated through land leases, storage and dockage fees, economic development investments and related financing activities. Additional funding is provided by grants from the state's Port Development Assistance Program, the City of Duluth tax levy, and project specific federal grants.

The Seaway Port Authority of Duluth had revenues of \$7,008,429 in fiscal year 2008 (of which property taxes represented 14.11% and grants represented 15.28%), \$6,367,315 in fiscal year 2009 (16.12% and 2.12%, respectively), and \$4,084,861 in fiscal year 2010 (25.82% and 0%, respectively).

The Seaway Port Authority had expenditures of \$3,425,527 (of which administration represented 28.63% and depreciation represented 34.33%) in fiscal year 2008, \$3,634,976 in fiscal year 2009 (30.10% and 33.06%, respectively), and \$3,746,334 in fiscal year 2010 (29.62% and 31.05%, respectively).

The Seaway Port Authority had net assets of \$32,984,646 in fiscal year 2008, \$35,716,985 in fiscal year 2009, and \$36,055,512 in fiscal year 2010.

6. Authority Employees. The Seaway Port Authority of Duluth employs ten persons, an executive director; a chief financial officer, an industrial/economic development director, a trade development director; a facilities manager, a public relations manager, an executive assistant, a secretary, an accountant; and an accounting technician. The loading and unloading activities for cargos routed through the Port of Duluth-Superior are handled through a contractor that is retained by the authority and are not directly employed by the authority.

7. Prior Staff Retirement Coverage. The Seaway Port Authority of Duluth employees were previously covered by a federal Internal Revenue Code Section 401(a) defined contribution plan administered by a third-party vendor.

Red Wing Port Authority

1. Creation. The Red Wing Port Authority was created by the City of Red Wing in 1985. The Port Authority is a political subdivision of the State of Minnesota and is governed by Minnesota Statutes, Section 469.081. The Red Wing Port Authority is the economic development agency for the City of Red Wing. The Port Authority's primary goal is to help companies to take advantage of the opportunities to expand and grow in the economy of Red Wing.

2. Board of Directors. The Red Wing Port Authority is governed by a board of eight members, of which one is an ex officio member as Red Wing City Council Administrator and two are members of the Red Wing City Council. The Port Authority members are:
 - Chapman Achen, Owner, Chap Achen Photography
 - Scott Adkisson, CEO/President, Diversion Solutions, LLC
 - Michael Grove, President, Merchants Bank - Red Wing
 - Kay Kuhlmann, Red Wing City Council Administrator
 - Marilyn Meinke, Red Wing City Council Member
 - John Sachen, Project Manager, Supply Chain Operations, Red Wing Shoe Company
 - Michael Schultz, Red Wing City Council Member
 - Chris Simonson

3. Facilities. The Red Wing Port Authority owns and operates the largest marina in Red Wing, Ole Miss Marina, a two-site, 284-slip marina located at Bay Point and Colvill Parks.

4. Authority Functions. The Red Wing Port Authority provides the following services:
- operates a revolving loan fund with a portfolio exceeding \$3 million to fill the financing gaps in both business expansions and start-ups;
 - partners with the state and federal governments and the private sector to coordinate financing and to turn projects into reality;
 - administers Red Wing's Tax Increment Districts;
 - partners with other organizations, such as the Red Wing Housing and Redevelopment Authority;
 - can issue Industrial Revenue Bonds to finance, in whole or in part, the cost of acquisition, construction and reconstruction;
 - owns over 100 acres of developable land, complete with infrastructure, including land in two industrial development parks, the River Bluffs Development Park and the New Industrial Business Park;
 - operates a riverfront bulk transfer facility (bulkheads), facilitating the shipping of bulk commodities via water transport;
 - owns and operates Ole Miss Marina, a two-site, 284-slip marina located at Bay Point Park and at Colvill Park; and
 - offers site selection assistance.

5. Annual Revenues and Expenses. Operating revenues for the Red Wing Port Authority is generated from property taxes, other taxes, intergovernmental transfers, service charges, investment income, lease payments, investments, and city government contributions.

Red Wing Port Authority had revenues of \$708,755 in calendar year 2010 and \$836,583 in calendar year 2011 (of which property taxes represented 40.00% and 35.33% respectively, lease payments represented 25.34% and 24.41% respectively, and city contributions represented 18.27% and 25.70% respectively).

The Red Wing Port Authority had expenditures of \$778,330 in calendar year 2010 and \$679,788 in calendar year 2011 (of which personnel expenses represented 36.77% and 40.67% respectively, other services and charges represented 55.55% and 52.29% respectively, debt services represented 6.97% and 6.48% respectively).

The Red Wing Port Authority had net assets of \$1,172,473 in calendar year 2010 and \$1,329,268 in calendar year 2011.

6. Authority Employees. The Red Wing Port Authority currently has four employees, an executive director, a business development director, a marina manager, and an executive assistant. The Port Authority staff also serves as the staff for the Greater Red Wing Development Corporation. The Greater Red Wing Development Corporation, comprised of community leaders, was formed in 2005 to provide additional financing opportunities for expanding and new businesses in the community.
7. Prior Staff Retirement Coverage. Apparently because of the close link between the city and the Port Authority, the Port Authority employees were reported as members of the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General), despite their exclusion from PERA-General coverage under Minnesota Statutes, Section 353.01, Subdivision 6, Paragraph (c). In 2003, employees of the Port Authority hired before May 1, 2011, were grandparented in PERA-General retirement coverage. The retirement coverage for post-April 30, 2011, hires of the Port Authority is unclear.

St. Paul Port Authority

1. Creation. The Port Authority of the City of St. Paul was created in 1932 under general port authority authorizing legislation enacted in 1929 (Laws 1929, Ch. 61). The Port Authority was formed as a direct result of a decision by the U.S. Congress in the 1920s to have the U.S. Army Corps of Engineers dredge a nine-foot channel in the Mississippi River between St. Paul and New Orleans. With the transfer from the city to the Port Authority of Barge Terminal 1 in 1932, the Port Authority began managing the commodities transfer throughout 2.1 miles of the St. Paul Harbor. Col. George C. Lambert helped form the Port Authority in 1932 and served as the first president of an organization charged with operating a barge terminal at Childs Road. The Port Authority continues to manage four Mississippi River terminals that serve as a commodities hub for grain, oil seeds, fertilizers, scrap steel, coal, and gravel, among other things.

2. Board of Directors. The members of the board of directors of the St. Paul Port Authority are:
 - Richard Anfang, President, Minnesota Building Trades Council
 - W. Andrew Boss, Chairman of the Board, Drake Bank
 - Daniel Bostrom, Councilmember, St. Paul City Council, Ward 6
 - Michael D. Goldner, Founder and Managing Director-Retired of Goldner Hawn Johnson & Morrison, Inc.
 - Joan A. Grzywinski, Retired President, Wells Fargo, St. Paul and South Minneapolis Districts
 - Kathleen Lantry, Councilmember, St. Paul City Council, Ward 7
 - John Regal, Director of Risk Management at Securian Financial Group
3. Facilities. The St. Paul Port Authority owns a majority of the multi-modal Mississippi River Terminal property, where commodities are loaded onto and unloaded from barges. Nearly 5.2 million tons of commodities passed through Twin Cities river terminals, Barge Terminals 1 and 2, Southport and Red Rock, in 2010.
4. Authority Functions. In addition to functions related to its four Twin Cities river terminals, the St. Paul Port Authority also is a major economic and industrial development agency in St. Paul. The Port Authority has helped hundreds of manufacturing businesses find and get into the perfect location and has taken underdeveloped and abandoned land, and revitalized the space for new businesses and other uses by the community. Since 1995, the St. Paul Port Authority has returned nearly 155 acres of land to the tax rolls, with a combined \$165 million in private real estate investment in the neighborhoods that ring downtown and the creation or retention of nearly 27,000 jobs in the east metro through various workforce development programs.
5. Annual Revenues and Expenses. The St. Paul Port Authority does not make its annual financial reports public.
6. Authority Employees. The St. Paul Port Authority employs an administrative staff of an undisclosed size.
7. Prior Retirement Coverage. Before 2003, the St. Paul Port Authority had its own defined contribution employee benefit plan for all full-time employees who met its age and length-of-service requirements. Employees participating in the plan could authorize voluntary payroll deductions ranging from 0% to 15% of their compensation as defined by the plan. The Port Authority provided a matching contribution of up to 3%, and made an additional annual contribution of approximately 3% to employees employed as of December 31. Total employer contributions to the plan reportedly were \$104,176 in 2001 and \$90,775 in 2002.