

TO: Legislative Commission on Pensions and Retirement
FROM: Karen Dudley
RE: Miscellaneous Provisions of 1982 Legislation
DATE: May, 1982

The following provisions enacted by the 1982 Legislature are applicable to the State Board of Investment (SBI) and the first class city funds, the Minneapolis Employees Retirement Fund (MERF), the Duluth Teachers Retirement Fund Association (DTRFA), the Minneapolis Teachers Retirement Fund Association (MTRFA) and the St. Paul Teachers Retirement Fund Association (StPTRFA):

I. Provisions Relating to SBI

A. SBI Authorized to Hire Investment Management Firms

Laws 1982, Chapter 587, Section 1 (SF 1239) amended Minnesota Statutes, Section 11A.04, to authorize the state board to employ qualified private firms to invest and manage assets. Fees are to be paid from the assets invested. The state board is to report annually to the governor and legislature on the cost and the investment performance of each management firm employed.

B. SBI Authorized to Invest in Housing Finance Agency Loans

Laws 1982, Chapter 587, Section 2 (SF 1239) amended Minnesota Statutes, Section 11A.24, to authorize the state board to purchase pools of residential mortgages from the housing finance agency. The board was also authorized to enter into a commitment with the agency to purchase bonds in the future for up to twelve years from the date of issue. The board was authorized to charge reasonable fees for the commitment, required to earn comparable yields as those available on other mortgage loans, and authorized to enter into other investment agreements with the agency.

II. Provision Applicable to Hennepin County Supplemental Plan

A. Phase-Out of Supplemental Plan Authorized

Laws 1982, Chapter 450 (HF 1735) amended the special law governing the Hennepin County Supplemental Retirement Program to provide for the phase-out of the program:

a) Section 1 entitles eligible employees of the county to elect to retain coverage by the program or to obtain coverage by the program upon completing five years of service. Eligible employees are those employed as Hennepin County employees on the effective date of March 19, 1982;

b) Section 4 authorized current participants to withdraw from the program with the right to withdraw the total amount of cash realized on the redemption of the shares in the account, rather than only one half of the cash as provided by the previous law; and

c) Section 7 repealed the provision which made participation in the program mandatory for eligible employees.

III. Provision Applicable to MERF

A. Purchase of Service Credit in MERF by Minneapolis HRA Employee

Laws 1982, Chapter 491, Section 3 (SF 1715) authorized an assistant city coordinator transferred to the Minneapolis Housing and Redevelopment authority to purchase prior service credit from MERF for actual service with the HRA from May 4, 1964 to June 4, 1975. The payment amount is to be the full actuarial value of the additional annuity purchased. The authority to make a lump sum payment or to make an installment agreement expires on July 1, 1983.

IV. Provisions Applicable to First Class City Teacher Funds:

A. First Class City Teachers Law: Clarification of Exemption from Legal Process

Laws 1982, Chapter 578, Article I, Section 9 (HF 438) amended Minnesota Statutes, Section 354A.11, to clarify that the exemption of all moneys deposited in a teachers retirement fund association includes every legal process including, but not limited to, divorce, legal separation and child support.

B. MTRFA Authorized to Amend Articles of Incorporation to Permit Purchase of Military Service Credit

Laws 1982, Chapter 578, Article II, Section 3 (HF 438) authorized the Minneapolis Teachers Retirement Fund Association to amend its articles of incorporation to permit members with at least 15 years of teaching service to purchase credit for up to 4 years of active military service.

MTRFA members were entitled to purchase prior military service by Section 1, Subdivision 7 of Article II of Chapter 578.

Article II, Section 2, governs the calculation of payment and manner of payment. The authority to make payment or to make an installment agreement expires on July 1, 1985, or the date the member terminates active service, whichever is earlier.

TO: Legislative Commission on Pensions & Retirement

FROM: Karen Dudley, Commission Staff

RE: 1982 Legislation Pertaining to the Local Police, Salaried Firefighters and Volunteer Firefighters Relief Associations

DATE: May, 1982

The following legislation enacted by the 1982 Legislature is applicable to the various local police and firefighters relief associations:

I. General Legislation Applicable to Police and All Fire Relief Associations

A. Modification of Reports and Requirements for Police and Fire State Aid Programs

Laws 1982, Chapter 460, Sections 1 to 6 (SF 1591), amended Minnesota Statutes, Chapter 69, which governs the fire and police state aid programs. The amendments were intended to simplify the reporting requirements of and the operation of the police and fire state aid programs:

a) Sections 1 and 3 together amend Sections 69.11 and 69.051 to permit the filing of a single form to be completed by and filed jointly by the municipal clerk and the secretary and treasurer of the relief association by March 1 annually. The single form for firefighters is a consolidation of the fire department personnel and equipment certificate required by Section 69.011 and the state aid financial report required by Section 69.051. The single form for police associations is a consolidation of the police department and qualified police officers' certificate required by Section 69.011 and the police state aid financial report required by Section 69.051;

b) Section 2 amended Section 69.021 to change the presumptions regarding receipt of police and fire state aid so that a former state aid recipient is presumed to be qualified unless subsequently determined to be disqualified. If later examination reveals that the recipient was not in fact qualified, then the recipient is retroactively disqualified and the state aid payments plus interest at the maximum lawful interest rate is to be recovered; and

c) Sections 5 and 6 amend Sections 69.77 and 69.771 to provide that state aid recipients disqualified from receiving state aid shall be entitled to again receive state aid with payment beginning in the year occurring immediately after the year in which the disqualification was remedied.

II. Provisions Applicable to Volunteer Firefighters Relief Associations

A. Clarification of Crediting Service Credit for Probationary Service

Laws 1982, Chapter 460, Section 7 (SF 1591), amended Minnesota Statutes, Section 424A.01, by adding a subdivision to clarify that service as a probationary member shall be credited as service as a volunteer firefighter unless the bylaws of the association specifically prohibit the crediting.

B. Payment of Service Pensions and Disability Benefits Clarified

Laws 1982, Chapter 460, Section 8 (SF 1591), amended Minnesota Statutes, Section 424A.02, to clarify that volunteer firefighters' relief associations may not pay a service pension or disability benefit to a person unless the person has terminated active service with the relief association.

C. Alteration of Financing and Benefit Amounts

Laws 1982, Chapter 465 (SF 787) amended portions of three chapters of Minnesota Statutes which govern relief associations for volunteer firefighters, Chapters 69, 424 and 424A:

a) Section 1 amended Section 69.772 which governs the determination of accrued liability for volunteer firefighters to require that if the bylaws provide for the payment of lump sum benefits in installments that the amount of the interest be added to the accrued liability attributable to each retired member;

b) Sections 2 through 6 amended sections of Chapter 424, the law governing second class city firefighters relief associations which include both paid and volunteer members, to clarify that the second class city law governs benefits paid to salaried firefighters and that the volunteer firefighters law governs benefits paid to volunteer firefighters;

c) Section 7 amended Section 424A.02, by providing certain clerical corrections to the charts listing the flexible service pension maximums for funds paying monthly benefits and by raising the service pension maximums by 50% over the previous maximums to \$450 for funds paying monthly benefits and to \$60,000 for funds paying lump sum benefits. The expanded charts list the maximum service pension amounts payable based on minimum average available financing per firefighter; and

d) Section 8 amended Section 424A.02 to provide that despite the limitation that ancillary retirement benefits shall not exceed in amount the amount of service pension accrued to date, for members who die prior to performing five years of active service, the amount of ancillary retirement benefits payable may equal up to five times the yearly service pension amount.

D. Benefit Improvements Without Municipal Ratification in Certain Instances
Laws 1982, Chapter 421 (SF 786), amended Minnesota Statutes, Sections 69.772, 69.773 and 424A.02, to authorize certain volunteer firefighters relief associations to increase benefit levels without municipal ratification. Only those relief associations which do not receive any municipal financial support are eligible to increase benefits without municipal ratification. Benefit amounts are governed by the flexible service maximum law with the amount of available financing per firefighter to not exceed 90% of the amount of the surplus over full funding or the expected amount of future fire state aid. The law also provided that if the level of expected future state fire aid is insufficient to support the higher benefit level that the level of benefits shall be reduced to the level formerly approved with municipal ratification.

III. Provisions Applicable to Local Police and Salaried Firefighters

A. Modification of Disability Benefit Provisions

Laws 1982, Chapter 610, Sections 2 to 7, amended Minnesota Statutes, Chapter 423A, to provide various modifications in the laws governing disability benefits for local police and salaried firefighters relief associations.

a) Section 2 added a new section to authorize six municipalities to approve duty or non duty related disability benefits equal to 40% of the current salary paid to active top grade patrol officer or firefighter. The benefits are to be subject to the same escalation or adjustments as service pensions. The municipalities are required to consider actuarial data before the approval of the benefit modifications and to file the necessary approvals before January 1, 1983.

b) Section 3 added a new section to require the termination of a disability benefit at the age when the member would have been eligible for a service pension if the member had remained on active duty. The section also requires the recomputation of the benefit as a service pension in an amount at least equal to the disability benefit but without any benefit offset. Finally, the section requires that a member who becomes disabled after meeting the age and service requirements for a service pension shall not receive a disability benefit, but rather receive a service pension equal to the greater of either the amount the member would have received from a disability benefit, or the amount the member would have received from a service pension based on active duty;

c) Section 4 added a new section to provide that each city in which a local relief association is located shall make every reasonable attempt to provide less hazardous duty positions. These positions are to be in the police or fire department and with the same compensation, fringe benefits, and other terms and conditions of employment as a police officer or firefighter of the same rank and experience; and

d) Section 5 added a section which required that until the Workers' Compensation Law requires an offset against workers' compensation benefits for the amount of disability benefits that the disability benefit is to be reduced so that the amount of the disability benefit paid plus the workers' compensation benefit, less any amounts payable as attorney fees, medical

benefits or rehabilitation benefits, does not exceed the salary currently payable to the employment position held by the person at the time of disability. However, the amount of the reduced disability benefit cannot exceed the amount of the disability benefit otherwise payable by the relief association. No offset is required after a disability benefit is recomputed as a service pension. Finally, the section required each city to report to the secretary of the relief association monthly on the amount paid to disabled members for workers' compensation benefits. Section 5 applies to any person who first commences receipt of a disability benefit only after the effective date of the section, March 24, 1982.

B. Limitation of Powers of City Officials

Laws 1982, Chapter 578, Article I, Sections 11 and 19 (HF 438) amended Chapter 423A to add a section formerly applicable only to second class city police relief associations to limit the powers of city officials. Section 19 repealed the second class city police law. The Section 11 provides that when the relief association governing board determines what is necessary to adequately protect, maintain and administer the relief association, that city officials may not deny adequate representation for that purpose. The section also states that duties performed by a relief association member pursuant to the section are to be deemed police or fire duties.

C. Clarification of Municipal Authority to Modify Benefits

Laws 1982, Chapter 574, Section 7 (HF 1697) clarified that municipalities which approved benefit modifications pursuant to the 1980 law phasing out the local relief associations are not authorized to modify those benefit changes without further legislative approval.

IV. Provisions Applicable to Police Relief Associations

A. Removal of Salary Limit for Relief Association Officers

Laws 1982, Chapter 403 (SF 1727), amended Minnesota Statutes, Section 423.08, to remove the \$500 limit on salaries payable to officers of second class city police relief associations. These salaries are now governed by the provisions of Section 69.80 which permits the payment of any necessary reasonable and direct expenses including salaries and itemized expenses of association officers incurred as a result of fulfilling their administrative duties.

V. Provisions Applicable to Individual Local Police and Salaried Firefighters Relief Associations

A. Virginia Fire Repayment of Refund Authorized

Laws 1982, Chapter 578, Article I, Section 14 (HF 438), authorized a Virginia firefighter who was employed as a Virginia firefighter between 1960 and 1968, who took a refund of the contributions for that service and who was reemployed as a Virginia firefighter in July 1973, to repay the refund plus six percent compound interest and to have the service credit for the 1960-1968 period restored to his account.

B. Virginia Fire Validation of Post Retirement Adjustment

Laws 1982, Chapter 574, Section 1 (HF 1697), validated the post retirement adjustment authorized by the 1980 phase out law. The city had failed to comply with the filing requirements.

C. Virginia Police: Benefit Increases and Plan Modifications

Laws 1982, Chapter 574, Sections 3,4,5,6, and 8 (HF 1697) authorized changes in the laws governing the Virginia police relief association:

a) Section 3 authorized definitions differing from those of the third class city police relief association law;

b) Section 4 authorized the governance of a separate and distinct general fund for the members of the entire police force to be governed by a board of directors and the governance of a separate and distinct special fund to be governed by a board of trustees to pay benefits to participants, defined as the members without PERA-P&F coverage;

c) Section 5 authorized bylaw changes to increase retirement, disability and survivors benefits;

d) Section 6 validated any past actions taken by the relief association pursuant to third class city police relief association law; and

e) Section 8 repealed all obsolete special laws pertaining to the Virginia police relief association.

D. Eveleth Police and Fire Trust Fund: Benefit Increase

Laws 1982, Chapter 574, Section 2 (H F 1697), authorized the Evelth Police and firefighters trust fund to increase the benefits paid monthly to retirees or surviving spouses by \$35 per month if the municipality approves the increase.

E. Hibbing Fire: Benefit Increase

Laws 1982, Chapter 443 (HF 1701), authorized increases of \$100 per month in the amount of benefits paid to retired firefighters who retired before September 1, 1972, and to surviving spouses. The family maximum benefit was also increased by \$100 per month. The increases require approval by the Hibbing City Council.

F. West St. Paul Fire: Establishment, Organization and Maintenance

Laws 1982, Chapter 610, Sections 8 through 20 (HF 1697), remedied the lack of legislative authorization for the establishment of the West St. Paul Firefighters Relief Association in 1947. Sections 8 through 19 copy the provisions of the general law governing firefighters relief associations. Section 20 validates any actions taken by the relief association since September 25, 1947 and validates the duly adopted articles of incorporation and bylaws. The law requires municipal approval.

G. St. Cloud Fire: Clarification of Health and Welfare Benefits

Laws 1982, Chapter 402 (SF 2103), provided clarification of the special laws governing the St. Cloud firefighters relief association by amending sections relating to health and welfare benefits, subject to approval by the St. Cloud City Council.

H. Richfield Fire: Removal of Obsolete Language

Laws 1982, Chapter 406 (HF 1948), removed special law provisions made obsolete by the change in status of Richfield from a village to a city. The chapter amended one section of the special law, repealed portions of special laws enacted in 1961 and in 1963, and validated any actions taken by the association in accordance with the obsolete provisions. This chapter requires local approval.

I. Moorhead Police and Fire: Validation of Benefit Modification

Laws 1982, Chapter 578, Article III, Section 18 (HF 438), validated the approval of the limited escalator authorized by Laws 1980, Chapter 607, Article XV, Section 4, Subdivision 4, for the Moorhead police and firefighters relief associations. The required filings were lost within the state's inner office mail distribution system.

TO: Legislative Commission on Pensions and Retirement
FROM: Karen Dudley *KD*
RE: 1982 Legislation Pertaining to the Major Statewide Retirement Funds
DATE: April, 1982

The 1982 Legislature made the following changes in the laws governing the three statewide retirement funds, the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA):

I. General Provisions Applicable to all Statewide Funds

A. Limited portability for Vesting for Disability Benefits

Laws 1982, Chapter 449 (HF 1720) added a new section to Chapter 356 to provide that service covered by the major statewide retirement funds and the four first class city funds is to be recognized for the vesting of a disability benefit but not for the purpose of establishing service credit for the calculation of the amount of the disability benefit. This provides limited portability of disability benefits.

B. Replacement of 40 Years Service Maximum

Laws 1982, Chapter 578, Article I, Sections 10, 18 and 19, (HF 438) altered the laws governing the maximum pension benefit that a retired public employee can receive:

a) Section 19 repealed Section 356.60, Subdivisions 1, 2 and 3, the prior law which limited pensions by prohibiting public employees from accruing more than 40 years service credit;

b) Section 10 replaced Section 356.60 with a new section which will limit public employee pensions by prohibiting payment of monthly retirement or disability benefits in an amount which exceeds the amount of the final monthly salary at the time of commencement of the benefit; and

c) Section 18 provided, in effect, that the changes of Section 10 and the repealer of Section 19 be retroactive to April 6, 1978. The section provided that all service performed after April 6, 1978, should be credited to any public employee who had covered service in excess of 40 years. It also provided that the amount of annuity paid to any person with service in excess of 40 years shall be adjusted based on total covered service.

C. Purchase of Prior Service Authorizations

Laws 1982, Chapter 578, Article II, (HF 438) amended Chapter 356 to entitle various persons to purchase service credit. Section 2 of Article II provided for the calculation of the payment amount and the manner of payment. Although most entitlements were for individual public employee members, subdivisions 3 and 4 of Section 1 entitled all TRA members to purchase credit for active military service and for any periods during which the member did not make the full required contributions due to the exempt status of the member or applicable contribution limits.

II. Provisions Applicable to MSRS

A. Reduction of MSRS Employer and Employee Contribution Rates

Third Extra Session Laws 1981, Chapter 2, Sections 64 to 67, (HF 2) as amended by Laws 1982, Chapter 641, Sections 9 to 12 (HF 2190), amended Minnesota Statutes, Sections 352.04 and 352.92 to reduce the employer and employee contribution rates for state employees with MSRS general retirement coverage and MSRS correctional employees coverage. The old and new rates are as follows:

| | <u>MSRS General Employees</u> | | <u>Old Rates</u> | <u>MSRS Correctional Employees</u> | |
|-------------------|-------------------------------|--------------------------------------|------------------|--|--------------------------------------|
| | <u>Old Rates</u> | <u>New Rates</u> (1/1/82 & after) | | <u>Interim Rates</u> (1/1/82 to 7/1/82) | <u>New Rates</u> (1/1/82 & after) |
| employee | 4.00 | 3.46% | 6.00% | 3.78% | 4.50% |
| employer | 4.00 | 3.46 | 9.00 | 5.66 | 6.75 |
| employer add'l | <u>2.00</u> | <u>1.58</u> | <u>5.00</u> | <u>3.16</u> | <u>1.32</u> |
| Total | 10.00% | 8.50% | 20.00% | 12.60% | 12.57% |

Third Extra Session Laws 1981, Chapter 2, Sections 68-69, (HF 2) amended Minnesota Statutes, Sections 352D.04 and 352D.09, sections governing employee and employer contributions to the unclassified employees retirement program. The sections clarified that the employee contribution rate is four percent of salary and the employer contribution rate is six percent of salary.

B. Imposition of Liability on Employer for Omitted Employee Contributions
Laws 1982, Chapter 578, Article I, Section 2 (HF 438) amended Minnesota Statutes, Section 352.04, to require that the employer is liable for the employee and employer contributions plus six percent in lieu of interest if the department failed to take deductions past due for more than 60 days. The amendment requires the department to pay the omitted contributions even if the employee is no longer in state service.

C. Payment of Medical Insurance Premiums as Early Retirement Incentive
Laws 1982, Chapter 522, Section 1, (SF 1481) amended Minnesota Statutes, Section 43A.24 to provide for the payment of medical insurance premiums until the employee reaches age 65 for eligible employees with more than 20 years of service who retire, earlier than required, between March 22 to May 21, 1982. Eligible employees include employees of the state and of the University of Minnesota between the ages of 60 to 65; employees at Rochester state hospital between the ages of 60 to 65 who retired after July 1, 1981; and employees between the ages of 55 to 65 with coverage by either the MSRS correctional employee retirement plan or the highway patrol retirement fund.

Section 2 of Chapter 522 authorized the state and the University of Minnesota and the exclusive representatives of employees of the state and of the University to negotiate on further early retirement incentives that result in cost savings to the state during the 1981 to 1983 biennium.

D. Miscellaneous Personnel Management Provisions Affecting Unclassified Plan
Laws 1982, Chapter 560, (SF 1856) amended various provisions of Minnesota Statutes relating to personnel management. Although the majority of the changes related to civil service law of Chapter 43A, there were some provisions applicable to unclassified employees and the unclassified employee retirement plan. Section 57 of Chapter 560 amends Section 352D.02 to permit certain unclassified employees to elect to remain in the unclassified employees plan despite the change in classification of the position from unclassified to classified state service.

E. Job-Sharing Program Law clarified
Laws 1982, Chapter 578, Article I, Section 1, (HF 438) amended Minnesota Statutes, Section 43A.465, the law governing the crediting of prior part-time service to clarify that all prior part-time service since the authorization of the job-sharing program is to be credited to the retirement account of the part-time employee as provided by the law governing the part-time employment program.

F. Special Retirement Coverage for Transportation Department Pilots
Laws 1982, Chapter 575, Section 3, (HF 917) establishes special retirement coverage for department of transportation pilots who are prohibited from flying after the age of 60 by MnDOT regulations. The special coverage permits retirement at age 60 without reduction for early retirement. The section requires contributions of 1.6 percent in addition to the general MSRS employee and employer contribution rates for a total increase of 3.2 percent in additional contributions. Election of the special coverage is irrevocable. The section requires a separate exhibit for the program in the MSRS annual valuation.

G. Special Retirement Coverage for Military Affairs Employees
Laws 1982, Chapter 575, Sections 1 and 2, (HF 917) amended Minnesota Statutes, Section 352.85, the law governing the special retirement program for military affairs employees:

a) Section 1 clarified that only employees who have elected the special coverage and who then terminate employment at the age of 60 are eligible to receive the unreduced retirement benefit; and

b) Section 2 increased the additional required contributions from 1 percent to 1.6 percent for both the employee and employer rates.

H. Ceremonial House Employees into Unclassified Plan
Laws 1982, Chapter 399, (SF 1455) amends Minnesota Statutes, Section 352D.02, to include in the unclassified employees retirement plan any employee whose principal employment is at the state ceremonial house. Unclassified coverage is retroactive to the date of appointment to service at the ceremonial house. Employee and employer contributions made on their behalf during employment are to be used to purchase shares in the unclassified plan.

III. Provisions Applicable to PERA

A. Early Retirement Incentives: Rule of 90 and Modification of Early Retirement Reduction Factors
Laws 1982, Chapter 519, (HF 1625) amended Minnesota Statutes, Section 353.30, the law governing the payment of annuities at other than normal retirement age:

a) Section 2 replaced the provision permitting an unreduced annuity at age 62 with 30 years of service with a provision permitting an unreduced annuity when the attained age plus credited allowable service totals 90 years;

b) Sections 1 and 3 replaced the actuarial equivalent reduction factor for members retiring after age 58 with 20 years of service or after age 62 with 10 years of service with a reduction factor of 1/4% per month for each month that the person is under age 65 at the time of retirement; and

c) Section 4 repealed subdivision 1b of Section 353.30 which required an actuarial equivalent reduction for each year that the member is under age 62 at the time of retirement for members retiring after age 58 with 30 or more years of service.

B. Family Maximum Benefit for Survivors of Basic Members Who Die Before Retirement Raised from \$450 to \$700 monthly
Laws 1980, Chapter 578, Article I, Section 4, (HF 438) amended Minnesota Statutes, Section 353.31, to raise from \$450 to \$700 the amount of the maximum monthly benefit payable to the surviving spouse and dependent children of a basic member who died before retirement or of a basic member who was disabled and was receiving disability benefits at the time of death.

C. Administrative Changes
Laws 1982, Chapter 404, (SF 1547) amended Chapter 353 to make a number of minor changes in PERA law. The changes were as follows:

a) Sections 1, 2 and 8 removed redundant provisions to conform with other provisions within Chapter 353;

b) Sections 3 through 7 authorized changes and deadlines to facilitate the computerization of records;

c) Section 9 reduces the length of service necessary for the payment of a joint and survivor annuity to the surviving spouse of a police and fire fund member from 20 years to 10 years of service; and

d) Section 10 repealed three obsolete provisions of Chapter 353.

III. Provisions Applicable to TRA

A. Family Maximum Benefit for Survivors of Basic Members Who Die Before Retirement Raised from \$450 to \$700 Monthly
Laws 1982, Chapter 578, Article I, Section 7 (HF 438) amended Minnesota Statutes, Section 354.46, to raise from \$450 to \$700 the amount of the maximum

monthly benefit payable to the surviving spouse and dependent children of a basic member who died before retirement or of a basic member who was disabled and was receiving disability benefits at the time of death.

B. Automatic Death-While-Eligible Survivors Benefit

Laws 1982, Chapter 578, Article I, Section 8 (HF 438) amended Minnesota Statutes, Section 354.46, to make the death-while-eligible-designated-beneficiary for survivors an automatic benefit upon the death of a TRA member who continued working after meeting the age and service requirements for retirement. Formerly, the TRA member had to elect the joint and survivor annuity coverage in order that the benefit could be payable to the surviving spouse in the event of the death of the TRA member.

C. Purchase of Military Service Authorized

Laws 1982, Chapter 578, Article II, Section 1, Subdivision 3 (HF 438) authorized TRA members to purchase service credit for the initial period of enlistment, induction or call to duty in the United States Army, Navy, Marine Corps, Coast Guard or Air Force.

Section 2 of Article II required payment of an amount equal to the present value of additional pension obtained by the purchase of the additional service credit. Payment is to be in a lump sum, although the executive director could agree to installments over a period of up to three years. Authority to make payment or to make an agreement to make installments expires on July 1, 1987. The current or former employer was given the option of making a partial payment. If more than one employee of an employing unit is eligible to purchase the service credit, the employing unit must adopt a uniform policy on payment of a portion of the payment amount for all employees making the purchase.

D. Purchase of Service Credit for Arrears Periods

Laws 1982, Chapter 578, Article II, Section 1, Subdivision 4 (HF 438) authorized TRA members who taught prior to July 1, 1957, who did not make the full required contributions because of limited or permanent exempt status or because of contribution limits to purchase service credit for those periods of service.

Amount of payment and manner of payment were governed by Section 2 of Article II as discussed above in the summary of the authorization for purchases of military service.

E. Purchase of Vietnam-era Military Service

Laws 1982, Chapter 427 (HF 2098) specifically authorized TRA members who served on active duty in Vietnam during the period from July 1, 1958 to July 27, 1973, or who served on active duty in the armed forces between August 5, 1964 to January 27, 1973, to purchase service credit for the initial period of enlistment, induction or call to active duty.

Section 2 of Chapter 427 governed the amount of payment and manner of payment. The provisions were similar to those discussed above in the summary of the general authorization for purchases of military service in Laws 1982, Chapter 578, Article II, Section 2.

F. Administrative Changes

Laws 1982, Chapter 578, Article 1, Sections 5 and 6, amended Chapter 354 to make two minor changes in TRA law:

a) Section 5 permitted the TRA board to reimburse the employing unit for the salary of a substitute teacher hired to enable a board member to attend board and committee meetings.

b) Section 6 authorized TRA to make adjustments necessary to prevent loss of service credit for teachers employed by districts which convert to a four day week.

V. Provisions Relating to Judges Plan

Laws 1982, Chapter 578, Article I, Sections 12 and 13 (HF 438) made changes in the Judges' Plan:

a) Section 12 amended Minnesota Statutes, Section 490.025, Subdivision 2, to provide that payment of any retirement annuity to which a justice is entitled may be deferred until the former justice attains retirement age if the justice terminated service prior to attaining retirement age; and

b) Section 13 amended Minnesota Statutes, Section 490.025, Subdivision 3, to reduce the minimum service requirement for a retirement annuity from 15 to 12 years.

VI. Provisions Relating to Constitutional Officials Plan

Laws 1982, Chapter 578, Article I, Section 3 (HF 438) amended Chapter 352C, the law governing the Elective State Officers' Retirement Plan, to authorize the payment of post retirement adjustments to retired constitutional officers and surviving spouses in the same manner, at the same times and in the same amounts as benefits are payable from the Minnesota post retirement investment to retirees of other participating public pension funds.

VII. Provisions Relating to Highway Patrol Fund

Laws 1982, Chapter 397, (HF 1336) amended Chapter 352B, the law governing the Highway Patrol Fund to provide for the following changes:

a) Section 1 amended Section 352B.02 to increase the employee contribution rate from 7% to 8.5%;

b) Section 2 amended Section 352B.08, to increase the accrual rate for the 21st, 22nd, 23rd, 24th and 25th years of service from 2.0% to 2.5%;

c) Section 3 amended Section 352B.11 to make technical changes to permit the payment of refunds to the estate of a former member;

d) Section 4 amended Section 352B.11 to permit payment of certain surviving spouse benefits to the surviving spouse of any former member rather than only to those former members with 20 or more years of service; and

e) Section 5 added a new section to increase benefits paid to pre-1973 retirees by 6% each July 1st. The increase is to be funded by the active members' fund.

VIII. Provisions Applicable to Individual Members Only

A. Purchase of Prior Service in Unclassified Plan by Former Legislative Employee

Laws 1982, Chapter 578, Article II, Section 4 (HF 438) entitled a former legislative employee to purchase prior service in the unclassified plan. The amount of the payment was to be calculated by applying current rates to current salary. Authority to make payment expires July 1, 1983.

B. Extension of Deadline for Little Falls City Manager to Withdraw from PERA
Laws 1982, Chapter 575, Section 4 (HF 917) entitled the Little Falls city administrator a second opportunity to elect to be excluded from PERA membership and to participate in a deferred compensation program as provided by Minnesota Statutes, Section 353.028.

C. Validation of Purchase of Prior Service in PERA by St. Louis County Commissioner

Laws 1982, Chapter 578, Article I, Section 15 (HF 438) required PERA to credit service credit to the account of a St. Louis County Commissioner for which the association had received payment in January 1981.

D. Proportionate Annuity for Former PERA Member
Laws 1982, Chapter 578, Article I, Section 17 (HF 438) permitted PERA to pay a proportionate annuity based on over nine years of service credit to a former PERA member who became disabled and terminated service in 1979. The proportionate

annuity is to begin following the repayment of the refund of employee contributions previously taken without interest.

E. Effective Date of Retirement Altered for TRA Annuitant

Laws 1982, Chapter 410 (HF 1646) provided that the effective accrual date of retirement for a former Buhl teacher be changed from July 1, 1980 to June 1, 1980. The change in effective accrual date entitles the teacher to any post retirement adjustments paid from the Minnesota Post Retirement Investment Fund (MPRIF), retroactive to the January 1, 1982 adjustment, provided that the necessary reserves are paid to TRA by the Buhl school district for certification by TRA to MPRIF.

F. Moorhead Professor Entitled to Pay Omitted Contributions to TRA College Supplemental Plan

Laws 1982, Chapter 578, Article I, Section 16 (HF 438) entitled a Moorhead State University professor to make payment to the TRA college supplemental retirement plan in an amount equal to the shortages for both employee and employer contributions for the 1970-1972 school year. Moorhead State University was given the option of paying the employer contributions. Authority to make the shortage payments expires on June 30, 1982.

G. Purchase of Service Credit in Highway Patrol Fund by State Employee; Change in Future Coverage

Laws 1982, Chapter 578, Article II, Section 5 (HF 438) permitted a current unclassified state employee, who was previously a member of the Highway Patrol Retirement Fund, to elect to have future retirement coverage as an unclassified state employee in the Highway Patrol Fund, to receive a refund of member contributions in the unclassified plan, and to purchase service credit in the highway patrol fund for the period of prior service as an unclassified state employee. The purchase of prior service credit is to be governed by the provisions of Section 2 of Article II, which requires the payment of the full actuarial value of the additional annuity purchased.

H. Repayment of Refund Authorized for UMD Professors

Laws 1982, Chapter 391 (SF 233) authorized current and certain former UMD employees to repay refunds taken from any retirement funds covered by the Combined Service Annuity provision in Minnesota Statutes, Section 356.30. Refunds are to be paid in a lump sum prior to July 1, 1983, plus six percent compound interest. Persons entitled to repay the refund who are already receiving an annuity from the retirement fund from which the refund was taken are entitled to a recomputed annuity based on the recredited service.

TO: Legislative Commission on Pensions and Retirement

FROM: Karen Dudley

RE: Brief Summary of Pension Legislation in 1982

DATE: April 1982

I. Bills Which Became Law in 1982

During the 1982 Session of the Minnesota Legislature, 38 different bills were introduced which concerned pension-related matters. In addition, 42 bills remained from the 1981 Session for consideration by the Commission. In accordance with Minnesota Statutes, Section 3.85, 42 of these bills were heard and analysed by the Commission members and staff. During the 1982 Session, 36 bills heard by the Commission which related to pensions became law in 21 different chapters of the 1982 Session Laws. The 21 bills enacted as Chapters can be classified as follows:

| | |
|---------------------------------------|---|
| 1. Bills affecting more than one fund | 2 |
| 2. PERA | 2 |
| 3. MSRS | 1 |
| 4. TRA | 2 |
| 5. Highway Patrol | 1 |
| 6. Local Police and Firefighters | 6 |
| 7. Volunteer Firefighters | 3 |
| 8. General/Miscellaneous | 4 |

In addition, 5 other bills relating to pensions and retirement issues which were not referred to the Commission for a hearing and analysis became law during the 1981 Third Special Session and 1982 Regular Session.

II. Significant Changes Made by Bills Heard by Commission

A. Job-mobile public employees can use prior public service credit in covered funds for vesting for disability benefits. (Chapter 449)

B. The 40 years maximum on accrual of service credit was replaced by a maximum which limits the monthly pension amount at the time of retirement to an amount equal to 100% of the final monthly salary. (Chapter 578)

C. The law governing disability benefit coverage provided by local police and salaried firefighters relief associations was modified to

- (1) provide increased levels of disability benefit coverage for certain associations;
- (2) require the termination of the disability benefit and the recalculation of the benefit as a service pension when the normal age and service requirements are met;
- (3) require each city to make "every reasonable effort" to provide less hazardous duty positions for marginally disabled relief association members;
- (4) permit relief associations to use certain portions of time on disability status as service credit toward the service requirement for a service pension if the disabled member recovers sufficiently to return to active duty; and
- (5) require offsets to the amount of the disability benefit if the total of the disability benefit and workers' compensation benefit exceed the monthly salary of an active member holding the same rank as that held by the disabled member at the time of the disability. (Chapter 610)

D. Early retirement for PERA members was encouraged by the adoption of the "Rule of 90" which provides unreduced pension amounts for members when

the total of attained age and years of service credit equal 90 and by the modification of the early retirement reduction factors from 6% for each year below age 65 to 3% per year for those with 30 years of service. (Chapter 519)

E. Various individuals were authorized to purchase prior service credit and to purchase credit for active military duty. TRA members were authorized to purchase credit for military service and periods in which no employee contributions had been taken. (Chapters 427 and 578)

F. Family maximum benefits for TRA and PERA basic members not entitled to retirement benefits at the time of their death were raised from \$450 to \$700 per month. The surviving spouse of a TRA member will be entitled to elect the surviving spouse benefit if the eligible TRA member died before making the election. (Chapter 578)

G. The reporting requirements for the fire and police state aid programs were modified to combine various reports into one report filed jointly by the municipality and the relief association. Relief associations will now be presumed to be qualified for future state aid if previously qualified. Relief associations disqualified from future state aid payments due to noncompliance with the program's requirements will now be able to be requalified and receive future payments. (Chapter 460)

H. The volunteer firefighters relief association flexible service maximums' ceilings were increased. (Chapter 465)

I. Volunteer relief associations which meet their financial requirements without municipal contributions shall be entitled to raise benefit levels within those permitted by the flexible service maximum law without municipal ratification in certain instances. (Chapter 421)

J. The \$500 limitation on salaries paid to officers of second class city police relief associations was repealed. Those salaries will remain subject to the "reasonable expense" standard of Chapter 69 of Minnesota Statutes. (Chapter 403)

I. The provision limiting the powers of city officials relating to relief associations was made applicable to all relief associations rather than only second class city police relief associations. (Chapter 578)

L. The Highway Patrol fund accrual rate for years 21 through 25 was raised from 2.0% per year to 2.5% per year. The employee contribution rate was increased from 7.0% to 8.5%. Benefits payable to pre-1973 members and survivors are to be increased by 6% per year. The active members pay for that benefit through their increased contribution rate. (Chapter 397)

M. The vesting requirement for the Judges Plan was lowered from 15 to 12 years. Judges who leave employment before the normal retirement age were given the right to a deferred benefit. (Chapter 578)

N. A post retirement adjustment in an amount similar to that received by the MPRIF post retirement adjustment was provided to retired Constitutional officers. (Chapter 578)

III. Significant Changes Made by Bills Not Heard by Commission

A. MSRS employee and employer contribution rates were reduced. (3 Ex. Ses. 1981, Ch. 2; Chapter 641)

B. Employer paid medical insurance was offered as an early retirement incentive to MSRS covered employees with at least 20 years of service who retired between the ages of 60 and 65 for regular employees and the ages of 55 and 65 for Highway Patrol members and correctional officers. (Chapter 522)

C. The State Board of Investment was authorized to employ outside investment management funds. (Chapter 587)