State of Minnesota \ LEGISLATIVE COMMISSION ON PENSIONS AND RETIREMENT

TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director EB

RE: Summary of 2011 Legislative Session Pension Legislation

DATE: August 15, 2011

This memo summarizes the 2011 Legislative Session pension provisions. All the provisions passed during the First Special Session. Nearly all were contained in the Commission's omnibus retirement bill which was passed as First Special Session Laws 2011, Chapter 8. A few passed in the State Government Finance bill as First Special Session Laws 2011, Chapter 10.

The memo is divided into three major sections:

I. **Fund-Specific Legislation** summarizes all pension-related legislation for individual plans and for plans of a specific category, such as the first class city teacher retirement plans, local police and paid fire retirement plans, or volunteer firefighter retirement plans.

II. **General Pension Provisions** summarizes pension legislation applying to all public plans or to miscellaneous plan groupings.

III. **Miscellaneous Provisions** mentions legislation which is not related directly to pension plan law but which is of interest to Commission members and public sector retirees.

I. FUND-SPECIFIC LEGISLATION

A. Plans Governed by the Minnesota State Retirement System (MSRS)

Legislators Retirement Plan

- Retirement Funding Appropriation. This provision was contained in the State Government Finance bill. Up to \$4.881 million (\$2.65 million the first year of the biennium and \$2.231 million in the second) is appropriated from the state general fund for retirement allowances for newly retiring legislators and surviving spouses. If the appropriation is insufficient, any remaining amounts needed are to be paid from the Legislators Retirement Fund, which was established in the state treasury to hold the assets of retired legislators following the dissolving of the Minnesota Post Retirement Investment Fund in 2009.
  – *1st SS Laws 2011, Ch.10, Art. 1, Sec. 28. Source: 1st SS SF 12 (Parry); HF 27 (Lanning).*

B. Plans Governed by the Public Employees Retirement Association (PERA)

General Employee Retirement Plan (PERA-General)

1. Red Wing Port Authority Employees Hired Before May 1, 2011, Added to PERA-General. For many years, Red Wing Port Authority employees and the employer had been contributing to PERA-General, despite provisions in PERA law which exclude port authority employees from coverage. To address the situation, the Legislature permitted coverage of those employees by revising the PERA included employee provision to include Red Wing Port Authority employees hired before May 1, 2011. Contributions made by the applicable employees and the employer prior to the effective date are validated, along with the salary and service credit. The PERA government subdivision provision, which identifies PERA-covered employing units, is revised by adding the Red Wing Port Authority.
   – *1st SS Laws 2011, Ch. 8, Art. 1, Sec. 1-3. Source: HF 476 (Kelly); SF 176 (Howe).*

2. Special Law Provision: City of Duluth and the Duluth Airport Authority; Handling Overpayments of Employee and Employer Contributions for 1997- 2008. A special law provision for the City of Duluth and the Duluth Airport Authority is created to handle overpayments from January 1, 1997, through October 23, 2008, of employee and employer contributions, and the resulting overpayment of benefits that occurred due to use of invalid salary amounts for determining the PERA contributions. For active employees the excess employee contributions will be refunded by PERA with interest, while the employer will receive a credit without interest for overpaid employer

contributions. If benefits have commenced the overpayment of employee contributions must be netted against the benefit overpayments. If the employer submits a resolution within 30 days of the effective date, the adjustments will be restricted to the fiscal year in which the error was found and the preceding two years. This treatment is in lieu of treatment specified in the PERA general law correction of contribution provision. Local approval is required.
– *1st SS Laws 2011, Ch. 8, Art. 1, Sec. 4. Source: HF 1668 (Murphy, M.).*

3. Special Law Provision: Service Credit Purchase for Part-Time Buhl and Babbitt Police Service. A person born on November 10, 1957, who was employed as a part-time police officer by the cities of Buhl, Babbitt, and Embarrass, and who has been a full-time police officer in Babbitt since October 4, 1992, may purchase service credit in PERA-General for the part-time City of Buhl employment for the period October 1989 to November 1996, and for the part-time City of Babbitt employment from April 1992 to September 1992. The purchase is at full actuarial value, with the person paying employee contributions plus 8.5% interest while the remainder of the full actuarial value is allocated between the two applicable cities. Authority to make the employee contribution end on the earlier of July 1, 2012, or the date the person terminates covered service. If a city fails to pay its obligation to PERA within 30 days after PERA certifies that the member has paid the employee contributions and interest, the county auditor will add the needed amount the local tax levy, collect the necessary amount, and transmit it to PERA.
– *1st SS Laws 2011, Ch. 8, Art. 5, Sec. 1. Source: HF 81 (Rukavina); SF 1398 (Tomassoni).*

Public Employees Police and Fire Retirement Plan (PERA-P&F)

1. Minneapolis Firefighters Relief Association Consolidation Provisions.
   a. Minneapolis Firefighter Unit Values. A definition of unit value for computing benefits for the former MFRA members is added to PERA statutes. The values are $82.33 for 2011, $96.899 for 2012, $100.775 for 2013, $104.265 for 2014, and $124.031 for 2015. Following 2015, the 2015 value will be increased annually by the percentage applicable to PERA-P&F post-retirement adjustments.
   b. PERA Allowable Service Provision Revised to Include Minneapolis Firefighters. The PERA allowable service provision is revised to include any service credit rendered as an active member of the former MFRA.
   c. PERA Board/Executive Director Duties Provision Revised. A new subdivision is added to the PERA board/executive director duties provision requiring the executive director to deduct from annuities any dues applicable to a continuing Minneapolis firefighter fraternal organization.
   d. Revisions of PERA-P&F Fund, and Employee/Employer Contribution Provisions. The PERA-P&F retirement fund provision is revised to recognize special employee and employer contribution requirements for former Minneapolis relief association members. The employee contribution provision is revised by setting a separate member contribution rate of 8.00% of the monthly unit value for former active members of the MFRA with contributions after 25 years of service deposited in a post-retirement health care benefit defined contribution account in the PERA-P&F retirement fund. The employer contribution relating to the former MFRA members will match the employee contribution.
   e. Retirement Age Provision Revised. The PERA-P&F retirement age provision is revised by adding an exception to the general normal retirement age of 55 for active members of the former MFRA, which has a normal retirement age of 50.
   f. New Retirement Benefit Provision: Former MFRA Members.
      - For those who are active MFRA members on the consolidation date, when the person retires the retirement annuity will be 35 units for 20 years of service, 36.6 units for 21 years of service, 38.2 units for 22 years of service, 39.8 units for 23 years of service, 41.4 units for 24 years of service, and 43.0 units for 25 or more years of service. If the active member becomes disabled as defined in definitions of disability generally applicable to PERA-P&F members, the disability benefit is 41 units. The surviving spouse benefit is 23 units, the surviving child benefit is 8 units, and the family maximum benefit is 43 units.
      - For those who are retired MFRA members or survivors on the consolidation date, the annuities will be recomputed using the units specified above. Any optional annuities that were computed under MFRA law will be recomputed to be actuarially equivalent given the unit values specified above.
      - For certain unmarried retired members who were unmarried on September 1, 1997 and October 25, 2001, who had 25 years of service credit, and who submitted a valid application for an alternative pension under MFRA law, the retirement annuity is 43.3 units.

- The unit value used to compute any new annuity after December 31, 2015, is the 2015 unit value increased by any post-retirement increase percentages computed under the PERA-P&F post-retirement increase provision. Any annuity already in effect as of the end of calendar year 2015 will also be increased thereafter by the percentages computed under the PERA-P&F post-retirement increase provision.

g. <u>Dispute Resolution Procedure</u>. A dispute resolution procedure specific to the former MFRA is added to law. If there is any benefit-related dispute, the applicable person, the MFRA fraternal organization, or the PERA executive director shall submit the dispute in writing to the Legislative Commission on Pensions and Retirement. The Commission shall review the matter and if needed recommend remedial legislation to appropriate legislative committees.

h. <u>Exception Added to PERA-P&F Disability Benefit Provisions</u>. PERA-P&F disability benefit provisions are revised by indicating that they apply to PERA-P&F members other than the former MFRA relief association members. These revisions were made to the PERA-P&F duty disability provision, total and permanent duty disability provision, regular disability provision, and the total and permanent regular disability provision.

i. <u>Exception to PERA-P&F Death-While-Active Provision</u>. A PERA-P&F death-while-active provision, providing surviving spouse benefits if the member dies while active or dies prior to receiving disability benefits, is revised by indicating that it applies to the PERA-P&F membership other than the former MFRA relief association members.

j. <u>Consolidation of the MFRA, New Section 353.667</u>. On the effective date of consolidation:
   - The entire MFRA membership transfers to PERA-P&F and are no longer MFRA members;
   - The service credit, benefit liability, and relief association records transfer to the PERA;
   - MFRA assets transfer to the State Board of Investment (SBI) on behalf of the PERA-P&F fund, except for the health insurance account assets which are required to be retained by the current financial institution. The assets will transfer as securities, except for any assets which SBI deems ineligible because they are not permissible assets for SBI under law, are inappropriate given SBI's investment approach and other assets, or are non-collectible receivables. The City of Minneapolis must transfer in cash the market value of any ineligible assets, and the City of Minneapolis will retain title to those ineligible assets;
   - The benefits of all retired, disabled, deferred, surviving spouse, or inactive MFRA members are as they were just prior to consolidation, except for use of the new unit values as described above, with post-retirement adjustments after 2015 under the PERA-P&F post-retirement adjustment provisions;
   - The City of Minneapolis must make annual payments. To determine the required payments, the PERA-retained actuary must compute the remainder value of present benefits (the present value of future benefit obligations minus the value of the MFRA assets transferred upon consolidation). Annually, the City of Minneapolis must pay an amount sufficient to amortize that liability on a level dollar basis by 2031. These employer amortization payments to be recomputed if the PERA-P&F interest rate assumption is revised;
   - The PERA executive director must withhold any health or dental insurance premiums designated by the annuitant any transmit those to the City of Minneapolis;
   - The relief association is to be transformed into a fraternal organization, and PERA must cooperate with that organization to ensure adequate communication with former MFRA members; and
   - Proceeds of the first class city fire insurance surcharge must be paid to the city to defray part of the city's PERA-P&F employer contribution requirements.

k. <u>Continuation of Additional Amortization State Aid</u>. The additional amortization aid provision is revised by allowing the City of Minneapolis to stay in that allocation as long as it has an employer amortization requirement under the PERA-P&F/MFRA merger.

l. <u>Special Actuarial Valuation</u>. Before August 2, 2011, the PERA actuary must prepare a special alternative MFRA valuation under the PERA-P&F actuarial assumptions and amortization target date (2031), with results provided to Minneapolis officials, MFRA, PERA, the Pension Commission executive director, and the Legislative Reference Library.

m. <u>Relief Association Termination</u>. The MFRA special fund and the MFRA are terminated. However, the MFRA must continue as a fraternal organization. The MFRA general fund assets are redirected to the fraternal organization. The employees of the current MFRA have an employment preference with PERA comparable to the veterans preference act.

n. <u>Repealer</u>. Minnesota Statutes 2010, Section 423A.021, a provision in the Police and Salaried Firefighters Relief Association chapter dealing with certain MFRA post-retirement adjustments, and the entire MFRA chapter (M.S. 2010, Ch. 423C) are repealed.

o. MFRA Consolidation Effective Date Provision. All provisions of the MFRA consolidation are effective on December 30, 2011, if the consolidation is approved by the MFRA board of trustees, by a majority of the entire MFRA membership, by the Minneapolis city council, by the PERA board of trustees, if local approval requirements are met, and if the Minneapolis Police Relief Association (MPRA) consolidation is also approved.

– *1st SS Laws 2011, Ch. 8, Art. 6, Sec. 1-19. Source: HF 1704 (Davnie); SF 1419 (Dibble).*

2. Minneapolis Police Relief Association Consolidation Provisions.

a. Minneapolis Police Unit Values. A definition of unit value for computing benefits for the former MPRA members is added to PERA statutes. The values are $86.71 for 2011, $104.651 for 2012, $109.011 for 2013, $114.825 for 2014, and $124.031 for 2015. The 2015 value will be increased annually by the percentage applicable to PERA-P&F post-retirement adjustments.

b. PERA Allowable Service Provision Revised to Include Minneapolis Police. The PERA allowable service provision is revised to include any service credit rendered as an active member of the former MPRA.

c. PERA Board/Executive Director Duties Provision Revised. A new subdivision is added to the PERA board/executive director duties provision requiring the executive director to deduct from annuities any dues applicable to a continuing Minneapolis police fraternal organization.

d. Revisions of PERA-P&F Fund, and Employee/Employer Contribution Provisions. The PERA-P&F retirement fund provision is revised to recognize special employee and employer contribution requirements for former Minneapolis relief association members. The employee contribution provision is revised by setting a separate member contribution rate of 8.00% of the monthly unit value for former active members of the MPRA with contributions after 25 years of service deposited in a post-retirement health care benefit defined contribution account in the PERA-P&F retirement fund. The employer contribution relating to the former MFRA members will match the employee contribution

e. Retirement Age Provision Revised. The PERA-P&F retirement age provision is revised by adding an exception to the general normal retirement age of 55 for active members of the former MPRA (which has a normal retirement age of 50).

f. New Retirement Benefit Provision: Former MPRA Members.

- For those who are active MPRA members on the consolidation date, when the person retires the retirement annuity will be 35 units for 20 years of service, 36.6 units for 21 years of service, 38.2 units for 22 years of service, 39.8 units for 23 years of service, 41.4 units for 24 years of service, and 43.0 units for 25 or more years of service. If the active member becomes disabled as defined in definitions of disability generally applicable to PERA-P&F members, the disability benefit is 34 units. The surviving spouse benefit is 23 units, the surviving child benefit is 8 units, and the family maximum benefit is 41 units.
- The unit value used to compute any new annuity after December 31, 2015, is the 2015 unit value increased by any post-retirement increase percentages computed under the PERA-P&F post-retirement increase provision. Any annuity already in effect as of the end of calendar 2015 will also be increased thereafter by the percentages computed under the PERA-P&F post-retirement increase provision.

g. Dispute Resolution Procedure. A dispute resolution procedure specific to the former MPRA is added to law. If there is any benefit-related dispute, the applicable person, the MFRA fraternal organization, or the PERA executive director shall submit the dispute in writing to the Legislative Commission on Pensions and Retirement. The Commission shall review the matter and if needed recommend remedial legislation to appropriate legislative committees.

h. Exception Added to PERA-P&F Disability Benefit Provisions. PERA-P&F disability benefit provisions are revised by indicating that they apply to PERA-P&F members other than the former MPRA relief association members.. These revisions were made to the PERA-P&F duty disability provision, total and permanent duty disability provision, regular disability provision, and the total and permanent regular disability provision.

i. Exception to PERA-P&F Death-While-Active Provision. A PERA-P&F death-while-active provision, providing surviving spouse benefits if the member dies while active or dies prior to receiving disability benefits, is revised by indicating that it applies to the PERA-P&F membership other than the former MPRA relief association members.

j. Consolidation of the MPRA, New Section 353.668. On the effective date of consolidation:

- The entire MPRA membership transfers to PERA-P&F and are no longer MPRA members;
- The service credit, benefit liability, and relief association records transfer to the PERA;

- MPRA assets transfer to SBI on behalf of the PERA-P&F fund, except for the health insurance account assets which are required to be retained by the current financial institution. The assets will transfer as securities, except for any assets which SBI deems ineligible because they are not permissible assets for SBI under law, are inappropriate given SBI's investment approach and other assets, or are a non-collectible receivable. The City of Minneapolis must transfer in cash the market value of any ineligible assets, and the City of Minneapolis will retain title to those ineligible assets;
- The benefits of all retired, disabled, deferred, surviving spouse, or inactive MPRA members are as they were just prior to consolidation, except for use of the new unit values as described above, with post-retirement adjustments after 2015 under the PERA-P&F post-retirement adjustment provisions;
- The City of Minneapolis must make annual payments. To determine the required payments, the PERA-retained actuary must compute the remainder value of present benefits (the present value of future benefit obligations minus the value of the MPRA assets transferred upon consolidation). Annually, the City of Minneapolis must pay an amount sufficient to amortize that liability on a level dollar basis by 2031. These employer amortization payments to be recomputed if the PERA-P&F interest rate assumption is revised;
- The PERA executive director must withhold any health or dental insurance premiums designated by the annuitant any transmit those to the City of Minneapolis; and
- The relief association membership must establish a fraternal organization, and PERA must cooperate with it to ensure adequate communication with former MPRA members.

k. Continuation of Additional Amortization State Aid. The additional amortization aid provision is revised by allowing the City of Minneapolis to stay in that allocation as long as it has an employer amortization requirement under the PERA-P&F/MPRA merger.

l. Special Actuarial Valuation. Before August 2, 2011, the PERA actuary must prepare a special alternative MPRA valuation under the PERA-P&F actuarial assumptions and amortization target date (2031), with results provided to Minneapolis officials, MPRA, PERA, the Pension Commission executive director, and the Legislative Reference Library.

m. Relief Association Termination. The MPRA special fund and the MPRA are terminated. However, the MPRA must continue as a fraternal organization. The MPRA general fund assets are redirected to the fraternal organization. The employees of the current MPRA have an employment preference with PERA comparable to the Veterans Preference Act.

n. Repealer. The entire MPRA chapter (M.S. 2010, Ch. 423B) is repealed.

o. MPRA Consolidation Effective Date Provision. All provisions of the MPRA consolidation are effective on December 30, 2011, if the consolidation is approved by the MPRA board of trustees, by a majority of the entire MPRA membership, by the Minneapolis city council, by the PERA board of trustees, if local approval requirements are met, and if the Minneapolis Firefighters Relief Association (MFRA) consolidation is also approved.

– *1st SS Laws 2011, Ch. 8, Art. 7, Sec. 1-19. Source: HF 1704 (Davnie); SF 1419 (Dibble).*

3. Conforming Changes Related to the Minneapolis Fire and Police Consolidations. Conforming changes related to the MFRA or MFRA are effective on the same date as the applicable substantive consolidation article.

a. State Auditor Misconduct Reporting Provision. A provision requiring public accountants to report misconduct when detected during audits of public entities is revised to eliminate reference to the MFRA and MPRA governing chapters.

b. Open Meeting Law Requirements. The MPRA governing chapter is removed from the list of entities subject to open meeting law requirements.

c. Public Employees Insurance Program Provision. Citations to the Police and Salaried firefighters' Relief Association chapter and the defunct Second Class City Firefighters Relief Association chapter are removed from a public employee insurance coverage provision.

d. Public Employees Insurance Program Covered Plan Provision. A reference to MFRA and MPRA in the police and firefighters' relief association guidelines act covered plan provision is removed.

e. Public Employees Insurance Program Municipal Obligation Provision. Provisions in the police and firefighters' relief association guidelines act minimum municipal pension obligation provision and the administrative expense exception provision only applicable to MFRA and MPRA are removed.

f. General Interest and Salary Assumption Provision. The MFRA and MPRA references are eliminated from the general interest and salary increase actuarial assumption specification provision for actuarial valuations.

g. Local Police and Fire Actuarial Valuation Exceptions Provision. The MFRA and MPRA references are eliminated from a provision specifying exceptions to general actuarial valuation treatment for local police and fire plans.

h. Legal Process Exemption Provision. References to the MFRA and MPRA are eliminated from a legal process exemption provision.

i. Supplemental Needs Trust Provision. Reference to the MFRA and MPRA are eliminated from the Supplemental Needs Trust optional annuity provision.

j. 1980 Phase-Out Benefit Increase Provision. Any reference to Minneapolis is eliminated from a special benefit increase provision applicable to local relief associations under 1980 phase-out legislation.

k. Clarification of Amortization State Aid Provision. An amortization state aid provision is clarified by indicating that the MPRA is a former, rather than an ongoing, relief association.

l. Headnote Correction. A headnote in a criminal law provision is corrected by removing reference to the MPRA.

m. Revision of Benefit Suspension During Incarceration Provision. A benefit suspension during incarceration provision in criminal law is revised by clarifying that it would apply to former MPRA members, since that association will no longer exist if consolidation occurs.

– *1st SS Laws 2011, Ch. 8, Art. 8, Sec. 1-14. Source: HF 1704 (Davnie); SF 1419 (Dibble).*

C. Teachers Retirement Association (TRA)

1. Special Law Provision: Purchase of Service Credit for Qualified Part-Time Teaching Service, Hopkins Teacher. A teacher in Independent School District No. 270, Hopkins, who took part in the qualified part-time teacher program in the 2007-2008, 2008-2009, and 2009-2010 school years, may purchase additional salary credit for the 2008-2009 year because of a school district failure to notify TRA of the qualified part-time teacher agreement for the 2008-2009 school year until September 2010. To receive the additional salary credit ($11,091), the eligible teacher must pay the employee contribution on that amount ($610) plus interest, by August 1, 2012. If that payment is made, the school district must pay the remainder of the full actuarial value within 30 days. If not, the Commissioner of Minnesota Management and Budget shall subtract the necessary amount from school aids and transmit it to TRA.
   – *1st SS Laws 2011, Ch. 8, Art. 5, Sec. 2. Source: HF 1671 (Smith); SF 1252 (Olson, G.).*

D. First Class City Teacher Retirement Fund Associations

Duluth Teachers Retirement Fund Association (DTRFA)

1. Revised Vesting Requirement for Post-June 30, 2010, Employees. For teachers who become DTRFA members after June 30, 2010, the vesting requirement is five years of service rather than three years. Vesting for SPTRFA remains at three years.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 1. Source: HF 1628 (Murphy, M.).*

2. Revisions for Consistency with New DTRFA Vesting Requirement. Given the revised vesting requirement for new DTRFA teachers, several provisions applicable to the two first class city teachers fund associations were revised for consistency with this change, as follows:

   a. Qualified Part-Time Teacher Program. The qualified part-time teacher program requirements provision is revised by stating that eligible teachers must be vested members of the applicable plan, rather than requiring that the teacher have at least three years of covered service to qualify.

   b. Qualification for Retirement Annuity. The retirement annuity eligibility provision is revised by stating that the member must be vested, rather than stating the requirement in terms of specific years of service, and the provision is simplified.

   c. Qualification for Normal Retirement Annuity. The normal retirement age annuity eligibility provision is revised by replacing minimum three year service credit requirement with a requirement that the member must be vested.

d. Qualification for Reduced Retirement Annuity Due To Early Receipt. The qualification provision for a reduced annuity due to retirement before normal retirement age is revised by stating that the member be vested, rather than requiring that the member have at least three years of service credit.

e. Surviving Spouse Annuity Provision. The surviving spouse annuity provision is revised by requiring that the deceased member be vested, rather than having at least three years of service credit.

f. Disability Benefit Eligibility Provision. The disability benefit eligibility provision is revised to require that the member be vested rather than having at least three years of service.

– *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 2, 6-10. Source: HF 1628 (Murphy, M.).*

St. Paul Teachers Retirement Fund Association (SPTRFA)

1. Revised Post-Retirement Adjustment Procedures. The SPTRFA existing post-retirement adjustment provision, which would have provided a 2% annual increase, is repealed. Under a transitional provision, the SPTRFA will provide a 1% post-retirement increase until the funding ratio (actuarial value of assets divided by accrued liabilities) is at least 80%, and a 2% increase when the funding ratio is at least 80% but less than 90%. When a 90% or greater funding ratio is achieved, the transition provisions expire and the SPTRFA will provide an increase matching inflation up to 5%. The changes apply to the basic program as well as the coordinated program.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 3-5 and 22. Source: HF 1354 (Lesch); SF 1088 (Pappas).*

2. Reduced Refund Interest Rate. The interest rate used to compute death refunds, terminated employee refunds, and refunds in lieu of an annuity will be 4% rather than 6% after July 1, 2011.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 11. Source: HF 1354 (Lesch); SF 1088 (Pappas).*

3. Reduced Deferred Annuity Augmentation. The deferred annuities augmentation rate will be 2% per year in all cases for periods occurring after July 1, 2012, rather than 2.5% per year for post-June 30, 2006, hires, or 3% per year until age 55 and 5% per year thereafter for those first hired before that date.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 11. Source: HF 1354 (Lesch); SF 1088 (Pappas).*

4. Elimination of Interest on Reemployed Annuitant Savings Accounts. Beginning July 1, 2011, reemployed annuitant savings accounts will provide no interest rather than 6% interest. A reemployed annuitant savings account is created when a SPTRFA annuitant is reemployed by the school district and the person exceeds the permissible maximum in exempt reemployment income, causing a portion of the annuity to be withheld and placed in a savings account for the individual, payable after terminating the reemployment.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 20. Source: HF 1354 (Lesch); SF 1088 (Pappas).*

5. Bylaw Authorization. The SPTRFA board is authorized to revise its bylaws to make the benefit revisions described above apply to its basic program where applicable.

   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 21. Source: HF 1354 (Lesch); SF 1088 (Pappas).*

E. Minnesota State Colleges and Universities System (MnSCU)

Higher Education Individual Retirement Account Plan (IRAP)
Higher Education Supplemental Fund

1. IRAP Eligibility Provision Clarification. The IRAP eligibility provision is revised by indicating that eligible employees have IRAP coverage unless coverage by another plan is elected or specified in other sections of the IRAP chapter.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 12. Source: HF 409 (Poppe).*

2. New Required Notice; Counseling Provision. At least 90 days before the end of any applicable plan election period, generally one year after first becoming eligible for IRAP, MnSCU must provide the individual with information about the plan that would provide default coverage if no election is made, and with information about the alternative plan the individual may elect. The information must include phone numbers for contacting plan representatives and web site addresses. The election of coverage forms must include a certification that the individual has received and reviewed materials on the optional coverage plan prior to making an election.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 13. Source: HF 409 (Poppe).*

3. IRAP Election of Coverage Provision Revisions. The IRAP coverage election provision is revised for clarity and by eliminating obsolete language.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 14. Source: HF 409 (Poppe).*

4. IRAP Default Coverage Revisions for New Hires with Prior Defined Benefit Plan Coverage. The IRAP default coverage provision is revised for new hires after June 30, 2011, and by moving language relating to technical college employees hired before June 30, 1997 to another subdivision. If the post-June 30, 2011, hire has no prior service under a combined service annuity plan, the default coverage remains IRAP. Otherwise, the default coverage will be TRA. Combined service annuity plans are the defined benefit plans in MSRS, PERA, TRA, or a first class city teacher plan. The Unclassified Employees Retirement Program of the Minnesota State Retirement System (MSRS-Unclassified), a defined contribution plan, is also a combined service annuity plan.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 15. Source: HF 409 (Poppe).*

5. Coverage Continuation Subdivision Revised. Coverage procedures for certain technical college faculty when facilities were merged into MnSCU, those with pre-1997 TRA coverage or with pre 1995 first class city teacher plan coverage, are moved to a coverage continuation subdivision. The only substantive change is to permit an election of alternative coverage within one year, rather than within 90 days, of a change in employment within the MnSCU system.
   – *1st SS Laws 2011, Ch. 8, Art. 28, Sec. 16. Source: HF 409 (Poppe).*

6. Clarification of Prior Uncovered Service and Continuation of Coverage Provisions. The prior uncovered service provision and continuation of coverage provisions are clarified by including employees in unclassified administrative positions.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 17 and 18. Source: HF 409 (Poppe).*

7. TRA Coverage Certification by Part-Time Employees. MnSCU employees who do not qualify for IRAP coverage because their employment is part-time must certify whether they are TRA members. If the employee fails to certify, the employee rather than the employer is required to cover all delinquent employee and employer contributions to TRA, plus any applicable interest.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 19. Source: HF 409 (Poppe).*

8. Repealer. An obsolete election of TRA coverage provision (M.S., Sec. 354B.21, Subd. 3c) and an expired transfer of assets provision (M.S., Sec. 354B.32) are repealed.
   – *1st SS Laws 2011, Ch. 8, Art. 2, Sec. 22. Source: HF 409 (Poppe).*

F. Local Police and Paid Fire Relief Associations

Legislation was passed to merge the Minneapolis Firefighters' Relief Association and the Minneapolis Police Relief Association into PERA-P&F, which is described in the PERA-P&F portion of this memo.

G. Volunteer Fire Relief Associations

1. Special Law Provision: Deadline for Filing Financial Reports is Extended, Releasing Aid. The deadline for filing 2009 volunteer fire financial reports or financial statements is extended. Notwithstanding general law specifying a forfeiture of aid, the city and/or relief association will not forfeit aid if those reports are filed by April 30, 2011. This legislation was intended to provide relief to Mapleview in Mower County, and Hibbing and Makinen in St. Louis County.
   – *1st SS Laws 2011, Ch. 8, Art. 4, Sec. 1. Source: HF1415 (Melin); SF 1129 (Tomassoni).*

2. Special Law Provision: White Bear Lake; Use of Special Actuarial Work. The White Bear Lake Volunteer Fire Department Relief Association and the City of White Bear Lake are authorized to utilize an October 19, 2009, interim actuarial valuation of the relief association special fund as confirmed by a January 1, 2011, actuarial valuation of the relief association special fund as the basis for determining the actuarial requirements of the relief association and the minimum municipal obligation of the city for the 2010 and 2011 required municipal contributions. The provision is effective retroactive from July 31, 2009, if local approval is provided by the City of White Bear Lake.
   – *1st SS Laws 2011, Ch. 8, Art. 4, Sec. 2. Source: HF 1338 (McFarlane); SF 1113 (Chamberlain).*

II. GENERAL PENSION PROVISIONS

This portion of the memo summarizes provisions applying to all pension plans or to various plan groups.

- Service/Salary Credit During State Shutdown.
  Application: Most of the affected employees are covered by MSRS system plans, but some may be covered by other public pension plans.
  This provision was contained in the State Government Finance bill. All state employees placed on unpaid leave or layoff due to the state government shutdown are granted service and salary credit for the period in the plan which provides coverage. The applicable plans receive no contributions to cover this service/salary credit; therefore, the provision imposes an unfunded liability on the pension plans.
  – 1st SS Laws 2011, Ch.10, Art. 3, Sec. 45. Source: 1st SS SF 12 (Parry); HF 27 (Lanning).

III. MISCELLANEOUS PROVISIONS

This section covers miscellaneous legislation which may impact plan active members or retirees, but which does not clearly fall into the domain of pension plan legislation.

- Pension Commission Membership Increase. This provision was contained in the State Government Finance bill. The membership of the Legislative Commission on Pensions and Retirement is increased from five members from each body to seven members from each body. No more than five members from each body may be from that body's majority caucus. The change is effective January 16, 2013.
  – 1st SS Laws 2011, Ch.10, Art. 3, Sec. 1. Source: 1st SS SF 12 (Parry); HF 27 (Lanning).