

Legislative Commission on Pensions and Retirement

HOUSE MEMBERS

Representative Mary Murphy, Chair
Representative Mike Freiberg
Representative Kaohly Her
Representative Michael V. Nelson
Representative Tim O'Driscoll
Representative Ruth Richardson
Representative Bob Vogel

SENATE MEMBERS

Senator Julie A. Rosen, Vice Chair
Senator Sandra L. Pappas, Secretary
Senator Gary H. Dahms
Senator Nick A. Frenz
Senator John R. Jasinski
Senator Warren Limmer
Senator David H. Senjem

COMMISSION STAFF

Susan Lenczewski, Executive Director
Chad Burkitt, Analyst
Lisa Diesslin, Commission Assistant
Phone: 651-296-2750
TDD: 651-296-9896
Fax: 651-297-3697
website: www.lcpr.leg.mn

Summary of Pension Legislation Passed During the 2020 Regular Legislative Session and Special Sessions

Prepared by: *Chad Burkitt*
Susan Lenczewski

Date: July 27, 2022

Introduction

This summary covers the actions relating to pensions and retirement by the Legislature and the Legislative Commission on Pensions and Retirement (LCPR or Commission) that occurred during the 2020 regular legislative session and subsequent special sessions occurring during the spring and summer of 2020. Most of the pension legislation enacted during the 2020 legislative session was enacted as part of the 2020 omnibus pension and retirement bill, which was passed as [Laws 2020, Chapter 108](#), and was signed by the governor on May 27, 2020.

This summary is divided into the following sections:

- I. [Session Overview](#) summarizes the work done by the LCPR.
- II. [Plan-Specific Provisions](#) summarizes pension legislation that relates to a specific plan or class of plans, such as volunteer firefighter relief association plans.
- III. [General Retirement Provisions](#) summarizes legislation that applies to all or most public retirement plans or the LCPR.
- IV. [Other Provisions](#) summarizes noteworthy legislation that is indirectly related to pensions and retirement topics.
- V. [Other Commission Action](#) summarizes non-legislative actions taken by the LCPR.

I. Regular and Special Session Overview

Commission Meetings

The LCPR held its ninth meeting of the 2019-20 biennium on March 3, 2020, and held just two subsequent meetings on March 10th and May 13th. The work of the Commission was heavily impacted by the COVID-19 pandemic, which resulted in the State Capitol complex being closed to the public and

required the Commission staff and much of the rest of the Legislature to work remotely starting mid-March and continuing for the rest of 2020 and 2021. The May 13th meeting of the Commission was conducted remotely using video conferencing technology and was the first remote meeting of the Commission. The meeting was livestreamed to the public.

Despite the disruption caused by the pandemic, the Commission considered 20 bills and recommended that 18 of them be recommended to pass and included in the 2020 omnibus pension bill. Eight of the 18 bills approved by the Commission were considered by the Commission only in the form of a delete-everything amendment, H3903-DE1.

2020 Omnibus Pension and Retirement Bill – Chapter 108; SF 3808

The 2020 omnibus pension and retirement bill was approved unanimously by the Commission on May 13, 2020. The bill proceeded through the House and Senate without amendment and passed both bodies unanimously. The bill was signed by the governor on May 27. A general summary, section-by-section summary, and list of source bills are available on the Commission's [website](#).

Special Sessions

The legislature was called into special session seven times during 2020 because of the public health emergency caused by the COVID-19 pandemic. The legislature passed several policy and spending bills during those special sessions but did not pass legislation directly related to pensions or retirement policy.

II. Plan- Specific Provisions

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

General Employees Retirement Plan, Correctional State Employees Retirement Plan, State Patrol Retirement Plan, Unclassified Employees Retirement Plan, Judges Retirement Plan

1. Administrative Provisions. MSRS proposed several administrative provisions addressing minor issues within MSRS. The provisions were considered by the LCPR and passed as part of the Omnibus pension and retirement bill. The provisions affect all the plans administered by MSRS unless otherwise noted. The provisions include:
 - Modifying the definition of "dependent child" to account for children conceived through assisted reproduction where the child was not in gestation prior to the death of the plan member;
 - Clarifying treatment of excess employer contributions to match current practice;
 - Clarifying that a member's supporting documents must be filed with an application for disability and defining "supporting documents";

- Permitting licensed podiatrists to submit a medical report on behalf of a member filing for disability;
- Revising the list of covered employees in the State Patrol Plan by removing an obsolete provision;
- Making conforming changes to language appropriating a direct aid payment to the Judges Retirement Plan; and
- Fixing an obsolete reference in a section providing for contribution amounts for Judges.

Laws 2020, Ch. 108, Art. 5, Sec. 2. Source: HF3903-Murphy, SF3808-Rosen.

General Employees Retirement Plan and Correctional State Employees Retirement Plan

1. Health care workers to continue receiving retirement annuities. The COVID-19 pandemic caused a shortage of health care workers. To help address the shortage, the legislature passed a provision exempting health care workers from restrictions on receiving an annuity while reemployed under Minnesota Statutes, section 352.115, subdivision 10. The provision leaves in place a requirement that reemployment does not affect the amount of an ongoing annuity or result in additional service credit under Minnesota Statutes, section 43A.346. The exemption also applies to health care workers covered by the PERA General Plan. The exemption expires on December 31 of the year in which the COVID-19 peacetime emergency expires. *Laws 2020, Ch. 79, Art. 5. Source: HF4576-Bahner, SF4498-Kiffmeyer.*

Unclassified Employees Retirement Plan

1. Extension of the grandfathering of annuity rate factors for some participants. In 2016, changes in mortality and other assumptions prompted MSRS to adjust the annuity factors used to convert a balance in an Unclassified Plan account to a lifetime annuity. The adjusted factors were significantly less generous to Unclassified Plan members and resulted in an average reduction in the monthly benefit amount of about 7.3% when compared to the old factors. Wishing to delay some of the effects of this change, in 2017, the legislature passed a provision permitting certain employees to continue to retire under the old factors for three years. The employees that were grandfathered under the provision were those who retired when they were at least age 63 or had at least 26 years of covered service. Anyone grandfathered under the 2017 legislation who retires after June 30, 2020, will retire under the updated factors and will be subject to the reduction in the annuity amount.

A new paragraph (d) in Minnesota Statutes, section 352D.06, subdivision 1, extends the use of the more generous factors for one more year, to participants who retire after July 1, 2020, and before July 1, 2021. The group of participants eligible remains the same as under the current grandfather provision in paragraph (c), so to be eligible for the more generous annuity, the participant must have reached age 63 or have at least 26 years of service by June 30, 2020. *Laws 2020, Ch. 108, Art. 17. Source: SF4067-Rosen.*

B. Plans Administered by the Public Employees Retirement Association (PERA)***General Employees Retirement Plan, Police and Fire Plan, and Local Government Correctional Service Plan.***

1. Administrative changes. PERA proposed several administrative provisions that were considered by the LCPR and passed as part of the 2020 omnibus pension and retirement bill. The provisions included the following administrative changes:

- Amending the definition of a seasonal employee;
- Clarifying that a member who purchases service credit for a period of military service is permitted to purchase service credit for less than the entire period of military service if the period is longer than one year and that such purchases must be in increments of six months;
- Correcting a drafting error related to members' eligibility for a retirement annuity;
- Clarifying the date as of which a member or survivor is able to be considered as having begun to receive a retirement annuity, bounce-back annuity, or survivor annuity, where the member or survivor does not file an application for benefits immediately upon the retirement or death;
- Correcting an inaccurate reference from Section 356.631 to Section 356.65;
- Clarifying language related to determining deferred augmentation;
- Clarifying the requirements for eligibility to use a phased retirement option and providing a penalty for violating a phased retirement agreement;
- Clarifying the graded vesting requirements for the Police and Fire Plan;
- Making a number of modifications to the Police and Fire Plan disability provisions including clarifying that a member is not required to terminate service before being eligible to apply for a disability benefit and making retroactive corrections to reflect actual operation in compliance with federal law; and
- Repealing a provision permitting members to suspend or reduce their annuity payments for a period of time.

Laws 2020, Ch. 108, Art. 6. Source: HF4301-Her, SF4202-Dahms.

General Employees Retirement Plan

1. St. Paul city and school district contributions to multiemployer plans. The definition of excluded employees, that is, employees who are excluded from PERA coverage, is revised by combining all the clauses dealing with employees in a variety of building and construction trades into one clause (15). New item (vii) of clause (15) prospectively excludes trades employees hired on or after July 1, 2020, by the City of St. Paul or St. Paul School District from participation in PERA. The trades for which contributions to multiemployer plans are limited to \$5,000 or \$7,000, for

laborers, plumbers, pipefitters, and operating engineers, are excepted from the exclusion for trades employees.

A new section, Minnesota Statutes, section 356.27 is established which authorizes the City of St. Paul and the St. Paul School District to make contributions to certain multiemployer plans on behalf of employees in the building and construction trades. Trades employees hired before July 1, 2020, who have been participating in the general plan of the Public Employees Retirement Association (PERA), in addition to a multiemployer plan, are grandfathered and will be permitted to continue to participate in both PERA and their multiemployer plan. Except for the categories of trades employees noted above, trades employees hired on or after July 1, 2020, are not permitted to participate in PERA. The new section also establishes a requirement that the City and School District annually report to the LCPR the number of grandfathered trades employees for whom these employers are still making contributions to PERA. *Laws 2020, Ch. 108, Art. 2. Source: HF3788-Nelson M., SF3658-Senjem; HF3789-Nelson M., SF3659-Senjem.*

2. Phase out of enhanced augmentation when a medical facility privatizes. Chapter 353F, which provides additional benefits to employees whose PERA coverage ends when their employer changes from a governmental subdivision to a nonprofit or for-profit corporation, is amended. Affected employers include hospitals, nursing homes, and other medical facilities. The amendments phase out enhanced augmentation for these employees. Beginning July 1, 2020, the augmentation rate for all previously privatized employees is reduced to two percent and is eliminated entirely effective January 1, 2024. *Laws 2020, Ch. 108, Art. 3. Source: HF4300-Her, SF4201-Jasinski.*
3. Health care workers to continue receiving retirement annuities. The COVID-19 pandemic caused a shortage of health care workers. To help address the shortage, the legislature passed a provision exempting health care workers from restrictions on receiving an annuity while reemployed under Minnesota Statutes, section 353.37. The provision leaves in place a requirement that reemployment does not affect the amount of an ongoing annuity or result in additional service credit under Minnesota Statutes, section 353.371. The exemption also applies to health care workers covered by the MSRS General and Correctional plans. The exemption expires on December 31 of the year in which the COVID-19 peacetime emergency expires. *Laws 2020, Ch. 79, Art. 5. Source: HF4576-Bahner, SF4498-Kiffmeyer.*

Police and Fire Plan

1. Special legislation for one person. A former firefighter employed by the City of Maplewood is permitted to purchase service credit under the PERA Police and Fire Plan for a period of approximately seven months. The seven months represents a period when he should have been participating in the plan but had not been enrolled by the city. If the member pays the missed employee contributions with interest, the city must pay the missed employer contributions with interest, and PERA will credit the service. *Laws 2020, Ch. 108, Art. 9. Source: HR2937-Fischer; SF3087-Wiger.*

Defined Contribution Plan

1. Administrative changes. Amendments to Section 353D.071 replace the definition of “required beginning date” with a reference to the definition of the phrase in Chapter 356 and references to “member” with “participant.” *Laws 2021, Ch. 22, Art. 3, Sections 11-12. Source: SF1712-Rosen, HF1758-Nelson, M.*

Statewide Volunteer Firefighter Plan

1. Administrative changes. PERA proposed several administrative changes to the PERA Statewide Volunteer Firefighter Plan (SVF). The following administrative changes were enacted as part of the 2020 omnibus pension and retirement bill, as follows:
 - Defining the term "governing body;"
 - Establishing a process for a governing body to elect coverage by the SVF when there is no existing volunteer fire relief association;
 - Modifying the process for transferring coverage from a volunteer fire relief association to the SVF;
 - Establishing procedures for approval when the approving body is a joint powers entity;
 - Permitting the calculation of a lump-sum pension amount using months rather than years if it was provided for in the relief association’s bylaws;
 - Clarifying that a deferred member of a former relief association is eligible for the benefit the member would have received from the former relief association, even though the benefit will be paid from the SVF;
 - Permitting the fire chief of a fire department to initiate a benefit increase under the lump-sum division of the SVF, not just the governing body of the municipality, as under current law;
 - Changing the official name of the SVF from "voluntary statewide volunteer firefighter retirement" plan or fund to "statewide volunteer firefighter plan" or "statewide volunteer firefighter fund," as applicable; and
 - Making other minor clarifying changes.

Laws 2020, Ch. 108, Art. 7. Source: HF4297-Freiberg.
2. Technical change; cross reference. The annual revisor’s technical bill included an amendment to an inaccurate cross reference in Minnesota Statutes, section 353G.08, subdivision 3. *Laws 2020, Ch. 83, Art. 1, Sec. 83. Source: HF4044-Lesch, SF3948-Latz.*

C. Teachers Retirement Association

1. Administrative changes. TRA proposed several administrative changes to chapter 354 administered by the Teachers Retirement Association. The following administrative changes were enacted as part of the 2020 omnibus pension and retirement bill, as follows:
 - Modifying obsolete words or phrases in the definition of "teacher" and "annual base salary;"
 - Clarifying the annuity start date;
 - Correcting a drafting error relating to early retirement factors which provided for a more generous benefit than was intended and applying the correction retroactively to comply with federal law;
 - Clarifying that interest on a refund of employee contributions is calculated through the last day of the month prior to the month in which the refund is issued;
 - Repealing a provision permitting members to suspend or reduce their annuity payments for a period of time; and
 - Making other minor technical changes.

Laws 2020, Ch. 108, Art. 8. Source: HF3752-Her, SF3805-Jasinski.

D. Volunteer Firefighter Relief Associations

1. Allocation of fire state aid – recommendation of working group. The 2018 omnibus pension and retirement bill established a working group to study allocation of fire state aid for fire departments with both full time and volunteer firefighters (“combination departments”). The working group recommended that combination departments associated with a relief association be permitted to allocate their fire state aid between the relief association and their full-time firefighters if there is an agreement between the city/department and the relief association. The 2020 omnibus pension and retirement bill implemented the recommendation of the working group as follows:
 - Authorizes municipalities to allocate fire state aid between their affiliated volunteer firefighter relief association and their career firefighters if there is an aid allocation agreement between the municipality and the relief association;
 - Requires that any aid allocated to career firefighters must be used to pay PERA employer contributions within 18 months of the transfer or be returned to the relief association;
 - Describes the requirements for an acceptable aid allocation agreement;
 - Provides for the termination of an aid allocation agreement by the mutual consent of the municipality and the relief association or by either party upon a 50% or more change in the fire state aid transmitted to the municipality by the state; and
 - Establishes a requirement that aid allocation agreements must be filed with the State Auditor.

Laws 2020, Ch. 108, Art. 11, Sec. 1 and 2. Source: HF3870-Nelson M., SF3547-Rosen.

2. Grandfathered aid allocation agreements – city of Hibbing; city of Austin. The cities of Hibbing and Austin have aid allocation agreements in place. Hibbing is allocating fire state aid under a court ordered settlement agreement and a 1980 session law. Austin is allocating fire state aid under a session law passed in 2019.

The 2020 omnibus pension and retirement bill established an aid allocation process. Austin and Hibbing are grandfathered so that the newly established aid allocation will not apply to their current arrangement until such time as their arrangement changes. At that point, the city would be required to comply with the new aid allocation process, as described above. Hibbing's 1980 session law is also repealed. *Laws 2020, Ch. 108, Art. 11, Sec. 3 and 5. Source: Amendment H3870-1A & 2A to HF3870-Nelson M., SF3547-Rosen.*

3. Allocation of fire state aid – city of Eagan. The 2022 omnibus pension and retirement bill extended special authorization for the city of Eagan to allocate fire state aid paid in 2020 pursuant to an aid allocation agreement. The special authority expires June 30, 2022. *Laws 2020, Ch. 108, Art. 11, Sec. 4. Source: HF2925-Halverson, SF 4399-Carlson.*
4. Maximum Lump-Sum Pension Amount Increase. The maximum amount per year of service that a defined benefit relief association can pay as a lump-sum benefit is increased from \$10,000 to \$15,000. A 2018 session law permitting Plymouth to increase its lump-sum amount to \$12,500 is repealed. *Laws 2020, Ch. 108, Art. 10, Sec. 1 and 2. Source: HF3921-Nelson M., SF3550-Rosen.*
5. Relief Association Dissolution and Retirement Plan Termination. The 2018 omnibus pension and retirement bill directed that a work group be established to make recommendations for revising the statutes applying to, among other things, dissolutions of relief associations. The 2020 omnibus pension and retirement bill implements the recommendation of the work group by (1) replacing the existing dissolution provisions with provisions containing updated and consistent terminology and (2) establishing a new dissolution section (Minnesota Statutes, section 424B.22) which defines a new procedure and requirements for dissolving a relief. Reliefs dissolving under the new provision:
 - are required to fully vest their members;
 - have the authority to increase benefit amounts to use up surplus up to 125% of the statutory benefit maximums;
 - must transfer remaining surplus to the sponsoring municipality up to the amount of required contributions made by the municipality;
 - must split any remaining surplus equally between the relief association and municipality after increasing benefits and transferring the required amount to the municipality; and
 - must pay all retirement benefits within 210 days of the effective date of plan termination, allowing firefighters to receive their benefits immediately, rather than waiting until age 50.

Laws 2020, Ch. 108, Art. 12. Source: HF4107-Nelson M., SF4123-Rosen.

6. Brooklyn Park Firefighters' Relief Association: Dissolution of the Relief and Plan Termination. The city of Brooklyn Park terminated the services of all of its paid-on-call firefighters by December 31, 2019, as part of its transition to a fire department staffed by full-time and part-time "career" firefighters. The Brooklyn Park Firefighters' Relief Association met on July 9, 2020, and voted to begin the dissolution process. The 2020 omnibus pension and retirement bill provides for the dissolution of the relief association and the termination of the retirement plan administered by the relief association. The relief association must fully vest all accounts in the relief association retirement plan and make immediate distributions of accounts, among other requirements. *Laws 2020, Ch. 108, Art. 13. Source: HF3153-Nelson M., SF3900-Hoffman, Am. H3153-1A.*
7. Ramsey Volunteer Firefighters' Relief Association: Division of the Relief Association. The city of Ramsey has been providing fire protection through its relief association to the city of Nowthen. The city of Nowthen intends to provide for its own fire protection. The 2020 omnibus pension and retirement bill provided for the division of the Ramsey firefighters' relief association and the transfer of a portion of its accounts to a relief association associated with the city of Nowthen. *Laws 2020, Ch. 108, Art. 14. Source: SF4424-Benson.*
8. Conversions from Defined Benefit Plan to Defined Contribution Plan. The 2018 omnibus pension and retirement bill directed that a work group be established to, among other things, make recommendations for adding new procedures that would allow relief association to convert the retirement plan they administer from defined benefit to defined contribution. The work group recommended entirely replacing existing law, Minnesota Statutes, Sections 424B.20 and 424B.21, and that new law be enacted providing conversion procedures. The 2020 omnibus pension and retirement bill enacted the recommendations of the working group. The new procedures include a requirement that all retirement benefits under the defined benefit plan become fully vested and grants authority to allocate any surplus among the new accounts in the defined contribution plan. *Laws 2020, Ch. 108, Art. 15. Source: SF4438-Rosen.*
9. Recommendations of the State Auditor's Volunteer Firefighter Working Group. The State Auditor's Volunteer Firefighter Working Group recommended changes to existing law, which were enacted as part of the 2020 omnibus pension and retirement bill. The changes included:
 - Reducing the period from 60 days to 21 days during which a firefighter can dispute a fire chief's certification of the amount of service credit the firefighter earned during the previous year;
 - Requiring defined contribution plans to credit inactive members with investment returns/losses; and
 - Moving accrued liability tables in Minn. Stat. § 434A.092, Subd. 2, from that statute to the appendix to the Standards for Actuarial Work established by the LCPR.*Laws 2020, Ch. 108, Art. 16. Source: HF3778-Nelson M., SF3673-Rosen.*

III. General Retirement Provisions

1. Supplemental plans; deferred compensation plans required to file disclosure with LCPR. The MSRS administrative bill included a provision affecting deferred compensation plans. The provision replaces a description of deferred compensation plans that are permitted supplemental plans under Minnesota Statutes, section 356.24, subdivision 1, with a reference to a new subdivision. The new subdivision restates the description of deferred compensation plans that are permitted supplemental plans and adds a requirement that deferred compensation plans file a fee disclosure document with the LCPR annually. The change does not affect the requirement that deferred compensation plans annually provide the fee disclosure document to plan participants. The new subdivision also clarifies that deferred compensation plans may accept contributions funded by sick leave, vacation leave, and severance pay. *Laws 2020, Ch. 108, Art. 5, Sec. 13 & 14. Source: HF3903-Murphy, SF3808-Rosen.*
2. Partial payment of refund repealed. The MSRS administrative bill included a provision repealing partial repayment of refunds for all statewide pension plans under Minnesota Statutes, section 356.44. The repealed law had permitted a member to repay a refund in three partial payments instead of one lump-sum payment. *Laws 2020, Ch. 108, Art. 5, Sec. 18. Source: HF3903-Murphy, SF3808-Rosen.*
3. Non-statewide pension plans; modifying state auditor reporting requirements. The requirements for reporting to the state auditor for public pension plans that do not fully invest their assets with the SBI are updated. The updated requirements also remove redundant reporting requirements for the SBI. Generally, the updated reporting requirements apply to the Bloomington Fire Department Relief Association, the St. Paul Teachers Retirement Fund Association, and those volunteer firefighter relief associations that are not fully invested through the SBI. *Laws 2020, Ch. 108, Art. 4. Source: HF3777-Her, SF3672-Rosen.*
4. Expansion of SBI list of authorized investments. The list of investments that the State Board of Investment is permitted to invest funds in is expanded to include “co-investments or separate accounts” and “bank loans.” “Liquid alternatives” are exempted from a requirement that private market investments cannot exceed 35% of a fund’s portfolio (i.e., the SBI cannot have more than 35% of the Combined Fund invested in private markets). *Laws 2020, Ch. 108, Art. 1. Source: HF3272-Albright, SF4023-Frentz.*

IV. Other Provisions

1. Legislative auditor to conduct survey of law enforcement compensation. The legislative auditor must conduct a compensation and benefit survey of law enforcement in every police department servicing a city with a population greater than 25,000 in the metro area and each city of the first class and the state patrol. The legislative auditor must include retirement benefits in the survey. The survey is to be conducted by January 1, 2021, 2023, 2027, and 2031. The intent of the survey is to compare compensation in the state patrol with local police departments to increase state trooper salaries appropriately. *Laws 2020, Ch. 100, Sec. 20. Source: HF462-Hornstein.*

V. Other Commission Action

1. Approval of waiver of 30-year projection. The Commission approved a waiver of a 30-year projection requirement allowing the MSRS General, PERA General, and TRA plans to wait one year before performing the 30-year projection. The waiver was approved to allow the plans time to incorporate the results of their quadrennial experience studies into their projections.
2. Approval of actuarial assumptions. The Commission approved actuarial assumptions for the:
 - State Employees Retirement Fund administered by MSRS;
 - General Employees Retirement Plan administered by PERA; and
 - Teachers Retirement Association.