

# Legislative Commission on Pensions and Retirement

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TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Rachel Barth, Deputy Director

DATE: March 12, 2018

RE: S.F. 3185 (Frentz); H.F. 3720 (Thissen): PERA General; Excluding certain St. Paul city and school district temporary employees covered by the Minnesota Laborers Pension Fund

## Overview

S.F. 3185 (Frentz); H.F. 3720 (Thissen) exempts laborers and trades personnel who are temporarily employed by the city of St. Paul or the St. Paul school district on or after June 1, 2018, from Public Employees Retirement Association (PERA) general plan coverage. Temporary laborers hired before June 1, 2018, are permitted to elect prospective exclusion from PERA General coverage. This group of employees is also covered by the Minnesota Laborers Pension Fund, which is intended to be their main retirement coverage. The additional PERA coverage is costly and often does not result in a vested pension benefit due to the temporary nature of the employment.

In general, PERA coverage is mandatory for all employees of cities and counties. However, employees are excluded from participating in the plan, if, for example, their salary falls below the annual salary threshold, they are temporary, or covered by other pension plans.

The group seeking to be excluded from PERA coverage are temporary employees with coverage under another pension plan. The employees do not fall under PERA's definition of "temporary", defined as employment that is six months or less (Minn. Stat. § 353.01, Subd. 12a), because they are typically hired for longer periods. Their employment is not intended to be permanent and is not long enough to permit them to vest in a PERA benefit.

Further, the group is already covered by the Minnesota Laborers Pension Fund. This coverage continues whether the employee is employed by a public or private employer. So, the employee is contributing to two pension plans when he or she is employed by the city of St. Paul or the school district. As a result, these employees go through a cycle that begins when the employee is hired by St. Paul, works for awhile, contributes to both PERA and the Laborers plan, ends St. Paul employment, and takes a PERA refund. Excluding this group from PERA ends this costly and unnecessary cycle.

Finally, excluding this group from PERA coverage will not set an inappropriate precedent, because it has been done four other times for trades personnel with union pension coverage. Minn. Stat. § 353.01, Subd. 2b, Para. (a), Cl. (15), (16), (17), and (18), exclude similar trades personnel with union pension coverage from PERA.