



Amendment H5040-1A to H5040-DE1, the 2024 Omnibus Pension and Retirement Bill; LCPR Staff Changes and Corrections

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Introduction

Amendment H5040-1A to Delete-Everything Amendment H5040-DE1 (DE) that will become the 2024 Omnibus Pension and Retirement Bill contains 4 articles, which are to be added to the end of the DE as Articles 11 through 14. The -1A Amendment consists of changes to current law that are more technical in nature.

Article- by- Article Summary

Article 1: Changes to Executive Director Qualifications and Compensation

Sections 1 to 3 amend the statutes that provide how the compensation of the executive directors for MSRS (section 1), PERA (section 2), and TRA (section 3) is to be determined. These statutes needed to be revised because they refer to another statute, section 15A.0815, subdivision 2, that had established salary limits, but was amended in 2023 to remove the salary limits and replace them with a reference to salaries as set by the Compensation Council. The new language requires the board to designate a salary range in the managerial plan in effect under section 43A.18 and a salary within that range.

Section 2, which amends the statute for the PERA executive director, also amends the qualifications for the position to align with the qualifications in the statutes for the other two executive directors.

Article 2: Internal Revenue Code Compliance

Sections 1 to 15 restructure and update the statutes in Chapter 356 under the heading “Internal Revenue Code Compliance,” sections 356.611, 356.62, and 356.635.

Section 1 amends section 356.611, which provides the limit on compensation that may be considered by a retirement plan under Internal Revenue Code section 401(a)(17), to correct references.

Section 2 adds a new subdivision to section 356.611 that defines “covered retirement plan” as all of the qualified retirement plans administered by MSRS and PERA, TRA, St. Paul Teachers, volunteer firefighter relief associations, and two higher education plans administered by Minnesota State. The only retirement plan not included in the MSRS Deferred Compensation Plan, which is a plan under section

457(b) of the Code and has a separate plan document that contains the relevant Code requirements. The new definition is intended to provide an easy reference to all the retirement plans that are subject to these Internal Revenue Code requirements.

Section 3 adds new section 356.612, "Limitation on Benefits and Contributions," which sets forth the annual limits on defined benefit pensions and annual additions to defined contribution plans required under Internal Revenue Code Section 415.

Section 4 adds new section 356.614, "Limitation on Use of Forfeitures," which is a restatement of current section 356.635, subdivision 8, the requirement that forfeitures cannot increase benefits under a defined benefit plan, as required by Internal Revenue Code Section 401(a)(8).

Section 5 amends section 356.62, "Payment of Employee Contribution," to add definitions and update the requirement under Code Section 414(h) regarding the pick-up of employee contributions.

Section 6 restates current section 356.635, subdivision 3 through 7, as new section 356.633, "Direct Rollovers." All qualified retirement plans are required to offer participants the option to direct a direct rollover of any lump sum distribution.

Sections 7 to 10 restates section 356.635, subdivision 1 and 2, by amending current subdivision 1 to create a definitions section, updating subdivision 2, and adding new subdivisions 1a and 2a. As restated, section 356.635 will provide all the requirements relating to required minimum distributions under Internal Revenue Code section 401(a)(9) for defined benefit and defined contribution plans.

Section 11 restates section 356.635, subdivision 13, as new section 356.636, "Correction of Errors." This section is supplemented with additional language to provide the executive directors of the statewide pension funds and St. Paul Teachers more flexibility to correct operational errors. If followed, this has the potential to reduce the need for special legislation since errors should be able to be corrected by the executive director, following the guidance in the IRS correction program.

Sections 12 through 15 are a Revisor instruction, a Repealer, and an effective date.

Article 13: St. Paul Teachers Retirement Fund Association

Sections 1 to 16 replace references, throughout Chapter 354A, to "public school of a city of the first class," "applicable school district," and similar terms with "Independent School District No 625, St. Paul" and "first class city teacher retirement fund association" and similar terms with "St. Paul Teachers Retirement Fund Association" or "the teachers retirement fund association" and makes other conforming changes.

Article 14: Miscellaneous Changes

Sections 1 through 6 amend or repeal statutes in Chapters 353, 356, and 356A. Many of the changes remove or revise obsolete references or terms no longer used. Some of the changes in section 3 permit reports and investment disclosure forms to be delivered to the Commission by email.