

TO: Legislative Retirement Study Commission

RE: Brief Summary of the 1971 Session Pension Legislation

DATE: September, 1971

BILLS

During the 1971 Legislative Session and Extra Session to date, 180 bills were introduced concerning public pension matters in Minnesota. In accordance with its statutory obligation, this Commission analyzed these bills by conducting research and public hearings on their contents. Of these 180 bills, 28 were bills sponsored by this Commission as a result of studies completed during the 1969-1971 interim. Of the 28 bills sponsored by the Commission, all but one (the PERA Savings Clause and benefit improvement bill) were passed by both houses of the legislature. All of the 27 Commission bills so passed became law except the Duluth Hospital bill concerning PERA membership, which was vetoed by Governor Anderson. In addition to the Commission bills, 39 other pension bills were passed for a total of 65 pension laws to date for the 1971 Session. Additional laws during the remainder of the extra session are a possibility.

HIGHLIGHTS

Of the many bills so passed, several represent legislation of long range significance. They are as follows:

- (1) Chap. 412 (PERA); Chap. 87 (TRA); Chap. 274 (MSRS); Chap. 552 (Mpls.)-Deferred Pension Appreciation Bills - Probably the most important bills passed during the 1971 Session concerning basic pension philosophy were the above acts which concerned portability and deferred pensions. The above 4 acts provide that ten years of service in any two or more of the governmental funds will be sufficient to provide minimum service for pension purposes; and also that the deferred pension portion shall appreciate additional credit through interest earnings. Additional funds may join this agreement in the future through bylaw action.
- (2) Chap. 106 - PERA Recodification Act - This bill represented a portion of the recommendations by a special subcommittee of this Commission to simplify and improve one of the most complicated pension plans in the nation. If the other recommendations of this subcommittee, which were incorporated in the PERA savings clause and benefit improvement bill, had become law, PERA would have been substantially simplified and improved even further.
- (3) Chap. 297 - PERA Police & Fire Fund Improvement Act. - This bill represents a major benefit improvement to the PERA Police & Fire Fund. This was accomplished by incorporating the Highway Patrol benefit program into the PERA, resulting in approximately a 25% improvement in benefits for most members.
- (4) Chap. 535 - TRA Social Security Collection Act. - This bill solved two problems of long standing. First, the bill revamps the machinery of handling Social Security deductions by TRA, and provides for the eventual payment of funds advanced by TRA in behalf of the State for Social Security contributions. Second, the bill provides for the collection of employer pension contributions from most federal funds dedicated to teacher salaries, which prior to bill passage were "subsidized" by the State.
- (5) Chapter 88 - Retired Teachers Improvement Act - This bill affects teachers who retired prior to 1967 and was designed to improve their benefits upon the same rationale as H.F. 1 of the 1969 Session was determined. This bill is not an example of the "gratuity" type of pension supplements, but rather reflects adjustments to equivalency provisions enacted in 1957 for PERA and SERA, and intended but not consummated for TRA.

- (6) Chap. 695 - Police Department State Aid Act - This bill institutes state aid to police departments by disbursing most of the 2% tax on motor vehicle insurance premiums in a manner similar to the disbursement of state aid to firemen's relief associations. This bill does not enact a new law, but rather is a dedication of an existing tax.
- (7) Chap. 261 - 1971 Volunteer Guidelines Act - This bill requires all fire funds not governed by the 1969 guidelines act to determine their accrued liability, and also provides for financing of pension liabilities so determined by the local municipalities.

CONCLUSION

With the passage during the 1971 Session of Chapter 7 (concerning the Metro Transit fund), Chap. 281 (concerning the University funds), and Chapter 261 (concerning Volunteer Fire Funds), for the first time all of the public pension funds within Minnesota will now be providing the LRSC with actuarial surveys or their equivalent. The report of this Commission to the 1973 Legislature will be able to relate the "full picture" of Minnesota public pensions. Much has been accomplished during the 1971 and previous Sessions--much remains to be done.

1971 SESSION LAWS CONCERNING PENSION MATTERS

Summary

I. PERA

Chapter 106	Recodification Bill
Chapter 295	Coordinated Law Consolidation Bill
Chapter 19	Hospital Referenda Process Bill
Chapter 412	Deferred Pension Appreciation Bill
Chapter 503	Housekeeping Bill
Chapter 374	Basic Coordinated Credit Bill
Chapter 297	Police & Fire Benefit Change Bill
Chapter 335	Special Widow Benefit Renewal Bill
Chapter 536	Special Retroactive Survivor Benefit Bill

II. TRA

Chapter 535	Social Security Collection Bill
Chapter 88	Retired Teacher Benefit Improvement Bill
Chapter 87	Deferred Pension Appreciation Bill
Chapter 40	Housekeeping Bill
Chapter 86	Survivor Benefit Bill
Chapter 621	TRA Supplemental Amendment Bill

III. MSRS

Chapter 274	Deferred Pension Appreciation Bill
Chapter 604	Unclassified Employees Optional Plan Bill
Chapter 58	Deputy Registrar Bill
Chapter 12	Housekeeping Bill
Chapter 194	Death While Eligible Bill

IV. Investment Law

Chapter 197	Deferred Yield Adjustment Account Bill
Chapter 414	MAFB Annuity Stabilization Account Bill
Chapter 366	Bank Notes and Debenture Bill
Chapter 210	Investment Law Amendments Bill
Chapter 112	MAFB Housekeeping Bill

V. 1st Class City Funds

Chapter 326	Mpls. Municipal - Executive Secretary Bill
Chapter 284	Mpls. Municipal - Benefit Termination Bill
Chapter X-12	Mpls. Municipal - Special Judge Bill
Chapter X-22	Mpls. Municipal - Special Buy-Back Bill
Chapter X-21	Mpls. Municipal - Retired Employee Spif Bill
Chapter 135	Mpls. Municipal - Investment Bill
Chapter 552	Mpls. Municipal - Deferred Pension Appreciation Bill
Chapter 578	St. Paul Bureau of Health Tax Levy Bill

VI. Miscellaneous

Chapter 222	Supplemental Pension Freeze Bill
Chapter 266	Tax Shelter Annuity Bill
Chapter 928	Legislator's Pension Amendment Bill
Chapter 818	LRSC Operating Amendment Bill
Chapter 7	Amendments to Actuarial Laws (MTC)
Chapter 281	Amendments to Actuarial Laws (University)
Chapter 504	Sinking Fund Amendment Bill

VII. Police & Fire Funds

(a) General Laws

Chapter 695 Police Department State Aid Bill
Chapter 261 1971 Volunteer Guidelines Bill
Chapter 329 Amendment to 1969 Guidelines Act (Volunteers)
Chapter 11 Amendment to 1969 Guidelines Act (Bylaws)
Chapter X-6 State Aid Housekeeping Bill
Chapter 278 Highway Patrol Optional Retirement Bill
Chapter 543 Highway Patrol Special Widow

(b) Special Laws

Chapter 809	Chisholm Fire Bill	(Paid)
Chapter 810	Chisholm Police Bill	(Paid)
Chapter 51	Crookston Fire Bill	(Paid)
Chapter 807	Hibbing Police Bill	(Paid)
Chapter 614	Hibbing Fire Bill	(Paid)
Chapter 407	Mankato Fire & Police Bill	(Paid)
Chapter 542	Minneapolis Fire Bill	(Paid)
Chapter 574	Minneapolis Fire Bill	(Paid)
Chapter 549	St. Paul Police Bill	(Paid)
Chapter 178	South St. Paul Fire Bill	(Paid)
Chapter 184	Anoka Fire Bill	(Volunteer)
Chapter 2	Fergus Falls Fire Bill	(Volunteer)
Chapter 140	Golden Valley Fire Bill	(Volunteer)
Chapter 233	Grand Rapids Fire Bill	(Volunteer)
Chapter 114	New Hope Fire Bill	(Volunteer)
Chapter 200	Owatonna Fire Bill	(Volunteer)
Chapter 214	White Bear Fire Bill	(Volunteer)
Chapter 127	Willmar Fire Bill	(Volunteer)

TO: Legislative Retirement Study Commission
RE: Some Appropriate Subjects for Commission Attention
DATE: September 17, 1971

I. General Matters

- (1) Commission Principles of Pension Policy
 - (a) Established principles developed to date.
 - (b) New principles developed as to "adequacy" of pensions; division of pension responsibility between funds and social security; financial responsibility of new deficits; status of "delegation" pension bills; etc.
- (2) Portability -
 - (a) Furtherance of Coordination between all of the public pension funds started in 1971 Session should be pursued toward increased portability of service and development of total career retirement provisions.
 - (b) Pension problems resulting when employees are changed from the jurisdiction of one fund to that of another.
- (3) Further Role of Supplemental Pensions
- (4) Actuarial Assumptions - Examination of assumptions, especially as to interest yield and assumed rate of salary scale increase.
- (5) Alternatives to Providing Survivor Benefits, etc., in a retirement program.

II. Specific Matters

- (1) Actuarial Valuations - Examination of each fund valuation as received. For the first time actuarial surveys or their equivalents will be available for every public pension fund in Minnesota.
- (2) MAFB - Study and Development - January 1, 1972 is the earliest legal time for operation of the Minnesota Adjustable Fixed Benefit Fund. Study and development of operation refinements will be important during the next interim.
- (3) Analysis of the 1969 Teachers Retirement Improvement Act - The 50,000 teachers in TRA will by July 1, 1972 have selected among the several options provided by the Teachers Retirement Improvement Act of 1969. The first actuarial survey of TRA after this selection of options will become available in the fall of 1972 for analysis before the 1973 Session.
- (4) Clarification of PERA Law and Benefit Program - This objective was only partially accomplished at the 1971 Session. Thus, further study would be in order as to the Commission past proposals and also to possible alternative means toward accomplishing satisfactory clarification.
- (5) A Judicial Pension System - Consider both operational provisions and benefit program.
- (6) Paid Fire & Police Funds
 - (a) Analysis and study of third round of surveys now available.
 - (b) Comparative study of police and fire benefit.
 - (c) Study of financial requirements which became operational in 1971 as a result of 1969 guidelines act.
 - (d) Police pension state aid distribution problems.

- (7) 1st Class City Local Funds -
 - (a) Study of surveys (first surveys for some)
 - (b) Financing and portability problems
 - (c) Consideration of possible guidelines bill

- (8) Volunteer Fire Funds - The extent of total liability and the varying financial condition of the more than 500 local volunteer firemen's relief associations will become known and available for study for the first time during the next biennium.

- (9) Minneapolis Municipal Fund Law - Recodification

- (10) Fire & Police General Laws - Recodification of 3 chapters containing much obsolete, conflicting and contradictory provisions

- (11) Highway Patrol Law - Recodification