

TO: Legislative Retirement Study Commission
FROM: Lawrence Martin
RE: Brief Summary of Pension Legislation in 1975
DATE: June, 1975

I. Bills Which Became Law in 1975

During the 1975 Session of the Minnesota Legislature, more than 150 bills were introduced which concerned pension matters. In accordance with Minnesota Statutes, Section 3.85, these bills were reviewed and analyzed by the commission members and staff.

Of the bills introduced in 1975, 50 became law. They may be classified as shown below:

Statewide Funds	10 bills
First Class City Funds	1 bill
Local Police & Fire	14 bills
Volunteer Fire Funds	16 bills
Miscellaneous	<u>9 bills</u>
	50 bills

Provisions pertaining to First Class City Funds, Local Police and Fire Funds, and Volunteer Fire Funds were included as amendments to various Statewide Fund bills.

Several of the 1975 Session Laws represent significant pension changes, which are briefly reviewed in the following section.

II. Significant Changes

A. Statewide Funds

- A lump sum bonus of \$100 for basic members and \$50 for coordinated members retiring under the laws in effect prior to July 1, 1973 was granted.
- An age 65 mandatory retirement age was imposed on all members of the statewide TRA and in TRA's cities of the first class.
- Judges entitled to escalation under the "Sylvestre" decision were allowed to waive any future escalation to which they are entitled in return for MAFB post-retirement adjustments and funding of "old law" retirement and survivors' benefits from the new Judges Retirement Fund.
- Unclassified employees will be automatically covered by the Unclassified Plan unless they specifically elect to be covered by the regular MSRS fund, and upon completion of 10 years of service and prior to termination a member of the unclassified plan may elect to take a formula benefit under the regular MSRS fund.
- The earnings limit for retirees covered by MSRS and PERA is increased from \$2000 to \$3000 per year (and remains at \$800 per quarter for TRA).
- The Highway Patrolmen's Fund and the Legislators' Plan both gained the service in more than one fund provision allowing the addition of service for vesting.

B. Local Police and Paid Fire Funds

- One local police fund was placed on a phase out basis, with new employees covered by PERA Police and Fire Fund. Surviving spouse benefit reinstatement provisions, survivor benefit increases and post retirement adjustments constituted the most numerous changes.

C. Miscellaneous

Surviving spouse benefits in the major funds which terminate on account of remarriage will be entitled to be reinstated if the remarriage terminates.

- An employee required to retire because of a mandatory retirement law or policy, with at least 3 years covered service but less than the 10 years required for vesting, shall be eligible for a proportionate annuity.
- Deferred compensation was extended to covered employees of all public pension plans except local police and fire funds.

The combined service annuity, a portability feature, was provided for most public pension plans except local police and fire funds.

- The actuarial reporting chapter, Minnesota Statutes, Chapter 356, was revised and recodified.
- A prohibition was placed on the establishment of any more local pension plans other than volunteer firemen's funds.
- The State Board of Investment was authorized to invest in Small Business Administration guaranteed loans.

Bills Enacted During the 1975 Session Concerning Pension Matters

PERA	Chap. 102	(HF 584)	Administrative Bill
	Chap. 187	(HF 596)	Reinstatement of Bureau of Health Service
	Chap. 190	(HF 779)	Inter-County Council Coverage
TRA	Chap. 306	(SF 469)	Administrative Bill
MSRS	Chap. 99	(HF 110)	Camp Ripley Buy-Back
	Chap. 368	(HF 593)	Administrative Bill
	Chap. 230	(HF 521)	Extension of mandatory retirement for correctional employees
	Chap. 388	(HF 775)	Legislative Employees Buy-Back
Judges	Chap. 150	(HF 113)	Clay County Probate Refund
	Chap. 418	(HF 1313)	Miscellaneous changes, "Sylvestre" agreement
1st Class City Funds	Chap. 152	(HF 774)	Mpls. Municipal Administrative Bill
	Chap. 306	(SF 469, Sec. 30-32)	1st Class City TRA's, state assumption of total employer obligation, mandatory retirement age
Local Police & Fire Funds	Chap. 56	(SF 152)	Mpls. Fire, Widows' Reinstatement
	Chap. 57	(SF 151)	Mpls. Fire, Travel Expenses
	Chap. 120	(HF 351)	Moorhead Fire, Survivor Benefits
	Chap. 121	(HF 530)	Bloomington Police, Membership & Buy-Back
	Chap. 186	(HF 590)	Eveleth Police, post retirement adjustments
	Chap. 389	(HF 778)	Faribault Fire, survivor benefits
	Chap. 408	(HF 1133)	Duluth Police, survivor benefits
	Chap. 127	(HF 1136)	Duluth Fire, survivor benefits
	Chap. 423	(HF 1448)	St. Paul Fire, widow's reinstatement
	Chap. 424	(HF 1499)	Columbia Heights Police, all new men into PERA-Police & Fire
	Chap. 425	(HF 1500)	Buhl Police, pension & survivor benefit increases
	Chap. 200	(HF 1501)	Eveleth Fire, post retirement adjustments
	Chap. 254	(HF 1315, Sec. 1-4)	Red Wing Fire, post retirement adjustments
	Chap. 254	(HF 1315, Sec. 5 & 6)	Hibbing Fire, post retirement adjustments
	Chap. 428	(HF 1551)	Mpls. Police, insurance deduction
	Chap. 368	(HF 593, Sec. 54)	Rochester Police, membership
Volunteer Fire Funds	Chap. 36	(SF 186)	Grand Rapids, lump sum increase
	Chap. 43	(SF 737)	Eagan, monthly increase
	Chap. 207	(HF 46)	Tyler, incorporation date

(Vol. Fire continued)

Chap. 117	(HF 47)	Mound, monthly increase
Chap. 118	(HF 155)	Minnetonka, monthly increase
Chap. 119	(HF 254)	Roseville, retroactivity
Chap. 185	(HF 588)	Butterfield, disability qualification
Chap. 178	(HF 416)	Robbinsdale, monthly increase
Chap. 229	(HF 519)	Edina, monthly increase
Chap. 237	(HF 643)	Brooklyn Park, monthly increase
Chap. 367	(HF 580)	Owatonna, lump sum increase
Chap. 41	(SF 603)	Backus, survivor benefit qualification
Chap. 197	(HF 1254)	New Brighton, monthly increase
Chap. 125	(HF 944)	Lakeville, lump sum increase
Chap. 124	(HF 939)	Lake Johanna Non Profit, monthly increase
Chap. 429	(HF 1596)	Farmington, lump sum increase
Chap. 306	(SF 469, Sec. 33)	New Ulm, monthly increase

Miscellaneous

Chap. 67	(SF 286)	Removal of Township fire levy limit
Chap. 183	(HF 583)	Surviving Spouse reinstatement proportionate annuity
Chap. 273	(SF 366)	Deferred Compensation extension to political subdivisions
Chap. 232	(HF 581)	Combined Service Annuity
Chap. 307	(SF 476)	Invalidation of private pension right loss upon employment with a competitor
Chap. 277	(SF 874)	State Board of Investment authorized to invest in small business loans
Chap. 192	(HF 864)	Actuarial valuation chapter recodification
Chap. 153	(HF 1008)	Hennepin County Deferred Compensation Administrative Changes
Chap. 405	(HF 1073)	Prohibition on local pension plans other than volunteer firemen's funds

TO: Legislative Retirement Study Commission

FROM: Lawrence Martin

RE: Changes in the Public Employees Retirement Association Law
made by the 1975 Legislature

DATE: June 6, 1975

The PERA Administrative Bill (HF 584), Laws 1975, Chapter 102) makes a number of changes. Employees of hospital districts organizing or re-organizing under Laws 1959, Chapter 570, coded as Minnesota Statutes, Section 447.31 to 447.36, after July 1, 1975 will not be exempt from compulsory PERA membership as is presently the case. Former PERA members who are employee representatives for PERA covered employees are allowed to continue their coverage in PERA and may purchase up to five years of prior service. The terms for members of the PERA Board are extended for one year to allow for the development of a plan to insure geographic representation. The Executive Secretary is authorized to become the Executive Director and is given expanded management powers and increased administrative discretion. The venue for all court actions involving PERA is specified as Ramsey County District Court. PERA is authorized to mail upon request all payments to a recipient's bank or savings and loan association without violating the nonassignability provision, and also can transmit payments to County Welfare Departments when there is a delay in appointing a legal guardian for certain recipients. A decedent's annuity can be sent to the surviving spouse through the month of the annuitant's death. Disability benefits will be reduced by only that portion received from Workmen's Compensation as a benefit and not by the amount allotted for attorney's fees. Upon a disabilitant's partial reemployment, where earnings are less than the salary either at the date of disability or the salary that is currently paid, the benefit will continue in an amount which when added to the salary does not exceed the higher of the two salary figures.

The annual salary limit upon public reemployment of an annuitant is increased from \$2,000 to \$3,000. A surviving spouse of a member of the PERA-Police & Fire Fund who dies after attaining age 55 with at least 20 years service may qualify for an optional annuity. Persons with service in more than one fund, who conclude their public service with PERA, may qualify for early retirement prior to age 65 upon attaining age 62 with 30 years of service.

The MSRS Administrative Bill (HF, Laws 1975, Chapter 368) contains two provisions affecting PERA. The first authorizes PERA to appropriate money to conduct a feasibility study for the construction of an office building. The second repeals the provisions in Minnesota Statutes, Chapter 355, which requires PERA to report the status of the Basic Fund and the Coordinated Fund separately.

TO: LRSC

FROM: Lawrence Martin

RE: Miscellaneous Changes Concerning Retirement Enacted by the
1975 Legislature

DATE: June, 1975

A number of bills were acted on by the 1975 Legislature which concern public retirement other than those applicable strictly to one retirement strictly to one retirement system. These are:

1. The Deferred Compensation Bill (SF 366, Laws 1975, Chapter 273)
This bill provided that any state or political subdivision employee, or any employee covered by a fund which is required to file a financial report or actuarial valuation under Minnesota Statutes, Chapter 356 can participate in the deferred compensation plan by purchasing shares in the Minnesota Supplemental Retirement Fund. The Executive Director of the Minnesota State Retirement System administers the plan, and establishes rules consistent with federal tax laws, rules, and decisions. The bill specified that it was not to be construed to pre-empt any deferred compensation plan offered by a private insurance carrier.

2. Surviving Spouse Benefit Reinstatement and Proportionate Annuity Bill (HF 583, Laws 1975, Chapter 183)
This bill provided that if a surviving spouse's benefit was terminated solely because of remarriage and that remarriage subsequently terminates, the benefit will be reinstated. The bill applies both prospectively and retroactively. The funds covered by the measure include the Public Employees Retirement Association, the Public Employees Police & Fire Fund, the Highway Patrol, the Legislators' Plan, the Elected State Officers' Plan, the Teachers Retirement Association, and the Minneapolis Municipal Employees Retirement Fund.

The bill also provided that for a person with at least three years service, but less than the 10 years required for minimum vesting (including service in more than one public retirement fund) who is required to terminate employment because of a mandatory retirement statute or policy, the person is entitled to a pro rata annuity. The provision applies to the Minnesota State Retirement System, Correctional Employees Plan, Highway Patrolmen's Fund, Public Employees Association, Public Employees Police & Fire Fund, and the Teachers Retirement Association.

3. Combined Service Annuity Bill (HF 581, Laws 1975, Chapter 232)
This bill provided that a person with multiple fund coverage, with total allowable service of at least 10 years, with at least 6 months of allowable credit with the last covered fund, and with final termination after May 1, 1975, may choose in lieu of the deferred annuities augmentation presently provided for in law to receive an annuity from each fund based on each fund's formula but calculated as though the service were continuous. A single highest 5 successive years average salary would be applicable. The formula percentage used for any single year of service

cannot exceed 2.5%, and periods of dual coverage shall be applied pro rata and used only once. The funds covered by the measure include the Minnesota State Retirement System, the Correctional Employees Plan, the Unclassified Employees Plan, the Highway Patrolman's Plan, the Public Employees Retirement Association, the Public Employees Police & Fire Fund, the Teachers Retirement Association, the Minneapolis Municipal Employees Retirement Fund, the Minneapolis Teachers Retirement Fund Association, the St. Paul Teachers Retirement Fund Association, and the Duluth Teachers Retirement Fund Association.

4. Bonus Provision for Pre July 1, 1973 Retirees and Survivors
(SF 469, Sec. 28, Laws 1975, Chapter 306, Sec. 28)

This provision, incorporated into the Teachers Retirement Association Administrative Bill, authorized a lump sum bonus payment to retired employees and surviving spouses who are receiving benefits based on laws in effect prior to the enactment in 1973 of the "high five years" final salary average formula. The payments will be made December 1, 1975, and will be \$100 for each basic member (not covered by social security) and \$50 for each coordinated member (covered by social security). This provision applies to the major statewide retirement funds, i. e. the Minnesota State Retirement System, the Highway Patrol, the Teachers Retirement Association, the Public Employees Retirement Association, and the Public Employees Police & Fire Fund, and also applies to persons receiving the "\$2 bill and annuity" from the Minneapolis Municipal Employees Retirement Fund.

5. Actuarial Valuation Requirements Recodification Bill (HF 864,
Laws 1975, Chapter 192)

This bill recodified and made needed technical changes in the law specifying the manner and form of making financial reports and actuarial valuations to the legislature. This includes a definition of actuarial valuation and experience study, the requirement of filing of an actuarial valuation, the time of filing, the required contents of the actuarial valuation and the quadrennial experience study, and a definition of approved actuary.

6. Restriction on the Establishment of Local Pension Plans Bill
(HF 1073, Laws 1975, Chapter 405)

This bill provided that notwithstanding any law or charter provision, no city can establish a local pension plan paid in whole or in part by public funds other than a volunteer firemen's relief association.

TO: LRSC

FROM: Lawrence Martin

RE: Changes in Minnesota State Retirement System Law made by the
1975 Legislature

DATE: June, 1975

The Minnesota State Retirement System Administrative Bill (HF 593, Laws 1975, Chapter 368) made a number of changes in the various funds administered by the MSRS Board.

1. Regular MSRS Employees Fund

A provision was added to the law pertaining to the MSRS Board specifying that no contract right is established by operation of law applicable to any fund administered by the MSRS Board. The venue for all legal actions involving MSRS shall be in Ramsey County District Court and the MSRS Board shall be represented by the Attorney General. MSRS was authorized to use the data processing service of the State's Department of Administration or to contract for data processing in whole or in part from other agencies or private companies. A member of MSRS is vested for a disability benefit if the member has 5 years of service and is at least age 50. Disability benefits are not reduced by that portion of workmen's compensation allotted for attorney's fees. A disabilitant may elect an optional form of annuity upon reaching age 65, which is the normal retirement age. Average salary is defined so as not to include lump sum terminal payments such as overtime or vacation or partial salary under workmen's compensation. The salary limit for partial reemployment of the annuitant in state service is increased from \$2,000 to \$3,000. MSRS was authorized to make payments to banks or savings and loan associations without violating the non-assignability provision. The deferred annuities augmentation was increased from 2.5% to 5.0%, compounded annually. Members with service in more than one fund can qualify for retirement prior to normal retirement utilizing their combined service.

2. Correctional Employees Plan

The classifications of farmer or farmer manager are included in covered correctional service. Service prior to July 1, 1974 by persons included in the correctional employees plan by Laws 1974, Chapter 52D is included as correctional service. Special correctional teachers who were formerly basic members are guaranteed no reduction in benefits. In determining a correctional employee's five highest successive years salary average, any salary earned while in a MSRS covered position shall be used. A correctional employee may be employed beyond the mandatory retirement age for one year, not to exceed age 62 or July 1, 1976, if the employee submits a medical exam made at his own expense and the continuation is approved by the commissioner of corrections.

3. Legislators' Plan

The definition of a dependent child was expanded to include full-time students between the ages of 18 and 22. The salary average was set at the average monthly salary during the final term of office. The surviving spouse of a retired or qualified former legislator is entitled to payment of the annuity for the month of death of the legislator. The

deferred annuities augmentation was increased from 3.5% to 5.0%, effective July 1, 1973 or termination of service. An active legislator, after June 30, 1973, is immediately vested with respect to his survivor's benefits. Survivor benefits are payable retroactive to the first day of the month following the former legislator's death for applications filed after June 30, 1973. For applications after July 1, 1975, retroactivity is limited to 12 months. A provision allowing for the addition of periods of covered service in more than one retirement fund to qualify for vesting was added. Any refunds taken from other public retirement funds are authorized to be repaid with interest.

4. Highway Patrolmen's Fund

A service in more than one fund provision was added, allowing for the addition of periods of covered service in numerous funds to qualify for vesting. Any refunds taken from other public retirement funds are authorized to be repaid with interest. A 5.0% deferred annuities augmentation provision was also added.

5. Unclassified Employees Plan.

Unless an unclassified employee elects membership in the regular plan, all unclassified employees shall automatically participate in the unclassified plan. An employee in the unclassified plan with 10 years of service prior to termination of state service may elect to transfer membership to the regular plan. A permanent legislative employee with prior intermittent legislative service can purchase that service with a lump sum or installment payment of the current contribution rate on current salary for all or any portion of service certified by the Senate or House Rules and Administration Committees. The mandatory retirement age for employees of the legislative branch was removed.

TO: LRSC

FROM: Lawrence Martin

RE: Changes in the Judges' Retirement Law made by the 1975 Legislature

DATE: June, 1975

The major bill affecting Judges' Retirement (HF 1313, Laws 1975, Chapter 418) dealt substantially with the "Sylvestre" decision escalated benefits problem and made a few miscellaneous changes.

The most substantial part of the bill was concerned with resolving the problem of escalated benefits which resulted from the Minnesota Supreme Court's "Sylvestre" decision and the consequent lack of funding of all retired supreme court and district court judges' pensions. There was a statement of legislative policy that escalated benefits are contrary to sound pension policy. The 29 retired district and supreme court judges who are eligible for escalated benefits under the "Sylvestre" decision may waive their rights to future escalation by signing individual agreements with the state in return for the state recognizing the escalation to date, the payment of annuities not received since January 1, 1975, the back payment due under the "Sylvestre" decision, future Minnesota Adjustable Fixed Benefit Fund annuity adjustments, and widows coverage under the Minnesota Adjustable Fixed Benefit Fund. The 9 judges who are contributing to the District and Supreme Court Survivors' Fund and the 15 widows entitled to escalation under the "Sylvestre" decision may waive their rights to future escalation by signing agreements with the state in return for the state recognizing the escalation to date for the 15 widows, the "Sylvestre" back payment, future widows' benefits from the Minnesota Adjustable Fixed Benefit Fund, and a discontinuation of the 4% contribution by the 9 participating judges. For the Survivors' Fund, all parties concerned must sign agreements before the reciprocal action by the state will become effective. Any district or supreme court judge not included can sign the agreement and be afforded the same benefits in return for the waiver. Those district or Supreme Court judges electing benefits under the pre January 1, 1974 law shall not have their benefits paid from the Minnesota Adjustable Fixed Benefit Fund.

In addition, a judge who is required to retire under a mandatory retirement provision shall be entitled to a proportionate annuity if his service is less than that required for vesting. Surviving spouse and surviving children's benefits are also provided for a judge who died just prior to the start of the new law on January 1, 1974. The appropriations for retirement and survivor benefits for the 1975-1977 biennium were also made, which total \$1,022,700. A non-severability provision was also included. The act is effective the day following final enactment.

TO: LRSC

FROM: Lawrence Martin

RE: Changes in the Teachers Retirement Association Law made by the
1975 Legislature

DATE: June, 1975

The Teachers Retirement Association Administrative Bill (SF 469, Laws 1975, Chapter 306) made a number of changes affecting both members of the statewide teachers retirement association and members of the Teachers Retirement Fund Associations in cities of the first class.

1. Statewide Teachers Retirement Association

The definition of five highest successive years average salary was further defined to exclude sick leave or any severance pay from the average. All salary must be paid before any annuity can begin, and no more than 60 months can be used in calculating the salary average. TRA was authorized to use the data processing service of the State's Department of Administration, or to contract for these services from other agencies or private companies. A provision was added to TRA law specifying that no contract right is established by operation of TRA law. The deadline for the payment of contributions for sabbatical leaves was changed to the end of the fiscal year following the fiscal year in which the leave terminates. TRA was authorized to make payments to banks or savings and loan associations without violating the non-assignability provision. Employee representatives, who are former TRA members, are allowed to continue membership and can also buy back up to 5 years of service (limited to the most recent 5 years). A statutory mandatory retirement age is set at age 65 for all TRA members (effective August 31, 1976). For disabilitants who transfer to retirement status at age 65, their benefit will be calculated under the law in effect after July 1, 1973 (the 5 highest successive years salary average change) instead of calculation under the law in effect upon termination. A minimum deferred period of three months before a member qualifies for deferred annuities augmentation was established. Members with service in more than one fund can qualify for retirement prior to normal retirement utilizing their combined service. Retirees under the 5 highest successive years salary average formula program who retired from July 1, 1973 to March 28, 1974 were granted a refund of their buybacks. For any person receiving a retirement or surviving spouse's annuity or benefit under the law in effect prior to July 1, 1973 (the date of the change to the 5 highest successive years salary average), there is a bonus payable December 1, 1975. The bonus is a lump sum payment of \$50 for each coordinated (social security) member. The bonus provision applies to members of TRA as well as the other statewide funds.

2. Teachers Retirement Fund Association in Cities of the First Class

The mandatory retirement age for teachers in cities of the first class, which was formerly set by statute at age 68, was reduced to age 65, effective August 1, 1976. Local levies for teachers retirement fund associations in cities of the first class, including social security in the case of Duluth, were disallowed and the state assumed the obligation to fund the three retirement funds. The state presently pays a substantial portion of the employer obligation for teachers retirement in the three cities of the first class, and the payment, which increases this year, will be continued. Effective March 1, 1976, minimum employee contributions are set at the same level as for the statewide TRA (employee contributions in Duluth and St. Paul are presently set at the required minimum level, and for employee contributions in Minneapolis, which are less than the minimum, the required increased contribution is contingent on a determination by the legislature of a benefit adjustment prior to March 1, 1976). Bylaw amendments, the previous manner of benefit change, are prohibited and future changes must be set by statute or special

law. The Legislative Retirement Study Commission is directed to study the various benefit programs and to report to the legislature by January 30, 1976. The commission is required to include in its recommendations that any benefit changes shall be made retroactive to May 1, 1974. The present statutory authority for local levies for teachers retirement are repealed.

TO: Legislative Retirement Study Commission
FROM: Larry Martin
RE: 1975 Legislative Changes Affecting PERA
DATE: May 29, 1975

Five bills which were enacted by the 1975 Legislature have an affect on the Public Employees Retirement Association. These are the PERA Administrative Bill, the Deferred Compensation Bill, the Surviving Spouse Reinstatement-Proportionate Annuity Bill, and the Combined Service Annuity Bill.

The PERA Administrative Bill (HF 584, Laws 1975, Chapter 102) makes a number of changes. Employees of hospital districts organizing or reorganizing under Laws 1959, Chapter 570, coded as Minnesota Statutes, Sections 447.31 to 447.36, after July 1, 1975 will not be exempt from compulsory PERA membership as is presently the case. Former PERA members who are employee representatives for PERA covered employees are allowed to continue their coverage in PERA and may purchase up to five years of prior service. The terms for members of the PERA Board are extended for one year to allow for the development of a plan to insure geographic representation. The Executive Secretary is authorized to become the Executive Director and is given expanded management powers and increased administrative discretion. The venue for all court actions involving PERA is specified as Ramsey County District Court. PERA is authorized to mail upon request all payments to a recipient's bank or savings and loan association without violating the nonassignability provision, and also can transmit payments to County Welfare Departments when there is a delay in appointing a legal guardian for certain recipients. A decedent's annuity can be sent to the surviving spouse through the month of the annuitant's death. Disability benefits will be reduced by only that portion received from Workmen's Compensation as a benefit and not by the amount allotted for attorney's fees. Upon a disabilitant's partial re-employment, the benefit will be reduced only when the salary and the benefit exceed the higher figure of either the salary earned when the disability commenced or the current salary of the position the disabilitant held prior to the disability. The annual salary limit upon public re-employment of an annuitant is increased from \$2,000 to \$3,000. A surviving spouse of a member of the PERA-Police & Fire Fund who dies after attaining age 55 with at least 20 years service may qualify for an optional annuity. Persons with service in more than one fund, who conclude their public service with PERA, may qualify for early retirement prior to age 65 upon attaining age 62 with 30 years of service.

The MSRS Administrative Bill (HF 593, Laws 1975, Chapter _____) contains two provisions affecting PERA. The first authorizes PERA to appropriate money to conduct a feasibility study for the construction of an office building. The second repeals the provisions in Minnesota Statutes, Chapter 355, which requires PERA to report the status of the Basic Fund and the Coordinated Fund separately.

The Deferred Compensation Bill (SF 366, Laws 1975, Chapter _____) allows any employee covered by PERA or PERA-Police & Fire Fund to participate in the state's deferred compensation plan by purchasing shares in the Minnesota Supplemental Retirement Fund. Deferred compensation plans provided by private insurance carriers are not prohibited by the bill.

The Surviving Spouse Reinstatement-Proportionate Annuity Bill (HF 583, Laws 1975, Chapter _____) allows a surviving spouse of a member of PERA or PERA-Police & Fire Fund whose benefit was terminated solely because of remarriage to have the benefit reinstated upon termination of the remarriage for any reason. The bill also allows any member of PERA or PERA-Police & Fire Fund who has at least 3 years covered service but less than the ten years required for vesting, to receive a proportionate annuity if the member is required to terminate because of a mandatory retirement statute or policy.

The Combined Service Annuity Bill (HF 581, Laws 1975, Chapter _____) allows a person with multiple coverage, including PERA and PERA-Police & Fire Fund, with total allowable service of at least 10 years, with at least 6 months allowable service with the last covered fund and who terminates service after May 1, 1975 to chose in lieu of the deferred annuities augmentation already provided by law to receive an annuity from each fund based on each fund's formula but calculated as though the service was continuous. The combined service annuity would be calculated on a single highest 5 successive years average salary. The formula percentage cannot exceed 2-1/2% for any year of service and periods of dual coverage shall be applied pro rata.

TO: Senator John Chenoweth

RE: Changes in Various Retirement Laws made by the 1975 Legislature

DATE: June 10, 1975

1. Legislators' Plans

Two bills, the Minnesota State Retirement System Administrative Bill (HF 593) and the Combined Service Annuity Bill (HF 581) made changes affecting the Legislators' plan.

The first 11 sections of the MSRS Administrative Bill concern the Legislators' plan. The definition of dependent child was expanded to include full-time students between the ages of 18 and 22 years, which conforms with present practice in the major statewide funds. The definition of retirement was corrected, and the term "former legislator" was introduced and defined. The salary average upon which benefits are based was changed from the average monthly salary since January 1, 1973 to the average monthly salary during a legislator's final term of office. A surviving spouse is entitled to a full annuity payment for the month of death of the former legislator-annuitant. A former legislator who applies for a deferred annuity must be age 60 and have 8 years of service. Any former legislator covered by the Legislators' plan who had 8 years service, but less than the 10 years service required prior to 1969, and who took a refund may repay the refund and be entitled to a benefit based on salary at the time of termination. The deferred annuities augmentation was increased from 3.5% to 5.0% effective July 1, 1973 or the termination of service, if later, which conforms with present practice in the major statewide funds. The interest required for a repayment of a refund was increased from 5% to 6%. An active legislator, after June 30, 1973, is no longer required to have 2 years minimum service before he is covered by survivor benefits, but is covered immediately upon taking office. For applications for survivor benefits filed after June 30, 1973, the benefits will be retroactive to the first day of the month following the former legislator's death, with retroactivity limited to 12 months for any application made after July 1, 1975. For purposes of retirement, a legislative term is defined to commence on January 1 and terminate on December 31. Service covered by the Legislators' plan can be added to other allowable service covered by a major statewide fund to qualify for vesting and any refunds of contributions made to any other major statewide fund may be repaid.

The Combined Service Annuity Bill allows a person with multiple fund coverage including legislative service, with total allowable service of at least 10 years, with at least 6 months allowable service with the last covered fund and who terminates service after May 1, 1975 to choose in lieu of the deferred annuities augmentation to receive an annuity from each fund based on each fund's formula but calculated on a single highest 5 successive years average salary. The formula percentage cannot exceed 2.5% for any year of service and periods of dual coverage shall be applied pro rata.

2. Teachers Retirement Fund Association in Cities of the First Class

The TRA Administrative Bill (SF 469) made two substantial changes with respect to the Teachers Retirement Fund Associations in the cities of the first class. The first change was a lowering of the statutory mandatory retirement age and the second change was a total state take-over of the employer's obligation for contributions for teachers' retirement in the first class cities.

The mandatory retirement age for teachers in cities of the first class, formerly set at age 68, was reduced to age 65 effective August 1, 1976. This conforms to the change made earlier in the bill with respect to the statewide teachers retirement associations. The statewide TRA did not previously have a statutory mandatory retirement age, but rather the mandatory age varied from school district to school district depending on school board policy.

The state presently pays a substantial portion of the employer obligation for teachers retirement in the three cities of the first class, and the entire employer contribution for the statewide TRA. The formula currently used, which is specified in Minnesota Statutes, Section 354A.07, contributes to each teachers' retirement fund organization in a city of the first class the same percentage of payroll that the state contributes for the statewide TRA and social security. Local tax levies for teachers retirement (including employer social security taxes for Duluth which has a coordinated fund), levied in 1975, payable in 1976, are disallowed. The state shall continue to contribute under the existing aid formula (which is due to increase because of increased employer contributions for the statewide TRA and an increased ceiling on social security taxes), except that the contribution shall be made monthly and social security taxes for the Duluth Teachers Retirement Fund Association shall be paid in the same manner as they are paid for the statewide teachers retirement association. Effective March 1, 1976, employee contributions to be made by teachers in cities of the first class are set at a minimum of 8% for basic employees and 4% for coordinated employees (employee contributions in Duluth and St. Paul are presently set at the required minimum level, and for employee contributions in Minneapolis, which are less than the minimum, the required increased contribution is contingent on a determination by the legislature of a benefit adjustment prior to March 1, 1976). Effective retroactively, April 1, 1975, local bylaw amendments are prohibited and future benefit changes can be made only by legislative enactment. The Legislative Retirement Study Commission is directed to make a comparison of the first class city TRA's and the statewide TRA and report to the legislature by January 30, 1976. It is required to include in its recommendations that any benefit changes shall be retroactive to May 1, 1974. The statute provisions which allow local tax levies for teachers retirement in cities of the first class and the section which authorizes the present state aid to first class city TRA's are repealed.

3. Other Retirement Legislation Enacted by the 1975 Legislature

The PERA Administrative Bill (HF 584, Laws 1975, Chapter 102) makes a number of changes. Former PERA members who are employee representatives for PERA covered employees are allowed to continue coverage in PERA. The terms for members of the PERA Board are extended for one year. The Executive Secretary is authorized to become the Executive Director and is given expanded management powers. Ramsey County District Court is specified as venue for all actions involving PERA. PERA is authorized to pay annuities and refunds to the recipient's account in a bank or savings and loan association. Disability benefits will not be reduced by the portion of Workmen's Compensation allotted for attorney's fees. The annual salary limit upon public re-employment of an annuitant is increased from \$2000 to \$3000.

The TRA Administrative Bill (SF 469, Laws 1975, Chapter 306) authorized TRA to use the state's computer services or contract for them from the private sector. TRA was authorized to pay annuities, benefits and refunds to the recipient's account in a bank or savings and loan association. Representatives for TRA covered employees are allowed to continue membership in TRA. A statutory mandatory retirement age of 65 is set for all TRA members (effective August 31, 1976). Present disabilitants who transfer to retirement status at age 65 will have their benefit calculated under the "5 high

years" formula. A one time lump sum bonus applicable to all pre July 1, 1973 retirees of all the major funds of \$100 for each basic member and \$50 for each coordinated member was granted, payable December 1, 1975.

The MSRS Administrative Bill (HF 593, Laws 1975, Chapter 368) specified that the venue of all legal actions involving MSRS shall be in the Ramsey County District Court. MSRS was authorized to use the state's computer services or contract for them from the private sector. Disability benefits will not be reduced by the portion of Workmen's Compensation allotted for attorney's fees. The annual salary limit upon state re-employment is increased from \$2000 to \$3000. MSRS is authorized to pay annuities, benefits and refunds to the recipient's account in a bank or savings and loan association. The deferred annuities augmentation is increased from 2.5% to 5.0%. Correctional employees may be employed beyond the mandatory retirement age for one year, not to exceed age 62 or July 1, 1976, if the employee submits a medical exam made at his own expense, and the continuation is approved by the Commissioner of Corrections. A service in more than one fund provision allowing for the addition of periods of service for vesting was added for the Highway Patrolmen's fund, as was a 5.0% deferred annuities augmentation provision. All eligible unclassified employees automatically participate in the unclassified plan unless they elect otherwise. Permanent legislative employees with prior intermittent uncovered service are allowed to purchase all or a portion of that service. The mandatory retirement age for legislative employees was removed.

The Judges' Retirement Bill (HF 1313, Laws 1975, Chapter 418) set out an agreement process whereby district and supreme court judges eligible for escalated benefits under the Minnesota Supreme Court's "Sylvestre" decision could waive their right for future escalation in return for Minnesota Adjustable Fixed Benefit Fund post retirement adjustments and funding of "old law" retirement and survivor benefits from the new Judges Retirement Fund. The bill appropriated the necessary money and included a non-severability clause.

Other miscellaneous changes are the passage of a bill authorizing any employee covered by a public fund other than a local police and fire fund to participate in the state's deferred compensation plan, the passage of a bill authorizing a surviving spouse whose benefit terminated because of remarriage to reinstate the benefit if the remarriage terminates for any reason, and the passage of a bill authorizing a proportionate annuity for any person with more than three years service but less than the ten years required for vesting who retired due to a mandatory retirement law or policy. In addition, the Combined Service Annuity Bill (HF 581, Laws 1975, Chapter 232) allows a person with multiple coverage of at least 10 years to be eligible for an annuity calculated as a single "5 high years" salary average and calculated as though the service was continuous.