

TO: Legislative Commission on Pensions and Retirement  
FROM: Karen Dudley, Commission Staff *KD*  
RE: 1981 Legislation Pertaining to the Major Statewide Retirement Funds  
DATE: June, 1981

The 1981 Legislature made the following changes in the laws governing the three statewide retirement funds, the Minnesota State Retirement System (MSRS), the Public Employees Retirement Association (PERA), and the Teachers Retirement Association (TRA):

I. General Provisions Applicable to all Statewide Funds

A. Notice Concerning Optional Annuities

Laws 1981, Chapter 68 (SF 305), Section 29, adds a new section to Chapter 356 to require that any fund which provides optional annuity forms must: (1) provide information about the optional annuity forms to the retiring member and the spouse of the member; and (2) after the selection of an annuity form by the retiree, send a copy of the completed form by certified mail to the spouse of the retiree.

B. Optional Annuity Forms for Disability Recipients

Laws 1981, Chapter 68 (SF 305), Sections 10-11, 12-13, 14-15, 21-22, 23-24 and 25-26, allow disabilitants of MSRS, MSRS Correctional Plan, the Highway Patrol, PERA, PERA-P&F and TRA, to elect joint and survivor optional annuities at the start of the disability benefit rather than only at age 65. Section 45 is a temporary provision which permits current disabilitants of those funds to elect before December 31, 1981, an actuarially equivalent optional annuity calculated on the ages of the persons involved as of the date on which the optional annuity begins to accrue.

C. Clarification of Ambiguous References

Laws 1981, Chapter 224 (SF 1106), amended a number of statutory provisions relating to retirement. The various sections clarified ambiguous references, corrected oversights, inconsistencies, unintended results and erroneous provisions and eliminated redundant, obsolete and conflicting provisions.

II. Provisions Applicable to MSRS

A. Clarification of Benefit Accrual for Job-Sharing Program

Laws 1981, Chapter 68 (SF 305), Section 1, amended Minnesota Statutes, Section 43.60, Subdivision 3, to clarify that for purposes of vesting, service is to be credited in full, but for purposes of benefit accrual to compute a retirement annuity, service is to be credited on a fractional basis. Section 2 added a new section in Minnesota Statutes, Chapter 43, to provide that employees in the job-sharing program have their service credit for vesting purposes recalculated in accordance with the provisions of Section 1.

B. Survivor's Benefits Extended to Judges on Deferred Status

Laws 1981, Chapter 319 (SF 690), Sections 1, 2 and 6, provided to former judges on deferred annuity status the same retirement coverage provided to active judges: a monthly annuity equal to 60 percent of the normal annuity which would have been paid had the date of death been the date of retirement. Section 2 eliminated the previous survivor benefit for deceased former judges. Section 6 provided that the provisions of sections 1 and 2 be effective for all former judges who have not taken a refund who are alive on the effective date of sections 1 and 2.

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C. Clarification of Covered Correctional Service

Laws 1981, Chapter 297 (HF 247), Sections 3 and 4, provided that covered correctional service includes service in the classification of security guard rendered prior to January 1, 1981, for any employee employed in a covered correctional position on January 1, 1981. Section 4 permitted the payment of the necessary additional contributions needed to purchase service in the correctional plan for that period of time. If any eligible employee makes the additional employee payment prior to the July 1, 1982 deadline, then the department of corrections is to make the additional employer contributions. Interest at six percent compounded annually is required on the employee and employer contributions.

III. Provisions Applicable to PERA

A. Administrative Changes

Laws 1981, Chapter 180 (SF 207), made a number of administrative changes in Minnesota Statutes 1980, Chapter 353. The following major changes were made:

(1) Section 2 eliminated the write-in option for election of board of trustees members, permitted disabilitants to participate in the election of board members, and changed the filing date from December 1 to November 1.

(2) Section 5 permitted benefits from PERA to be subject to the power of attorney.

(3) Sections 10 and 17 permitted the payment of a refund death benefit, irrespective of amount, to a minor or to a guardian, surviving parent, or to another adult if the board is advised that the money will be held in trust for the minor.

(4) Section 11 shifted the burden of proof for establishing a disability to the member.

(5) Section 13 permitted PERA to require periodic evaluations for continuing disability benefits rather than the previously required annual evaluations for each of the first five years and every third year thereafter.

If the person is found to be no longer disabled, payments can be made up to 60 days after reinstatement to the payroll.

The following additional sections of Minnesota Statutes 1980, Chapter 353, were repealed by Chapter 180:

(1) Section 353.272, which provided for a permanent post retirement increase which was granted on July 1, 1973;

(2) Section 353.37, Subdivision 1a, which permitted the payment of a proportionate annuity to persons employed as substitute employees who were required to terminate employment under a uniformity applied mandatory retirement policy or law;

(3) Section 353.46, Subdivision 1, which provided a savings clause for benefits in effect on June 30, 1979.

B. Membership Inclusions

Laws 1981, Chapter 68 (SF 305), Sections 16, 18, 19, 20, 44 and 46 provided for the inclusion in PERA of the following groups: the employees of the Range Association of Municipalities and Schools, the employees of all soil and water conservation districts, and the employees of the Suburban Public Health Nursing Service, Incorporated. Section 44 provided for the uninterrupted PERA coverage for the employees of the Suburban Public Health Nursing Service. Section 46 repealed the section which had provided PERA coverage only for employees of the Scott and Hennepin Counties Soil and Water Conservation Districts.

### C. Membership Exclusions

(1) Laws 1981, Chapter 68 (SF 305), Section 17, provided that the minimum salary threshold requirement for PERA membership be increased from \$250 per month to \$325 per month, or from \$3000 per year to \$3900 per year.

(2) Laws 1981, Chapter 155 (HF 536), provided that all existing and future employees of the St. Paul Housing Agency shall have retirement coverage provided by the Public Housing Agency Plan, as do all other employees of other public housing agencies or housing and redevelopment authorities in the state. All employee and employer contributions made to PERA since the 1977 action which phased out the public housing plan are to be transferred to the public housing agency pension plan. The employer contributions are to be returned because the initial phase-out legislation is now seen as a mistake.

(3) Laws 1981, Chapter 254 (SF 1079), permitted city managers to elect to be excluded from membership in PERA and permitted the employing municipality to make contributions to a deferred contribution plan for the city manager equal to the amount which would have been paid as the employer matching contribution to PERA. Section 2 provided that to the extent the city manager's employee contribution made to the deferred compensation plan is excluded from the federal adjusted gross income, it is to be taxed for state tax purposes in the same manner as employee contributions to PERA.

### IV. Provisions Applicable to TRA

#### A. Administrative Changes

Laws 1981, Chapter 160 (HF 996), makes a number of administrative changes in Minnesota Statutes 1980, Chapter 354, the law governing the Teachers Retirement Association. The major changes are as follows:

(1) Sections 1 and 2 permitted the designation of two additional assistant executive directors so that the heads of each of the three divisions within TRA will have the title of assistant executive director.

(2) Section 5 permitted the purchase of service credit by members on leave to serve as elected officials of professional teachers organizations.

(3) Section 8 imposed an 18 month time limit for applications for total and permanent disability benefits following termination of teaching service and permitted the retroactive payment of disability benefits for up to 90 days prior to the filing of an application for a disability benefit.

(4) Sections 9 and 10 added a subdivision which defined the commissioner of health as the TRA medical advisor and defined the nature of the duties of the medical advisor with regard to disability applications.

(5) Section 11 reopened the authorization for TRA members to pay prior shortages in member deductions. Shortages occurring before June 30, 1981, are the obligation of the employee. Employee payments before June 30, 1982, are without interest; employee payments made after June 30, 1982, but before retirement, are with interest. Shortages occurring after July 1, 1981, are the obligation of the employing unit which failed to make the proper deduction.

#### B. Designated Beneficiary Other Than Surviving Spouse Authorized to Receive Survivor's Benefits

Laws 1981, Chapter 156 (HF 567), Sections 2, 3 and 7, permitted a TRA member and spouse to make a joint specification that the death before retirement benefit shall be paid to a designated beneficiary, defined as either a former spouse or a natural or adopted child of the member. Section 7 enabled any TRA member who previously elected a joint and survivor annuity to modify that election to pay the benefit to a designated beneficiary. The temporary authorization expires December 31, 1981.

V. Special Laws Provisions Affecting Members of the Statewide Funds

A. Lump-Sum Benefits for Pre-73 Retirees

Laws 1981, Chapter 298 (HF 295), Sections 1 and 2, provided a post retirement adjustment for approximately 17,000 recipients who receive retirement annuities, disability benefits or surviving spouse benefits under the career-average salary formulas in effect prior to July 1, 1973. The adjustment consists of two lump sum payments to be made on December 1, 1981 in an amount equal to \$16 per year of service and on December 1, 1982, in an amount equal to \$17 per year of service. Payments are made to recipients from PERA, PERA-P&F, TRA, MSRS and the Highway Patrol Fund. Also included are retirees from the MTC-TOD who retired prior to December 31, 1977 under a career-average salary formula. The appropriation for the lump sum benefits amounted to \$11,300,000. A terminal audit is required after each year's payments and excess moneys are to be returned to the general fund.

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B. Authorization to Purchase Prior Service Given to Various Individuals

Laws 1981, Chapter 297 (HF 247), entitled designated MSRS, TRA and PERA members and retirees to purchase prior service credit. Individuals purchasing service credit were required to pay an amount equal to the present value of the additional service purchased. Current or former employers were given the option of paying a portion of the purchase amount. Former temporary legislative employees purchasing service credit in the unclassified employees plan of MSRS were required to pay an amount based on current rates applied to current salary. The former employer, either the House or the Senate, is required to pay a matching contribution.

Authority to purchase prior service credit or to make an agreement to pay in installments expires July 1, 1982.

C. Retroactive Effect of MSRS Military Affairs Department Retirement Plan

Laws 1981, Chapter 319 (SF 690), Section 5, provided for the retroactive effect of the retirement program for the military affairs department to include two individuals erroneously deleted from the provisions establishing the program.

D. Clarification of PERA-P&F Coverage for St. Anthony Firefighter

Laws 1981, Chapter 319 (SF 690), Section 3, clarified that a full time employee of the St. Anthony public works department who has secondary responsibility of providing service as a firefighter and who has been deemed a part-time firefighter is entitled to have coverage in PERA-P&F for a period of prior service. The employee is required to pay any additional contributions necessary for any past service not previously credited in PERA-P&F.

E. Entitlement of Certain Surviving Spouse to TRA Joint and Survivor Benefit

Laws 1981, Chapter 319 (SF 690), Section 4, provided that a certain deceased TRA basic member was to be deemed to have completed 30 years of allowable service and to have filed a valid election of a joint and survivor annuity, which entitled the surviving spouse to receive the second portion of a joint and survivor benefit rather than the surviving spouse benefit payable under Section 354.46, Subdivision 1.