

TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Edward Burek, Deputy Executive Director
RE: Summary of 1995 Pension Legislation
DATE: July 5, 1995

The following is a summary of 1995 legislative session pension provisions. The first major section summarizes legislation for individual plans or plans of a certain type, such as the first class city teacher plans, local police and paid fire plans, and volunteer fire plans. The second major section summarizes general pension legislation applying to all public plans or to miscellaneous groupings of plans. The third section summarizes miscellaneous legislation relating to pensions or pension plans, but which do not entail establishment, modification, or termination of a pension plan. For example, early retirement health care incentives for pre-age 65 retirees are described in this section.

I. Fund Specific Legislation

A. Minnesota State Retirement System (MSRS)

1. MSRS General

- a. Salary definition revised. The salary definition is revised to exclude employer contributions to deferred compensation and tax-sheltered annuity plans, and benevolent vacation and sick leave donation programs. (MN Laws 1995, Chapter 262, Article 1, Section 3.)
- b. Continuation of coverage provision repealed. A provision permitting continued MSRS General coverage when a person moves to a position normally covered by TRA is repealed. (MN Laws 1995, Chapter 262, Article 1, Section 26.)
- c. Refund-after-death provisions revised. The employee death-while-active refund provision and the death-after-termination refund provision are revised to permit use of monthly balances rather than annual balances to compute refunds to beneficiaries. (MN Laws 1995, Chapter 141, Article 3, Sections 1 and 4.)
- d. Clarification of surviving spouse benefit provisions. The death-while-active surviving spouse annuity provision and term-certain provision are amended by clarifying that the provisions also apply to deaths of former employees. (MN Laws 1995, Chapter 141, Article 3, Sections 2 and 3.)
- e. Metropolitan Radio Board employees permitted MSRS General coverage. The MSRS General coverage provision is amended to provide coverage to employees of the Metropolitan Radio Board, and to remove a cross-reference to a previously repealed provision of metropolitan government law. (MN Laws 1995, Chapter 186, Section 70, and Chapter 195, Article 2, Section 1.)

The meaning of the following provision is ambiguous. It is not clear whether the Department of Corrections is being directed to seek greater pension parity between its employees covered by the MSRS General and MSRS Correctional plans; between the MSRS Correctional Plan and other state public safety plans; or both:

- f. Department of Corrections required to achieve equity in its employee pension program. The Department of Corrections must develop options for achieving equity in its employee pension program by December 1, 1995. The options may involve changing participation rates, normal retirement age, and benefits. The unions must be consulted and the Department of Corrections and the Department of Human Services must pay for any needed actuarial studies and propose legislation in the 1996 session. (MN Laws 1995, Chapter 226, Article 1, Section 11, Subdivision 4.)

2. MSRS Correctional Plan

- a. Department of Corrections required to achieve equity in its employee pension program. The Department of Corrections must develop options for achieving equity in its employee pension program by December 1, 1995. The options may involve changing participation rates, normal retirement age, and benefits. The unions must be consulted and the Department of Corrections and the Department of Human Services must pay for any needed actuarial studies and propose legislation in the 1996 session. (MN Laws 1995, Chapter 226, Article 1, Section 11, Subdivision 4.)

3. MSRS Legislators Retirement Plan

- a. Special election additional service credit provision repealed. A provision permitting legislators elected in a special election to receive service credit for the entire term is repealed. (MN Laws 1995, Chapter 262, Article 1, Section 26.)
- b. Establishing death-while-active-provision. If a legislator at least age 60 dies in office, the surviving spouse may select a 100 percent joint-and-survivor annuity in lieu of the automatic 50 percent survivor benefit. (MN Laws 1995, Chapter 262, Article 8.)
- c. Revisor's bill technical correction; references to per diem contribution provision. The average monthly salary definition and the annuity qualification provisions are amended to indicate proper cross-reference to a prior per diem contribution provision. (MN Laws 1995, Chapter 186, Sections 1 and 2.)

4. MSRS State Patrol Plan

- a. Accrual rate increase; employee contribution increase. The accrual rate for computing benefits is increased from 2.5 percent to 2.65 percent per year of service. This benefit improvement and the improvement in disability benefits in item (b) below are to be funded by increasing the member contribution rate by 0.42 percent of pay. (MN Laws 1995, Chapter 262, Article 3, Sections 1 and 2.)
- b. Improved disability benefits. The minimum duty disability benefit is increased from 50 percent to 53 percent of average monthly salary, plus an additional 2.65 percent, rather than 2.5 percent, for each year of service over 20. (MN Laws 1995, Chapter 262, Article 3, Section 3.)
- c. Extension of benefit improvement to the combined service annuity law. For members of the State Patrol Retirement Fund, the maximum benefit accrual rates permitted under a combined service annuity is increased to 2.65 percent of final average salary, rather than 2.5 percent. (MN Laws 1995, Chapter 262, Article 3, Section 6.)
- d. Correction of disability-at-retirement provision. Consistent with changes in various plans in 1993 to address age discrimination issues, the provision governing the transfer from disability status to retirement status is revised to reflect a transfer of status at age 65, rather than age 55. (MN Laws 1995, Chapter 141, Article 3, Section 5.)

B. Public Employees Retirement Association

1. PERA General

The following are special law provisions:

- a. Carlton County returning annuitant. A PERA reemployed annuitant working as a Carlton County Human Services Department financial worker, who retired from PERA General on April 1, 1992, is allowed to receive a deferred annuity from PERA General and coverage by the PERA Defined Contribution Plan for the period of reemployment, rather than being subject to reemployed annuitant offsets. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 6.)
- b. Former West Saint Paul city attorney included in early retirement incentive. The former West Saint Paul city attorney is permitted access to the 1993 early retirement incentive despite continued employment as an independent contractor for the same employer. (MN Laws 1995, Chapter 141, Article 2, Section 2.)

- c. Swift County employee purchase of service credit. A Swift County employee eligible for PERA membership on March 1, 1990 but who was not reported for membership until January 1991, may purchase service credit for the omitted coverage period by paying the full actuarial value. (MN Laws 1995, Chapter 141, Article 2, Section 4.)
2. PERA Police and Fire (PERA-P&F)
- a. Subsidized early retirement. The PERA-P&F actuarial reductions for early retirement are replaced with a 2.4% per year reduction. (MN Laws 1995, Chapter 262, Article 3, Section 4.)
 - b. Extension of time limit for approval of Hennepin County paramedic PERA-P&F coverage. The time limit for approval of a 1994 local law which would provide PERA-P&F coverage to Hennepin County paramedics is extended to January 1, 1998 (to provide additional time for receipt of an affirmative determination from the Social Security Administration of ineligibility for coverage under the federal old age, survivors, and disability insurance). (MN Laws 1995, Chapter 262, Article 3, Section 7.)
 - c. Minneapolis Police Chief permitted access to local plan, or PERA-P&F if applicable. Section 423B.02, which prohibited the Minneapolis police chief from membership in PERA-P&F or the local relief association, is repealed effective March 1, 1995. (MN Laws 1995, Chapter 262, Article 10, Section 7.)

3. PERA Consolidation Accounts

- a. Additional police and paid fire amortization aid. Beginning October 1, 1997 and annually thereafter, one-half the excess police aid in the excess contribution holding account collected during the previous fiscal year must be allocated among police and paid fire relief associations and consolidation accounts with unfunded obligations (if the 1993 PERA-P&F accrual rate increase and the reduced penalty for early retirement in 2a above is locally approved for the consolidation account) based on the relative unfunded liability as of December 31, 1993 for relief associations, and June 30, 1994, for consolidation accounts. (MN Laws 1995, Chapter 262, Article 4, Section 1.)
- b. West Saint Paul Police Consolidation Account, PERA-P&F surviving spouse benefit for widow of deceased police chief. The surviving spouse of a deceased West St. Paul police chief is authorized to receive a survivor benefit under PERA-P&F law although the police chief's death preceded the effective date of consolidation. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 4.)
- c. Local approval of the PERA-P&F subsidized early retirement for consolidation accounts. The subsidized early retirement benefit enhancement described in the PERA-P&F section above does not apply to members of existing PERA-P&F consolidation accounts who may elect PERA-P&F benefits unless local approval is granted. (MN Laws 1995, Chapter 262, Article 3, Section 5.)

4. PERA Public Employees Defined Contribution Plan

The following is a special law provision:

- a. Carlton County returning annuitant. A PERA reemployed annuitant working as a Carlton County Human Services Department financial worker, who retired from PERA General on April 1, 1992, is allowed to receive a deferred annuity from PERA General and coverage by the PERA Defined Contribution Plan for the period of reemployment, rather than being subject to reemployed annuitant offsets. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 6.)

C. Teachers Retirement Association (TRA)

- a. Option to return to full-time employment. Teachers with 20 or more years of allowable service credit, who are in the part-time teaching program after June 30, 1994, must be given the option to return to full-time employment if the employer does not make the full employer contribution after July 1, 1995. (MN Laws 1995, Chapter 262, Article 1, Section 1.)

- b. Part-time teacher, full-time equivalent mandatory employer contribution terminated. The requirement established in 1994 that the employer must make the full-time equivalent employer contribution payment for qualified part-time teaching participants with 20 or more years of service is terminated. (MN Laws 1995, Chapter 262, Article 1, Section 5.)
- c. Part-time teacher, retroactive service credit purchase provision. Authority is given for certain teachers who taught part-time during the 1994-95 school year to receive full-time equivalent service credit. To qualify, the employing school district must have refused to permit the teacher access to the qualified part-time teaching program because the employer refused to take part in the program due to employer contributions mandated by 1994 laws. To receive full-time service credit the teacher must pay, in a lump-sum within 60 days, the difference between the contributions made to the retirement fund and the full-time equivalent employee and employer contributions. (Laws 1995, Chapter 262, Article 1, Section 16.)
- d. Reemployed annuitant reductions waived for technical college faculty and higher education system unclassified administrators. Higher education system unclassified administrators and technical college faculty are permitted access to the higher education post-retirement return-to-employment provision which waives TRA reemployed annuitant reductions on up to \$35,000 of salary. (MN Laws 1995, Chapter 262, Article 1, Section 4.)
- e. Higher accrual rates permitted for basic members under combined service annuity. For TRA basic members using the combined service annuity provision, the accrual rate can not exceed 2.63 percent per year of service, rather than 2.5 percent. (This is consistent with the 1994 TRA benefit improvement which permitted a 2.63 percent accrual rate under the TRA Plan rather than 2.50 percent.) (Laws 1995, Chapter 262, Article 1, Section 13.)
- f. Member definition revision. The definition of a member is revised to exclude individuals exercising an option to elect coverage by another association. (MN Laws 1995, Chapter 141, Article 3, Section 6.)
- g. Salary definition revised. The definition of salary is revised to exclude employer contributions to an Internal Revenue Code Section 457 deferred compensation plan. (MN Laws 1995, Chapter 141, Article 3, Section 7.)
- h. Revision of timely receipt definition. The definition is revised to allow application and other filings on the due date rather than before the due date. (MN Laws 1995, Chapter 141, Article 3, Section 8.)
- i. Eligibility for benefit improvements following a break in service. Individuals returning to service must provide at least 85 days of service following the break to gain eligibility for subsequent benefit improvements. (MN Laws 1995, Chapter 141, Article 3, Section 10.)
- j. Member data reporting requirements revised. Adds member birth date to required employer annual reporting of demographic and financial information to TRA. (MN Laws 1995, Chapter 141, Article 3, Section 11.)
- k. Revisor of Statutes instruction. The Revisor of Statutes is instructed to correct wording in TRA law to use "association" when the reference is to the TRA organization and "fund" to refer to the fund which receives and accumulates assets to meet financial obligations. (MN Laws 1995, Chapter 141, Article 3, Section 20.)

The following item applies to state college or university faculty who have TRA coverage:

- l. Extended leave of absence provision. An extended leave of absence provision is established for instructional or administrative staff of the state colleges and universities who have coverage by TRA, the MSRS Unclassified Plan, or IRAP. The existing extended leave provision for the community college and state university systems is repealed. Authority is granted for the applicable board to grant an alternative leave not subject to extended leave provisions, and not eligible for service credit in TRA. (MN Laws 1995, Chapter 212, Article 4, Sections 31 and 65.)

The following are special laws:

- m. Purchase of service credit for sabbatical leave period. A TRA member on sabbatical leave during the 1975-1976 fiscal year who missed the deadline for making contributions to receive service credit for that period may purchase the service credit at full actuarial value. (MN Laws 1995, Chapter 141, Article 2, Section 1.)
- n. Purchase of service credit for an improperly classified extended leave of absence. A Mankato State faculty member granted an extended leave of absence from September 11, 1991 through June 1994, which leave was erroneously classified as an educational leave, may purchase the service credit. If the member pays the member contribution plus 8.5 percent interest, the employer must pay the remainder of the full actuarial value by July 1, 1998. Employer payments after July 1, 1995 must include 8.5 percent interest. (MN Laws 1995, Chapter 141, Article 2, Section 3.)

D. Higher Education System Employees

The following three items apply to higher education system employees with TRA or first class city teacher plan coverage:

- a. Option to return to full-time employment. Teachers with 20 or more years of allowable service credit, who are in the part-time teaching program under TRA or first class city teacher fund law after June 30, 1994, must be given the option to return to full-time employment if the employer does not make the full employer contribution after July 1, 1995. (MN Laws 1995, Chapter 262, Article 1, Section 1.)
- b. Part-time teacher, full-time equivalent mandatory employer contribution terminated. The requirement that the employer must make the full-time equivalent employer contribution payment for qualified part-time teaching participants with 20 or more years of service is terminated. (MN Laws 1995, Chapter 262, Article 1, Sections 4 and 5.)
- c. Reemployed annuitant reductions waived for technical college faculty and higher education system unclassified administrators. Higher education system unclassified administrators and technical college faculty are permitted access to the higher education post-retirement return to employment provision which waives TRA or first class city teacher plan reemployed annuitant reductions on up to \$35,000 of salary. (MN Laws 1995, Chapter 262, Article 1, Sections 4, 5 and 7.)

The following two items apply to state college or university faculty:

- d. Extended leave of absence provision. An extended leave of absence provision is established for instructional or administrative staff of the state colleges and universities who have coverage by TRA, the MSRS Unclassified Plan, or IRAP. The existing extended leave provision for the community college and state university systems is repealed. Authority is granted for the applicable board to grant an alternative leave not subject to extended leave provisions, and not eligible for service credit in TRA. (MN Laws 1995, Chapter 212, Article 4, Sections 31 and 65.)
- e. Authority to purchase annuity contracts. The state university or community college boards are authorized to purchase annuity contracts for employees for retirement or other purposes, which qualify as Internal Revenue Code Section 403(b) tax sheltered annuities. (MN Laws 1995, Chapter 212, Article 4, Section 32.)

The following is an Individual Retirement Account Plan (IRAP) provision:

- f. Changes of reference to Higher Education Board. Reflecting the merger of higher education systems, reference is changed to the Higher Education Board in annuity contract provision, financial institution selection provision, share redemption provision, and a plan administrative provision. (MN Laws 1995, Chapter 262, Article 1, Sections 8, 9, 11, and 12.)

A recodification of IRAP and various plan modifications were combined in MN Laws 1995, Chapter 141, Article 4 as follows:

- g. Individual Retirement Account Plan Recodification and Modifications. Chapter 141, Article 4:

- (1) revises the Supplemental Plan cross-references in State Board of Investment law to reflect the new chapter number (Section 1);
- (2) eliminates MSRS Unclassified Plan coverage for newly hired higher education board personnel with access to IRAP coverage (Section 2);
- (3) revises cross-references to IRAP in TRA law and clarifies references to IRAP membership groups (Section 3);
- (4) defines "district" in the first class city teacher plan chapter (Chapter 354A) to include the higher education board (Section 4);
- (5) excludes, from the definition of teacher in first class city teacher plan laws, part-time technical college teaching service incidental to regular employment and part-time technical college teaching less than 300 hours per fiscal year (Section 5);
- (6) revises IRAP cross-references to Chapter 355, Social Security (Section 6);
- (7) revises IRAP cross-references in the restriction on supplemental pension plan provision in chapter 356 (Section 7);
- (8) defines 18 terms and phrases used in the recodification and includes community college and technical college presidents in IRAP (Section 8);
- (9) specifies the coverage of the IRAP plan including state university, community college, and technical college faculty, unclassified positions in those institutions, and unclassified administrators of the Higher Education Coordinating Board; requires coverage elections in 90 days and provides for default coverage (retention of coverage by prior plan) if no timely election is made; clarifies coverage for persons appointed to acting positions; allows for payments by payroll deduction for prior uncovered service due to temporary employee or part-time employee coverage exclusion (lump-sum payments will not be permitted); eliminates references to MSRS Unclassified Plan membership option; continues first class city teacher plan coverage unless individual changing employment elects IRAP; retains TRA or first class city teachers retirement plan coverage for former technical college faculty reclassified as non-faculty after higher education system merger (Section 9);
- (10) provides Social Security coverage for IRAP members and makes pension coverage a condition of employment (Section 10);
- (11) specifies the member contribution rate (4.5 percent of salary) and employer contribution rate (six percent of salary); authorizes payments for omitted member deductions; allows for the transfer of certain prior TRA member contributions for transferring members; shifts omitted contribution liability to the employer after 60 days (Section 11);
- (12) authorizes continuation of IRAP coverage during sabbatical leaves and specifies payment procedures (Section 12);
- (13) provides for the general governance of the plan by the higher education board, with the State Board of Investment responsible for selecting the financial institutions providing investment options for the plan; specifies that investment options include mutual funds (Section 13);
- (14) specifies that former TRA members who are now covered by IRAP have a deferred annuity right to a TRA benefit (Section 14);
- (15) clarifies that loans and pre-termination distributions from IRAP are not allowed (Section 15);
- (16) specifies that the Supplemental Retirement Plan is continued under the higher education board (Section 16);
- (17) specifies the coverage of the Supplemental Plan based on collective bargaining units and that eligibility for Supplemental Plan coverage survives a break in service (Section 10 and Laws 1995, Chapter 262, Article 1, Section 10);

(18) specifies Supplemental Plan member and matching employer contribution rate (five percent of salary between \$6,000 and \$15,000); authorizes payments for omitted member deductions; provides for payment of administrative expenses; shifts omitted contributions liability to employer after 60 days (Section 10);

(19) requires the higher education board to administer the Supplemental Plan and invest the plan assets (Sections 19 and 20);

(20) provides for Supplemental Plan redemption of shares (Section 21);

(21) provides for the payment of Supplemental Plan benefits upon death or employment termination (Section 22);

(22) clarifies that loans and pre-termination distributions are not permitted from Supplemental Plan investments (Section 23);

(23) authorizes tax-sheltered retirement savings programs for higher education board employees (Section 24);

(24) authorizes the higher education board to issue rules for the Supplemental Plan (Section 25.)

(25) specifies that the recodification must not be construed to effect any currently accrued pension rights in IRAP (Section 26);

(26) specifies that the recodification must not be construed to effect any currently accrued pension rights in the Supplemental Plan (Section 27);

(27) specifies that the MSRS Unclassified Plan coverage changes apply in the future and do not apply to current higher education board employees with coverage under that plan or to any active state employee (Section 28);

(28) instructs the Revisor of Statutes to correct cross-references (Section 29);

(29) requires Revisor of Statutes to recode current Minnesota Statutes, Chapter 354C, as Minnesota Statutes, Chapter 354D (Section 30); and

(30) repeals current IRAP general laws, various IRAP special laws, and current higher education system Supplemental Retirement Plan laws (Section 31).

E. Minneapolis Employees Retirement Fund (MERF)

- a. Appropriation language added. Language is added indicating the state's existing appropriation to cover cost of MERF supplemental lump-sum benefit for pre-1974 retirees--an annual appropriation of \$550,000 in quarterly installments. (MN Laws 1995, Chapter 262, Article 2, Section 8.)
- b. Annuitant health insurance premium deduction authorization. MERF is permitted to deduct health insurance premiums from annuitant checks and transfer payment to the insurer, but the annuitant must assume the responsibility for the accuracy and timeliness of the payments. (MN Laws 1995, Chapter 262, Article 2, Section 9.)
- c. Broadening of labor union official right to retain MERF coverage. Labor union officials are authorized to retain MERF coverage although they may not be representing primarily MERF employees. (MN Laws 1995, Chapter 262, Article 2, Section 10.)
- d. Actuarial equivalent bounce-back joint and survivor annuity election. MERF annuitants are authorized to elect, prior to July 1, 1996, an actuarial equivalent bounce-back joint and survivor optional annuity in lieu of the existing joint and survivor annuity. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 3.)

F. First Class City Teacher Plans

The following items apply to all three first class city teacher plans:

- a. Option to return to full-time employment. Teachers with 20 or more years of allowable service credit, who are in the part-time teaching program after June 30, 1994, must be given the option to return to full-time employment if the employer does not make the full employer contribution after July 1, 1995. (MN Laws 1995, Chapter 262, Article 1, Section 1.)
- b. Part-time teacher, full-time equivalent mandatory employer contribution terminated. The requirement that the employer must make the full-time equivalent employer contribution payment for qualified part-time teaching participants with 20 or more years of service is terminated. (MN Laws 1995, Chapter 262, Article 1, Section 5.)
- c. Part-time teacher, retroactive service credit purchase provision. Authority is given for certain teachers who taught part-time during the 1994-95 school year to receive full-time equivalent service credit. To qualify, the employing school district must have refused to permit its teacher access to the qualified part-time teaching program because the employer refused to take part in the program due to employer contributions mandated by 1994 laws. To receive full-time service credit, the teacher must pay, in a lump-sum within 60 days, the difference between the contributions made to the retirement fund and the full-time equivalent employee and employer contributions. (Laws 1995, Chapter 262, Article 1, Section 16.)
- d. Waiver of reemployed annuitant reductions. The reemployed annuitant reductions from first class city teacher plans are waived on up to \$35,000 of salary for technical college system retirees using the higher education post-retirement return to employment provision. (MN Laws 1995, Chapter 262, Article 1, Section 7.)
- e. Eligibility for benefit improvements following a break in service. Individuals returning to service must provide at least 85 days of service following the break to gain eligibility for subsequent benefit improvements. (MN Laws 1995, Chapter 141, Article 3, Sections 10 and 19.)

The following three items apply to DTRFA. Item (h) is a special law:

- f. DTRFA, increase in accrual rate. The accrual rates used in computing annuities for the DTRFA New Law Plan are increased by .13. The DTRFA Old Law Plan is authorized to use a 1.38 percent service accrual rate. The June 30, 2020 amortization date is retained, and the employee contribution rate is increased from 4.5 to 5.5 percent of pay. (MN Laws 1995, Chapter 262, Article 2, Sections 1, 2, 7, and 12.)
- g. DTRFA, revised post-retirement adjustment procedure. The DTRFA 13th check is replaced by the system used by the MTRFA: annuity payments are increased 2 percent annually to those who have received benefits at least one year, and benefit recipients may receive an additional investment related post-retirement adjustment based on the five-year annualized return above 8.5 percent, with adjustment for the contribution deficiency. (The investment-related adjustment otherwise payable must first be multiplied by the quantity 1 minus the rate of contribution deficiency.) (MN Laws 1995, Chapter 262, Article 2, Sections 3, 4, 5, 11, 13, and 14.)
- h. Service credit purchase and paid health care for former technical college teacher. A former Duluth Technical College teacher, who is a retired DTRFA member and who did not receive timely notice of certification of eligibility for an early separation incentive under 1994 laws, is authorized to participate in that 1994 early retirement incentive which permitted purchase of two years of service credit and receipt of employer-paid medical insurance premiums. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 2.)

The following item applies to SPTRFA:

- i. Supplemental administrative expense disclosure. SPTRFA is required to fully disclose the supplemental administrative expense to its active and retired membership and the procedures for assessing the charge to the various membership groups. (MN Laws 1995, Chapter 141, Article 3, Section 12.)

G. Local Police and Paid Fire Relief Associations and Trust Funds

- a. Additional police and paid fire amortization aid. Beginning October 1, 1997 and annually thereafter, one-half the excess police aid in the excess contribution holding account collected during the previous fiscal year must be allocated among police and paid fire relief associations and consolidation accounts with unfunded obligations (if the 1993 PERA-P&F accrual rate increase and the reduced penalty for early retirement in Laws 1995, Chapter 262, Article 3, Section 4, is locally approved for the consolidation account) based on the relative unfunded liability as of December 31, 1993 for relief associations, and June 30, 1994, for consolidation accounts. (MN Laws 1995, Chapter 262, Article 4, Section 1.)
- b. Minneapolis police chief permitted access to local plan, or PERA-P&F if applicable. Section 423B.02, which prohibited the Minneapolis police chief from membership in PERA-P&F or the local relief association, is repealed effective March 1, 1995. (MN Laws 1995, Chapter 262, Article 10, Section 7.)

The following is a special law provision for the Eveleth Police and Fire trust fund:

- c. Post-retirement increase, Eveleth Police and Fire Trust Fund. The pensioners and surviving spouses covered by the trust fund will receive an additional \$100 per month. Proper amortization contributions by the city are required for continued receipt of the additional post-retirement adjustment. Requires local approval. (MN Laws 1995, Chapter 262, Article 10.)

H. Volunteer Fire Relief Associations

- a. Small volunteer fire plans, delay in investment data reporting. Volunteer fire relief associations with assets under \$300,000 must begin reporting investment-related data and investment policy statements for periods starting with January 1, 1996. The first report is due on October 10, 1997. (MN Laws 1995, Chapter 262, Article 9.)

The following are special law provisions:

- b. Willmar Volunteer Fire disability provisions to follow general law. Willmar Volunteer Fire special law disability provisions are repealed, making disability benefits in that plan subject to the ancillary benefit limitations in general law. Requires local approval. (MN Laws 1995, Chapter 262, Article 3, Section 8.)
- c. Eden Prairie Volunteer Fire benefit improvements. The Eden Prairie Volunteer Fire Relief Association is authorized to:
 - (1) provide a reduced service pension with as little as five years service;
 - (2) pay an unreduced pension with ten years of service; and
 - (3) escalate benefits for deferred annuitants who select monthly benefits rather than a lump sum and who have at least 15 years service, in the same manner as a post-retirement adjustment. Requires local approval. (MN Laws 1995, Chapter 262, Article 10, Section 5.)
- d. Crystal-New Hope volunteer fire consolidation. If Crystal and New Hope provide local approval, the cities will:
 - (1) consolidate the Crystal Volunteer Firefighters Relief Association and New Hope Volunteer Firefighters Relief Association into single relief association if the fire departments merge;
 - (2) incorporate the new consolidated relief association, to be governed by a board of nine persons composed of six firefighters elected by the membership, the joint fire department fire chief, and one representative from each city;
 - (3) transfer administration, records, liabilities and special fund assets to the new relief association;

- (4) dissolve the general funds of the prior relief associations;
- (5) continue the retirement benefits of existing retirees unless the retiree agrees to a lump sum alternative payment or a substitute insurance company annuity contract and authorizes similar conversions for deferred retirees;
- (6) require new active members after consolidation to be covered by a defined contribution plan and requires current active members to convert the current defined benefit coverage to defined contribution coverage at a conversion rate of at least \$3,000 per full year of service credit;
- (7) have actuarial valuations of the consolidated relief association if any person retains a right to receive a monthly service pension; and,
- (8) provide for deposit of fire state aid.

In addition, the law:

- (9) specifies the method for determining municipal contributions for the two cities;
- (10) validates certain prior actions and benefit provisions inconsistent with applicable special and other laws;
- (11) repeals prior special laws applicable to the Crystal and New Hope volunteer firefighter relief associations; and,
- (12) provides for local approval of the special legislation by both the cities of New Hope and Crystal. (MN Laws 1995, Chapter 262, Article 11.)

I. Hennepin County Supplemental Plan

- a. Timing of investment option selections. The timing of Hennepin County Supplemental Plan investment option selection is changed from a fiscal year to a calendar year basis. (MN Laws 1995, Chapter 141, Article 3, Section 17.)
- b. Redeeming shares of deceased participant. A personal representative, rather than an estate, is authorized to redeem shares of deceased participants in the Hennepin County Supplemental Plan. (MN Laws 1995, Chapter 141, Article 3, Section 18.)

II. General Provisions

The following two items apply to major plans--any plan to which the combined service annuity provision (Section 356.30) applies:

- a. Repaying partial refunds. Members of major plans are given the option to repay part, rather than all, of a previous refund. The minimum refund must be sufficient to reestablish at least one-third of the previously forfeited service credit, and include 8.5 percent interest. (MN Laws 1995, Chapter 262, Article 1, Section 14.)
- b. Federal compensation limits to apply to Minnesota plans. For individuals who first become a member and contributor to a major plan after July 1, 1995, federal limits on contributions and benefit payments [Internal Revenue Code 401 (a)(17)] apply. For members who first contribute before July 1, 1995, the limits in Internal Revenue Code 401 (a)(17) as of June 30, 1993 apply. (MN Laws 1995, Chapter 262, Article 1, Section 15.)

The following item is a targeted early retirement incentive for Metropolitan Council and Minnesota Historical Society employees:

- c. Early retirement incentive--higher accrual rate or paid health care. An early retirement incentive, in the form of a higher accrual rate on the annuity or employer-paid health care to age 65 (a continuation of existing coverage), is authorized for certain employees of the Metropolitan Council and the Minnesota Historical Society in positions subject to downsizing and restructuring; other employees may be excluded. Eligible individuals

must have at least 25 years of total or combined service (except for individuals at least age 65, who need only one year of service), be at least age 55 and eligible for an immediate annuity, and retire after May 23, 1995 and before January 31, 1996. If the individual selects the higher annuity option, the annuity is computed using an accrual rate that is one quarter of one percent per year higher than general law for members of MSRS General, PERA General, or MERF. If the individual is a member of TRA or a first class city teacher plan, the accrual rate per year is one tenth of one percent higher than general law. Higher accrual rates apply to the first 30 years of service only. The employer must pay the full additional actuarial cost of the increased formula annuities to the respective retirement plan before July 1, 1997, with 8.5 percent interest. Rehiring individuals who retire under the early retirement incentive is prohibited. (MN Laws 1995, Chapter 262, Article 1, Sections 17 to 25.)

The following three items apply to major plans and local general employee plans (any plan whose members may use the combined service annuity provisions in Section 356.30) and all police, paid fire, and volunteer fire plans:

- d. Collateralization, depository bank provisions moved to new chapter. Existing requirements that pension plans select a depository bank or similar institution and that deposits be covered by insurance or collateral are retained by moving the requirements to a new chapter and section (Chapter 356A.06). (MN Laws 1995, Chapter 262, Article 6, Section 1.)
- e. Investment authority statements. Pension administrators must provide a statement of the plan's investment authority based in law and pension board policy to investment managers and advisors. The manager or advisor must acknowledge receipt of the statement. (MN Laws 1995, Chapter 262, Article 6, Section 2.)
- f. Options, securities lending collateralization requirements. Loaned securities must be fully collateralized with cash or securities, and any puts, calls, or futures contracts can be undertaken only with a fully offsetting amount of cash or securities. The restrictions apply to investments made after the date of final enactment. (MN Laws 1995, Chapter 122.)
- g. Bonding to cover unfunded pension liabilities. Municipalities are given increased flexibility to issue bonds to cover unfunded pension liabilities by removing the stipulation that the revenue raised through the bond issue has to be used to purchase insurance policies or annuity contracts to cover all or part of the liability. (MN Laws 1995, Chapter 256, Sections 24 and 25.)

The following item applies to major plans, all police, paid fire, and volunteer fire plans, IRAP, the Hennepin County Supplemental Retirement Plan, and any housing and redevelopment authority retirement plan:

- h. Suspension or forfeiture of survivor benefits in the event of felonious death of member. The survivor benefits of any survivor feloniously causing the death of a pension plan member are suspended upon being charged, and forfeited upon conviction. Effective the day following final enactment and applies to all charges pending on that date. (MN Laws 1995, Chapter 141, Article 1.)

The following item applies to MSRS General, PERA General, and TRA:

- i. Codification of salary and payroll growth assumptions. The salary increase and payroll growth assumptions adopted by the LCPR in August, 1994 for future actuarial valuations are placed in law. (MN Laws 1995, Chapter 141, Article 3, Sections 14 and 15.)

The following applies to all public employing units:

- j. Compliance with Internal Revenue Code Section 403(b) tax-sheltered annuity law. Employers have the responsibility to comply with Internal Revenue Code Section 403(b) tax-sheltered annuity plan law. (MN Laws 1995, Chapter 141, Article 3, Section 16.)

The following item applies to all state government appointing authorities and their employees, and thus applies to individuals in all or most MSRS-administered plans:

- k. Voluntary, unpaid leaves of absence. State government appointing authorities will encourage each employee to take an unpaid leave of absence for up to 160 hours during the period ending June 30, 1997. The leave must allow the employee to continue accruing vacation and sick leave, and to accrue service credit in state retirement plans permitting service credits for authorized leaves of absence. (MN Laws 1995, Chapter 254, Article 1, Section 92.)

The following impacts police and fire tax aids, and hence the net local contributions to fund PERA consolidation accounts, local police and paid fire plans, and volunteer fire plans:

1. Changes in police and fire tax aid. Changes were made in the companies subject to insurance premium taxes, the tax rates to be used, and the amount of tax-based aid to be distributed as follows:
 - (1) The tax rates will be:
 - for town and farmer's mutual insurance companies and for mutual property and casualty companies with total assets of \$5 million or less, on all coverages other than life insurance, one percent of premiums; and
 - for mutual property and casualty companies with total assets on December 31, 1989 of \$1.6 billion or less, on all coverages other than life insurance, 1.26 percent of premiums; and
 - for other insurers, and for life insurance policies by any insurer, two percent of premiums.
 - (2) Domestic mutual insurance companies must file Minnesota Aid to Police Premium Reports and be subject to taxation on auto insurance policies; and
 - (3) The fire state aid will be 107 percent of the amount of premium taxes paid to the state upon the fire, lightning, sprinkler leakage, and extended coverage premiums, reduced by state auditor's costs and expenses of the audits or exams of the firefighter relief associations; providing that this amount must be greater than or equal to two percent of premiums, minus the State Auditor costs and firefighter exam costs, minus taxes payable by the town and farmers' mutual insurance companies and mutual property and casualty companies with total assets of \$5 million or less.
 - (4) the police state aid will be 104 percent of the premium taxes paid upon the premiums reported in the Minnesota Aid to Police Premium Report, plus payments from self-insurers, minus State Auditor costs and the cost of police relief association exams; providing that this amount must be greater or equal to two percent of the amount of premiums reported on the Minnesota Aid to Police Premium Reports minus the State Auditor costs and police relief association exam costs. (MN Laws 1995, Chapter 264, Article 9, Sections 3, 4, and 5.)

III. Miscellaneous Legislation

This section summarizes retiree health care legislation, provisions impacting the operations of the Legislative Commission on Pensions and Retirement (LCPR), and other miscellaneous legislation tangentially related to public pensions.

The following item applies to municipalities funding major plans and local general employee plans (any plan whose members may use combined service annuity provisions in Section 356.30) or any police, paid fire, PERA-P&F consolidation account, or any volunteer fire plans:

- a. Bonding to cover unfunded pension liabilities. Municipalities are given increased flexibility to issue bonds to cover unfunded pension liabilities by removing the stipulation that the revenue raised through the bond issue has to be used to purchase insurance policies or annuity contracts to cover all or part of the liability. (MN Laws 1995, Chapter 256, Sections 24 and 25.)

The following item summarizes two special laws authorizing certain counties to contribute to plans, established by private sector employers but offering benefits similar to PERA General, following the privatization of county medical centers:

- b. Itasca Medical Center and Olmstead County Medical Center privatizations. If the Olmstead Medical Center or the Itasca Medical Center is transferred to a nonprofit corporation, the respective employer may establish a plan for the transferred, privatized employees which provides benefits similar to those of PERA, and the respective county is authorized to contribute to that plan, at its discretion. (MN Laws 1995, Chapter 102, Section 4 and Chapter 262, Article 7.)

The following two items are health care provisions for certain higher education system personnel:

- c. Paid health care, certain re-employed annuitants. Adds retirees from the technical college system, first class city teacher plans, and retired unclassified administrators to post-retirement higher education return-to-employment provision authorizing the re-employed annuitant to receive employer-paid health care. Also authorizes use of combined service to qualify. (MN Laws 1995, Chapter 262, Article 2, Section 2, and MN Laws 1995, Chapter 212, Article 4, Sections 34 and 65.)
- d. Higher Education System Early Retirement Employer-Paid Health Insurance Premium Incentive. Employer-funded health care (the single and/or dependent coverage the individual received prior to retirement, as revised over time) is provided to individuals in departments in state universities, community colleges, technical colleges, the existing system central offices, and the higher education coordinating board where downsizing is occurring. To be eligible for the health care benefit, the individual must have at least 15 years of single or combined service in major plans, be at least age 55, be immediately eligible for a retirement benefit, and must retire before January 31, 1996, or for persons who first become eligible between January 31, 1996 and December 31, 1996, retire before January 31, 1997. Limitations are placed upon rehiring. The health care benefit ceases if health coverage is received from a subsequent employer. The individual receiving the health care benefit must notify the system of health care coverage supplied by a subsequent employer. (MN Laws 1995, Chapter 262, Article 5.)

The following two items impact LCPR contracts for actuarial services or the sharing of cost for those services:

- e. House, Senate, legislative commission contracting procedures. The following requirements must be met for all contracts by the House, Senate, Legislative Coordinating Commission (LCC), or any group under the jurisdiction of the LCC:
 - (1) small business set aside provisions must be satisfied;
 - (2) the work to be performed must be consistent with the organization's responsibilities;
 - (3) the Legislative Reference Library must receive a listing of all contracts executed during each month;
 - (4) no more than 90 percent of the contract amount can be paid before certification that the contractor has satisfactorily fulfilled the terms of the contract;
 - (5) current legislative employees cannot engage in the contract;
 - (6) the terms of the contract must permit the contracting entity to unilaterally terminate the contract prior to completion, and;
 - (7) the combined contract plus extensions will not exceed five years.

In addition, for contracts over \$5,000, it must be determined that:

- (1) no legislative employee is able or available to perform the contract;
- (2) the availability of the contract must be publicized; and,
- (3) contract monitoring and periodic reviews must occur.

An additional requirement for contracts over \$40,000 is that:

- (1) within 30 days of completion of a contract a one-page performance report must be

filed with the Legislative Reference Library. (MN Laws 1995, Chapter 254, Article 1, Section 35.)

- f. Actuarial Cost Allocation. MSRS, TRA, PERA, MERF, and the first class city teacher plans will pay the full cost of the actuarial and experience studies performed by the LCPR-retained actuary, rather than 72 percent of the cost. (MN Laws 1995, Chapter 254, Article 1, Section 36.)

The following item applies to legislative commissions and their appointed members:

- g. Removal of legislative commission member for unexcused absences. Appointed members to legislative commissions are removed if the member has three or more unexcused absences. The legislative commission will notify the appointing authority of the action taken and request a new member. (MN Laws 1995, Chapter 248, Article 2, Section 3, Subdivision 7.)

The following two items impact the LCC and commissions under its control:

- h. Changes in Legislative Coordinating Commission (LCC) authority and role. The LCC must approve, rather than comment upon, commission budgets prior to submitting the budgets to the fiscal committees in the Senate and House, and in reviewing the budgets, the LCC will make recommendations to improve the efficiency and effectiveness of services and to determine whether there is a continuing need for the various legislative commissions. The executive director of the LCC will manage office space, equipment, and hire, supervise, and manage all administrative, clerical, and secretarial staff for all legislative commissions, other than the Legislative Advisory Commission and the Legislative Audit Commission. (MN Laws 1995, Chapter 248, Article 2, Sections 2 and 3.)
- i. Appropriation reduction to be allocated by LCC. A \$500,000 appropriation reduction is to be allocated by the LCC among the House, Senate, and legislative commissions. (1995 First Special Session, Chapter 2, Article 2, Section 1, Subdivision 2.)

The following is a sunset provision applicable to most legislative commissions:

- j. Commission sunset. All legislative commissions, except the LCC, the Legislative Advisory Commission, and the Legislative Audit Commission, terminative operations on July 1, 1996 unless the LCC elects by January 1, 1996 to continue the operation of the given commission, either alone or in combination with another legislative commission. By January 1, 1996, the LCC will make recommendations to the House and Senate on how to provide more efficient support services. The recommendations will address accounting, procurement, contracts, payroll, general business services and systems, computers, telephones, other office technology, and public access. (MN Laws 1995, Chapter 248, Article 2, Section 6.)