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Summary of Pension Legislation and Work of the LCPR during the 2022 Legislative Session

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Date: *October 25, 2022*

Introduction

This summary covers the actions relating to pensions and retirement by the Legislature and the Legislative Commission on Pensions and Retirement (LCPR or Commission) that occurred during the 2022 legislative session. Most of the pension legislation enacted during the 2022 legislative session was enacted as part of the 2022 omnibus pension and retirement bill, which was passed as [Laws 2022, Chapter 65](#), and was signed by the governor on May 22, 2022.

This summary is divided into the following sections:

- I. [Session Overview](#) summarizes the work done by the LCPR.
- II. [Plan-Specific Provisions](#) summarizes pension legislation that relates to a specific plan or class of plans, such as volunteer firefighter relief association plans.
- III. [General Retirement Provisions](#) summarizes legislation that applies to all or most public pension plans or the LCPR.
- IV. [Other Provisions](#) summarizes noteworthy legislation that is indirectly related to pensions and retirement topics.
- V. [Other Commission Action](#) summarizes non-legislative actions taken by the LCPR.

I. Session Overview

Commission Meetings

The LCPR held its seventh meeting of the 2021-22 legislative biennium on January 5, 2022, and met seven more times during the 2022 legislative session. The commission met remotely throughout the 2022 session for the third session in a row due to ongoing disruption from the COVID-19 pandemic.

The Commission's work was influenced by reports from the actuary for the Minnesota State Retirement System (MSRS) and the Public Employees Retirement Association (PERA) stating that the rate of return-on-investment assumption of 7.5% used in the actuarial valuations of the defined benefit plans administered by MSRS and PERA was no longer reasonable. Consequently, MSRS and PERA sought legislation to lower the assumption. On the other hand, historic statewide budget surpluses, high investment returns in FY2021, and elevated inflation provided the rationale for some stakeholders to seek an increase in the COLA for retirees and reduction of the employee contribution rates for active members. The result of these efforts was three major pension bills that proceeded through committee in the House and Senate. However, only one bill, the 2022 omnibus pension and retirement bill, was ultimately enacted because the other two bills, which would have increased benefits and reduced employee contributions, failed to gain sufficient support to survive end-of-session negotiations.

2022 Omnibus Pension and Retirement Bill – Chapter 65; SF 3540

The 2022 omnibus pension and retirement bill was approved unanimously by the Commission on March 22, 2022. The bill proceeded through committee in both the House and Senate with amendments made in committee and on the floor in both bodies. The House substituted its language for the Senate's version and the Senate concurred. The bill was signed into law by the governor on May 22, 2022. A general summary, section-by-section summary, and list of source bills are available on the Commission's website.

II. Plan- Specific Provisions

A. Plans Administered by the Minnesota State Retirement System (MSRS)

General Employees Retirement Plan, Correctional Plan, State Patrol Plan

1. Extended period to purchase service credit for a military leave. The period during which a member can purchase service credit for a period of military leave is extended from one year to three years from the date of discharge. *Laws 2022, Ch. 65, Art. 1, Secs. 1 and 4. Source: SF2614-Anderson, HF2690-Lueck.*
2. Expanded right to purchase service credit for a period of military service. An employee who has been a member of the MSRS General, State Correctional, or State Patrol plan for at least three years can purchase up to five years of service credit for (1) any period of military service before becoming a state employee or (2) the same service that could have been purchased under Minnesota Statutes, sections 352.27 and 352B.086, except that the returning employee failed to meet the deadline for payment. *Laws 2022, Ch. 65, Art. 1, Secs. 2, 5, and 6. Source: SF2614-Anderson, HF2690-Lueck.*

General Employees Retirement Plan and Correctional State Employees Retirement Plan

1. Permitting the transfer of service credit from the General Plan to the Correctional Plan. The transfer of prior service credit from the MSRS General Plan to the MSRS Correctional Plan is

authorized for persons employed as a Dental Hygienist or a Residential Program Lead. *Laws 2022, Ch. 65, Art. 1, Sec. 7. Source: SF3872-Draheim, HF4186-Pfarr; LCPR Am. S3872 1A; SF3556-Frentz, HF3671-Frederick; LCPR Am. S3556 2A.*

2. Permitting an individual to transfer service credit from the General Plan to the Correctional Plan. The transfer of prior service credit from the MSRS General Plan to the MSRS Correctional Plan is authorized for a particular eligible person upon payment by the person and Department of Corrections. *Laws 2022, Ch. 65, Art. 1, Sec. 8. Source: SF3499-Rarick, HF3704-Sundin.*

General Employees Retirement Plan

1. Permitting an individual to purchase service credit in the General Plan. The surviving spouse of a particular deceased state employee is permitted to purchase service credit and thereby receive an annuity death benefit from the plan. *Laws 2022, Ch. 65, Art. 1, Sec. 9. Source: SF2591-Osmek, HF2964-Hertaus.*
2. Office of the Foster Youth Ombudsperson. A stand-alone bill established the office of the foster youth ombudsperson and specified that its staff are members of the MSRS General Plan. *Laws 2022, Ch. 63, Sec. 3. Source: SF4209-Housley, HF3845-Hanson.*

Correctional State Employees Retirement Plan

Adding new covered positions at the Department of Human Services. The positions "Dental Hygienist" and "Residential Program Lead" are added to the list of covered positions at the Department of Human Services. *Laws 2022, Ch. 65, Art. 1, Sec. 3. Source: SF3556-Frentz, HF3671-Federick; SF3872-Draheim, HF4186-Pfarr.*

State Patrol Plan

Clarifying change. A provision is amended to clarify that the term "executive director" refers to the executive director of MSRS and not the executive director of the State Board of Investment (SBI). *Laws 2022, Ch. 65, Art. 9, Sec 4. Source: LCPR Am. S3540-3A.*

MSRS Plans Technical Changes

Cross References. Corrects erroneous cross references. *Laws 2022, Ch. 65, Art. 9, Secs. 1 – 3. Source: LCPR Am. S3540-3A.*

B. Plans Administered by the Public Employees Retirement Association (PERA)

General Employees Retirement Plan

1. Duluth Transit Authority public acquisition of private entity. The Duluth Transit Authority (DTA) was seeking to acquire control of ATE Management of Duluth (ATE), a company providing bussing services in Duluth. Once ATE is acquired by DTA, employees of ATE would be required

to be covered by the PERA General Employees Retirement Plan. The DTA and ATE sought legislation that was included in the 2022 omnibus bill, which did the following:

- DTA employees who are members of the Teamsters union and covered by the Central States Pension Plan are exempted from participating in the PERA General Plan; and
- DTA employees who are not members of the Teamsters union are granted vesting credit in the PERA General Plan for their prior years of service with ATE.

Laws 2022, Ch. 65, Art. 2, Secs. 1 and 4. Source: SF4270-Rarick; HF4139-Olson, L.

Police and Fire Plan

Study of adequacy of police disability benefits. The Department of Labor and Industry (DLI) is required to study the adequacy of current benefits for disabled or injured police officers, including consideration of workers compensation, disability, and pension benefits. PERA is required to cooperate with the study. \$125,000 is appropriated to DLI to fund the study. *Laws 2022, Ch. 65, Art. 7. Source: SF1457-Jasinski, HF1577-Koznick; House Ways and Means Committee Am. H4017A1; House Floor Am. S3540A3.*

General Employees Retirement Plan, Police and Fire Plan, and Local Government Correctional Service Plan

Reinstatement of segmented annuities. The 2018 omnibus pension and retirement bill removed a provision permitting a participant with multiple periods of service to receive a segmented annuity to prevent the participant from experiencing a reduction in benefit as a result of returning to covered employment and losing deferred augmentation credited for earlier service. In 2022 PERA sought to reinstate segmented annuities even though augmentation has been terminated because a participant was negatively affected by the removal of the provision. Segmented annuities are reinstated retroactively to 2018. *Laws 2022, Ch. Art. 2, Secs. 2 and 3. Source: SF2810-Benson, HF3266-Bahr.*

Statewide Volunteer Firefighter Plan

1. Minimum service requirement. The language used to describe the minimum service requirement to receive a pension benefit for members of the lump-sum division is changed to require 40 percent vested rather than five years of service, a non-substantive change. The provision is substantively changed to permit a firefighter to satisfy the 40 percent vested requirement by counting either years of service as a member of the SVF Plan or years of service with the firefighter's fire department, as long as the firefighter's years of service with the former relief association plus years of service with the SVF Plan is at least five. *Laws 2022, Ch. 65, Art. 4, Sec. 7. Source: SF3402-Bigham, HF3777-Huot; LCPR Am. S3402-1A.*
2. Alternative vesting schedules. The Statewide Volunteer Firefighter Plan will now offer 3 optional vesting schedules from which a department must select when joining the plan. The optional schedules are:

- Incremental vesting beginning at 40% vested after 5 years of service and increasing by 4% per year until 100% vested at 20 years of service;
- Incremental vesting beginning at 40% vested after 5 years of service and increasing by 12% per year until 100% vested at 10 years of service; or
- Incremental vesting beginning at 40% vested after 10 years of service and increasing by 6% per year until 100% vested at 20 years of service.

Laws 2022, Ch. 65, Art. 4, Sec. 4. Source: SF 3402-Bigham, HF3777-Huot; LCPR Am. S3402-1A.

3. Repeal of alternative pension for firefighters retiring in the first five years after joining the SVF Plan. The provision that required payment of a pension using the benefit level of the relief association prior to joining the SVF has been repealed so firefighters who retire in the first five years after the relief association joined the SVF Plan will receive a pension at the same benefit level as all other firefighters in the fire department. *Laws 2022, Ch. 65, Art. 4, Sec. 26. Source: SF3402-Bigham, HF3777-Huot.*
4. Administrative changes. Definitions and procedures for joining the Statewide Volunteer Firefighter Plan have been updated, reorganized and revised for clarity and to remove redundant words and phrases, including replacing the term “good time service credit” with “service credit.” *Laws 2022, Ch. 65, Art. 4 Secs. 1-3, 5, 6, 8, 9, and 25. Source: SF3402-Bigham, HF3777-Huot.*

C. The Teachers Retirement Association (TRA)

1. Retired teacher earnings limitation. The earnings limitation for retired teachers who return to teaching is suspended temporarily in response to concern regarding a shortage of teachers following the COVID-19 pandemic. The earnings limitation would not apply to salary earned in fiscal years 2022, 2023, and 2024, for teachers covered by TRA. The application of the earnings limitation would resume for salary earned after FY 2024. *Laws 2022, Ch. 65, Art. 3. Source: SF2913-Bigham, HF4012-Masin.*
2. Service credit purchase for teaching service in other states. Teachers who are members of TRA are permitted to purchase service credit for up to five years of teaching service in another state. The service must have been as an elementary or secondary public or charter school teacher and may have occurred before becoming a teacher in Minnesota or between periods of service as a teacher in Minnesota, but may not be service on which another pension or retirement benefit is based. The teacher must pay the actuarial cost of the additional benefit the teacher will receive due to the additional service. *Laws 2022, Ch. 65, Art. 8, Secs. 1 and 3. Source: House Floor Am. S3540A2, drawn from SF4335-Cwodzinski, HF4623-Sandstede.*

D. The St. Paul Teachers Retirement Fund Association (SPTRFA)

1. Retired teacher earnings limitation. The earnings limitation for retired teachers who return to teaching is suspended temporarily in response to concern regarding a shortage of teachers

following the COVID-19 pandemic. The earnings limitation would not apply to salary earned in calendar years 2022, 2023, and 2024, for teachers covered by SPTRFA. The application of current earnings limitations would resume for salary earned after 2024. *Laws 2022, Ch. 65, Art. 3. Source: SF 2913-Bigham, HF4012-Masin.*

2. Service credit purchase for teaching service in other states. Teachers who are members of SPTRFA are permitted to purchase service credit for up to five years of teaching service in another state. The service must have been as an elementary or secondary public or charter school teacher and may have occurred before becoming a teacher in Minnesota or between periods of service as a teacher in Minnesota, but may not be service on which another pension or retirement benefit is based. The teacher must pay the actuarial cost of the additional benefit the teacher will receive due to the additional service. *Laws 2022, Ch. 65, Art. 8, Secs. 2 and 3. Source: House Floor Am. S3540A2, drawn from SF4335-Cwodziński, HF4623-Sandstede.*

E. Volunteer Firefighter Relief Associations

1. Maximum benefit increase. Existing law is amended so that, for relief associations that amend their bylaws to increase benefits, but without municipal ratification, the maximum pension benefit is the lesser of \$100 per month for each year of service or the maximum monthly amount permitted under § 424A.093 for monthly relief associations, and the lesser of \$15,000 per year for each year of service or the maximum lump-sum amount permitted under § 424A.092 for lump sum relief associations. For relief associations that amend their bylaws to increase benefits, but with municipal ratification, the maximum pension benefit is the \$100 and \$15,000 limit, respectively, for monthly and lump sum relief associations. The tables that prescribe the maximum monthly and lump-sum amounts are repealed. *Laws 2022, Ch. 65, Art. 4, Secs. 12 and 26. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*
2. State Auditor to provide notice if maximum benefit exceeded. If the maximum service pension amount is exceeded the State Auditor is required to provide notice to the relief association and permit the relief association to reduce the pension benefit and collect any overpayment before the State Auditor imposes the required penalty of disqualifying the relief association from receiving fire state aid. *Laws 2022, Ch. 65, Art. 4, Sec. 13. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*
3. Domestic relations orders. Existing law is amended to be consistent with the practice of distributing benefits pursuant to a domestic relations order. A provision is added that permits a relief association to amend its bylaws to allow payment of a pension benefit to an alternate payee immediately rather than waiting until the firefighter reaches age 50 and separates from service. The provision also permits payment to be in the form of a lump sum even if the relief association is a monthly benefit relief association. *Laws 2022, Ch. 65, Art. 4, Secs. 11, 14, and 15. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*
4. Investment reporting requirement. Effective May 23, 2022, the State Auditor is required to annually provide an investment report to each relief association comparing the investment

performance of the relief association with that of the State Board of Investment's Balanced Fund. The board of trustees of each relief association is required to certify annually to the State Auditor that it has reviewed the report. *Laws 2022, Ch. 65, Art. 4, Sec. 20. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*

5. Supplemental benefit. A firefighter who receives more than one lump-sum distribution, whether from the same relief association or different relief associations or the Statewide Volunteer Firefighter Plan, is eligible to receive a supplemental benefit, subject to a separate \$1,000 maximum for each distribution. *Laws 2022, Ch. 65, Art. 4, Sec. 21. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*
6. Administrative and technical changes. Several administrative and technical changes were made, including a requirement that a fire chief must provide a written explanation and documentation to support a service credit determination, and several cross-references were corrected. *Laws 2022, Ch. 65, Art. 4, Secs. 10, 16-19, and 22-24. Source: SF3540-Rosen, HF4017-Nelson; LCPR Am. S3540-2A; House State Gov. Am. S3540-4A.*

III. General Retirement Provisions

1. Advanced Practice Registered Nurse (APRN). The statutes governing the disability provisions for MSRS, PERA, TRA, and SPTRFA are amended to permit APRNs to perform certain assessment and diagnostic functions required for a disability determination. *Laws 2022, Ch. 65, Art. 5. Source: SF2546-Pappas; LCPR Amendments S2546-1A and S2546-2A.*
2. State Board of Investment administrative changes. Administrative changes are made to permit the State Board of Investment (SBI) to employ certain types of investment professionals consistent with the SBI's compensation plan approved in 2019. *Laws 2022, Ch. 65, Art. 6. Source: SF3542-Rosen, HF4018-Nelson, M.*
3. Divestment from Russia and Belarus. In response to the Russian invasion of Ukraine, a stand-alone bill requires the SBI to divest over the next 15 months from securities issued by Russia or Belarus and companies based in either country. *Laws 2022, Ch. 43. Source: SF3928-Housley, HF4165-Jordan.*
4. Supplemental plans – deferred compensation. Changes are made to the requirements for "deferred compensation plans" that are "supplemental plans" to which public funds may be contributed, including the following:
 - the term "custodian" is replaced with "vendor;"
 - definitions are added for "plan administrator" and "vendor;"
 - self-directed brokerage accounts are exempted from the investment performance and fee disclosure requirements; and

- corrects a drafting error by inserting an exception to the employee matching requirement and limit on elective deferrals for contributions deducted from an employee's sick leave, vacation leave, or severance pay.

All changes except the correction of the drafting error are not effective until July 1, 2024. The correction is effective on May 23, 2022.

Laws 2022, Ch. 65, Art. 9, Sec. 11. Source: LCPR Am. S3540-3A; House Floor Am. A22-0473.

5. Health care workers returning to work or working past retirement. A stand-alone bill amended a session law enacted in 2020 to extend the time during which health care workers who are receiving a retirement annuity from a PERA or MSRS Pension plan may continue to receive the annuity without reduction or suspension, upon reemployment or continued employment after retirement or under a phased retirement agreement. The bill also corrected language to ensure that health care workers who did not meet the technical requirements of the session law will not be required to repay their annuity. *Laws 2022, Ch. 34. Source: SF2957-Kiffmeyer, HF3136-Bahner.*

IV. Other Provisions

1. Technical corrections bill. The bill prepared annually by the Revisor's Office that makes technical corrections to the statutes included corrections to the following statutes that govern public pensions: 352F.04, 353G.08, and 354.35. *Laws 2022, Ch. 55, Art. 1, Secs. 153 – 155. Source: HF4406-Hollins, SF3409-Latz.*
2. Hometown Heroes Assistance Program. The Hometown Heroes Assistance Program, established by laws enacted in 2021, is amended to clarify under which circumstances a firefighter may be eligible for monetary support and to transfer the funding for the program from the commissioner of the Office of Justice Programs to the state fire marshal. Firefighters eligible for the program include volunteer, part-time, and career firefighters. *Laws 2022, Ch. 49. Source: HF2746-Youakim, SF2634-Howe.*
3. Sentencing Guidelines Commission staff. The staff of the Minnesota Sentencing Guidelines Commission, except for the research director, are moved from the unclassified service to the classified service. *Laws 2022, Ch. 76. Source: HF3013-Pinto, SF2669-Limmer.*
4. School board members employed by school district. The maximum amount of compensation for services to a school district that a school board member for the school district may receive annually is increased from \$8,000 to \$20,000. *Laws 2022, Ch. 78. Source: SF3107-Duckworth, HF2920-Howard.*
5. Addition of a new bargaining unit for state employees. A new bargaining unit for law enforcement supervisors was added to the list of appropriate units of executive branch state employees. *Laws 2022, Ch. 80. Source: HF961-Ecklund, SF1040-Howe.*

6. Ratification of labor agreements and compensation plans. Labor agreements and compensation plans are ratified. *Laws 2022, Ch. 85. Source: HF3346-Lillie, SF3254-Koran.*
7. Insurance producers. The laws governing insurance producers are amended to include an amended standard of care and certain disclosure obligations, among others. Licensed insurance producers are required to obtain additional training for selling annuities. *Laws 2022, Ch. 84. Source: SF4108-Dahms, HF4394-Kotyza-Witthuhn.*

V. Other Commission Action

1. Rate of return assumption. The executive directors of MSRS and PERA, at the recommendation of their actuaries, brought forward proposals to reduce the assumed rate of return from the current 7.5%. The Commission heard testimony from the executive directors of the three statewide pension systems and the SPTRFA, the Commission's actuary, the MMB Commissioner, and the public on January 5th and 26th, 2022. On May 16, the Commission approved language which would lower the rate of return for the statewide pension systems and SPTRFA from 7.5% to 7% as part of a broader package to increase benefits and reduce employee contribution rates for several plans. The bill containing the package failed to proceed to a vote on the floor of House or Senate.
2. LCPR study of 911 telecommunicator retirement benefits. The 2021 omnibus pension and retirement bill included a provision establishing a working group to study retirement benefits for 911 telecommunicators. The working group met between the 2021 and 2022 sessions and the working group prepared a report to the Commission. The report was presented to the Commission on February 15, 2022, and published on the Commission's website.
3. Approval of Appendix A to the Standards for Actuarial Work. An updated version of Appendix A to the Standards for Actuarial Work was adopted by the Commission on January 26, 2022.
4. Approval of actuarial assumptions. The Commission approved actuarial assumptions for the Spring Lake Park Firefighters' Relief Association on May 16, 2022.
5. PERA Police & Fire disability process. During the fall of 2020 and winter of 2021, PERA maintained a significant backlog of unprocessed applications for disability benefits from the PERA Police & Fire Plan. During the 2021 legislative session the Commission held an informational hearing on the topic. The Commission held a follow-up informational hearing on January 26, 2022.

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