

# House Research Act Summary

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## Overview

This is the omnibus public pension bill.

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Section**Article 1: Membership Issues**

- 1 **Correctional plan.** Adds employees of the Minnesota Correctional Facilities—Rush City to the list of employees covered by the MSRS correctional plan.
- 2 **Excluded employees.** Moves definition of “temporary position” for purposes of PERA membership exclusion to a new section.
- 3 **Temporary position.** Defines “temporary position” for purposes of exclusion from PERA membership. This new language is similar to language that is stricken in the prior section of the bill.
- 4 **Seasonal position.** Refers to a “year” instead of a “business year” in the law defining seasonal positions for purposes of PERA membership.
- 5 **Teacher.** Removes references to language that appears to be obsolete, in the law defining “teacher” for purposes of inclusion in TRA.
- 6 **MnSCU IRAP.** Refers to MnSCU rather than to state university or community college in the law defining covered employment under the MnSCU individual retirement account plan (IRAP).
- 7 **IRAP.** Includes unclassified managers and professionals in academic and academic support programs (rather than “excluded” administrators) in the definition of “eligible unclassified administrative position” for purposes of inclusion in the MnSCU IRAP plan.
- 8 **MnSCU supplemental plan.** Adds people who are excluded from bargaining units because of their confidential status as participants in the MnSCU supplemental retirement plan.
- 9 **Repealer.** Repeals section 352D.02, subdivision 5, which currently provides that a TRA basic member cannot participate in the MSRS unclassified plan unless the person leaves the position and begins employment more than 30 days later in a position covered by the MSRS unclassified plan.
- 10 **Effective dates.**

**Article 2: Covered Salary Definition**

- 1 **MSRS; salary.** Provides that for MSRS pension purposes, “salary” does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.
- 2 **State patrol; average monthly salary.** Revises the definition of “average monthly salary” in the state trooper pension plan to include salary for which contributions were made to receive allowable service and salary credit (e.g. purchases of prior service credit), and to tie the definition to that used in the MSRS general plan law.
- 3 **PERA; salary.** For PERA, provides that salary does not include compensation that exceeds limits specified in section 356.611. Provides that “salary” does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.
- 4 **TRA; salary.** Provides that “salary” does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary.

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- 5 **First-class city teachers; salary.** Provides that “salary” does not include amounts provided to an employee by the employer through a grievance proceeding or legal settlement unless the pension fund director reviews the settlement and determines that amounts in the settlement are covered by the definition of salary
- 6 **State salary limitation.** Current law provides that the salary on which public pensions are based may not exceed 95 percent of the governor’s salary. Current law contains some exceptions to this rule. This section makes the exceptions apply to all state employees; to judges; and to Minnesota Crop Improvement Council, Minnesota Historical Society, and Gillette hospital employees who are covered by MSRS. This section is retroactive to April 28, 1994 (when the 95 percent limit first became effective).
- 7 **Federal compensation limits.** Current law provides that compensation in excess of that specified in the federal Internal Revenue Code may not be included in computing benefits under public pension plan. This section updates references to the federal law.
- 8 **Maximum benefit limitation.** Provides that a member’s annual benefit must be reduced as necessary to conform with requirements of the federal Internal Revenue Code.
- 9 **Effective dates.**
- Article 3: Allowable Service Credit**
- 1 **Break for uniformed service; MSRS.** Amends provisions governing MSRS service credit for employees who are absent due to uniformed service. In general, the section ensures that the state law provisions are in accord with requirements of federal law. An employee who is absent under this section obtains service credit by paying an employee contribution for the time the employee was absent. The employer pays the required employer contribution for this time. If the employee contributions are only partially paid, the service credit is prorated. Employee payments must be made upon return to work within a period three times the length of the uniformed service period, not to exceed five years from return. If the uniformed service period is less than a year, the payment may be made within one year.
- 2 **Break for uniformed service; troopers.** Similar to section 1, but for MSRS state trooper plan.
- 3 **Break for uniformed service; PERA.** Similar to section 1, but for PERA.
- 4 **Service credit; TRA.** Specifies that proration of service credit for part-time MnSCU employees is based on provisions in collective bargaining agreements or personnel plans.
- 5 **Certification of leave; TRA.** Strikes requirement that employer certification to TRA of family leave occur before the end of the fiscal year in which the leave is granted.
- 6 **Break for uniformed service; TRA.** Similar to section 1, but for TRA.
- 7 **Break for uniformed service; first-class city teacher plans.** Similar to section 1, but for first-class city teacher plans.
- 8 **Break for uniformed service; judges.** Similar to section 1, but for judges plan.
- 9 **Effective dates.**

Section**Article 4: Qualified Part-Time Teacher Provisions**

1 **TRA participation requirements; legislators.** Current law specifies a process  
under which teachers participating in a part-time teacher program can make  
contributions to the pension fund and receive full-time service credit. Under current  
law, an agreement under this program must be executed by October 1 of the school  
year for which the teacher wants to make contributions and obtain full-time credit.  
This section provides a March 1 deadline if the teacher is a legislator.

2 **First-class city participation requirements; legislators.** Similar to section 1, but  
for first-class city teacher plans.

3 **Effective date.**

**Article 5: Retirement Plan Contributions and Transfers**

1 **Erroneous deductions; TRA.** Specifies procedures to be followed if customary  
procedures for transfers or refunds of erroneous salary deductions and employer  
contributions would cause TRA to lose its qualified status under the Internal Revenue  
Code.

2 **Payment of shortages; TRA.** Provides procedures for shortages in contributions on  
behalf of certain MnSCU employees who previously worked less than 25 percent of a  
full academic year.

3 **Contribution rate.** Eliminates a member contribution rate that had applied to  
participants in the MnSCU IRAP plan who were otherwise eligible to participate in  
the MSRS unclassified plan.

4 **Transfer of funds to IRAP.** Provides that members who transfer money from IRAP  
to TRA can receive direct payment of money transferred upon termination of  
employment, rather than upon retirement.

5 **Effective dates.**

**Article 6: Reporting and Information Provision**

1 **Information distribution.** Technical change in reference to MnSCU.

2 **Member data reporting.** Provides for data to be reported to TRA in the format  
prescribed by the TRA director. Requires reporting of gender and position code.

3 **MnSCU service credit reporting.** Specifies requirements for reporting of part-time  
service credit by MnSCU to TRA.

4 **Noncompliance.** Specifies subdivisions to which noncompliance penalties apply.

5 **LCPR billing for actuarial services.** Allows the Pension Commission to bill third  
parties for actuarial services performed for their benefits under a contract with the  
Pension Commission actuary, and appropriates proceeds to the commission.

6 **Effective dates.**

**Article 7: Retirement Annuity Provisions**

1 **MnDOT pilot.** Under current law MnDOT pilots who are required to retire after  
reaching age 62 are entitled to a retirement annuity without any reduction for early  
retirement. This section provides that if a pilot is required to retire at age 65 by MnDOT  
policy, and that pilot terminates employment after age 62, the pilot receive the retirement  
annuity without any reduction for early retirement.

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- 2       **Retirement age; PERA.** For purposes of the PERA laws governing reemployment of annuitants, defines “retirement age” by reference to the retirement age in federal Social Security law.
- 3       **PERA; reemployed annuitant.** Provides that there is no reduction in a PERA annuity upon reemployment, regardless of income, for a person who has reached retirement age.
- 4       **TRA annuity accrual.** Strikes a provision stating that a TRA annuity must not begin to accrue more than one month before the date of final salary receipt.
- 5       **TRA; reemployed annuitant.** Similar to section 2, but for TRA.
- 6       **TRA annuity.** Requires TRA to audit salaries before paying annuities to employees whose salaries exceed 95 percent of the governor’s salary.
- 7       **Judges; early retirement date.** Permits judges to retire and receive a reduced pension at 60, rather than age 62. (The reduction from the normal pension would be larger if the person retired at 60 rather than 62).
- 8       **PERA exemption from retiree earnings limit.** Provides that a person receiving a PERA police and fire annuity who is employed by the Metropolitan Airports Commission as a peace officer is exempt from the PERA limit on annuitant earnings from January 1, 2004 to June 30, 2007.
- 9       **Report.** Requires TRA to report on salary audits of certain highly-compensated school district employees.
- 10      **Effective dates.**

**Article 8: Disability Benefit Provisions**

- 1       **Exams; MSRS.** Permits an applicant for an MSRS disability to present chiropractic evidence (current law refers to medical or psychological evidence).
- 2       **Exams; MSRS.** Similar to section 1, but refers to exams following allowance of a disability benefit.
- 3       **MSRS; temporary reemployment.** Provides that a reduction or termination of disability benefits for an employee who has returned to work at equal or greater salary than the salary at the time of disability does not apply until six months after return to work. This section is repealed July 1, 2006.
- 4       **MSRS; refusal of exam.** Refers to “expert” rather than medical examinations.
- 5       **MSRS correctional disability.** Provides that a correctional employee must be expected to be disabled for at least one year to receive a disability benefit under the correctional plan.
- 6       **MSRS correctional; non-job related.** Similar to previous section, but for non-job related disability.
- 7       **MSRS correctional.** Includes chiropractic evidence in MSRS correctional plan disability determinations.
- 8       **MSRS; state patrol.** Provides that an employee must be expected to be disabled for at least one year to receive a disability benefit under the state trooper plan.
- 9       **MSRS state patrol; non-duty disability.** Similar to previous section, but for non-duty related disability.
- 10      **MSRS state patrol.** Clarifying language.
- 11      **MSRS state patrol; proof of disability.** Provides that proof of disability must include a written expert report.
- 12      **MSRS state patrol; optional annuity.** Provides that selection of an optional annuity by

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- a disabilitant must be in writing on a form prescribed by the executive director.
- 13 **MSRS state patrol; termination of disability benefits.** Provides that disability benefits transfer to retirement annuity benefits when the person becomes 65 or on the five-year anniversary of the effective date of the disability benefit, whichever is later.
- 14 **MSRS unclassified plan.** Gives flexibility for a disabilitant under this plan to receive “a portion” (rather than one-half) of the total shares, and to receive an annuity based on the remainder of the shares in the plan.
- 15 **PERA; eligibility.** Provides that an applicant for a disability must submit a report signed by a physician, psychologist, or chiropractor.
- 16 **PERA; continuation of benefits.** Requires a person receiving disability benefits to submit a report from a physician, psychologist, or chiropractor to justify continuation of benefits.
- 17 **PERA; medical adviser.** References psychologists and chiropractors, in addition to physicians, in law providing for examinations by the PERA medical examiner.
- 18 **PERA; partial reemployment.** Clarifies provisions governing continuation of disability benefits when reemployment is not substantial gainful activity and earnings are less than earnings in the position the person held before becoming disabled.
- 19 **PERA; trial work period.** Provides that if a disabled member attempts to return to work, PERA shall continue paying disability benefits for up to six months, in an amount that, when added to earnings and workers compensation benefits, does not exceed the salary at the date of disability. PERA deductions will not be taken for this work unless the person waives further disability benefits. Provides that a member may return to employment and continue receiving disability benefits only once. This section is repealed July 1, 2006.
- 20 **PERA police and fire; proof of disability.** Provides that application for a disability must include a written report from a physician, chiropractor, or psychologist.
- 21 **PERA police and fire; application procedure.** Specifies evidence that must be provided if the application for disability benefits is filed within two years of the date of the injury or the onset of the illness giving rise to the disability, and evidence that must be provided if the application is filed after two years. Provides that, except as provided by other law, an application for disability benefits cannot be filed more than three years after a person terminates PERA police and fire membership. Requires an applicant who is a former member to establish that the disability is the result of an injury or illness that occurred while the person was an active member. Requires applications for duty-related disability to be accompanied by the first report of injury filed under the workers’ compensation laws. Provides for applications for disability benefits to be cancelled if the person does not terminate service or is not placed on leave. Provides for the relationship between applications for disability and retirement benefits. Requires repayments of refunds to be made within six months after effective date of disability benefits or filing of the disability application, whichever is later.
- 22 **PERA police and fire; refusal of exam or evidence.** Provides that if an applicant for a disability benefits refuses to submit to a medical exam or refuses to authorize the release of medical evidence, the disability application process or the payment of the disability benefits is discontinued until the member complies.
- 23 **PERA police and fire; accrual of benefits.** Specifies when a disability benefit begins to accrue, and when payment terminates.
- 24 **PERA police and fire; medical exams.** Requires a person applying for or receiving

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- disability benefits to submit to an independent medical exam upon request of the executive director.
- 25 PERA police and fire; approval of benefits.** Provides that in making disability determinations, the executive director must review all relevant evidence, including advice from the medical advisor and evidence provided by the member and the employer. Provides that a member whose application is denied by the executive director may appeal to the PERA board within 45 days.
- 26 TRA; accrual.** Provides for disability applications to be in writing, on a form prescribed by the executive director.
- 27 TRA; exams.** Adds chiropractors and psychologists to the medical experts who conduct exams and provide advice on disabilities.
- 28 TRA; exams.** Similar to prior section.
- 29 TRA; exams.** Similar to prior section.
- 30 TRA; disability, retirement.** Revises when a disability benefit ends and is replaced by a retirement benefit. Provides that this occurs at the normal retirement age, rather than at age 65.
- 31 TRA; disability.** See section 27.
- 32 TRA; disability.** See section 27.
- 33 General plan disability requirements.** Amends law governing disability benefits based on combined service in general employee retirement plans, to refer to normal retirement age, rather than to age 65.
- 34 MERF; exams.** Adds references to chiropractors and psychologists in laws governing disability benefits paid by MERF.
- 35 MERF.** Similar to prior section.
- 36 Minneapolis police.** Adds references to chiropractors and psychologists in laws governing disability benefits paid by Minneapolis police.
- 37 Minneapolis fire.** Adds references to chiropractors and psychologists in laws governing disability benefits paid by Minneapolis fire.
- 38 Minneapolis fire.** Similar to prior section.
- 39 Minneapolis fire.** Technical changes.
- 40 Minneapolis fire.** Adds references to chiropractors and psychologists in laws governing disability benefits paid by Minneapolis fire.
- 41 Repealers.** Provides that sections 3 and 19 are sunset July 1, 2006. Repeals section 353.33, subd. 5 (pre-1987 benefits) and 490.11 (probate court judge disability)
- 42 Effective dates.**

**Article 9: Death and Survivor Benefits and Refunds**

- 1 Legislators.** Provides that requests for refunds from former legislators be in writing on a form prescribed by the MSRS executive director. Provides how interest on refunds and repayment of refunds must be computed.
- 2 MSRS.** Provides that refund requests must be in writing on a form prescribed by the director. Specifies how interest on refunds is calculated.
- 3 MSRS.** Provides how interest on refunds is calculated.
- 4 MSRS.** Provides how interest on refunds is calculated.
- 5 MSRS.** Provides that an application for accumulated contributions on deposit with the fund may be made at any time after termination of service, instead of the current

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- requirement of 30 days following the date of termination.
- 6 **MSRS; state patrol plan.** References proposed new subdivisions in law governing state trooper optional annuities.
- 7 **MSRS; state patrol plan.** Provides how interest on refunds is calculated.
- 8 **MSRS state patrol plan.** Strikes language the substance of which is moved to other subdivisions.
- 9 **MSRS state patrol plan.** Specifies benefits available to surviving spouses under the state patrol plan, which vary depending on whether the member was vested at the time of death, and whether member was active, deferred, or a disabilitant.
- 10 **MSRS state patrol plan.** See prior section.
- 11 **MSRS state patrol; coordination with workers compensation.** Provides that if the surviving spouse and dependent children are entitled to workers compensation benefits, these benefits must not be deducted from benefits payable under this section.
- 12 **MSRS unclassified.** Specifies additional options available for benefits provided to a surviving spouse under the MSRS unclassified plan. Allows the member and the member's spouse to jointly agree to designate another beneficiary.
- 13 **MSRS unclassified.** Permits a surviving spouse to receive term certain annuities instead of other options.
- 14 **MSRS unclassified.** Provides that if there is no surviving spouse, the value of the participant's account is payable to a designated beneficiary.
- 15 **University hospital.** Provides that laws in effect at the time of privatization apply to survivors of a terminated hospital employee of Fairview, University of Minnesota Physicians, or University Affiliated Family Physicians.
- 16 **University hospital.** Provides that laws in effect at the time of privatization apply to survivors of a terminated employee of privatized individuals covered by the University hospital privatization chapter.
- 17 **TRA.** Strikes requirement that beneficiary designation by signed by two witnesses to the member's signature.
- 18 **TRA.** Specifies how surviving spouse annuity is calculated, depending on age and years of service of the member. Provides that a designated beneficiary other than the surviving spouse must be a former spouse or a biological or adopted child of the member.
- 19 **TRA.** Clarifying language relating to surviving child benefits.
- 20 **TRA.** Clarifies provisions relating to designation of a beneficiary other than the spouse.
- 21 **TRA.** Requires that beneficiary designation and application for survivor benefits must be in writing on a form prescribed by the director. Specifies how deferred annuities are to be computed.
- 22 **Payment acceptance.** Specifies (by reference to the Internal Revenue Code) the sources of funds may be used to repay a refund or pay contributions for a leave of absence.
- 23 **Judges plan.** Specifies method of computing interest on refunds. Increases interest rate from five to six percent. Specifies method of computing interest on repayment of refunds.
- 24 **TRA.** Allows a specified TRA member to designate the person's children to receive survivor benefits.
- 25 **Repealer.** Repeals section 354A.107 (source of funds allowed for payment of allowable service credit, repayment of refund, or payment of contributions while on leave).
- 26 **Effective dates.**



Section**Article 10: Internal Revenue Code Compliance**

- 1       **Compensation.** Defines compensation (by reference to federal Treasury regulations) for  
purposes of limits on compensation that can be used to calculate pension benefits.
- 2       **Code compliance.** Specifies when distributions must be made, and conditions under  
which rollovers are allowed with respect to public pension plans
- 3       **Transition.** Specifies limits on rollover distributions and rollover distributions to a  
surviving spouse, by reference to federal Internal Revenue Code requirements.
- 4       **Effective dates.**

**Article 11: Health Care Savings Plan**

- 1       **MSRS health care savings plan.** Strikes references to “postretirement”, so that the  
MSRS health care savings plans could be used to cover expenses incurred by active  
employees as well as former employees.
- 2       **Effective dates.**

**Article 12: Retirement Coverage Following Privatization**

- 1       **Medical facility.** Adds Fair Oaks Lodge in Wadena, RenVilla nursing home, and the St.  
Peter Community Healthcare Center to list of facilities covered by the law that provide  
special pension treatment to employees of public medical facilities that are privatized.
- 2       **Anoka Achieve program.** Provides that current employees of the Anoka County  
achieve program remain in PERA after the program is transferred to Achieve Services,  
Inc.
- 3       **Government training service.** Provides that a person employed by the Government  
Training Service remains in PERA after the program is transferred to a nonprofit  
organization.
- 4       **Effective dates.**

**Article 13: Minneapolis Firefighters**

- 1       **Executive secretary salary.** Provides that if the executive secretary is not an active  
member of the fund, the salary may not exceed the highest salary paid to the executive  
director of MSRS, PERA, or TRA.
- 2       **Effective dates.**

**Article 14: Volunteer Firefighters**

- 1       **Defined contribution plans.** Authorizes an earlier vesting schedule for volunteer  
firefighter relief associations that pay defined contribution pensions. Under this schedule,  
the entire pension could vest in ten years (instead of the current 20 years for defined benefit  
plans).
- 2       **Interest on deferred pensions.** Provides an alternative method that a relief association  
can use to calculate interest on deferred pensions.
- 3       **Marine on St. Croix.** Authorizes the relief association to use an early vesting schedule.
- 4       **Bellingham.** Authorizes prior annuity purchases as permissible investments.
- 5       **Effective dates.**

Section**Article 15: PERA Police and Fire Membership**

- 1 **Lake Johanna.** Includes the Lake Johanna Volunteer Fire Department in the definition of  
 “governmental subdivision” in PERA law, meaning employees would be covered in the  
 PERA police and fire plan.
- 2 **Effective dates.**

**Article 16: One-person and small group changes**

- 1 **PERA.** Allows a specified person to purchase PERA service credit, for the full actuarial  
 value, for previously uncovered school district employment.
- 2 **PERA.** Allows a specified person to discontinue future PERA general plan coverage and  
 apply for a retirement annuity from the police and fire plan.
- 3 **MSRS-Unclassified.** Allows the personal representative of an employee formerly covered  
 by the MSRS unclassified program to make a posthumous transfer of prior coverage and to  
 receive survivor benefits from the unclassified plan.
- 4 **Effective dates.**

**Article 17: Prior Service Credit Purchases**

- 1 **MSRS; military.** Strikes a restriction on ability to purchase MSRS service credit for  
 military leave time. The stricken restriction currently forbids purchase if the employee is  
 entitled to receive a military annuity for the same service.
- 2 **MSRS state troopers; military.** Similar to prior section, but applies to state trooper plan.
- 3 **PERA military.** Similar to section 1, but for PERA.
- 4 **TRA military.** Similar to section 1, but for TRA.
- 5 **First-class city; military.** Similar to section 1, but for first-class city teachers.
- 6 **Purchase of prior military service credit.** Extends until May 16, 2006 the sunset date for  
 purchasing certain military service credit from TRA and first-class city teacher funds.
- 7 **Purchase of prior military service credit.** Extends until May 16, 2006 the sunset date for  
 purchasing certain military service credit from MSRS and PERA.
- 8 **Effective dates.**

**Article 18: Minneapolis Police**

- 1 **Amortization period.** Extends the target date for amortizing the unfunded liability of the  
 Minneapolis police pension fund from 2010 to 2020.
- 2 **Amortization period.** Extends the target date for amortizing the unfunded liability of the  
 Minneapolis police pension fund from 2010 to 2020.
- 3 **Minneapolis police.** Provides that determination of “excess income” for purposes of  
 possible postretirement increase is based on rate of return in the most recent two years,  
 instead of five years.
- 4 **Minneapolis police.** Eliminates service pension levels that apply when the relief  
 association is below 90 percent funded. Increases benefits under Minneapolis police plan  
 for persons with more than 20 years of service by one unit. (Current law provides pensions  
 based on 34 to 42 units, and these numbers range from 35 to 43 under the bill)
- 5 **Additional unit.** Provides an additional unit to Minneapolis police members who selected  
 a joint and survivor annuity.
- 6 **Additional unit.** Provides an additional unit for Minneapolis police surviving spouses.

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- 7**        **Minneapolis police.** Provides that determination of “excess income” for purposes of possible postretirement increase is based on rate of return in the most recent two years, instead of five years.
- 8**        **Guaranteed pension provision.** Provides for Minneapolis police plan that once a pension benefit is properly paid in accordance with this law to any member, the dollar amount of that pension benefit shall not be reduced.
- 9**        **Local approval.** This article requires approval by the city of Minneapolis.