

HOUSE RESEARCH

Bill Summary

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Subject: Local Correctional Employee Pension Plan

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Overview

Creates a new pension plan for employees of local government correctional facilities. Pension coverage for these employees would be shifted from the current PERA general plan (Under current law, correctional employees already have a special disability benefit). The new plan would provide a higher benefit and disability benefit than the PERA general plan, and a lower normal retirement age. Members of the new plan would be employees who spend at least 95 percent of their job in direct contact with persons confined in jails or correctional facilities.

Both employee and employer contributions would be increased from rates currently paid for local government correctional employees in PERA. The employee contribution rate would be 5.83% of salary (instead of 4.96% currently paid by local government correctional employees). The employer contribution would be 8.75% (instead of 5.49% currently paid on behalf of local government correctional employees). The state aid of .7% of salary paid to local governments for each PERA general member would not be paid on behalf of members of the new plan.

The bill provides that counties' PERA contributions for local government corrections employees are not subject to levy limits.

- 1 Actuarial valuations.** Adds reference to new local government correctional plan to law dealing with actuarial valuations.
- 2 Actuarial valuations.** Changes law dealing with billing for actuarial valuations to reflect creation of the new plan.
- 3 Levy limit exclusion.** Excludes from levy limits employer contributions to the local government correctional service retirement plan.
- 4 Employee contribution.** Strikes reference in current PERA law to employee contribution for

local government correctional employees.

- 5 **Employer contribution.** Strikes reference in current PERA law to employer contribution for local government correctional employees.
- 6 **Local government correctional service plan.** Establishes the local government correctional service retirement plan as a separate plan to be administered by the Public Employees Retirement Association. Provides for collection and investment of contributions.
- 7 **Correctional service employees.** An employee covered by this plan is one who is employed in a county-administered jail or correctional facility or in a regional correctional facility administered by multiple counties, and who spends at least 95 percent of the employee's working time in direct contact with persons confined in the facility.
- 8 **Contributions.** The employer contribution to the plan is 8.75 percent of salary. The employee contribution is 5.83 percent of salary.
- 9 **Retirement annuity.** Establishes age 55 as the normal retirement age. Provides a three-year vesting requirement. The annuity amount is the "high-five salary" multiplied by 1.9 percent times for each year of service. For a person with prior PERA service, the annuity based on the prior service will be at the previous PERA rates, not the new rates in this plan.
Provides for early retirement at age 50, with a reduced annuity.
- 10 **Augmentation.** Provides that a person with previous PERA service who becomes a member of this plan generally will receive a deferred annuity from the previous plan with respect to the prior service.
- 11 **Disability benefits.** Provides a duty-based disability benefit equal to 50 percent of average salary, plus 1.9 percent of salary for years of service in excess of 25.
Provides a non-duty-based disability benefit of 1.9 percent of high-five salary for each year of service. However for this purpose, every employee will be treated as though the employee had at least 10 years of correctional service.
Provides for optional annuities, procedures for disability benefit applications, and for termination of disability benefits and transfer to normal annuity status when the employee reaches age 65. Provides for coordination of disability benefits with workers compensation and with earnings, if the employee returns to work at a lesser salary.
- 12 **Survivor benefits.** Specifies surviving spouse and surviving dependent child benefits, which vary depending on the age of the member at death.
- 13 **Scope and application.** Provides that general laws governing PERA apply to this plan unless provided otherwise.
- 14 **Benefit accrual rate.** Establishes the benefit accrual rate for the local government correctional service plan at 1.9 percent of the high-five salary for each year of service.
- **Covered plans.** Includes local government correctional employees plan in lists of public pension plans for purposes of general laws that apply to these plans
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- 18 **Repealer.** Repeals section 353.33, subdivision 3a, which currently governs disability benefits for local government correctional employees.
- 19 **Effective dates.** Effective July 1, 1999.