

# HOUSE RESEARCH

## Bill Summary

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### Overview

This is the omnibus public pension bill.

#### Section

#### Article 1

#### State Board of Investment

- 1 **Supplemental investment fund.** Provides that assets in the supplemental investment fund must be valued at least monthly.
- 2 **Deferred compensation shares.** Provides that money in the MSRS deferred compensation program may be invested in those portions of the supplemental investment fund selected by the State Board of Investment.

#### Article 2

#### Early retirement incentives

- 1 1 **Applicability.** Provides that this article applies to employees covered by the PERA general, PERA police and fire, or PERA correctional service plans.
- 2 **Employee exclusion.** Provides that the article does not apply to a person who provides service to more than one governmental subdivision or who earns service credit during the time period covered by this article in a public employee plan other than a volunteer fire plan.
- 3 **Phased retirement.** This section applies to an employee who: (1) is regularly scheduled to work half-time or more in a position covered by PERA; (2) agrees to work at least 25 percent

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fewer hours and not more than half-time; and (3) meets age and service requirements necessary to receive a retirement benefit.

Provides that under an agreement with the appointing authority, an eligible employee may receive a retirement annuity notwithstanding the usual requirement for a 30-day break in service, and that the employee is not subject to customary provisions providing a reduction of annuities when a specified earnings level is reached.

Provides for specified terms to be agreed to by the appointing authority and the employee. Specifies that the appointing authority has sole discretion to determine if and the extent to which phased retirement under this section is offered to an employee.

Provides that a person may not earn PERA service credit for employment covered under this section (and that employee and employer contributions will not be made to the retirement fund for this service).

Limits this section to work through June 30, 2005.

- 4 **Voluntary hour reduction plan.** This section applies to an employee who is regularly scheduled to work half-time or more in a position covered by PERA, and who agrees to work not more than half-time. Provides that under an agreement with the appointing authority, contributions may be made to the PERA pension plan as if the employee had not reduced hours. Provides for specified terms of the agreement to be agreed to by the appointing authority and the employee. Specifies that the appointing authority has sole discretion to determine if and the extent to which this section is available to an employee.

Limits this section to work through June 30, 2005.

- 5 **Voluntary unpaid leave of absence.** Provides that a governmental subdivision may allow employees to take unpaid leaves of absence between June 1, 2003 and June 30, 2005. For leave under this section, the employee will continue to accrue vacation and sick leave, be eligible for paid holidays and insurance benefits, accrue seniority, and accrued service credit and credited salary in PERA retirement plans as if the employee had been employed during the leave. Provides that the appointing authority has discretion to grant or refuse to grant leaves of absence and to schedule and cancel leaves, subject to applicable collective bargaining agreements and compensation plans. Specifies the method for an employee on leave to obtain PERA service credit.

- 6 **Designation of positions; employer discretion.** Provides that before agreeing to an option under this article, a governmental subdivision must designate job classifications or positions that qualify for each option. Provides that this designation may be modified and is at sole discretion of the employer. Provides that implementation of this article is not an unfair labor practice and is not an unfair discriminatory practice under the state human rights act.

- 7 **Program application requirements.** Requires the employee to accept, in writing, terms of an agreement under this article, and to send a copy of the signed agreement to PERA.

- 8 **Relationship of sections.** Specifies how the various programs in this article relate to each other.

- 9 **Governmental subdivision limit.** Provides that PERA is not a governmental subdivision for purposes of this article.

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**10**        **Effective date.** Effective the day following final enactment.

**Article 3  
PERA Changes**

**1 1**        **Optional membership.** Permits employees of the port authority of St. Paul who were at least 45 years old on January 1, 2003 to elect to be members of PERA.

**2**        **Governmental subdivision.** Includes the port authority of St. Paul and the Red Wing environmental learning center in the definition of "governmental subdivision" in the PERA law.

**3**        **PERA defined contribution plan.** Allows employees of the port authority of St. Paul who are not members of the PERA defined benefit plan to participate in the PERA defined contribution plan.

**4**        **St. Paul port authority.** Allows employees of the port authority of St. Paul who are not members of the PERA defined benefit plan to participate in the PERA defined contribution plan.

**5**        **Red Wing environmental learning center.** Allows the Red Wing school district to certify to PERA that employees of the Red Wing environmental learning center are considered school district employees for purposes of PERA coverage.

**6**        **St. Paul port authority.** Allows a St. Paul port authority employee who is a member of the PERA general plan to purchase up to ten years prior service credit in PERA. Allows the payment for this purchase to be made from specified qualified plans under the federal Internal Revenue Code.

**7**        **Prior service; vesting.** Provides that a St. Paul port authority employee who is a member of the PERA general plan may use months of employment before July 1, 2003 for purposes of vesting for a PERA benefit (but not for calculation of a retirement annuity or disability benefit).

**8**        **Defined contribution plan; election.** Allows St. Paul port authority employees who do not become PERA general plan members a one-time irrevocable election to choose to participate in PERA's defined contribution plan.

**9**        **Effective dates.**

**Article 4  
Prior Service Credit Purchases**

Various statutes impose July 1, 2003 deadlines for purchases of prior service credit. This article extends those deadlines to July 1, 2004. Section 6 allows certain members of the St. Louis Park city council to purchase PERA service credit, at the members' expense.

**Article 5  
General Retirement Changes**

**1 1**        **Public pension administration legislation.** Adds the MnSCU system to the list of entities

## Section

required to submit proposed pension administrative legislation to the Pension Commission by October 1 each year.

- 2 **Actuarial study of costs to restructure teacher plans.** Requires the Pension Commission actuary to prepare an additional valuation report that considers the feasibility of restructuring TRA and the three first-class city teacher pension funds into a new restructured fund. Requires the affected funds to pay the cost of the study. Requires a report by January 15, 2004.
- 3 **Effective date.** Effective immediately.

### **Article 6 Minneapolis firefighters**

- 1 1 **Member contribution refund to beneficiary.** Specifies method for calculating refund amount paid to a designated beneficiary under the Minneapolis firefighters relief association.
- 2 **Intent.** Provides that the intent of the prior section is to conform to general law dealing with local police and salaried firefighters.

### **Article 7 Plymouth Volunteer Fire**

Allows the Plymouth volunteer firefighters relief association to amend its bylaws to make disability and survivor benefits consistent with the ancillary benefits requirements in the general laws governing volunteer firefighters. This article requires approval of the Plymouth city council.

### **Article 8 Volunteer firefighter changes**

- 1 1 **Flexible service pension maximums.** Corrects mistakes in a table governing maximum service pensions payable by volunteer firefighter relief associations.
- 2 **Benefit ratification.** Ratifies benefits paid by the White Bear Lake fire department relief association made according to the association's bylaw amendments, paid before the corrective action in this article.

### **Article 9 Local Retirement Changes**

- 1 1 **Hennepin County supplemental.** Provides that the Hennepin County administrator rather than the County Board approves applications for withdrawal of participation in the Hennepin County supplemental pension program.
- 2 **Hennepin County supplemental.** Similar to previous section.
- 3 **Eveleth police and fire.** Authorizes a \$100 per month increase in pensions and retirement

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- benefits payable from the Eveleth police and fire trust fund. Requires local approval.
- 4**     **Marshall fire.** Authorizes the Marshall volunteer firefighter relief association to pay interest on deferred benefits at a rate up to 5 percent, based on the time-weighted rate of return reported by the state auditor.
- 5**     **Effective dates.** These sections require local approval.

**Article 10**  
**Prior Service Credit Purchases**

- 1 1**     **Minneapolis teachers.** Provides that a prior grant of authority to specified persons to purchase service credit from the Minneapolis Teachers Retirement Fund Association expires if payment is not made by December 31, 2003 or before commencing receipt of an annuity from the fund, whichever is earlier.
- 2**     **Teachers retirement association.** Authorizes a specified person to receive up to three years of allowable service credit from the Teachers Retirement Association for a period of sabbatical leave. Specifies amounts to be paid by the person and by school district No. 101.
- 3**     **Effective date.** Effective immediately.