The 2021 legislative session begins January 5, 2021. This memo and attachments summarize the legislative initiatives that the Board will be requested to approve. The memo summarizes each topic and includes staff recommendations. The attachments detail specifics of certain proposals.

**Statewide Volunteer Firefighter (SVF) Plan**

The 2020 Omnibus Retirement Bill allows the sharing of fire state aid between a municipality and its affiliated volunteer relief association when the municipality has a combination department. The legislation did not address the issue for plans within the SVF Plan.

The SVF Advisory Board approved at its November 20 meeting, a proposal to allow for municipalities, independent non-profit firefighter corporations, and joint power entities to split fire state aid received from the state to pay PERA P&F employer contributions.

Appendix A explains the fire state aid allocation plan proposal that the SVF Advisory Board approved.

**Staff Recommendation**

PERA Staff recommends that the Board support the fire state aid allocation plan proposal and direct staff to seek legislation.

**Privatization**

Last session, PERA sought three changes to the Minnesota Statutes Chapter 353F, which defines terms for member benefits and reporting requirements for public medical facilities (i.e. hospitals, nursing homes) that privatize. Two of the three initiatives were included in last year's omnibus retirement bill. The two successful changes were to phase out augmentation for current privatized members and to eliminate augmentation for members of entities that privatize in the future. The estimated savings to the plan for these changes is $68M.

The third component, which would assess a withdrawal liability to future privatizing entities, was voluntarily withdrawn from the 2020 legislative effort to be included in the 2021 legislative agenda. Currently, entities privatize and leave PERA without paying their unfunded liability. The result is that upon privatization there is a shift of costs from that employer to the remaining employers and active members. The proposed legislation requires a privatizing entity to pay a withdrawal liability that
calculates the unfunded actuarial accrued liability for an entity's eligible active members by using current actuarial assumptions and the plan's funding ratio from the most recent market valuation. That amount would be amortized using current plan assumptions to develop an annual contribution sufficient to reduce the unfunded actuarial accrued liability to zero over a period of not more than ten years.

*Staff Recommendation*

PERA staff recommends that the Board reaffirm the assessment of a withdrawal liability to future privatizing entities and direct staff to seek legislation.

*PERA Police and Fire Disability Benefits for Members over 55 with less than 20 years of service.*

Last year the PERA Board of Trustees reviewed disability benefits for members over 55. Discussion centered mainly on the length of a duty disability benefit. Members granted a duty disability benefit receive a minimum of 20 years of service credit and the benefit is considered non-taxable until normal retirement age (55). Members over 55 with more than 20 years of service are not eligible for a disability benefit. PERA’s Board proposed that members who were over 55 with less than 20 years of service would be vested in their entire benefit, but would not receive a disability benefit. After concern expressed from stakeholders, the proposal was not included in the 2020 Omnibus Retirement Bill. Staff reviewed the concerns expressed by stakeholders and the Board’s intent that there is equity among members over 55.

Staff recommends that duty-disabled members over 55 with less than 20 years of service receive a retirement annuity equivalent to a 20 year benefit. Regular-disabled members over 55 with less than 15 years of service will receive a retirement annuity equivalent to a 15 year benefits. The proposed changes ensure that all disabilitants go to a retirement annuity at age 55 while ensuring that those with less than 20 years of service receive a 20-year retirement annuity. The recommended change does not apply to regular-total permanent or duty-total permanent benefits.

*Staff Recommendation*

Staff recommends that the Board approve the proposed change and direct staff to seek legislation.

*PERA Administrative Bill*

Over the past few months, PERA staff have identified administrative changes to Minn. Statute 353, which governs the PERA General, Police & Fire, and Correctional plans. The changes brought forward are administrative in nature and do not have a material financial impact on the State, the Fund, or member benefits. The administrative changes allow PERA to improve the administration of the plans. Appendix B describes the changes to Minn. Statute 353.

*Staff Recommendation*

Staff recommends that the Board approve the proposed administrative changes and direct staff to seek legislation.
# Appendices

## Appendix A – Statewide Volunteer Firefighter (SVF) Plan

### Statewide Volunteer Firefighter (SVF) Plan Fire State Aid Allocation Plan

The proposed language will allow for municipalities, independent non-profit firefighter corporations, and joint power entities to split fire state aid received from the state to pay PERA P&F employer contributions.

### Eligibility

In order to be eligible, municipalities, independent non-profit firefighter corporations, and joint power entities must have a currently identified combination department, which must have at least one volunteer firefighter and one career firefighter. The proposal limits the entities eligible to the current 18 combination departments within the SVF Plan.

### Limitations to the Aid Allocation Plan

If the entity is eligible to allocate fire state aid between the SVF Plan and PERA P&F, the amount the entity may allocate is limited by several constraints.

The maximum available is equal to whichever of the following produces the smallest amount:

- the municipality's total employer contribution to the PERA P&F Plan for active firefighters during the previous calendar year;
- the amount of the fire state aid not including supplemental state aid to be paid on October 1; or
- the total state aid (fire and supplemental) minus the municipality's required financial contribution to the SVF Plan for the upcoming calendar, which is determined by PERA in August each year.

- The total state aid (fire and supplemental) minus the amount needed to increase the funding ratio of the SVF Plan to 100%.

Practically, the amount the entity is able to allocate will be no greater than the entity's employer contributions for their career firefighters in the PERA P&F Plan.

### The Fire State Aid Allocation Plan

Once the entity has determined the amount of the fire state aid for the fire aid allocation plan, the entity may propose the plan's length as a maximum of three years. The fire aid allocation plan is effective for the next calendar year.

If the entity proposes a fire state aid allocation plan, the entity must notify PERA and the volunteer firefighters of the proposed fire state aid allocation plan.

### Petition

Once the volunteer firefighters have been notified of the fire state aide allocation plan, the volunteer firefighters have a specified time period the ability to file a petition with PERA to stop the proposed fire state aid allocation plan.
A majority of active volunteer firefighters (those eligible to participate in the SVF Plan) must sign the petition and submit the petition in writing to PERA.

PERA will notify the entity of receipt of a petition. PERA will then notify the entity and the volunteer firefighters that the petition has been validated. If the petition is valid, the proposed fire state aid allocation plan would not go into effect. The entity may propose a new fire state aid allocation plan. The volunteer firefighters would be able to file a new petition.

If no petition is filed, PERA will notify the entity and the volunteer firefighters. The fire state aid plan will go into effect for the next calendar year.
Appendix B – PERA Administrative Changes

PERA 2020 Administrative Bill (Chapter 353)

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<td>353.0162      Leave Purchase</td>
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The proposed language amends the current authorized leave purchases statutes for members and employers.

The current leave purchase process allows for a member to purchase authorized leaves (medical, FMLA, parental, personal, etc). Members are also able to purchase periodic leaves (furlough, special leave, budgetary). Leave purchases must be made within 12 months after the member’s return, 30 days after termination of service or 30 days after commencement of a disability benefit, whichever is earlier. Interest is charged from the date the leave ends until full payment is made. Members can only purchase up to 12 months of a leave. Employers notify PERA when a member has a leave of absence with or without pay.

Proposed language amends 353.0162 (leave purchases), 353.01, Subd. 16 (periodic repetitive leave), and 353.014, Subd. 4 (USERRA Military Leave). The proposed changes do NOT impact leave purchases for workers compensation, strikes, and actuarial military leave purchase.

Statutory Changes:

1) Redefine the period of leave. Rather than reporting the leave with the employee’s return to work, leaves will be reported on an annual basis (calendar year or fiscal year).
   a. Members will be able to purchase a period of leave for one year after the end of the calendar or school year the leave occurred in which the leave occurred.
   b. Interest will begin accruing at the end of the calendar or school year in which the leave occurred.
   c. Members will be allowed to make the purchase 6 months after termination (This is consistent with repayment of a refund).
2) Eliminate the cap on the amount of leave a member may purchase.
3) Merge Periodic Leave into 353.0162

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Statute requires disability benefit recipients to report all earnings from reemployment and from income worker’s compensation to PERA annually by May 15. If the form is not submitted by May 15, benefits must be suspended effective June 1.

PERA’s practice had been to waive disability earnings reports from individuals who clearly would not have earnings such as if the member was in hospice or if MMRO stated that the member did not need to participate in the continuation process due to the severity of the disability, PERA is seeking to clarify the statutory authority to waive disability earnings.
### Required Minimum Distribution

**353D.071(e)**

IRS Code section 401(a)(9) determines the age for required minimum distributions. The proposed statutory change references this section of the IRS rather than a specific age. As a result, this statute will not need to be updated if the age changes in IRS Code section 401(a)(9) in the future.

### External Phased Retirement Agreements & Combine Service Annuities

**353.01 Subd. 28**

For the purposes of a combined service annuity, PERA does not recognize external plans’ phased retirement agreements. As a result, these members do not qualify for a combined service annuity since the individual has not met the 30 day termination requirements.

MSRS and TRA do recognize external plans phased retirement agreements for the purposes of combined service annuities.

PERA purposes to recognize external plans’ phased retirement agreements.

### Correctional and Police & Fire Pre-89 Eligibility

**353.30 Subd. 1a, Subd. 1b, & Subd. 1c**

Current statute is not clear that both the Correctional Plan and Police & Fire are eligible to receive Pre-89 benefits. However, PERA administers the statute that both Correctional and Police & Fire Plans are eligible to receive Pre-89 benefits.

This proposed statutory change clarifies that Correctional Plan and Police & Fire Plan members are eligible for Pre-89 benefits.

### Refund Interest Rate for Deductions in Error

**353.34 Subd. 2(d)**

The statutory change seeks to eliminate the need for future changes to the refund interest rates for deductions in error. By inserting a cross-reference to 353.34, Subd. 2(b)(3), any future changes to interest rates automatically change the refund interest rate for deductions in error.