



Date: October 10, 2024  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Amy Streng, Policy Coordinator  
Subject: 2025 PERA Legislative Agenda

The 2025 legislative session begins on January 14, 2025. This memo presents legislative changes initiated by PERA staff that the Board will be requested to approve. The memo summarizes each topic and includes staff recommendations. Staff anticipates bringing additional legislative changes at the December board meeting.

### ***Privatization***

During the past couple of sessions, PERA has sought a withdrawal liability assessment to future privatizing entities in Minn. Stat. § 353F. This chapter applies to entities that are primarily hospitals and nursing homes. 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. The withdrawal liability is the unfunded actuarial accrued liability for an entity's eligible active members determined 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 attributable to that entity to zero over a period of not more than ten years.

The previous legislation only required entities in Minn. Stat. §353F to pay the withdrawal liability. Staff recommends that withdrawal liability apply to any entity that leaves PERA. These other entities include transit authorities, city or county owned golf courses, swimming pools, and liquor stores, and certain joint powers. Essentially, an entity may privatize if the entity may dissolve and be sold to a private entity.

*PERA staff recommends that the Board require any entity leaving PERA be required to pay a withdrawal liability assessed to the future privatize entity and direct staff to seek legislation.*

### ***PERA Survivor Benefits Recodification for PERA Police & Fire, PERA Correctional, and PERA General***

The 2023 and 2024 legislative initiatives included the recodification of survivor benefits. However, the recodification has not been completed. The purpose of the recodification is to use a standard format and consistent language for each Plan's survivor benefits. This will make the statute more approachable for both staff and members.

Staff anticipates that during this project, policy issues may be brought to the PERA Board in December to review.

*PERA staff recommends that the PERA Board renew support of the statutory recodification of survivor benefits and direct staff to seek legislation.*

### ***PERA Defined Contribution Plan***

Last session, PERA made federal compliance changes to the Defined Contribution Plan. In implementing these changes, PERA staff identified additional changes to clarify administration.

#### Election Period for Optional Membership

Statute allows for elected non-governing public officials to choose membership in the defined benefit plan or defined contribution plan. These public officials have a 30-day period to elect participation in the defined contribution plan. However, statute does not state a period for defined benefit participation. As advised by Ice Miller, PERA administers the same 30-day election period to the defined benefit plan. This legislative change will add the 30-day election period to statute.

#### Elected Public Officials

Statute is not clear if the 30-day election period begins when the person is elected or when the person takes office. Staff suggests clarifying that the 30-day election period begins when the person takes office.

#### Defined Contribution Public Official

Statute requires that the membership application be received by the association within 60 days of the receipt of contributions. This creates inconsistency as some employers pay elected public officials on a less frequent basis, such as quarterly or annually. Staff suggests changing this provision to require the form be received by PERA within 60 days of the person taking office. This allows employers 30 days to submit the completed membership form after the 30-day election period.

*Staff recommends that the PERA Board of Trustees direct staff to work on legislation that addresses the election period for optional membership, when the election period begins for elected public officials, and the receipt of the form.*

### ***PERA Correctional Plan Disability***

Minn. Stat. §353E.06, which governs disability benefits for the Correctional Plan, establishes a duty disability benefit and a regular disability benefit. Last year, the Legislature increased the Correctional Plan multiplier from 1.9% to 2.2% for any service earned on or after July 1, 2025. The change to the multiplier impacts the calculation of the disability benefits granted to Correctional Plan disability recipients.

### Duty Disability

Minn. Stat. §353E.06, subd. 1, determines that the duty disability benefit is an amount equal to 47.5% of the average monthly salary, plus an additional 1.9% for each year of service in excess of 25 years.

#### Example 1a:

A Correctional member began PERA-covered employment on July 1, 2000 and has 28 years of service through June 30, 2028. The member has three years of service that occurred after July 1, 2025. The member has a \$5,000 average monthly salary.

$$\begin{aligned} \text{Duty disability benefit} &= \$5,000 \times (47.5\% + 1.9\% \times 3 \text{ years}) \\ &= \$5,000 \times (47.5\% + 5.7\%) \\ &= \mathbf{\$2,660/\text{month}} \end{aligned}$$

The change to the multiplier last year creates an inconsistency for any service beyond 25 years accrued after July 1, 2025 in the calculation for the duty disability benefit. Staff recommends that for additional service accrued after July 1, 2025, the multiplier should be 2.2% to match the recent legislative change. If the excess service occurred before July 1, 2025, the 1.9% multiplier would apply to those years.

#### Example 1b:

Same scenario as example 1, but with the duty disability calculation reflecting staff's recommended change.

$$\begin{aligned} \text{Duty disability benefit} &= \$5,000 \times (47.5\% + 2.2\% \times 3 \text{ years}) \\ &= \$5,000 \times (47.5\% + 6.6\%) \\ &= \mathbf{\$2,705/\text{month}} \end{aligned}$$

### Regular Disability

Minn. Stat. §353E.06, subd. 2, determines that the regular disability benefit amount is an amount equal to 10 years of covered correctional service.

There is no legislative change needed to address the regular disability calculation. Statute provides for a minimum benefit equal to 10 years of covered service. Any actual service prior to July 1, 2025 would have the 1.9% multiplier applied. Any actual or minimum service after July 1, 2025 would have the 2.2% multiplier applied. If a disability recipient had service that is incorporated into the disability calculation, that service multiplier will reflect the year in which that service occurred.

#### Example 2:

A Correctional member began PERA-covered employment on July 1, 2020 and has 8 years of service through June 30, 2028. The member has three years of service that occurred after July 1, 2025. The member has a \$5,000 average monthly salary.

$$\begin{aligned} \text{Duty disability benefit} &= \$5,000 \times (1.9\% \times 5 \text{ years} + 2.2\% \times 5 \text{ years}) \\ &= \$5,000 (9.5\% + 11\%) \\ &= \mathbf{\$1,025/\text{month}} \end{aligned}$$

*PERA staff recommends that the PERA Board of Trustees directs staff to seek legislation that addresses the Correctional Plan duty disability benefit calculation.*

### ***PERA Membership Monthly Threshold Clarification***

Minn. Stat. §353.01, subd. 2a defines the monthly membership threshold for mandatory membership in PERA's defined benefit plans.

Public employees whose salary from one governmental subdivision exceeds \$425 in any month and who are not specifically excluded under subdivision 2b or have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association with retirement coverage by the general employees retirement plan under this chapter, the public employees police and fire plan under this chapter, or the local government correctional employees retirement plan under chapter 353E, whichever applies. Membership commences as a condition of employment on the first day of employment or on the first day that the eligibility criteria are met, whichever is later.

In 2023, PERA returned from an annual threshold to a monthly threshold. Previous language required mandatory membership if the member was stipulated to reach the annual threshold amount. After the law change, PERA administers the statute by requiring mandatory membership if a full-time or part-time employee is stipulated to meet the monthly threshold. Recently, an employer challenged PERA's administrative practice when an employee who was stipulated to reach the monthly threshold only worked one day. The employer objected to contributions because the employee did not exceed \$425 in a month.

PERA staff is seeking to clarify the statute for members, employers, and PERA. PERA staff recommends that membership is mandatory if the member is stipulated to make \$425 in a month.

*PERA staff recommends that the PERA Board of Trustees direct staff to seek legislation that clarifies that mandatory membership occurs when an employee is stipulated to make \$425 in a month.*