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Request for City Council Committee Action

Date: January 9, 2002

To: Scott Benson, Chair
Intergovernmental Relations Committee

Prepared by: Ann Eilbracht, Phone 673-2139

Approved by: KOBrien
Kathleen O'Brien
City Coordinator

Subject: **Pension Reform for Minneapolis Police Relief Fund and Minneapolis Fire Relief Fund members**

Presenters in Committee: Ann Eilbracht, Director, Human Resources

Recommendation:
The Human Resources Department recommends that the Intergovernmental Relation Committee approve the legislative changes described below.

Financial Impact (Check those that apply)
___ No financial impact (If checked, go directly to Background/Supporting Information)

___ Action requires an appropriation increase to the Capital Budget
___ Action requires an appropriation increase to the Operating Budget
___ Action provides increased revenue for appropriation increase
___ Action requires use of contingency or reserves
___ Other financial impact (Explain)

___ Request provided to the Budget Office when provided to the Committee Coordinator

Background/Supporting Information:

Sworn members of the Minneapolis Police Department and the Minneapolis Fire Department hired prior to June 15, 1980 participate in the Minneapolis Police and Fire Relief Funds, respectively. As members of the relief funds, these employees maximize their benefit after 25 years of service and after 50 years of age. Additionally, their pension benefit is calculated at the wage rates of a Police Officer and Fire Fighter, respectively. As such, there is no

additional benefit associated with continued service beyond 25 years or increased rank beyond that of Officer or Fighter.

Unlike the relief funds, the Public Employee's Retirement Association (PERA) for sworn members of both Police and Fire provide a continuing benefit for service and a recognition of actual earnings for benefit calculation. The period for vesting is three years.

Currently, legislation does not allow an employee to switch retirement systems once they become retire eligible, and sworn members are required to participate in the retirement designated at time of initial hire. Therefore, the sworn employee hired prior to June 15, 1980 has no retirement based incentive to seek promotion or to remain active.

Because of the "baby boomer" phenomena, the City of Minneapolis faces the problem of losing many of its most senior and highest-ranking sworn employees. This problem occurs concurrently with the decreased labor force pool that has been documented by most reputable demographers throughout the United States.

Recommendation:

The Minneapolis City Council will seek legislative changes that will allow sworn employee members of the Police Department and Fire Department to continue service and change their retirement fund from their respective relief association to the Public Employee's Retirement Association (PERA) subject to the following conditions:

1. The employee must have at least 25 years of service time with the City of Minneapolis and have reached the age of 50.
2. The employee will not collect their relief pension; rather service time will be frozen and collected at time of actual retirement.
3. The employee will become a "new" participant in the respective PERA fund.
4. The employee will no longer contribute to the Relief Association.
5. The employee will contribute to the PERA fund.
6. The employee will contribute to FICA.
7. The City will no longer contribute to the Relief Association.
8. The City will contribute to the PERA fund.
9. The City will contribute to FICA.

cc: Budget Office
File