



## Request for City Council Committee Action from the Department of Finance

Date Tuesday, June 13, 2006  
To Council Member Betsy Hodges, Chair  
Referral to Intergovernmental Relations Committee

**Subject State Pension Legislation; Local Approval Requirements**

Approve changes to the Minneapolis Police Relief Association (MPRA) and the Minneapolis Employees Retirement Fund (MERF) per statutory requirements enacted as part of state omnibus pension legislation, Chapter 271 (S.F. 2239, 4<sup>th</sup> Engrossment).

### Recommendation

- Approve MPRA unit value changes (Chapter 271, Article 9, Sec 2) and recomputation of disabled benefits for MPRA members (Chapter 271, Article 9, Sec 3)
- Approve MERF Service Credit Purchase (Chapter 271, Article 14, Sec. 14)
- Do not approve increases in MPRA Board member compensation (Chapter 271, Article 9, Sec 1)

Prepared by: June Mathiowetz, 612-673-2027

Approved by:

Steven Bosacker, City Coordinator

Patrick Born, Chief Financial Officer

**Permanent Review Committee (PRC)** Approval \_\_\_\_\_ Not Applicable **X**

**Policy Review Group (PRG)** Approval \_\_\_\_\_ Date of Approval \_\_\_\_\_ Not Applicable **X**

### Presenters in Committee

Patrick Born, Chief Financial Officer

Heather Johnston, Director, Management and Budget

## 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 or \_\_\_\_ Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: \_\_\_\_ Action is within the plan. \_\_\_\_ Action requires a change to plan.
- Other financial impact (Explain): **The fiscal impacts vary, depending on the action taken (see supporting materials).**
- Request provided to department's finance contact when provided to the Committee Coordinator.

## Background/Supporting Information Attached

### Legislative Changes to MPRA

New pension legislation signed into law on June 1, 2006, makes certain changes to the MPRA, including changes to Board member compensation, pension unit values, and the recomputation of disabled benefits. (Chapter 271, Art. 9, Sec 1-3)

- Board of Trustee Compensation (Authorized Fund Disbursements) (Sec. 1)  
Increases the salaries of the elected members of the board of trustees in an amount not to exceed seven units for the president and five units for other elected board members (from three units each); This provision has an impact of approximately \$16,500 in the first year.
- Change in pension schedules (Sec. 2)  
Increases the unit values for a service pensioner with 5 to 19 years of service who retired before January 1, 2006; Provision affects 6 pensioners for a total increased cost of approximately \$3100.
- Recomputation of Disabled Benefits (Sec. 3)  
Prohibits the Minneapolis Police Relief Association from recomputing the disability benefit of a disabled Minneapolis police officer upon the attainment of retirement age as otherwise required by Minnesota Statutes, Section 423A.11.

Per the requirements of section 4 of the same article, each of these three changes will only become effective the day after the date of approval by the Minneapolis City Council and a timely certification by the City's chief clerical officer. Each of these sections must be approved or disapproved individually (lack of council action by the start of the legislative session on January 3, 2007 also equals disapproval).

### Legislative Changes to MERF

The new pension legislation also requires local approval for a MERF provision regarding a service credit purchase for a certain workers' compensation injury. This provision (Chapter 271, Art. 14, Sec 14) pertains only to Mr. Terry Mooney, a Minneapolis Public Works Official. Mr. Mooney successfully petitioned the State Legislature for credit for time he was on workers' compensation related to a knee injury he suffered on-the-job in 1974. The provision permits Mr. Mooney to purchase up to 2 years of service credit from MERF and to have the City finance one-half of the prior service credit payment amount. Correspondingly, Art. 14, Sec 18(c) of the legislation requires this (Mr. Mooney's) provision be approved by

the City Council and certified by the City's chief clerical officer by the start of the legislative session on January 3, 2007.

Proposed Resolution

Of the

City of Minneapolis

By Hodges

**Not approving Laws of Minnesota 2006 Legislative Session; Chapter 271, Article 9, Section 1.**

Whereas the Minnesota State Legislature has passed a law relating to the Minneapolis Police Relief Association, amending various sections of law related to fund disbursements; and

Whereas, said law, by its terms requires an affirmative vote of a majority of the members of the City Council by January 3, 2007, before it may become effective; and

Whereas, said law, authorizes that the police pension fund may be used for the payment of salaries of the elected members of the board of trustees in an amount not to exceed seven units (approximately \$7200 annually) for the president and five units (approximately \$5200 annually per person) for the other six elected board members, from a previous payment of three units (\$3100 annually per person) for an overall effect on the fund of \$38,000; and

Whereas, board members of other pension funds including PERA, MERF, TRA, and MFTRA are not compensated for their service; and

Whereas, only Minnesota State Retirement System board members who are not state employees are compensated at a rate of \$55 per meeting; and

Whereas, the only other pension board members in the state receiving compensation are the secretary and president of the City Relief Board for Fire in Virginia, MN, at a rate of \$45 per month for their service;

Now, Therefore, Be It Resolved by The City Council of The City of Minneapolis:

That said law not be approved.

Proposed Resolution  
Of the  
City of Minneapolis  
By Hodges

**Approving Laws of Minnesota 2006 Legislative Session; Chapter 271, Article 9, Section 2.**

Whereas the Minnesota State Legislature has passed a law relating to the Minneapolis Police Relief Association, amending various sections of law related to increases in the unit value schedule for certain members with five to less than twenty years of service before January 1, 2006; and

Whereas, said law, by its terms requires an affirmative vote of a majority of the members of the City Council by January 3, 2007 before it may become effective;

Whereas the increased cost of this provision for six members is \$3100; and

Now, therefore, Be It Resolved by The City Council of Minneapolis:

That said law be now approved and the City Clerk be directed to prepare and file with the Secretary of State the required certification of approval.

Proposed Resolution  
Of the  
City of Minneapolis  
By Hodges

**Approving Laws of Minnesota 2006 Legislative Session; Chapter 271, Article 9, Section 3.**

Whereas the Minnesota State Legislature has passed a law relating to the Minneapolis Police Relief Association, amending various sections of law prohibiting the recomputation of disabled benefits.

Whereas, said law, by its terms requires an affirmative vote of a majority of the members of the City Council by January 3, 2007 before it may become effective;

Whereas, the City Council would like to recognize that this legislation shifts increased cost onto the Internal Revenue Service;

Whereas, the City Council would like to recognize that enactment of this legislation allows disabled police members to continue to be considered disabled longer and thereby retain some advantage under the federal Internal Revenue Code, the disability exclusion; and

Whereas, the State Legislature approved said legislation; and

Whereas, the City Council approved similar legislation for MFRA in 2005; and

Now, Therefore, Be It Resolved by the City Council of The City of Minneapolis:

That said law be now approved and the City Clerk be directed to prepare and file with the Secretary of State the required certification of approval.

Proposed Resolution

Of the

City of Minneapolis

By Hodges

**Approving Laws of Minnesota 2006 Legislative Session; Chapter 271, Article 14, section 14.**

Whereas the Minnesota State Legislature has passed a law relating to the Minneapolis Employees Retirement Fund, providing a service credit purchase for a compensation injury related to Terry Mooney, a Minneapolis Public Works employee.

Whereas, said law, by its terms requires an affirmative vote of a majority of the members of the City Council by January 3, 2007, before it may become effective;

Whereas, the City of Minneapolis provided testimony at the state legislature highlighting uncertainty about where responsibility of this individual's current circumstance resides and the legislature found it appropriate to approve the legislation with some modification;

Now, Therefore, Be It Resolved by the City Council of The City of Minneapolis:

That said law be now approved and the City Clerk be directed to prepare and file with the Secretary of State the required certification of approval.

72.2 **MINNEAPOLIS POLICE RELIEF ASSOCIATION CHANGES**

72.3 Section 1. Minnesota Statutes 2004, section 423B.07, is amended to read:

72.4 **423B.07 AUTHORIZED FUND DISBURSEMENTS.**

72.5 The police pension fund may be used only for the payment of:

72.6 (1) service, disability, or dependency pensions;

72.7 (2) notwithstanding a contrary provision of section 69.80, the salaries of the elected  
72.8 members of the board of trustees in an amount not to exceed ~~three~~ seven units for the  
72.9 president and five units for other elected board members;72.10 (3) expenses of officers and employees of the association in connection with the  
72.11 protection of the fund;72.12 (4) expenses of operating and maintaining the association, including the  
72.13 administrative expenses related to the administration of the insurance plan authorized  
72.14 in section 423B.08; and

72.15 (5) other expenses authorized by section 69.80, or other applicable law.

72.16 Sec. 2. Minnesota Statutes 2005 Supplement, section 423B.09, subdivision 1, is  
72.17 amended to read:72.18 Subdivision 1. **Minneapolis police; persons entitled to receive pensions.** The  
72.19 association shall grant pensions payable from the police pension fund in monthly  
72.20 installments to persons entitled to pensions in the manner and for the following purposes.  
72.21 (a) An active member or a deferred pensioner who has performed duty as a member  
72.22 of the police department of the city for five years or more, upon written application after  
72.23 retiring from duty and reaching at least age 50, is entitled to be paid monthly for life a  
72.24 service pension. Active members, deferred members, and service pensioners are entitled  
72.25 to a service pension according to the following schedule:

		<u>A</u>	<u>B</u>
72.26			
72.27	5 years	<del>8.0</del> 8.5 units	9.0 units
72.28	6 years	<del>9.6</del> 10.1 units	10.6 units
72.29	7 years	<del>11.2</del> 11.7 units	12.2 units
72.30	8 years	<del>12.8</del> 13.3 units	13.8 units
72.31	9 years	<del>14.4</del> 14.9 units	15.4 units
72.32	10 years	<del>16.0</del> 16.5 units	17.0 units
73.1	11 years	<del>17.6</del> 18.1 units	18.6 units
73.2	12 years	<del>19.2</del> 19.7 units	20.2 units
73.3	13 years	<del>20.8</del> 21.3 units	21.8 units
73.4	14 years	<del>22.4</del> 22.9 units	23.4 units
73.5	15 years	<del>24.0</del> 24.5 units	25.0 units
73.6	16 years	<del>25.6</del> 26.1 units	26.6 units
73.7	17 years	<del>27.2</del> 27.7 units	28.2 units
73.8	18 years	<del>28.8</del> 29.3 units	29.8 units
73.9	19 years	<del>30.4</del> 30.9 units	31.4 units
73.10		<u>A</u>	<u>B</u>
73.11	20 years	34.5 units	35.0 units
73.12	21 years	36.1 units	36.6 units
73.13	22 years	37.7 units	38.2 units
73.14	23 years	39.3 units	39.8 units
73.15	24 years	40.9 units	41.4 units
73.16	25 years	42.5 units	43.0 units

73.17 Column A is applicable until December 31, 2005, and applies retroactively to

- 73.18 January 1, 2005, for a service pensioner who retired before January 1, 2005. Column B  
73.19 applies on and after January 1, 2006.
- 73.20 Fractional years of service may not be used in computing pensions.
- 73.21 (b) An active member who after five years' service but less than 20 years' service  
73.22 with the police department of the city, becomes superannuated so as to be permanently  
73.23 unable to perform the person's assigned duties, is entitled to be paid monthly for life a  
73.24 superannuation pension equal to four units for five years of service and an additional two  
73.25 units for each full year of service over five years and less than 20 years.
- 73.26 (c) An active member who is not eligible for a service pension and who, while a  
73.27 member of the police department of the city, becomes diseased or sustains an injury while  
73.28 in the service that permanently unfits the member for the performance of police duties is  
73.29 entitled to be paid monthly for life a pension equal to 34 units while so disabled.
- 73.30 **Sec. 3. [423B.23] RECOMPUTATION OF DISABLED BENEFIT PROHIBITED.**
- 74.1 Notwithstanding section 423A.11, the Board of Directors of the Minneapolis Police  
74.2 Relief Association shall not recompute the disability benefit of a member who became  
74.3 permanently disabled as the result of a service-related disease or injury. Any prior  
74.4 recomputation of a disabled member's service-related disability pension must be revoked  
74.5 upon the member's request and upon the member's signed and sworn agreement to waive  
74.6 any right to a recomputation of that benefit in the future. Nonservice-related disability  
74.7 pension benefits that were recomputed as full 25-year service pensions remain in effect.
- 74.8 **Sec. 4. EFFECTIVE DATE: LOCAL APPROVAL.**
- 74.9 (a) Section 1 is effective the day after the date of approval by the city council of  
74.10 the city of Minneapolis and the timely completion by the chief clerical officer of the city  
74.11 of Minneapolis of compliance with Minnesota Statutes, section 645.021, subdivisions  
74.12 2 and 3.
- 74.13 (b) Section 2 is effective the day after the governing body of the city of Minneapolis  
74.14 and its chief clerical officer timely complete their compliance with Minnesota Statutes,  
74.15 section 645.021, subdivisions 2 and 3.
- 74.16 (c) Section 3 is effective the day after the governing body of the city of Minneapolis  
74.17 and its chief clerical officer timely complete their compliance with Minnesota Statutes,  
74.18 section 645.021, subdivisions 2 and 3.

110.17  
110.18

**ARTICLE 14**  
**ONE PERSON AND SMALL GROUP RETIREMENT PROVISIONS**

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- 123.27 Sec. 14. **MINNEAPOLIS EMPLOYEES RETIREMENT FUND; SERVICE**  
123.28 **CREDIT PURCHASE FOR CERTAIN WORKERS' COMPENSATION INJURY**  
123.29 **PERIODS.**
- 123.30 (a) An eligible person described in paragraph (b) is entitled to purchase allowable  
123.31 service credit from the Minneapolis Employees Retirement Fund for up to two years for  
123.32 the period of the injury that qualified for a workers' compensation benefit but that was not  
123.33 previously credited by the Minneapolis Employees Retirement Fund.
- 123.34 (b) An eligible person is a person who:
- 123.35 (1) was born on January 4, 1951;  
124.1 (2) was first employed in the engineering department of the city of Minneapolis  
124.2 in 1974;  
124.3 (3) suffered an injury that, in 1978, qualified the person for workers' compensation  
124.4 benefits;  
124.5 (4) applied for disabled status in the Minneapolis Employees Retirement Fund in  
124.6 1986 and accrued allowable service credit for the period from 1986 to 1991; and  
124.7 (5) was advised by the Minneapolis Employees Retirement Fund to wait until  
124.8 retirement age to pursue a claim for allowable service credit for the period from 1978  
124.9 to 1985.
- 124.10 (c) The eligible person described in paragraph (b) must apply with the executive  
124.11 director of the Minneapolis Employees Retirement Fund to make a service credit purchase  
124.12 under this section. The application must be in writing and must include all necessary  
124.13 documentation of the applicability of this section and any other relevant information that  
124.14 the executive director may require.
- 124.15 (d) Allowable service credit under Minnesota Statutes, sections 422A.15,  
124.16 subdivisions 1 and 4, and 422A.19, must be granted by the Minneapolis Employees  
124.17 Retirement Fund to the eligible person upon receipt from the applicable eligible person of  
124.18 the portion of the prior service credit purchase payment amount payable under paragraph  
124.19 (e) in a lump sum.
- 124.20 (e) Notwithstanding any provision of Minnesota Statutes, section 356.551, to  
124.21 the contrary, to obtain the service credit an eligible person must pay an amount equal  
124.22 to one-half of the prior service credit purchase payment amount determined under  
124.23 Minnesota Statutes, section 356.551. Payment must be made before July 1, 2007, or  
124.24 before termination of Minneapolis Employees Retirement Fund covered employment,  
124.25 whichever is earlier.
- 124.26 (f) If the eligible person makes the payment under paragraph (e), the city of  
124.27 Minneapolis must pay the remaining balance of the prior service credit purchase payment  
124.28 amount determined under Minnesota Statutes, section 356.551, within 30 days of the  
124.29 payment by the eligible person. The executive director of the Minneapolis Employees  
124.30 Retirement Fund must notify the chief financial officer of the city of Minneapolis of  
124.31 its payment amount and its payment due date if the eligible person makes the required  
124.32 payment. If the city of Minneapolis fails to pay its portion of the required prior service  
124.33 credit purchase payment amount, the executive director of the Minneapolis Employees  
124.34 Retirement Fund must notify the commissioner of finance of that fact within 30 days of the  
124.35 city payment due date and the commissioner of finance must order that the required city  
125.1 payment be deducted from any state aid otherwise payable to the city and be transmitted  
125.2 to the Minneapolis Employees Retirement Fund.

128.8 Sec. 18. **EFFECTIVE DATE.**

128.9 (a) Sections 1 to 11 and 13 are effective the day following final enactment.

128.10 (b) Section 12 is effective the day following the date on which the city council of

128.11 the city of St. Paul and its chief clerical officer timely complete their compliance with

128.12 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

128.13 (c) Section 14 is effective the day following the date on which the city council of the

128.14 city of Minneapolis and its chief clerical officer timely complete their compliance with

128.15 Minnesota Statutes, section 645.021, subdivisions 2 and 3.

128.16 (d) Section 12 expires July 1, 2007.

128.17 (e) Sections 16 and 17 are effective the day following final enactment.