

Delete-Everything Amendment H1199-DE1 to HF 1199 (Wolgamott); SF 1308 (Murphy): Minnesota Statewide Retirement Plans Administrative Bill

Prepared by: Susan Lenczewski,
Executive Director

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Introduction

- Affected Plans:** Minnesota State Retirement System (MSRS) plans:
- State Patrol Retirement Plan
 - Judges Retirement Plan
- Public Employees Retirement Association (PERA) plans:
- PERA General Employee Retirement Plan (PERA General)
 - Public Employees Police and Fire Retirement Plan (PERA P&F)
 - Local Government Correctional Service Retirement Plan (PERA Correctional)
- Teachers Retirement Association (TRA)
- Laws Amended:** Section [352B.08](#)
Sections in Chapters [353](#) and [353E](#)
Section [356.551](#)
Section [354.06](#)
Section [490.1211](#)
Repeals Section [490.124, subdivision 10](#)
- Brief Description:** The bill makes administrative or technical changes to the statutes governing pension plans administered by the Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), and Teachers Retirement Association (TRA).
- Amendment:** Delete-everything amendment H1199-DE1 combines the following bills:
- [HF1199 \(Wolgamott\); SF1308 \(Murphy\)](#): MSRS 2023 Administrative Bill
 - [Revisor #23-03171](#): PERA 2023 Administrative Bill
 - [HF1430 \(Wolgamott\); SF1389 \(Rasmusson\)](#): TRA 2023 Administrative Bill

Background

The DE1 is a compilation of bills proposed by the Minnesota State Retirement System (MSRS), Public Employees Retirement Association (PERA), and Teachers Retirement Association (TRA) as their respective 2023 administrative bills. The three bills were considered by the Legislative Commission on Pensions and Retirement (LCPR) on Monday, February 6, and were recommended to pass as amended by delete-everything amendment H1199-DE1 when considered by the House and Senate committees with jurisdiction for state and local government.

Article- by- Article Summary

Article 1: Minnesota State Retirement System (MSRS)

Section 1: State Patrol Annuity Application Submission Date

With the exception of the State Patrol Plan, all MSRS-administered pension plans permit employees to apply to begin their annuity no more than 60 days in advance of the employee's annuity starting date. The State Patrol Plan permits up to 90 days before the annuity starting date to submit an application.

Section 1 amends section 352B.08 to shorten the 90 days to 60 days.

Sections 2 and 3: Right to Purchase Credit for Military Service for Judges

Section 2 amends a clause in section 356.551 to add a reference to section 490.1211, subdivision 2, which is the expanded right to purchase service credit for periods of military service added by section 3 of the bill. Section 356.551 sets forth the requirements for calculating the cost of certain service purchases. The calculation method and assumptions required by clause (2) provides protection to the Judges Plan by requiring certain assumptions, including the assumption that the judge will retire at the retirement age that produces the most valuable benefit, to minimize the risk that the service credit purchase will result in an actuarial loss to the plan.

Section 3 amends section 490.1211, which permits judges to purchase service credit for periods of military service, as required by federal law. Section 2 divides the statute into four subdivisions as follows:

Subdivision 1 contains the existing law which provides protections for employees who take a leave to serve in the military and is required by federal law. The federally protected right to purchase service credit for periods of military leave requires a judge to pay the missed employee contributions from the period of military leave within certain time frames following the return to public employment. The one revision to current law (subdivision 1 under the bill) is to increase one of the due dates for payment from one year to three years following the return from military leave and makes this provision consistent with the other pension plans' statutes.

Subdivision 2 establishes a new expanded right to purchase service credit for a period of military leave. Under new subdivision 2 of section 490.1211, a judge who has been a member of the Judges

Retirement Plan for at least three years can purchase up to five years of service credit for any period of military service after first being appointed or elected a judge. This new right is more expensive than the federally protected right, in that the judge is required to pay the actuarial cost of the additional benefit resulting from the additional service credit, but the due date for making the payment is longer, until the date of retirement. Thus, if a judge misses the deadline for making payment under the federally protected right, the judge can still purchase service credit under the new right.

Subdivisions 3 and 4 apply to the exercise of the right under subdivision 2. Subdivision 3 requires the judge to submit an application. Subdivision 4 refers to section 356.551 to determine the method for calculating the cost of the service purchase, as explained above, and states that upon payment of the purchase amount, the judge will be credited with the amount of the service credit purchased. A judge has until the date of retirement to pay the purchase amount.

Section 4 repeals Minnesota Statutes, section 490.124, subdivision 10, which refers to a spousal benefit provided to judges who retire before 1974, and is therefore obsolete.

Article 2: Public Employees Retirement Association (PERA)

Sections 1 and 2: Salary Threshold for Membership in the PERA Plans

Under current law, an employee of a county, city, town, or other local governmental subdivision is required to participate in the pension plans administered by PERA if the employee's annual salary will exceed \$5,100 for a 12-month year or \$3,800 for a school year, as applicable. **Sections 1 and 2** amend subdivisions 2a and 2b of section 353.01, to replace the 12-month or school year threshold with a monthly threshold of \$425. This is intended to reduce the number of employees who inadvertently exceed the current annual threshold by the end of the year, requiring PERA to collect missed contributions from the employee and employer for the year.

Sections 3, 6, 12, and 14: Definition of "Dependent Child"

Current law contains different definitions of "dependent child" for different purposes. These sections amend the definitions for the PERA plans to use the same definition for all purposes and make conforming changes.

PERA's definitions section, section 353.01, contains two definitions of "dependent child." **Section 3** amends the first definition of "dependent child," at subdivision 15, to change the maximum age from 18 to 23. After age 23, the biological or adopted child of a member is no longer entitled to "dependent child" benefits. **Section 14** repeals the second definition of "dependent child," at subdivision 15a, which is no longer needed since the definition at subdivision 15 will be used for all purposes.

Section 6 amends section 353.32, subdivision 1c, which provides for refunds after the death of a member, permits a refund to be paid in a monthly annuity to a dependent child until the dependent child is age 15 or, if the dependent child is age 15 or older, for at least five years. This provision is amended to make payments until the dependent child is age 23.

Section 12 amends section 353E.07, subdivision 5, which provides a benefit for dependent children of members of the Local Government Correctional Plan, to make changes similar to the changes made in Section 6 of the bill: the age 15 or five years of payment is replaced with age 23 as the cut-off for the dependent child benefit.

Sections 4 and 5: Salary Credit Purchase for Periods of Reduced Salary

Under section 353.0162, members are permitted to purchase credit for salary that the member would have received during a period of reduced salary due to a leave of absence. The purchase is for “differential salary credit” which is the difference between the salary received during the leave and the salary the member would have received had the member not been on leave. The section imposes different deadlines for making the payment to purchase service credit, depending on the member's circumstances.

Section 4 revises section 353.0162 to reformat the paragraphs as subdivisions and add a new subdivision for definitions. New subdivision 1 provides two new defined terms for “differential salary credit” and “reporting period.” Non-substantive conforming changes are made to subdivisions 2 and 3. Subdivision 4 is amended to conform the statute to actual administration of due dates for payments for reporting periods.

Section 5 amends section 353.031, subdivision 10, to delete unnecessary language, allowing for the application of section 353.0162 to purchase of salary credit for periods of reduced salary in the case of disability.

Sections 7-11, and 13: Definitions in Chapter 353E for the Local Government Correctional Plan

Sections 7, 8, and 9 amend Section 353E.001, which is the definitions section for Chapter 353E, to add definitions for “fund,” “member,” and “plan.” The use of “fund” and “plan” will eliminate the repetition of much longer terms throughout the chapter and the use of “member” will ensure that both categories of member, “local government correctional service employees” and “medical center protection officers,” are treated the same as to surviving spouse and dependent child benefits. This conforms statutory language to plan administration and corrects omissions dating back to 2002 when “medical center protection officers” became eligible to participate in the plan, in addition to “local government correctional service employees.”

Sections 10 and 11 amend Section 353E.07, subdivisions 3 and 4, to replace the term “local government correctional service employee,” which is one category of member, with the new defined term “member,” so the statute conforms with administrative practice to provide both categories of “member” with surviving spouse benefits.

Section 13 is an instruction to the Revisor to replace the long terms for the fund and the plan, which are repeated throughout chapter 353E, with the new short defined terms “fund” and “plan.”

Article 3: Teachers Retirement Association (TRA)

Section 1 amends section 354.06, subdivision 2, which requires the board of trustees to appoint an executive director, among other duties. The requirement that the executive director have “at least five years of experience on the administrative staff of a major retirement system” is replaced with the requirement that the person have “at least five years of experience in either an executive level management position or in a position with responsibility for the governance, management, or administration of a retirement plan.” The section makes other technical changes, such as inserting a reference to the executive director’s duties as laid out in subdivision 2a of the same section and deleting a sentence about administrative expenses, which is too broad a grant of authority under federal law and is addressed elsewhere in Chapters 354 and 356.

Effective Dates

All sections in Articles 1 and 3, for MSRS and TRA, respectively, are effective the day following final enactment.

All sections in Article 2, for PERA, are effective July 1, 2023.

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