

S.F. 1457

(Lourey)

H.F. 1558

(Hilty)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MSRS-General
Relevant Provisions of Law: Uncoded
General Nature of Proposal: Service Credit Purchase for Independent Contractor Service
Date of Summary: January 23, 2006

Specific Proposed Changes

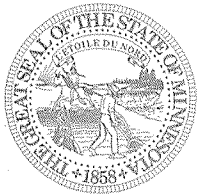
- Permits the purchase of prior service as a Dept. of Administration driver under contract at equivalent member contributions plus interest.
- The Dept. of Administration must pay the equivalent employer contributions plus interest.

Policy Issues Raised by the Proposed Legislation

1. Conflict with Commission's policy statement.
2. Appropriateness of allowing a service credit purchase for independent contractor service.
3. Precedent of permitting independent contractors to purchase service credit.
4. Equitable issues justifying the purchase.
5. Question of fault.
6. Cost of the payment.

Potential Amendments

- LCPR-S1457-A1 makes technical revisions, and, because this contributions-plus-interest approach is generally used only when the pension plan commits an error that harms the individual, language is added noting that harm.
- LCPR-S1457-A2 is a delete-all amendment requiring a full actuarial value payment, with the Department of Administration required to cover the bulk of the payment.
- LCPR-S1457-A3 is a delete-all amendment requiring a full actuarial value payment, with the individual covering the cost of the payment.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: S.F. 1457 (Lourey); H.F. 1558 (Hilty): MSRS; Purchase of Prior Service as a Department of Administration Driver Under Contract

DATE: January 20, 2006

Summary of S.F. 1457 (Lourey); H.F. 1558 (Hilty)

S.F. 1457 (Lourey); H.F. 1558 (Hilty) authorizes a current Department of Employment and Economic Development employee, who was a driver under contract with the Department of Administration from March 16, 1988, to February 4, 1997, to receive service credit in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) for the period or periods of employment as a driver under contract by paying the employee contributions that would have occurred if the individual had been contributing the MSRS-General during that period, plus interest. The Department of Administration must pay the corresponding employer contributions plus interest.

Background on Service Credit Purchases

When considering special law bills to purchase service credit in Minnesota public pension plans, the Commission has been guided by its Principles of Pension Policy. Principle II.C.10. of the Commission's Principles of Pension Policy covers purchases of service credit and reads as follows:

10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if, on a case-by-case basis, it is determined that the period to be purchased is public employment or substantially akin to public employment, that the prior service period must have a significant connection to Minnesota, that the purchase payment from the member or from a combination of the member and the employer must equal the actuarial liability to be incurred by the pension plan for the benefit associated with the purchase, appropriately calculated, without the provision of a subsidy from the pension plan, and that the purchase must not violate notions of equity.

This principle has the following elements:

1. Individual Review. The Commission considers each service credit purchase request separately, whether the request is proposed legislation for a single person or is proposed legislation relating to a group of similarly situated individuals.
2. Public Employment. The period requested for purchase should be a period of public employment or service that is substantially akin to public employment.
3. Minnesota Connection. The employment period to be purchased should have a significant Minnesota connection.
4. Presumption of Active Member Status at the Time of Purchase. The principle states that contributions should be made by the member or in combination by the member and by the employer. It is presumed that the individual covered by the service purchase request is an active employee, because retirees generally are not considered to be "members" of a plan and these individuals no longer have a public employer.
5. Presumption of Purchase in a Defined Benefit Plan. The prior service credit purchase contributions in total should match the associated actuarial liability. The specific procedures in Minnesota Statutes and law for computing service credit purchase amounts, Minnesota Statutes, Sections 356.55 and 356.551, presume that the purchase is in a defined benefit plan with a benefit based on the individual's high-five average salary.
6. Full Actuarial Value Purchase. The pension fund should receive a payment from the employee, or from the employee and employer in combination, which equals the additional liability placed on the fund due to the purchase. This amount is referred to as the full actuarial value of the service credit purchase.
7. No Violation of Equity Considerations. Purchases of service credit should not violate equity considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate.

Background Information on the Individual's Situation

This legislation would apply to Gerald Bordeaux, who was a driver for the Department of Administration and was classified as a driver under contract. As such, he was excluded from MSRS-General coverage as an independent contractor. Mr. Bordeaux contests this classification as an independent contractor and believes he should be accorded MSRS-General coverage for those nine years of service.

Mr. Bordeaux does not have much service credit in the plan. An attached faxed memo from MSRS Executive Director David Bergstrom in 2000 indicates that at that time he had less than one year of service. He has a few more years of service at the current time. The cost of the service credit indicated in the memo is not great, but it would be larger now.

Bills have been drafted to address Mr. Bordeaux's complaint in the past. In 2000, at the Commission's February 28, 2000, meeting, the agenda included legislation for Mr. Bordeaux, H.F.2606 (Hilty); S.F. 2798 (Lourey). The 2000 legislation was not heard because the authors withdrew the bill from the agenda. A comparable bill was again drafted for the 2003-2004 Legislative Sessions. That bill, H.F. 2064 (Hilty); S.F. 1933 (Lourey), was not heard.

Discussion and Analysis

S.F. 1457 (Lourey); H.F. 1558 (Hilty) authorizes a current Department of Employment and Economic Development employee, who was a driver under contract with the Department of Administration from March 16, 1988, to February 4, 1997, to receive service credit in MSRS-General for the period or periods of employment as a driver under contract by paying the employee contributions that would have occurred if the individual had been contributing the MSRS-General during that period, plus interest. The Department of Administration must pay the corresponding employer contributions plus interest.

In considering S.F. 1457 (Lourey); H.F. 1558 (Hilty), the Commission may wish to focus on two issues. The first is whether under applicable law this individual should have been covered by MSRS-General for the March 1988 to February 1997 period, during which, according to the draft language, the individual was a "driver under contract" with the Department of Administration. If the individual should have been covered, a service credit purchase may be justified. If the Commission concludes that the individual was an independent contractor and was properly excluded from coverage, there is little basis for allowing a purchase.

If the Commission concludes that applicable law requires that the individual should have been covered, the issue then turns to why the individual was not covered. If the Department failed to report the individual to MSRS for coverage, then the Department caused harm and should bear the responsibility for addressing that harm.

As drafted, S.F. 1457; H.F. 1558 permits the individual to receive MSRS service credit for the period by paying the contributions that would have occurred if the individual was covered at that time, plus interest. The employer would pay comparable employer contributions. This "contributions plus interest" approach is only used in special law service credit purchase laws in cases where the Commission concludes that the *pension plan* created that harm. This approach provides a total payment to the plan that tends to be considerably less than the full actuarial value, particularly when the individual is nearing retirement. The individual covered by these bills is age 60. When the purchase creates more liability than is covered by the payments, a subsidy is created which must be covered by the employer and other employees who contribute to the plan. Unless there is a convincing argument that the pension plan administration created the harm, the Commission may not want to use the approach shown in this bill.

If the Department of Administration caused harm, then a full actuarial value approach is the preferred approach, with the employer paying the portion of the full actuarial value remaining after the employee pays employee contributions plus interest. This treats the employee in the way he or she would have been treated if contributions had been deducted from pay, while the interest adjusts for the time value of money. By receiving the full actuarial value of the service credit purchase through the combined payment of the employer and employee, the pension fund is held harmless assuming the full actuarial value is accurately computed.

If neither the pension fund administration nor the department created harm, the Commission might consider having the individual pay the full actuarial value in lieu of the treatment proposed in the bill. However, the Commission has generally not permitted a service credit purchase, even at full actuarial value, if the purchase is for a period that was properly excluded from plan coverage under law. Permitting a purchase undermines the general law that provides the exclusion. In effect, rather than two categories of

employees (those who are included from the plan and those who are excluded) three categories would be created: those who are in the plan providing employee contributions are withheld for pay on a regular basis, those who are under law excluded from coverage, and those who are under law excluded from coverage unless they make a full actuarial value payment.

S.F. 1457 (Lourey); H.F. 1558 (Hilty) raises several pension and related public policy issues, as follows:

1. Conflict with Commission's Policy Statement. The legislation as drafted would permit a service credit purchase by paying contributions plus interest. This is inconsistent with the Commission's policy statement that states that purchases should require payment of full actuarial value. The Commission generally permits a purchase at less than the full actuarial value only when it is determined that the pension fund administration harmed the individual.
2. Appropriateness of Allowing a Service Credit Purchase for Independent Contractor Service. The Commission may wish to determine if the period should have been covered. If the individual was properly categorized as an independent contractor, the exclusion was consistent with law. If the period was properly excluded under law, then there would appear to be little basis for permitting a purchase.
3. Precedent. If the individual was properly categorized, the Commission may be concerned about the precedent of permitting independent contractors to purchase service credit in a plan, whether or not the purchase is at full actuarial value. The legislation is drafted to require only contributions plus interest.
4. Equitable Issues. The Commission may wish to determine through testimony from the individual whether there are equitable considerations justifying a purchase.
5. Question of Fault. If the Commission does conclude that a service credit purchase is justified, the Commission would need to determine whether the employer or MSRS created harm, which would influence the payment terms and whether that burden should be shared. Amendments would be needed.
6. Cost. The issue is the purchase price and whether the individual would be interested in making required payments. The period being purchased is very large, about nine years, but the cost may not be great because the total service credit that the individual would have is not considerable. Hopefully, MSRS can provide an estimate, both under the terms of the legislation as drafted and as a full actuarial value purchase. There is little reason to consider the proposed legislation if the individual would not be willing to cover the required payment.

Potential Amendments for Commission Consideration

The first amendment listed below provides technical clean-up of the bill and clarifies the process to be followed to receive the service credit. The other amendments are delete-all amendments, revising the legislation to require a full actuarial value payment.

LCPR-S1457-A1 provides some technical cleanup, revises the payment date, adds language requiring an employer contribution only if the employee pays the employee payment requirement, states that the service credit is to be received after the employee payment is made, and adds an effective date. Because this contributions-plus-interest approach is generally used only when the pension plan commits an error that harms the individual, language is added noting that harm. This provides some justification for why the contributions-plus-interest approach is being used, making it less likely that this legislation would lead to a general retreat from the use of full actuarial value payments.

LCPR-S1457-A2 is a delete-all amendment that revises the payment to be a full actuarial value payment, with the Department of Administration required to cover the bulk of the full actuarial value payment. This approach is generally used when the Commission concludes that the employer caused harm.

LCPR-S1457-A3 is a delete-all amendment that revises the payment to be a full actuarial value payment, with the individual covering the cost of the full actuarial value payment.

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OFFICE MEMORANDUM

Date: February 25, 2000

From: Dave Bergstrom

To: Larry Martin

Subject: House File 2606

House File 2606 is drafted to affect one person, Mr. Gerald Bordeaux. He currently has under one year of service and works very few hours during the year. The bill would allow Mr. Bordeaux to purchase nine years of service. Even with the purchase, his benefit will be quite small, approximately \$50 per month. His salary during his employment with the Department of Administration was about \$5000 per year.

The bill requires payment of the employee and employer contribution, plus 8.5% interest, which would be approximately \$5,700. The present value of the benefit is about \$6,700.

It is my understanding that Mr. Bordeaux was an independent contractor during this period of time. In my discussions with Mr. Bordeaux, he felt that he was improperly classified as an independent contractor, and was classified as such to save the department money.

If you have any questions or would like additional information, please let me know.

Retirement

CHAPTER 352

MINNESOTA STATE RETIREMENT SYSTEM

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| 352.028 Coverage termination. | 352.73 Supplemental benefit for former state employees. |
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| 352.115 Retirement annuity. | 352.911 Correctional employees retirement fund. |
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| 352.16 Insurance laws not to apply. | 352.951 Applicability of general law. |
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| 352.27 Credit for military service. | |

352.01 DEFINITIONS.

Subdivision 1. **Terms.** Unless the language or context clearly indicates that a different meaning is intended, the terms defined in this section, for the purposes of this chapter, have the meanings given them.

Subd. 2. **State employee.** "State employee" means any employee or officer in the classified and unclassified service of the state. The term also includes the special classes of persons listed in subdivision 2a but excludes the special classes of persons listed in subdivision 2b.

Subd. 2a. **Included employees.** "State employee" includes:

- (1) employees of the Minnesota historical society;
- (2) employees of the state horticultural society;
- (3) employees of the Disabled American Veterans, Department of Minnesota, Veterans of Foreign Wars, Department of Minnesota, if employed before July 1, 1963;
- (4) employees of the Minnesota crop improvement association;
- (5) employees of the adjutant general who are paid from federal funds and who are not covered by any federal civilian employees retirement system;
- (6) employees of the state universities employed under the university activities program;
- (7) currently contributing employees covered by the system who are temporarily employed by the legislature during a legislative session or any currently contributing employee employed for any special service as defined in clause (8) of subdivision 2b;
- (8) employees of the armory building commission;
- (9) permanent employees of the legislature and persons employed or designated by the legislature or by a legislative committee or commission or other competent authority to conduct a special inquiry, investigation, examination, or installation;

(36) off-duty peace officers while employed by the metropolitan transit commission under section 629.40, subdivision 5; and

(37) persons who are employed as full-time firefighters by the department of military affairs and as firefighters are members of the public employees police and fire fund.

- (10) trainees who are employed on a full-time established training program performing the duties of the classified position for which they will be eligible to receive immediate appointment at the completion of the training period;
 - (11) employees of the Minnesota safety council;
 - (12) employees of the transit operating division of the metropolitan transit commission and any employees on authorized leave of absence from the transit operating division who are employed by the labor organization which is the exclusive bargaining agent representing employees of the transit operating division;
 - (13) employees of the metropolitan council, metropolitan parks and open space commission, regional transit board, metropolitan transit commission, metropolitan waste control commission, metropolitan sports facilities commission or the metropolitan mosquito control commission unless excluded or covered by another public pension fund or plan under section 473.141, subdivision 12, or 473.415, subdivision 3; and
 - (14) judges of the tax court.
- Subd. 2b. Excluded employees. "State employee" does not include:
- (1) elective state officers;
 - (2) students employed by the University of Minnesota, the state universities, and community colleges unless approved for coverage by the board of regents, the state university board, or the state board for community colleges, as the case may be;
 - (3) employees who are eligible for membership in the state teachers retirement association except employees of the department of education who have chosen or may choose to be covered by the Minnesota state retirement system instead of the teachers retirement association;
 - (4) employees of the University of Minnesota who are excluded from coverage by action of the board of regents;
 - (5) officers and enlisted personnel in the national guard and the naval militia who are assigned to permanent peacetime duty and who under federal law are or are required to be members of a federal retirement system;
 - (6) election officers;
 - (7) persons engaged in public work for the state but employed by contractors when the performance of the contract is authorized by the legislature or other competent authority;
 - (8) officers and employees of the senate and house of representatives or a legislative committee or commission who are temporarily employed;
 - (9) receivers, jurors, notaries public, and court employees who are not in the judicial branch as defined in section 43A.02, subdivision 25, except referees and adjusters employed by the department of labor and industry;
 - (10) patient and inmate help in state charitable, penal, and correctional institutions including the Minnesota veterans home;
 - (11) persons employed for professional services where the service is incidental to regular professional duties and whose compensation is paid on a per diem basis;
 - (12) employees of the Sibley House Association;
 - (13) employees of the ladies of the Grand Army of the Republic;
 - (14) the members of any state board or commission who serve the state intermittently and are paid on a per diem basis; the secretary, secretary-treasurer, and treasurer of those boards if their compensation is \$500 or less per year, or, if they are legally prohibited from serving more than two consecutive terms and their total service is required by law to be less than ten years; and the board of managers of the state agricultural society and its treasurer unless the treasurer is also its full-time secretary;
 - (15) state troopers;
 - (16) temporary employees of the Minnesota state fair employed on or after July 1 for a period not to extend beyond October 15 of that year; and persons employed at any time by the state fair administration for special events held on the fairgrounds;

- (17) emergency employees in the classified service; except that if an emergency employee, within the same pay period, becomes a provisional or probationary employee on other than a temporary basis, the employee shall be considered a "state employee" retroactively to the beginning of the pay period;
- (18) persons described in section 352B.01, subdivision 2, clauses (2) to (5);
- (19) temporary employees in the classified service, temporary employees in the unclassified service appointed for a definite period of not more than six months and employed less than six months in any one-year period and seasonal help in the classified service employed by the department of revenue;
- (20) trainees paid under budget classification number 41, and other trainee employees, except those listed in subdivision 2a, clause (10);
- (21) persons whose compensation is paid on a fee basis;
- (22) state employees who in any year have credit for 12 months service as teachers in the public schools of the state and as teachers are members of the teachers retirement association or a retirement system in St. Paul, Minneapolis, or Duluth;
- (23) employees of the adjutant general employed on an unlimited intermittent or temporary basis in the classified and unclassified service for the support of army and air national guard training facilities;
- (24) chaplains and nuns who have taken a vow of poverty as members of a religious order;
- (25) labor service employees employed as a laborer 1 on an hourly basis;
- (26) examination monitors employed by departments, agencies, commissions, and boards to conduct examinations required by law;
- (27) members of appeal tribunals, exclusive of the chair, to which reference is made in section 268.10, subdivision 4;
- (28) persons appointed to serve as members of fact-finding commissions or adjustment panels, arbitrators, or labor referees under chapter 179;
- (29) temporary employees employed for limited periods under any state or federal program for training or rehabilitation including persons employed for limited periods from areas of economic distress except skilled and supervisory personnel and persons having civil service status covered by the system;
- (30) full-time students employed by the Minnesota historical society intermittently during part of the year and full-time during the summer months;
- (31) temporary employees, appointed for not more than six months, of the metropolitan council and of any of its statutory boards, if the board members are appointed by the metropolitan council;
- (32) persons employed in positions designated by the department of employee relations as student workers;
- (33) any person who is 65 years of age or older when appointed and who does not have allowable service credit for previous employment, unless the employee gives notice to the director within 60 days after appointment that coverage is desired;
- (34) members of trades employed by the metropolitan waste control commission with trade union pension plan coverage under a collective bargaining agreement first employed after June 1, 1977;
- (35) persons employed in subsidized on-the-job training, work experience, or public service employment as enrollees under the federal Comprehensive Employment and Training Act after March 30, 1978, unless the person has as of the later of March 30, 1978, or the date of employment sufficient service credit in the retirement system to meet the minimum vesting requirements for a deferred annuity, or the employer agrees in writing on forms prescribed by the director to make the required employer contributions, including any employer additional contributions, on account of that person from revenue sources other than funds provided under the federal Comprehensive Employment and Training Act, or the person agrees in writing on forms prescribed by the director to make the required employer contribution in addition to the required employee contribution;

1.1 moves to amend S.F. No. 1457; H.F. No. 1558, as follows:

1.2 Page 1, line 7, before "An" insert "To address harm to an eligible individual caused
1.3 by the Minnesota State Retirement System,"

1.4 Page 1, line 9, after "System" insert "general plan"

1.5 Page 1, line 23, delete "2005" and insert "2006" and after "rate" insert "or rates for
1.6 the Minnesota State Retirement System general plan"

1.7 Page 1, line 24, after "service" insert "being purchased"

1.8 Page 1, line 25, delete "rates" and insert "amounts" and after "service" insert "period"

1.9 Page 2, line 2, delete "during the actual"

1.10 Page 2, line 3, delete "time earned" and insert "until paid" and after the underscored
1.11 period insert "If the eligible person pays the amount required under this paragraph,"

1.12 Page 2, line 4, before "employer" insert "corresponding"

1.13 Page 2, line 6, after "made" insert "if remitted with other payroll contributions until
1.14 the Minnesota State Retirement System receives the payment. Amounts required under
1.15 this paragraph are payable in a lump sum. The employer payment must be remitted within
1.16 30 days after the department is notified by the Minnesota State Retirement System that the
1.17 employee contributions required under this paragraph have been received"

1.18 Page 2, after line 9, insert:

1.19 "(e) Service and salary credit for the period or periods being purchased under this
1.20 section must be granted to the eligible person in the Minnesota State Retirement System
1.21 general plan following receipt by the Minnesota State Retirement System of the employee
1.22 payment under paragraph (c)."

..... moves to amend S.F. No. 1457; H.F. No. 1558, as follows:

Delete everything after the enacting clause and insert:

"Section 1. **PURCHASE OF SERVICE CREDIT.**

(a) An eligible person described in paragraph (b) is entitled to purchase service credit from the Minnesota State Retirement System general plan for the period of time served as a driver under contract with the Department of Administration from March 16, 1988, to February 4, 1997.

(b) An eligible person for purposes of paragraph (a) is a person who:

(1) was born on December 12, 1944;

(2) served as a driver for the Department of Administration from March 16, 1988, to February 4, 1997;

(3) is currently employed by the Department of Employment and Economic Development; and

(4) did not contribute to the Minnesota State Retirement System while a driver under contract with the Department of Administration.

(c) Minnesota Statutes, section 356.551, applies to the service credit purchase authorized under this section except that an eligible person under paragraph (b) must pay, on or before December 31, 2006, an amount equal to the employee contribution rate or rates for the Minnesota State Retirement System general plan in effect for the period being purchased applied to the salary amounts received during the service credit period being purchased, plus 8.5 percent compound interest from the dates these contributions would have been made if deducted from pay, until received by the Minnesota State Retirement System. The Department of Administration is required to pay the remainder of the full actuarial value amount. The employer payment must be remitted to the Minnesota State Retirement System within 30 days after notification by the Minnesota State Retirement System that the employee payment required by this paragraph has been received. Amounts required under this paragraph are payable in a lump sum.

2.1 (d) A person purchasing service credit under this section must provide the Minnesota
2.2 State Retirement System executive director with any requested documentation to
2.3 determine eligibility and to implement this section. Service and salary credit for the period
2.4 or periods being purchased under this section must be granted to the eligible person in the
2.5 Minnesota State Retirement System general plan following receipt by the Minnesota State
2.6 Retirement System of the employee payment under paragraph (c).

2.7 Sec. 2. **EFFECTIVE DATE.**

2.8 Section 1 is effective on the day following final enactment."

2.9 Renumber the sections in sequence and correct the internal references

2.10 Amend the title accordingly

..... moves to amend S.F. No. 1457; H.F. No. 1558, as follows:

Delete everything after the enacting clause and insert:

"Section 1. **PURCHASE OF SERVICE CREDIT.**

(a) An eligible person described in paragraph (b) is entitled to purchase service credit from the Minnesota State Retirement System general plan for the period of time served as a driver under contract with the Department of Administration from March 16, 1988, to February 4, 1997.

(b) An eligible person for purposes of paragraph (a) is a person who:

(1) was born on December 12, 1944;

(2) served as a driver for the Department of Administration from March 16, 1988, to February 4, 1997;

(3) is currently employed by the Department of Employment and Economic Development; and

(4) did not contribute to the Minnesota State Retirement System while a driver under contract with the Department of Administration.

(c) Minnesota Statutes, section 356.551, applies to the service credit purchase authorized under this section.

(d) A person purchasing service credit under this section must provide the Minnesota State Retirement System executive director with any requested documentation to determine eligibility and to implement this section. Service and salary credit for the period or periods being purchased under this section must be granted to the eligible person in the Minnesota State Retirement System general plan following receipt by the Minnesota State Retirement System of the employee payment under paragraph (c).

Sec. 2. **EFFECTIVE DATE.**

Section 1 is effective on the day following final enactment."

Renumber the sections in sequence and correct the internal references

2.1 Amend the title accordingly

Senator Lourey introduced--

S.F. No. 1457: Referred to the Committee on State and Local Government Operations.

1 A bill for an act

2 relating to retirement; authorizing purchase of
3 service credit in the Minnesota State Retirement
4 System.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

6 Section 1. [PURCHASE OF SERVICE CREDIT.]

7 (a) An eligible person described in paragraph (b) is
8 entitled to purchase service credit from the Minnesota State
9 Retirement System for the period of time served as a driver
10 under contract with the Department of Administration from March
11 16, 1988, to February 4, 1997.

12 (b) An eligible person for purposes of paragraph (a) is a
13 person who:

14 (1) was born on December 12, 1944;

15 (2) served as a driver for the Department of Administration
16 from March 16, 1988, to February 4, 1997;

17 (3) is currently employed by the Department of Employment
18 and Economic Development; and

19 (4) did not contribute to the Minnesota State Retirement
20 System while a driver under contract with the Department of
21 Administration.

22 (c) The eligible person must pay, on or before December 31,
23 2005, an amount equal to the employee contribution rate in
24 effect during the period of service applied to the actual salary
25 rates in effect during the service being purchased, plus annual

1 compound interest at the rate of 8.5 percent from the date on
2 which the contributions would have been made during the actual
3 time earned. The Department of Administration must pay the
4 employer contributions plus annual compound interest at the rate
5 of 8.5 percent from the date on which the contributions would
6 have been made.

7 (d) A person purchasing service credit under this section
8 must provide sufficient documentation of eligibility to the
9 executive director of the Minnesota State Retirement System.

10 [EFFECTIVE DATE.] This section is effective the day
11 following final enactment.