



H.F. 1114
(Hansen)

S.F. 1342
(Metzen)

Executive Summary of Commission Staff Materials

Affected Pension Plan(s): MSRS-General
Relevant Provisions of Law: Special law provision
General Nature of Proposal: Service credit purchase for pre-1996 Department of Revenue seasonal employment.
Date of Summary: March 13, 2015

Specific Proposed Changes

- Permits Lynn Warren to purchase allowable service credit in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) for the periods of seasonal employment by the Minnesota Department of Revenue during the period Fiscal Years 1988-1994 and gain thereby "Rule of 90" early normal retirement eligibility, with the purchase at full actuarial value, with an option for the Minnesota Department of Revenue to pay a substantial portion of the total purchase price, until June 30, 2017.

Policy Issues Raised by the Proposed Legislation

1. Unclear reason for Ms. Warren's omission from the 1997 special legislation.
2. Potential adverse equitable consideration; 18-year lag since prior seasonal Revenue employee service credit purchase authority.
3. Size of the prior service credit payment obligation and the likelihood of an actual service credit purchase.
4. Uncertainty about additional potential Revenue Department seasonal employee service credit purchases.
5. Appropriateness of allowing a purchase of "Rule of 90" eligibility.

Potential Amendments

No suggested amendments by Commission staff.

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TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Lawrence A. Martin, Executive Director *JLM*
RE: H.F. 1114 (Hansen); S.F. 1342 (Metzen): MSRS; Service Credit Purchase for Pre-1996 Department of Revenue Seasonal Employment
DATE: March 12, 2015

Summary of H.F. 1114 (Hansen); S.F. 1342 (Metzen)

H.F. 1114 (Hansen); S.F. 1342 (Metzen) permits Lynn Warren, described by several employment-related facts rather than identified by name to conform with Minnesota Constitutional restrictions, to purchase allowable service credit in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) for the periods of seasonal employment by the Minnesota Department of Revenue during the period Fiscal Years 1988-1994 and gain thereby "Rule of 90" early normal retirement eligibility, with the purchase at full actuarial value, with an option for the Minnesota Department of Revenue to pay a substantial portion of the total purchase price, until June 30, 2017.

Public Pension Problem of Lynn Warren

Lynn Warren, a 50-year-old employee of the Minnesota Department of Revenue with 25 years of employment by the State of Minnesota, lacks allowable service credit for periods of employment rendered for the Minnesota Department of Revenue between Fiscal Year 1988 and Fiscal Year 1994 because that seasonal employment was excluded from coverage by the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General). Ms. Warren seeks to be authorized to purchase the service credit for the total years and months of state employment during those seven fiscal years and thus also to gain eligibility for the "Rule of 90" early normal retirement provision. Legislation (Laws 1997, Ch. 241, Art. 8, Sec. 3, 7), provided for the inclusion of the seasonal Minnesota Department of Revenue employees in MSRS-General retirement coverage after June 30, 1997, and permitted any seasonal Minnesota Department of Revenue employees with that employment during the 1995, 1996, and 1997 fiscal years to purchase that excluded employment period at its full actuarial value, with an option for the Minnesota Department of Revenue to pay a significant portion of the full actuarial value purchase payment.

Background Information on Relevant Topics

The following attachments provide background information on topics relevant to the proposed legislation:

- **Attachment A:** Background Information on MSRS-General Membership Inclusions and Exclusions.
- **Attachment B:** Background Information on Service Credit Purchases.
- **Attachment C:** Background Information on Past Special Law Service Credit Purchases.
- **Attachment D:** Background Information on the Rule of 90 Early Normal Retirement Age Provision.

Discussion and Analysis

H.F. 1114 (Hansen); S.F. 1342 (Metzen) is special legislation for a current Minnesota Department of Revenue employee to permit the purchase of service credit for Fiscal Years 1988-1994 seasonal employment for the Minnesota Department of Revenue at full actuarial value and to thereby gain access to the "Rule of 90" early unreduced normal retirement, with a deadline for payment in two years.

The proposed legislation raises several pension and related public policy issues for consideration by and possible discussion between members of the Commission, including the following:

1. Unclear Reason for Ms. Warren's Omission from the 1997 Special Legislation. The policy issue relates to the omission of Lynn Warren from Laws 1997, Chapter 241, Article 8, Section 7, the previous special legislation permitting seasonal employees of the Minnesota Department of Revenue employees to purchase service credit in the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) for pre-1997 excluded seasonal employment and whether or not that omission was an oversight by the Department of Revenue or the Commission of other seasonal employees or was a conscious choice that would be overridden by this special

legislation. From the Commission records on 1997 Session S.F. 1191 (Morse); H.F. 1726 (Kahn), the initial proposed legislation provided solely for MSRS-General coverage for prospective (post-July 1, 1997) seasonal Department of Revenue employment, the Commission staff issue memorandum raised the question of the need for handling prior service credit, provided a potential amendment creating a special service credit purchase for seasonal employees with such employment during the three prior fiscal years, and cautioned that the manner in which the full actuarial value purchase payment obligation is calculated could understate the actual MSRS-General liability if the seasonal employee became a full-time employee during the course of employment. There is no record that the Department of Revenue attended the hearing or provided any information about the retirement plan membership exemption or the situation of current or prior seasonal employees.

2. Potential Adverse Equitable Consideration; 18-Year Lag since Prior Seasonal Revenue Employee Service Credit Purchase Authority. The policy issue is whether or not the 18-year lag since the question of a prior service credit purchase for seasonal Minnesota Department of Revenue employees was considered by the Commission and enacted by the Legislature in 1987 is an adverse equitable consideration that argues against a favorable recommendation on the potential proposed special legislation. The Commission's Principles of Pension Policy frequently indicate that special authorizations in public pensions demands that the legislation not violate equitable considerations. A frequent potential adverse equitable consideration is the existence of a time lag between the time when the situation arose and the time when the problem is presented to the Legislature for resolution. The House Constituent Services Division summary of Ms. Warren's problem suggests a rationale for the delay, indicating that she only began considering her retirement coverage upon attaining age 50. The issue of the time lag should be specifically addressed.
3. Size of the Prior Service Credit Payment Obligation and the Likelihood of an Actual Service Credit Purchase. The policy issue is whether or not the purchase will be made with a full actuarial value payment, and, if a full actuarial value purchase is required, will the magnitude of that obligation mean that any enacted purchase authority would not be exercised, making the consideration of it an unwise expenditure of legislative time. The Commission's Principles of Pension Policy (I.C.10) provides the following:

10. Purchases of Prior Service Credit

Purchases of public pension plan credit for periods of prior service should be permitted only if it is determined by the Commission:

- that the period to be purchased is public employment or relates substantially to the public employee's career,
- that the purchase payment amount from the member or from a combination of the member and the current or former 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 unless an error or an omission by the pension plan was responsible for the loss of service credit,
- that the purchase payment amount must include a minimum payment by the member of the equivalent member contributions, plus compound interest from the purchase period to the date of payment unless the employer committed a particularly egregious error,
- that the purchase payment is the responsibility of the member, with the current or former employer authorized to pay some or all of the portion of the payment amount in excess of the minimum member payment amount, unless the employer has some culpability in the circumstances giving rise to the purchase and then a mandatory employer contribution may be imposed, and
- that the purchase must not violate notions of equity.

Beyond equitable considerations discussed in Issue #2, there appears to be an issue about a full actuarial value purchase payment in the materials accompanying the bill drafting request, where the constituent appears to be arguing for an equivalent member and employer contribution payment obligation rather than the full actuarial value payment obligation and, in making the calculation, the Minnesota State Retirement System (MSRS) erred, causing a delay of one year in requesting the proposed legislation, and indicated its willingness to forego one year of interest payments on the equivalent contribution payment amount. The full actuarial value obligation calculated by MSRS for the purchase is \$111,813, while the member and employer contributions equivalent, plus interest, would be \$47,053 without the interest concession made by MSRS, or \$43,367 with the MSRS interest concession. Other than rare instances where the retirement plan actually caused the loss of service credit, the Commission has required a full actuarial value prior service credit purchase obligation during the past three decades, to avoid having the pension plan subsidize a service credit purchase. Because the service credit purchase includes gaining eligibility for the "Rule of 90," the full actuarial value obligation is very sizeable, making utilization of the actual purchase authority likely to be problematic.

4. Uncertainty about Additional Potential Revenue Department Seasonal Employee Service Credit Purchases. The policy issue arises from the uncertainty in 1987 about the existence of any other public employees who have pre-1984 Minnesota Department of Revenue seasonal employment uncredited by General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-

General) and is what precedent this proposed purchase would create for any other former Department of Revenue seasonal employees. If there are other similarly situated public employees and if Ms. Warren convinces the Commission to require a smaller prior service credit purchase payment obligation, it may be very difficult to distinguish between Ms. Warren and any other similarly situated public employees with the same or similar circumstance.

5. Appropriateness of Allowing a Purchase of "Rule of 90" Eligibility. The policy issue is whether or not it is appropriate for the Legislature to expand the limited number of public employees eligible for the "Rule of 90" early unreduced normal retirement age provision, currently restricted to public employees who had retirement plan coverage or eligibility as of July 1, 1989, to include individuals who backdated the date of their public pension coverage to a time before July 1, 1989, through a service credit purchase. When the St. Paul Port Authority, in 2003, shifted from excluded employees to included employees in the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) and when the Seaway Port Authority of Duluth, in 2012, made the same change, the service credit purchases involved were specifically designated as not including "Rule of 90" eligibility for employees with pre-1989 employment by the authority.

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Minnesota Session Laws 1997

CHAPTER 241-S.F.No. 1486

ARTICLE 8 GENERAL STATEWIDE EMPLOYEE PENSION PLAN MODIFICATIONS

Sec. 7. PURCHASE OF SERVICE CREDIT AUTHORIZATION.

Subdivision 1. ELIGIBLE EMPLOYEE. (a) An eligible employee described in paragraph (b) is eligible to purchase service credit in the Minnesota state retirement system general plan as specified in subdivision 2.

(b) An eligible employee is a person who:

(1) is employed in the classified service by the department of revenue as seasonal help, newly authorized to receive prospective service credit under section 3; and

(2) was employed in the classified service by the department of revenue as seasonal help in each of the last three fiscal years.

Subd. 2. RETIREMENT COVERAGE. An eligible employee under subdivision 1, paragraph (b), is entitled to purchase service credit in the Minnesota state retirement system general plan for the period of service prior to the effective date of section 3 as seasonal help in the classified service by the department of revenue. Any period for which the individual has received service credit or is eligible to receive service credit in any other Minnesota public pension plan, other than a volunteer fire plan, is not eligible for purchase.

Subd. 3. AMOUNT. (a) To receive service credit under subdivision 2, the Minnesota state retirement system must receive an amount equal to the actuarial present value, on the date of payment, as calculated by the actuary retained by the legislative commission on pensions and retirement, of the amount of the additional retirement annuity obtained by the acquisition of the additional service credit in this section. Calculation of this amount must be made using the preretirement interest rate applicable to the Minnesota state retirement system general plan specified in Minnesota Statutes, section 356.215, subdivision 4d, and the mortality table adopted for the pension plan. The calculation must assume continuous future service in the association until, and retirement at, the age at which the minimum requirements of the fund for normal retirement or retirement with an annuity unreduced for retirement at an early age, including Minnesota Statutes, section 356.30, are met with the additional service credit purchased. The calculation must assume that the individual accrues future service credit each year based on a three year average using the most recent three year period prior to the effective date of section 3 for service provided compared to full-time service. The salary used in the calculation must be the eligible person's actual current hourly salary. The calculation must assume a future salary history that includes annual salary increases at the applicable salary increase rate for the plan specified in Minnesota Statutes, section 356.215, subdivision 4d.

(b) Payment must be made in one lump sum before July 1, 1998, or before retirement, whichever is earlier.

(c) Payment of the amount calculated under this subdivision must be made by the eligible employee. However, the Minnesota department of revenue may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee contribution rates in effect during the periods of prior service applied to the actual salary rates in effect during the periods of prior service, plus interest at the rate of 8-1/2 percent a year compounded annually from the date on which the contributions would have been made if retirement coverage were authorized at the time, to the date on which the payment is made. If the department agrees to payments under this paragraph, the eligible employee must make the employee payments required under this paragraph before July 1, 1998. If that employee payment is made, the department payment under this paragraph must be remitted to the executive director of the Minnesota state retirement system within 60 days of receipt by the executive director of the employee payments specified under this paragraph.

Subd. 4. SERVICE CREDIT GRANT. Service credit for the purchase period must be granted by the Minnesota state retirement system to the account of the eligible employee upon receipt of the purchase payment amount specified in subdivision 3.

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Background Information on MSRS-General Membership Inclusions and Exclusions

1. Current Membership Inclusions. The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) includes in its retirement coverage employees and officers in the classified and unclassified service of the State of Minnesota, including most metropolitan agencies. There are 19 specific inclusions primarily relating to quasi-State agencies, the University of Minnesota, the Minnesota State Colleges and Universities System (MnSCU), and personnel involved in past retirement consolidations or in employment privatizations or restructurings. Optional membership is limited to gubernatorial or lieutenant gubernatorial appointments. There are 35 specific exclusions, primarily related to persons with other Minnesota public pension plan membership and persons performing irregular, very incidental, or very temporary employment services. (*352.01, Subd. 2, 2a, 2b; 352.021, Subd. 2*)

2. Current Optional Memberships. Optional membership applies to a person who is appointed to their employment position by the Governor or by the Lieutenant Governor if the person is not covered by MSRS-General at the time of the appointment and requests an exemption from MSRS-General coverage in writing within 90 days after the date of entering the appointed position and continuing for the period of that employment. (*352.021, Subd. 2*)

3. Current Membership Exclusions. Exclusions from MSRS-General membership are employees of the University of Minnesota excluded from coverage by the Board of Regents, or the MnSCU Board of Trustees, persons covered by the Teachers Retirement Association (TRA), the State Patrol Retirement Plan, the Duluth Teachers Retirement Fund Association (DTRFA), or the St. Paul Teachers Retirement Fund Association (SPTRFA), National Guard personnel on permanent peacetime duty covered by a federal retirement system, election officers, independent contractors and employees of independent contractors, temporary legislative employees, jurors and court employees who are not in the judicial branch, patient and inmate help in state institutions, persons employed in professional services, intermittent state board or commission members, temporary State Fair employees, emergency employees, various trainee and temporary employees, examination monitors, temporary Adjutant General employees, Sibley House employees, religious order personnel who are exempt from Social Security coverage, trades personnel employed by the Environmental Services Division of the Metropolitan Council, Metropolitan Transit police officers, Department of Military Affairs firefighters, and aliens with short duration work permits.

4. Historical Development of MSRS-General Membership Inclusions and Exclusions.
 - In 1929 (Laws 1929, Ch. 191, Sec. 1), "State Employee" was defined as any person holding a state office or regularly employed by the state annually or monthly in whatever capacity if paid on a State Auditor warrant or from departmental income or fees, except court commissioners, supreme court commissioners, district judges, or higher education institution presidents or deans, professors, or instructors. Excluded from coverage were temporary employees or employees employed for a definite period of less than six months. Membership was optional for state employees with that status on July 1, 1929.
 - In 1933 (Laws 1933, Ch. 326, Sec. 1-2), the mandatory coverage provisions were augmented with the addition of a requirement that any state employee who was employed by the state for more than six months continuously was required to become a member even if classified as a temporary employee or otherwise and the addition of a requirement that the department head to cause deductions from a post-July 1, 1929, new state employee's salary.
 - In 1935 (Laws 1935, Ch. 238, Sec. 1-2), requirements identical to the 1933 enactment were again enacted.
 - In 1939 (Laws 1939, Ch. 432, Sec. 1), the definition of "State Employee" was modified by the addition of exclusions from plan membership for elective state officers, tax appeals board members, civil service board members, members of any board or commission with intermittent service and per diem compensation, teachers in state institutions with eligibility for Teachers Retirement Association (TRA) coverage, and students employed by the state incidental to and in furtherance of their education. Also, Department of Education employees who are eligible for TRA membership were given the option of State Employees Retirement Association (SERA) membership, with those Department of Education employees with past SERA coverage who elect TRA coverage granted a deferred annuity or refund right.
 - In 1941 (Laws 1941, Ch. 389, Sec. 1-2), the exclusions from SERA membership was expanded to include temporary state employees as defined by the State Civil Service Act and the exclusion of

probationary state employees and temporary unclassified service state employees was clarified as applicable only to the initial six continuous full months of employment and permanent seasonal employees in the classified or unclassified service were specified as not being temporary employees. State employees on July 1, 1929, who elected to be excluded from SERA before July 2, 1931, were required to become SERA members on July 1, 1941.

- In 1943 (Laws 1943, Ch. 622, Sec. 1), the inclusions in SERA membership were clarified with the specification that permanent unclassified state service employees were members upon acceptance of employment, that classified state service employees were members upon the completion of six months of continuous state employment no matter the employee's classification, and that any former state employee who was a SERA member and who did not take a refund were members upon reemployment immediately, regardless of classification and the SERA exclusions were expanded to apply to physicians, dentists, clergy, and other professionals retained by the state for their professional duties when compensated on a per diem basis.
- In 1945 (Laws 1945, Ch. 38, Sec. 1; Ch. 284, Sec. 1-2), the SERA membership inclusions were expanded to Minnesota Historical Society employees, Disabled American Veterans-Minnesota Department employees if paid on a State Auditor warrant, effective retroactively to the date SERA members contributions began, and SERA members employed as session employees by the Minnesota Legislature and the "State Employee" definition was completely restructured, with the plan membership inclusions specified as employees in the classified or unclassified service of the state, Minnesota Historical Society employees, State Horticultural Society employees, Disabled American Veterans-Department of Minnesota employees, and current SERA members employed as legislative session employees or other temporary legislative committee or commission employees and with plan membership exclusions specified as elective state officers, students employed by the state incidental to a furthering their education, employees eligible for TRA membership other than Department of education employees exercising their option to be or remain SERA members, University of Minnesota employees excluded by Board of Regents action, National Guard employees unless assigned to permanent peacetime duty, election officers, employees of contractors in state public work, temporary legislative employees, court employees other than Supreme Court employees and other than Industrial Commission referees and adjustors, patient and inmate state institution help, professional service providers for services incidental to their regular professional duties and compensated on a per diem basis, Sibley House Association employees, General Army of the Republic and Ladies of the G. A. R. employees, contract operators and drivers retained by the state, members of various state boards or commissions, state highway patrolmen, and persons aged 65 upon becoming otherwise entitled to members.
- In 1949 (Laws 1949, Ch. 644, Sec. 1), the SERA plan membership exclusions were amended to provide an exception to the legislative employment exclusion for permanent employees of the Legislative Research Committee who exercise their membership option within six months of employment.
- In 1951 (Laws 1951, Ch. 441, Sec. 2), the SERA plan membership inclusions were expanded to Adjutant General employees paid from federal funds, but not eligible for federal retirement coverage and employees of state teachers colleges in the college activities program, the student worker membership exclusion was revised to apply unless the Board of Regents at the University of Minnesota or the teacher college board approve the person for plan membership, and an exclusion was added for emergency employees in the classified state service.
- In 1953 (Laws 1953, Ch. 320, Sec. 1, 3), special authority for plan membership was extended to a former state employee who was elected as a constitutional officer.
- In 1955 (Laws 1955, Ch. 239, Sec. 1), the SERA plan exclusion for various boards and commissions members was modified to not apply to the secretary, treasurer, or secretary-treasurer of a state board where the compensation exceeded \$500 per year.
- In 1957 (Laws 1957, Ch. 928, Sec. 1, 7), the "State Employee" definition was again restructured, with a separate inclusion set of clauses and with a separate exclusion set of clauses. SERA plan inclusions were expanded to armory building commission employees, Minnesota-Wisconsin-Minneapolis-St. Paul Survival Plan Project employees, and permanent legislative employees. SERA plan exclusions were increased to labor service employees who were covered by Social Security and who were paid on an hourly basis, state game wardens, state employees aged over 60 with less than six years of plan membership, and state government department heads appointed by the Governor if requested by the department head.
- In 1959 (Ex. Sess. Laws 1959, Ch. 6, Sec. 1, 6), two additional SERA plan inclusions, trainees in a full-time established training program if eligible for an immediate appointment upon completion of training and employees of the Minneapolis deputy motor vehicle registrar, were added and four additional SERA plan exclusions, temporary employees in the classified service, seasonal help in

the unclassified service employed by the Motor Vehicle Division or the Income Tax Division of the Tax Department, trainees other than the program newly included in 1959, and persons employed on a fee compensation basis.

- In 1961 (Ex. Sess. Laws 1961, Ch. 67, Sec. 1), the legislative branch SERA plan inclusions and exclusions were revised, clarifying the two applicable provisions, by including permanent legislative research committee employees with the permanent legislative employee inclusion provision and by restating the legislative employee exclusion provision as applicable to legislative officers and temporary legislative employees and legislative research committee employees employed intermittently on an on-call basis. The State Fair temporary employee exclusion was no longer restricted to the period of the State Fair, but applied from August 1 to September 30 annually. Additional exclusions were specified for state employees receiving a year of service credit from a first class city teacher retirement fund association, for temporary employees of the Adjutant General related to the Camp Ripley field training activities, and for chaplains and nuns who took a vow of poverty.
- In 1963 (Laws 1963, Ch. 383, Sec. 1), the "State Employee" definition was amended by more appropriately repositioning the labor service employee exclusion, by restricting the Disabled American Veterans and Veterans of Foreign Wars employee inclusion to employees employed before July 1, 1963, by eliminating the Minnesota-Wisconsin-Minneapolis-St. Paul Survival Plan Project employee inclusion, by limiting the emergency employee exclusion to emergency employees shifted to provisional or probationary employee status without an interruption of duties, and by recasting the state game warden exclusion as a state police officer exclusion.
- In 1965 (Laws 1965, Ch. 230, Sec. 1; and Ch. 590, Sec. 1), the SERA plan inclusions and exclusions were divided into three subdivisions, the inclusion subdivision was amended by replacing the Minneapolis Deputy Motor Vehicle Registrar employees with Minnesota Safety Council employees, and the exclusion subdivision was amended by clarifying the board and commissioner secretary exclusion applies if the secretary is prohibited by law to serve multiple terms totaling ten years of service, by adding the board of managers of the State Agricultural Society and its treasurer unless the treasurer is also its secretary, by extending the temporary State Fair employee exclusion to a July 1 to October 15 period, by amending the Adjutant General employee exclusion to employees employed on an unlimited basis for any training facility and not just Fort Ripley, by excluding student employees at a state junior college, and by adding exclusions for department, commission, or agency examination monitors, for most appeals tribunal members, and for fact-finding commission members, arbitrators, or labor referees.
- In 1967 (Ex. Sess. Laws 1967, Ch. , Sec. 1-2), the National Guard exclusion was clarified to apply only if covered by a federal retirement system, the emergency employee exclusion was modified to not apply to an employee with multiple emergency appointments with no service separation greater than 10 days in each instance with retroactive coverage, the labor service employees exclusion was modified to apply to employees who are entitled to a pay differential when not entitled to sick leave, holiday pay, or insurance coverage, and two exclusions were added for temporary employees in economic distress rehabilitation programs and for full-time students employed by the Minnesota Historical Society employed intermittently during a portion of the year and full-time during summer months.
- In 1971 (Laws 1971, Ch. 12, Sec. 1), the MSRS General State Employees Retirement Plan exclusion for emergency employee exclusion was modified to apply only to employees who do not become provisional or probationary employees within the same pay period and an exclusion was added for temporary employees of the Metropolitan Council or its boards who are employed for no more than six months.
- In 1976 (Laws 1976, Ch. 329, Sec. 2), the MSRS-General exclusion provision was amended to clarify the legislative branch temporary employee exclusion by replacing the legislative research committee temporary exclusion with a general committee or commission temporary employee exclusion, the temporary employee exclusion was extended to all temporary unclassified service employees appointed for a definite period of no more than six months and employed less than six months in any one year, the seasonal help exclusion was narrowed to apply only to the revenue department, the labor service employee exclusion was restricted to a laborer 1 classification on an hourly basis, an exclusion for student workers employed by the Department of Personnel was added, and an age 65 at appointment exclusion, unless previously vested, was added.
- In 1977 (Laws 1977, Ch. 98, Sec. 1), the MSRS-General exclusion provision was amended to add a post-June 1, 1977, Metropolitan Waste Control Commission tradesman exclusion.
- In 1978 (Laws 1978, Ch. 538, Sec. 1; Ch. 672, Sec. 11-12; and Ch. 720, Sec. 3), the MSRS-General inclusions and exclusions provisions were modified, with the inclusions expanded to employees of the Metropolitan Transit Commission, the Metropolitan Council, the Metropolitan Parks and Open

Space Commission, the Metropolitan Waste Control Commission, the Metropolitan Sports Facility Commission, the Metropolitan Mosquito Control Commission, and judges of the Minnesota Tax Court, and the exclusions were modified by eliminating the Tax Court judge exclusion and by adding enrollees in state employment under the federal Comprehensive Employment and Training Act unless previously vested in the plan or employed under an agreement by which the employer covers the pension plan employer contribution from non-federal funds.

- In 1980 (Laws 1980, Ch. 614, Sec. 135), the exclusion of the members of the personnel board from MSRS-General membership was eliminated.
- In 1983 (Laws 1983, Ch. 247, Sec. 137), an exception from an MSRS-General membership exclusion of court employees for Supreme Court employees was broadened to cover all appellate court employees.
- In 1984 (Laws 1984, Ch. 654, Art. 3, Sec. 100), employees of the Regional Transit Board were added to the MSRS-General membership inclusions.
- In 1985 (Laws 1985, Ch. 248, Sec. 54, and 1st Spec. Sess. 1985, Ch. 13, Sec. 317), the MSRS-General membership inclusion provision was modified to remove an obsolete reference to the legislative research committee and the MSRS-General membership exclusion provision for Department of Revenue personnel employment was clarified to reflect a shift of those employees from the unclassified civil service to the classified civil service.
- In 1987 (Laws 1987, Ch. 83, Sec. 1; Ch. 229, Art. 6; and Ch. 372, Art. 1, Sec. 2), the MSRS-General membership exclusion provision was expanded to exclude off-duty police officers employed by the Metropolitan Transit Commission and full-time firefighters employed by the Department of Military Affairs who are covered by the Public Employees Police and Fire Retirement Plan (PERA-P&F) and the MSRS-General membership provisions were redrafted to update their language style and usage.
- In 1989 (Laws 1989, Ch. 209, Art. 2, Sec. 35, and Ch. 335, Art. 3, Sec. 4), the MSRS-General membership exclusions were modified, with the court employee exclusion narrowed to employees who were not in the judicial branch and the exclusion of certain operators and drivers was eliminated.
- In 1990 (Laws 1990, Ch. 426, Art. 1, Sec. 41, and Ch. 570, Art. 1, Sec. 2), the MSRS-General membership exclusion provision was modified by eliminating the exclusion for employees of the General Army of the Republic and by revising the specification of the exclusion of State Patrol Retirement Plan members who are not state troopers.
- In 1992 (Laws 1992, Ch. 432, Art. 1, Sec. 1), the MSRS-General membership exclusion provision was modified to eliminate the exclusion of employees of the Ladies of the General Army of the Republic, the elimination of the exclusion of budget classification number 41 trainees, and the revision of the chaplain and nun exclusion to base the exclusion on religious exclusions under the federal Social Security law.
- In 1993 (Laws 1993, Ch. 307, Art. 1, Sec. 3-4), the MSRS-General membership inclusion and exclusion provisions were amended by including privatized former University of Minnesota heating plant employees in MSRS-General coverage for the duration of their employment with the successor private sector employer and by increasing the threshold salary for an exclusion exception for secretaries, treasurers, or secretary-treasurers of state boards or commissions to \$5,000 and changing the minimum-period time limit on service to three years, by eliminating the age 65 at employment exclusion, by broadening the Metropolitan Transit Commission off-duty police officer exclusion for the hiring authority, by adding an exclusion for full-time Metropolitan Transit Commission police officers with Public Employees Police and Fire Retirement Plan (PERA-P&F) membership, and by adding an exclusion for under-three-year alien employee work permits.
- In 1994 (Laws 1994, Ch. 572, Sec. 4, and Ch. 628, Art. 3, Sec. 26-27), the MSRS-General membership inclusions and exclusions were modified by modifying the metropolitan government employee inclusion and exclusion to accommodate a Metropolitan Council reorganization and by adding an exclusion for Higher Education Board employees who elected to retain prior PERA-General or MERF retirement coverage.
- In 1995 (Laws 1995, Ch. 54, Sec. 26; Ch. 186, Sec. 70; and Ch. 195, Art. 2, Sec. 1), the MSRS-General membership inclusions and exclusions were modified, with the elimination of an obsolete statutory cross-reference related to the Metropolitan government employees inclusion, the inclusions were expanded to include Metropolitan Radio Board employees, and the exclusion for appeals tribunal members was eliminated.
- In 1997 (Laws 1997, Ch. 241, Art. 8, Sec. 3-4), the MSRS-General membership inclusions and exclusions were modified by including, rather than excluding, seasonal Department of Revenue

help in the classified civil service and including Minnesota State Colleges and Universities System (MnSCU) personnel also rendering part-time state employment if the state employment comprises at least 50% of the person's combined salary.

- In 2000 (Laws 2000, Ch. 457, Sec. 6), the MSRS-General membership inclusion for legislative employees was modified by eliminating the permanent employment requirement and replacing it with an unlimited time duration appointment requirement.
- In 2001 (1st Spec. Sess. Laws 2001, Ch. 10, Art. 3, Sec. 4-5, and Art. 8, Sec. 1), the MSRS-General membership inclusion and exclusions were modified by updating the references to the Minnesota State Colleges and Universities System (MnSCU) and eliminating the 1997 MnSCU-related inclusion, by newly excluding MnSCU unclassified employees, by updating the language style and usage of the exclusion provision, and by updating the State Patrol Retirement Plan exclusion to account for the addition of Department of Corrections Fugitive Apprehension officers.
- In 2005 (1st Spec. Sess. Laws 2005, Ch. 8, Art. 4, Sec. 2), the MSRS-General membership inclusions were expanded to include Department of Commerce Insurance Fraud Prevention Division in excess of the applicable state mandatory retirement age for State Patrol Retirement Plan members.
- In 2007 (Laws 2007, Ch. 134, Art. 2, Sec. 2-3, and Art. 11, Sec. 6), the MSRS-General membership inclusions were modified by eliminating Armory Building commission employees, by clearly adding University of Minnesota employees who have not been exempted by action of the Board of Regents, by adding Middle Management Association employees hired after July 1, 2007, and the MSRS-General membership exclusions for student employees exception for Board of Regents approval for the University of Minnesota was clarified.
- In 2008 (Laws 2008, Ch. 277, Art. 1, Sec. 73, and Ch. 349, Art. 5, Sec. 1), the MSRS-General membership inclusions were expanded with the addition of the Minnesota Government Engineers Council employees and the MSRS-General membership exclusion for MnSCU employees with PERA-General or MERF coverage was revised to reflect the end of the coverage election option.
- In 2009 (Laws 2009, Ch. 169, Art. 2, Sec. 3), the MSRS-General membership exclusion for State Patrol Retirement Plan members was revised relating to a State Patrol Plan definition recodification.
- In 2012 (Laws 2012, Ch. 299, Art. 1, Sec. 8), the MSRS-General membership inclusion was expanded to the Minnesota Sports Facility Authority employees.

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Background Information on Service Credit Purchases

1. **Introduction.** Most major Minnesota public pension plans are defined benefit plans. In essence, this means that a benefit is promised in law, with that benefit being dependent upon five-year averaging of salary near retirement, referred to as the “high five,” and years of service credit. Under law, the individual receives a benefit of a certain percentage of the high-five average salary for each year of service.

For Teachers Retirement Association (TRA) Coordinated Plan members, this percentage of high-five average salary per year of service credit, referred to as the accrual rate, is currently 1.7% for individuals retiring at the normal retirement age of 65 for service provided before June 30, 2006, and 1.9% per year thereafter. Thus, if a coordinated TRA-covered teacher retired at age 65 and all the service was prior to June 30, 2006, with a high five of \$40,000 and 35 years of service credit, the annuity at the time of retirement was \$23,800 per year. If some service was after June 30, 2006, the annuity would be marginally higher because of the higher accrual rate applicable to the post-June 30, 2006, service.

TRA and other teacher and general public employee plans also have certain early retirement provisions applicable to employees who entered service before July 1, 1989. The most common is the Rule of 90. Under this provision, the plan member can retire without any penalty for early retirement when the age plus years of service credit in the plan total at least 90.

It is not uncommon for individuals to request authority purchase service credit in the plan when individuals are approaching retirement or eligibility for the Rule of 90. The additional service credit will boost the retirement benefit and permit them to qualify for the Rule of 90 or other subsidized early retirement provisions earlier than would otherwise be the case.

Buybacks or purchases of service credit for prior service are legislatively authorized opportunities for current or former public pension plan members to acquire service and salary credit in the applicable pension plan for a prior period of time that was not contemporaneously covered by the plan. Typically, buybacks or service credit purchases require the payment of an amount in place of the omitted funding. Buybacks arise in connection with optional membership periods, temporary employment periods without pension coverage, omitted pension plan contribution periods, government acquisition of quasi-public sector entities, extensions of plan coverage to quasi-public sector entities, periods of military service or other leave, and periods of service for other governmental employers.

2. **General Law Service Credit Purchases.** Many plans have leave of absence provisions in applicable general law. The Minnesota State Retirement System (MSRS) plans and the Public Employees Retirement Association (PERA) rely heavily on generalized leave of absence provisions permitting service credit purchase, up to one year, for leaves of absence authorized by the employer. Most general law leave provisions require payment shortly after the conclusion of the leave, with a purchase payment equal to the contribution the member and employer would have paid if he or she had remained on the payroll during the leave. If the payments are somewhat delayed, interest is generally charged. If the delay is longer, a full actuarial value payment is generally required instead of contributions plus interest.

Teacher plans tend to have many general law leave provisions with each covering a specific type of leave (such as medical leave, parental leave, sabbatical leaves, extended leaves), with purchase of service credit procedures similar to that used by MSRS and PERA. Sabbatical leaves in the TRA plan are a little different. Law requires that the teacher receive at least one-third pay while on the leave, and full-time equivalent employee contributions are deducted from this pay and transmitted to TRA, along with full-time equivalent employer contributions with the normal payroll billing cycle.

Virtually all plans also have general law provisions to permit purchase of service credit in the applicable Minnesota plan for leaves or breaks in service to provide military service. These provisions, which cover the period of initial induction without voluntary extension, include a provision compliant with the federal Uniformed Services Employment and Reemployment Rights Act (USERRA). Under USERRA-compliant provisions, if the employee pays the employee contributions that would have been made if the leave or break in service had not occurred, the employer must pay the corresponding employer contributions and any applicable interest on both the employee and employer contributions.

3. **Special Law Service Credit Purchase Provisions.** In addition to general law provisions, over the years the Legislature has passed many special law purchase of service credit provisions. Regarding these special law provisions, it is established Legislative Commission on Pensions and Retirement policy to consider those requests on a case-by-case basis and to be guided by the following considerations:

- a. Public Employment Period. The period to be purchased must be public employment or substantially akin to public employment.
- b. Minnesota Connection. The period to be purchased must have a significant connection to Minnesota, either occurring in the state, or occurring during a leave from, and with a return to, Minnesota public service.
- c. Full Actuarial Value Payment. The purchase price must be based on the pension liability incurred by the pension fund in permitting the service credit, without a subsidy provided by the pension plan, although a subsidy can be provided by the public employer involved.
- d. Equitable Considerations Are Met. The buyback must not offend notions of equity.

The above indicates that the Commission generally uses different payment terms for special law purchases of service credit than is used in general law provisions. General law purchases, when payment is timely, require the equivalent member and employer contributions amounts, while special law purchase authorizations require a payment equal to the full actuarial value of the additional benefit obtained by the purchase.

From a policy standpoint, the different payment requirements for special law requests stem from timing issues and concern about adverse selection. Most general law purchase authorizations require the purchase payment (employee and employer contribution amounts) within a short period following the leave period. If there is a minor delay, interest is charged. If the delay is more than a year or two, a full actuarial value payment is required. With special law purchase of service requests, a full actuarial value payment is nearly always specified in the law, because virtually all special law purchase authorizations are requested many years after the uncredited period. When payment does not occur for many years following the period of service in question, the purchase is inconsistent with the risk pooling nature of pension plan financing, since one or more public pension plan members are permitted to enhance their benefits at their own election, without the use of any averaging population. The phenomenon is known as adverse selection or selection against the fund, since the individual making the purchase has remained in the public employment, is approaching retirement, and fully intends to draw pension benefits from the fund. If this was not the case, that member would not request permission to make the purchase.

Since it is assumed that the member requesting the purchase of service credit fully intends to retire under the system, the purchase payment requirement is the full actuarial value of the additional expected lifetime retirement benefits that result from the purchase. In other words, the required payment to receive the service credit is equal to the additional liability that the service credit places on the system. The purpose of this requirement is to avoid any subsidy of this purchase by other covered employees and employers. A subsidy from these groups would only be appropriate if the lack of existing service credit for the individual is due to some error or harm done to the individual by the pension plan administration. In that case, there is an argument for the employees and employer groups to pay part of the cost of redressing the harm, by permitting a purchase at less than full actuarial value.

Purchases of service credit at full actuarial value generally provide no net benefit to the individual making the purchase unless some third party is willing to cover part of the cost. The employer may be willing to cover part of the cost if the employee was harmed due to employer error or employer omission, and most special law service credit purchase provisions permit, but do not mandate, that the employer cover part of the purchase cost. Perhaps the employer harmed the individual by failing to enroll him or her in the pension plan, or mishandled contributions, or missed deadlines, which caused the individual to be ineligible to receive service credit. If the employer pays a portion of the full actuarial value, it is worthwhile for the individual to make the purchase. The purchase provides value to the employee greater than the amount contributed by the employee, but the pension fund is held harmless because it does receive the full actuarial value from the combined employee and employer contribution amounts. If the total were less than the full actuarial value, the pension plan would be covering part of the cost of someone else's error.

Any special purchase request takes up considerable Commission time, often on proposed language affecting only a single individual, and forces the Commission to act more as a judicial body than a legislative group. The Commission is not well equipped to hear testimony from various parties, review and weigh evidence, and determine a monetary award for damages. Authority permitting the employer to pay part of the service credit purchase cost has the effect of directing the situation back to the employer, permitting the employer to review the situation and to voluntarily provide restitution if that employer determines that restitution is appropriate.

In some cases, however, the employer has acknowledged through testimony or written materials presented to the Commission that the employer erred, or there is other strong evidence of employer-created harm. In these situations the Commission has sought to mandate that the employer cover part of the service credit purchase cost.

Efforts to mandate employer payments have been problematic, although in recent years the Commission appears to have found a solution. Special law having a financial impact on a unit of local government generally requires a local approval clause. Thus, in practice, language mandating a payment by a local unit of government is actually permissive, because the local unit of government must approve the legislation for it to be effective. In a few cases, the Commission attempted to mandate employer payment and did not include a local approval clause, but this led to law suits or threatened suits from cities or counties based on the contention that such legislation, by its nature, must include a local approval clause. A solution which the Commission has used since the late 1990s is to allow the employing unit voluntarily to make the payment, but if that does not occur, language in the special law provision requires the necessary amount of money to be deducted from the next round of state aid that would otherwise be sent to the employing unit, and the amount is instead directed to the applicable pension fund.

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Background Information on Special Law Service Credit Purchases

In Minnesota, until 1999, there were few general law service credit purchase authorizations, and service credit purchase authorizations were generally special law provisions.

The primary general law service credit purchase authorization was Minnesota Statutes 2004, Section 354.51, enacted in 1931, when the Teachers Retirement Association (TRA) was a defined contribution retirement plan, which allows TRA members with 15 years of service who have pre-1953 out-of-state teaching service to purchase that service by making equivalent member contributions, plus interest at the rate of 8.5% per annum.

During the period 1957-2013, the Legislature has enacted 269 special laws authorizing one person or a small group of individuals to purchase prior service credit, distributed as follows:

<u>Year</u>	<u>#</u>	<u>Year</u>	<u>#</u>	<u>Year</u>	<u>#</u>	<u>Year</u>	<u>#</u>	<u>Year</u>	<u>#</u>		
1957	1	1974	5	1983	2	1992	6	2001	10	2010	1
1959	4	1975	10	1984	3	1993	7	2002	2	2011	2
1961	5	1976	4	1985	2	1994	8	2003	6	2012	2
1963	6	1977	9	1986	6	1995	7	2004	1	2013	3
1965	5	1978	9	1987	3	1996	6	2005	1		
1967	1	1979	7	1988	7	1997	3	2006	14		
1969	2	1980	4	1989	12	1998	9	2007	3		
1971	2	1981	14	1990	10	1999	8	2008	4		
1973	4	1982	16	1991	6	2000	8	2009	2		

A majority of special prior service credit purchase laws relate to the three major general employees retirement plans, with 34 special laws relating to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), with 88 special laws relating to the General Employee Retirement Plan of the Public Employees Retirement Association (PERA-General), and with 54 special laws relating to TRA.

In considering special law service credit purchase requests, the Legislative Commission on Pensions and Retirement has generally followed its Principles of Pension Policy, which require:

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. This is consistent with the notion that public pension plans should be providing coverage for public employees for periods of time when they were serving the public through public employment or through quasi-public employment. Coverage for a period when an individual provided private sector employment is not consistent with this statement.
3. **Minnesota Connection.** The employment period to be purchased should have a significant Minnesota connection. This is consistent with the notion that Minnesota taxpayers support these public pension plans and bear the investment risk in amassing plan assets. Given the support that taxpayers provide, it is appropriate that the service have a Minnesota connection, reflecting services provided to the people in the state.
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. If there are unresolved issues of whether an individual should have service credit for a given period, those issues should be resolved before the individual terminates from public service, and certainly before the individual retires. The act of retiring undermines a claim that there is sufficient need for the Legislature to consider the coverage issue. If there was considerable hardship caused by the lack of service credit, presumably the individual would not have retired. Entering retirement suggests that the associated pension benefit is adequate without any further increase in the benefit level due to a purchase. Only on rare occasions have the Commission and the Legislature authorized service credit purchases by retirees.

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. There is no process in law specifying a procedure for computing a "full actuarial value" purchase in a defined contribution plan, or even defining what that concept means in the context of a service purchase or service credit purchase in a defined contribution plan.

6. Full Actuarial Value Purchase. Within the context of a defined benefit plan, 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. The procedure used to compute this full actuarial value should be a methodology that accurately estimates the proper amounts. When clear evidence indicates that the employing unit committed an error that caused the individual to not receive pension plan coverage, the Commission has permitted the employee to make the employee contribution for the relevant time period, plus 8.5% interest, and the employer has been mandated to cover the remainder of the computed full actuarial value payment. If the employer does not directly make the payment following notification that the employee has made his or her portion of the full payment, the Commission has required that a sufficient amount to cover the remainder of the full actuarial value be deducted from any state aids that would otherwise be transmitted to the employer. The Commission has purposely departed from the full actuarial value requirement when there is evidence that the pension plan administration created the lack of service credit coverage due to pension plan administration error. In situations of pension plan error, the employee may be required to pay the contributions that would have been required for the relevant time period, plus 8.5% interest to adjust for the time value of money, leaving any difference between that payment and the full actuarial value to be absorbed by the pension fund.

7. No Violation of Equitable Considerations. Purchases of service credit should not violate equitable considerations. Equity is a resort to general principles of fairness and justice whenever the existing law is inadequate. In general, any issue or factor associated with a service credit purchase request which can be viewed as lacking fairness or being less than impartial can be a basis for rejecting a request. Requests by existing retirees to purchase additional service credit and have their annuities recomputed could be viewed as being a situation that violated equity considerations. New requests on behalf of individuals who were covered by purchase of service credit authorizations passed by earlier Legislatures but who are dissatisfied with the purchase of service credit terms that were provided can be considered as violating equity considerations. Individuals requesting service credit purchases for periods specifically excluded from plan coverage under the applicable law could be considered as violating equity considerations, among other policy concerns relating to those considerations. Requests to purchase service credit for periods covered by another pension plan may raise equity concerns. Generally, a service credit purchase is intended to fill a gap in coverage, not to create double coverage. Long delays in seeking remedial action can also be considered a violation of equity considerations. Individuals tend to wait until late in their careers before seeking any remedial action for lost service credit. Prompt action, closer to the time period when the service credit problem occurred, would often result in a solution at a lower cost and would avoid efforts by the Commission to try to determine the factual situation many years, or even decades, after the event occurred.

Background Information on the Rule of 90 Early Normal Retirement Age Provision

1. Statutory Definition of Retirement. The various Minnesota defined benefit retirement plans either do not define the term, define the term to mean the period of time after a plan member becomes entitled to an accrued retirement annuity to be paid, define the term to mean the withdrawal by a plan member from active employment, define the term to mean the period of time after the cessation of active employment, or define the term as the commencement of the payment of a retirement annuity.
2. Definition of Normal Retirement
 - a. General Definition. The “normal retirement age” is the earliest age under a retirement plan at which a retirement annuity is payable without any reduction for an early retirement.
 - b. Commission Principles of Pension Policy Normal Retirement Age Policy Provision. Principle II.C.4. of the Principles of Pension Policy of the Legislative Commission on Pensions and Retirement indicates that the normal (unreduced for early retirement) retirement ages should be set based on the employability limits of average public employees and will be different for public safety employees when compared with general employees.

Specifically, the applicable principle states:

II.C.4. Appropriate Normal Retirement Ages

The normal retirement age should be set in a reasonable relationship to the employability limits of the average public employee and should differentiate between regular public employees and protective and public safety employees.

The current set of principles, last revisited by the Commission in 1996-1996, with respect to this particular principle, largely continued the earliest statement of the principle in 1980, emphasizing normal retirement ages at usual employability limits, but without any of the 1980 age specificity.

- c. General Policy Considerations Concerning Normal Retirement Ages. The historic reason for creating and maintaining pension plans, in the private sector or the public sector, was to augment an employer's personnel and compensation system by assisting in the recruitment of new qualified employees, the retention of existing qualified employees, and the systematic out-transitioning of existing employees at the conclusion of their normally expected working careers. The pension system does this by providing retirement annuities (and frequently other casualty or ancillary benefit coverage) that are deemed adequate in view of both the employer and the employees and that are deemed affordable by the employer. This traditional pension plan purpose apparently underlies the development of public pension plans in Minnesota, although it never has clearly been articulated in law.

The systematic out-transitioning of existing employees at the conclusion of their normally expected working careers is the basis for setting normal retirement ages. The Commission's Principles of Pension Policy indicate that the normal retirement age of Minnesota public pension plans should be set in accord with the employability limits of the average public employee, and indicate that the normal retirement age generally should differentiate between general public employees and set at an earlier age for protective and public safety employees.

Age 65 has generally come to be the traditional age at which many employees are expected to retire. It is, however, unclear from a policy perspective why this age has become the regularly expected retirement age for Social Security and for many public retirement plans. Age 65 does not appear to represent an empirically determined conclusion about when most employees retire that was drawn from the experience of employees before the creation of Social Security and the significant expansion of employment-based pension coverage in the 1930s. Before the 1930s, retirement for most people appears to have been a function of a physical inability to continue in employment, at whatever age that occurred. Early employee retirement plans were frequently referred to as superannuation plans and some plans substitute the term “superannuation age” for what is referred to as the “normal retirement age” in other plans. Until recent decades, the most impoverished sector of the population was older folks and the improvement of their situation was one of the goals of President Franklin Roosevelt in proposing the Social Security System in 1934. The age 65 normal retirement age is frequently attributed to Chancellor Otto Von Bismarck of Germany, who is reported to have set age 65 as the normal retirement age for the retirement coverage provided to the Prussian army.

Since the 1960s, in both larger corporate defined benefit pension plans and public employee pension plans, the trend clearly appears to have been to institute normal retirement ages earlier

than age 65. The age 62 with 30 years of service and the Rule of 90 provisions are early normal retirement age Minnesota public pension plan provisions, where a benefit unreduced for early retirement is provided at an age before the generally applicable normal retirement age. The age 62 with 30 years of service early normal retirement age provision was added to the statewide general employee retirement plans in 1973 as the first generally applicable early normal retirement age provision. The Rule of 90 early normal retirement age provision, where a person becomes eligible for an unreduced retirement benefit when the person’s age and years of credited service equal or exceed the sum of 90, was enacted for the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) in 1982 (Laws 1982, Ch. 519, Sec. 2). In 1989 (Laws 1989, Ch. 319, Art. 13), the Rule of 90 provision was extended to the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General), the Teachers Retirement Association (TRA), and the coordinated programs of the first class city teachers retirement fund associations, applicable to only pre-July 1, 1989, hires. That restriction was also made applicable to PERA-General in 1989.

In the opposite direction, based on considerations of lengthening expected life spans and of the related cost of providing benefits for ever-lengthening retirement periods, as part of 1986 Congressional amendments, Social Security has instituted a later full benefit retirement age, as follows:

Social Security		Social Security	
Year of Birth	Normal Retirement Age	Year of Birth	Normal Retirement Age
Before 1938	Age 65	1955	Age 66, 2 months
1938	Age 65, 2 months	1956	Age 66, 4 months
1939	Age 65, 4 months	1957	Age 66, 6 months
1940	Age 65, 6 months	1958	Age 66, 8 months
1941	Age 65, 8 months	1959	Age 66, 10 months
1942	Age 65, 10 months	1960 and later	Age 67
1943-1954	Age 66		

- d. Summary of the Current Minnesota Defined Benefit Retirement Plan Normal Retirement Age Provisions. Minnesota public pension plans currently reflect some uniformity in normal retirement ages. The following compares the normal retirement ages applicable to the various Minnesota public pension plans:

MSRS-General	PERA-General	TRA	First Class City Teachers Coordinated Plans
“Normal retirement age” means age 65 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and the higher of age 65 or the “retirement age” defined in 42 USC Section 416(l), as amended, but not greater than age 66 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, after June 30, 1989. [352.01, Subd. 25]	“Normal retirement age” means age 65 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and the higher of age 65 or the “retirement age” defined in 42 USC Section 416(l), as amended, but not greater than age 66 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, after June 30, 1989. [353.01, Subd.37]	“Normal retirement age” means age 65 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and the higher of age 65 or the “retirement age” defined in 42 USC Section 416(l), as amended, but not greater than age 66 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, after June 30, 1989. [354.05, Subd. 38]	“Normal retirement age” means age 65 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, before July 1, 1989, and the higher of age 65 or the “retirement age” defined in 42 USC Section 416(l), as amended, but not greater than age 66 for a person who first became a covered employee or member of a public pension fund listed in section 356.30, subdivision 3, after June 30, 1989. [354A.011, Subd. 15a]
MSRS-Correctional	State Patrol	PERA-Correctional	PERA-P&F
“Normal retirement age” means age 55. [352.93, Subd. 1]	“Normal retirement age” means age 55. [352B.08, Subd. 2a]	“Normal retirement age” means age 55. [35E3.04, Subd. 1, 4]	“Normal retirement age” means age 55. [353.651, Subd. 1, 3]
Legislators Plan	Judges Plan		
“Normal retirement age” means age 62. [3A.01, Subd. 8]	“Normal retirement age” means the date on which a judge attains the age of 65. [490.121, Subd. 21f]		

The 1986 resetting of the Social Security full retirement benefit receipt age appears to have been motivated largely by financial concerns and by a need to reduce future benefit outlays in order to delay the date of a benefit default than by any clearly delineated empirical evidence that American workers were actually continuing working to later ages. Indeed, the literature on the topic suggests that the last 20 years have seen continuing reductions in the retirement age of many workers compared to the normal retirement age applicable to prior generations of workers. The life expectancy of American workers, however, has been increasing throughout the 20th century, meaning that workers could delay the start of their retirement period compared to prior generations without causing any actual reduction in the duration of benefit receipt compared to earlier generations. Although the potential employability limits of general employees appear to be lengthening, it is not clear that the same phenomenon is true to some extent for public safety employees.

3. **Rule of 90 Early Normal Retirement Provisions.** Historically, it has been Commission policy to set an age 65 normal retirement age for general (nonpublic-safety) employees and an age 55 normal retirement age for public safety employees. While age 65 or age 55 normal retirement ages remain a common requirement, different normal retirement ages have been established over time. For the oldest programs of the first class city plans and local police and salaried firefighter relief associations, younger normal retirement ages have long existed before 1989, as follows:

Plan	Age or Ages
Duluth Teachers Retirement Fund Association (DTRFA) Old Law Program	Age 60
Minneapolis Teachers Retirement Fund Association (MTRFA) Basic Program	Age 60 or any age w/30 years of service
St. Paul Teachers Retirement Fund Association (SPTRFA) Basic Program	Age 60 with 25 years of service
Minneapolis Employees Retirement Fund (MERF)	Age 60 or any age w/30 years of service
Most local police or salaried firefighter relief associations	Age 50

In 1973, the Commission and the Legislature initially recognized long service as a qualification for an earlier normal retirement age for the statewide general employee pension plans, with the enactment of the age 62 with 30 years of service normal retirement age provision.

In 1982, after several sessions of considering proposed legislation to create earlier normal retirement ages, the Legislature enacted the Rule of 90 for the Public Employees Retirement Association (PERA), in lieu of the PERA age 62 with 30 years of service provision. The Rule of 90 provision allows a person to retire with an unreduced retirement annuity when the person's combined age and service total at least 90.

In 1989 (Laws 1989, Ch. 319, Art. 13), the Legislature extended this Rule of 90 early normal retirement provision to the Minnesota State Retirement System (MSRS), TRA, and the three first class city teacher plans as part of a major benefit improvement. That benefit increase was added as a House of Representatives floor amendment to proposed legislation relating to teachers' salaries in Independent School District No. 709 (Duluth), without a favorable recommendation by the Legislative Commission on Pensions and Retirement. The Rule of 90 provision is part of the Tier I benefit package, which consists of an earlier retirement age, a lower benefit accrual rate for the initial ten years of service (1.0% rather than 1.5% for Tier II Coordinated Programs, and 2.0% rather than 2.5% for Tier II Basic Programs), and a subsidized early retirement reduction amount.

During the 1989 Session, several Senate members of the Legislative Commission on Pensions and Retirement supported a general benefit accrual rate increase at age 65 while several House of Representatives members of the Commission supported the Rule of 90 early normal retirement age provision. The 1989 benefit increase legislation, an amendment derived from 1989 Session S.F. 1329 (Pogemiller); H.F. 1302 (Simoneau), ultimately was enacted.

Specifically, the 1989 benefit increases related to the Rule of 90 benefit tier and the level benefit tier are as follows:

- a. **Level Benefit Tier.** All plan members are eligible to receive a retirement annuity using a level benefit accrual formula rate of 1.5% credit for all years of service, rather than the current 1% of each of the first ten years of service, followed by 1.5% thereafter. If the individual retires before the normal retirement age, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that age changes over time. The normal retirement age is age 65.
- b. **Rule of 90 Benefit Tier.** Plan members first hired before July 1, 1989, if their age plus years of service total the sum of 90, are eligible to receive a benefit accrual formula rate of 1% for each of the first ten years of service, followed by 1.5% per year thereafter, with no early retirement reduction. If the member does not meet the Rule of 90 eligibility requirement, with a benefit accrual rate of 1% for each of the first ten years and 1.5% thereafter, the early retirement reduction rate is 3% per year.

The 1989 benefit accrual rates, including the Rule of 90 Benefit Tier, were increased in 1997 (Laws 1997, Ch. 233, Art. 1).

The argument made by the proponents for the Rule of 90 benefit tier was that the benefit program would be restricted to then current plan members (pre-July 1, 1989, hires) and that the Legislature reserved the right to eliminate the provision if its utilization exceeded 45% of eligible retirees. The Rule of 90 reporting requirement and elimination provision was repealed in 1993 (see Laws 1993, Ch. 280) at the request of the various major general employee retirement plan administrators when the TRA utilization approached the triggering level.

The 1989 Rule of 90 extension, with its restriction to pre-July 1, 1989, hires, reflects a compromise based on policy and cost considerations. Although the accrual rate for the first ten years of service is less than under a level benefit computation, the waiver of any early retirement benefit reductions that would otherwise be required tends to more than outweigh the lesser accrual rate used of the first ten years of service, creating a subsidized benefit. This subsidy of those who have sufficient age and years of service to qualify for and use the Rule of 90 adds to the plan cost, to be paid by many who will never have sufficient service to qualify for this benefit. Restricting the Rule of 90 to only those who started in covered employment before July 1, 1989, made the cost manageable under the 1989 bill. However, it has created a difference between the benefit provisions available to the pre-July 1, 1989, hires and those who came afterwards, leading to frequent requests by the more recent hires to have the Rule of 90 extended to them. So far, the Legislature has resisted those requests, for a number of reasons. One reason is that it is not viewed as an issue needing prompt attention. Individuals who started employment after 1989 either are sufficiently young that retirement is not a serious concern, or their service is rather short, leaving them far from qualifying for a Rule of 90 benefit if one were to be offered. The second consideration is cost. It would be necessary to increase the contributions to all these plans to cover the added liabilities that would be created by extending the Rule of 90. The third consideration is policy conflicts created by these early retirement provisions. An effort to extend early retirement provisions to post-1989 hires is in conflict with changes in federal retirement policy. The Social Security system has been increasing the age at which individuals can qualify for full Social Security benefits, and without those Social Security benefit checks and related Medicare coverage, most individuals who might wish to retire early from a Minnesota public plan cannot afford to do so, because of the high cost of health care. Also, given the increases in expected lifespan that has occurred and that will continue to occur, one can argue that average retirement age may need to be increased rather than decreased, to control plan cost. Fourth, given current and future labor markets, there is a need to encourage the post-World War II baby boom generation to stay in the labor force, rather than encouraging their withdrawal. The next generation is too small to fill all the positions that will become vacant. To some extent Rule of 90 provisions encourage withdrawal from the labor force. Finally, Rule of 90 provisions are inconsistent with the concepts upon which our defined benefit plans were based. These plans were intended to attract sufficient capable workers, to act as a retention tool to keep them in government employment, and to out-transition them at the end of their productive years, providing sufficient income in retirement, along with Social Security benefits and private savings, to allow the retiree to retain a reasonable standard of living. Many who retire under the Rule of 90 are not ready to leave the labor force, and thus the benefits are not used to provide retirement income. Retirement benefits paid to those who simply transition to other employment add to plan cost and may not be serving a useful public purpose.

The benefit accrual rates enacted in 1989 were increased again in 1997 (Laws 1997, Ch. 233, Art. 1). Following the enactment of the 1997 revisions, a benefit computed under the level benefit tier would use an accrual rate of 1.7% per year of service, rather than 1.5%. Benefits computed under the Rule of 90 benefit tier now use an accrual rate of 1.2% per year for each of the first ten years, and 1.7% for each year thereafter. As part of the 2006 merger of the Minneapolis Teachers Retirement Fund Association (MTRFA) into TRA, the Legislature again increased accrual rates, but only for TRA and only for prospective service.

In addition to the Rule of 90, there are other benefits generally found in these general employee plans which apply only to the pre-July 1, 1989, hires. These include an age 65 normal retirement age, rather than age 66. The lower age 65 normal retirement age will lessen the amount of a reduction due to early retirement compared to use of age 66, and will allow individuals to retire with full benefits a year earlier. Another is a 30-year provision, which allows individuals with 30 years of service credit to retire prior to normal retirement age with a reduction applied only to age 62 rather than age 65, creating a larger benefit. A third provision applicable only to the pre-July 1, 1989, hire group is an early retirement benefit computed using the Rule of 90 tiers described above with a 3% per year reduction due to early retirement.

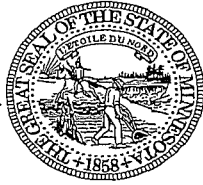
4. 1989 Benefit Increase Legislation.

- a. Summary of the 1989 Benefit Increase Legislation. In 1989 (Laws 1989, Ch. 319, Art. 13), the Legislature enacted a controversial omnibus retirement bill that included a major benefit increase. The 1989 benefit increase legislation included the following:
 - i. Reduction in Vesting Requirement. The vesting period was reduced from five years to three years. Normal retirement, early retirement, disability, portability, and survivor benefit provisions were changed to three-year service eligibility rather than five-year.
 - ii. Increased Interest on Refunds. Interest on refunds of member contributions taken when an individual leaves employment was increased to 6% from 5%.

- iii. Increase in Deferred Annuity Augmentation. Under prior law, individuals who have vested and then leave employment prior to retirement can have a deferred annuity, leaving their contributions in the retirement plan and eventually receiving an annuity at retirement age. Deferred annuities augmented at 3% per year during the deferral period. Under the 1999 law, deferred annuities augmentation increases to 5% on January 1 of the year after the member reaches age 55.
- iv. Automatic Bounce-Back, Joint and Survivor Annuity. The 1999 law provided a subsidized, automatic bounce-back annuity for individuals selecting a joint and survivor annuity. If the designated beneficiary of a joint and survivor annuity dies before the annuitant, the former employee's annuity automatically bounces back to the single life annuity level.
- v. New Level Benefit Formula, Post-1989 Employees. Post-June 30, 1989, employees will receive a level formula of 1.5% credit for all years of service, rather than the current 1% for each of the first ten years of service, followed by 1.5% thereafter. If the individual retires before the normal retirement age, the benefit is actuarially reduced. The normal retirement age for new employees will be automatically changed to correspond to the Social Security retirement age, as that age changes over time. The normal retirement age for existing employees remains at age 65.
- vi. Current Benefit Formula with 3% Early Retirement Reduction. The benefit accrual rate was set at 1% for each of the first ten years, plus 1.5% for each year thereafter, with a 3% annual reduction for early retirement, or
- vii. Level Benefit Formula with Actuarial Reduction. The benefit accrual rate was set at 1.5% for all years of service, with an actuarial reduction for early retirement, or
- viii. Rule of 90 with Current Benefit Formula Rates. If age plus years of service equal at least 90, the benefit accrual was set at 1% for each of the first ten years of service, followed by 1.5% per year thereafter, with no early retirement reduction. Use of the Rule of 90 must be reviewed periodically. If use exceeds 45% of the members eligible to retire under that provision, the provision is voided.
- ix. Contribution Rate Increases. The employee contribution rate for members was increased.
- x. Interest Assumption Increases. The pre-retirement interest rate assumption was increased to 8.5% for the following retirement plans: the Legislators Retirement, MSRS-General, MSRS-Military Affairs, MSRS-Transportation Department Pilots, MSRS-Correctional, MSRS-State Troopers, the Elective State Officers Plan, PERA, PERA-P&F, PERA- Correctional, TRA, and the Judges Retirement Plan. For the Minneapolis, St. Paul, and Duluth teacher funds, the pre- and post- retirement interest assumption was increased to 8.5%.
- xi. Amortization Date Extended. For the retirement plans listed in point x, the amortization target period was extended to the year 2020.

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DFL CONSTITUENT SERVICES
State Office Building
St. Paul, MN 55155-1298



Minnesota
House of
Representatives

DATE: September 11, 2014

TO: Lawrence Martin, Executive Director
Ed Burek, Deputy Director
Legislative Commission on Pensions and Retirement

FROM: Representative Rick Hansen (651-296-6828)

RE: Lynn Warren, service credit purchase

I have been working with Dave Bergstrom at MSRS on a service credit purchase request for my constituent, Lynn Warren. Ms. Warren is a current employee at the Minnesota Department of Revenue and has worked for the State of Minnesota for 25 years. At 50 years of age, she is starting to think about her retirement benefits.


Marye Knudson, a staff member in our Constituent Services Division, has been in contact with Ms. Warren and Dave Bergstrom, and she pieced together the following information. In 1997, the omnibus pension bill included a provision that allowed seasonal Revenue employees to purchase pension service credit for their part-time, seasonal work. This provision was granted to seasonal employees retroactive to 1/1/1994 and they had to pay the full actuarial value of this pension credit.

Ms. Warren was not eligible for this service credit purchase because she became a full-time employee on 10/12/1993 (she was a seasonal part-time employee as of 1988). Ms. Warren contacted me because she would like the opportunity to buy her pension service credit for the time period between 1998 and 10/12/1993. Doing so will qualify her for the Rule of 90.

Dave Bergstrom at MSRS has been working with Ms. Warren to determine the cost of purchasing the pension service credit. I am attaching the documentation compiled by MSRS that was provided to me and Ms. Warren.

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September 11, 2014
Page 2

If you need additional information from Mrs. Warren, please don't hesitate to contact her at


If you have any additional questions, please feel free to contact me or Marye Knudson (297-8168) in DFL Constituent Services, who has been researching this issue for me.

Thanks in advance for your time.

GOVERNOR

From: Dave Bergstrom <Dave.Bergstrom@msrs.us>
To: 'Marye Knudson' <Marye.Knudson@house.mn>
CC: "'Warren, Lynn (MDOR)'" <[REDACTED]>
Date: 4/1/2014 1:08 PM
Subject: FW: Message from "clara"
Attachments: 20140401105735831.pdf

Marye, I met with Lynn Warren yesterday and MSRS had incorrectly calculated the interest on the amount she would have to pay. Also, because MSRS caused the delay in getting the bill heard this year, we are willing to calculate the purchase amount as if the bill had passed this year. Obviously, the legislature will have to make the final decision. I have attached the interest calculation and the amount if the full actuarial cost is required. Let me know if you have any questions. Sorry about the confusion.

-----Original Message-----

From: Dave Bergstrom
Sent: Tuesday, April 01, 2014 10:58 AM
To: Dave Bergstrom
Subject: Message from "clara"

This E-mail was sent from "clara" (MP C6502).

Scan Date: 04.01.2014 10:57:35 (-0500)
Queries to: copiers@msrs.us

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Minnesota State Retirement System <<http://www.msrs.state.mn.us>>

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Lynn Warren

FY	Salary	EE Contrib	ER Contrib.	W Past Due	W Past Due	EE Int	ER Int	Total EE	Total ER	Total
1988	3,914.28	146.00	152.66	152.08	159.01	12.93	13.52	165.01	172.53	337.54
1989	8,137.33	303.52	317.36	316.16	330.57	40.90	42.76	522.07	545.86	1,067.93
1990	9,387.61	394.98	410.94	411.42	428.05	79.35	82.78	1,012.84	1,056.69	2,069.52
1991	11,378.77	475.00	491.37	494.78	511.83	128.15	133.32	1,635.76	1,701.84	3,337.60
1992	17,398.29	719.39	743.58	749.34	774.54	202.73	210.49	2,587.83	2,686.87	5,274.71
1993	16,180.57	652.52	673.55	679.68	701.59	277.74	288.02	3,545.26	3,676.49	7,221.74
1994	6,931.23	282.10	291.11	293.85	303.23	326.32	338.28	4,165.43	4,318.00	8,483.42
1995	-	-	-	-	-	354.06	367.03	4,519.49	4,685.02	9,204.51
1996	-	-	-	-	-	384.16	398.23	4,903.64	5,083.25	9,986.90
1997	-	-	-	-	-	416.81	432.08	5,320.45	5,515.33	10,835.78
1998	-	-	-	-	-	452.24	468.80	5,772.69	5,984.13	11,756.82
1999	-	-	-	-	-	490.68	508.65	6,263.37	6,492.78	12,756.15
2000	-	-	-	-	-	532.39	551.89	6,795.76	7,044.67	13,840.43
2001	-	-	-	-	-	577.64	598.80	7,373.40	7,643.47	15,016.86
2002	-	-	-	-	-	626.74	649.69	8,000.14	8,293.16	16,293.30
2003	-	-	-	-	-	680.01	704.92	8,680.15	8,998.08	17,678.23
2004	-	-	-	-	-	737.81	764.84	9,417.96	9,762.92	19,180.88
2005	-	-	-	-	-	800.53	829.85	10,218.49	10,592.76	20,811.25
2006	-	-	-	-	-	868.57	900.38	11,087.06	11,493.15	22,580.21
2007	-	-	-	-	-	942.40	976.92	12,029.46	12,470.07	24,499.52
2008	-	-	-	-	-	1,022.50	1,059.96	13,051.96	13,530.02	26,581.98
2009	-	-	-	-	-	1,109.42	1,150.05	14,161.38	14,680.07	28,841.45
2010	-	-	-	-	-	1,203.72	1,247.81	15,365.10	15,927.88	31,292.98
2011	-	-	-	-	-	1,306.03	1,353.87	16,671.13	17,281.75	33,952.88
2012	-	-	-	-	-	1,417.05	1,468.95	18,088.17	18,750.70	36,838.87
2013	-	-	-	-	-	1,537.49	1,593.81	19,625.67	20,344.51	39,970.18
2014	-	-	-	-	-	1,668.18	1,729.28	21,293.85	22,073.79	43,367.64

Minnesota State Retirement System
State Employees Retirement Fund

Estimated Buyback Cost Calculation

Name:	Lynn Warren	
Member #:	[REDACTED]	
Date of Birth	[REDACTED]	y
Date of Hire	3/17/1988	y
Date of Purchase	7/1/2014	y
Date of most recent posting to ledger account	6/30/2013	y
Years of service in Active Plan at date of ledger	19.83333	y
Annual salary at most recent posting to ledger account	\$ 50,613.77	y
Number of years to buyback	4.08333	y
Years in prior plans for CSA	N/A	y
Age at Date of Purchase	51.15000	
Service in Active Plan at Date of Purchase (including buyback)	24.91944	
Salary at Date of Purchase	\$.00	
	Annual Benefit Without Additional Service	Annual Benefit With Additional Service
Age at first eligibility for unreduced benefit	58.11528	58.11528
Service used for calculation	27.80139	31.88472
Final average pay with augmentation at first eligibility for unreduced benefit	\$ 70,597.10	\$ 70,597.10
Benefit percent	49.204%	49.204%
Annual benefit	\$ 23,645.09	\$ 34,736.60
Present value factor	12,32903	12,32903
Interest/mortality discount to current age	55.052%	55.052%
Present value of benefit	\$ 160,488.15	\$ 235,770.42
Present value of buyback		75,282.27
Minimum purchase cost		16,533.82
Final purchase cost	111,813.49	75,282.27

Assumptions:	
Formula with Service Purchase	1.2% for first 10 years of service, 1.7% for 10+ years
Annuity factors	50% 1983 GAM (male), 50% 1983 GAM (female)
Discount factor	6.00% interest
Pay increases	8.5% per year
Statutory Contributions	Graded Table
	8.00%

Marye Knudson - Ms. Warren

From: Dave Bergstrom <Dave.Bergstrom@msrs.us>
To: 'Marye Knudson' <Marye.Knudson@house.mn>
Date: 3/5/2014 8:03 AM
Subject: Ms. Warren

Sorry it took so long to get back to you, but we needed to get old pay records to develop the information. She would be able to buyback six years, five months of service. Her benefit would increase from \$1,064 per month to \$2,379, assuming she retires in 2020 when she hits the Rule of 90 with the buyback. If she is required to pay the employee and employer contributions plus interest, the cost would be \$61,777. The more typical requirement by the Legislative Commission on Pensions and Retirement is an actuarial purchase, which covers the "cost" to the pension plan of the additional benefit. That cost would be \$143,496. Let me know if you have additional questions.

(see 4/1/2014 email for collection)

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Minnesota State Retirement System

LCPR SEP 11 2014

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State of Minnesota HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1114

02/23/2015 Authored by Hansen

The bill was read for the first time and referred to the Committee on Government Operations and Elections Policy

1.1 A bill for an act
1.2 relating to retirement; general state employees retirement plan of the Minnesota
1.3 State Retirement System; authorizing the purchase of allowable service credit for
1.4 excluded pre-1995 seasonal Department of Revenue employment.

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

1.6 Section 1. MSRS-GENERAL; EXCLUDED SEASONAL REVENUE
1.7 DEPARTMENT EMPLOYMENT SERVICE CREDIT PURCHASE.

1.8 (a) An eligible person described in paragraph (b) is eligible to make a service credit
1.9 purchase described in paragraph (c) for the period of service indicated in paragraph (d)
1.10 if made by the expiration date specified in paragraph (e).

1.11 (b) An eligible person is a person who:

1.12 (1) was born on May 7, 1963;

1.13 (2) was a seasonal employee of the Minnesota Department of Revenue in fiscal
1.14 years 1988, 1989, 1990, 1991, 1992, 1993, and 1994 and was excluded from general state
1.15 employees retirement plan coverage under Minnesota Statutes 1988, section 352.01,
1.16 subdivision 2b, clause (20);

1.17 (3) became a full-time employee of the Minnesota Department of Revenue on
1.18 October 12, 1993; and

1.19 (4) was not eligible to purchase this period of service credit under Laws 1997,
1.20 chapter 241, article 8, section 7.

1.21 (c) The service credit purchase must be made as provided in Minnesota Statutes,
1.22 section 356.551.

1.23 (d) The period of employment available for an allowable service credit purchase
1.24 under this section is the period or periods of actual seasonal employment by the Minnesota

2.1 Department of Revenue occurring in fiscal years 1988 to 1994 that was not already
2.2 credited as allowable service by a retirement plan listed in Minnesota Statutes, section
2.3 356.30, subdivision 3.

2.4 (e) The service credit purchase must be made before July 1, 2017, or before the
2.5 person's retirement date, whichever is earlier.

2.6 (f) Service credit for the seasonal Minnesota Department of Revenue employment
2.7 must be granted by the general state employees retirement plan upon the receipt by the
2.8 executive director of the Minnesota State Retirement System of the purchase payment
2.9 amount under paragraph (c).

2.10 (g) The eligible person shall provide the executive director of the Minnesota State
2.11 Retirement System with any relevant information pertaining to this purchase that the
2.12 director requests.

2.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.