



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Susan Lenczewski, Executive Director
RE: LCPR16-001: MSRS; 2016 Administrative Bill
DATE: February 2, 2016
ATTACHMENT: LCPR16-001

Summary of the 2016 MSRS Administrative Bill

In bill draft LCPR16-001, the Minnesota State Retirement System (MSRS) is proposing a number of changes to statutory provisions governing the MSRS plans and to statutory provisions governing all the pension plans. The changes that impact only the MSRS plans amend Chapters 3A, 352, 352B, 352D, and 490, and the changes that impact all the pension plans amend Chapter 356. The changes bring statutory language into conformity with actual practice, clarify language that is ambiguous or confusing and repeal provisions that are no longer needed. Commission staff worked closely with MSRS staff to make the resulting statutory language as clear and concise as possible.

1. Sections 1, 6, 7, 8, and 23: Repayment of a Refund to Buy Back Forfeited Benefits.

- Section 1 (Minn. Stat. § 3A.03, subd. 2) relating to the Legislators Retirement Plan
- Section 6 (Minn. Stat. § 352.23) relating to MSRS-General State Employees Retirement Plan
- Section 7 (Minn. Stat. 352B.11, subd. 4) relating to the State Patrol Retirement Plan
- Section 8 (Minn. Stat. § 352D.05, subd. 4) relating to the Unclassified Employees Retirement Plan
- Section 23 (Minn. Stat. § 490.124, subd. 12) relating to the Judges Retirement Plan

Each of the plans listed above permit members, upon leaving employment, to request and receive a refund of their employee contributions plus interest, in exchange for forfeiting the right to a pension and related benefits under the plan. Upon returning to covered employment, a member who took a refund of his or her employee contributions is entitled to repay the refund with interest and thereby buy back the forfeited benefits. Each of the plans have slightly different buyback provisions. The changes to the statutes noted above will bring all of the MSRS plans under the same set of buyback requirements and thereby reduce administrative burden and the potential for error. The changes include inserting uniform timing requirements and revising language referring to different payment options, such as making refunds by payroll deduction. The revised repayment language now provides that repayment may be made in a lump sum up to six months after leaving reemployment or may be made in partial payments during reemployment as provided in Minn. Stat. § 356.44.

2. Section 2: Transfers of General Funds to Legislators Plan (Minn. Stat. § 3A.03, Subd. 3): This section inserts language that explicitly authorizes transfers of funds from the State's general fund to the legislators retirement fund and is responsive to a request from Minnesota Management & Budget.

3. Section 3: Exemption from Certain Reporting Requirements for Defined Contribution Plans (Minn. Stat. § 16A.14, Subd. 2a). This section exempts the four defined contribution plans administered by MSRS from being required to report transactions and track activity through the State's allotment and encumbrance system known as SWIFT. We understand that MSRS has contracted with an outside record keeper to process and record transfers into and out of participant accounts under each of the defined contribution plans. Such transfers include contributions, transfers from one investment fund to another, investment earnings and losses, withdrawals and distributions, and payment of investment fees. Because of the volume and frequency of these fund transfers and the fact that a record-keeper is responsible for tracking these transfers, this appears to be unnecessary redundancy and, in any event, MSRS lacks the staffing resources necessary to process the tens of thousands of daily transactions that occur in these plans and input them into the State's allotment and encumbrance system.
4. Sections 4 and 5: Criteria for Appointing an Executive Director and Authorization for Deputy Director (Minn. Stat. § 352.03, Subd. 5 and 6). Section 4 revises the criteria for appointing an executive director, which is a function of the MSRS board of directors, and inserts references to "deputy director." Section 5 inserts authorization for appointing a deputy director, which is a function of the executive director, subject to board approval.
5. Section 9: Augmentation of a Combined Service Annuity (Minn. Stat. § 356.30, Subd. 1). If a member has earned an annuity under more than one public pension plan and otherwise satisfies the eligibility requirements, the member is entitled to a "combined service annuity" from each plan. In addition, for any annuity that is a deferred annuity, the member is entitled to augmentation on that annuity. This section clarifies that the augmentation rate to be applied is the rate that applies to the annuity under the plan in which the annuity was earned.
6. Sections 10-22, and 24: Appeals Procedures (Minn. Stat. § 356.96, Subd. 1 through 15). These sections completely overhaul the appeals procedures that apply to member benefit claims under all plans other than the defined contribution plans and St. Paul Teachers Retirement Fund Association. This restatement of the appeals procedures was completed with the cooperation and assistance of attorneys and staff from MSRS, TRA, and PERA and Commission staff, who collaborated to conform the appeals procedures to actual practice and bring much needed clarity to the procedures. Changes include the following:
 - Clarification that the appeal process begins with an appeal of a staff decision to the executive director (formerly, "chief administrative officer") and then of the executive director's determination, by filing a petition with the plan's governing board;
 - Clarification of how an administrative law judge's fact-finding conference fits into the procedures;
 - Clarification of timing and filing requirements;
 - Clarification of what comprises the record of the appeal; and
 - Deletion of obsolete language, including repeal of subdivisions 14 and 15.

Staff Recommendation

Staff recommends approval of the MSRS administrative bill.