



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Susan Lenczewski, Executive Director
RE: S.F. xxxx; H.F. 1460 (O'Driscoll): MSRS Administrative Bill
DATE: February 20, 2017

Introduction

S.F. xxxx; H.F. 1460 (O'Driscoll) makes administrative or technical changes to the statutes governing the Minnesota State Retirement System (MSRS). The changes impact only MSRS plans and amend Chapters 352 and 352D. 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.

All sections in the bill take effect on July 1, 2017.

Section-by-Section Summary

Section 1: Coverage for certain employees of the Perpich Center for Arts Education (*Minn. Stat. §352.01, Subd. 2a*).

Subdivision 2a lists the categories of employees covered by the MSRS General Plan. Section 1 of the bill adds a new provision to include coverage for employees of the Perpich Center for Arts Education, but only if the employees were covered by MSRS General on July 1, 2016. A recent internal audit by the Teachers Retirement Association (TRA) revealed that many of the administrative employees at the Perpich Center were covered by the MSRS General Plan, when they should have been covered by TRA. The statutes, however, were not entirely clear on coverage of these employees. It was determined that while TRA coverage is more appropriate for these employees, in order to minimize disruption and inconvenience, any employees covered by MSRS on July 1, 2016, would continue with that coverage.

Accordingly, this change and a corresponding change in the administrative bill for TRA clarify that employees of the Perpich Center covered by MSRS as of July 1, 2016, will continue to be covered by MSRS. The corresponding change in the TRA administrative bill clarifies that Perpich Center employees are covered by TRA, except for employees covered by MSRS as of July 1, 2016.

Section 2: Clarification of coverage exclusion for part-time employees of the University of Minnesota (*Minn. Stat. §352.01, Subd. 2b*).

Section 2 adds a provision that provides minimum service thresholds and other clarifying language for determining which part-time employees are covered by MSRS and which are excluded from coverage. MSRS is seeking this clarification at the request of the University of Minnesota.

Section 3: Addition of nurse practitioner as a medical expert and extension of the disability benefit application deadline (*Minn. Stat. §352.113, Subd. 4*).

Subdivision 4 is part of the process for determining whether a member is entitled to disability benefits due to a total and permanent disability. This section amends subdivision 4 as follows:

- to add "nurse practitioner" to the list of medical providers authorized to determine whether a member has a total and permanent disability; and
- to add a provision that allows the MSRS board of directors to extend the 18-month disability application deadline by an additional 18 months if the member misses the deadline because of a cognitive impairment. (This application deadline extension provision had been approved by the Pension Commission last session and included in the vetoed 2016 omnibus pension bill, but because MSRS wished to make additional changes to this subdivision, it is included for approval in this year's MSRS administrative bill.)

Section 4: Reporting requirements for members receiving disability benefits (*Minn. Stat. §352.113, Subd. 14*).

Members receiving disability benefits are required to file an annual report with MSRS on their earnings from reemployment or workers compensation and can be asked to undergo regular medical or psychological exams to show continuing disability. The executive director may determine that regular medical or psychological exams are not necessary due to the severity of the disability. This section allows the executive director to waive the earnings reporting requirement for disabled members who are not being asked to undergo regular medical or psychological exams.

Sections 5-6: Members right to transfer from the MSRS Unclassified Plan to the MSRS General Plan (*Minn. Stat. §352D.02, Subd. 1 and 3*).

Members in the MSRS Unclassified Plan, which is a defined contribution plan, are entitled to transfer from the Unclassified Plan to the MSRS General Plan, which is a defined benefit pension plan, during certain time periods, as follows:

- for members whose current employment began before July 1, 2010, when the member has at least 10 years of *employment covered by MSRS*; or
- for members whose current employment began after June 30, 2010, as long as the member has had no more than 7 years of *service in the Unclassified Plan*.

The current language is not clear regarding the italicized text so the changes made by these sections clarify the timing requirements and make other clarifying changes, including moving sentences regarding transfer from subdivision 1 into subdivision 3, which is the subdivision that addresses transfers. The changes will align the language of the statute consistent with current practice at MSRS, which has been the practice since the statute was changed from 10 years to 7 years in 2010.