

**SF 2098 (Pratt); HF 2188 (Mortensen):  
Minnesota State Retirement System (MSRS);  
Transferring past service credit from the  
General Plan to the Correctional Plan**

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### Introduction

- Affected Plan:** Minnesota State Retirement System (MSRS):
- General State Employees Retirement Plan (“General Plan”)
  - Correctional State Employees Retirement Plan (“Correctional Plan”)
- Laws Amended:** Uncoded special law
- Brief Description:** Transfers about 9 years of past service credit from the General Plan to the Correctional Plan for a single Department of Human Services (DHS) employee

### Background

Kenneth Engle is an employee of DHS at the department’s State Hospital facilities in St. Peter. According to MSRS’s records, Mr. Engle was first employed in a position covered by the General Plan in 1990. Mr. Engle was employed as a Customer Services Specialist Principal covered by the General Plan from March 2, 2011, to March 19, 2020. On March 20, 2020, Mr. Engle became covered by the Correctional Plan, though remained employed as a Customer Services Specialist Principal.

The bill, if enacted, would allow Mr. Engle to transfer certain past service credit from the General Plan to the Correctional Plan. The service credit that he would be eligible to transfer is the service credit that accrued from March 2, 2011, to March 19, 2020, which coincides with the dates that that he was employed as a Customer Services Specialist Principal covered by the General Plan.

### Section by Section Summary

SF 2098 (Pratt); HF 2188 (Mortensen) consists of a single uncoded section divided into six subdivisions and an effective date, as follows:

Subdivision 1 defines several terms for the purposes of the bill to improve readability and remove ambiguity.

Subdivision 2 authorizes an “eligible person” to transfer past service credit from the General Plan to the Correctional plan by making the payment to MSRS described in subdivision 4.

Subdivision 3 defines an “eligible person” so as to only apply to Kenneth Engle.

Subdivision 4 describes how to calculate the payment that Mr. Engle would have to make in order to transfer past service credit. The amount is the difference between the employee contribution rates for the two plans plus interest. Mr. Engle would be required to pay that amount in a lump-sum no later than one year following final enactment.

Subdivision 5 requires the Department of Human Services to pay to MSRS the actuarial present value of the additional benefit minus the payment made by Mr. Engle. This keeps the MSRS Correctional fund whole.

Subdivision 6 requires MSRS to transfer assets from the General State Employees Retirement Fund to the Correctional State Employees Retirement Fund. The amount of the assets transferred is the present value of the General Plan benefit for the period of transferring service credit.

Effective Date: The bill is effective upon final enactment.

## Analysis

### About the MSRS Correctional Plan

Statute describes the purpose of the Correctional Plan as follows:

*to provide special retirement benefits for and special contributions by certain correctional employees who may be required to retire at an early age because they lose the mental or physical capacity required to maintain the safety, security, discipline, and custody of inmates at state correctional facilities; of patients in the state-operated forensic services program. . . ; or of patents in the Minnesota Specialty Health System-Cambridge.<sup>1</sup>*

Whether an employee is eligible to participate in the plan is determined under statute, which lists the specific positions that are eligible for coverage. The list of DHS employees eligible for coverage includes those employed by the state-operated forensic program as a “customer services specialist principal” if the commissioner of human services certifies that 75% of the employee’s working time is spent in direct contact with patients.<sup>2</sup>

The Correctional Plan would provide Mr. Engle with a greater benefit than he would be eligible for under the General Plan. See the table below for a comparison of the two plans.

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<sup>1</sup> Minnesota Statutes, Section 352.90.

<sup>2</sup> See Minnesota Statutes, Section 352.91, Subdivision 3f.

Item	General Plan	Correctional Plan
Formula Multiplier (% of high-five salary per year of service)	1.7%	2.2%
Normal Retirement Age	66	55
Early Retirement Available at Age	55	50
Early Retirement Reduction	Actuarial Equivalent	Fixed reduction of 0.417% per month
Postretirement Adjustment (COLA)	1% <i>(increasing to 1.5% in 2024)</i>	1.5%
Employee Contribution Rate	6%	9.6%
Employer Contribution Rate	6.25%	17.35%

### Financial Considerations

Under the bill, in order for Mr. Engle to transfer his past service credit from the General Plan to the Correctional plan, Mr. Engle must make a payment to MSRS. The payment is the difference between the contributions he made to the General Plan and the contributions he would have made to the Correctional Plan if he had been covered by the Correctional Plan instead, plus interest. MSRS calculated this amount to be:

Employee Contributions: \$16,755.57  
 Interest: \$ 8,921.13  
**Total: \$25,676.70**

In addition to the above employee amount, DHS is required to pay to MSRS any outstanding unfunded liability in the Correctional Plan generated by the transfer of past service credit. MSRS calculated this amount to be \$57,160.39.<sup>3</sup> The final amounts payable may vary based on when Mr. Engle makes the payment. He has one year from enactment of the bill to make the payment.

### Equitable Considerations

Typically, the Commission approves special legislation, such as this bill, that requires the employer to pay a portion of the cost, when the employer made a mistake that caused some harm to the employee.

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<sup>3</sup> \$57,160.39 the difference in present value between the Correctional Plan benefit and the General Plan benefit for the transferring service credit less the amount of past contributions paid by Mr. Engle.

The period of service credit that is eligible to be transferred under this bill is from March 2, 2011, to March 19, 2020. It is not clear whether Mr. Engle was mistakenly placed in the General Plan for that period due to an oversight by DHS or if DHS properly determined that Mr. Engle should be covered by the General Plan during that period.

According to MSRS, their records show that in addition to Mr. Engle, there are two other employees of the St. Peter facility in positions classified as “Customer Services Specialist Principal.” This suggests that Mr. Engle should also have been placed in the Correctional Plan during the course of his employment as a Customer Services Specialist Principal.

Commission staff have not been made aware of any evidence that DHS intended for Mr. Engle to be in the Correctional Plan, before March 20, 2020, or that MSRS made any error in placing Mr. Engle in the General Plan prior to that date.

The Commission may wish to consider whether there was a mistake made by DHS in failing to place Mr. Engle in the Correctional Plan.

### **Exhaustion of Administrative Review**

MSRS determined that Mr. Engle could not transfer past service credit under current law. Mr. Engle did not appeal this determination to the MSRS Board of Directors. Following the administrative procedures before recourse to the courts or the legislature is good policy because it makes it more likely that the record will include all relevant facts and legal considerations, allowing for more informed decision-making.

### **Constitutionality of Special Legislation for One Individual**

The Minnesota Constitution states:

*The legislature shall pass no local or special law . . . granting to any private corporation, association, or individual any special or exclusive privilege, immunity or franchise whatever. . .*<sup>4</sup>

Whether a special law such as this is constitutional is an unsettled question of law because the issue, as it relates to public pensions, has never been litigated in a Minnesota court. It is possible that bills such as this one could be vulnerable to a legal challenge on constitutional grounds. The Commission has regularly approved similar bills in the past.

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<sup>4</sup> Minnesota Constitution, Article XII, Section 1.