

## HF 1199 (Wolgamott)/SF 1308 (Murphy): Minnesota State Retirement System (MSRS) 2023 Administrative Bill

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Date: February 3, 2023

### Introduction

- Affected Plans:** State Patrol Retirement Plan and Judges Retirement Plan
- Laws Amended:** Minnesota Statutes, sections [352B.08](#) and [490.1211](#); repeals [490.124, subdivision 10](#)
- Brief Description:** The bill reduces the length of time from 90 days to 60 days before retirement that a member of the State Patrol Retirement Plan may apply for retirement. The bill extends the length of time from 1 year to 3 years after uniformed service that a judge may receive allowable service in the Judges Retirement Plan and adds a new service credit purchase option for judges who are beyond the 3 years after the end of their uniformed service.
- Amendment:** [H1199-1A](#) makes technical changes, including a change to section [356.551](#).

### Background

This bill was proposed by the Minnesota State Retirement System (MSRS) as an administrative bill.

#### State Patrol Annuity Application Submission Date

A participant in an MSRS retirement plan can submit an application for an annuity to MSRS before the participant leaves state employment as long as the application is submitted no more than 60 or 90 days prior to leaving state employment, depending on which plan the participant is in. Except for the State Patrol Retirement Plan, the other plans administered by MSRS limit the application period to no more than 60 days before leaving state service. The State Patrol Retirement Plan limits the application period to 90 days before leaving state service. This bill would reduce the period before leaving state employment that State Patrol Retirement Plan member can apply for an annuity from 90 days to 60 days.

#### Credit for Military Service for Judges

The Judges Retirement Plan covers judges appointed or elected to public office as a district or appellate judge or as a justice of the Minnesota Supreme Court. A judge may take a leave of absence to perform

uniformed service as a member of the United States armed forces. A judge's retirement benefits are protected from being diminished as a result of such uniformed service under a federal law known as the Uniformed Services Employment and Reemployment Rights Act (USERRA). Minnesota law currently provide judges with rights sufficient to meet the USERRA requirements, including the following:

- The plan must permit payment of the missed employee contributions for a period that begins with the date of return to public employment and is the lesser of (i) three times the period of the military leave or (ii) five years.
- The plan is not required to give credit for more than five years of service or give credit for service prior to the start of the service member's public employment.
- The returning service member cannot be required to pay interest on the employee contributions.
- If the returning service member pays the missed employee contributions, the plan can require the employer to pay the missed employer contributions and interest on both the missed employee and employer contributions.

In 2019, the statutes providing for the purchase of credit for periods of uniformed service under the pension plans administered by PERA were amended to expand the opportunity to purchase service credit when:

- the member returns to public employment after a period of military service and misses the deadline for making payment of the missed employee contributions (i.e., three times the period of the leave or, if less, five years after return to public employment); and
- the member begins public employment after the period of military service, whether immediately or years later, and wants to purchase service credit for the period of military service, even though it did not occur during the period of public employment but occurred prior to the period of public employment.

In 2020, these statutes for the PERA pension plans were amended again to add a requirement that a member must be employed with a public employer for at least six months to be eligible to purchase military service credit and clarified that a member may purchase service credit for less than the entire period of military service. If the period of service is longer than one year, the member may purchase the entire period, up to five years, or may purchase a portion of the service that is not less than one year and is in increments of six months.

In 2022, the chapters governing the MSRS pension plans, other than the Judges Retirement Plan, were amended to mirror the provisions added to the chapters for the PERA pension plans in 2019 and 2020.

This bill provides for a similar expansion of rights for judges as were enacted for members of the PERA pension plans in 2019 and 2020 and the other MSRS pension plans in 2022. However, unlike the 2022 legislation, this bill would not permit a judge to purchase service credit in the Judges Retirement Plan for periods of military service that occurred before the judge first became a member of the plan.

## Section- by- Section Summary

**Section 1** amends section 352B.08 by changing the period during which a State Patrol Retirement Plan member may submit an application for an annuity before retirement from 90 days before retirement to 60 days before retirement.

**Section 2** amends section 490.1211 which permits judges to purchase service credit for periods of uniformed service, as required by federal law. Section 2 divides the section into four subdivisions.

Subdivision 1 contains the existing law to comply with federal requirements. The minimum payment period is increased from one year to three years following military service. The subdivision includes conforming and technical amendments.

Subdivision 2 establishes a new expanded right to purchase service credit for a period of military leave. Under new subdivision 2 of section 490.1211, a judge who has been a member of the Judges Retirement Plan for at least three years can purchase up to five years of service credit for any period of military service after first being appointed or elected as a judge.

Subdivision 3 requires the judge to submit an application and pay an administrative fee of \$250 to cover the costs of calculating the cost of the service purchase under subdivision 2. The fee will be applied toward the purchase. (See the amendment, explained below, which removes this fee from the bill.)

Subdivision 4 refers to Section 356.551 to determine the method for calculating the cost of the service purchase. Under Section 356.551, the cost to be paid by a judge wanting to purchase service credit for a military leave is the actuarial present value of the difference between the pension benefit with the years of military service included and the pension benefit without including the years of military service in the benefit calculation.

Subdivision 4 states that upon payment of the purchase amount, the judge will be credited with the amount of the service credit purchased, except that the additional service will not be used for the purpose of determining a disability benefit. A judge has until the date of his or her retirement to pay the purchase amount.

**Section 3** repeals Minnesota Statutes, section 490.124, subdivision 10, which is obsolete.

### Amendment [H1199- 1A](#)

The bill needs to be amended as set forth in Amendment H1199-1A. Amendment -1A makes the following changes:

- Lines 4.9 through 4.12 are deleted. MSRS does not charge the \$250 administrative fee when the military service is between periods of service as a public employee, including, as applied to the Judges Plan, between periods of service as a judge.

- Line 4.17 is revised to delete “that occurred before becoming a judge or”. Under the new subdivision 2 of section 490.1211, judges are not given the opportunity to purchase credit for military service before becoming a judge.
- A new Section 2 is inserted to amend section 356.551, subdivision 2, paragraph (b), clause (2), to add a reference to the new purchase right provided in new subdivision 2 of section 490.1211. The actuarial calculation to be done to determine the purchase price for the service credit is to be performed according to clause (2), which provides protection to the Judges Plan by requiring certain assumptions be used in the calculation, including the assumption that the judge will retire at the retirement age that produces the most valuable benefit.

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