

**HF xxxx; SF xxxx (Revisor #24-06830):  
Minnesota State Retirement System (MSRS)  
2024 Administrative Bill**

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**Introduction**

- Affected Plans:** MSRS General State Employees Retirement Plan (MSRS General)  
MSRS Correctional State Employees Retirement Plan (MSRS Correctional)
- Laws Amended:** Minnesota Statutes, sections 352.01, 352.03, 352.113, 352.12, and 352.95
- Brief Description:** The bill amends statutes governing the pension plans administered by the Minnesota State Retirement System (MSRS).

**General Summary**

Revisor #24-06830 was proposed by the Minnesota State Retirement System (MSRS) as an administrative bill.

The bill:

- modifies the definition of “salary” to clarify the timing and content of information needed by MSRS to consider pay received as part of a grievance proceeding or legal settlement as salary;
- replaces an obsolete cross reference related to executive director compensation with a reference to the managerial plan;
- conforms the vesting requirements for total and permanent disability benefits and survivor benefits to match changes made to vesting for retirement annuities in the 2023 Pension Omnibus Budget bill;
- replaces an outdated term, “reversionary annuity,” with the term “bounce-back annuity;”
- clarifies that a dependent child is eligible for a survivor benefit only if the dependent child did not elect to receive a refund; and
- gives the executive director discretion to not require an independent medical exam for all MSRS Correctional Plan disability applicants.

## Section- by- Section Summary

### Section 1: Definition of “salary”

Section 1 amends Minnesota Statutes, section 352.01, subdivision 13, the definition of “salary” for Chapter 352. Specifically, the provision regarding amounts paid to an employee as a result of a grievance proceeding or legal settlement is being amended to clarify that the grievance or settlement agreement must be sent to the executive director no fewer than 14 days before payment is made to give the executive director time to determine if the payment is salary for pension purposes. Salary is the basis for making employee and employer contributions and for determining an employee’s retirement annuity.

Legislative Commission on Pensions and Retirement (LCPR) staff understand that the statutory change is consistent with current MSRS administrative practice.

### Section 2: Executive Director compensation limit

Section 2 amends section 352.03, subdivision 5, by replacing an obsolete cross-reference that is intended to provide a limit on the salary amount that the board of directors may approve for the executive director. The statute referred to, section 15A.0815, subdivision 2, no longer provides a limit, but instead states that the salary set for the positions listed will be determined by a legislative committee. The new language that replaces the statutory reference codifies the process used by the board of directors in setting the executive director’s salary and the limit the board applies in that process.

The Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) also rely on the obsolete cross reference mentioned above to provide a limit on executive director compensation. LCPR staff proposes making the same change to the similar provisions in Chapters 353 and 354 as part of the LCPR’s administrative and technical corrections bill.

### Sections 3 and 5: Vesting requirements for disability and survivor benefits

Sections 3 and 5 amend section 352.113, subdivision 1, and section 352.12, subdivision 2, respectively, to conform the vesting requirements for total and permanent disability benefits and survivor benefits to match changes made to vesting in the 2023 Pension Omnibus Budget bill. The number of years of service required for full vesting in a retirement annuity was reduced from 5 years to 3 years for members of the MSRS General Plan employed on or after July 1, 2023 ([Laws 2023, Ch. 45, Art. 3, Sec 2](#)).

The vesting period for total and permanent disability benefits and survivor benefits for the General Plan was not reduced in 2023. Sections 3 and 5 remove the vesting requirements from these provisions and replace the requirements with a reference to the vesting requirement for receiving a retirement annuity. In the future, if the vesting period for receiving a retirement annuity changes, the vesting period for disability benefits and survivor benefits will change automatically.

Related to the conforming changes mentioned above, section 5 also clarifies when a surviving spouse is permitted to start receiving annuity payments in the event an employee dies before qualifying for

retirement. An eligible surviving spouse can choose to start receiving an annuity before the deceased employee would have turned age 55 (the youngest age an employee can retire and receive an annuity) if the employee was an “active employee” (a current employee working in state service) at the time of death. This clarification is consistent with current MSRS administrative practice.

In addition, section 5 updates an obsolete cross-reference related to the computation of deferred annuities for the General Plan. The statute referred to, section 352.72, subdivision 2, was repealed in 2018. The obsolete reference is replaced by an updated statutory reference related to the computation of deferred annuities for the General Plan (section 352.22, subdivision 3a).

### **Sections 4, 7, and 8: Bounce- back annuity**

Sections 4, 7, and 8 amend section 352.12, subdivisions 1, 7, and 8, respectively, to replace an outdated term, “reversionary annuity,” with the term “bounce-back annuity.” The term “bounce-back annuity” refers to a situation where a member designates a joint and survivor annuity option to be paid to a beneficiary after the member’s death, but the member’s beneficiary dies before the member. In that instance, the member’s monthly benefit will increase, or “bounce back,” to the single-life annuity amount.

While reviewing this change, LCPR staff noticed that section 352.12, subdivision 1, provides for a refund but does not define what the refund is. We added language to provide that information.

### **Section 6: Dependent child survivor benefits**

Section 6 amends section 352.12, subdivision 2b, to specify that a dependent child is eligible for a survivor benefit only if the dependent child did not elect to receive a refund of the employee’s accumulated contributions plus interest. LCPR staff understand that MSRS has consistently interpreted the current statutory language to mean that the payment of a dependent child benefit is instead of a refund. This practice is consistent with other death benefits paid by MSRS.

### **Section 9: Medical evidence of disability under the Correctional Plan**

Section 9 amends section 352.95, subdivision 4, which governs disability benefits for the MSRS Correctional Plan. Section 9 updates a “shall” to a “may,” giving the executive director discretion to not require an independent medical exam for all disability applicants. Under current statute, all disability applicants are required to submit to an independent medical exam.

### **Effective Dates**

Sections 3 and 5 have a retroactive effective date of July 1, 2023, which matches the effective date of the change in vesting for retirement annuities under the 2023 Pension Omnibus Budget Bill. All other sections (1, 2, 4, 6, 7, 8, and 9) are effective the day following final enactment.