

HF3903 (Murphy); SF3808 (Rosen): MSRS Administrative Bill

Prepared by: Chad Burkitt, Analyst

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HF3903 (Murphy); SF3808 (Rosen) makes a number of administrative changes relating to the Minnesota State Retirement System (MSRS) and the general, correctional, State Patrol, and judges' retirement plans. The bill also makes one changes that applies to all statewide public retirement plans and one change that applies to all deferred compensation plans.

The changes in this bill do not substantively affect the amount of a benefit or eligibility for a benefit, and Commission staff is not aware of any opposition to the changes or significant policy concerns. However, several of the changes affect plan members in certain situations. For example, the bill repeals a right to repay a refund in three equal payments. The bill also establishes a new requirement for deferred compensation plans to file fee disclosure forms with the Legislative Commission on Pensions and Retirement (LCPR) at least annually. All of the changes are summarized in the section-by-section summary below.

Section-by-Section Summary

Sections 1, 10, and 15: Definition of dependent child.

Sections 1, 10, and 15 clarify that a dependent child does not include a child conceived through assisted reproduction if the child was not in gestation prior to the death of the plan member. This change is consistent with Minnesota Statutes, Chapter 524, the Uniform Probate Code. These sections also make minor technical changes to improve clarity.

Sections 2 - 5: Excess employer contributions.

Sections 2 through 5 clarify that excess employer contributions must be returned to the employer. The sections also make technical changes to fix inconsistent terminology referring to employers.

Sections 6, 9, and 12: Disability claim procedure.

Sections 6 clarifies that documents required to support a disability claim must be filed before an application for disability benefits will be processed. Current statute does not clearly state whether supporting documents must be included before an application can be processed. Current statute requires applicants to submit two medical reports and a written certification from the employer (see Minn. Stat. § 352.113, Subd. 4, Para. (b) and (e)). Sections 9 and 12 of the bill make conforming changes extending the changes in the application process to the State Patrol and correctional retirement plans.

Section 7: Podiatrists permitted to sign disability report.

Section 7 permits licensed podiatrists to sign the second of the two medical reports required to make a claim for disability benefits. Under current statute, the first report must be signed by a licensed physician and the second report must be signed by one of the following: physician, psychologist, chiropractor, physician assistant, or nurse practitioner.

A podiatrist is a medical specialist permitted to diagnose, perform surgery, and prescribe medication for foot and ankle ailments. Unlike a physician, a podiatrist is not required to be a doctor of medicine or doctor of osteopathy, but rather a doctor of podiatric medicine (see Minn. Stat. Ch. 153).

Sections 8 and 18: Repeal of partial repayment of refunds.

Section 18 repeals Minnesota Statutes, Section 356.44, which provides plan members in any of the statewide plans the option to repay a refund in up to three partial payments. Section 8 makes conforming changes. Without the option to pay in three partial payments, members wishing to repay a refund must repay in a single lump sum.

MSRS and the other statewide plans have expressed concern that the existing partial payment system is administratively burdensome and that partial repayments can be used in certain instances to obtain a windfall in the form an unreduced early retirement benefit without paying the entire refund. This may unfairly advantage some employees who take a break from public employment over employees who remained in public employment for their entire career.

Partial repayment of refunds was first enacted in 1994 under Minnesota Statutes, Section 356.306, and was recodified as Section 356.44 in 2002. The provision was added through a handwritten amendment and, as a result, we have no additional legislative history regarding the provision.

Section 11: Obsolete provision.

Section 11 removes from the list of covered employees in the State Patrol plan certain data processing managers who were hired by the Department of Public Safety during September 1987 or January 1988. This provision is obsolete because there are no longer any active employees covered by this provision.

Section 13 and 14: Deferred compensation plans; new filing requirement.

Sections 13 and 14 move to a new subdivision a description of deferred compensation plans (403(b) plans and 457(b) plans) that are permitted to receive public funds.

The new subdivision in section 14 makes two changes to current law. First, it requires deferred compensation plans to provide the fee disclosure document to the plan's participants and file the fee disclosure document with the LCPR annually. Current law requires deferred compensation plans to disclose fees in an easy to understand document, but does not specify who must receive the fee disclosure document. The filing requirement permits the LCPR to maintain data on fees charged by deferred compensation plans.

The second change contained in the new subdivision clarifies that deferred compensation plans may accept contributions funded by sick leave, vacation leave, and severance pay. Current law is ambiguous about whether sick and vacation leave had to be contributed to a separate plan. The new subdivision does not make any other substantive changes to existing law but does make a number of style and grammar changes.

Section 16: Judges' appropriation; conforming change.

Section 16 changes the date and manner that \$6,000,000 in direct aid is paid from the state's general fund to the judges' retirement fund. The date of payment is changed from October 1 to July 1 each year to conform with current practice and the language used in the last two biennial appropriation bills.

Section 17: Obsolete reference.

Section 17 fixes an obsolete reference to a subdivision that was repealed in 2014.

Legislative Commission on Pensions and Retirement

55 State Office Building
Phone: 651-296-2750

100 Rev. Dr. Martin Luther King Jr. Blvd.
TDD: 651-296-9896; Fax: 651-297-3697

St. Paul, MN 55155-1201
www.lcpr.leg.mn