



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Rachel Barth, Deputy Director
RE: H.F. xxxx (Whelan, by request); S.F. xxxx: MSRS-General; Service Credit Purchase for OLA Internship and Rule of 90 Eligibility
DATE: March 8, 2016

Summary of H.F. xxxx (Whelan, by request); S.F. xxxx (Revisor #15-3939)

H.F. xxxx (Whelan, by request); S.F. xxxx permits Susan Rumpca to purchase service credit from the General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS-General) for the four months she was an intern for the Office of the Legislative Auditor, a position that was not eligible for MSRS-General coverage. The bill requires Ms. Rumpca to pay the full actuarial value required under MN Stat. § 356.551. If Ms. Rumpca pays the required amount, her initial start date of MSRS-General coverage will move from August 1989 to March 1989, which will make her eligible for the Rule of 90 early normal retirement provision.

Public Pension Problem of Susan Rumpca

Susan Rumpca is 49-year-old employee of the Minnesota Management and Budget office and an active member of MSRS-General. Ms. Rumpca began her career as an intern for the Office of the Legislative Auditor from March 6, 1989, to June 6, 1989. During her time as an intern, Ms. Rumpca was not considered an employee of the State of Minnesota and therefore was not eligible for any public retirement plan coverage. On August 7, 1989, the Office of the Legislative Auditor hired Ms. Rumpca as a permanent employee with MSRS-General coverage. Ms. Rumpca is not currently eligible to retire under the Rule of 90, because only employees with MSRS membership start dates before July 1, 1989, are eligible. The Rule of 90 allows eligible public employees to retire early with full benefits when their years of service and age equal 90. Ms. Rumpca now wants to purchase service credit for the four-month period of her internship and gain Rule of 90 eligibility.

Policy Considerations

H.F. xxxx (Whelan, by request); S.F. xxxx raises the following pension and public policy issues:

1. No Evidence of Error. The proposed legislation provides Ms. Rumpca the opportunity to purchase service credit for a period of employment that was not eligible for MSRS coverage. Based on the facts provided by Ms. Rumpca, there is no evidence of an employer or MSRS error that resulted in Ms. Rumpca being excluded from MSRS coverage. Ms. Rumpca is also not alleging an employer or MSRS error. In 1989, Minn. Stat. § 352.01, subd. 2b, para. 21, 22, and 33, excluded short-term temporary employees, trainees, and student workers from MSRS-General coverage. Ms. Rumpca's four-month internship falls within those exclusions. Although the proposed legislation requires Ms. Rumpca to pay the full actuarial value to cover the additional liability MSRS will incur, there does not appear to

be an equitable consideration to support the purchase of service credit for a period of employment that was ineligible for MSRS coverage.

2. No Precedent for Similarly Situated Individual. Allowing Ms. Rumpca to purchase service credit in MSRS-General for an internship that was ineligible for retirement coverage would set a new precedent. There are two past examples of the Legislative Commission on Pensions and Retirement approving legislation that permitted an individual to purchase service credit for periods of employment that were ineligible for public pension plan coverage and therefore gain eligibility for the Rule of 90.
 - In 2013, special legislation passed that allowed an individual to purchase service credit for the period of time he was employed as a temporary employee, a position that was not eligible for MSRS retirement coverage. The individual eventually became a permanent employee in December 1990 and became eligible for MSRS retirement coverage. MSRS incorrectly used the temporary employment start date, June 19, 1989, as the MSRS membership start date and provided the individual with statements that indicated he was eligible for the Rule of 90.
 - In 2015, special legislation passed that allowed an individual to purchase service credit for the period of time she was a seasonal employee for the Department of Revenue. Seasonal employment was ineligible for MSRS retirement coverage at the time the individual rendered the service. However, 1997 legislation included Department of Revenue seasonal employees in MSRS-General after June 30, 1997, and permitted any such employees to purchase previously excluded employment. The individual did not make the authorized purchase at the time because the Department of Revenue apparently never informed her of the option.

Ms. Rumpca's situation differs from both cases because there is no evidence of an employer or MSRS error and her internship position with the Office of the Legislative Auditor was and still is excluded from MSRS coverage. Allowing Ms. Rumpca to purchase service credit for a period of employment ineligible for MSRS coverage and gain Rule of 90 eligibility without evidence of error would set a new precedent. Similarly situated individuals could also request special legislation to purchase service credit for employment that was not meant to be eligible for public retirement plan coverage in order to gain eligibility for the Rule of 90.