

**SF 2591 (Osmeck); HF 2964 (Hertaus):
MSRS General State Employees Retirement Plan;
Permitting the survivor of a deceased state employee to
purchase service credit to receive an annuity death benefit**

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Introduction

Affected Plan: The General State Employees Retirement Plan of the Minnesota State Retirement System (MSRS General Plan).

Brief Description: The bill establishes a new section in the 2021 session laws, which would permit an individual, Susan Morimoto, who is the surviving spouse of a deceased state employee, Henry Morimoto, to purchase service credit to receive an annuity death benefit from the MSRS General Plan.

Background

In December of 2020, Henry Morimoto died due to complications from COVID-19. At the time of his death, he was employed by the Minnesota Housing Finance Agency, was covered by the MSRS General Plan, and was credited with 4 years, 11 months of service credit in the plan. Because Henry Morimoto was one month short of the 5 years required to be vested in the MSRS General Plan, his surviving spouse, Susan Morimoto, is not eligible to receive an annuity death benefit (paid monthly for life) from the MSRS General Plan.

MSRS death benefits.

Current law provides that when an active member of the MSRS General Plan dies, if the member is not vested, the member's surviving spouse or beneficiary is entitled a refund of the employee's contributions to the MSRS General Plan.¹ However, if the deceased employee is vested (has five or more years of service credit), then the member's surviving spouse is entitled to a lifetime annuity in lieu of the refund.² The annuity is equal to the pension benefit earned by the employee as if the employee had selected a 100% joint and survivor optional annuity, reduced for early retirement (if applicable), and payable immediately regardless of age or payable at a later date as determined by the surviving spouse.

¹ Minnesota Statutes, section 352.12, subdivision 1.

² Minnesota Statutes, section 352.12, subdivision 2.

In lieu of the lifetime annuity or refund of employee contributions, a surviving spouse may elect an annuity paid for a term of 10, 15, or 20 years.

In the case of Henry Morimoto, because he was not vested at the time of his death, Susan Morimoto is not eligible to receive a lifetime annuity benefit or a fixed term annuity benefit but is entitled to receive a refund of Henry's contributions to the MSRS General Plan.

According to MSRS, the current value of a refund of Henry's contributions is more than \$23,800. Compare that to the lifetime annuity amount that Susan Morimoto would be entitled to if Henry had been credited with one additional month of service: \$310 per month presently valued at \$48,088. The present value of the annuity benefit is more than two times the value of a refund of Henry's employee contributions.

SF 2591 / HF 2964 would permit Susan Morimoto to purchase one month of service credit on behalf of Henry. Upon the purchase of the month of service credit, Susan Morimoto would be entitled to an annuity benefit as described above.

Summary of the Bill

SF 2591 / HF 2964 is a single uncodified section that would appear in the 2021 session laws. The section is further divided into five subdivisions as follows:

Subdivision 1

Subdivision 1 contains the defined terms used in the bill.

Subdivision 2

Subdivision 2 authorizes the surviving spouse of an "eligible person" to purchase sufficient service credit for the eligible person to become vested in the MSRS General Plan.

Subdivision 3

Subdivision 3 defines an eligible person so that the term applies to Henry Morimoto. It is possible but unlikely that the term could apply to another similarly situated person.

Subdivision 4

Subdivision 4 sets forth the method that the MSRS executive director is to use to determine the amount to be paid for the purchase for the one month of service credit. The purchase amount is the employee and employer contribution for 1 month. The purchase amount places both MSRS and Susan Morimoto in the financial position relative to each other that they would have been in if Henry had started employment one month earlier. Susan Morimoto must pay the amount within 1 year of the effective date of the bill.

Subdivision 5

Subdivision 5 provides that Susan Morimoto as the surviving spouse of Henry Morimoto is entitled to an annuity benefit under MSRS's death benefit statutes upon payment to MSRS of the amount described in subdivision 4. Susan Morimoto is also permitted to select an annuity start date as early as January 1, 2021.

Effective date

This section is effective the day following final enactment.

Legislative Commission on Pensions and Retirement

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