



SF xxxx; HF 1889 (O’Driscoll): Minnesota State Retirement System 2025 Administrative Bill

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Introduction

Affected Plans: Sections 1 and 2 apply to the Minnesota State Retirement System General State Employees Retirement Plan (MSRS General Plan) and Correctional State Employees Retirement Plan (MSRS Correctional Plan)

Section 3 applies to the pension and retirement plans administered by the following:

- MSRS
- Public Employees Retirement Association (PERA)
- Teachers Retirement Association (TRA)
- St. Paul Teachers Retirement Fund Association (SPTRFA)

Laws Amended: Minnesota Statutes, Sections 352.22 and 356.636

General Summary

SFxxxx/[HF1889](#) makes the following changes to current statutes:

- The bill revises Section 352.22, which authorizes members who leave employment before reaching retirement age to take a refund of their employee contributions or leave the employee contributions in the fund and be entitled to a deferred retirement annuity. The current statute needs to be updated for changes to the vesting requirements made in the 2023 Pension Omnibus Budget bill and insert missing references to the Correctional Plan.
- The bill revises the annual reporting requirement in Section 356.636, which authorizes the executive directors of the pension funds to correct errors that occur in the operation of a pension or retirement plan. The reporting requirement would exempt from having to be included in the annual report (i) errors committed in the “ordinary course of business” and (ii) correction already authorized by statute. The annual reporting requirement is a new requirement included in the 2024 Pension and Retirement Policy and Supplemental Budget Bill.

Section- by- Section Summary

Section 1: Incorporating the MSRS Correctional Plan into the statute authorizing repayment of a refund

Section 1 amends Section 352.22, subdivision 2b, to add a reference to the MSRS Correctional Plan so that a person who receives a refund from that plan may repay the refund. This section governs both the MSRS General Plan and MSRS Correctional Plan but failed to include the necessary reference to the MSRS Correctional Plan.

There is not a similar need to include a reference to the third pension plan administered by MSRS, the State Patrol Retirement Plan. Chapter 352B, which governs the State Patrol Plan, includes a statute, Section 352B.11, subdivision 4, that is similar to Section 352.22, and permits repayment of refunds. Nothing in Sections 352.90 to 352.955, which are the sections in Chapter 352 that specifically apply to the MSRS Correctional Plan, address the repayment of refunds, even though MSRS permits repayment of refunds. Section 1 of the bill will bring the statute into conformity with plan operation.

Section 2: Updating vesting language and incorporating the MSRS Correctional Plan into the statute authorizing deferred annuities

Section 2 amends Section 352.22, subdivision 3, which provides that members who leave employment with the years of service required to have a vested benefit and before reaching retirement age are entitled to a deferred annuity. The changes are as follows:

1. References to specific years of service for satisfying vesting requirements applicable only to the MSRS General Plan, in paragraph (a) are deleted; and
2. Two clauses are added clarifying that (1) a member of the MSRS General Plan is entitled to a deferred benefit if the member satisfies the vesting requirements in Section 352.115, subdivision 1; and (2) a member of the MSRS Correctional Plan is entitled to a deferred benefit if the member satisfies the vesting requirements in Section 352.925. Section 352.115, subdivision 1, governs vesting in a retirement annuity from the MSRS General Plan; Section 352.925 governs vesting in a retirement annuity from the MSRS Correctional Plan.

In the 2023 Pension Omnibus Budget bill, the number of years of service required for full vesting in a retirement annuity was reduced from five years to three years for members of the General Plan employed on or after July 1, 2023 ([Laws 2023, Ch. 45, Art. 3, Sec 2](#)). When this years-of-service requirement for vesting was reduced for members of the MSRS General Plan in Section 352.115, the corresponding vesting requirement for a deferred annuity in Section 352.22, subdivision 3, was missed.

Minnesota Statutes, Section 352.925 describes the years of service required for vesting in a retirement annuity for members of the MSRS Correctional Plan. Specifically, members of the MSRS Correctional Plan who first became a member before July 1, 2010, become vested after three years of service. Members who first became a member after July 30, 2010, become 50% vested after five years of service, and the percent vested increases 10% each year thereafter.

Section 2 updates Section 352.22, subdivision 3, by clarifying that an employee is entitled to a deferred retirement annuity if the employee (1) is a member of the MSRS General Plan and satisfies the allowable service requirement under Section 352.115, subdivision 1, applicable to the employee; or (2) is a member of the MSRS Correctional Plan and satisfies the allowable service requirement under Section 352.925 applicable to the employee.

Section 3: Exempting errors committed in the ordinary course of business from having to be included in the annual report of plan operational errors

Section 3 amends Section 356.636, subdivision 3, which requires the executive director of each pension fund to submit an annual report to the Commission that describes any operational, demographic, eligibility, or plan document errors corrected during the prior calendar year. Section 3 revises this reporting requirement by stating that the annual report does not need to include:

- errors corrected in the ordinary course of business, and
- correction authorized by current law.

Section 3 adds a new paragraph that defines an error corrected in the ordinary course of business as “*a correction or cancellation of an overpayment or an adjustment of an ongoing annuity amount.*”

Several statutes in the chapters governing the pension and retirement plans authorize correction of errors. For example, Section 356.401, subdivision 2, states that if an overpayment of benefits is paid after the death of the annuitant or benefit recipient, the executive director of the pension plan is authorized (i) to issue an administrative subpoena requiring the applicable financial institution to obtain information about joint owners of the account and the payments made after the death of the annuitant or benefit recipient and (ii) to collect the overpayment.

Considerations

This is the first year (2025) the executive directors are required to file the annual report. Therefore, for the Commission to understand what types of errors are being made, including in the ordinary course of business, it may be helpful for the Commission to receive annual reports for a few years before making a decision on whether to change the reporting requirement and exempt errors “corrected in the ordinary course of business.” Alternatively, it may be helpful to the Commission to receive more information from the pension fund directors on the types and frequency of errors corrected in the ordinary course.

Effective Dates

Sections 1 and 2 are effective retroactively from July 1, 2023.

Section 3 is effective the day following final enactment.