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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 2690

01/31/2022 Authored by Lueck and Dettmer The bill was read for the first time and referred to the Committee on State Government Finance and Elections

1.1 A bill for an act
1.2 relating to retirement; Minnesota State Retirement System; adding a right to
1.3 purchase service credit for periods of military service beyond the federally protected
1.4 right; amending Minnesota Statutes 2020, sections 352.27; 352B.086; 356.551,
1.5 subdivision 2; proposing coding for new law in Minnesota Statutes, chapters 352;
1.6 352B.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2020, section 352.27, is amended to read:

1.9 352.27 FEDERALLY PROTECTED PURCHASE OF SERVICE CREDIT FOR
1.10 ~~BREAK IN SERVICE TO PROVIDE UNIFORMED~~ PERIODS OF MILITARY
1.11 SERVICE.

1.12 (a) An employee who is absent from employment by reason of service in the uniformed
1.13 services, as defined in United States Code, title 38, section 4303(13), and who returns to
1.14 state service upon discharge from service in the uniformed service within the time frames
1.15 required in United States Code, title 38, section 4312(e), may obtain service credit for the
1.16 period of the uniformed service as further specified in this section, provided that the employee
1.17 did not separate from uniformed service with a dishonorable or bad conduct discharge or
1.18 under other than honorable conditions.

1.19 (b) The employee may obtain credit by paying into the fund an equivalent employee
1.20 contribution based upon the contribution rate or rates in effect at the time that the uniformed
1.21 service was performed multiplied by the full and fractional years being purchased and
1.22 applied to the annual salary rate. The annual salary rate is the average annual salary during
1.23 the purchase period that the employee would have received if the employee had continued
1.24 to be employed in covered employment rather than to provide having performed uniformed

2.1 service, or, if the determination of that rate is not reasonably certain, the annual salary rate
 2.2 is the employee's average salary rate during the 12-month period of covered employment
 2.3 rendered immediately preceding the period of the uniformed service.

2.4 (c) The equivalent employer contribution and, if applicable, the equivalent additional
 2.5 employer contribution provided in this chapter must be paid by the department employing
 2.6 the employee from funds available to the department at the time and in the manner provided
 2.7 in this chapter, using the employer and additional employer contribution rate or rates in
 2.8 effect at the time that the uniformed service was performed, applied to the same annual
 2.9 salary rate or rates used to compute the equivalent employee contribution.

2.10 (d) If the employee equivalent contributions provided in this section are not paid in full,
 2.11 the employee's allowable service credit must be prorated by multiplying the full and fractional
 2.12 number of years of uniformed service eligible for purchase by the ratio obtained by dividing
 2.13 the total employee contribution received by the total employee contribution otherwise
 2.14 required under this section.

2.15 (e) To receive service credit under this section, the equivalent employee contributions
 2.16 specified in ~~this section~~ paragraph (b) must be transmitted to the Minnesota State Retirement
 2.17 System during the period which begins with the date on which the individual returns to state
 2.18 service and which has a duration of three times the length of the uniformed service period,
 2.19 but not to exceed five years. If the determined payment period is less than ~~one year~~ three
 2.20 years, the contributions required under ~~this section~~ paragraph (b) to receive service credit
 2.21 ~~may~~ must be made within ~~one year~~ three years of the discharge date.

2.22 (f) The amount of service credit obtainable under this section may not exceed five years
 2.23 unless a longer purchase period is required under United States Code, title 38, section 4312.

2.24 (g) The employing unit shall pay interest on all equivalent employee and employer
 2.25 contribution amounts payable under this section. Interest must be at the applicable annual
 2.26 rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end
 2.27 of each fiscal year of the leave or the break in service to the end of the month in which the
 2.28 payment is received.

2.29 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.30 **Sec. 2. [352.272] STATE-AUTHORIZED PURCHASE OF SERVICE CREDIT FOR**
 2.31 **PERIODS OF MILITARY SERVICE.**

2.32 **Subdivision 1. Service credit purchase authorized.** (a) Unless prohibited under
 2.33 paragraph (b), an employee is eligible to purchase service credit, not to exceed five

3.1 cumulative years of service credit, for one or more periods of service in the uniformed
3.2 services, as defined in United States Code, title 38, section 4303(13), if:

3.3 (1) the employee has at least three years of service credit with the general state employees
3.4 retirement plan or the correctional state employees retirement plan under this chapter;

3.5 (2) the duration of the employee's current period of employment is at least six months;
3.6 and

3.7 (3) one of the following applies:

3.8 (i) the employee's service in the uniformed services occurred before becoming a state
3.9 employee as defined in section 352.01, subdivision 2; or

3.10 (ii) the employee did not obtain service credit for a period of military service under
3.11 section 352.27.

3.12 (b) A service credit purchase is prohibited if:

3.13 (1) the employee separated from uniformed service with a dishonorable or bad conduct
3.14 discharge or under other than honorable conditions; or

3.15 (2) the employee has purchased or otherwise received service credit from any Minnesota
3.16 public employee pension plan for the same period of service in the uniformed services.

3.17 (c) When purchasing a period of service, if the period of service in the uniformed services
3.18 is one year or less, then the employee must purchase the full period of service. If the period
3.19 of service in the uniformed services is longer than one year, the employee may purchase
3.20 the full period, not to exceed five cumulative years, or may purchase a portion of the period
3.21 of service. If the employee purchases a portion of the period of service in the uniformed
3.22 services, the portion must:

3.23 (1) not be less than one year; and

3.24 (2) be in increments of six months of service.

3.25 Subd. 2. **Application and documentation.** To purchase service credit under subdivision
3.26 1, an employee must apply to the executive director to make the purchase. The application
3.27 must include all necessary documentation of the employee's qualifications to make the
3.28 purchase, signed written permission to allow the executive director to request and receive
3.29 necessary verification of applicable facts and eligibility requirements, and any other relevant
3.30 information that the executive director may require. The employee must submit with the
3.31 application payment of the administrative fee in the amount of \$250 to cover the costs of
3.32 calculating the purchase payment amount under section 356.551. If the employee proceeds

4.1 with the purchase, the administrative fee will be credited toward the purchase payment
 4.2 amount.

4.3 Subd. 3. **Purchase payment amount; service credit grant.** (a) The purchase payment
 4.4 amount is the amount determined under section 356.551 for the period or periods of service
 4.5 requested, except that, for purposes of calculating the purchase payment amount to purchase
 4.6 service credit for service in the uniformed services that occurred before becoming a state
 4.7 employee or between periods of employment as a state employee, section 356.551,
 4.8 subdivision 2, paragraph (c), does not apply.

4.9 (b) Service credit must be granted by the applicable plan to the purchasing employee
 4.10 upon the executive director's receipt of the purchase payment amount. The service credit
 4.11 purchased under this section may not be used for the purpose of determining a disability
 4.12 benefit under section 352.113 or 352.95.

4.13 (c) Payment must be made before the effective date of the employee's retirement.

4.14 **EFFECTIVE DATE.** This section is effective the day following final enactment.

4.15 Sec. 3. Minnesota Statutes 2020, section 352B.086, is amended to read:

4.16 **352B.086 FEDERALLY PROTECTED PURCHASE OF SERVICE CREDIT FOR**
 4.17 **UNIFORMED PERIODS OF MILITARY SERVICE.**

4.18 (a) A member who is absent from employment by reason of service in the uniformed
 4.19 services, as defined in United States Code, title 38, section 4303(13), and who returns to
 4.20 state employment in a position covered by the plan upon discharge from service in the
 4.21 uniformed services within the time frame required in United States Code, title 38, section
 4.22 4312(e), may obtain service credit for the period of the uniformed service, provided that
 4.23 the member did not separate from uniformed service with a dishonorable or bad conduct
 4.24 discharge or under other than honorable conditions.

4.25 (b) The member may obtain credit by paying into the fund an equivalent member
 4.26 contribution based on the member contribution rate or rates in effect at the time that the
 4.27 uniformed service was performed multiplied by the full and fractional years being purchased
 4.28 and applied to the annual salary rate. The annual salary rate is the average annual salary
 4.29 during the purchase period that the member would have received if the member had continued
 4.30 to provide employment services to the state rather than to provide uniformed service, or if
 4.31 the determination of that rate is not reasonably certain, the annual salary rate is the member's
 4.32 average salary rate during the 12-month period of covered employment rendered immediately
 4.33 preceding the purchase period.

5.1 (c) The equivalent employer contribution and, if applicable, the equivalent employer
 5.2 additional contribution, must be paid by the employing unit, using the employer and employer
 5.3 additional contribution rate or rates in effect at the time that the uniformed service was
 5.4 performed, applied to the same annual salary rate or rates used to compute the equivalent
 5.5 member contribution.

5.6 (d) If the member equivalent contributions provided for in this section are not paid in
 5.7 full, the member's allowable service credit must be prorated by multiplying the full and
 5.8 fractional number of years of uniformed service eligible for purchase by the ratio obtained
 5.9 by dividing the total member contributions received by the total member contributions
 5.10 otherwise required under this section.

5.11 (e) To receive allowable service credit under this section, the equivalent member
 5.12 contributions specified in ~~this section~~ paragraph (b) must be transmitted to the fund during
 5.13 the period which begins with the date on which the individual returns to state employment
 5.14 covered by the plan and which has a duration of three times the length of the uniformed
 5.15 service period, but not to exceed five years. If the determined payment period is calculated
 5.16 to be less than ~~one year~~ three years, the contributions required under ~~this section~~ paragraph
 5.17 (b) to receive service credit must be transmitted to the fund within ~~one year~~ three years from
 5.18 the discharge date.

5.19 (f) The amount of allowable service credit obtainable under this section may not exceed
 5.20 five years, unless a longer purchase period is required under United States Code, title 38,
 5.21 section 4312.

5.22 (g) The employing unit shall pay interest on all equivalent member and employer
 5.23 contribution amounts payable under this section. Interest must be computed at the applicable
 5.24 annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from
 5.25 the end of each fiscal year of the leave or break in service to the end of the month in which
 5.26 payment is received.

5.27 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.28 **Sec. 4. [352B.087] STATE-AUTHORIZED PURCHASE OF SERVICE CREDIT**
 5.29 **FOR PERIODS OF MILITARY SERVICE.**

5.30 **Subdivision 1. Service credit purchase authorized.** (a) Unless prohibited under
 5.31 paragraph (b), a member is eligible to purchase service credit, not to exceed five cumulative
 5.32 years of service credit, for one or more periods of service in the uniformed services, as
 5.33 defined in United States Code, title 38, section 4303(13), if:

6.1 (1) the member has at least three years of service credit with the plan;

6.2 (2) the duration of the member's current period of employment is at least six months;

6.3 and

6.4 (3) one of the following applies:

6.5 (i) the member's service in the uniformed services occurred before employment in a
6.6 position covered by the plan; or

6.7 (ii) the member did not obtain service credit for a period of military service under section
6.8 352B.086.

6.9 (b) A service credit purchase is prohibited if:

6.10 (1) the member separated from uniformed service with a dishonorable or bad conduct
6.11 discharge or under other than honorable conditions; or

6.12 (2) the member has purchased or otherwise received service credit from any Minnesota
6.13 public employee pension plan for the same period of service in the uniformed services.

6.14 (c) When purchasing a period of service, if the period of service in the uniformed services
6.15 is one year or less, then the member must purchase the full period of service. If the period
6.16 of service in the uniformed services is longer than one year, the member may purchase the
6.17 full period, not to exceed five cumulative years, or may purchase a portion of the period of
6.18 service. If the member purchases a portion of the period of service in the uniformed services,
6.19 the portion must:

6.20 (1) not be less than one year; and

6.21 (2) be in increments of six months of service.

6.22 Subd. 2. **Application and documentation.** To purchase service credit under subdivision
6.23 1, a member must apply to the executive director to make the purchase. The application
6.24 must include all necessary documentation of the member's qualifications to make the
6.25 purchase, signed written permission to allow the executive director to request and receive
6.26 necessary verification of applicable facts and eligibility requirements, and any other relevant
6.27 information that the executive director may require. The member must submit with the
6.28 application payment of the administrative fee in the amount of \$250 to cover the costs of
6.29 calculating the purchase payment amount under section 356.551. If the member proceeds
6.30 with the purchase, the administrative fee will be credited toward the purchase payment
6.31 amount.

7.1 Subd. 3. **Purchase payment amount; service credit grant.** (a) The purchase payment
 7.2 amount is the amount determined under section 356.551 for the period or periods of service
 7.3 requested, except that, for purposes of calculating the purchase payment amount to purchase
 7.4 service credit for service in the uniformed services that occurred before employment in a
 7.5 position covered by the plan or between periods of employment in a position covered by
 7.6 the plan, section 356.551, subdivision 2, paragraph (c), does not apply.

7.7 (b) Service credit must be granted by the plan to the purchasing member upon the
 7.8 executive director's receipt of the purchase payment amount. The service credit purchased
 7.9 under this section may not be used for the purpose of determining a disability benefit under
 7.10 section 352B.10.

7.11 (c) Payment must be made before the effective date of the member's retirement.

7.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.13 Sec. 5. Minnesota Statutes 2020, section 356.551, subdivision 2, is amended to read:

7.14 **Subd. 2. Determination.** (a) Unless the minimum purchase amount set forth in paragraph
 7.15 (c) applies, the prior service credit purchase amount is an amount equal to the actuarial
 7.16 present value, on the date of payment, as calculated by the chief administrative officer of
 7.17 the pension plan and reviewed by the actuary retained under section 356.214, of the amount
 7.18 of the additional retirement annuity obtained by the acquisition of the additional service
 7.19 credit in this section.

7.20 (b) Calculation of this amount must be made using the investment return assumption
 7.21 applicable to the public pension plan specified in section 356.215, subdivision 8, and the
 7.22 mortality table adopted for the public pension plan.

7.23 (1) Unless clause (2) applies, the calculation must assume continuous future service in
 7.24 the public pension plan until, and retirement at, the age at which the minimum requirements
 7.25 of the fund for normal retirement or retirement with an annuity unreduced for retirement at
 7.26 an early age, including section 356.30, are met with the additional service credit purchased.
 7.27 The calculation must also assume a full-time equivalent salary, or actual salary, whichever
 7.28 is greater, and a future salary history that includes annual salary increases at the applicable
 7.29 salary increase rate for the plan specified in section 356.215, subdivision 8.

7.30 (2) This clause applies when the calculation is being done for purposes of section
 7.31 352.272, 352B.087, or 353.0141, subdivision 3. The calculation must include continuous
 7.32 future service in the public pension plan until, and retirement at, any age at or after which
 7.33 the minimum requirements of the fund for early retirement or retirement with an annuity

8.1 un-reduced for retirement at an early age, including section 356.30, are met with the additional
8.2 service credit purchased. The calculation must be determined using the retirement age that
8.3 provides the most valuable benefit to the member. The calculation must also assume a
8.4 full-time equivalent salary, or actual salary, whichever is greater, and a future salary history
8.5 that includes annual salary increases at the applicable salary increase rate for the plan
8.6 specified in section 356.215, subdivision 8.

8.7 (c) The prior service credit purchase amount may not be less than the amount determined
8.8 by applying, for each year or fraction of a year being purchased, the sum of the employee
8.9 contribution rate, the employer contribution rate, and the additional employer contribution
8.10 rate, if any, applicable during that period, to the person's annual salary during that period,
8.11 or fractional portion of a year's salary, if applicable, plus interest at the applicable annual
8.12 rate or rates specified in section 356.59, subdivision 2, 3, 4, or 5, whichever applies,
8.13 compounded annually, from the end of the year in which contributions would otherwise
8.14 have been made to the date on which the payment is received.

8.15 (d) Unless otherwise provided by statutes governing a specific plan, payment must be
8.16 made in one lump sum within one year of the prior service credit authorization or prior to
8.17 the member's effective date of retirement, whichever is earlier. Payment of the amount
8.18 calculated under this section must be made by the applicable eligible person.

8.19 (e) However, the current employer or the prior employer may, at its discretion, pay all
8.20 or any portion of the payment amount that exceeds an amount equal to the employee
8.21 contribution rates in effect during the period or periods of prior service applied to the actual
8.22 salary rates in effect during the period or periods of prior service, plus interest at the
8.23 applicable annual rate or rates specified in section 356.59, subdivision 2, 3, 4, or 5, whichever
8.24 applies, compounded annually, from the date on which the contributions would otherwise
8.25 have been made to the date on which the payment is made. If the employer agrees to
8.26 payments under this subdivision, the purchaser must make the employee payments required
8.27 under this subdivision within 90 days of the prior service credit authorization. If that
8.28 employee payment is made, the employer payment under this subdivision must be remitted
8.29 to the chief administrative officer of the public pension plan within 60 days of receipt by
8.30 the chief administrative officer of the employee payments specified under this subdivision.

8.31 **EFFECTIVE DATE.** This section is effective the day following final enactment.