

Background Information on Historical Development of the MSRS Privatization Chapter Minnesota Statutes, Chapter 352F

In 1996-1997, the University of Minnesota Hospitals and Clinics merged with Fairview Hospital and Healthcare Services. That caused a retirement coverage transfer for the employees of the former University of Minnesota Hospitals and Clinics from the General State Employees Retirement Plan of Minnesota State Retirement System (MSRS-General) to the Fairview Hospital pension plan. The plan coverage transfer occurred because the privatization shifted these employees from the public sector to the private sector and prematurely ended their MSRS-General coverage.

That premature termination from active member MSRS-General coverage produced an additional turnover gain for MSRS-General, beyond that predicted by the plan's withdrawal actuarial assumption, by releasing more actuarial accrued liability than the value of an augmented deferred retirement annuity or a refund of past member contributions and interest. Most of that turnover gain was eliminated by the increased benefit coverage rights in MSRS-General provided to these transferred employees under MSRS privatization legislation enacted in 1996.

Minnesota Statutes, Chapter 352F, As Enacted in 1996

The MSRS privatization chapter provisions passed as Laws 1996, Chapter 460, Article 1, and contained the following provisions:

1. Section 352F.01, Purpose and Intent Section. This chapter addresses the needs of MSRS-General covered employees who are terminated from that plan due to the privatization of their employing unit.
2. Section 352F.02, Definitions. This section defines important terms and the employers and employees who are to be covered under this chapter, including:
 - a. Effective Date. The treatment provided under this chapter begins on the "effective date," defined as the date the hospital employees transfer employment to Fairview under a definitive integration agreement between the University of Minnesota and Fairview, a nonprofit corporation.
 - b. Fairview. "Fairview" means Fairview Hospital and Healthcare Services, a Minnesota nonprofit corporation, and its successors.
 - c. University of Minnesota. "University of Minnesota" means University of Minnesota Hospitals and Clinics, the hospitals and clinics operated by the Regents of the University of Minnesota.
 - d. Eligible Employees: "Terminated Hospital Employee." "Terminated hospital employee" defines the employees of the privatized employing unit who are to receive the prescribed treatment. Eligible employees are those who were employees of the University of Minnesota and active MSRS-General members immediately prior to the covered privatization.
3. Enhanced Benefits. Certain benefits beyond those authorized for MSRS terminated employees are extended to privatized employees who are included under the chapter. These enhanced benefits are:
 - a. Section 352F.03, Waiver of Vesting Requirements. The normal vesting period is waived, so any privatized employee would be entitled to eventually receive an annuity, notwithstanding the vesting requirement in MSRS general law at that time, which required three years of service to vest.
 - b. Section 352F.04, Increased Deferred Annuity Augmentation Rate. For the period between the date of privatization and the date of eventual retirement, the terminated hospital employee's deferred MSRS retirement annuity will increase at the rate of 5.5% rather than 3% until January 1 of the year in which the individual turns age 55 and at the rate of 7.5% rather than 5% thereafter until retirement. However, some restrictions apply:
 - these rates are no longer applicable for any time after the terminated hospital employee again becomes covered by any plan included in the combined service annuity provision; and
 - these rates do not apply if the individual begins receipt of an MSRS retirement annuity while remaining employed with Fairview.
 - c. Section 352F.05, Rule of 90 Eligibility with Post-Privatization Service. For purposes of qualifying for the Rule of 90 (combination of age and total service credit totals at least 90), a terminated hospital employee will be able to count future privatized service with Fairview for eligibility purposes, but not for benefit computation purposes.

4. Application, Interpretation of MSRS-General Law. The chapter included a few sections clarifying how certain provisions of MSRS-General law apply to privatized employees, as follows:
 - a. Section 352F.06, Application of Reemployed Annuitant Earnings Limitations. For purposes of MSRS law, Fairview will be treated as an MSRS employing unit for purposes of application of MSRS's reemployed annuitant earnings limitation provision. (If the eligible person leaves service with Fairview and commences receipt of an MSRS annuity, and the employee becomes reemployed with Fairview, MSRS's reemployed annuitant earnings limitation provision will apply.)
 - b. Section 352F.07, Application of Refund Provision. In lieu of an eventual MSRS annuity, a terminated hospital employee may take a refund (with 6% interest) any time after beginning employment with Fairview. The refund may not be repaid unless the person again begins MSRS-covered employment or employment covered by any other plan included under the combined service annuity provision.
5. Section 352F.08, Counseling Services. MSRS and Fairview must provide counseling services to eligible employees regarding MSRS benefit provisions.

Later Revisions of Minnesota Statutes, Chapter 352F

The following is a description of the changes that have occurred in the MSRS privatization chapter since its 1996 enactment.

1. 1997 Revisions. Employees of the University of Minnesota Academic Health Center were added to the MSRS privatization chapter, by modifying several sections as indicated below.
 - a. Section 352F.02, Definitions. A few existing definitions were revised and a few new ones were added.
 - The definition of "effective date" was revised to include the date that the terminated academic health center employees are transferred to the University of Minnesota Physicians or University Affiliated Family Physicians, whichever is applicable.
 - The "terminated hospital employee" definition was revised to include academic health center employees are transferred to the University of Minnesota Physicians or University Affiliated Family Physicians.
 - A new definition of "Academic Health Center" was added, meaning the seven professional schools in health care related disciplines at the University of Minnesota.
 - A "University of Minnesota Physicians" definition was added, meaning the multispecialty seven professional schools in health care related disciplines at the University of Minnesota.
 - A "University Affiliated Family Physicians" definition was added, meaning the private practice group of the Department of Family Practice in the University's medical school.

(Laws 1997, Ch. 241, Art. 7, Sec. 1-5)
 - b. Section 352F.03, Waiver of Vesting Requirements. The vesting waiver provision was revised to include academic health center employees. (Laws 1997, Ch. 241, Art. 7, Sec. 6)
 - c. Section 352F.04, Increased Deferred Annuity Augmentation Rate. The enhanced deferred annuity augmentation rate provision was revised to include academic health center employees. (Laws 1997, Ch. 241, Art. 7, Sec. 7)
 - d. Section 352F.05, Rule of 90 Eligibility with Post-Privatization Service. The Rule of 90 eligibility provision was revised to include service provided to University of Minnesota Physicians and University Affiliated Family Physicians. (Laws 1997, Ch. 241, Art. 7, Sec. 8)
 - e. Section 352F.06, Reemployed Annuitant Earnings Limitations Provision. The reemployed annuitant earnings limitation provision was revised to include reemployment with the University of Minnesota Physicians and University Affiliated Family Physicians. (Laws 1997, Ch. 241, Art. 7, Sec. 9)
 - f. Section 352F.07, Refund Provision. The refund provision was revised to include the University of Minnesota Physicians and University Affiliated Family Physicians. (Laws 1997, Ch. 241, Art. 7, Sec. 10)
 - g. Section 352F.08, Counseling Provision. The counseling provision was revised to include the University of Minnesota Physicians and University Affiliated Family Physicians. (Laws 1997, Ch. 241, Art. 7, Sec. 11)

2. 2001 Revision; New Section 352F.051, Continuation of Disability Coverage. A terminated hospital employee who suffers total and permanent disability can apply for MSRS-General disability benefits if the person had a medically documented preexisting condition prior to the privatization. The disability benefit will augment from the MSRS-General coverage termination date due to the privatization until the accrual date of the disability benefit. (1st Spec. Sess. Laws 2001, Ch. 10, Art. 9, Sec. 1)
3. 2004 Revision; New Section 352F.052, Application of Surviving Spouse, Dependent Child Coverage. The provisions in MSRS-General covering annuities and refunds applicable to surviving spouses and dependent children (Minn. Stat. Sec. 352.12) apply to the survivors of a terminated hospital employee. (Laws 2004, Ch. 267, Art. 9, Sec. 15)
4. 2006 Revisions; Revised Section 352F.04, MSRS Privatization Deferred Annuities Augmentation Provision. (Laws 2006, Chapter 271, Art. 5, Sec. 1)
 - New Privatizations Reduced Deferred Augmentation Rates. For any privatizations occurring after June 2, 2006, the deferred annuity augmentation rate will be 4.0% (rather than 5.5%) through the year in which the individual attains age 55, and 6.0% (rather than 7.5%) thereafter until retirement.
 - Drafting Revision. The section was divided into subdivisions, one dealing with enhanced augmentation and the other covering exceptions.
 - Possible Revision in Treatment for Those Who Again Become Active Employees Covered by MSRS or Another Combined Service Annuity Plan. Under the revision, the enhanced augmentation rates do not apply if the terminated hospital employee becomes an active member of any combined service annuity plan, rather the enhanced augmentation rates are no longer applicable for any time after the terminated hospital employee becomes an active member of any combined service annuity plan.
5. 2010 Revision; Section 352F.07, Refund. The refund interest rate provision was revised to pay interest at whatever rate is stated in the MSRS refund provision, Minnesota Statutes, Section 352.22, Subdivision 2. Because the MSRS refund provision was revised in Laws 2010, Chapter 359, Article 1, Section 5, to reduce the MSRS refund interest rate from 6% to 4% after June 30, 2011, the effect of the revision is to also reduce the rate under the privatization provision from 6% to 4%. (Laws 2010, Ch. 359, Art. 1, Sec. 22)