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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 1152

03/04/2013 Authored by Murphy, M.,

The bill was read for the first time and referred to the Committee on Government Operations

04/11/2013 Adoption of Report: Pass as Amended and re-referred to the Committee on Rules and Legislative Administration

04/24/2013 Adoption of Report: Pass and re-referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to retirement; modifying various retirement plans; redefining salary
1.3 for benefit and contribution purposes; increasing member and employer
1.4 contributions; increasing vesting to ten years for new hires; capping allowable
1.5 service for computing annuities; modifying the trigger for increasing or lowering
1.6 annual postretirement adjustments for all plans; modifying duty disability
1.7 definitions and clarifying disability application requirements for the public
1.8 employees police and fire and local government correctional plan; increasing the
1.9 reduction for early retirement; clarifying survivor benefit provisions; delaying
1.10 the first annual postretirement adjustment for the public employees police
1.11 and fire retirement plan; increasing the normal retirement age for new judges;
1.12 permitting existing judges to elect to be treated as a new judge for benefit and
1.13 contribution purposes; mandating certain dues and other payment deductions
1.14 by MSRS and PERA; modifying the Teachers Retirement Association level
1.15 benefit tier early retirement reduction factors; increasing member and employer
1.16 contributions to the Duluth Teachers Retirement Fund Association and the St.
1.17 Paul Teachers Retirement Fund Association; increasing direct state aid to the
1.18 DTRFA and to the SPTRFA; increasing the DTRFA and SPTRFA benefit accrual
1.19 rates for prospective allowable service; revising the DTRFA postretirement
1.20 adjustment provision; modifying certain salary increase and payroll growth
1.21 actuarial assumptions; amending Minnesota Statutes 2012, sections 352B.011,
1.22 subdivision 4; 352B.02, subdivisions 1a, 1c; 352B.08, subdivisions 1, 2, 2a;
1.23 352B.10, subdivision 5; 352B.11, subdivisions 1, 2b; 353.01, subdivisions 10,
1.24 17a, 41, 47; 353.031, subdivision 4; 353.35, subdivision 1; 353.65, subdivisions
1.25 2, 3; 353.651, subdivisions 3, 4; 353.657, subdivisions 2a, 3a; 353E.001,
1.26 subdivision 1; 354.44, subdivision 6; 354A.011, subdivision 21; 354A.12,
1.27 subdivisions 1, 2a, 3a, 3c, 7, by adding subdivisions; 354A.27, subdivision 7, by
1.28 adding a subdivision; 354A.31, subdivisions 3, 4, 4a, 7; 354A.35, subdivision 2;
1.29 356.215, subdivision 8; 356.315, by adding a subdivision; 356.415, subdivisions
1.30 1, 1b, 1c, 1e, by adding a subdivision; 356.47, subdivision 1; 356.91; 423A.02,
1.31 subdivision 5; 490.121, subdivisions 21f, 22, by adding subdivisions; 490.123,
1.32 subdivisions 1a, 1b; 490.124, subdivision 1; proposing coding for new law in
1.33 Minnesota Statutes, chapters 354; 490; repealing Minnesota Statutes 2012,
1.34 sections 352B.11, subdivision 2c; 354A.27, subdivision 6.

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

2.1 **ARTICLE 1**

2.2 **STATE PATROL RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES**

2.3 Section 1. Minnesota Statutes 2012, section 352B.011, subdivision 4, is amended to
2.4 read:

2.5 Subd. 4. **Average monthly salary.** (a) Subject to the limitations of section 356.611,
2.6 "average monthly salary" means the average of the highest monthly salaries for five years
2.7 of service as a member upon which contributions were deducted from pay under section
2.8 352B.02, or upon which appropriate contributions or payments were made to the fund to
2.9 receive allowable service and salary credit as specified under the applicable law. Average
2.10 monthly salary must be based upon all allowable service if this service is less than five years.

2.11 (b) The salary used for the calculation of "average monthly salary" means the salary
2.12 of the member as defined in section 352.01, subdivision 13. "Average monthly salary"
2.13 includes the salary of the member during the period of covered employment rendered after
2.14 reaching the allowable service credit limit of section 352B.08, subdivision 2, paragraph
2.15 (b). The salary used for the calculation of "average monthly salary" does not include any
2.16 lump-sum annual leave payments and overtime payments made at the time of separation
2.17 from state service, any amounts of severance pay, or any reduced salary paid during the
2.18 period the person is entitled to workers' compensation benefit payments for temporary
2.19 disability.

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

2.21 Sec. 2. Minnesota Statutes 2012, section 352B.02, subdivision 1a, is amended to read:

2.22 Subd. 1a. **Member contributions.** (a) The member contribution is the following
2.23 percentage of the member's salary:

- | | |
|--|--------------------------------------|
| 2.24 (1) before the first day of the first pay period beginning | |
| 2.25 after July 1, 2011 <u>2014</u> | 10.40 <u>12.4</u> percent |
| 2.26 (2) on or after the first day of the first pay period | |
| 2.27 beginning after July 1, 2011 <u>2014, to June 30, 2016</u> | 12.40 <u>13.4</u> percent |
| 2.28 (3) after June 30, 2016 | <u>14.4</u> percent |

2.29 (b) These contributions must be made by deduction from salary as provided in
2.30 section 352.04, subdivision 4.

2.31 **EFFECTIVE DATE.** This section is effective July 1, 2013.

2.32 Sec. 3. Minnesota Statutes 2012, section 352B.02, subdivision 1c, is amended to read:

3.1 Subd. 1c. **Employer contributions.** (a) In addition to member contributions,
 3.2 department heads shall pay a sum equal to the specified percentage of the salary upon which
 3.3 deductions were made, which constitutes the employer contribution to the fund as follows:

3.4	(1) before the first day of the first pay period beginning	
3.5	after July 1, 2011 <u>2014</u>	15.60 <u>18.6</u> percent
3.6	(2) on or after the first day of the first pay period	
3.7	beginning after July 1, 2011 <u>2014</u> , to June 30, 2016	18.60 <u>20.1</u> percent
3.8	(3) after June 30, 2016	<u>21.6</u> percent

3.9 (b) Department contributions must be paid out of money appropriated to departments
 3.10 for this purpose.

3.11 **EFFECTIVE DATE.** This section is effective July 1, 2013.

3.12 Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 1, is amended to read:

3.13 Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is
 3.14 credited with three or more years of allowable service if first employed before July 1, ~~2010~~
 3.15 2013, or with at least ~~five~~ ten years of allowable service if first employed after June 30,
 3.16 ~~2010~~ 2013, is entitled to separate from state service and upon becoming 50 years old, is
 3.17 entitled to receive a life annuity, upon separation from state service.

3.18 (b) Members must apply for an annuity in a form and manner prescribed by the
 3.19 executive director.

3.20 (c) No application may be made more than 90 days before the date the member is
 3.21 eligible to retire by reason of both age and service requirements.

3.22 (d) An annuity begins to accrue no earlier than 180 days before the date the
 3.23 application is filed with the executive director.

3.24 **EFFECTIVE DATE.** This section is effective July 1, 2013.

3.25 Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

3.26 Subd. 2. **Normal retirement annuity.** (a) The annuity must be paid in monthly
 3.27 installments. The annuity shall be equal to the amount determined by multiplying
 3.28 the average monthly salary of the member by the percent specified in section 356.315,
 3.29 subdivision 6, for each year of allowable service and ~~pro-rata~~ prorated for additional
 3.30 completed months of allowable service, unless restricted under paragraph (b).

3.31 (b) Allowable service in excess of 33 years must not be used in computing the
 3.32 annuity. This restriction does not apply to any member who has at least 28 years of
 3.33 allowable service before July 1, 2013.

4.1 (c) When the annuity commences, any member contributions attributable to
4.2 allowable service not used to compute the annuity due to the restrictions in paragraph (b)
4.3 must be refunded using procedures specified in section 352B.11, subdivision 1.

4.4 **EFFECTIVE DATE.** This section is effective July 1, 2013.

4.5 Sec. 6. Minnesota Statutes 2012, section 352B.08, subdivision 2a, is amended to read:

4.6 Subd. 2a. **Early retirement.** Any member who has become at least 50 years old
4.7 and who has at least three years of allowable service if first employed before July 1,
4.8 ~~2010~~ 2013, or who has at least ~~five~~ ten years of allowable service if first employed after
4.9 June 30, ~~2010~~ 2013, is entitled upon application to a reduced retirement annuity equal
4.10 to the annuity calculated under subdivision 2, reduced by one-tenth of one percent for
4.11 each month that the member is under age 55 at the time of retirement, ~~if first employed~~
4.12 the effective date of retirement is before July 1, 2010, or reduced by two-tenths of one
4.13 percent 2015. If the effective date of retirement is after June 30, 2015, the reduction is
4.14 0.34 percent for each month that the member is under age 55 at the time of retirement ~~if~~
4.15 ~~first employed after June 30, 2010.~~

4.16 **EFFECTIVE DATE.** This section is effective July 1, 2013.

4.17 Sec. 7. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

4.18 Subd. 5. **Optional annuity.** A disabilitant may elect, in lieu of spousal survivorship
4.19 coverage under section 352B.11, ~~subdivisions~~ subdivision 2b and 2e, the normal disability
4.20 benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice
4.21 of an optional annuity must be made in writing, on a form prescribed by the executive
4.22 director, and must be made before the commencement of the payment of the disability
4.23 benefit, or within 90 days before reaching age 55 or before reaching the five-year
4.24 anniversary of the effective date of the disability benefit, whichever is later. The optional
4.25 annuity is effective on the date on which the disability benefit begins to accrue, or the
4.26 month following the attainment of age 55 or following the five-year anniversary of the
4.27 effective date of the disability benefit, whichever is later.

4.28 Sec. 8. Minnesota Statutes 2012, section 352B.11, subdivision 1, is amended to read:

4.29 Subdivision 1. **Refund of payments.** (a) A member who has not received other
4.30 benefits under this chapter is entitled to a refund of payments made by salary deduction,
4.31 plus interest, if the member is separated, either voluntarily or involuntarily, from the state
4.32 service that entitled the member to membership.

5.1 (b) A refund under section 352B.08, subdivision 2, paragraph (c), does not result in
5.2 a forfeiture of salary credit for the allowable service credit covered by the refund.

5.3 ~~(b)~~ (c) In the event of the member's death, if there are no survivor benefits payable
5.4 under this chapter, a refund plus interest is payable to the last designated beneficiary on
5.5 a form filed with the director before death, or if no designation is filed, is payable to
5.6 the member's estate. Interest under this subdivision must be calculated as provided in
5.7 section 352.22, subdivision 2. To receive a refund, the application must be made on a
5.8 form prescribed by the executive director.

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

5.10 Sec. 9. Minnesota Statutes 2012, section 352B.11, subdivision 2b, is amended to read:

5.11 Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with
5.12 three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or
5.13 with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013,
5.14 dies before attaining age 55, the surviving spouse is entitled to ~~the a benefit specified in~~
5.15 ~~subdivision 2e, paragraph (b)~~ for life equal to 50 percent of the average monthly salary
5.16 of the deceased member. On the first of the month next following the date on which the
5.17 deceased member would have attained exact age 55, in lieu of continued receipt of the
5.18 prior benefit, the surviving spouse is eligible to commence receipt of the second half of
5.19 a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and
5.20 survivor annuity must be computed assuming the exact age 55 for the deceased member
5.21 and the age of the surviving spouse on the date of death.

5.22 (b) If an active member with less than three years of allowable service if first
5.23 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
5.24 first employed after June 30, ~~2010~~ 2013, dies at any age, the surviving spouse is entitled to
5.25 receive ~~the a benefit specified in subdivision 2e, paragraph (e)~~ for life equal to 50 percent
5.26 of the average monthly salary of the deceased member.

5.27 (c) If an active member with three or more years of allowable service if first
5.28 employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first
5.29 employed after June 30, ~~2010~~ 2013, dies on or after attaining exact age 55, the surviving
5.30 spouse is entitled to receive ~~the benefits specified in subdivision 2e, paragraph (d)~~ a benefit
5.31 for life equal to 50 percent of the average monthly salary of the deceased member, or the
5.32 second half of a 100 percent joint and survivor annuity, whichever is larger. The joint and
5.33 survivor annuity must be computed using the age of the deceased member on the date of
5.34 death and the age of the surviving spouse on that same date.

6.1 (d) If a disabilitant dies while receiving a disability benefit under section 352B.10
 6.2 or before the benefit under that section commenced, and an optional annuity was not
 6.3 elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive
 6.4 the a benefit specified in subdivision 2c, paragraph (b) for life equal to 50 percent of the
 6.5 average monthly salary of the deceased member. On the first of the month next following
 6.6 the date on which the deceased member would have attained exact age 55, in lieu of
 6.7 continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt
 6.8 of the second half of a 100 percent joint and survivor annuity if this provides a larger
 6.9 benefit. The joint and survivor annuity must be computed assuming the exact age 55 for
 6.10 the deceased member and the age of the surviving spouse on the date of death.

6.11 (e) If a former member with three or more years of allowable service if first employed
 6.12 before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed
 6.13 after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or
 6.14 commenced receipt of any other benefit provided by this chapter, dies, the surviving
 6.15 spouse is entitled to receive the as a benefit specified in subdivision 2c, paragraph (e) the
 6.16 second half of a 100 percent joint and survivor annuity, commencing on the first of the
 6.17 month next following the deceased member's date of death, or the first of the month next
 6.18 following the date on which the deceased member would have attained age 55, whichever
 6.19 is later. The joint and survivor annuity must be computed using the age of the deceased
 6.20 member on the date of death and the age of the surviving spouse on that same date.

6.21 (f) If a former member with less than three years of allowable service if first
 6.22 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
 6.23 first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received
 6.24 a refund or commenced receipt of any other benefit, if applicable, provided by this chapter,
 6.25 dies, the surviving spouse is entitled to receive the refund specified in subdivision 2c,
 6.26 paragraph (f) or, if none, the children or, if none, the deceased member's estate is entitled to
 6.27 a refund of the employee contributions plus interest computed as specified in subdivision 1.

6.28 **EFFECTIVE DATE.** This section is effective July 1, 2013.

6.29 Sec. 10. Minnesota Statutes 2012, section 356.415, subdivision 1e, is amended to read:

6.30 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.**

6.31 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
 6.32 retirement plan are entitled to a postretirement adjustment annually on January 1, as
 6.33 follows:

6.34 (1) a postretirement increase of ~~1.5~~ one percent must be applied each year, effective
 6.35 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient

7.1 who has been receiving an annuity or a benefit for at least 18 full months before the
7.2 January 1 increase; and

7.3 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
7.4 benefit for at least six full months, an annual postretirement increase of 1/12 of ~~1.5~~ one
7.5 percent for each month that the person has been receiving an annuity or benefit must be
7.6 applied, effective January 1, following the calendar year in which the person has been
7.7 retired for at least six months, but has been retired for less than 18 months.

7.8 (b) The increases provided by this subdivision commence on January 1, ~~2011~~
7.9 2014. Increases under ~~this subdivision~~ paragraph (a) for the State Patrol retirement plan
7.10 terminate on December 31 of the calendar year in which the actuarial valuation prepared
7.11 by the approved actuary under sections 356.214 and 356.215 and the standards for
7.12 actuarial work promulgated by the Legislative Commission on Pensions and Retirement
7.13 indicates that the market value of assets of the retirement plan equals or exceeds ~~90~~
7.14 85 percent of the actuarial accrued liability of the retirement plan and increases under
7.15 ~~subdivision 1~~ paragraph (c) recommence after that date.

7.16 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the State
7.17 Patrol retirement plan are entitled to a postretirement adjustment annually on January
7.18 1, as follows:

7.19 (1) a postretirement increase of 1.5 percent must be applied each year, effective on
7.20 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who
7.21 has been receiving an annuity or a benefit for at least 18 full months before the January 1
7.22 increase; and

7.23 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
7.24 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.5 percent
7.25 for each month that the person has been receiving an annuity or benefit must be applied,
7.26 effective January 1, following the calendar year in which the person has been retired for at
7.27 least six months, but has been retired for less than 18 months.

7.28 (d) Increases under paragraph (c) for the State Patrol retirement plan terminate on
7.29 December 31 of the calendar year in which the actuarial valuation prepared by the approved
7.30 actuary under sections 356.214 and 356.215 and the standards for actuarial work adopted by
7.31 the Legislative Commission on Pensions and Retirement indicates that the market value of
7.32 assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability
7.33 of the retirement plan and increases under subdivision 1 recommence after that date.

7.34 (e) (e) An increase in annuity or benefit payments under this subdivision must be
7.35 made automatically unless written notice is filed by the annuitant or benefit recipient

8.1 with the executive director of the applicable covered retirement plan requesting that the
8.2 increase not be made.

8.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

8.4 Sec. 11. **REPEALER.**

8.5 Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

8.6 **EFFECTIVE DATE.** This section is effective July 1, 2013.

8.7 ARTICLE 2

8.8 PERA PLANS SALARY DEFINITION

8.9 Section 1. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:

8.10 Subd. 10. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means:

8.11 (1) the wages or periodic compensation of payable to a public employee; by the
8.12 employing governmental subdivision before;

8.13 (i) employee retirement deductions that are designated as picked-up contributions
8.14 under section 356.62;

8.15 (ii) any employee-elected deductions for deferred compensation, supplemental
8.16 retirement plans, or other voluntary salary reduction programs, and also means "wages"
8.17 and includes net income from fees that would have otherwise been available as a cash
8.18 payment to the employee; and

8.19 (iii) employee deductions for contributions to a supplemental plan or to a
8.20 governmental trust established under section 356.24, subdivision 1, clause (7), to save for
8.21 postretirement health care expenses, unless otherwise excluded under paragraph (b);

8.22 (2) for a public employee who is covered by a supplemental retirement plan under
8.23 section 356.24, subdivision 1, clause (8), (9), or (10), ~~which require all plan contributions~~
8.24 ~~be made by or~~ (12), the employer, ~~the contribution~~ contributions to the applicable
8.25 supplemental retirement plan when an agreement between the parties establishes that the
8.26 ~~contribution~~ contributions will either result in a mandatory reduction of employees' wages
8.27 through payroll withholdings, or be made in lieu of an amount that would otherwise be
8.28 paid as wages; ~~and~~

8.29 (3) for a public employee who has prior service covered by a local police or
8.30 firefighters relief association that has consolidated with the Public Employees Retirement
8.31 Association or to which section 353.665 applies and who has elected coverage either
8.32 under the public employees police and fire fund benefit plan under section 353A.08
8.33 following the consolidation or under section 353.665, subdivision 4, the rate of salary

9.1 upon which member contributions to the special fund of the relief association were made
9.2 prior to the effective date of the consolidation as specified by law and by bylaw provisions
9.3 governing the relief association on the date of the initiation of the consolidation procedure
9.4 and the actual periodic compensation of the public employee after the effective date of
9.5 consolidation;

9.6 (4) a payment from a public employer through a grievance proceeding, settlement,
9.7 or court order that is attached to a specific earnings period in which the employee's regular
9.8 salary was not earned or paid to the member due to a suspension or a period of involuntary
9.9 termination that is not a wrongful discharge under section 356.50; provided the amount is
9.10 not less than the equivalent of the average of the hourly base salary rate in effect during
9.11 the last six months of allowable service prior to the suspension or period of involuntary
9.12 termination, plus any applicable increases awarded during the period that would have been
9.13 paid under a collective bargaining agreement or personnel policy but for the suspension
9.14 or involuntary termination, multiplied by the average number of regular hours for which
9.15 the employee was compensated during the six months of allowable service prior to the
9.16 suspension or period of involuntary termination, but not to exceed the compensation that
9.17 the public employee would have earned if regularly employed during the applicable period;

9.18 (5) the amount paid to a member who is absent from employment by reason of
9.19 personal, parental, or military leave of absence if equivalent to the hourly base salary
9.20 rate in effect during the six months of allowable service, or portions thereof, prior to the
9.21 leave, multiplied by the average number of regular hours for which the employee was
9.22 compensated during the six months of allowable service prior to the applicable leave of
9.23 absence;

9.24 (6) the amount paid to a member who is absent from employment by reason of an
9.25 authorized medical leave of absence if specified in advance to be at least one-half but
9.26 no more than equal to the earnings the member received, on which contributions were
9.27 reported and allowable service credited during the six months immediately preceding
9.28 the medical leave of absence; and

9.29 (7) for a public employee who receives performance or merit bonus payment under
9.30 a written compensation plan, policy, or collective bargaining agreement in addition
9.31 to regular salary or in lieu of regular salary increases, the compensation paid to the
9.32 employee for attaining or exceeding performance goals, duties, or measures during a
9.33 specified period of employment.

9.34 (b) Salary does not mean:

9.35 (1) ~~the~~ fees paid to district court reporters;

10.1 (2) unused annual leave, vacation, or sick leave payments, in the form of lump-sum
 10.2 or periodic payments;

10.3 (3) for the donor, payment to another person of the value of hours donated under a
 10.4 benevolent vacation, personal, or sick leave donation program;

10.5 (4) any form of severance payments, or retirement incentive payments;

10.6 (5) an allowance payment or per diem payments for or reimbursement of expenses;

10.7 (6) lump-sum settlements not attached to a specific earnings period, or;

10.8 (7) workers' compensation payments or disability insurance payments, including
 10.9 payments from employer self-insurance arrangements;

10.10 ~~(2)~~ (8) employer-paid amounts used by an employee toward the cost of insurance
 10.11 coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health
 10.12 care expense accounts, day care expenses, or any payments in lieu of any employer-paid
 10.13 group insurance coverage, including the difference between single and family rates that
 10.14 may be paid to a member with single coverage and certain amounts determined by the
 10.15 executive director to be ineligible;

10.16 (9) employer-paid fringe benefits, including, but not limited to:

10.17 (i) employer-paid premiums or supplemental contributions for employees for all
 10.18 types of insurance;

10.19 (ii) membership dues or fees for the use of fitness or recreational facilities;

10.20 (iii) incentive payments or cash awards relating to a wellness program;

10.21 (iv) the value of any nonmonetary benefits;

10.22 (v) any form of payment made in lieu of an employer-paid fringe benefit;

10.23 (vi) an employer-paid amount made to a deferred compensation or tax-sheltered
 10.24 annuity program; and

10.25 (vii) any amount paid by the employer as a supplement to salary, either as a
 10.26 lump-sum amount or a fixed or matching amount paid on a recurring basis, that is not
 10.27 available to the employee as cash;

10.28 ~~(3)~~ (10) the amount equal to that which the employing governmental subdivision
 10.29 would otherwise pay toward single or family insurance coverage for a covered employee
 10.30 when, through a contract or agreement with some but not all employees, the employer:

10.31 (i) discontinues, or for new hires does not provide, payment toward the cost of the
 10.32 employee's selected insurance coverages under a group plan offered by the employer;

10.33 (ii) makes the employee solely responsible for all contributions toward the cost of
 10.34 the employee's selected insurance coverages under a group plan offered by the employer,
 10.35 including any amount the employer makes toward other employees' selected insurance
 10.36 coverages under a group plan offered by the employer; and

11.1 (iii) provides increased salary rates for employees who do not have any
 11.2 employer-paid group insurance coverages;
 11.3 ~~(4) (11)~~ except as provided in section 353.86 or 353.87, compensation of any
 11.4 kind paid to volunteer ambulance service personnel or volunteer firefighters, as defined
 11.5 in subdivision 35 or 36;
 11.6 ~~(5) (12)~~ the amount of compensation that exceeds the limitation provided in section
 11.7 356.611; ~~and~~
 11.8 ~~(6) (13)~~ amounts paid by a federal or state grant for which the grant specifically
 11.9 prohibits grant proceeds from being used to make pension plan contributions, unless the
 11.10 contributions to the plan are made from sources other than the federal or state grant; and
 11.11 (14) bonus pay that is not performance or merit pay under paragraph (a), clause (6).
 11.12 (c) Amounts, other than those provided under paragraph (a), clause (4), provided to
 11.13 an employee by the employer through a grievance proceeding, a court order, or a legal
 11.14 settlement are salary only if the settlement or court order is reviewed by the executive
 11.15 director and the amounts are determined by the executive director to be consistent with
 11.16 paragraph (a) and prior determinations.

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

11.18 **ARTICLE 3**

11.19 **PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN** 11.20 **FINANCIAL SOLVENCY MEASURES**

11.21 Section 1. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

11.22 Subd. 17a. **Average salary.** (a) "Average salary," for purposes of calculating a
 11.23 retirement annuity under section 353.29, subdivision 3, means an amount equivalent to
 11.24 the average of the highest salary of the member, police officer, or firefighter, whichever
 11.25 applies, upon which employee contributions were paid for any five successive years of
 11.26 allowable service, based on dates of salary periods as listed on salary deduction reports.
 11.27 "Average salary" includes the salary of the employee during the period of covered
 11.28 employment rendered after reaching the allowable service credit limit of section 353.651,
 11.29 subdivision 3, paragraph (b). Average salary must be based upon all allowable service if
 11.30 this service is less than five years.

11.31 (b) "Average salary" may not include any reduced salary paid during a period
 11.32 in which the employee is entitled to benefit payments from workers' compensation for
 11.33 temporary disability, unless the average salary is higher, including this period.

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

12.1 Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 41, is amended to read:

12.2 Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a
 12.3 condition that is expected to prevent a member, for a period of not less than 12 months,
 12.4 from performing the normal duties of the position held by a person who is a member of the
 12.5 public employees police and fire retirement plan, and that is the direct result of an injury
 12.6 incurred during, or a disease arising out of, the performance of ~~normal duties or the actual~~
 12.7 ~~performance of less frequent~~ inherently dangerous duties, ~~either of which are specific to~~
 12.8 ~~protecting the property and personal safety of others and that present inherent dangers that~~
 12.9 are specific to the positions covered by the public employees police and fire retirement plan.

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

12.11 Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 47, is amended to read:

12.12 Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement
 12.13 to an annuity or benefit from a retirement plan administered by the Public Employees
 12.14 Retirement Association by having credit for sufficient allowable service under paragraph
 12.15 (b) ~~or~~ (c), or (d), whichever applies.

12.16 (b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan
 12.17 member of the general employees retirement plan of the Public Employees Retirement
 12.18 Association:

12.19 (1) a public employee who first became a member of the association before July
 12.20 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
 12.21 years of allowable service as defined under subdivision 16; and

12.22 (2) a public employee who first becomes a member of the association after June 30,
 12.23 2010, is 100 percent vested when the person has accrued credit for not less than five years
 12.24 of allowable service as defined under subdivision 16.

12.25 (c) For purposes of qualifying for an annuity or benefit as a member of the ~~police~~
 12.26 ~~and fire plan or a member of the local government correctional employees retirement plan:~~

12.27 (1) a public employee who first became a member of the association before July
 12.28 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
 12.29 years of allowable service as defined under subdivision 16; and

12.30 (2) a public employee who first becomes a member of the association after June
 12.31 30, 2010, is vested at the following percentages when the person has accrued credited
 12.32 allowable service as defined under subdivision 16, as follows:

12.33 (i) 50 percent after five years;

12.34 (ii) 60 percent after six years;

12.35 (iii) 70 percent after seven years;

13.1 (iv) 80 percent after eight years;

13.2 (v) 90 percent after nine years; and

13.3 (vi) 100 percent after ten years.

13.4 (d) For purposes of qualifying for an annuity or benefit as a member of the public
13.5 employees police and fire retirement plan:

13.6 (1) a public employee who first became a member of the association before July
13.7 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
13.8 years of allowable service as defined under subdivision 16;

13.9 (2) a public employee who first becomes a member of the association after June 30,
13.10 2010, and before July 1, 2014, is vested at the following percentages when the person has
13.11 accrued credited allowable service as defined under subdivision 16, as follows:

13.12 (i) 50 percent after five years;

13.13 (ii) 60 percent after six years;

13.14 (iii) 70 percent after seven years;

13.15 (iv) 80 percent after eight years;

13.16 (v) 90 percent after nine years; and

13.17 (vi) 100 percent after ten years; and

13.18 (3) a public employee who first becomes a member of the association after June
13.19 30, 2014, is vested at the following percentages when the person has accrued credited
13.20 allowable service as defined under subdivision 16, as follows:

13.21 (i) 50 percent after ten years;

13.22 (ii) 55 percent after 11 years;

13.23 (iii) 60 percent after 12 years;

13.24 (iv) 65 percent after 13 years;

13.25 (v) 70 percent after 14 years;

13.26 (vi) 75 percent after 15 years;

13.27 (vii) 80 percent after 16 years;

13.28 (viii) 85 percent after 17 years;

13.29 (ix) 90 percent after 18 years;

13.30 (x) 95 percent after 19 years; and

13.31 (xi) 100 percent after 20 or more years.

13.32 Sec. 4. Minnesota Statutes 2012, section 353.031, subdivision 4, is amended to read:

13.33 Subd. 4. **Additional requirements; eligibility for police and fire or local**
13.34 **government correctional service retirement plan disability benefits.** (a) If an
13.35 application for disability benefits is filed within two years of the date of the injury or the

14.1 onset of the illness that gave rise to the disability application, the application must be
 14.2 supported by evidence that the applicant is unable to perform the duties of the position
 14.3 held by the applicant on the date of the injury or the onset of the illness causing the
 14.4 disability. The employer must provide evidence indicating whether the applicant is able or
 14.5 unable to perform the duties of the position held on the date of the injury or onset of the
 14.6 illness causing the disability ~~and the specifications~~, a clear explanation of any duties that
 14.7 the individual can or cannot perform, and an explanation of why the employer may or may
 14.8 not authorize continued employment to the applicant in the current or other position.

14.9 (b) If an application for disability benefits is filed more than two years after the
 14.10 date of injury or the onset of an illness causing the disability, the application must be
 14.11 supported by evidence that the applicant is unable to perform the ~~most recent~~ duties that
 14.12 ~~are~~ were expected to be performed by the applicant during the 90 days ~~before~~ preceding
 14.13 ~~the filing of last day the application~~ applicant performed services for the employer. The
 14.14 employer must provide evidence of the duties that ~~are~~ were expected to be performed by
 14.15 the applicant during the 90 days ~~before~~ preceding ~~the filing of last day the application~~
 14.16 applicant performed services, whether the applicant can or cannot perform those duties
 14.17 overall, ~~and the specifications~~ a clear explanation of any duties that the applicant can
 14.18 or cannot perform, and an explanation of why the employer may or may not authorize
 14.19 continued employment to the applicant in the current or other position.

14.20 (c) Any report supporting a claim to disability benefits under section 353.656 or
 14.21 353E.06 must specifically relate the disability to its cause; and for any claim to duty
 14.22 disability from an injury or illness arising out of an act of duty, the report must state the
 14.23 specific act of duty giving rise to the claim, and relate the cause of disability to inherently
 14.24 dangerous duties ~~specific tasks or functions required to be performed by the employee in~~
 14.25 ~~fulfilling the employee's duty-related acts which must be specific to the inherent dangers of~~
 14.26 ~~the positions eligible for membership in~~ covered by the public employees police and fire
 14.27 ~~fund plan~~ and the local government correctional service retirement plan. Any report that
 14.28 does not relate the cause of disability to ~~specific acts or functions~~ inherently dangerous
 14.29 duties performed by the employee may not be relied upon as evidence to support eligibility
 14.30 for benefits and may be disregarded in the executive director's decision-making process.

14.31 (d) Any application for duty disability must be supported by a first report of injury as
 14.32 defined in section 176.231.

14.33 (e) If a member who has applied for and been approved for disability benefits before
 14.34 the termination of service does not terminate service or is not placed on an authorized
 14.35 leave of absence as certified by the governmental subdivision within 45 days following
 14.36 the date on which the application is approved, the application shall be canceled. If an

15.1 approved application for disability benefits has been canceled, a subsequent application
15.2 for disability benefits may not be filed on the basis of the same medical condition for a
15.3 minimum of one year from the date on which the previous application was canceled.

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

15.5 Sec. 5. Minnesota Statutes 2012, section 353.35, subdivision 1, is amended to read:

15.6 Subdivision 1. **Refund rights.** (a) Except as provided in paragraph (b), when any
15.7 former member accepts a refund, all existing service credits and all rights and benefits to
15.8 which the person was entitled prior to the acceptance of the refund must terminate.

15.9 (b) A refund under section 353.651, subdivision 3, paragraph (c), does not result in a
15.10 forfeiture of salary credit for the allowable service credit covered by the refund.

15.11 (c) The rights and benefits of a former member must not be restored until the person
15.12 returns to active service and acquires at least six months of allowable service credit
15.13 after taking the last refund and repays the refund or refunds taken and interest received
15.14 under section 353.34, subdivisions 1 and 2, plus interest at an annual rate of 8.5 percent
15.15 compounded annually. If the person elects to restore service credit in a particular fund
15.16 from which the person has taken more than one refund, the person must repay all refunds
15.17 to that fund. All refunds must be repaid within six months of the last date of termination
15.18 of public service.

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

15.20 Sec. 6. Minnesota Statutes 2012, section 353.65, subdivision 2, is amended to read:

15.21 Subd. 2. **Employee contribution.** (a) For members other than members who were
15.22 active members of the former Minneapolis Firefighters Relief Association on December
15.23 29, 2011, or for members other than members who were active members of the former
15.24 Minneapolis Police Relief Association on December 29, 2011, the employee contribution
15.25 is ~~9.4 percent~~ an amount equal to the following percentage of the total salary of the each
15.26 member in calendar year 2010 and is, as follows: 9.6 percent of the salary of the member
15.27 in each before calendar year after 2010 2014; 10.2 percent in calendar year 2014; and 10.8
15.28 percent in calendar year 2015 and thereafter.

15.29 (b) For members who were active members of the former Minneapolis Firefighters
15.30 Relief Association on December 29, 2011, the employee contribution is an amount
15.31 equal to eight percent of the monthly unit value under section 353.01, subdivision 10a,
15.32 multiplied by 80 and expressed as a biweekly amount for each member. The employee
15.33 contribution made by a member with at least 25 years of service credit as an active

16.1 member of the former Minneapolis Firefighters Relief Association must be deposited in
16.2 the postretirement health care savings account established under section 352.98.

16.3 (c) For members who were active members of the former Minneapolis Police Relief
16.4 Association on December 29, 2011, the employee contribution is an amount equal to eight
16.5 percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80
16.6 and expressed as a biweekly amount for each member. The employee contribution made
16.7 by a member with at least 25 years of service credit as an active member of the former
16.8 Minneapolis Police Relief Association must be deposited in the postretirement health care
16.9 savings account established under section 352.98.

16.10 (d) Contributions under this section must be made by deduction from salary in
16.11 the manner provided in subdivision 4. Where any portion of a member's salary is paid
16.12 from other than public funds, the member's employee contribution is based on the total
16.13 salary received from all sources.

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

16.15 Sec. 7. Minnesota Statutes 2012, section 353.65, subdivision 3, is amended to read:

16.16 Subd. 3. **Employer contribution.** (a) With respect to members other than members
16.17 who were active members of the former Minneapolis Firefighters Relief Association on
16.18 December 29, 2011, or for members other than members who were active members of
16.19 the former Minneapolis Police Relief Association on December 29, 2011, the employer
16.20 contribution is ~~14.1 percent~~ an amount equal to the following percentage of the total salary
16.21 of the each member in calendar year 2010 and is, as follows: 14.4 percent of the salary of
16.22 the member in each before calendar year after 2010 2014; 15.3 percent in calendar year
16.23 2014; and 16.2 percent in calendar year 2015 and thereafter.

16.24 (b) With respect to members who were active members of the former Minneapolis
16.25 Firefighters Relief Association on December 29, 2011, the employer contribution is an
16.26 amount equal to the amount of the member contributions under subdivision 2, paragraph
16.27 (b).

16.28 (c) With respect to members who were active members of the former Minneapolis
16.29 Police Relief Association on December 29, 2011, the employer contribution is an amount
16.30 equal to the amount of the member contributions under subdivision 2, paragraph (c).

16.31 (d) Contributions under this subdivision must be made from funds available to the
16.32 employing subdivision by the means and in the manner provided in section 353.28.

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

17.1 Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

17.2 Subd. 3. **Retirement annuity formula.** (a) The average salary as defined in
17.3 section 353.01, subdivision 17a, multiplied by the percent specified in section 356.315,
17.4 subdivision 6, per year multiplied by years of allowable service, multiplied by the
17.5 applicable vesting percentage indicated in section 353.01, subdivision 47, determines the
17.6 amount of the normal retirement annuity. If the member has earned allowable service
17.7 for performing services other than those of a police officer or firefighter, the annuity
17.8 representing that service must be computed under sections 353.29 and 353.30.

17.9 (b) For a member first enrolled in the public employees police and fire retirement
17.10 plan after June 30, 2014, the average salary as defined in section 353.01, subdivision 17a,
17.11 paragraph (a), includes salary for all years for which contributions have been reported to
17.12 the public employees police and fire retirement plan, but allowable service included in
17.13 the calculation is limited to 33 years and the normal retirement annuity must not exceed
17.14 99 percent of the average salary.

17.15 (c) When the annuity begins for members of the public employees police and fire
17.16 retirement plan enrolled after June 30, 2014, a prorated share of the contributions for
17.17 allowable service exceeding 33 years must be refunded to the member. The prorated
17.18 share of the contributions to be refunded is determined by multiplying the accumulated
17.19 deductions paid by the member to the public employees police and fire retirement plan by
17.20 a percentage determined using the number of months of service in excess of 396 as the
17.21 numerator and the total number of months of allowable service on which contributions
17.22 were reported as the denominator. Interest as defined in section 353.34, subdivision 2,
17.23 is to be applied to the prorated share of contributions from the first of the 397th month
17.24 of allowable service reported to the public employees police and fire retirement plan to
17.25 the first of the month the annuity begins.

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

17.27 Sec. 9. Minnesota Statutes 2012, section 353.651, subdivision 4, is amended to read:

17.28 Subd. 4. **Early retirement.** (a) A person who becomes a public employees police
17.29 and fire retirement plan member after June 30, 2007, or a former member who is reinstated
17.30 as a member of the plan after that date, who is at least 50 years of age and who is at least
17.31 partially vested under section 353.01, subdivision 47, upon the termination of public
17.32 service before July 1, 2014, if the person is other than a county sheriff or after January 4,
17.33 2015, if the person is a county sheriff is entitled upon application to a retirement annuity
17.34 equal to the normal annuity calculated under subdivision 3, reduced by two-tenths of one
17.35 percent for each month that the member is under age 55 at the time of retirement.

18.1 (b) Upon the termination of public service before July 1, 2014, if the person is
18.2 other than a county sheriff or upon the termination of public service before January 5,
18.3 2015, if the person is a county sheriff, any public employees police and fire retirement
18.4 plan member who first became a member of the plan before July 1, 2007, and who is
18.5 not specified in paragraph (a), upon attaining at least 50 years of age with at least three
18.6 years of allowable service is entitled upon application to a retirement annuity equal to the
18.7 normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for
18.8 each month that the member is under age 55 at the time of retirement.

18.9 (c) A person other than a county sheriff who is a member of the public employees
18.10 police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a
18.11 member of the public employees police and fire retirement plan on or after January 5,
18.12 2015, and who is at least 50 years old and is at least partially vested under section 353.01,
18.13 subdivision 47, and whose benefit effective date is after July 1, 2014, if other than a
18.14 county sheriff or after January 4, 2015, if a county sheriff and on or before July 1, 2019, is
18.15 entitled upon application to a retirement annuity equal to the normal annuity calculated
18.16 under subdivision 3, reduced for each month the member is under age 55 at the time of
18.17 retirement by applying a blended monthly rate that is equivalent to the sum of:

18.18 (1) one-sixtieth of the annual rate of five percent, prorated for each month the
18.19 person's benefit effective date is after July 1, 2014, or after December 31, 2014, whichever
18.20 applies; and

18.21 (2) one-sixtieth of the annual rate provided under paragraph (a) or (b), whichever
18.22 applies, for each month the person's benefit effective date is before July 1, 2019.

18.23 (d) A person other than a county sheriff who is a member of the public employees
18.24 police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member
18.25 of the public employees police and fire retirement plan on or after January 5, 2015, and
18.26 who is at least 50 years old and is at least partially vested under section 353.01, subdivision
18.27 47, whose benefit effective date is after July 1, 2019, is entitled, upon application, to a
18.28 retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by
18.29 five percent annually, prorated for each month that the member is under age 55.

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

18.31 Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

18.32 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member
18.33 who has attained the age of at least 50 years and either who is vested under section
18.34 353.01, subdivision 47, or who has credit for at least 30 years of allowable service,
18.35 regardless of age attained, dies before the annuity or disability benefit becomes payable,

19.1 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may
19.2 elect to receive a death while eligible survivor benefit.

19.3 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision
19.4 20, a former spouse of the member, if any, is entitled to a portion of the death while
19.5 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree
19.6 filed with the association. If there is no surviving spouse or child or children, a former
19.7 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision
19.8 1, if provided for in a marriage dissolution decree but not a death while eligible survivor
19.9 benefit despite the terms of a marriage dissolution decree filed with the association.

19.10 (c) The benefit may be elected instead of a refund with interest under section 353.32,
19.11 subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and
19.12 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity
19.13 which the member could have qualified for on the date of death, computed as provided in
19.14 sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

19.15 (d) The surviving spouse may apply for the annuity at any time after the date
19.16 on which the deceased employee would have attained the required age for retirement
19.17 based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71,
19.18 subdivision 2, apply to a deferred annuity payable under this subdivision.

19.19 (e) No payment accrues beyond the end of the month in which entitlement to
19.20 such annuity has terminated. An amount equal to the excess, if any, of the accumulated
19.21 contributions which were credited to the account of the deceased employee over and
19.22 above the total of the annuities paid and payable to the surviving spouse must be paid to
19.23 the deceased member's last designated beneficiary or, if none, to the legal representative of
19.24 the estate of such deceased member.

19.25 (f) Any member may request in writing, with the signed consent of the spouse, that
19.26 this subdivision not apply and that payment be made only to the designated beneficiary, as
19.27 otherwise provided by this chapter.

19.28 (g) For a member who is employed as a full-time firefighter by the Department of
19.29 Military Affairs of the state of Minnesota, allowable service as a full-time state Military
19.30 Affairs Department firefighter credited by the Minnesota State Retirement System may be
19.31 used in meeting the minimum allowable service requirement of this subdivision.

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

19.33 Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 3a, is amended to read:

20.1 Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly
 20.2 benefit per family must not exceed the following percentages of the member's average
 20.3 monthly salary as specified in subdivision 3:

20.4 (1) 80 percent, if the member's death was a line of duty death; or

20.5 (2) 70 percent, if the member's death was not a line of duty death or occurred while
 20.6 the member was receiving a disability benefit that accrued before July 1, 2007.

20.7 (b) The minimum monthly benefit per family, including the joint and survivor
 20.8 optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be
 20.9 less than the following percentage of the member's average monthly salary as specified in
 20.10 subdivision 3:

20.11 (1) 60 percent, if the death was a line of duty death; or

20.12 (2) 50 percent, if the death was not a line of duty death or occurred while the member
 20.13 was receiving a disability benefit that accrued before July 1, 2007.

20.14 (c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the
 20.15 joint annuitant, surviving spouse, and dependent children, as applicable, must each be
 20.16 reduced to the amount necessary proportionately so that the total family benefit does
 20.17 not exceed the applicable maximum. The joint and survivor optional annuity, surviving
 20.18 spouse, or dependent children benefit, as applicable, must be restored, plus applicable
 20.19 postretirement adjustments under Minnesota Statutes 2008, section 356.41 or section
 20.20 356.415, as the dependent child or children become no longer dependent under section
 20.21 353.01, subdivision 15, or in the event of the death of the joint and survivor annuity
 20.22 recipient or the surviving spouse.

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

20.24 Sec. 12. Minnesota Statutes 2012, section 353E.001, subdivision 1, is amended to read:

20.25 Subdivision 1. **Duty disability.** "Duty disability," physical or psychological, means
 20.26 a condition that is expected to prevent a member, for a period of not less than 12 months,
 20.27 from performing the normal duties of a local government correctional service employee as
 20.28 defined under section 353E.02 and that is the direct result of an injury incurred during, or
 20.29 a disease arising out of, the performance of ~~normal duties or the actual performance of~~
 20.30 ~~less frequent~~ inherently dangerous duties, ~~either of which are specific to protecting the~~
 20.31 ~~property and personal safety of others and that present inherent dangers that are specific to~~
 20.32 the positions covered by the local government correctional service retirement plan.

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

21.1 Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

21.2 Subd. 1b. **Annual postretirement adjustments; PERA; general employees**
21.3 **retirement plan and local government correctional retirement plan.** (a) Retirement
21.4 annuity, disability benefit, or survivor benefit recipients of the general employees
21.5 retirement plan of the Public Employees Retirement Association and the local government
21.6 correctional service retirement plan are entitled to a postretirement adjustment annually
21.7 on January 1, as follows:

21.8 (1) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
21.9 restored for the applicable retirement plan, a postretirement increase of one percent must
21.10 be applied each year, effective on January 1, to the monthly annuity or benefit amount of
21.11 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least
21.12 12 full months as of the current June 30;

21.13 (2) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
21.14 restored for the applicable retirement plan, for each annuitant or benefit recipient who has
21.15 been receiving an annuity or a benefit for at least one full month, but less than 12 full
21.16 months as of the current June 30, an annual postretirement increase of 1/12 of one percent
21.17 for each month the person has been receiving an annuity or benefit must be applied;

21.18 (3) for each January 1 following the restoration of funding stability for the applicable
21.19 retirement plan, a postretirement increase of 2.5 percent must be applied each year,
21.20 effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit
21.21 recipient who has been receiving an annuity or benefit for at least 12 full months as of
21.22 the current June 30; and

21.23 (4) for each January 1 following restoration of funding stability for the applicable
21.24 retirement plan, for each annuity or benefit recipient who has been receiving an annuity or
21.25 a benefit for at least one full month, but less than 12 full months as of the current June
21.26 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person
21.27 has been receiving an annuity or benefit must be applied.

21.28 (b) Funding stability is restored when the market value of assets of the applicable
21.29 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the
21.30 applicable plan in the two most recent ~~prior~~ consecutive actuarial ~~valuation~~ valuations
21.31 prepared under section 356.215 and the standards for actuarial work by the approved
21.32 actuary retained by the Public Employees Retirement Association under section 356.214.

21.33 (c) ~~If, after applying the increase as provided for in paragraph (a), clauses (3)~~
21.34 ~~and (4), the market value of the applicable retirement plan is determined in the next~~
21.35 ~~subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent~~
21.36 ~~of the actuarial accrued liability of any of the applicable Public Employees Retirement~~

22.1 ~~Association plans, After having met the definition of funding stability under paragraph~~
 22.2 ~~(b), the increase provided in paragraph (a), clauses (1) and (2), are rather than an increase~~
 22.3 ~~under subdivision 1, is again to be applied as of the next successive January until funding~~
 22.4 ~~stability is again restored. in a subsequent year or years if the market value of assets of~~
 22.5 ~~the applicable plan equals or is less than:~~

22.6 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
 22.7 consecutive actuarial valuations; or

22.8 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
 22.9 recent actuarial valuation.

22.10 (d) An increase in annuity or benefit payments under this section must be made
 22.11 automatically unless written notice is filed by the annuitant or benefit recipient with the
 22.12 executive director of the Public Employees Retirement Association requesting that the
 22.13 increase not be made.

22.14 (e) The retirement annuity payable to a person who retires before becoming eligible
 22.15 for Social Security benefits and who has elected the optional payment, as provided in
 22.16 section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement
 22.17 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
 22.18 The period-certain retirement annuity plus the life retirement annuity must be the
 22.19 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
 22.20 adjustment granted on the period-certain retirement annuity must terminate when the
 22.21 period-certain retirement annuity terminates.

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

22.23 Sec. 14. Minnesota Statutes 2012, section 356.415, subdivision 1c, is amended to read:

22.24 Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a)
 22.25 Retirement annuity, disability benefit, or survivor benefit recipients of the public
 22.26 employees police and fire retirement plan are entitled to a postretirement adjustment
 22.27 annually on January 1, until funding stability is restored, as follows:

22.28 (1) ~~for January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 22.29 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 22.30 been receiving the annuity or benefit for at least 12 full months as of the immediate
 22.31 preceding June 30, an amount equal to one percent in each year; or

22.32 (2) ~~for January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 22.33 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 22.34 been receiving the annuity or benefit for at least one full month, but not less than 11

23.1 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent in
23.2 each year for each month of annuity or benefit receipt; and

23.3 ~~(3) for January 1, 2013, and each successive January 1 that follows the loss of~~
23.4 ~~funding stability as defined under paragraph (b) until funding stability as defined under~~
23.5 ~~paragraph (b) is again restored, for each annuitant or benefit recipient whose annuity~~
23.6 ~~or benefit effective date is after June 1, 2014, who has will have been receiving the an~~
23.7 ~~annuity or benefit for at least ~~12~~ 36 full months as of the immediate preceding June 30,~~
23.8 ~~an amount equal to the percentage increase in the Consumer Price Index for urban wage~~
23.9 ~~earners and clerical workers all items index published by the Bureau of Labor Statistics of~~
23.10 ~~the United States Department of Labor between the immediate preceding June 30 and the~~
23.11 ~~June 30 occurring 12 months previous, but not to exceed 1.5 one percent; or~~

23.12 ~~(4) for January 1, 2013, and each successive January 1 that follows the loss of funding~~
23.13 ~~stability as defined under paragraph (b) until funding stability as defined under paragraph~~
23.14 ~~(b) is again restored, for each annuitant or benefit recipient whose annuity or benefit~~
23.15 ~~effective date is after June 1, 2014, who has been receiving the annuity or benefit for at~~
23.16 ~~least ~~one~~ 25 full month months, but less than 36 months as of the immediate preceding June~~
23.17 ~~30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for~~
23.18 ~~urban wage earners and clerical workers all items index published by the Bureau of Labor~~
23.19 ~~Statistics of the United States Department of Labor between the immediate preceding June~~
23.20 ~~30 and the June 30 occurring 12 months previous for each full month of annuity or benefit~~
23.21 ~~receipt, but not to exceed 1/12 of 1.5 one percent for each full month of annuity or benefit~~
23.22 ~~receipt; during the fiscal year in which the annuity or benefit was effective.~~

23.23 ~~(5) for (b) Retirement annuity, disability benefit, or survivor benefit recipients of~~
23.24 ~~the public employees police and fire retirement plan are entitled to a postretirement~~
23.25 ~~adjustment annually on each January 1 following the restoration of funding stability as~~
23.26 ~~defined under paragraph (b) (c) and during the continuation of funding stability as defined~~
23.27 ~~under paragraph (b) (c), as follows:~~

23.28 (1) for each annuitant or benefit recipient who has been receiving the annuity or
23.29 benefit for at least ~~12~~ 36 full months as of the immediate preceding June 30, an amount
23.30 equal to the percentage increase in the Consumer Price Index for urban wage earners and
23.31 clerical workers all items index published by the Bureau of Labor Statistics of the United
23.32 States Department of Labor between the immediate preceding June 30 and the June 30
23.33 occurring 12 months previous, but not to exceed 2.5 percent; and

23.34 ~~(6) for each January 1 following the restoration of funding stability as defined under~~
23.35 ~~paragraph (b) and during the continuation of funding stability as defined under paragraph~~
23.36 ~~(b); (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit~~

24.1 for at least ~~one~~ 25 full month months, but less than 36 full months, as of the immediate
 24.2 preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer
 24.3 Price Index for urban wage earners and clerical workers all items index published by
 24.4 the Bureau of Labor Statistics of the United States Department of Labor between the
 24.5 immediate preceding June 30 and the June 30 occurring 12 months previous for each full
 24.6 month of annuity or benefit receipt during the fiscal year in which the annuity or benefit
 24.7 was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or
 24.8 benefit receipt during the fiscal year in which the annuity or benefit was effective.

24.9 ~~(b)~~ (c) Funding stability is restored when the market value of assets of the public
 24.10 employees police and fire retirement plan equals or exceeds 90 percent of the actuarial
 24.11 accrued liabilities of the applicable plan in the two most recent ~~prior~~ consecutive actuarial
 24.12 ~~valuation~~ valuations prepared under section 356.215 and under the standards for actuarial
 24.13 work of the Legislative Commission on Pensions and Retirement by the approved actuary
 24.14 retained by the Public Employees Retirement Association under section 356.214.

24.15 (d) After having met the definition of funding stability under paragraph (c), a full
 24.16 or prorated increase, as provided in paragraph (a), clause (1), (2), (3), or (4), whichever
 24.17 applies, rather than adjustments under paragraph (b), is again applied in a subsequent year
 24.18 or years if the market value of assets of the public employees police and fire retirement
 24.19 plan equals or is less than:

24.20 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
 24.21 consecutive actuarial valuations; or

24.22 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
 24.23 recent actuarial valuation.

24.24 ~~(e)~~ (e) An increase in annuity or benefit payments under this section must be made
 24.25 automatically unless written notice is filed by the annuitant or benefit recipient with the
 24.26 executive director of the Public Employees Retirement Association requesting that the
 24.27 increase not be made.

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

24.29 **ARTICLE 4**

24.30 **TEACHERS RETIREMENT ASSOCIATION EARLY RETIREMENT** 24.31 **REDUCTION FACTORS**

24.32 Section 1. Minnesota Statutes 2012, section 354.44, subdivision 6, is amended to read:

24.33 Subd. 6. **Computation of formula program retirement annuity.** (a) The formula
 24.34 retirement annuity must be computed in accordance with the applicable provisions of the

25.1 formulas stated in paragraph (b) or (d) on the basis of each member's average salary under
 25.2 section 354.05, subdivision 13a, for the period of the member's formula service credit.

25.3 (b) This paragraph, in conjunction with paragraph (c), applies to a person who first
 25.4 became a member of the association or a member of a pension fund listed in section
 25.5 356.30, subdivision 3, before July 1, 1989, unless paragraph (d), in conjunction with
 25.6 paragraph (e), produces a higher annuity amount, in which case paragraph (d) applies. The
 25.7 average salary as defined in section 354.05, subdivision 13a, multiplied by the following
 25.8 percentages per year of formula service credit shall determine the amount of the annuity to
 25.9 which the member qualifying therefor is entitled for service rendered before July 1, 2006:

	Coordinated Member	Basic Member
25.10		
25.11	Each year of service during	the percent specified
25.12	first ten	in section 356.315,
25.13		subdivision 1, per year
25.14	Each year of service	the percent specified
25.15	thereafter	in section 356.315,
25.16		subdivision 2, per year
		subdivision 3, per year
		subdivision 4, per year

25.17 For service rendered on or after July 1, 2006, the average salary as defined in section
 25.18 354.05, subdivision 13a, multiplied by the following percentages per year of service credit,
 25.19 determines the amount the annuity to which the member qualifying therefor is entitled:

	Coordinated Member	Basic Member
25.20		
25.21	Each year of service during	the percent specified
25.22	first ten	in section 356.315,
25.23		subdivision 1a, per year
25.24	Each year of service after	the percent specified
25.25	ten years of service	in section 356.315,
25.26		subdivision 2b, per year
		subdivision 3, per year
		subdivision 4, per year

25.27 (c)(i) This paragraph applies only to a person who first became a member of the
 25.28 association or a member of a pension fund listed in section 356.30, subdivision 3, before
 25.29 July 1, 1989, and whose annuity is higher when calculated under paragraph (b), in
 25.30 conjunction with this paragraph than when calculated under paragraph (d), in conjunction
 25.31 with paragraph (e).

25.32 (ii) Where any member retires prior to normal retirement age under a formula
 25.33 annuity, the member shall be paid a retirement annuity in an amount equal to the normal
 25.34 annuity provided in paragraph (b) reduced by one-quarter of one percent for each month
 25.35 that the member is under normal retirement age at the time of retirement except that for
 25.36 any member who has 30 or more years of allowable service credit, the reduction shall be
 25.37 applied only for each month that the member is under age 62.

26.1 (iii) Any member whose attained age plus credited allowable service totals 90 years
26.2 is entitled, upon application, to a retirement annuity in an amount equal to the normal
26.3 annuity provided in paragraph (b), without any reduction by reason of early retirement.

26.4 (d) This paragraph applies to a member who has become at least 55 years old and
26.5 first became a member of the association after June 30, 1989, and to any other member
26.6 who has become at least 55 years old and whose annuity amount when calculated under
26.7 this paragraph and in conjunction with paragraph (e), is higher than it is when calculated
26.8 under paragraph (b), in conjunction with paragraph (c). For a basic member, the average
26.9 salary, as defined in section 354.05, subdivision 13a, multiplied by the percent specified
26.10 by section 356.315, subdivision 4, for each year of service for a basic member shall
26.11 determine the amount of the retirement annuity to which the basic member is entitled.
26.12 The annuity of a basic member who was a member of the former Minneapolis Teachers
26.13 Retirement Fund Association as of June 30, 2006, must be determined according to the
26.14 annuity formula under the articles of incorporation of the former Minneapolis Teachers
26.15 Retirement Fund Association in effect as of that date. For a coordinated member, the
26.16 average salary, as defined in section 354.05, subdivision 13a, multiplied by the percent
26.17 specified in section 356.315, subdivision 2, for each year of service rendered before July
26.18 1, 2006, and by the percent specified in section 356.315, subdivision 2b, for each year of
26.19 service rendered on or after July 1, 2006, determines the amount of the retirement annuity
26.20 to which the coordinated member is entitled.

26.21 (e) This paragraph applies to a person who has become at least 55 years old and first
26.22 becomes a member of the association after June 30, 1989, and to any other member who
26.23 has become at least 55 years old and whose annuity is higher when calculated under
26.24 paragraph (d) in conjunction with this paragraph than when calculated under paragraph
26.25 (b), in conjunction with paragraph (c). An employee who retires under the formula annuity
26.26 before the normal retirement age shall be paid the normal annuity provided in paragraph
26.27 (d) reduced so that the reduced annuity is the actuarial equivalent of the annuity that
26.28 would be payable to the employee if the employee deferred receipt of the annuity and the
26.29 annuity amount were augmented at an annual rate of three percent compounded annually
26.30 from the day the annuity begins to accrue until the normal retirement age if the employee
26.31 became an employee before July 1, 2006, and at 2.5 percent compounded annually if the
26.32 employee becomes an employee after June 30, 2006. Except in regards to section 354.46,
26.33 this paragraph remains in effect until June 30, 2015.

26.34 (f) After June 30, 2020, this paragraph applies to a person who has become at least
26.35 55 years old and first becomes a member of the association after June 30, 1989, and to any
26.36 other member who has become at least 55 years old and whose annuity is higher when

27.1 calculated under paragraph (d) in conjunction with this paragraph than when calculated
 27.2 under paragraph (b), in conjunction with paragraph (c). An employee who retires under
 27.3 the formula annuity before the normal retirement age is entitled to receive the normal
 27.4 annuity provided in paragraph (d). For a person who is at least age 62 or older and has at
 27.5 least 30 years of service, the annuity must be reduced by an early reduction factor of six
 27.6 percent per year of the annuity that would be payable to the employee if the employee
 27.7 deferred receipt of the annuity and the annuity amount were augmented at an annual rate
 27.8 of three percent compounded annually from the day the annuity begins to accrue until the
 27.9 normal retirement age if the employee became an employee before July 1, 2006, and at 2.5
 27.10 percent compounded annually if the employee became an employee after June 30, 2006.
 27.11 For a person who is not at least age 62 or older and does not have at least 30 years of
 27.12 service, the annuity would be reduced by an early reduction factor of four percent per year
 27.13 for ages 55 through 59 and seven percent per year of the annuity that would be payable
 27.14 to the employee if the employee deferred receipt of the annuity and the annuity amount
 27.15 were augmented at an annual rate of three percent compounded annually from the day
 27.16 the annuity begins to accrue until the normal retirement age if the employee became an
 27.17 employee before July 1, 2006, and at 2.5 percent compounded annually if the employee
 27.18 became an employee after June 30, 2006.

27.19 (g) After June 30, 2015, and before July 1, 2020, for a person who would have
 27.20 a reduced retirement annuity under either paragraph (e) or (f) if they were applicable,
 27.21 the employee is entitled to receive a reduced annuity which must be calculated using
 27.22 a blended reduction factor augmented monthly by 1/60 of the difference between the
 27.23 reduction required under paragraph (e) and the reduction required under paragraph (f).

27.24 (f) (h) No retirement annuity is payable to a former employee with a salary that
 27.25 exceeds 95 percent of the governor's salary unless and until the salary figures used in
 27.26 computing the highest five successive years average salary under paragraph (a) have been
 27.27 audited by the Teachers Retirement Association and determined by the executive director
 27.28 to comply with the requirements and limitations of section 354.05, subdivisions 35 and 35a.

27.29 **EFFECTIVE DATE.** This section is effective July 1, 2013.

27.30 **ARTICLE 5**

27.31 **FIRST CLASS CITY TEACHER RETIREMENT INCREASES AND** 27.32 **FINANCIAL SOLVENCY MEASURES**

27.33 Section 1. **[354.436] DIRECT STATE AID ON BEHALF OF THE FORMER**
 27.34 **MINNEAPOLIS TEACHERS RETIREMENT FUND ASSOCIATION.**

28.1 Subdivision 1. **Aid authorization.** The state shall pay \$12,954,000 to the Teachers
 28.2 Retirement Association on behalf of the former Minneapolis Teachers Retirement Fund
 28.3 Association.

28.4 Subd. 2. **Aid appropriation.** The commissioner of management and budget shall
 28.5 pay the aid annually on October 1. The amount required is appropriated annually from the
 28.6 general fund to the commissioner of management and budget.

28.7 Subd. 3. **Aid expiration.** The aid specified in this section terminates and this
 28.8 section expires when the current assets of the Teachers Retirement Association fund equal
 28.9 or exceed the actuarial accrued liabilities of the fund as determined in the most recent
 28.10 actuarial valuation report for the Teachers Retirement Association fund by the actuary
 28.11 retained under section 356.214, or on the established date for full funding under section
 28.12 356.215, subdivision 11, whichever occurs earlier.

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

28.14 Sec. 2. Minnesota Statutes 2012, section 354A.011, subdivision 21, is amended to read:

28.15 Subd. 21. **Retirement.** (a) "Retirement" means the time after the date of cessation
 28.16 of active teaching service by a teacher who is ~~thereafter~~ then entitled to an accrued
 28.17 retirement annuity ~~commencing~~ beginning as designated by the board of trustees and
 28.18 payable ~~pursuant to an~~ upon filing a valid application for an annuity ~~filed~~ with the board.
 28.19 The applicable provisions of law, articles of incorporation and bylaws in effect on the date
 28.20 of cessation of active teaching service thereafter determine the rights of the person.

28.21 (b) For members of the St. Paul Teachers Retirement Fund Association, a right to
 28.22 a retirement annuity requires a complete and continuous separation for 90 days from
 28.23 employment in any form with Independent School District No. 625, including service
 28.24 provided to the school district as an independent contractor or as an employee of an
 28.25 independent contractor.

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

28.27 Sec. 3. Minnesota Statutes 2012, section 354A.12, subdivision 1, is amended to read:

28.28 Subdivision 1. **Employee contributions.** (a) The contribution required to be paid
 28.29 by each member of a teachers retirement fund association is the percentage of total salary
 28.30 specified below for the applicable association and program:

Association and Program	Percentage of Total Salary
Duluth Teachers Retirement Fund Association	
old law and new law	

29.1	coordinated programs	
29.2	before July 1, 2011 <u>2013</u>	5.5 <u>6.5</u> percent
29.3	effective July 1, 2011 <u>2013</u>	6.0 <u>7.0</u> percent
29.4	effective July 1, 2012 <u>2014</u>	6.5 <u>7.5</u> percent
29.5	St. Paul Teachers Retirement Fund Association	
29.6	basic program before July 1, 2011	8 percent
29.7	basic program after June 30, 2011	8.25 percent
29.8	basic program after June 30, 2012	8.5 percent
29.9	basic program after June 30, 2013	8.75 percent
29.10	basic program after June 30, 2014	9.0 percent
29.11	<u>basic program after June 30, 2015</u>	<u>9.5</u> percent
29.12	<u>basic program after June 30, 2016</u>	<u>10.0</u> percent
29.13	coordinated program before July 1, 2011	5.5 percent
29.14	coordinated program after June 30, 2011	5.75 percent
29.15	coordinated program after June 30, 2012	6.0 percent
29.16	coordinated program after June 30, 2013	6.25 percent
29.17	coordinated program after June 30, 2014	6.50 percent
29.18	<u>coordinated program after June 30, 2015</u>	<u>7.0</u> percent
29.19	<u>coordinated program after June 30, 2016</u>	<u>7.50</u> percent

29.20 (b) Contributions shall be made by deduction from salary and must be remitted
 29.21 directly to the respective teachers retirement fund association at least once each month.

29.22 (c) When an employee contribution rate changes for a fiscal year, the new
 29.23 contribution rate is effective for the entire salary paid by the employer with the first
 29.24 payroll cycle reported.

29.25 **EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers
 29.26 Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul
 29.27 Teachers Retirement Fund Association on the day following final enactment.

29.28 Sec. 4. Minnesota Statutes 2012, section 354A.12, subdivision 2a, is amended to read:

29.29 Subd. 2a. **Employer regular and additional contributions.** (a) The employing
 29.30 units shall make the following employer contributions to teachers retirement fund
 29.31 associations:

29.32 (1) for any coordinated member of one of the following teachers retirement fund
 29.33 associations in a city of the first class, the employing unit shall make a regular employer
 29.34 contribution to the respective retirement fund association in an amount equal to the
 29.35 designated percentage of the salary of the coordinated member as provided below:

29.36	Duluth Teachers Retirement Fund Association	
29.37	before July 1, 2011 <u>2013</u>	5.79 <u>6.79</u> percent
29.38	effective July 1, 2011 <u>2013</u>	6.29 <u>7.29</u> percent

30.1	effective July 1, 2012 <u>2014</u>	6.79 <u>7.50</u> percent
30.2	St. Paul Teachers Retirement Fund Association	
30.3	before July 1, 2011	4.50 percent
30.4	after June 30, 2011	4.75 percent
30.5	after June 30, 2012	5.0 percent
30.6	after June 30, 2013	5.25 percent
30.7	after June 30, 2014	5.5 percent
30.8	<u>after June 30, 2015</u>	<u>6.0</u> percent
30.9	<u>after June 30, 2016</u>	<u>6.25</u> percent
30.10	<u>after June 30, 2017</u>	<u>6.5</u> percent

30.11 (2) for any basic member of the St. Paul Teachers Retirement Fund Association, the
 30.12 employing unit shall make a regular employer contribution to the respective retirement
 30.13 fund in an amount according to the schedule below:

30.14	before July 1, 2011	8.0 percent of salary
30.15	after June 30, 2011	8.25 percent of salary
30.16	after June 30, 2012	8.5 percent of salary
30.17	after June 30, 2013	8.75 percent of salary
30.18	after June 30, 2014	9.0 percent of salary
30.19	<u>after June 30, 2015</u>	<u>9.5</u> percent of salary
30.20	<u>after June 30, 2016</u>	<u>9.75</u> percent of salary
30.21	<u>after June 30, 2017</u>	<u>10.0</u> percent of salary

30.22 (3) for a basic member of the St. Paul Teachers Retirement Fund Association, the
 30.23 employing unit shall make an additional employer contribution to the respective fund in
 30.24 an amount equal to 3.64 percent of the salary of the basic member;

30.25 (4) for a coordinated member of the St. Paul Teachers Retirement Fund Association,
 30.26 the employing unit shall make an additional employer contribution to the respective fund
 30.27 in an amount equal to the applicable percentage of the coordinated member's salary,
 30.28 as provided below:

30.29	St. Paul Teachers Retirement Fund Association	3.84 percent
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30.30 (b) The regular and additional employer contributions must be remitted directly to
 30.31 the respective teachers retirement fund association at least once each month. Delinquent
 30.32 amounts are payable with interest under the procedure in subdivision 1a.

30.33 (c) Payments of regular and additional employer contributions for school district
 30.34 or technical college employees who are paid from normal operating funds must be made
 30.35 from the appropriate fund of the district or technical college.

30.36 (d) When an employer contribution rate changes for a fiscal year, the new
 30.37 contribution rate is effective for the entire salary paid by the employer with the first
 30.38 payroll cycle reported.

31.1 **EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers
 31.2 Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul
 31.3 Teachers Retirement Fund Association on the day following final enactment.

31.4 Sec. 5. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision
 31.5 to read:

31.6 Subd. 2c. **Duluth Teachers Retirement Fund Association; employer**
 31.7 **contributions for reemployed annuitants.** The school district shall make the regular
 31.8 employer contributions and additional employer contributions specified in subdivision 2a
 31.9 on behalf of any retired member of the Duluth Teachers Retirement Fund Association who
 31.10 is reemployed by Independent School District No. 709, including providing service to the
 31.11 school district as an independent contractor or as an employee of an independent contractor.

31.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

31.13 Sec. 6. Minnesota Statutes 2012, section 354A.12, is amended by adding a subdivision
 31.14 to read:

31.15 Subd. 2d. **St. Paul Teachers Retirement Fund Association; employer**
 31.16 **contributions for reemployed annuitants.** Independent School District No. 625 shall
 31.17 make the regular employer contribution and additional employer contribution specified in
 31.18 subdivision 2a, plus a supplemental contribution equal to 2.5 percent of salary, on behalf
 31.19 of any retired member of the St. Paul Teachers Retirement Fund Association who is
 31.20 reemployed by Independent School District No. 625, including providing service to the
 31.21 school district as an independent contractor or as an employee of an independent contractor.

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

31.23 Sec. 7. Minnesota Statutes 2012, section 354A.12, subdivision 3a, is amended to read:

31.24 Subd. 3a. **Special direct state aid to first class city teachers retirement fund**
 31.25 **associations.** (a) The state shall pay ~~\$346,000~~ \$6,346,000 as special direct state aid to
 31.26 the Duluth Teachers Retirement Fund Association; ~~and \$2,827,000~~ \$9,827,000 to the St.
 31.27 Paul Teachers Retirement Fund Association ~~and, for the former Minneapolis Teachers~~
 31.28 ~~Retirement Fund Association, \$12,954,000 to the Teachers Retirement Association.~~

31.29 (b) The ~~direct state aids~~ under this subdivision are payable October 1 annually. The
 31.30 commissioner of management and budget shall pay the ~~direct state aid~~ aids specified in
 31.31 this subdivision. The ~~amount~~ amounts required under this subdivision ~~is~~ are appropriated
 31.32 annually from the general fund to the commissioner of management and budget.

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

32.2 Sec. 8. Minnesota Statutes 2012, section 354A.12, subdivision 3c, is amended to read:

32.3 Subd. 3c. **Termination of supplemental contributions and direct matching**
32.4 **and state aid.** (a) The supplemental contributions payable to the St. Paul Teachers
32.5 Retirement Fund Association by Independent School District No. 625 under section
32.6 423A.02, subdivision 3, ~~or the direct~~ and all forms of state aid under subdivision 3a to the
32.7 St. Paul Teachers Retirement Fund Association must continue until the current assets of
32.8 the fund equal or exceed the actuarial accrued liability of the fund as determined in the
32.9 most recent actuarial report for the fund by the actuary retained under section 356.214 or
32.10 until June 30, 2037, whichever occurs earlier.

32.11 (b) The aid to the Duluth Teachers Retirement Fund Association under section
32.12 423A.02, subdivision 3, and all forms of state aid under subdivision 3a to the Duluth
32.13 Teachers Retirement Fund Association must continue until the current assets of the fund
32.14 equal or exceed the actuarial accrued liability of the fund as determined in the most
32.15 recent actuarial report for the fund by the actuary retained under section 356.214 or until
32.16 the established date for full funding under section 356.215, subdivision 11, whichever
32.17 occurs earlier.

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

32.19 Sec. 9. Minnesota Statutes 2012, section 354A.12, subdivision 7, is amended to read:

32.20 Subd. 7. **Recovery of benefit overpayments.** (a) If the executive director discovers,
32.21 within the time period specified in subdivision 8 following the payment of a refund or
32.22 the accrual date of any retirement annuity, survivor benefit, or disability benefit, that
32.23 benefit overpayment has occurred due to using invalid service or salary, or due to any
32.24 erroneous calculation procedure, the executive director must recalculate the annuity or
32.25 benefit payable and recover any overpayment. The executive director shall recover the
32.26 overpayment by requiring direct repayment or by suspending or reducing the payment of a
32.27 retirement annuity or other benefit payable under this chapter to the applicable person or
32.28 the person's estate, whichever applies, until all outstanding amounts have been recovered.
32.29 If a benefit overpayment or improper payment of benefits occurred caused by a failure
32.30 of the person to satisfy length of separation requirements for retirement under section
32.31 354A.011, subdivision 21, the executive director shall recover the improper payments by
32.32 requiring direct repayment. The repayment must include interest at the rate of 0.71 percent
32.33 per month from the first of the month in which a monthly benefit amount was paid to the
32.34 first of the month in which the amount is repaid, with annual compounding.

33.1 (b) In the event the executive director determines that an overpaid annuity or benefit
33.2 that is the result of invalid salary included in the average salary used to calculate the
33.3 payment amount must be recovered, the executive director must determine the amount of
33.4 the employee deductions taken in error on the invalid salary, with interest as determined
33.5 under 354A.37, subdivision 3, and must subtract that amount from the total annuity or
33.6 benefit overpayment, and the remaining balance of the overpaid annuity or benefit, if
33.7 any, must be recovered.

33.8 (c) If the invalid employee deductions plus interest exceed the amount of the
33.9 overpaid benefits, the balance must be refunded to the person to whom the benefit or
33.10 annuity is being paid.

33.11 (d) Any invalid employer contributions reported on the invalid salary must be
33.12 credited against future contributions payable by the employer.

33.13 (e) If a member or former member, who is receiving a retirement annuity or
33.14 disability benefit for which an overpayment is being recovered, dies before recovery of the
33.15 overpayment is completed and an optional annuity or refund is payable, the remaining
33.16 balance of the overpaid annuity or benefit must continue to be recovered from the payment
33.17 to the optional annuity beneficiary or refund recipient.

33.18 (f) The board of trustees shall adopt policies directing the period of time and manner
33.19 for the collection of any overpaid retirement or optional annuity, and survivor or disability
33.20 benefit, or a refund that the executive director determines must be recovered as provided
33.21 under this section.

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

33.23 Sec. 10. Minnesota Statutes 2012, section 354A.27, is amended by adding a
33.24 subdivision to read:

33.25 **Subd. 6a. Postretirement adjustment transition.** (a) If the funded ratio of the
33.26 retirement plan based on the actuarial value of assets is at least 90 percent as reported
33.27 in the most recent actuarial valuation prepared under sections 356.214 and 356.215,
33.28 this subdivision expires and subsequent postretirement adjustments are governed by
33.29 subdivision 7.

33.30 (b) Each annuity or benefit recipient of the retirement plan who has been receiving
33.31 that annuity or benefit for at least 12 months as of the applicable January 1 is eligible to
33.32 receive a postretirement adjustment of one percent, payable on January 1.

33.33 **EFFECTIVE DATE.** This section is effective July 1, 2013, and applies to the
33.34 January 1, 2014, postretirement increase.

34.1 Sec. 11. Minnesota Statutes 2012, section 354A.27, subdivision 7, is amended to read:

34.2 Subd. 7. **Calculation of postretirement adjustments.** (a) This subdivision applies
34.3 if subdivision 6 6a has expired.

34.4 (b) A percentage adjustment must be computed and paid under this subdivision to
34.5 eligible persons under subdivision 5. This adjustment is determined by reference to the
34.6 Consumer Price Index for urban wage earners and clerical workers all items index as
34.7 reported by the Bureau of Labor Statistics within the United States Department of Labor
34.8 each year as part of the determination of annual cost-of-living adjustments to recipients
34.9 of federal old-age, survivors, and disability insurance. For calculations of cost-of-living
34.10 adjustments under paragraph (c), the term "average third quarter Consumer Price Index
34.11 value" means the sum of the monthly index values as initially reported by the Bureau of
34.12 Labor Statistics for the months of July, August, and September, divided by 3.

34.13 (c) Before January 1 of each year, the executive director must calculate the amount
34.14 of the cost-of-living adjustment by dividing the most recent average third quarter index
34.15 value by the same average third quarter index value from the previous year, subtract one
34.16 from the resulting quotient, and express the result as a percentage amount, which must be
34.17 rounded to the nearest one-tenth of one percent.

34.18 (d) The amount calculated under paragraph (c) is the full cost-of-living adjustment
34.19 to be applied as a permanent increase to the regular payment of each eligible member
34.20 on January 1 of the next calendar year. For any eligible member whose effective date
34.21 of benefit commencement occurred during the calendar year before the cost-of-living
34.22 adjustment is applied, the full increase amount must be prorated on the basis of whole
34.23 calendar quarters in benefit payment status in the calendar year prior to the January 1 on
34.24 which the cost-of-living adjustment is applied, calculated to the third decimal place.

34.25 (e) The adjustment must not be less than zero nor greater than five percent.

34.26 (f) If the funding ratio of the plan as determined in the most recent actuarial
34.27 valuation using the actuarial value of assets is less than 80 percent there will be no
34.28 postretirement adjustment the following January 1.

34.29 **EFFECTIVE DATE.** This section is effective July 1, 2013.

34.30 Sec. 12. Minnesota Statutes 2012, section 354A.31, subdivision 3, is amended to read:

34.31 Subd. 3. **Resumption of teaching after commencement of a retirement annuity.**

34.32 (a) Any person who retired and is receiving a coordinated program retirement annuity
34.33 under the provisions of sections 354A.31 to 354A.41 or any person receiving a basic
34.34 program retirement annuity under the governing sections in the articles of incorporation
34.35 or bylaws and who has resumed teaching service for the school district in which the

35.1 teachers retirement fund association exists is entitled to continue to receive retirement
35.2 annuity payments, except that all or a portion of the annuity payments must be deferred
35.3 during the calendar year immediately following the calendar year in which the person's
35.4 salary from the teaching service is in an amount greater than \$46,000. The amount of the
35.5 annuity deferral is one-third the salary amount in excess of \$46,000 and must be deducted
35.6 from the annuity payable for the calendar year immediately following the calendar year
35.7 in which the excess amount was earned.

35.8 (b) If the person is retired for only a fractional part of the calendar year during the
35.9 initial year of retirement, the maximum reemployment salary exempt from triggering a
35.10 deferral as specified in this subdivision must be prorated for that calendar year.

35.11 (c) After a person has reached the Social Security normal retirement age, no deferral
35.12 requirement is applicable regardless of the amount of any compensation received for
35.13 teaching service for the school district in which the teachers retirement fund association
35.14 exists.

35.15 (d) The amount of the retirement annuity deferral must be handled or disposed
35.16 of as provided in section 356.47.

35.17 (e) Notwithstanding other paragraphs of this subdivision, for any retired Duluth
35.18 Teachers Retirement Fund Association member whose effective date of retirement is after
35.19 June 30, 2013, amounts specified as deferred under this subdivision must instead be
35.20 forfeited to the Duluth Teachers Retirement Fund Association fund.

35.21 (f) Notwithstanding other paragraphs of this subdivision, for any retired St. Paul
35.22 Teachers Retirement Fund Association basic or coordinated program member whose
35.23 effective date of retirement is after June 30, 2013, amounts specified as deferred under
35.24 this subdivision must instead be forfeited to the St. Paul Teachers Retirement Fund
35.25 Association fund.

35.26 (e) (g) For the purpose of this subdivision, salary from teaching service includes: (i)
35.27 all income for services performed as a consultant or independent contractor; or income
35.28 resulting from working with the school district in any capacity; and (ii) the greater of either
35.29 the income received or an amount based on the rate paid with respect to an administrative
35.30 position, consultant, or independent contractor in the school district in which the teachers
35.31 retirement fund association exists and at the same level as the position occupied by the
35.32 person who resumes teaching service.

35.33 (f) (h) On or before February 15 of each year, each applicable employing unit
35.34 shall report to the teachers retirement fund association the amount of postretirement
35.35 salary as defined in this subdivision, earned as a teacher, consultant, or independent
35.36 contractor during the previous calendar year by each retiree of the teachers retirement

36.1 fund association for teaching service performed after retirement. The report must be in
36.2 a format approved by the executive secretary or director.

36.3 **EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers
36.4 Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul
36.5 Teachers Retirement Fund Association the day following final enactment.

36.6 Sec. 13. Minnesota Statutes 2012, section 354A.31, subdivision 4, is amended to read:

36.7 Subd. 4. **Computation of normal coordinated retirement annuity; St. Paul**
36.8 **fund.** (a) This subdivision applies to the coordinated program of the St. Paul Teachers
36.9 Retirement Fund Association.

36.10 (b) The normal coordinated retirement annuity is an amount equal to a retiring
36.11 coordinated member's average salary under section 354A.011, subdivision 7a, multiplied
36.12 by the retirement annuity formula percentage.

36.13 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
36.14 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
36.15 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces
36.16 a higher annuity amount, in which case paragraph (d) will apply. For service rendered
36.17 before July 1, 2015, the retirement annuity formula percentage for purposes of this
36.18 paragraph is the percent specified in section 356.315, subdivision 1, per year for each year
36.19 of coordinated service for the first ten years and the percent specified in section 356.315,
36.20 subdivision 2, for each year of coordinated service thereafter. For service rendered after
36.21 June 30, 2015, the retirement annuity formula percentage for purposes of this paragraph
36.22 is the percent specified in section 356.315, subdivision 1a, per year for each year of
36.23 coordinated service for the first ten years and the percent specified in section 356.315,
36.24 subdivision 2b, for each year of coordinated service thereafter.

36.25 (d) This paragraph applies to a person who has become at least 55 years old and who
36.26 first becomes a member after June 30, 1989, and to any other member who has become
36.27 at least 55 years old and whose annuity amount, when calculated under this paragraph
36.28 and in conjunction with subdivision 7 is higher than it is when calculated under paragraph
36.29 (c), in conjunction with the provisions of subdivision 6. The retirement annuity formula
36.30 percentage for purposes of this paragraph is the percent specified in section 356.315,
36.31 subdivision 2, for each year of coordinated service rendered before July 1, 2015, and
36.32 the percent specified in section 356.215, subdivision 2b, for each year of coordinated
36.33 service thereafter.

36.34 **EFFECTIVE DATE.** This section is effective July 1, 2014.

37.1 Sec. 14. Minnesota Statutes 2012, section 354A.31, subdivision 4a, is amended to read:

37.2 Subd. 4a. **Computation of normal coordinated retirement annuity; Duluth**
37.3 **fund.** (a) This subdivision applies to the new law coordinated program of the Duluth
37.4 Teachers Retirement Fund Association.

37.5 (b) The normal coordinated retirement annuity is an amount equal to a retiring
37.6 coordinated member's average salary under section 354A.011, subdivision 7a, multiplied
37.7 by the retirement annuity formula percentage.

37.8 (c) This paragraph, in conjunction with subdivision 6, applies to a person who first
37.9 became a member or a member in a pension fund listed in section 356.30, subdivision 3,
37.10 before July 1, 1989, unless paragraph (d), in conjunction with subdivision 7, produces a
37.11 higher annuity amount, in which case paragraph (d) applies. The retirement annuity
37.12 formula percentage for purposes of this paragraph is the percent specified in section
37.13 356.315, subdivision 1, per year for each year of coordinated program service for the first
37.14 ten years rendered through June 30, 2013, and the percent specified in section 356.315,
37.15 subdivision 1a, per year for each year of coordinated program service rendered after June
37.16 30, 2013, and the percent specified in section 356.315, subdivision 2, for each subsequent
37.17 year of coordinated program service through June 30, 2013, and the percent specified in
37.18 section 356.315, subdivision 2b, per year for each year of coordinated program service
37.19 rendered after June 30, 2013.

37.20 (d) This paragraph applies to a person who is at least 55 years old and who first
37.21 becomes a member after June 30, 1989, and to any other member who is at least 55 years
37.22 old and whose annuity amount, when calculated under this paragraph and in conjunction
37.23 with subdivision 7, is higher than it is when calculated under paragraph (c) in conjunction
37.24 with subdivision 6. The retirement annuity formula percentage for purposes of this
37.25 paragraph is the percent specified in section 356.315, subdivision 2, for each year of
37.26 coordinated program service through June 30, 2013, and the percent specified in section
37.27 356.315, subdivision 2b, per year for each year of coordinated program service rendered
37.28 after June 30, 2013.

37.29 **EFFECTIVE DATE.** This section is effective July 1, 2013.

37.30 Sec. 15. Minnesota Statutes 2012, section 354A.31, subdivision 7, is amended to read:

37.31 Subd. 7. **Actuarial Reduction for early retirement.** (a) This subdivision applies to
37.32 a person who has become at least 55 years old and first becomes a coordinated member
37.33 after June 30, 1989, and to any other coordinated member who has become at least 55
37.34 years old and whose annuity is higher when calculated using the retirement annuity
37.35 formula percentage in subdivision 4, paragraph (d), ~~and~~ or subdivision 4a, paragraph (d),

38.1 as applicable, in conjunction with this subdivision than when calculated under subdivision
 38.2 4, paragraph (c), or subdivision 4a, paragraph (c), in conjunction with subdivision 6.

38.3 (b) A coordinated member who retires before the full-benefit normal retirement
 38.4 age shall be paid the retirement annuity calculated using the retirement annuity formula
 38.5 percentage in subdivision 4, paragraph (d), or subdivision 4a, paragraph (d), reduced so
 38.6 that the reduced annuity is the actuarial equivalent of the annuity that would be payable
 38.7 to the member if the member deferred receipt of the annuity and the annuity amount
 38.8 were augmented at an annual rate of three percent compounded annually from the day
 38.9 the annuity begins to accrue until the normal retirement age if the employee became an
 38.10 employee before July 1, 2006, and at 2.5 percent compounded annually from the day the
 38.11 annuity begins to accrue until the normal retirement age if the person initially becomes a
 38.12 teacher after June 30, 2006. whichever is applicable, multiplied by the applicable early
 38.13 retirement factor specified below:

	<u>Under age 62</u>		<u>Age 62 or older</u>	
	<u>or less than 30 years of service</u>		<u>with 30 years of service</u>	
<u>Normal retirement age:</u>	<u>65</u>	<u>66</u>	<u>65</u>	<u>66</u>
<u>Age at retirement</u>				
38.18 <u>55</u>	<u>0.5376</u>	<u>0.4592</u>		
38.19 <u>56</u>	<u>0.5745</u>	<u>0.4992</u>		
38.20 <u>57</u>	<u>0.6092</u>	<u>0.5370</u>		
38.21 <u>58</u>	<u>0.6419</u>	<u>0.5726</u>		
38.22 <u>59</u>	<u>0.6726</u>	<u>0.6062</u>		
38.23 <u>60</u>	<u>0.7354</u>	<u>0.6726</u>		
38.24 <u>61</u>	<u>0.7947</u>	<u>0.7354</u>		
38.25 <u>62</u>	<u>0.8507</u>	<u>0.7947</u>	<u>0.8831</u>	<u>0.8389</u>
38.26 <u>63</u>	<u>0.9035</u>	<u>0.8507</u>	<u>0.9246</u>	<u>0.8831</u>
38.27 <u>64</u>	<u>0.9533</u>	<u>0.9035</u>	<u>0.9635</u>	<u>0.9246</u>
38.28 <u>65</u>	<u>1.0000</u>	<u>0.9533</u>	<u>1.0000</u>	<u>0.9635</u>
38.29 <u>66</u>		<u>1.0000</u>		<u>1.0000</u>

38.30 For normal retirement ages between ages 65 and 66, the early retirement factors will
 38.31 be determined by linear interpolation between the early retirement factors applicable for
 38.32 normal retirement ages 65 and 66.

38.33 **EFFECTIVE DATE.** This section is effective July 1, 2013.

38.34 Sec. 16. Minnesota Statutes 2012, section 354A.35, subdivision 2, is amended to read:

38.35 Subd. 2. **Death while eligible to retire; surviving spouse optional annuity.** (a)
 38.36 The surviving spouse of a vested coordinated member who dies prior to retirement may
 38.37 elect to receive, instead of a refund with interest under subdivision 1, an annuity equal

39.1 to the 100 percent joint and survivor annuity the member could have qualified for had
39.2 the member terminated service on the date of death. The surviving spouse eligible for
39.3 a surviving spouse benefit under this paragraph may apply for the annuity at any time
39.4 after the date on which the deceased employee would have attained the required age for
39.5 retirement based on the employee's allowable service. A surviving spouse eligible for
39.6 surviving spouse benefits under paragraph (b) or (c) may apply for an annuity at any time
39.7 after the member's death. The member's surviving spouse shall be paid a joint and survivor
39.8 annuity under section 354A.32 and computed under section 354A.31.

39.9 (b) If the member was under age 55 and has credit for at least 30 years of allowable
39.10 service on the date of death, the surviving spouse may elect to receive a 100 percent joint
39.11 and survivor annuity based on the age of the member and surviving spouse on the date
39.12 of death. The annuity is payable using the full early retirement reduction under section
39.13 354A.31, subdivision 6, paragraph (a), to age 55 and one-half of the early retirement
39.14 reduction from age 55 to the age payment begins.

39.15 (c) If a vested member of the Duluth Teachers Retirement Fund Association was
39.16 under age 55 on the date of death but did not yet qualify for retirement, the surviving
39.17 spouse may elect to receive the 100 percent joint and survivor annuity based on the age
39.18 of the member and the survivor at the time of death. The annuity is payable using the
39.19 full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and
39.20 one-half of the early retirement reduction from age 55 to the date payment begins.

39.21 (d) If a vested member of the St. Paul Teachers Retirement Fund Association was
39.22 under age 55 on the date of death but did not yet qualify for retirement, the surviving
39.23 spouse may elect to receive the 100 percent joint and survivor annuity based on the age
39.24 of the member and the survivor at the time of death. The annuity is payable using the
39.25 full early retirement reduction under section 354A.31, subdivision 6 or 7, to age 55 and
39.26 one-half of the actuarial equivalent reduction from age 55 to the date payment begins.
39.27 The actuarial equivalent reduction is calculated so that the reduced annuity is the actuarial
39.28 equivalent of the annuity that would be payable to the member if the member deferred
39.29 receipt of the annuity and the annuity amount were augmented at an annual rate of 2.5
39.30 percent compounded annually from the day the annuity begins to accrue until the normal
39.31 retirement age.

39.32 (d) (e) Sections 354A.37, subdivision 2, and 354A.39 apply to a deferred annuity
39.33 or surviving spouse benefit payable under this section. The benefits are payable for the
39.34 life of the surviving spouse, or upon expiration of the term certain benefit payment under
39.35 subdivision 2b.

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

40.1 Sec. 17. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

40.2 Subd. 8. **Interest and salary assumptions.** (a) The actuarial valuation must use
 40.3 the applicable following preretirement interest assumption and the applicable following
 40.4 postretirement interest assumption:

40.5 (1) select and ultimate interest rate assumption

plan	ultimate preretirement interest rate assumption	ultimate postretirement interest rate assumption
40.10 general state employees retirement plan	8.5%	6.0%
40.11 correctional state employees retirement plan	8.5	6.0
40.12 State Patrol retirement plan	8.5	6.0
40.13 legislators retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
40.16 elective state officers retirement plan	0.0	-2.0 until June 30, 2040, and -2.5 after June 30, 2040
40.19 judges retirement plan	8.5	6.0
40.20 general public employees retirement plan	8.5	6.0
40.21 public employees police and fire retirement plan	8.5	6.0
40.22 local government correctional service 40.23 retirement plan	8.5	6.0
40.24 teachers retirement plan	8.5	6.0
40.25 Duluth teachers retirement plan	8.5	8.5
40.26 St. Paul teachers retirement plan	8.5	8.5

40.27 Except for the legislators retirement plan and the elective state officers retirement
 40.28 plan, the select preretirement interest rate assumption for the period after June 30, 2012,
 40.29 through June 30, 2017, is 8.0 percent. Except for the legislators retirement plan and the
 40.30 elective state officers retirement plan, the select postretirement interest rate assumption for
 40.31 the period after June 30, 2012, through June 30, 2017, is 5.5 percent, except for the Duluth
 40.32 teachers retirement plan and the St. Paul teachers retirement plan, each with a select
 40.33 postretirement interest rate assumption for the period after June 30, 2012, through June
 40.34 30, 2017, of 8.0 percent.

40.35 (2) single rate preretirement and postretirement interest rate assumption

plan	interest rate assumption
40.38 Bloomington Fire Department Relief Association	6.0
40.39 local monthly benefit volunteer firefighters relief 40.40 associations	5.0

41.1 (b) The actuarial valuation must use the applicable following single rate future salary
 41.2 increase assumption, the applicable following modified single rate future salary increase
 41.3 assumption, or the applicable following graded rate future salary increase assumption:

41.4 (1) single rate future salary increase assumption

41.5	plan	future salary increase assumption
41.6	legislators retirement plan	5.0%
41.7	judges retirement plan	3.0
41.8	Bloomington Fire Department Relief	4.0
41.9	Association	

41.10 (2) age-related future salary increase age-related select and ultimate future salary
 41.11 increase assumption or graded rate future salary increase assumption

41.12	plan	future salary increase assumption
41.13	local government correctional service retirement plan	assumption C
41.14	Duluth teachers retirement plan	assumption A
41.15	St. Paul teachers retirement plan	assumption B

41.16 For plans other than the Duluth teachers
 41.17 retirement plan, the select calculation
 41.18 is: during the designated select period, a
 41.19 designated percentage rate is multiplied by
 41.20 the result of the designated integer minus T,
 41.21 where T is the number of completed years
 41.22 of service, and is added to the applicable
 41.23 future salary increase assumption. The
 41.24 designated select period is ten years and the
 41.25 designated integer is ten for ~~all retirement~~
 41.26 ~~plans covered by this clause~~ the Duluth
 41.27 Teachers Retirement Fund Association
 41.28 and for the local government correctional
 41.29 service retirement plan and 15 for the St.
 41.30 Paul Teachers Retirement Fund Association.

41.31 The designated percentage rate is ~~0.3~~ 0.2
 41.32 percent for the St. Paul Teachers Retirement
 41.33 Fund Association. The select calculation
 41.34 for the Duluth Teachers Retirement Fund
 41.35 Association is 8.00 percent per year for
 41.36 service years one through seven, 7.25 percent
 41.37 per year for service years seven and eight,

42.1 and 6.50 percent per year for service years

42.2 eight and nine.

42.3 The ultimate future salary increase assumption is:

42.4	age	A	B	C
42.5	16	8.00% <u>6.00%</u>	6.90% <u>5.90%</u>	9.00%
42.6	17	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
42.7	18	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
42.8	19	8.00 <u>6.00</u>	6.90 <u>5.90</u>	9.00
42.9	20	6.90 <u>6.00</u>	6.90 <u>5.90</u>	9.00
42.10	21	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.75
42.11	22	6.90 <u>6.00</u>	6.90 <u>5.90</u>	8.50
42.12	23	6.85 <u>6.00</u>	6.85 <u>5.85</u>	8.25
42.13	24	6.80 <u>6.00</u>	6.80 <u>5.80</u>	8.00
42.14	25	6.75 <u>6.00</u>	6.75 <u>5.75</u>	7.75
42.15	26	6.70 <u>6.00</u>	6.70 <u>5.70</u>	7.50
42.16	27	6.65 <u>6.00</u>	6.65 <u>5.65</u>	7.25
42.17	28	6.60 <u>6.00</u>	6.60 <u>5.60</u>	7.00
42.18	29	6.55 <u>6.00</u>	6.55 <u>5.55</u>	6.75
42.19	30	6.50 <u>6.00</u>	6.50 <u>5.50</u>	6.75
42.20	31	6.45 <u>6.00</u>	6.45 <u>5.45</u>	6.50
42.21	32	6.40 <u>6.00</u>	6.40 <u>5.40</u>	6.50
42.22	33	6.35 <u>6.00</u>	6.35 <u>5.35</u>	6.50
42.23	34	6.30 <u>6.00</u>	6.30 <u>5.30</u>	6.25
42.24	35	6.25 <u>6.00</u>	6.25 <u>5.25</u>	6.25
42.25	36	6.20 <u>5.86</u>	6.20 <u>5.20</u>	6.00
42.26	37	6.15 <u>5.73</u>	6.15 <u>5.15</u>	6.00
42.27	38	6.10 <u>5.59</u>	6.10 <u>5.10</u>	6.00
42.28	39	6.05 <u>5.45</u>	6.05 <u>5.05</u>	5.75
42.29	40	6.00 <u>5.31</u>	6.00 <u>5.00</u>	5.75
42.30	41	5.90 <u>5.18</u>	5.95 <u>4.95</u>	5.75
42.31	42	5.80 <u>5.04</u>	5.90 <u>4.90</u>	5.50
42.32	43	5.70 <u>4.90</u>	5.85 <u>4.85</u>	5.25
42.33	44	5.60 <u>4.76</u>	5.80 <u>4.80</u>	5.25
42.34	45	5.50 <u>4.63</u>	5.75 <u>4.75</u>	5.00
42.35	46	5.40 <u>4.49</u>	5.70 <u>4.70</u>	5.00
42.36	47	5.30 <u>4.35</u>	5.65 <u>4.65</u>	5.00
42.37	48	5.20 <u>4.21</u>	5.60 <u>4.60</u>	5.00
42.38	49	5.10 <u>4.08</u>	5.55 <u>4.55</u>	5.00
42.39	50	5.00 <u>3.94</u>	5.50 <u>4.50</u>	5.00
42.40	51	4.90 <u>3.80</u>	5.45 <u>4.45</u>	5.00
42.41	52	4.80 <u>3.66</u>	5.40 <u>4.40</u>	5.00
42.42	53	4.70 <u>3.53</u>	5.35 <u>4.35</u>	5.00
42.43	54	4.60 <u>3.39</u>	5.30 <u>4.30</u>	5.00

43.1	55	4.50 <u>3.25</u>	5.25 <u>4.25</u>	4.75
43.2	56	4.40 <u>3.25</u>	5.20 <u>4.20</u>	4.75
43.3	57	4.30 <u>3.25</u>	5.15 <u>4.15</u>	4.50
43.4	58	4.20 <u>3.25</u>	5.10 <u>4.10</u>	4.25
43.5	59	4.10 <u>3.25</u>	5.05 <u>4.05</u>	4.25
43.6	60	4.00 <u>3.25</u>	5.00 <u>4.00</u>	4.25
43.7	61	3.90 <u>3.25</u>	5.00 <u>4.00</u>	4.25
43.8	62	3.80 <u>3.25</u>	5.00 <u>4.00</u>	4.25
43.9	63	3.70 <u>3.25</u>	5.00 <u>4.00</u>	4.25
43.10	64	3.60 <u>3.25</u>	5.00 <u>4.00</u>	4.25
43.11	65	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
43.12	66	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
43.13	67	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
43.14	68	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
43.15	69	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00
43.16	70	3.50 <u>3.25</u>	5.00 <u>4.00</u>	4.00

43.17 (3) service-related ultimate future salary increase assumption

43.18	general state employees retirement plan of the	assumption A
43.19	Minnesota State Retirement System	
43.20	general employees retirement plan of the Public	assumption B
43.21	Employees Retirement Association	
43.22	Teachers Retirement Association	assumption C
43.23	public employees police and fire retirement plan	assumption D
43.24	State Patrol retirement plan	assumption E
43.25	correctional state employees retirement plan of the	assumption F
43.26	Minnesota State Retirement System	

43.27	service						
43.28	length	A	B	C	D	E	F
43.29	1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
43.30	2	8.10	8.90	9.00	11.00	7.50	5.85
43.31	3	6.90	7.46	8.00	9.00	7.00	5.70
43.32	4	6.20	6.58	7.50	8.00	6.75	5.55
43.33	5	5.70	5.97	7.25	6.50	6.50	5.40
43.34	6	5.30	5.52	7.00	6.10	6.25	5.25
43.35	7	5.00	5.16	6.85	5.80	6.00	5.10
43.36	8	4.70	4.87	6.70	5.60	5.85	4.95
43.37	9	4.50	4.63	6.55	5.40	5.70	4.80
43.38	10	4.40	4.42	6.40	5.30	5.55	4.65
43.39	11	4.20	4.24	6.25	5.20	5.40	4.55
43.40	12	4.10	4.08	6.00	5.10	5.25	4.45
43.41	13	4.00	3.94	5.75	5.00	5.10	4.35
43.42	14	3.80	3.82	5.50	4.90	4.95	4.25
43.43	15	3.70	3.70	5.25	4.80	4.80	4.15

44.1	16	3.60	3.60	5.00	4.80	4.65	4.05
44.2	17	3.50	3.51	4.75	4.80	4.50	3.95
44.3	18	3.50	3.50	4.50	4.80	4.35	3.85
44.4	19	3.50	3.50	4.25	4.80	4.20	3.75
44.5	20	3.50	3.50	4.00	4.80	4.05	3.75
44.6	21	3.50	3.50	3.90	4.70	4.00	3.75
44.7	22	3.50	3.50	3.80	4.60	4.00	3.75
44.8	23	3.50	3.50	3.70	4.50	4.00	3.75
44.9	24	3.50	3.50	3.60	4.50	4.00	3.75
44.10	25	3.50	3.50	3.50	4.50	4.00	3.75
44.11	26	3.50	3.50	3.50	4.50	4.00	3.75
44.12	27	3.50	3.50	3.50	4.50	4.00	3.75
44.13	28	3.50	3.50	3.50	4.50	4.00	3.75
44.14	29	3.50	3.50	3.50	4.50	4.00	3.75
44.15	30 or	3.50	3.50	3.50	4.50	4.00	3.75
44.16	more						

44.17 (c) The actuarial valuation must use the applicable following payroll growth
 44.18 assumption for calculating the amortization requirement for the unfunded actuarial
 44.19 accrued liability where the amortization retirement is calculated as a level percentage
 44.20 of an increasing payroll:

44.21	plan	payroll growth assumption
44.22	general state employees retirement plan of the	3.75%
44.23	Minnesota State Retirement System	
44.24	correctional state employees retirement plan	3.75
44.25	State Patrol retirement plan	3.75
44.26	judges retirement plan	3.00
44.27	general employees retirement plan of the Public	3.75
44.28	Employees Retirement Association	
44.29	public employees police and fire retirement plan	3.75
44.30	local government correctional service retirement plan	3.75
44.31	teachers retirement plan	3.75
44.32	Duluth teachers retirement plan	4.50 <u>3.50</u>
44.33	St. Paul teachers retirement plan	5.00 <u>4.00</u>

44.34 (d) The assumptions set forth in paragraphs (b) and (c) continue to apply, unless a
 44.35 different salary assumption or a different payroll increase assumption:

- 44.36 (1) has been proposed by the governing board of the applicable retirement plan;
- 44.37 (2) is accompanied by the concurring recommendation of the actuary retained under
- 44.38 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
- 44.39 most recent actuarial valuation report if section 356.214 does not apply; and
- 44.40 (3) has been approved or deemed approved under subdivision 18.

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

45.2 Sec. 18. Minnesota Statutes 2012, section 356.47, subdivision 1, is amended to read:

45.3 Subdivision 1. **Application.** (a) This section applies to the balance of annual
45.4 retirement annuities on the amount of retirement annuity reductions after reemployed
45.5 annuitant earnings limitations for retirement plans governed by section 352.115,
45.6 subdivision 10; 353.37; 354.44, subdivision 5; or 354A.31, subdivision 3.

45.7 (b) This section also applies to the balance of annual retirement annuities on
45.8 the amount of retirement annuity reductions under section 354A.31, subdivision 3, for
45.9 members of the Duluth Teachers Retirement Fund Association whose effective date of
45.10 retirement is before July 1, 2013.

45.11 (c) This section also applies to the balance of annual retirement annuities on
45.12 the amount of retirement annuity reductions under section 354A.31, subdivision 3, for
45.13 members of the St. Paul Teachers Retirement Fund Association whose effective date of
45.14 retirement is before July 1, 2013.

45.15 **EFFECTIVE DATE.** This section is effective with respect to the Duluth Teachers
45.16 Retirement Fund Association on July 1, 2013, and is effective with respect to the St. Paul
45.17 Teachers Retirement Fund Association the day following final enactment.

45.18 Sec. 19. Minnesota Statutes 2012, section 423A.02, subdivision 5, is amended to read:

45.19 Subd. 5. **Termination of state aid programs.** The amortization state aid,
45.20 supplemental amortization state aid, and additional amortization state aid programs
45.21 terminate as of the December 31, next following the date of the actuarial valuation when
45.22 the assets of the St. Paul Teachers Retirement Fund Association equal the actuarial accrued
45.23 liability of that plan or ~~December 31, 2009~~ June 30, 2037, whichever is ~~later~~ earlier.

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

45.25 Sec. 20. **DULUTH TEACHERS RETIREMENT FUND ASSOCIATION BYLAW**
45.26 **AMENDMENT AUTHORIZATION.**

45.27 Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the Duluth
45.28 Teachers Retirement Fund Association is authorized to amend its articles of incorporation
45.29 or its bylaws to specify the revised contribution rates under sections 3 and 4, required
45.30 employee contributions on behalf of reemployed annuitants as specified under section 5,
45.31 and revised treatment of reemployed annuitant holding accounts under sections 12 and 18.

45.32 **EFFECTIVE DATE.** This section is effective July 1, 2013.

46.1 Sec. 21. **ST. PAUL TEACHERS RETIREMENT FUND ASSOCIATION BYLAW**
46.2 **AMENDMENT AUTHORIZATION.**

46.3 Consistent with Minnesota Statutes, section 354A.12, subdivision 4, the St. Paul
46.4 Teachers Retirement Fund Association is authorized to amend its articles of incorporation
46.5 or its bylaws to apply the reduction factors stated in section 15 rather than the actuarial
46.6 reduction factors previously authorized.

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

46.8 Sec. 22. **REPEALER.**

46.9 Minnesota Statutes 2012, section 354A.27, subdivision 6, is repealed.

46.10 **ARTICLE 6**

46.11 **JUDGES RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES**

46.12 Section 1. Minnesota Statutes 2012, section 356.315, is amended by adding a
46.13 subdivision to read:

46.14 Subd. 8a. **Judges plan.** The applicable benefit accrual rate is 2.5 percent.

46.15 **EFFECTIVE DATE.** This section is effective July 1, 2013.

46.16 Sec. 2. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

46.17 Subdivision 1. **Annual postretirement adjustments; generally.** (a) Except as
46.18 otherwise provided in subdivision 1a, 1b, 1c, 1d, ~~or 1e,~~ or 1f, retirement annuity, disability
46.19 benefit, or survivor benefit recipients of a covered retirement plan are entitled to a
46.20 postretirement adjustment annually on January 1, as follows:

46.21 (1) a postretirement increase of 2.5 percent must be applied each year, effective
46.22 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has
46.23 been receiving an annuity or a benefit for at least 12 full months prior to the January 1
46.24 increase; and

46.25 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
46.26 benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5
46.27 percent for each month that the person has been receiving an annuity or benefit must be
46.28 applied, effective on January 1 following the calendar year in which the person has been
46.29 retired for less than 12 months.

46.30 (b) The increases provided by this subdivision commence on January 1, 2010.

47.1 (c) An increase in annuity or benefit payments under this section must be made
47.2 automatically unless written notice is filed by the annuitant or benefit recipient with the
47.3 executive director of the covered retirement plan requesting that the increase not be made.

47.4 (d) The retirement annuity payable to a person who retires before becoming eligible
47.5 for Social Security benefits and who has elected the optional payment as provided in
47.6 section 353.29, subdivision 6, must be treated as the sum of a period certain retirement
47.7 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
47.8 The period certain retirement annuity plus the life retirement annuity must be the
47.9 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
47.10 adjustment granted on the period certain retirement annuity must terminate when the
47.11 period certain retirement annuity terminates.

47.12 **EFFECTIVE DATE.** This section is effective July 1, 2013.

47.13 Sec. 3. Minnesota Statutes 2012, section 356.415, is amended by adding a subdivision
47.14 to read:

47.15 **Subd. 1f. Annual postretirement adjustments; Minnesota State Retirement**
47.16 **System judges retirement plan.** (a) The increases provided under this subdivision begin
47.17 on January 1, 2014, and are in lieu of increases under subdivision 1 or 1a for retirement
47.18 annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.

47.19 (b) Retirement annuity, disability benefit, or survivor benefit recipients of the
47.20 judges retirement plan are entitled to a postretirement adjustment annually on January
47.21 1, as follows:

47.22 (1) a postretirement increase of 1.75 percent must be applied each year, effective
47.23 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient
47.24 who has been receiving an annuity or a benefit for at least 18 full months before the
47.25 January 1 increase; and

47.26 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
47.27 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75
47.28 percent for each month that the person has been receiving an annuity or benefit must be
47.29 applied, effective January 1, following the calendar year in which the person has been
47.30 retired for at least six months, but has been retired for less than 18 months.

47.31 (c) Increases under this subdivision terminate on December 31 of the calendar
47.32 year in which the actuarial valuation prepared by the approved actuary under sections
47.33 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative
47.34 Commission on Pensions and Retirement indicates that the market value of assets of the
47.35 judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of

48.1 the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin
48.2 on the January 1 next following that date.

48.3 (d) An increase in annuity or benefit payments under this subdivision must be made
48.4 automatically unless written notice is filed by the annuitant or benefit recipient with the
48.5 executive director of the applicable covered retirement plan requesting that the increase
48.6 not be made.

48.7 **EFFECTIVE DATE.** This section is effective July 1, 2013.

48.8 Sec. 4. Minnesota Statutes 2012, section 490.121, subdivision 21f, is amended to read:

48.9 Subd. 21f. **Normal retirement date.** (a) For a judge in the tier I program, "normal
48.10 retirement date" means the date a the judge attains the age of 65.

48.11 (b) For a judge in the tier II program, normal retirement date means the date the
48.12 judge attains age 66.

48.13 **EFFECTIVE DATE.** This section is effective July 1, 2013.

48.14 Sec. 5. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

48.15 Subd. 22. **Service credit limit.** "Service credit limit" means, for a judge covered
48.16 by tier I, the greater of: (1) 24 years of allowable service under this chapter; or (2)₂ for
48.17 judges a judge with allowable service rendered before July 1, 1980, the number of years of
48.18 allowable service under chapter 490, which, when multiplied by the percentage listed in
48.19 section 356.315, subdivision 7 or 8, whichever is applicable to each year of service, equals
48.20 76.8. For a judge covered by tier II, there is no service credit limit.

48.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.

48.22 Sec. 6. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision
48.23 to read:

48.24 Subd. 25. **Tier I.** "Tier I" is the benefit program of the retirement plan with a
48.25 membership specified by section 490.1221, paragraph (b), and governed by sections
48.26 356.315, subdivisions 7 and 8; 356.415, subdivisions 1 and 1f; and 490.121 to 490.133,
48.27 except as modified in sections 356.315, subdivision 8a; 490.121, subdivision 21f,
48.28 paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision
48.29 1, paragraphs (c) and (d).

48.30 **EFFECTIVE DATE.** This section is effective July 1, 2013.

49.1 Sec. 7. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision
49.2 to read:

49.3 Subd. 26. Tier II. "Tier II" is the benefit program of the retirement plan with a
49.4 membership specified by section 490.1221, paragraph (c), and governed by sections
49.5 356.315, subdivision 8a; 356.415, subdivisions 1 and 1f; 490.121 to 490.133, as modified
49.6 in section 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a,
49.7 paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

49.8 **EFFECTIVE DATE.** This section is effective July 1, 2013.

49.9 Sec. 8. **[490.1221] JUDGES PLAN PROGRAMS.**

49.10 (a) Members of the judges retirement plan are members of either the tier I or tier II
49.11 program.

49.12 (b) A tier I program judge is a person who was first appointed or elected as a judge
49.13 before July 1, 2013, who was not eligible for the tier II program because the judge had
49.14 five or more years of allowable service on or before December 30, 2013, or did not elect
49.15 that program.

49.16 (c) A tier II program judge is a person who:

49.17 (1) was first appointed or elected as a judge after June 30, 2013; or

49.18 (2) was first appointed or elected as a judge before July 1, 2013, had less than five
49.19 years of allowable service on or before December 30, 2013, and made an election under
49.20 section 14 to be in the tier II program.

49.21 **EFFECTIVE DATE.** This section is effective July 1, 2013.

49.22 Sec. 9. **[490.1222] APPLICATION OF SERVICE CREDIT LIMIT.**

49.23 The service credit limit specified in section 490.121, subdivision 22, does not apply
49.24 to a judge in the tier II program.

49.25 **EFFECTIVE DATE.** This section is effective July 1, 2013.

49.26 Sec. 10. Minnesota Statutes 2012, section 490.123, subdivision 1a, is amended to read:

49.27 Subd. 1a. Member contribution rates. (a) A judge who is covered by the federal
49.28 Old Age, Survivors, Disability, and Health Insurance Program and in the tier I program
49.29 whose service does not exceed the service credit limit in section 490.121, subdivision 22,
49.30 shall contribute to the fund from each salary payment a sum equal to 8.00 9.00 percent
49.31 of salary.

50.1 (b) A judge in the tier II program shall contribute to the fund from each salary
 50.2 payment a sum equal to 7.00 percent of salary.

50.3 ~~(b) The contribution~~ (c) Contributions under this subdivision is are payable by salary
 50.4 deduction. The deduction must be made by the state court administrator under section
 50.5 352.04, subdivisions 4, 5, and 8.

50.6 **EFFECTIVE DATE.** This section is effective beginning on the first day of the first
 50.7 full payroll period following an increase in judicial salaries of at least one percent due to
 50.8 action by the legislature during calendar year 2013 or later.

50.9 Sec. 11. Minnesota Statutes 2012, section 490.123, subdivision 1b, is amended to read:

50.10 Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the
 50.11 fund on behalf of a judge is ~~20.5~~ 22.5 percent of salary. The employer obligation continues
 50.12 after a judge exceeds the service credit limit in section 490.121, subdivision 22.

50.13 (b) The employer contribution must be paid by the state court administrator. The
 50.14 employer contribution is payable at the same time as member contributions are made
 50.15 under subdivision 1a or as employee contributions are made to the unclassified program
 50.16 governed by chapter 352D for judges whose service exceeds the limit in section 490.121,
 50.17 subdivision 22, are remitted.

50.18 **EFFECTIVE DATE.** This section is effective the first day of the first full payroll
 50.19 period after June 30, 2013.

50.20 Sec. 12. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

50.21 Subdivision 1. **Basic Retirement annuity.** (a) Except as qualified hereinafter from
 50.22 and after the mandatory retirement date, the normal retirement date, the early retirement
 50.23 date, or one year from the disability retirement date, as the case may be, a retiring judge is
 50.24 eligible to receive a retirement annuity from the judges' retirement fund.

50.25 (b) For a tier I program judge, the retirement annuity is an amount equal to:

50.26 (1) the percent specified in section 356.315, subdivision 7, multiplied by the judge's
 50.27 final average compensation with that result then multiplied by the number of years and
 50.28 fractions of years of allowable service rendered before July 1, 1980; plus

50.29 (2) the percent specified in section 356.315, subdivision 8, multiplied by the judge's
 50.30 final average compensation with that result then multiplied by the number of years and
 50.31 fractions of years of allowable service rendered after June 30, 1980.

50.32 (c) For a tier II program judge who was first appointed or elected as a judge before
 50.33 July 1, 2013, the retirement annuity is an amount equal to:

51.1 (1) the percent specified in section 356.315, subdivision 8, multiplied by the judge's
 51.2 final average compensation with that result then multiplied by the number of years and
 51.3 fractions of years of allowable service rendered before January 1, 2014; plus

51.4 (2) the percentage specified in section 356.315, subdivision 8a, multiplied by the
 51.5 judge's final average compensation with that result then multiplied by the number of years
 51.6 and fractions of years of allowable service rendered after December 31, 2013.

51.7 (d) For a tier II program judge who was first appointed or elected as a judge after
 51.8 June 30, 2013, the retirement annuity is an amount equal to the percent specified in section
 51.9 356.315, subdivision 8a, multiplied by the judge's final average compensation with that
 51.10 result then multiplied by the number of years and fractions of years of allowable service.

51.11 (e) (e) For a judge in the tier I program, service that exceeds the service credit limit in
 51.12 section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but
 51.13 the compensation earned by the judge during this period of judicial service must be used in
 51.14 determining a judge's final average compensation and calculating the retirement annuity.

51.15 **EFFECTIVE DATE.** This section is effective July 1, 2013.

51.16 Sec. 13. **MEMBER CONTRIBUTION INCREASE CONDITION.**

51.17 Any increase in judicial salaries enacted by the legislature during calendar year 2013
 51.18 or later is not applicable to a judge in the tier I program if the member contribution rate
 51.19 applicable to that judge in the tier I program under Minnesota Statutes, section 490.123,
 51.20 subdivision 1a, is not deducted from the salary of the judge.

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

51.22 Sec. 14. **TIER II PROGRAM ELECTION; PRE-JULY 1, 2013, JUDGES.**

51.23 Subdivision 1. **Authority.** A person who was first appointed or elected as a judge
 51.24 covered by the Minnesota State Retirement System judges retirement plan before July 1,
 51.25 2013, is eligible to elect treatment as a tier II program judge if the judge has less than five
 51.26 years of allowable service on the date the judge makes a valid election under subdivision 2.

51.27 Subd. 2. **Election procedure.** An eligible judge under subdivision 1 may elect to
 51.28 be subject to the provisions of Minnesota Statutes, chapter 490, applicable to a tier II
 51.29 program judge rather than the tier I program by electing that treatment in writing before
 51.30 January 1, 2014, on a form provided by the executive director of the Minnesota State
 51.31 Retirement System.

51.32 Subd. 3. **Effect of election.** (a) The election is irrevocable.

51.33 (b) An eligible judge who fails to make an election remains in the tier I program.

52.1 (c) If the tier II program is elected by an eligible judge, member contributions based on
52.2 revised member contribution rates under Minnesota Statutes, section 490.123, subdivision
52.3 1a, begin on the first day of the first full pay period occurring after January 1, 2014.

52.4 **EFFECTIVE DATE.** This section is effective July 1, 2013.

52.5 **ARTICLE 7**

52.6 **MISCELLANEOUS PROVISIONS**

52.7 Section 1. Minnesota Statutes 2012, section 356.91, is amended to read:

52.8 **356.91 VOLUNTARY MEMBERSHIP DUES DEDUCTION.**

52.9 (a) Upon written authorization of a person receiving an annuity from a public
52.10 pension fund administered by the Minnesota State Retirement System or the Public
52.11 Employees Retirement Association, the executive director of the public pension fund ~~may~~
52.12 shall deduct from the retirement annuity an amount requested by the annuitant to be paid
52.13 as membership dues or other payments to any labor organization that is an exclusive
52.14 bargaining agent representing public employees or an organization representing retired
52.15 public employees of which the annuitant is a member and shall, on a monthly basis, pay
52.16 the amount to the organization so designated by the annuitant.

52.17 (b) A pension fund and the plan fiduciaries which authorize or administer deductions
52.18 of dues payments under paragraph (a) are not liable for failure to properly deduct or transmit
52.19 the dues amounts, provided that the fund and the fiduciaries have acted in good faith.

52.20 ~~(c) The deductions under paragraph (a) may occur no more frequently than two times~~
52.21 ~~per year and may not be used for political purposes.~~ Any labor organization that is an
52.22 exclusive bargaining agent representing public employees or an organization representing
52.23 retired public employees may conduct blind mailings to the annuitants of a retirement
52.24 system specified in paragraph (a) by requesting that the retirement system mail voluntary
52.25 membership information and dues deduction cards to annuitants. Such mailings shall not
52.26 be for the purpose of supporting or opposing any candidate, political party, or ballot
52.27 measure. The organization requesting the blind mailing shall pay all costs associated
52.28 with these mailings, including but not limited to copying, labeling, mailing, postage, and
52.29 record keeping. In lieu of administering a blind mailing in-house, a retirement system
52.30 may transmit annuitant data necessary for conducting a blind mailing to a mail center
52.31 pursuant to a secure data share agreement with the mail center which provides that neither
52.32 the organization nor any other entity shall have direct access to the data transmitted by
52.33 the retirement system. The retirement system shall have no obligation to approve or

- 53.1 disapprove, or otherwise be responsible for, the content of the mailings. No organization
53.2 shall conduct more than two blind mailings per calendar year.
- 53.3 ~~(d) Any labor organization specified in paragraph (a) shall reimburse the public~~
53.4 ~~pension fund for the administrative expense of withholding premium amounts.~~

APPENDIX
Article locations in H1152-1

ARTICLE 1	STATE PATROL RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES	Page.Ln 2.1
ARTICLE 2	PERA PLANS SALARY DEFINITION	Page.Ln 8.7
ARTICLE 3	PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES	Page.Ln 11.18
ARTICLE 4	TEACHERS RETIREMENT ASSOCIATION EARLY RETIREMENT REDUCTION FACTORS	Page.Ln 24.29
ARTICLE 5	FIRST CLASS CITY TEACHER RETIREMENT INCREASES AND FINANCIAL SOLVENCY MEASURES	Page.Ln 27.30
ARTICLE 6	JUDGES RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES	Page.Ln 46.10
ARTICLE 7	MISCELLANEOUS PROVISIONS	Page.Ln 52.5

352B.11 RETIREES.

Subd. 2c. **Surviving spouse benefit entitlements.** (a) A surviving spouse specified in subdivision 2b is eligible to receive, following the filing of a valid application and consistent with any other applicable requirements, a benefit as specified in this subdivision. A 100 percent joint and survivor annuity under paragraph (b) must be computed assuming the exact age 55 for the deceased member and the age of the surviving spouse on the date of death. A 100 percent joint and survivor annuity under paragraph (d) or (e) must be computed using the age of the deceased member on the date of death and the age of the surviving spouse on that same date.

(b) For a surviving spouse specified in subdivision 2b, paragraph (a) or (d), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member. On the first of the month next following the date on which the deceased member would have attained exact age 55, in lieu of continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt of the second half of a 100 percent joint and survivor annuity, if this provides a larger benefit.

(c) For a surviving spouse specified in subdivision 2b, paragraph (b), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member.

(d) For a surviving spouse specified in subdivision 2b, paragraph (c), the surviving spouse benefit is a benefit for life equal to 50 percent of the average monthly salary of the deceased member, or the second half of a 100 percent joint and survivor annuity, whichever is larger.

(e) For a surviving spouse specified in subdivision 2b, paragraph (e), the surviving spouse benefit is the second half of a 100 percent joint and survivor annuity, commencing on the first of the month next following the deceased member's date of death, or the first of the month next following the date on which the deceased member would have attained age 55, whichever is later.

(f) For a surviving spouse specified in subdivision 2b, paragraph (f), the surviving spouse or, if none, the children or, if none, the deceased member's estate, is entitled to a refund of the employee contributions plus interest computed as specified in subdivision 1.

**354A.27 DULUTH TEACHERS RETIREMENT FUND ASSOCIATION;
POSTRETIREMENT ADJUSTMENT MECHANISM.**

Subd. 6. **Calculation of postretirement adjustments; transitional provision.** (a) For purposes of computing postretirement adjustments after July 1, 2010, for eligible benefit recipients of the Duluth Teachers Retirement Fund Association, the funding ratio of the plan, as determined by dividing the market value of assets by the actuarial accrued liability as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, determines the postretirement increase as follows:

Funding Ratio	Postretirement Increase
less than 80 percent	0 percent
at least 80 percent but less than 90 percent	1 percent
at least 90 percent	2 percent

(b) If the funding ratio of the plan based on actuarial value, rather than market value, is at least 90 percent as reported in the most recent actuarial valuation prepared under sections 356.214 and 356.215, this subdivision expires and subsequent postretirement increases must be paid as specified under subdivision 7.