



S.F. xxxx

H.F. 628
(Murphy, M.)

Executive Summary of Commission Staff Materials

<i>Affected Pension Plan(s):</i>	All Minnesota State Retirement System plans
<i>Relevant Provisions of Law:</i>	Minnesota Statutes, Chapters 3A, 352, 352B, 353D, 356
<i>General Nature of Proposal:</i>	Revises contribution rate revision procedures, merges Elected State Officers plan into Legislators plan, revises disability administration procedures, repeals obsolete provisions
<i>Date of Summary:</i>	February 14, 2013

Specific Proposed Changes

- Clarifies language, removes obsolete language; and revises outdated requirements, including removing the requirement that the surviving spouse live with the retired member at the time of death in order to be eligible for a State Patrol Plan survivor benefit. (Art. 1).
- Revises MSRS-General, -Correctional, and State Patrol contribution rate revision procedures (Art. 2).
- Revises the MSRS-Correctional duty disability definition to require that the disabling injury or illness arises from performance of duties which present inherent dangers specific to correctional employment rather than simply stemming from the performance of any duty (Art.4).
- Expands MSRS authority to contract with medical advisers, requires all medical professionals providing services to MSRS to be licensed, requires employers to try to keep injured employees employed and to submit a report when no suitable employment can be found, requires disability applicants/benefit recipients to submit to medical or psychological examination with benefits denied if the individual refuses, and requires MSRS-General, MSRS-Correctional, and State Patrol Plan disabilitants to submit annual disability earnings reports with the penalty of benefit termination for lack of compliance (Art. 4).
- The Elected State Officers Retirement Plan is merged into the Legislators Retirement Plan chapter (Minn. Stat. Ch. 3A), with appropriate conforming changes to Chapter 356 (Art.5).

Policy Issues Raised by the Proposed Legislation

1. Appropriateness of removing the State Patrol Plan surviving spouse cohabitation requirement; benefit eligibility expansion (Art. 1, Sec. 4).
2. Sufficient need to revise the MSRS contribution rate revision procedures; appropriate model (Art. 2).
3. Appropriateness of MSRS-Correctional duty disability requirements revision, new "inherent dangers" requirement, and consistency with similar plans (Art. 4, Sec. 1).
4. Appropriateness of authorizing physician assistants for disability determinations (Art. 4, Sec. 3).
5. Sufficient need for Elective State Officers/Legislators Plan merger; possible misunderstanding of the nature of the proposal (Art. 5).

Potential Amendments

- H0628-1A is a technical amendment that removes obsolete language from the actuarial value of assets definition, corrects a cross-reference, adds effective dates to two sections, and replaces the word "act" with "article" on line 25.28.
- H0628-2A revises State Patrol Plan surviving spouse definition to be comparable to that of PERA-P&F.
- H0628-3A revises the contribution rate modification procedure to ensure equal contribution rates for MSRS-General and a 40/60% employee/employer contribution rate burden between in MSRS-Correctional and the State Patrol Plan.
- H0628-4A, an alternative to H0628-2A, would keep the Article 2 sections but revises the maximum size of contribution rate adjustments to no more than 0.5% of pay rather than 0.75%.
- H0628-5A can be used in conjunction with H0628-3A, would revise the contribution rate revisions procedures in the bill to apply only to MSRS-General; there would be no automatic procedure to recommend contribution rate increases for MSRS-Correctional or the State Patrol Plan.
- H0628-6A adds an intent statement to Article 5, Section 15, that the intent of the Elective State Officers/Legislators Plan merger is to achieve administrative savings and that nothing in the article should be interpreted as modifying benefit amounts or benefit eligibility.



TO: Members of the Legislative Commission on Pensions and Retirement

FROM: Ed Burek, Deputy Director *EB*

RE: S.F. xxxx; H.F. 628 (Murphy, M.): MSRS Plans: Revising Contribution Rate Revision Procedures; Merging Elected State Officers Plan into Legislators Plan; Revising Disability Benefit Administrative Provisions; Repealing Obsolete Provisions

DATE: February 18, 2013

General Summary

S.F. xxxx; H.F. 628 (Murphy, M.) makes changes largely of an administrative nature primarily in provisions applicable to Minnesota State Retirement System (MSRS) plans, including the following:

1. Language Clarified, Obsolete Language Remove, and Outdated Requirements Revised (Art. 1). The deferred annuity provision is modified to clarify that deferred annuities augmentation applies to MSRS deferred annuities, obsolete language is removed from the general plan to correctional plan transfer provisions, and an obsolete transfer provision applicable to pre-July 1, 2007, transfers is repealed.
2. State Patrol Plan Surviving Spouse Definition Revised (Art. 1, Sec. 4). The requirement that the surviving spouse live with the retired member at the time of death is removed from the State Patrol Retirement Plan surviving spouse definition.
3. MSRS-General, MSRS-Correctional and State Patrol Plan Contribution Rate Revision Procedures Revised (Art. 2). The contribution rate revision procedures leading to board recommendations to adjust contribution rates are revised to permit the plans to retain a 1% of payroll contribution rate sufficiency rather than 0.5% before requiring recommendation to reduce the sufficiency, to require contribution rate adjustments escalating in size to remove deficiencies or sufficiencies, and to require revisions to MSRS-Correctional and State Patrol Plan employer contributions in whatever amount is necessary to ensure that the employer contribution continues to be 60% of total contributions.
4. Commission Standards and Financial Report Contents Provisions Clarified and Revised (Art. 3). The Pension Commission standards provision in Minnesota Statutes, Chapter 3 is clarified and the pension fund financial report requirements are revised to comply with generally accepted accounting standards.
5. MSRS-Correctional Duty Disability Definition Revised (Art. 4). The MSRS-Correctional duty disability definition is modified to require that the disabling injury or illness arises from performance of duties which present inherent dangers specific to correctional employment rather than simply stemming from the performance of any duty.
6. Administrative Revisions to MSRS Disability Provisions (Art. 4). The MSRS authority to contract with medical advisers is expanded to include medical advisers other than the Department of Health, physician assistants are added to the list of medical professionals authorized to provide services to MSRS in disability determinations, all medical professionals providing services to MSRS are required to be licensed, employers are required to make efforts to keep injured employees employed and to submit a report with any disability application indicating that no suitable employment could be found for the disability applicant, disability applicants or current disability benefit recipients are required submit to medical or psychological examination with benefits denied if the individual refuses, and MSRS-General, MSRS-Correctional, and State Patrol Plan disabilitants are required to submit annual disability earnings reports with the penalty of benefit termination for lack of compliance.
7. Elected State Officers Retirement Plan Merged Into the Legislators Retirement Plan. (Art. 5). The Elected State Officers Retirement Plan is merged into the Legislators Retirement Plan chapter (Minn. Stat. Ch. 3A), with appropriate conforming changes to Minnesota Statutes, Chapters 356.

Section-by-Section Summary

A section-by-section summary of S.F. xxxx; H.F. 628 (Murphy, M.) is attached.

Discussion and Analysis

S.F. xxxx; H.F. 628 (Murphy, M.) makes changes of an administrative nature for Minnesota State Retirement System (MSRS) plans, removes the requirement that a State Patrol Plan surviving spouse live with the retired member at the time of death, revises the MSRS-General, MSRS-Correctional and State Patrol Plan contribution rate revision procedures, clarifies and revises the Commission Standards and financial report contents provisions to comply with generally accepted accounting standards, revises the disability provisions for MSRS-General, MSRS-Correctional, and the State Patrol Plan, and merges the Elected State Officers Retirement Plan into the Legislators Retirement Plan.

The proposed legislation raises a number of pension and related public policy issues for consideration and possible discussion by the Legislative Commission on Pensions and Retirement, as follows:

1. Appropriateness of Removing the State Patrol Plan Surviving Spouse Cohabitation Requirement; Benefit Improvement (Art. 1, Sec. 4). Removing the requirement that the spouse reside with the member of former member at the time of death expands eligibility for State Patrol Plan surviving spouse benefits to a group that is not eligible under a strict reading of the current law and is therefore a benefit improvement. Under the proposal, a legally married spouse who was not living with the member at the time of death will be eligible for a surviving spouse annuity. Past Commissions have generally been willing to consider provisions in administrative bills which have minor benefit implications if there is sufficient Commission time to fully consider the implications of the provisions. The Commission may wish to request testimony from MSRS as to whether the proposal is due to a desire for general cleanup and modernization of State Patrol plan law, or whether the change is in response to a request from a specific individual who is excluded from a survivor benefit under current law.

There are arguments supporting the proposal or some similar change. One of these arguments is that the current surviving spouse definition may not be easily enforceable or may have unintended negative consequences. Perhaps the initial motivation, for excluding a spouse who is not living with the retiree at the time of death from benefit eligibility, was to prohibit paying benefits to a spouse who had separated from the retiree. However, a strict reading of the existing law would prohibit paying a surviving spouse benefit if the retiree had to move out of the home due to health reasons and spent his or her last months in a nursing home or hospice. It is unlikely such a strict interpretation of the law was intended. The Commission may choose to conclude that some change to this definition is reasonable. The issue would then be how to best revise the provision.

- If the Commission concludes that the current surviving spouse definition should remain in law without modification, an **oral amendment to delete Article 1, Section 4**, would be appropriate.

2. State Patrol Plan Surviving Spouse Definition Modification; Cost and Plan Actuarial Condition (Art. 1, Sec. 4). Any benefit improvement, regardless of how modest, raises the related questions of cost and plan actuarial condition. Presumably, MSRS can provide an estimate of the cost (in terms of the implications for normal cost and the amortization requirement) of this change. The current plan actuarial condition is shown below. The plan's funding ratio is 72.8%, but more importantly, the plan has a large contribution deficiency, 11.5% of payroll, which means that the contributions to the plan are 11.5% of payroll less than the contributions that the actuary has computed as being necessary to put this plan on a course to be fully funded by the full funding date of June 2037. MSRS does have a proposal in another bill to address the contribution deficiency.

State Patrol Plan FY2012		
<u>Membership</u>		
Active Members		823
Service Retirees		733
Disabilitants		48
Survivors		182
Deferred Retirees		40
Nonvested Former Members		15
Total Membership		1,841
<u>Funded Status</u>		
Accrued Liability		\$760,955,000
Current Assets		<u>\$554,244,000</u>
Unfunded Accrued Liability		\$206,711,000
Funding Ratio	72.84%	
<u>Financing Requirements</u>		
Covered Payroll		\$66,592,000
Benefits Payable		\$50,007,000
Normal Cost	21.63%	\$14,404,000
Administrative Expenses	0.24%	\$160,000
Amortization	<u>20.65%</u>	<u>\$13,751,000</u>
Total Requirements	42.52%	\$28,315,000

**State Patrol Plan
FY2012**

Employee Contributions	12.40%	\$8,257,000
Employer Contributions	<u>18.60%</u>	<u>\$12,386,000</u>
Total Contributions	31.00%	\$20,643,000
Total Requirements	42.52%	\$28,315,000
Total Contributions	<u>31.00%</u>	<u>\$20,643,000</u>
Deficiency (Surplus)	11.52%	\$7,672,000

3. Current Lack of Consistency Between the State Patrol and PERA-P&F Surviving Spouse Definitions (Art. 1, Sec. 4). The issue is the extent to which the State Patrol Plan surviving spouse definition ought to be consistent with the similar Public Employees Police and Fire Retirement Plan (PERA-P&F). The State Patrol Plan and PERA-P&F are statewide public safety plans covering comparable groups, and generally provide similar benefits. Barring a compelling reason, equity would suggest that the definitions of surviving spouse should be comparable between the two plans, since it is these definitions that determine who is eligible for surviving spouse benefits in death-while active situations and comparable circumstances. The MSRS proposed change would remove the requirement that the spouse be living with the member or ex-member at the time of death, but it retains a requirement that the couple had to be married for at least one year prior to death. In contrast, the surviving spouse definition applicable to PERA-P&F (Minn. Stat. Sec. 353.01, Subd. 20) reads, "Surviving spouse means the spouse of a deceased member or disabilitant who was legally married to the member at the time of death." There is neither a residing-with-the-member-requirement nor a length of marriage requirement applicable to the PERA-P&F plan, and the question is whether one should remain in the State Patrol Plan. Length of marriage requirements were common in local police and paid fire plans, but these were closed to new members in 1980 and no longer exist as separate entities. They have all merged into PERA-P&F. The justification for length of marriage requirements presumably was concern about death-bed marriages, which could require the pension fund to provide benefits to the survivor, possibly for many decades.

- If Commission concludes that the State Patrol Retirement Plan surviving spouse definition should be made comparable to that used by PERA-P&F, **Amendment H0628-2A** revises the State Patrol Plan surviving spouse definition to also remove the one-year marriage duration requirement.

4. Contribution Rate Revision Procedures Modification; Need for Change (Art. 2). Article 2 revises the contribution rate revision procedures which lead to recommendations to adjust contribution rates applicable for MSRS-General, MSRS-Correctional, and the State Patrol Plan, which will occur unless the Commission blocks or modifies the MSRS Board recommendation. There is a provision in current law, but in reviewing the provision, which was enacted in 2006, MSRS recognized that the procedure in statute is vague regarding the size of contribution rate adjustments, particularly the relationship between the size of the employee contribution rate adjustment and the accompanying employer contribution rate adjustment, and permitted adjustments may be too small to make much of a dent in plan deficiencies/sufficiencies, particularly for public safety plans.

Revising current law in some manner seems justified because the current contribution rate adjustment provision is vague regarding the relative sizes of the employee and employer contribution rate changes, beyond a statement that no rate can change by more than 0.5%, and maximum permitted changes are too small to make much headway in addressing deficiency/sufficiency problems. The current law also leads to revisions in MSRS-Correctional and State Patrol Plan employer contributions which violate Commission policy which states that employer contributions should be 60% of total contributions. The need to address contribution deficiencies in some manner is evident from the size of current contribution deficiencies for these three plans as indicated in the following actuarial presentations:

	MSRS-General FY2012	MSRS-Correctional FY2012	State Patrol FY2012
Membership			
Active Members	48,207	4,276	823
Service Retirees	26,524	1,773	733
Disabilitants	1,750	244	48
Survivors	3,701	180	182
Deferred Retirees	15,702	1,180	40
Nonvested Former Members	5,788	473	15
Total Membership	101,672	8,126	1,841
Funded Status			
Accrued Liability	\$11,083,227,000	\$968,166,000	\$760,955,000
Current Assets	\$9,162,301,000	\$663,713,000	\$554,244,000
Unfunded Accrued Liability	\$1,920,926,000	\$304,453,000	\$206,711,000
Funding Ratio	82.67%	68.55%	72.84%

	MSRS-General FY2012		MSRS-Correctional FY2012		State Patrol FY2012	
Financing Requirements						
Covered Payroll		\$2,463,700,000		\$212,056,000		\$66,592,000
Benefits Payable		\$552,088,000		\$42,571,000		\$50,007,000
Normal Cost	7.17%	\$176,648,000	15.66%	\$33,206,000	21.63%	\$14,404,000
Administrative Expenses	0.26%	\$6,406,000	0.27%	\$573,000	0.24%	\$160,000
Amortization	4.89%	\$120,475,000	9.35%	\$19,827,000	20.65%	\$13,751,000
Total Requirements	12.32%	\$120,475,000	25.28%	\$53,606,000	42.52%	\$28,315,000
Employee Contributions	5.00%	\$123,185,000	8.60%	\$18,237,000	12.40%	\$8,257,000
Employer Contributions	<u>5.00%</u>	<u>\$123,185,000</u>	<u>12.10%</u>	<u>\$25,659,000</u>	<u>18.60%</u>	<u>\$12,386,000</u>
Total Contributions	10.00%	\$246,370,000	20.70%	\$43,896,000	31.00%	\$20,643,000
Total Requirements	12.32%	\$120,475,000	25.28%	\$53,606,000	42.52%	\$28,315,000
Total Contributions	10.00%	\$246,370,000	20.70%	\$43,896,000	31.00%	\$20,643,000
Deficiency (Surplus)	2.32%	(\$125,895,000)	4.58%	\$9,710,000	11.52%	\$7,672,000

- If the Commission concludes that the MSRS existing law should remain in effect unchanged, an **oral amendment to delete Article 2** would be appropriate.

5. Contribution Rate Revision Procedures Modification; Appropriate Model (Art. 2). The issue is whether adopting the contribution rate adjustment model currently in Public Employees Retirement Association (PERA) law for MSRS-General, MSRS-Correctional, and the State Patrol Retirement Plan is the best approach. The PERA provision is contained in Minnesota Statutes, Section 353.27, Subdivision 3b, and applies only to the PERA General Employees Retirement Plan (PERA-General).

Rather than more modest tinkering with the MSRS provision, MSRS is repealing its existing provision and replacing it with procedures modeled after current law applicable for the General Employees Retirement Plan of the Public Employees Retirement Association (PERA-General) (Minn. Stat. Sec. 353.27, Subd. 3b). The proposal differs from current MSRS law in a few ways:

- 1) The procedure specifies that for MSRS-General any changes in employee and employer contributions must be equal; while for the Correctional and State Patrol Plans the employee contribution is adjusted, within limits stated in the provision, and employer contribution will be revised by whatever amount is necessary to ensure that the employer continues to pay 60% of total contributions;
- 2) Instead of requiring contribution rate changes of up to 0.5% of payroll to address deficiencies/sufficiencies in all cases, for deficiencies the size of the permitted rate change will depend upon the amount of the deficiency. If the deficiency is less than 2.0%, the employee contribution will be proposed for an adjustment of up to 0.5% of payroll with the accompanying applicable employer contribution rate change; if the deficiency is 2% to 4% of payroll, the recommended employee contribution change would be up to 0.5% of pay plus an applicable employer contribution change; and if the deficiency is greater than 4% of pay, the employee contribution increase would be up to 0.75% of pay plus an applicable employer contribution change;
- 3) MSRS-General and MSRS-Correctional may retain a sufficiency of up to 1% of payroll rather than 0.5% before action is required to reduce the sufficiency, and the State Patrol Retirement Plan may retain a sufficient up to 2% of payroll;
- 4) The new procedure will require the plan administrators to consider the impact of actuarial assumption changes which are likely to be adopted, and which will alter required contributions, before recommending any action to revise the contribution rates; and
- 5) No contribution sufficiency in excess of 1% may be proposed to be used to cover the cost of a benefit improvement.

There is no provision in PERA law recommending contribution rate adjustments to eliminate sufficiencies and deficiencies applicable to the PERA Local Government Correctional Service Retirement Plan (PERA-Correctional) or to the Public Employees Police and Fire Retirement Plan (PERA-P&F). MSRS is seeking to use this model for both its general employee and public safety retirement plans.

6. Contribution Rate Revision Procedures Modification; Appropriate Size of Rate Changes (Art. 2). The issue is the appropriate size of the contribution rate changes. For large deficiencies, the amount of the rate adjustments which MSRS may recommend to the Commission will be considerably larger than the maximum 0.25% adjustments permitted in current law. The Commission may wish to be aware that addressing large deficiencies could put a sizable burden on employees and the employer (the state), but the Commission and Legislature can alter or eliminate any contribution rate proposal presented by MSRS under this provision.

- **Amendment H0628-3A** would remove the sections in Article 2 from the bill and replace them with the MSRS existing law contribution rate revision procedure (which permits no employee or employer contribution rate adjustment larger than 0.25% of payroll), but would revise the provision to create or maintain equal contribution rates for MSRS-General, and a 40/60% contribution rate burden between employees and employers in MSRS-Correctional and the State Patrol Plan. To the extent that an unfunded liability is being amortized, this amendment implies that the Commission desires to have the burden for amortizing that unfunded liability shared equally by employees and employers.
 - **Amendment H0628-4A**, an alternative to H0628-2A, would keep the sections that appear in Article 2 but would revise the maximum size of contribution rate adjustments to no more than 0.5% of pay rather than 0.75%.
 - **Amendment H0628-5A**, which could be used in conjunction with H0628-3A, would revise the article so that it applies only to MSRS-General; there would be no automatic procedure to recommend contribution rate increases for MSRS-Correctional or the State Patrol Plan.
7. Appropriateness of the Revisions to the Commission Standards (Art. 3, Sec. 1). The issue is the appropriateness of revising the Commission's Standards document for presenting actuarial information provision to be consistent with the MSRS interpretation of generally accepted accounting requirements. The Commission may wish to hear testimony from MSRS regarding why it contends that these revisions are necessary.
- If the Commission concludes that this provision is unnecessary, an **oral amendment to delete Article 3, Section 1**, would be appropriate.
8. Revisions to the Financial Report Contents Provisions; Agreement by Other Fund Administrators (Art. 3, Sec. 2). The pension fund financial report provision found in Chapter 356 which is applicable to all or most pension funds, is revised by making changes MSRS contends are necessary to comply with generally accepted accounting requirements. Since these provisions have application to all pension plans, the Commission may wish to ask whether MSRS has contacted administrators from other plans about the proposal and whether there is agreement among the fund administrators. The Commission may also wish to seek testimony from any plan administrators who wish to speak against the proposal.
- If the Commission concludes that this provision is unnecessary, an **oral amendment to delete Article 3, Section 2**, would be appropriate.
9. Appropriateness of MSRS-Correctional Duty Disability Requirements Revision (Art. 4, Sec. 1). The issue is the appropriateness of strengthening the qualification to receive an MSRS-Correctional duty disability by adding the requirement that the injury or illness must arise from the performance of duties which "present inherent dangers" specific to correctional employment. The inherent danger requirement appears to be a heightened standard for qualifying for duty disability benefits. Under the current law version of this provision, it can be argued that an individual who trips leaving a staff meeting and injures his back qualifies for a duty disability since this occurred while performing official duties. Under the proposed revised provision, it is unlikely that this would qualify for a duty disability, because leaving a staff meeting does not reflect inherent dangers specific to correctional employment. Thus the revision may help to control disability costs because "regular" disability benefits may be lower than a duty disability benefit, although Commission members may wish to be aware that there may be some employee group opposition to this provision.
10. MSRS-Correctional Duty Disability Requirements Revision; Consistency with Similar Plans (Art. 4, Sec. 1). The proposed revision brings the MSRS-Correctional Plan duty disability definition into closer agreement with definitions currently in law for PERA-P&F and PERA-Correctional. The duty disability definition (Minn. Stat. Sec. 353.01, Subd. 41; Sec. 353E.001, Subd. 1) for PERA-P&F and PERA-Correctional, respectively, already contain an inherent danger requirement.
11. Appropriateness of Allowing MSRS Expanded Medical Adviser Authority (Art. 4, Sec. 2). The issue whether or not the proposed change is needed. MSRS is seeking authority to contract with additional organizations other than the Department of Health to provide professional advice on disability determinations. The current law has been in effect for many years and is comparable to that of PERA. It is unclear why MSRS now feels it needs this expanded authority. The Commission may wish to hear brief testimony on this matter.
12. Appropriateness of the Addition of Physician Assistants Authorized Medical Professionals for Disability Determinations (Art. 4, Sec. 3). The issue is the appropriateness of newly authorizing physician assistants to provide services for disability determinations. The proposed revisions are

patterned after requirements already in PERA law, and this group was not previously mentioned in either MSRS or PERA provisions.

13. Appropriateness of Disabilitant Earnings Report Requirement (Art. 4, Sec. 7-8). The issue is whether or not the requirement that MSRS-General, MSRS-Correctional, and State Patrol Plan disabilitants to file disabilitant earnings reports is needed. The requirement will formalize an implied requirement in current law and help avoid abuse. For example, Minnesota Statutes, Section 352.95, Subdivision 7, applicable to MSRS-Correctional, requires MSRS to reduce the disability benefit being paid to an MSRS-Correctional disabilitant if the individual resumes some form of gainful employment, leading to excess income. Specifically, the provision requires that disability payments must be reduced so that the total amount that the individual receives from the employment plus disability payments does not exceed the person's prior correctional salary, adjusted for inflation. In order to do this, MSRS needs to know about salary from outside employment, but Commission staff is not aware of any specific provision in current law which clearly authorizes MSRS to require submission of that information.
14. Elective State Officers/Legislators Retirement Plan Merger: Need for the Change (Art. 5). The policy issue is whether there is sufficient need for the change. The proposed article was requested by MSRS as a merger of the Elective State Officers Retirement Plan into the Legislators Retirement Plan. MSRS administrators stated their motivation was to reduce system costs by eliminating the need for a separate Elective State Officers Retirement Plan actuarial valuation and to remove or lessen the need for financial statements related to the Elective State Officers Retirement Plan. MSRS felt that this merger or quasi-merger approach was necessary to achieve those objectives.

In typical pension plan merger legislation where one plan, typically the smaller plan is being absorbed or merged into the larger plan or plan system, the legislation must address several key elements. An example is the recent mergers of the Minneapolis Firefighters Relief Association and Minneapolis Police relief Association into PERA-P&F. In that merger the administration of the smaller plans being merged must be shifted to the new administrator, PERA, and PERA became the successor organization to the two local plans for all legal purposes. The local plan liabilities must be accepted by PERA-P&F and either merged with the existing PERA-P&F liabilities or be kept in a separate account within the larger plan. Over the years, consolidations have taken both approaches. Language is usually needed to specify how all the groups in the plan being merged will be treated for purposes of service credit, computing benefits, and post-retirement adjustments. The investible assets of the local plans must be shifted to the organization that invests PERA's assets, the State Board of Investment (SBI). SBI needed to review the plan investments to ensure that all assets conform to SBI's permissible investment provisions and are consistent with SBI's investment policy. Non-conforming assets require a process to deal with them. It is not uncommon in a consolidation to include a benefit improvement for the members of the small plan being merged. That occurred under the Minneapolis relief association consolidations into PERA-P&F. In other consolidations benefit improvements for members of the receiving plan have been included. It is necessary to redirect any aids previously received by the plan being eliminated by merger to the receiving plan's fund. Finally, it is necessary to amend numerous statues for conformity, and to repeal those that are not longer applicable.

The merger proposed in Article 5 is quite different and far simpler. Merging the Elective State Officers Retirement Plan into the Legislators Retirement Plan involves no transfer of administration because MSRS already administers both plans. No revisions in benefits for either plan will occur. The asset situation is also atypical; the Legislators Retirement Plan has few assets while the Elective State Officers Retirement Plan has none. The Elective State Officers Retirement Plan, which covered only constitutional officers, consists of just a small group of retirees. All current constitutional officers were first elected after 1997, so the Elective State Officers Retirement Plan has no active members. The Elective State Officers Retirement Plan and the Legislators Retirement Plan were both closed to new members in 1997, with newly elected individuals receiving coverage by the Unclassified State Employees Retirement Program (MSRS-Unclassified).

The Elective State Officers Retirement Plan has no assets because it has been operated on a pay-as-you-go basis. When the plan had active members, the employee contributions simply were returned to the State General Fund (State Treasury). No employer contributions were made. When the individual retired, the amount needed to pay current benefits to the retiree is appropriated by the Legislature. The Legislators Retirement Plan does have some minimal assets. Prior to 2003, the Legislators Retirement Plan was operated on a terminal funding basis. All employee contributions were deducted from pay and simply sent back to the state treasury. At the time of retirement, the Legislature appropriated sufficient assets from the general fund to transfer assets to the Minnesota Post Retirement Investment Fund (Post Fund) intended to be sufficient to pay the benefits to the retired legislator for the expected life span of the retiree. Starting in 2003, however, to reduce the impact on current budgets, the plan operated on a pay-as-you-go basis for new retirees. Instead of a full actuarial reserve transfer to the Post Fund, no transfer occurred and for these new retirees the Legislature

simply appropriated amounts sufficient to cover current benefits. In 2009, the Post Fund was dissolved and a fund was created, the Legislators Retirement Fund, to accept whatever assets remained in the Post Fund attributable to the pre-2003 retired legislators. More recently, in 2011, the Legislature appropriated \$4.881 million to pay benefits to the post-2003 retired legislators and to any applicable surviving spouse benefits. If that amount is insufficient, the appropriation language instructed that the Legislators Retirement Fund, containing remaining assets attributable to 2003 and earlier legislators, was to be tapped to cover any shortfall for the more recent retirees.

Article 5 moves what remains of the Elective State Officers Retirement chapter (Chapter 352C) into the Legislators' Retirement chapter (Chapter 3A) as a special coverage group and repeals Chapter 352C. The Article also eliminates the requirement for an Elective State Officers Retirement Plan actuarial valuation and makes numerous conforming changes.

Commission members may wish to hear brief testimony from MSRS regarding its objectives, estimated administrative savings if this were to pass, and why MSRS feels the approach taken in this article is needed to accomplish those objectives.

- If the Commission is uncomfortable with this article, an **oral amendment to delete Article 5** would be appropriate.

15. Elective State Officers/Legislators Retirement Plan Merger; Possible Misunderstanding of Intent (Art. 5). The policy issue is whether there may be misunderstanding regarding the effect of this article. Commission members may wish to be aware that whenever any Legislators Retirement Plan provisions appear in bills, some members of the public may misinterpret the bill as improving legislator pensions. This article contains no provisions which increase benefits for anyone, nor is benefit eligibility revised in any way. The article does have a section called an application provision (Sec. 14, p. 25), stating that nothing in this article should be interpreted as revising benefits or benefit eligibility.

- **Amendment H0628-6A** would revise the application provision (Art. 5, Sec. 14) to become a section describing application and intention, stating that the intention is to merge what remains of the Elective State Officers plan into the Legislators Retirement Plan in order to achieve administrative savings and that nothing in the article should be interpreted as modifying benefit amounts or benefit eligibility.

Technical Amendment

- **Technical Amendment H0628-1A** removes obsolete language from the actuarial value of assets definition, adds section effective dates to Article 4, Section 4, and to Article 5, Section 8, corrects a cross-reference, and on page 25, line 28, replaces the word "act" with "article".

Section-by-Section Summary of S.F. xxxx; H.F. 628 (Murphy, M.)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
Article 1: Clarifying Language; Removing Obsolete Language; Revising Outdated Requirements				
1	1.22	352.22, Subd.3	MSRS plans	The deferred annuity provision is revised to clarify that deferred annuities must be augmented as stated in the deferred annuities augmentation provision (Sec. 352.72, Subd. 2).
2	2.17	352.955, Subd. 1	MSRS-Corr.	The MSRS-Correctional service credit transfer provision is revised by removing obsolete language.
3	3.11	352.955, Subd. 3	MSRS-Corr.	The MSRS-Correctional equivalent contribution payment provision is revised by removing obsolete language.
4	4.28	352B.011, Subd. 13	State Patrol	The surviving spouse definition is revised by removing the requirement that the spouse reside with the member or former member at the time of death.
5	5.1	Repealer	--	M.S. Sec. 352.995, Subd. 2, an equivalent contribution payment provision applicable to pre-July 1, 2007, transfers to MSRS-Correctional, is repealed as obsolete.
Article 2: Contribution Rate Revision Procedures; MSRS-General, MSRS-Correctional, and State Patrol Plans				
1	5.7	352.045, New Subd. 3a	MSRS-General	The existing contribution rate revision procedure replacing an existing procedure is replaced by a new subdivision requiring a recommendation to the Commission of any reduction of rates to eliminate contribution sufficiencies until no more than a 1% sufficiency remains; requiring a recommendation of equal contribution rate increases to eliminate deficiencies, with increases escalating in size depending upon the size of the deficiency; and requiring increases or decreases to become effective unless the Commission recommends a different course of action. In proposing any increase or decrease, MSRS must take into account any need for revised actuarial assumptions and the likely impact on contribution requirements due to acceptance of revised assumptions. Proposing to use sufficiencies to pay for proposed benefit improvements is prohibited.
2	7.2	352.045, New Subd. 3b	MSRS-Corr. State Patrol	A new subdivision is created with procedures for MSRS-Correctional and State Patrol Plan contribution rate revisions, replacing an existing procedure being repealed, by making section 1 also apply to these two plans except that limits on contribution rate changes stated in Section 1 apply only to revisions in Correctional and State Patrol Plan employee contributions. The Correctional or State Patrol plan employer contributions must be revised in whatever amount is necessary to ensure that employer contributions remain at 60% of total contributions.
3	7.17	352D.04, Subd. 2	MSRS-Unclassified	Updates a cross-reference in the Unclassified State Employees Retirement Program (MSRS-Unclassified) contribution rate provision.
4	8.2	Repealer	--	The existing MSRS-General, MSRS-Correctional, and State Patrol Plan contribution rate adjustment procedures are repealed.
Article 3: Revising Commission Standards and Financial Report Contents Provisions				
1	8.8	3.85, Subd. 10	LCPR Standards	A provision governing the Commission Standards document is revised by clarifying that, in addition to requirements that are necessary to comply with generally accepted accounting standards, the standards document may include additional financial, funding, or valuation requirements that are not required under generally accepted accounting principles.
2	8.19	356.20, Subd. 4	Retirement, Generally	The pension fund financial report requirements provision applicable to nearly all Minnesota public plans is revised by requiring a statement, rather than some disclosure appearing in exhibits or footnotes, specifying that the actuarial valuation calculations prepared by the actuary are consistent with requirements of law and the Commission's Standards document; and that the report will include a certification, rather than a disclosure item, stating that normal costs and accrued liabilities, rather than the required reserves for plan benefits, are computed in accordance with the entry age cost method.
Article 4: Disability Benefit Administration Revisions				
1	9.28	352.01 Subd. 17b	MSRS-Corr.	The duty disability definition is revised by stating that the disability must arise out of performance of duties which present inherent risk specific to the duties performed by correctional employees.
2	10.1	352.03, Subd. 8	MSRS plans	The disability medical adviser provision is revised by expanding it to permit use of medical advisers other than the Department of Health.
3	10.8	352.113, Subd. 4	MSRS plans	The disability medical or psychological examination provision is revised to permit use of physician assistants; to require any medical professional providing disability determination or review services to be licensed; to require medical reports to include a determination of whether the disability arose prior to the employee being placed on leave or prior to termination; to permit disability approvals to include a date by which it is expected that the individual will have sufficiently recovered to no longer qualify for disability; and to require any claim for disability to include an employer report indicating that no work can be found to accommodate the individual.
4	11.26	352.113, New Subd. 4b	MSRS plans	A new subdivision is created requiring individuals applying for or receiving disability benefits to submit to a medical examination or rehabilitation assessment if requested by the executive director.
5	11.33	352.113, Subd. 6	MSRS plans	The disability benefit continuation provision permitting the Executive Director to require a medical or psychological examination is revised by generalizing the provision to permit the Executive Director to require submission of medical or psychological evidence in support of disability benefit continuation.
6	12.17	352.113, Subd. 8	MSRS plans	The disability refusal of examination provision, which permits disability benefits to be denied to any applicant who refuses to submit to medical or psychological examination, is expanded to permit the termination of benefits of a current disability benefit recipient who refuses to submit to examination.
7	12.24	352.113, New Subd. 14	MSRS-Gen. MSRS-Corr.	A new subdivision is added to the disability benefit provision to require the filing of annual disability earnings reports and to authorize MSRS to suspend benefits for lack of compliance.

Section-by-Section Summary of S.F. xxxx; H.F. 628 (Murphy, M.)

Sec.	Pg.Ln	Stat. Provision	Plan	Summary
8	13.1	352B.10, New Subd. 7	State Patrol	A new subdivision is added to the disability benefit provision to require the filing of annual disabilitant earnings reports and to authorize MSRS to suspend benefits for lack of compliance.
Article 5: Merger of Elected State Officers Retirement Plan Into the Legislators Retirement Plan				
1	13.13	3A.011	Legislators/ ESO	The administration of plan provision is generalized to apply to all plans or programs covered by the chapter.
2	13.19	3A.03, Subd. 3	Legislators	Obsolete language and an unnecessary reference to an appropriation provision are removed.
3	13.27	3A.07	Legislators/ ESO	An exception to cover provisions applicable to constitutional officers is added to the application provision.
4	14.9	3A.115	Legislators/ ESO	An appropriation provision is clarified and expanded to include the necessary appropriations for benefits to retired constitutional officers and eligible survivors.
5	14.26	3A.13	Legislators/ ESO	The exemption from process/health care premium provision is revised to apply to all individuals covered by the chapter, and to explicitly allow health care premium withholding for retired constitutional officers.
6	15.4	3A.15	Legislators	The Legislators Retirement Plan coordinated program provision is revised to apply to both coordinated and basic legislator programs
7	15.12	New 3A.17	Constitutional Officers	Existing Elective State Officers Retirement Plan provisions are moved to new Sec. 3A.17. Nothing in the section is to be interpreted as revising constitutional officer or survivor benefits or benefit eligibility.
8	15.26	356.214, Subd. 1	Actuarial Reporting	Consistent with the repeal of Ch. 352C and the merging of the Elective State Officers Retirement Plan into the Legislators Plan chapter, the actuary retention provision is revised to eliminate performing a separate Elective State Officers Retirement Plan actuarial valuation and the requirements for the Legislators Retirement Plan actuarial valuation are revised to include a separate statement of the actuarial accrued liabilities due to coverage provided to constitutional officers first elected before 1997.
9	17.18	356.215, Subd. 8	Retirement, Generally	The interest and salary assumption provision is revised to clarify language and to reflect elimination of a separate Elective State Officers Retirement Plan.
10	22.16	356.30, Subd. 3	Retirement, Generally	The combined service annuity covered plan provision is revised consistent with the repeal of Ch. 352C.
11	23.50	356.401, Subd. 3	Retirement, Generally	The exemption from process provision is revised consistent with the repeal of Ch. 352C.
12	24.3	356.415, Subd. 1a	MSRS plans	The MSRS plans post-retirement adjustment procedure provision is revised by removing references to the separate Elective State Officers Plan.
13	25.6	356.415, Subd. 2	Retirement, Generally	The covered plan subdivision in the post-retirement adjustment section is revised consistent with the repeal of Ch. 352C.
14	25.27	Application	--	Application provision stating that nothing in the article should be interpreted as revising plan benefits or benefit eligibility.
15	25.31	Repealer	--	The following sections of Minnesota Statutes are repealed: <ul style="list-style-type: none"> • 3A.02, Subd. 3, a duplicative appropriation provision. • 352C.001, an Elective State Officers Retirement Plan application provision made unnecessary by language moved to a new provision in Ch. 3A. • 352C.091, an Elective State Officers Retirement Plan administration provision which is no longer needed given the moving of elective state officer provisions to Ch. 3A. • 352C.10, an Elective State Officer post-retirement adjustment provision which is no longer needed given language in Ch. 356 and language being moved to Ch. 3A.

2012 Minnesota Statutes

353.01 DEFINITIONS.

Subd. 20. **Surviving spouse.**

"Surviving spouse" means the spouse of a deceased member or disabilitant who was legally married to the member at the time of death.

Subd. 41. **Duty disability.**

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

2012 Minnesota Statutes

353.27 GENERAL EMPLOYEES RETIREMENT FUND.

Subd. 3b. Change in employee and employer contributions in certain instances.

(a) For purposes of this section:

(1) a contribution sufficiency exists if the total of the employee contribution under subdivision 2, the employer contribution under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement; and

(2) a contribution deficiency exists if the total of the employee contributions under subdivision 2, the employer contributions under subdivision 3, the additional employer contribution under subdivision 3a, and any additional contribution previously imposed under this subdivision is less than the total of the normal cost, the administrative expenses, and the amortization contribution of the general employees retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

(b) Employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 must be adjusted:

(1) if, on or after July 1, 2010, the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution sufficiency under paragraph (a) greater than one percent of covered payroll and that the sufficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be decreased as determined under paragraph (c) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation; or

(2) if, on or after July 1, 2010, the regular actuarial valuation of the general employees retirement plan of the Public Employees Retirement Association under section 356.215 indicates that there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll and that the deficiency has existed for at least two consecutive years, the coordinated program employee and employer contribution rates must be increased as determined under paragraph (d) to a level such that no deficiency exists based on the most recent actuarial valuation.

(c) If the actuarially required contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 must be decreased incrementally over one or more years by no more than 0.25 percent of pay each for employee and employer matching contribution rates to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.

(d) If the actuarially required contribution exceeds the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, the employee and matching employer contribution rates must be increased equally to eliminate that contribution deficiency. If the contribution deficiency is:

(1) less than two percent, the incremental increase may be up to 0.25 percent for the general employees retirement plan employee and matching employer contribution rates;

(2) greater than 1.99 percent and less than 4.01 percent, the incremental increase may be up to 0.5 percent for the employee and matching employer contribution rates; or

(3) greater than four percent, the incremental increase may be up to 0.75 percent for the employee and matching employer contribution.

(e) The general employees retirement plan contribution sufficiency or deficiency determination under paragraphs (a) to (d) must be made without the inclusion of the contributions to, the funded condition of, or the actuarial funding requirements of the MERF division.

(f) Any recommended adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective on the first day of the first full payroll period in the fiscal year following receipt of the most recent actuarial valuation that gave rise to the adjustment.

(g) A contribution sufficiency of up to one percent of covered payroll must be held in reserve to be used to offset any future actuarially required contributions that are more than the total combined employee and employer contributions under subdivisions 2, 3, and 3a.

(h) Before any reduction in contributions to eliminate a sufficiency in excess of one percent of covered pay may be recommended, the executive director must review any need for a change in actuarial assumptions, as recommended by the actuary retained under section 356.214 in the most recent experience study of the general employees retirement plan prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement that may result in an increase in the actuarially required contribution and must report to the Legislative Commission on Pensions and Retirement any recommendation by the board to use the sufficiency exceeding one percent of covered payroll to offset the impact of an actuarial assumption change recommended by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

(i) No contribution sufficiency in excess of one percent of covered pay may be proposed to be used to increase benefits, and no benefit increase may be proposed that would initiate an automatic adjustment to increase contributions under this subdivision. Any proposed benefit improvement must include a recommendation, prepared by the actuary retained under section 356.214, subdivision 1, and reviewed by the actuary retained by the Legislative Commission on Pensions and Retirement as provided under section 356.214, subdivision 4, on how the benefit modification will be funded.

2012 Minnesota Statutes

352.95 DISABILITY BENEFITS.

Subd. 7. Resumption of employment.

If the disabled employee resumes gainful work, the disability benefit must be continued in an amount which when added to current earnings and workers' compensation benefits does not exceed the salary rate of the disabled employee at the date of disability as adjusted by the same percentage increase in United States average wages used by Social Security in calculating average indexed monthly earnings for the same period.

2012 Minnesota Statutes

353E.001 DEFINITIONS.

Subdivision 1. **Duty disability.**

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

1.1 moves to amend S.F. No.; H.F. No. 628, as follows:

1.2 Page 4, after line 33, insert:

1.3 "Sec. 5. Minnesota Statutes 2012, section 356.215, subdivision 1, is amended to read:

1.4 Subdivision 1. **Definitions.** (a) For the purposes of sections 3.85 and 356.20 to
1.5 356.23, each of the terms in the following paragraphs has the meaning given.

1.6 (b) "Actuarial valuation" means a set of calculations prepared by an actuary retained
1.7 under section 356.214 if so required under section 3.85, or otherwise, by an approved
1.8 actuary, to determine the normal cost and the accrued actuarial liabilities of a benefit
1.9 plan, according to the entry age actuarial cost method and based upon stated assumptions
1.10 including, but not limited to rates of interest, mortality, salary increase, disability,
1.11 withdrawal, and retirement and to determine the payment necessary to amortize over a
1.12 stated period any unfunded accrued actuarial liability disclosed as a result of the actuarial
1.13 valuation of the benefit plan.

1.14 (c) "Approved actuary" means a person who is regularly engaged in the business of
1.15 providing actuarial services and who is a fellow in the Society of Actuaries.

1.16 (d) "Entry age actuarial cost method" means an actuarial cost method under which
1.17 the actuarial present value of the projected benefits of each individual currently covered
1.18 by the benefit plan and included in the actuarial valuation is allocated on a level basis over
1.19 the service of the individual, if the benefit plan is governed by section 69.773, or over the
1.20 earnings of the individual, if the benefit plan is governed by any other law, between the
1.21 entry age and the assumed exit age, with the portion of the actuarial present value which is
1.22 allocated to the valuation year to be the normal cost and the portion of the actuarial present
1.23 value not provided for at the valuation date by the actuarial present value of future normal
1.24 costs to be the actuarial accrued liability, with aggregation in the calculation process to be
1.25 the sum of the calculated result for each covered individual and with recognition given to
1.26 any different benefit formulas which may apply to various periods of service.

1.27 (e) "Experience study" means a report providing experience data and an actuarial
1.28 analysis of the adequacy of the actuarial assumptions on which actuarial valuations are
1.29 based.

1.30 (f) "Actuarial value of assets" means:

1.31 ~~(1) For the July 1, 2012, actuarial valuation, the market value of all assets as of~~
1.32 ~~June 30, 2012, reduced by:~~

1.33 ~~(i) 20 percent of the difference between the actual net change in the market value of~~
1.34 ~~assets other than the Minnesota postretirement investment fund between June 30, 2009,~~
1.35 ~~and June 30, 2008, and the computed increase in the market value of assets other than the~~
1.36 ~~Minnesota postretirement investment fund over that fiscal year period if the assets had~~

2.1 ~~earned a rate of return on assets equal to the annual percentage preretirement interest rate~~
2.2 ~~assumption used in the actuarial valuation for July 1, 2008;~~

2.3 ~~(ii) 40 percent of the difference between the actual net change in the market value of~~
2.4 ~~total assets between June 30, 2010, and June 30, 2009, and the computed increase in the~~
2.5 ~~market value of total assets over that fiscal year period if the assets had earned a rate of~~
2.6 ~~return on assets equal to the annual percentage preretirement interest rate assumption used~~
2.7 ~~in the actuarial valuation for July 1, 2009;~~

2.8 ~~(iii) 60 percent of the difference between the actual net change in the market value~~
2.9 ~~of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the~~
2.10 ~~market value of total assets over that fiscal year period if the assets had earned a rate of~~
2.11 ~~return on assets equal to the annual percentage preretirement interest rate assumption used~~
2.12 ~~in the actuarial valuation for July 1, 2010;~~

2.13 ~~(iv) 80 percent of the difference between the actual net change in the market value of~~
2.14 ~~total assets between June 30, 2012, and June 30, 2011, and the computed increase in the~~
2.15 ~~market value of total assets over that fiscal year period if the assets had earned a rate of~~
2.16 ~~return on assets equal to the annual percentage preretirement interest rate assumption used~~
2.17 ~~in the actuarial valuation for July 1, 2011; and~~

2.18 ~~(v) if applicable, 20 percent of the difference between the actual net change in the~~
2.19 ~~market value of the Minnesota postretirement investment fund between June 30, 2009,~~
2.20 ~~and June 30, 2008, and the computed increase in the market value of assets over that fiscal~~
2.21 ~~year period if the assets had increased at 8.5 percent annually.~~

2.22 ~~(2) For the July 1, 2013, and following actuarial valuations, (1) The market value of~~
2.23 ~~all assets as of the preceding June 30, reduced by:~~

2.24 ~~(i) 20 percent of the difference between the actual net change in the market value~~
2.25 ~~of total assets between the June 30 that occurred three years earlier and the June 30 that~~
2.26 ~~occurred four years earlier and the computed increase in the market value of total assets~~
2.27 ~~over that fiscal year period if the assets had earned a rate of return on assets equal to the~~
2.28 ~~annual percentage preretirement interest rate assumption used in the actuarial valuation~~
2.29 ~~for the July 1 that occurred four years earlier;~~

2.30 ~~(ii) 40 percent of the difference between the actual net change in the market value~~
2.31 ~~of total assets between the June 30 that occurred two years earlier and the June 30 that~~
2.32 ~~occurred three years earlier and the computed increase in the market value of total assets~~
2.33 ~~over that fiscal year period if the assets had earned a rate of return on assets equal to the~~
2.34 ~~annual percentage preretirement interest rate assumption used in the actuarial valuation~~
2.35 ~~for the July 1 that occurred three years earlier;~~

3.1 (iii) 60 percent of the difference between the actual net change in the market value
 3.2 of total assets between the June 30 that occurred one year earlier and the June 30 that
 3.3 occurred two years earlier and the computed increase in the market value of total assets
 3.4 over that fiscal year period if the assets had earned a rate of return on assets equal to the
 3.5 annual percentage preretirement interest rate assumption used in the actuarial valuation
 3.6 for the July 1 that occurred two years earlier; and

3.7 (iv) 80 percent of the difference between the actual net change in the market value
 3.8 of total assets between the most recent June 30 and the June 30 that occurred one year
 3.9 earlier and the computed increase in the market value of total assets over that fiscal year
 3.10 period if the assets had earned a rate of return on assets equal to the annual percentage
 3.11 preretirement interest rate assumption used in the actuarial valuation for the July 1 that
 3.12 occurred one year earlier.

3.13 (g) "Unfunded actuarial accrued liability" means the total current and expected
 3.14 future benefit obligations, reduced by the sum of the actuarial value of assets and the
 3.15 present value of future normal costs.

3.16 (h) "Pension benefit obligation" means the actuarial present value of credited
 3.17 projected benefits, determined as the actuarial present value of benefits estimated to be
 3.18 payable in the future as a result of employee service attributing an equal benefit amount,
 3.19 including the effect of projected salary increases and any step rate benefit accrual rate
 3.20 differences, to each year of credited and expected future employee service.

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

3.22 Page 11, after line 32, insert:

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

3.24 Page 13, line 17, delete "245" and insert "356"

3.25 Page 17, after line 17, insert:

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

3.27 Page 25, line 28, delete "act" and insert "article"

3.28 Renumber the sections in sequence and correct the internal references

3.29 Amend the title accordingly

1.1 moves to amend S.F. No.; H.F. No. 628, as follows:

1.2 Page 4, line 31, strike everything after "death"

1.3 Page 4, line 32, strike everything before the period

1.1 moves to amend S.F. No.; H.F. No. 628, as follows:

1.2 Page 5 delete article 2 and insert:

1.3 "ARTICLE 2

1.4 CONTRIBUTION RATE PROCEDURES:
1.5 MSRS-GENERAL, CORRECTIONAL, AND STATE PATROL PLANS

1.6 Section 1. Minnesota Statutes 2012, section 352.045, subdivision 4, is amended to read:

1.7 Subd. 4. **Reporting, commission review.** (a) The contribution rate increase or
1.8 decrease must be determined by the executive director of the Minnesota State Retirement
1.9 System, must be reported to the chair and the executive director of the Legislative
1.10 Commission on Pensions and Retirement on or before the next February 1, and, if the
1.11 Legislative Commission on Pensions and Retirement does not recommend against the rate
1.12 change or does not recommend a modification in the rate change, is effective on the
1.13 next July 1 following the determination by the executive director that a contribution
1.14 deficiency or sufficiency has existed for two consecutive fiscal years based on the most
1.15 recent actuarial valuations under section 356.215. If the actuarially required contribution
1.16 exceeds or is less than the total support provided by the combined employee and employer
1.17 contribution rates for the applicable plan by more than 0.5 percent of covered payroll, the
1.18 applicable plan employee and employer contribution rates must be adjusted incrementally
1.19 over one or more years to a level such that there remains a contribution sufficiency of no
1.20 more than 0.25 percent of covered payroll.

1.21 (b) For the general state employees retirement plan, no incremental adjustment may
1.22 exceed 0.25 percent of payroll for either the employee or employer contribution rates per
1.23 year in which any adjustment is implemented. For the general state employees retirement
1.24 plan, the change in employee and employer contribution rates must be equal if the prior
1.25 employee contribution rate was equal to the employer contribution rate. The adjustments
1.26 may be unequal if needed to move toward a balance between the employee and employer
1.27 contribution rates. For the correctional state employees retirement plan and the State
1.28 Patrol retirement plan, the incremental adjustment in the employee contribution rate may
1.29 not exceed 0.25 percent of payroll. The employer contribution rate must be adjusted by
1.30 the amount necessary so that the employee contribution rate equals 60 percent of the
1.31 combined employee and employer contribution rate.

1.32 (c) For an applicable plan, a contribution rate adjustment under this section must
1.33 not be made until at least two years have passed since fully implementing a previous
1.34 adjustment under this section.

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

2.1 Amend the title accordingly

- 1.1 moves to amend S.F. No.; H.F. No. 628, as follows:
- 1.2 Page 6, line 4, delete "0.5" and insert "0.375"
- 1.3 Page 6, line 5, delete "0.75" and insert "0.50"

1.1 moves to amend S.F. No.; H.F. No. 628, as follows:

1.2 Page 5, before line 7, insert:

1.3 "Section 1. Minnesota Statutes 2012, section 352.045, subdivision 1, is amended to read:

1.4 Subdivision 1. **Application.** This section applies to the general state employees
1.5 retirement plan ~~and to the correctional state employees retirement plan under this chapter,~~
1.6 ~~and to the state patrol retirement plan under chapter 352B.~~

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

1.8 Page 7, delete section 2

1.9 Page 8, delete section 4

1.10 Renumber the sections in sequence

1.11 Amend the title accordingly

1.1 moves to amend S.F. No.; H.F. No. 628, as follows:

1.2 Page 25, line 27, after "APPLICATION" insert "AND INTENT"

1.3 Page 25, line 28, before "Nothing" insert "This article merges the remaining
1.4 provisions of the elective state officers retirement plan into the legislators retirement
1.5 plan chapter to achieve administrative savings, including reduced cost for actuarial
1.6 calculations. "

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State of Minnesota

HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 628

02/14/2013 Authored by Murphy, M., and Nelson

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

1.1 A bill for an act
 1.2 relating to retirement; Minnesota State Retirement System plans; clarifying
 1.3 language; removing obsolete language; revising outdated requirements; revising
 1.4 contribution rate revision procedures; revising disability standards and disability
 1.5 benefit administration procedures; merging the elected state officers retirement
 1.6 plan into the legislators retirement plan; revising pension commission standards
 1.7 provision; revising pension plan financial report contents provision; amending
 1.8 Minnesota Statutes 2012, sections 3.85, subdivision 10; 3A.011; 3A.03,
 1.9 subdivision 3; 3A.07; 3A.115; 3A.13; 3A.15; 352.01, subdivision 17b; 352.03,
 1.10 subdivision 8; 352.045, by adding subdivisions; 352.113, subdivisions 4, 6, 8, by
 1.11 adding subdivisions; 352.22, subdivision 3; 352.955, subdivisions 1, 3; 352B.011,
 1.12 subdivision 13; 352B.10, by adding a subdivision; 352D.04, subdivision 2;
 1.13 356.20, subdivision 4; 356.214, subdivision 1; 356.215, subdivision 8; 356.30,
 1.14 subdivision 3; 356.401, subdivision 3; 356.415, subdivisions 1a, 2; proposing
 1.15 coding for new law in Minnesota Statutes, chapter 3A; repealing Minnesota
 1.16 Statutes 2012, sections 3A.02, subdivision 3; 352.045, subdivisions 3, 4;
 1.17 352.955, subdivision 2; 352C.001; 352C.091, subdivision 1; 352C.10.

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

1.19 ARTICLE 1

1.20 CLARIFYING LANGUAGE; REMOVING OBSOLETE LANGUAGE;
1.21 REVISING OUTDATED REQUIREMENTS

1.22 Section 1. Minnesota Statutes 2012, section 352.22, subdivision 3, is amended to read:

1.23 Subd. 3. **Deferred annuity.** (a) An employee who has at least three years of
 1.24 allowable service if employed before July 1, 2010, or who has at least five years of
 1.25 allowable service if employed after June 30, 2010, when termination occurs may elect
 1.26 to leave the accumulated contributions in the fund and thereby be entitled to a deferred
 1.27 retirement annuity. The annuity must be computed under the law in effect when state
 1.28 service terminated, on the basis of the allowable service credited to the person before
 1.29 the termination of service.

2.1 (b) An employee on layoff or on leave of absence without pay, except a leave of
 2.2 absence for health reasons, and who does not return to state service must have an annuity,
 2.3 deferred annuity, or other benefit to which the employee may become entitled computed
 2.4 under the law in effect on the employee's last working day.

2.5 (c) No application for a deferred annuity may be made more than 60 days before
 2.6 the time the former employee reaches the required age for entitlement to the payment of
 2.7 the annuity. The deferred annuity begins to accrue no earlier than 60 days before the date
 2.8 the application is filed in the office of the system, but not (1) before the date on which
 2.9 the employee reaches the required age for entitlement to the annuity nor (2) before the
 2.10 day following the termination of state service in a position which is not covered by the
 2.11 retirement system.

2.12 (d) Application for the accumulated contributions left on deposit with the fund may
 2.13 be made at any time following the date of the termination of service.

2.14 (e) Deferred annuities must be augmented as provided in section 352.72, subdivision
 2.15 2.

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

2.17 Sec. 2. Minnesota Statutes 2012, section 352.955, subdivision 1, is amended to read:

2.18 Subdivision 1. **Election to transfer prior MSRS-general service credit.** (a) An
 2.19 eligible employee described in paragraph (b) may elect to transfer service credit in the
 2.20 general state employees retirement plan of the Minnesota State Retirement System to the
 2.21 correctional state employees retirement plan for eligible prior correctional employment.

2.22 (b) An eligible employee is a person who is covered by ~~Laws 2007, chapter 134,~~
 2.23 ~~article 3, section 6, or who became eligible for retirement coverage by the correctional~~
 2.24 ~~state employees retirement plan of the Minnesota State Retirement System under Laws~~
 2.25 ~~2006, chapter 271, article 2, Laws 2007, chapter 134, article 3, or legislation implementing~~
 2.26 the recommendations under section 352.91, subdivision 4a.

2.27 (c) Eligible prior correctional employment is employment covered correctional
 2.28 service defined in Laws 2007, chapter 134, article 3, section 6, or is employment by the
 2.29 Department of Corrections or by the Department of Human Services that preceded the
 2.30 effective date of the retirement coverage transfer under Laws 2006, chapter 271, article
 2.31 2, Laws 2007, chapter 134, article 3, or legislation implementing the recommendations
 2.32 under section 352.91, subdivision 4a by the general state employees retirement plan of
 2.33 the Minnesota State Retirement System, is continuous service, and is certified by the
 2.34 commissioner of corrections and the commissioner of human services, whichever applies,
 2.35 and by the commissioner of management and budget to the executive director of the

3.1 Minnesota State Retirement System as service that would qualify for correctional state
 3.2 employees retirement plan coverage under section 352.91, if the service ~~was~~ had been
 3.3 rendered after the date of coverage transfer.

3.4 (d) The election to transfer past service credit under this section must be made in
 3.5 writing by the applicable person on a form prescribed by the executive director of the
 3.6 Minnesota State Retirement System and must be filed with the executive director of the
 3.7 Minnesota State Retirement System on or before ~~(1) January 1, 2008, or~~ the one year
 3.8 anniversary of the coverage transfer, ~~whichever is later,~~ or ~~(2)~~ the date of the eligible
 3.9 employee's termination of state employment, whichever is earlier.

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

3.11 Sec. 3. Minnesota Statutes 2012, section 352.955, subdivision 3, is amended to read:

3.12 Subd. 3. ~~Payment of additional equivalent contributions; post-June 30, 2007;~~
 3.13 ~~coverage transfers.~~ (a) An eligible employee who is transferred to plan coverage after
 3.14 ~~June 30, 2007,~~ and who elects to transfer past service credit under this section must pay
 3.15 an additional member contribution for that prior service period. The additional member
 3.16 contribution is the amount computed under paragraph (b), plus the greater of the amount
 3.17 computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability
 3.18 attributable to the past service credit transfer.

3.19 (b) The executive director shall compute, for the most recent 12 months of service
 3.20 credit eligible for transfer, or for the entire period eligible for transfer if less than 12
 3.21 months, the difference between the employee contribution rate or rates for the general state
 3.22 employees retirement plan and the employee contribution rate or rates for the correctional
 3.23 state employees retirement plan applied to the eligible employee's salary during that
 3.24 transfer period, plus compound interest at a monthly rate of 0.71 percent.

3.25 (c) The executive director shall compute, for any service credit being transferred
 3.26 on behalf of the eligible employee and not included under paragraph (b), the difference
 3.27 between the employee contribution rate or rates for the general state employees retirement
 3.28 plan and the employee contribution rate or rates for the correctional state employees
 3.29 retirement plan applied to the eligible employee's salary during that transfer period, plus
 3.30 compound interest at a monthly rate of 0.71 percent.

3.31 (d) The executive director shall compute an amount using the process specified in
 3.32 paragraph (b), but based on differences in employer contribution rates between the general
 3.33 state employees retirement plan and the correctional state employees retirement plan
 3.34 rather than employee contribution rates.

4.1 (e) The executive director shall compute an amount using the process specified in
 4.2 paragraph (c), but based on differences in employer contribution rates between the general
 4.3 state employees retirement plan and the correctional state employees retirement plan
 4.4 rather than employee contribution rates.

4.5 (f) The additional equivalent member contribution under this subdivision must be
 4.6 paid in a lump sum. Payment must accompany the election to transfer the prior service
 4.7 credit. No transfer election or additional equivalent member contribution payment may be
 4.8 made by a person or accepted by the executive director after the one year anniversary date
 4.9 of the effective date of the retirement coverage transfer, or the date on which the eligible
 4.10 employee terminates state employment, whichever is earlier.

4.11 (g) If an eligible employee elects to transfer past service credit under this section
 4.12 and pays the additional equivalent member contribution amount under paragraph (a), the
 4.13 applicable department shall pay an additional equivalent employer contribution amount.
 4.14 The additional employer contribution is the amount computed under paragraph (d), plus
 4.15 the greater of the amount computed under paragraph (e), or 60 percent of the unfunded
 4.16 actuarial accrued liability attributable to the past service credit transfer.

4.17 (h) The unfunded actuarial accrued liability attributable to the past service credit
 4.18 transfer is the present value of the benefit obtained by the transfer of the service credit
 4.19 to the correctional state employees retirement plan reduced by the amount of the asset
 4.20 transfer under subdivision 4, by the amount of the member contribution equivalent
 4.21 payment computed under paragraph (b), and by the amount of the employer contribution
 4.22 equivalent payment computed under paragraph (d).

4.23 (i) The additional equivalent employer contribution under this subdivision must be
 4.24 paid in a lump sum and must be paid within 30 days of the date on which the executive
 4.25 director of the Minnesota State Retirement System certifies to the applicable department
 4.26 that the employee paid the additional equivalent member contribution.

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

4.28 Sec. 4. Minnesota Statutes 2012, section 352B.011, subdivision 13, is amended to read:

4.29 Subd. 13. **Surviving spouse.** "Surviving spouse" means a member's or former
 4.30 member's legally married spouse ~~who resided with the member or former member at the~~
 4.31 time of death and was married to the member or former member, for a period of at least
 4.32 one year, during or before the time of membership.

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

5.1 Sec. 5. **REPEALER.**5.2 Minnesota Statutes 2012, section 352.955, subdivision 2, is repealed.5.3 **EFFECTIVE DATE.** This section is effective the day following final enactment.5.4 **ARTICLE 2**5.5 **CONTRIBUTION RATE REVISION PROCEDURES: MSRS GENERAL,**
5.6 **CORRECTIONAL, AND STATE PATROL PLANS**5.7 Section 1. Minnesota Statutes 2012, section 352.045, is amended by adding a
5.8 subdivision to read:5.9 **Subd. 3a. Contribution rate revision; general state employees retirement plan**5.10 (a) Notwithstanding the contribution rates stated in plan law, the employee and employer
5.11 contribution rates for the general state employees retirement plan must be adjusted:5.12 (1) if the regular actuarial valuation under section 356.215 of the plan indicates that
5.13 there is a contribution sufficiency greater than one percent of covered payroll and that the
5.14 sufficiency has existed for at least two consecutive years, the employee and employer
5.15 contribution rates must be decreased as determined under paragraph (b) to a level such
5.16 that the sufficiency is no greater than one percent of covered payroll based on the most
5.17 recent actuarial valuation; or5.18 (2) if the regular actuarial valuation under section 352.215 of the plan indicates that
5.19 there is a contribution deficiency equal to or greater than 0.5 percent of covered payroll
5.20 and that the deficiency has existed for at least two consecutive years, the employee and
5.21 employer contribution rates must be increased as determined under paragraph (c) to a level
5.22 such that no deficiency exists based on the most recent actuarial valuation.5.23 (b) If the actuarially required contribution of the plan is less than the total support
5.24 provided by the combined employee and employer contribution rates by more than one
5.25 percent of covered payroll, the plan employee and employer contribution rates must be
5.26 decreased incrementally over one or more years by no more than 0.25 percent of pay
5.27 each for employee and employer contribution rates to a level such that there remains a
5.28 contribution sufficiency of at least one percent of covered payroll. No contribution rate
5.29 decrease may be made until at least two years have elapsed since any adjustment under
5.30 this paragraph has been fully implemented.5.31 (c) If the actuarially required contribution exceeds the total support provided by the
5.32 employee and employer contribution rates, the employee and employer contribution rates
5.33 must be increased equally to eliminate that contribution deficiency. If the contribution
5.34 deficiency is:

6.1 (1) less than two percent, the incremental increase may be up to 0.25 percent each
6.2 for the employee and employer contribution rates;

6.3 (2) greater than 1.99 percent and less than 4.01 percent, the incremental increase
6.4 may be up to 0.5 percent each for the employee and employer contribution rates; or

6.5 (3) greater than four percent, the incremental increase may be up to 0.75 percent
6.6 each for the employee and employer contribution.

6.7 (d) Any recommended adjustment to the contribution rates must be reported to
6.8 the chair and the executive director of the Legislative Commission on Pensions and
6.9 Retirement by January 15 following receipt of the most recent annual actuarial valuation
6.10 prepared under section 356.215. The report must include draft legislation to revise the
6.11 employee and employer contributions stated in plan law. If the Legislative Commission
6.12 on Pensions and Retirement does not recommend against the rate change or does not
6.13 recommend a modification in the rate change, the recommended adjustment becomes
6.14 effective on the first day of the first full payroll period in the fiscal year following receipt
6.15 of the most recent actuarial valuation that gave rise to the adjustment.

6.16 (e) A contribution sufficiency of up to one percent of covered payroll must be held
6.17 in reserve to be used to offset any future actuarially required contributions that are more
6.18 than the total combined employee and employer contributions.

6.19 (f) Before any reduction in contributions to eliminate a sufficiency in excess of one
6.20 percent of covered pay may be recommended, the executive director must review any
6.21 need for a change in actuarial assumptions, as recommended by the actuary retained under
6.22 section 356.214 in the most recent experience study of the general employees retirement
6.23 plan prepared under section 356.215 and the standards for actuarial work promulgated by
6.24 the Legislative Commission on Pensions and Retirement that may result in an increase
6.25 in the actuarially required contribution and must report to the Legislative Commission
6.26 on Pensions and Retirement any recommendation by the board to use the sufficiency
6.27 exceeding one percent of covered payroll to offset the impact of an actuarial assumption
6.28 change recommended by the actuary retained under section 356.214, subdivision 1, and
6.29 reviewed by the actuary retained by the commission under section 356.214, subdivision 4.

6.30 (g) No contribution sufficiency in excess of one percent of covered pay may be
6.31 proposed to be used to increase benefits, and no benefit increase may be proposed that
6.32 would initiate an automatic adjustment to increase contributions under this subdivision.
6.33 Any proposed benefit improvement must include a recommendation, prepared by the
6.34 actuary retained under section 356.214, subdivision 1, and reviewed by the actuary
6.35 retained by the Legislative Commission on Pensions and Retirement as provided under
6.36 section 356.214, subdivision 4, on how the benefit modification will be funded.

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

7.2 Sec. 2. Minnesota Statutes 2012, section 352.045, is amended by adding a subdivision
7.3 to read:

7.4 Subd. 3b. **Contribution rate revision; correctional state employees retirement**
7.5 **plan and State Patrol retirement plan.** (a) Subdivision 3a applies to the correctional
7.6 state employees retirement plan under this chapter and to the State Patrol retirement plan
7.7 established under chapter 352B, except as stated in this subdivision.

7.8 (b) Any limitations on the amount of contribution rate changes stated in subdivision
7.9 3a apply only to the amount of the employee contribution revision. The employer
7.10 contribution for the correctional state employees retirement plan or the State Patrol
7.11 retirement plan, whichever is applicable, must be adjusted so that the employer
7.12 contribution is equal to 60 percent of the sum of employee plus employer contributions.

7.13 (c) For the State Patrol retirement plan, a contribution sufficiency of up to two
7.14 percent of covered payroll, rather than one percent, may be held in reserves without taking
7.15 action to reduce employee and employer contributions.

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

7.17 Sec. 3. Minnesota Statutes 2012, section 352D.04, subdivision 2, is amended to read:

7.18 Subd. 2. **Contribution rates.** (a) The money used to purchase shares under this
7.19 section is the employee and employer contributions provided in this subdivision.

7.20 (b) The employee contribution is an amount equal to the percent of salary specified
7.21 in section 352.04, subdivision 2, or 352.045, subdivision ~~3~~ 3a.

7.22 (c) The employer contribution is an amount equal to six percent of salary.

7.23 (d) For members of the legislature, the contributions under this subdivision also must
7.24 be made on per diem payments received during a regular or special legislative session, but
7.25 may not be made on per diem payments received outside of a regular or special legislative
7.26 session, on the additional compensation attributable to a leadership position under section
7.27 3.099, subdivision 3, living expense payments under section 3.101, or special session
7.28 living expense payments under section 3.103.

7.29 (e) For a judge who is a member of the unclassified plan under section 352D.02,
7.30 subdivision 1, paragraph (c), clause (16), the employee contribution rate is eight percent
7.31 of salary, and there is no employer contribution.

7.32 (f) These contributions must be made in the manner provided in section 352.04,
7.33 subdivisions 4, 5, and 6.

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

8.2 Sec. 4. REPEALER.

8.3 Minnesota Statutes 2012, section 352.045, subdivisions 3 and 4, are repealed.

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

8.5 ARTICLE 3

8.6 REVISING COMMISSION STANDARDS AND FINANCIAL REPORT 8.7 CONTENTS PROVISIONS

8.8 Section 1. Minnesota Statutes 2012, section 3.85, subdivision 10, is amended to read:

8.9 Subd. 10. **Standards for pension valuations and cost estimates.** The commission
8.10 shall adopt standards prescribing specific detailed methods to calculate, evaluate, and
8.11 display current and proposed law liabilities, costs, and actuarial equivalents of all public
8.12 employee pension plans in Minnesota. These standards shall be consistent with chapter
8.13 356 and be updated annually. At a minimum, the standards must not shall contain a
8.14 valuation requirement requirements that is inconsistent comply with generally accepted
8.15 accounting principles applicable to government pension plans. The standards may include
8.16 additional financial, funding, or valuation requirements that are not required under
8.17 generally accepted accounting principles applicable to government pension plans.

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

8.19 Sec. 2. Minnesota Statutes 2012, section 356.20, subdivision 4, is amended to read:

8.20 Subd. 4. **Contents of financial report.** (a) The financial report required by
8.21 this section must contain financial statements and disclosures that indicate the financial
8.22 operations and position of the retirement plan and fund. The report must conform with
8.23 generally accepted governmental accounting principles, applied on a consistent basis. The
8.24 report must be audited.

8.25 (b) The report must include, ~~as part of its exhibits or its footnotes, an actuarial~~
8.26 ~~disclosure item based on~~ a statement that the actuarial valuation calculations prepared
8.27 by the actuary retained under section 356.214 or by the actuary retained by the
8.28 retirement fund or plan, whichever applies, ~~according to~~ comply with applicable actuarial
8.29 requirements enumerated in section 356.215, and specified in the most recent standards
8.30 for actuarial work adopted by the Legislative Commission on Pensions and Retirement.
8.31 The actuarial value of assets, the actuarial accrued liabilities, ~~including accrued reserves,~~
8.32 and the unfunded actuarial accrued liability of the fund or plan must be disclosed. The

9.1 ~~disclosure item~~ report must contain a ~~declaration~~ certification by the actuary retained
 9.2 under section 356.214 or the actuary retained by the fund or plan, whichever applies,
 9.3 specifying that ~~the required reserves for any retirement, disability, or survivor normal~~
 9.4 cost and the actuarial accrued liabilities for all benefits provided under a benefit formula
 9.5 are computed in accordance with the entry age actuarial cost method and in accordance
 9.6 with the most recent applicable standards for actuarial work adopted by the Legislative
 9.7 Commission on Pensions and Retirement.

9.8 (c) The report must contain an itemized exhibit describing the administrative
 9.9 expenses of the plan, including, but not limited to, the following items, classified on a
 9.10 consistent basis from year to year, and with any further meaningful detail:

- 9.11 (1) personnel expenses;
- 9.12 (2) communication-related expenses;
- 9.13 (3) office building and maintenance expenses;
- 9.14 (4) professional services fees; and
- 9.15 (5) other expenses.

9.16 (d) The report must contain an itemized exhibit describing the investment expenses
 9.17 of the plan, including, but not limited to, the following items, classified on a consistent
 9.18 basis from year to year, and with any further meaningful detail:

- 9.19 (1) internal investment-related expenses; and
- 9.20 (2) external investment-related expenses.

9.21 (e) Any additional statements or exhibits or more detailed or subdivided itemization
 9.22 of a disclosure item that will enable the management of the plan to portray a true
 9.23 interpretation of the plan's financial condition must be included in the additional
 9.24 statements or exhibits.

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

9.26 **ARTICLE 4**
 9.27 **DISABILITY BENEFIT ADMINISTRATION REVISIONS**

9.28 Section 1. Minnesota Statutes 2012, section 352.01, subdivision 17b, is amended to read:

9.29 Subd. 17b. **Duty disability, physical or psychological.** "Duty disability, physical
 9.30 or psychological," for a correctional employee, means an occupational disability that is
 9.31 the direct result of an injury incurred during, or a disease arising out of, the performance
 9.32 of normal duties or the performance of less frequent duties either of which are present
 9.33 inherent dangers specific to the correctional employee.

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

10.1 Sec. 2. Minnesota Statutes 2012, section 352.03, subdivision 8, is amended to read:

10.2 Subd. 8. **Medical adviser.** ~~The state commissioner of health or other executive~~
 10.3 director may contract with an accredited independent organization specializing in
 10.4 disability determinations, licensed physician physicians, or physicians on the staff of the
 10.5 commissioner of health as designated by the commissioner may designate shall, to be the
 10.6 medical adviser of to the director system.

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

10.8 Sec. 3. Minnesota Statutes 2012, section 352.113, subdivision 4, is amended to read:

10.9 Subd. 4. **Medical or psychological examinations; authorization for payment of**
 10.10 **benefit.** (a) Any physician, psychologist, chiropractor, or physician assistant providing
 10.11 any service specified in this section must be licensed.

10.12 (b) An applicant shall provide medical, chiropractic, or psychological a detailed
 10.13 report signed by a physician, and at least one additional report signed by a physician,
 10.14 chiropractor, psychologist, or physician assistant with evidence to support an application
 10.15 for total and permanent disability.

10.16 (b) ~~The director shall have the employee examined by at least one additional~~
 10.17 ~~licensed chiropractor, physician, or psychologist designated by the medical adviser. The~~
 10.18 ~~chiropractors, physicians, or psychologists shall make written reports to the director~~
 10.19 ~~concerning the employee's disability including~~ must include an expert opinions as to
 10.20 opinion regarding whether the employee is permanently and totally disabled within
 10.21 the meaning of section 352.01, subdivision 17, and that the disability arose before the
 10.22 employee was placed on any paid or unpaid leave of absence or terminated public service.

10.23 (c) If there is medical evidence that supports the expectation that at some point
 10.24 the person applying for the disability benefit will no longer be disabled, the decision
 10.25 granting the disability benefit may provide for a termination date upon which the total and
 10.26 permanent disability can be expected to no longer exist. When a termination date is part
 10.27 of the decision granting benefits, prior to the benefit termination the executive director
 10.28 shall review any evidence provided by the disabled employee to show that the disabling
 10.29 condition for which benefits were initially granted continues. If the benefits cease, the
 10.30 disabled employee may follow the appeal procedures described in section 356.96 or may
 10.31 reapply for disability benefits using the process described in this subdivision.

10.32 (d) Any claim to disability must be supported by a report from the employer
 10.33 indicating that there is no available work that the employee can perform with the disabling
 10.34 condition and that all reasonable accommodations have been considered. Upon request of
 10.35 the executive director, an employer shall provide evidence of the steps the employer has

11.1 taken to attempt to provide reasonable accommodations and continued employment to
11.2 the claimant.

11.3 ~~(e)~~ (e) The director shall also obtain written certification from the employer
11.4 stating whether the employment has ceased or whether the employee is on sick leave of
11.5 absence because of a disability that will prevent further service to the employer and ~~as a~~
11.6 ~~consequence~~ that the employee is not entitled to compensation from the employer.

11.7 ~~(d)~~ (f) The medical adviser shall consider the reports of the physicians, physician
11.8 assistants, psychologists, and chiropractors and any other evidence supplied by the
11.9 employee or other interested parties. If the medical adviser finds the employee totally and
11.10 permanently disabled, the adviser shall make appropriate recommendation to the director
11.11 in writing together with the date from which the employee has been totally disabled. The
11.12 director shall then determine if the disability occurred within 18 months of filing the
11.13 application, while still in the employment of the state, and the propriety of authorizing
11.14 payment of a disability benefit as provided in this section.

11.15 ~~(e)~~ (g) A terminated employee may apply for a disability benefit within 18 months of
11.16 termination as long as the disability occurred while in the employment of the state. The
11.17 fact that an employee is placed on leave of absence without compensation because of
11.18 disability does not bar that employee from receiving a disability benefit.

11.19 ~~(f)~~ (h) Unless the payment of a disability benefit has terminated because the
11.20 employee is no longer totally disabled, or because the employee has reached normal
11.21 retirement age as provided in this section, the disability benefit must cease with the last
11.22 payment received by the disabled employee or which had accrued during the lifetime of the
11.23 employee unless there is a spouse surviving. In that event, the surviving spouse is entitled
11.24 to the disability benefit for the calendar month in which the disabled employee died.

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

11.26 Sec. 4. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision
11.27 to read:

11.28 Subd. 4b. Independent medical examination or vocational rehabilitation
11.29 counseling. Any individual applying for or receiving disability benefits shall submit
11.30 to an independent medical examination or an assessment by a certified rehabilitation
11.31 counselor if requested by the executive director or designee. The examination must be
11.32 paid for by the system.

11.33 Sec. 5. Minnesota Statutes 2012, section 352.113, subdivision 6, is amended to read:

12.1 Subd. 6. **Regular medical or psychological examinations.** At least once each
 12.2 year during the first five years following the allowance of a disability benefit to any
 12.3 employee, and at least once in every three-year period thereafter, the director may require
 12.4 any disabled employee to ~~undergo a~~ provide medical, chiropractic, or psychological
 12.5 ~~examination~~ evidence to support the continuation of the total and permanent disability.
 12.6 ~~The examination must be made at the place of residence of the employee, or at any place~~
 12.7 ~~mutually agreed upon;~~ evidence must be in a form and manner prescribed by the executive
 12.8 director for review by an expert or experts designated by the medical adviser and engaged
 12.9 by the director. If any examination indicates the medical information provided to the
 12.10 medical adviser indicates that the employee is no longer permanently and totally disabled,
 12.11 or is engaged in or can engage in a gainful occupation, payments of the disability benefit
 12.12 by the fund must be discontinued. The payments must be discontinued as soon as the
 12.13 employee is reinstated to the payroll following a sick leave of absence, but in no case may
 12.14 payment be made for more than 60 days after the medical adviser finds that the employee
 12.15 is no longer permanently and totally disabled.

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

12.17 Sec. 6. Minnesota Statutes 2012, section 352.113, subdivision 8, is amended to read:

12.18 Subd. 8. **Refusal of examination.** If a ~~disabled employee~~ person applying for a
 12.19 disability benefit refuses to submit to an expert a medical or psychological examination,
 12.20 the disability application shall be rejected. If a disability benefit recipient refuses to submit
 12.21 to a medical or psychological examination as required, payments by the fund must be
 12.22 discontinued and the director shall revoke all rights of the employee in any disability benefit.

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

12.24 Sec. 7. Minnesota Statutes 2012, section 352.113, is amended by adding a subdivision
 12.25 to read:

12.26 Subd. 14. **Disabilitant earnings reports.** Disability benefit recipients must report
 12.27 all earnings from reemployment and income from workers' compensation to the system
 12.28 annually by May 15 in a format prescribed by the executive director. If the form is not
 12.29 submitted by June 15, benefits must be suspended effective July 1. If the form deemed
 12.30 acceptable by the executive director is received after the June 15 deadline, benefits shall
 12.31 be reinstated retroactive to July 1.

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

13.1 Sec. 8. Minnesota Statutes 2012, section 352B.10, is amended by adding a subdivision
13.2 to read:

13.3 Subd. 7. Disabilitant earnings reports. Disability benefit recipients must report
13.4 all earnings from reemployment and income from workers' compensation to the system
13.5 annually by May 15 in a format prescribed by the executive director. If the form is not
13.6 submitted by June 15, benefits must be suspended effective July 1. If the form deemed
13.7 acceptable by the executive director is received after the June 15 deadline, benefits shall
13.8 be reinstated retroactive to July 1.

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

13.10 **ARTICLE 5**
13.11 **MERGER OF ELECTED STATE OFFICERS RETIREMENT PLAN INTO**
13.12 **THE LEGISLATORS RETIREMENT PLAN**

13.13 Section 1. Minnesota Statutes 2012, section 3A.011, is amended to read:

13.14 **3A.011 ADMINISTRATION OF PLAN PLANS.**

13.15 The executive director and the board of directors of the Minnesota State Retirement
13.16 System shall administer the legislators retirement plan plans specified in accordance this
13.17 chapter consistent with this chapter and ~~chapter~~ chapters 245 and 356A.

13.18 EFFECTIVE DATE. This section is effective July 1, 2013.

13.19 Sec. 2. Minnesota Statutes 2012, section 3A.03, subdivision 3, is amended to read:

13.20 Subd. 3. **Legislators retirement fund.** (a) The legislators retirement fund, a special
13.21 retirement fund, is created within the state treasury ~~and must be credited with assets equal~~
13.22 ~~to the participation of the legislators retirement plan in the Minnesota postretirement~~
13.23 ~~investment fund as of June 30, 2009, and any investment proceeds on those assets.~~

13.24 (b) The payment of annuities under section 3A.115, paragraph (b), is appropriated
13.25 from the legislators retirement fund.

13.26 EFFECTIVE DATE. This section is effective July 1, 2013.

13.27 Sec. 3. Minnesota Statutes 2012, section 3A.07, is amended to read:

13.28 **3A.07 APPLICATION.**

13.29 (a) Except as provided in paragraph (b) and section 3A.17, this chapter applies
13.30 to members of the legislature in service after July 1, 1965, who otherwise meet the
13.31 requirements of this chapter.

14.1 (b) Members of the legislature who were elected for the first time after June 30,
 14.2 1997, or members of the legislature who were elected before July 1, 1997, and who, after
 14.3 July 1, 1998, elect not to be members of the plan established by this chapter are covered
 14.4 by the unclassified employees retirement program governed by chapter 352D.

14.5 (c) The post-July 1, 1998, coverage election under paragraph (b) is irrevocable
 14.6 and must be made on a form prescribed by the director. The second chance referendum
 14.7 election under Laws 2002, chapter 392, article 15, also is irrevocable.

14.8 EFFECTIVE DATE. This section is effective July 1, 2013.

14.9 Sec. 4. Minnesota Statutes 2012, section 3A.115, is amended to read:

14.10 **3A.115 RETIREMENT ALLOWANCE APPROPRIATION;**
 14.11 **POSTRETIREMENT ADJUSTMENT.**

14.12 (a) The amount necessary to fund the retirement allowance granted under this
 14.13 chapter to a former legislator retiring after June 30, 2003, or to that legislator's survivor,
 14.14 and the retirement allowance granted under section 3A.17 to a former constitutional
 14.15 officer or the survivor of that constitutional officer is appropriated from the general fund to
 14.16 the director to pay pension obligations due to the retiree.

14.17 (b) The amount necessary to fund the retirement allowance granted under this
 14.18 chapter to a former legislator retiring before July 1, 2003, must be paid from the legislators
 14.19 retirement fund created under section 3A.03, subdivision 3, until the assets of the fund
 14.20 are exhausted and at that time, the amount necessary to fund the retirement allowances
 14.21 under this paragraph is appropriated from the general fund to the director to pay pension
 14.22 obligations to the retiree and survivor.

14.23 (c) Retirement allowances payable to retired legislators and their survivors under
 14.24 this chapter must be adjusted as provided in sections 3A.02, subdivision 6, and 356.415.

14.25 EFFECTIVE DATE. This section is effective July 1, 2013.

14.26 Sec. 5. Minnesota Statutes 2012, section 3A.13, is amended to read:

14.27 **3A.13 EXEMPTION FROM PROCESS AND TAXATION; HEALTH**
 14.28 **PREMIUM DEDUCTION.**

14.29 (a) The provisions of section 356.401 apply to the ~~legislators retirement plan~~ plans
 14.30 specified in this chapter.

14.31 (b) The executive director of the Minnesota State Retirement System must, at the
 14.32 request of a retired legislator or constitutional officer who is enrolled in a health insurance
 14.33 plan covering state employees, deduct the person's health insurance premiums from the

15.1 person's annuity and transfer the amount of the premium to a health insurance carrier
15.2 covering state employees.

15.3 EFFECTIVE DATE. This section is effective July 1, 2013.

15.4 Sec. 6. Minnesota Statutes 2012, section 3A.15, is amended to read:

15.5 **3A.15 ~~COORDINATED PROGRAM~~ PROGRAMS OF THE LEGISLATORS**
15.6 **RETIREMENT PLAN.**

15.7 ~~The coordinated program of the legislators retirement plan is created.~~ The provisions
15.8 of sections 3A.01 to 3A.13 apply to the coordinated program and basic programs of the
15.9 legislators retirement plan.

15.10 EFFECTIVE DATE. This section is effective July 1, 2013.

15.11 **SPECIAL COVERAGE; CONSTITUTIONAL OFFICERS**

15.12 Sec. 7. [3A.17] CONSTITUTIONAL OFFICERS.

15.13 Subdivision 1. Application. (a) This section specifies the retirement plan applicable
15.14 to a former constitutional officer who was first elected to a constitutional office after July
15.15 1, 1967, and before July 1, 1997. The plan includes the applicable portions of chapter
15.16 352C and chapter 356 in effect on the date on which the person terminated active service
15.17 as a constitutional officer.

15.18 (b) Nothing in this section, this act, or Laws 2006, chapter 271, article 10, section
15.19 33, subdivision 2, is intended to increase or reduce the benefits of former constitutional
15.20 officers or their survivors or to adversely modify their eligibility for benefits in effect
15.21 as of June 30, 2012.

15.22 Subd. 2. Benefit adjustments. Retirement allowances payable to retired
15.23 constitutional officers and surviving spouse benefits payable must be adjusted under
15.24 section 356.415.

15.25 EFFECTIVE DATE. This section is effective July 1, 2013.

15.26 Sec. 8. Minnesota Statutes 2012, section 356.214, subdivision 1, is amended to read:

15.27 Subdivision 1. **Actuary retention.** (a) The governing board or managing or
15.28 administrative official of each public pension plan and retirement fund or plan enumerated
15.29 in paragraph (b) shall contract with an established actuarial consulting firm to conduct
15.30 annual actuarial valuations and related services. The principal from the actuarial

16.1 consulting firm on the contract must be an approved actuary under section 356.215,
16.2 subdivision 1, paragraph (c).

16.3 (b) Actuarial services must include the preparation of actuarial valuations and
16.4 related actuarial work for the following retirement plans:

16.5 (1) the teachers retirement plan, Teachers Retirement Association;

16.6 (2) the general state employees retirement plan, Minnesota State Retirement System;

16.7 (3) the correctional employees retirement plan, Minnesota State Retirement System;

16.8 (4) the State Patrol retirement plan, Minnesota State Retirement System;

16.9 (5) the judges retirement plan, Minnesota State Retirement System;

16.10 (6) the general employees retirement plan, Public Employees Retirement
16.11 Association, including the MERF division;

16.12 (7) the public employees police and fire plan, Public Employees Retirement
16.13 Association;

16.14 (8) the Duluth teachers retirement plan, Duluth Teachers Retirement Fund
16.15 Association;

16.16 (9) the St. Paul teachers retirement plan, St. Paul Teachers Retirement Fund
16.17 Association;

16.18 (10) the legislators retirement plan, Minnesota State Retirement System; and

16.19 ~~(11) the elective state officers retirement plan, Minnesota State Retirement System;~~

16.20 ~~and~~

16.21 ~~(12)~~ (11) the local government correctional service retirement plan, Public
16.22 Employees Retirement Association.

16.23 (c) The actuarial valuation for the legislators retirement plan must include a separate
16.24 calculation of total plan actuarial accrued liabilities due to constitutional officer coverage
16.25 under section 3A.17.

16.26 ~~(e)~~ (d) The contracts must require completion of the annual actuarial valuation
16.27 calculations on a fiscal year basis, with the contents of the actuarial valuation calculations
16.28 as specified in section 356.215, and in conformity with the standards for actuarial work
16.29 adopted by the Legislative Commission on Pensions and Retirement.

16.30 The contracts must require completion of annual experience data collection and
16.31 processing and a quadrennial published experience study for the plans listed in paragraph
16.32 (b), clauses (1), (2), and (6), as provided for in the standards for actuarial work adopted by
16.33 the commission. The experience data collection, processing, and analysis must evaluate
16.34 the following:

16.35 (1) individual salary progression;

16.36 (2) the rate of return on investments based on the current asset value;

- 17.1 (3) payroll growth;
- 17.2 (4) mortality;
- 17.3 (5) retirement age;
- 17.4 (6) withdrawal; and
- 17.5 (7) disablement.

17.6 ~~(d)~~ (e) The actuary shall annually prepare a report to the governing or managing
 17.7 board or administrative official and the legislature, summarizing the results of the actuarial
 17.8 valuation calculations. The actuary shall include with the report any recommendations
 17.9 concerning the appropriateness of the support rates to achieve proper funding of
 17.10 the retirement plans by the required funding dates. The actuary shall, as part of the
 17.11 quadrennial experience study, include recommendations on the appropriateness of the
 17.12 actuarial valuation assumptions required for evaluation in the study.

17.13 (e) (f) If the actuarial gain and loss analysis in the actuarial valuation calculations
 17.14 indicates a persistent pattern of sizable gains or losses, the governing or managing board
 17.15 or administrative official shall direct the actuary to prepare a special experience study for
 17.16 a plan listed in paragraph (b), clause (3), (4), (5), (7), (8), (9), (10), (11), or (12), in the
 17.17 manner provided for in the standards for actuarial work adopted by the commission.

17.18 Sec. 9. Minnesota Statutes 2012, section 356.215, subdivision 8, is amended to read:

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

17.22 (1) select and ultimate interest rate assumption

17.23	17.24	17.25	17.26	ultimate	ultimate
	plan	preretirement	postretirement	interest rate	interest rate
		assumption	assumption	assumption	assumption
17.27	general state employees retirement plan	8.5%	6.0%		
17.28	correctional state employees retirement plan	8.5	6.0		
17.29	State Patrol retirement plan	8.5	6.0		
17.30	legislators retirement plan, <u>and for the</u>	0.0	-2.0 until June 30,		
17.31	<u>constitutional officers calculation of total plan</u>		2040, and -2.5 after		
17.32	<u>liabilities</u>		June 30, 2040 0.0		
17.33	elective state officers retirement plan	0.0	-2.0 until June 30,		
17.34			2040, and -2.5 after		
17.35			June 30, 2040		
17.36	judges retirement plan	8.5	6.0		
17.37	general public employees retirement plan	8.5	6.0		
17.38	public employees police and fire retirement plan	8.5	6.0		
17.39	local government correctional service	8.5	6.0		
17.40	retirement plan				

18.1	teachers retirement plan	8.5	6.0
18.2	Duluth teachers retirement plan	8.5	8.5
18.3	St. Paul teachers retirement plan	8.5	8.5

18.4 Except for the legislators retirement plan and the ~~elective state~~ constitutional officers
 18.5 ~~retirement plan~~ calculation of total plan liabilities, the select preretirement interest rate
 18.6 assumption for the period after June 30, 2012, through June 30, 2017, is 8.0 percent.
 18.7 Except for the legislators retirement plan and the ~~elective state~~ constitutional officers
 18.8 ~~retirement plan~~ calculation of total plan liabilities, the select postretirement interest rate
 18.9 assumption for the period after June 30, 2012, through June 30, 2017, is 5.5 percent,
 18.10 except for the Duluth teachers retirement plan and the St. Paul teachers retirement plan,
 18.11 each with a select postretirement interest rate assumption for the period after June 30,
 18.12 2012, through June 30, 2017, of 8.0 percent.

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

18.14	plan	interest rate
18.15		assumption
18.16	Bloomington Fire Department Relief Association	6.0
18.17	local monthly benefit volunteer firefighters relief	5.0
18.18	associations	

18.19 (b) The actuarial valuation must use the applicable following single rate future salary
 18.20 increase assumption, the applicable following modified single rate future salary increase
 18.21 assumption, or the applicable following graded rate future salary increase assumption:

18.22 (1) single rate future salary increase assumption

18.23	plan	future salary increase assumption
18.24	legislators retirement plan	5.0%
18.25	judges retirement plan	3.0
18.26	Bloomington Fire Department Relief	4.0
18.27	Association	

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

18.30	plan	future salary increase assumption
18.31	local government correctional service retirement plan	assumption C
18.32	Duluth teachers retirement plan	assumption A
18.33	St. Paul teachers retirement plan	assumption B

18.34 For plans other than the Duluth teachers
 18.35 retirement plan, the select calculation
 18.36 is: during the designated select period, a
 18.37 designated percentage rate is multiplied by

19.1 the result of the designated integer minus T,
 19.2 where T is the number of completed years
 19.3 of service, and is added to the applicable
 19.4 future salary increase assumption. The
 19.5 designated select period is ten years and the
 19.6 designated integer is ten for all retirement
 19.7 plans covered by this clause. The designated
 19.8 percentage rate is 0.3 percent for the St. Paul
 19.9 Teachers Retirement Fund Association. The
 19.10 select calculation for the Duluth Teachers
 19.11 Retirement Fund Association is 8.00 percent
 19.12 per year for service years one through seven,
 19.13 7.25 percent per year for service years seven
 19.14 and eight, and 6.50 percent per year for
 19.15 service years eight and nine.

19.16 The ultimate future salary increase assumption is:

19.17	age	A	B	C
19.18	16	8.00%	6.90%	9.00%
19.19	17	8.00	6.90	9.00
19.20	18	8.00	6.90	9.00
19.21	19	8.00	6.90	9.00
19.22	20	6.90	6.90	9.00
19.23	21	6.90	6.90	8.75
19.24	22	6.90	6.90	8.50
19.25	23	6.85	6.85	8.25
19.26	24	6.80	6.80	8.00
19.27	25	6.75	6.75	7.75
19.28	26	6.70	6.70	7.50
19.29	27	6.65	6.65	7.25
19.30	28	6.60	6.60	7.00
19.31	29	6.55	6.55	6.75
19.32	30	6.50	6.50	6.75
19.33	31	6.45	6.45	6.50
19.34	32	6.40	6.40	6.50
19.35	33	6.35	6.35	6.50
19.36	34	6.30	6.30	6.25
19.37	35	6.25	6.25	6.25
19.38	36	6.20	6.20	6.00
19.39	37	6.15	6.15	6.00
19.40	38	6.10	6.10	6.00

20.1	39	6.05	6.05	5.75
20.2	40	6.00	6.00	5.75
20.3	41	5.90	5.95	5.75
20.4	42	5.80	5.90	5.50
20.5	43	5.70	5.85	5.25
20.6	44	5.60	5.80	5.25
20.7	45	5.50	5.75	5.00
20.8	46	5.40	5.70	5.00
20.9	47	5.30	5.65	5.00
20.10	48	5.20	5.60	5.00
20.11	49	5.10	5.55	5.00
20.12	50	5.00	5.50	5.00
20.13	51	4.90	5.45	5.00
20.14	52	4.80	5.40	5.00
20.15	53	4.70	5.35	5.00
20.16	54	4.60	5.30	5.00
20.17	55	4.50	5.25	4.75
20.18	56	4.40	5.20	4.75
20.19	57	4.30	5.15	4.50
20.20	58	4.20	5.10	4.25
20.21	59	4.10	5.05	4.25
20.22	60	4.00	5.00	4.25
20.23	61	3.90	5.00	4.25
20.24	62	3.80	5.00	4.25
20.25	63	3.70	5.00	4.25
20.26	64	3.60	5.00	4.25
20.27	65	3.50	5.00	4.00
20.28	66	3.50	5.00	4.00
20.29	67	3.50	5.00	4.00
20.30	68	3.50	5.00	4.00
20.31	69	3.50	5.00	4.00
20.32	70	3.50	5.00	4.00

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

20.34	general state employees retirement plan of the	assumption A
20.35	Minnesota State Retirement System	
20.36	general employees retirement plan of the Public	assumption B
20.37	Employees Retirement Association	
20.38	Teachers Retirement Association	assumption C
20.39	public employees police and fire retirement plan	assumption D
20.40	State Patrol retirement plan	assumption E
20.41	correctional state employees retirement plan of the	assumption F
20.42	Minnesota State Retirement System	

21.1	service						
21.2	length	A	B	C	D	E	F
21.3	1	10.50%	12.03%	12.00%	13.00%	8.00%	6.00%
21.4	2	8.10	8.90	9.00	11.00	7.50	5.85
21.5	3	6.90	7.46	8.00	9.00	7.00	5.70
21.6	4	6.20	6.58	7.50	8.00	6.75	5.55
21.7	5	5.70	5.97	7.25	6.50	6.50	5.40
21.8	6	5.30	5.52	7.00	6.10	6.25	5.25
21.9	7	5.00	5.16	6.85	5.80	6.00	5.10
21.10	8	4.70	4.87	6.70	5.60	5.85	4.95
21.11	9	4.50	4.63	6.55	5.40	5.70	4.80
21.12	10	4.40	4.42	6.40	5.30	5.55	4.65
21.13	11	4.20	4.24	6.25	5.20	5.40	4.55
21.14	12	4.10	4.08	6.00	5.10	5.25	4.45
21.15	13	4.00	3.94	5.75	5.00	5.10	4.35
21.16	14	3.80	3.82	5.50	4.90	4.95	4.25
21.17	15	3.70	3.70	5.25	4.80	4.80	4.15
21.18	16	3.60	3.60	5.00	4.80	4.65	4.05
21.19	17	3.50	3.51	4.75	4.80	4.50	3.95
21.20	18	3.50	3.50	4.50	4.80	4.35	3.85
21.21	19	3.50	3.50	4.25	4.80	4.20	3.75
21.22	20	3.50	3.50	4.00	4.80	4.05	3.75
21.23	21	3.50	3.50	3.90	4.70	4.00	3.75
21.24	22	3.50	3.50	3.80	4.60	4.00	3.75
21.25	23	3.50	3.50	3.70	4.50	4.00	3.75
21.26	24	3.50	3.50	3.60	4.50	4.00	3.75
21.27	25	3.50	3.50	3.50	4.50	4.00	3.75
21.28	26	3.50	3.50	3.50	4.50	4.00	3.75
21.29	27	3.50	3.50	3.50	4.50	4.00	3.75
21.30	28	3.50	3.50	3.50	4.50	4.00	3.75
21.31	29	3.50	3.50	3.50	4.50	4.00	3.75
21.32	30 or	3.50	3.50	3.50	4.50	4.00	3.75
21.33	more						

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

21.38	plan	payroll growth assumption
21.39	general state employees retirement plan of the	3.75%
21.40	Minnesota State Retirement System	
21.41	correctional state employees retirement plan	3.75
21.42	State Patrol retirement plan	3.75
21.43	judges retirement plan	3.00

22.1	general employees retirement plan of the Public	3.75
22.2	Employees Retirement Association	
22.3	public employees police and fire retirement plan	3.75
22.4	local government correctional service retirement plan	3.75
22.5	teachers retirement plan	3.75
22.6	Duluth teachers retirement plan	4.50
22.7	St. Paul teachers retirement plan	5.00

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

22.10 (1) has been proposed by the governing board of the applicable retirement plan;

22.11 (2) is accompanied by the concurring recommendation of the actuary retained under
22.12 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the
22.13 most recent actuarial valuation report if section 356.214 does not apply; and

22.14 (3) has been approved or deemed approved under subdivision 18.

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

22.16 Sec. 10. Minnesota Statutes 2012, section 356.30, subdivision 3, is amended to read:

22.17 Subd. 3. **Covered plans.** This section applies to the following retirement plans:

22.18 (1) the general state employees retirement plan of the Minnesota State Retirement
22.19 System, established under chapter 352;

22.20 (2) the correctional state employees retirement plan of the Minnesota State
22.21 Retirement System, established under chapter 352;

22.22 (3) the unclassified employees retirement program, established under chapter 352D;

22.23 (4) the State Patrol retirement plan, established under chapter 352B;

22.24 (5) the legislators retirement plan, established under chapter 3A, including
22.25 constitutional officers as specified in that chapter;

22.26 ~~(6) the elective state officers retirement plan, established under chapter 352C;~~

22.27 ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement
22.28 Association, established under chapter 353, including the MERF division of the Public
22.29 Employees Retirement Association;

22.30 ~~(8)~~ (7) the public employees police and fire retirement plan of the Public Employees
22.31 Retirement Association, established under chapter 353;

22.32 ~~(9)~~ (8) the local government correctional service retirement plan of the Public
22.33 Employees Retirement Association, established under chapter 353E;

22.34 ~~(10)~~ (9) the Teachers Retirement Association, established under chapter 354;

22.35 ~~(11)~~ (10) the St. Paul Teachers Retirement Fund Association, established under
22.36 chapter 354A;

23.1 ~~(12)~~ (11) the Duluth Teachers Retirement Fund Association, established under
 23.2 chapter 354A; and
 23.3 ~~(13)~~ (12) the judges retirement fund, established by chapter 490.

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

23.5 Sec. 11. Minnesota Statutes 2012, section 356.401, subdivision 3, is amended to read:

23.6 Subd. 3. **Covered retirement plans.** The provisions of this section apply to the
 23.7 following retirement plans:

23.8 (1) the legislators retirement plan, established by chapter 3A, including constitutional
 23.9 officers as specified in that chapter;

23.10 (2) the general state employees retirement plan of the Minnesota State Retirement
 23.11 System, established by chapter 352;

23.12 (3) the correctional state employees retirement plan of the Minnesota State
 23.13 Retirement System, established by chapter 352;

23.14 (4) the State Patrol retirement plan, established by chapter 352B;

23.15 ~~(5) the elective state officers retirement plan, established by chapter 352C;~~

23.16 ~~(6)~~ (5) the unclassified state employees retirement program, established by chapter
 23.17 352D;

23.18 ~~(7)~~ (6) the general employees retirement plan of the Public Employees Retirement
 23.19 Association, established by chapter 353, including the MERF division of the Public
 23.20 Employees Retirement Association;

23.21 ~~(8)~~ (7) the public employees police and fire plan of the Public Employees Retirement
 23.22 Association, established by chapter 353;

23.23 ~~(9)~~ (8) the public employees defined contribution plan, established by chapter 353D;

23.24 ~~(10)~~ (9) the local government correctional service retirement plan of the Public
 23.25 Employees Retirement Association, established by chapter 353E;

23.26 ~~(11)~~ (10) the voluntary statewide lump-sum volunteer firefighter retirement plan,
 23.27 established by chapter 353G;

23.28 ~~(12)~~ (11) the Teachers Retirement Association, established by chapter 354;

23.29 ~~(13)~~ (12) the Duluth Teachers Retirement Fund Association, established by chapter
 23.30 354A;

23.31 ~~(14)~~ (13) the St. Paul Teachers Retirement Fund Association, established by chapter
 23.32 354A;

23.33 ~~(15)~~ (14) the individual retirement account plan, established by chapter 354B;

23.34 ~~(16)~~ (15) the higher education supplemental retirement plan, established by chapter
 23.35 354C; and

24.1 (17) (16) the judges retirement fund, established by chapter 490.

24.2 EFFECTIVE DATE. This section is effective July 1, 2013.

24.3 Sec. 12. Minnesota Statutes 2012, section 356.415, subdivision 1a, is amended to read:

24.4 Subd. 1a. **Annual postretirement adjustments; Minnesota State Retirement**
 24.5 **System plans other than State Patrol retirement plan.** (a) Retirement annuity, disability
 24.6 benefit, or survivor benefit recipients of the legislators retirement ~~plan~~ plans, including
 24.7 constitutional officers as specified in chapter 3A, the general state employees retirement
 24.8 plan, the correctional state employees retirement plan, ~~the elected state officers retirement~~
 24.9 ~~plan~~, the unclassified state employees retirement program, and the judges retirement plan
 24.10 are entitled to a postretirement adjustment annually on January 1, as follows:

24.11 (1) a postretirement increase of two percent must be applied each year, effective
 24.12 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient
 24.13 who has been receiving an annuity or a benefit for at least 18 full months before the
 24.14 January 1 increase; and

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

24.20 (b) The increases provided by this subdivision commence on January 1, 2011.
 24.21 Increases under this subdivision for the general state employees retirement plan, the
 24.22 correctional state employees retirement plan, or the judges retirement plan terminate
 24.23 on December 31 of the calendar year in which the actuarial valuation prepared by the
 24.24 approved actuary under sections 356.214 and 356.215 and the standards for actuarial work
 24.25 promulgated by the Legislative Commission on Pensions and Retirement indicates that the
 24.26 market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial
 24.27 accrued liability of the retirement plan and increases under subdivision 1 recommence
 24.28 after that date. Increases under this subdivision for the legislators retirement plan or the
 24.29 elected state officers retirement plan terminate on December 31 of the calendar year in
 24.30 which the actuarial valuation prepared by the approved actuary under sections 356.214 and
 24.31 356.215 and the standards for actuarial work promulgated by the Legislative Commission
 24.32 on Pensions and Retirement indicates that the market value of assets of the general state
 24.33 employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability
 24.34 of the retirement plan and increases under subdivision 1 recommence after that date.

25.1 (c) An increase in annuity or benefit payments under this subdivision must be made
 25.2 automatically unless written notice is filed by the annuitant or benefit recipient with the
 25.3 executive director of the applicable covered retirement plan requesting that the increase
 25.4 not be made.

25.5 EFFECTIVE DATE. This section is effective July 1, 2013.

25.6 Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 2, is amended to read:

25.7 Subd. 2. **Covered retirement plans.** The provisions of this section apply to the
 25.8 following retirement plans:

25.9 (1) the legislators retirement plan established under chapter 3A, including
 25.10 constitutional officers as specified in that chapter;

25.11 (2) the correctional state employees retirement plan of the Minnesota State
 25.12 Retirement System established under chapter 352;

25.13 (3) the general state employees retirement plan of the Minnesota State Retirement
 25.14 System established under chapter 352;

25.15 (4) the State Patrol retirement plan established under chapter 352B;

25.16 ~~(5) the elective state officers retirement plan established under chapter 352C;~~

25.17 ~~(6)~~ (5) the general employees retirement plan of the Public Employees Retirement
 25.18 Association established under chapter 353, including the MERF division of the Public
 25.19 Employees Retirement Association;

25.20 ~~(7)~~ (6) the public employees police and fire retirement plan of the Public Employees
 25.21 Retirement Association established under chapter 353;

25.22 ~~(8)~~ (7) the local government correctional employees retirement plan of the Public
 25.23 Employees Retirement Association established under chapter 353E;

25.24 ~~(9)~~ (8) the teachers retirement plan established under chapter 354; and

25.25 ~~(10)~~ (9) the judges retirement plan established under chapter 490.

25.26 EFFECTIVE DATE. This section is effective July 1, 2013.

25.27 Sec. 14. APPLICATION.

25.28 Nothing in this act should be interpreted as modifying benefits or benefit eligibility
 25.29 compared to law in effect immediately before the effective date of this section.

25.30 EFFECTIVE DATE. This section is effective July 1, 2013.

25.31 Sec. 15. REPEALER.

- 26.1 Minnesota Statutes 2012, sections 3A.02, subdivision 3; 352C.001; 352C.091,
26.2 subdivision 1; and 352C.10, are repealed.
- 26.3 **EFFECTIVE DATE.** This section is effective July 1, 2013.

APPENDIX
Article locations in 13-1547

ARTICLE 1	CLARIFYING LANGUAGE; REMOVING OBSOLETE LANGUAGE; REVISING OUTDATED REQUIREMENTS	Page.Ln 1.19
ARTICLE 2	CONTRIBUTION RATE REVISION PROCEDURES: MSRS GENERAL, CORRECTIONAL, AND STATE PATROL PLANS	Page.Ln 5.4
ARTICLE 3	REVISING COMMISSION STANDARDS AND FINANCIAL REPORT CONTENTS PROVISIONS	Page.Ln 8.5
ARTICLE 4	DISABILITY BENEFIT ADMINISTRATION REVISIONS	Page.Ln 9.26
ARTICLE 5	MERGER OF ELECTED STATE OFFICERS RETIREMENT PLAN INTO THE LEGISLATORS RETIREMENT PLAN	Page.Ln 13.10