

1.1 A bill for an act

1.2 relating to retirement; Minnesota State Retirement System financial solvency
1.3 measures; increasing employee and employer contribution rates; reducing certain
1.4 postretirement adjustment increase rates; modifying the investment return actuarial
1.5 assumption; extending the amortization target date; amending Minnesota Statutes
1.6 2016, sections 3A.03, subdivision 2; 352.01, subdivision 13a; 352.017, subdivision
1.7 2; 352.04, subdivisions 2, 3, 8, 9; 352.23; 352.27; 352.92, subdivisions 1, 2, by
1.8 adding a subdivision; 352.955, subdivision 3; 352B.013, subdivision 2; 352B.02,
1.9 subdivisions 1a, 1c; 352B.085; 352B.086; 352B.11, subdivision 4; 352D.05,
1.10 subdivision 4; 352D.11, subdivision 2; 352D.12; 356.215, subdivisions 8, 11;
1.11 356.415, subdivisions 1a, 1e, 1f; 490.121, subdivision 4; 490.1211; 490.124,
1.12 subdivision 12; proposing coding for new law in Minnesota Statutes, chapter 356;
1.13 repealing Minnesota Statutes 2016, section 356.415, subdivision 1.

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

1.15 Section 1. Minnesota Statutes 2016, section 3A.03, subdivision 2, is amended to read:

1.16 Subd. 2. **Refund.** (a) A former member who has made contributions under subdivision
1.17 1 and who is no longer a member of the legislature is entitled to receive, upon written
1.18 application to the executive director on a form prescribed by the executive director, a refund
1.19 from the general fund of all contributions credited to the member's account with interest
1.20 computed as provided in section 352.22, subdivision 2.

1.21 (b) The refund of contributions as provided in paragraph (a) terminates all rights of a
1.22 former member of the legislature and the survivors of the former member under this chapter.

1.23 (c) If the former member of the legislature again becomes a member of the legislature
1.24 after having taken a refund as provided in paragraph (a), the member is a member of the
1.25 unclassified employees retirement program of the Minnesota State Retirement System.

(d) However, the member may reinstate the rights and credit for service previously forfeited under this chapter if the member repays all refunds taken, plus interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date on which the refund was taken to the date on which the refund is repaid.

(e) No person may be required to apply for or to accept a refund.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 2. Minnesota Statutes 2016, section 352.01, subdivision 13a, is amended to read:

Subd. 13a. **Reduced salary during period of workers' compensation.** An employee on leave of absence receiving temporary workers' compensation payments and a reduced salary or no salary from the employer who is entitled to allowable service credit for the period of absence, may make payment to the fund for the difference between salary received, if any, and the salary the employee would normally receive if not on leave of absence during the period. The employee shall pay an amount equal to the employee and employer contribution rate under section 352.04, subdivisions 2 and 3, on the differential salary amount for the period of the leave of absence.

The employing department, at its option, may pay the employer amount on behalf of its employees. Payment made under this subdivision must include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter per year~~ applicable annual rate or rates specified in section 356.59, subdivision 2, and must be completed within one year of the return from leave of absence.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 3. Minnesota Statutes 2016, section 352.017, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by a plan specified in this chapter may purchase credit for allowable service in that plan for a period specified in subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever applies. The employing unit, at its option, may pay the employer portion of the amount specified in paragraph (b) on behalf of its employees.

(b) If payment is received by the executive director within one year from the date the employee returned to work following the authorized leave, the payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan at the end of the leave period multiplied by the employee's hourly rate of salary on the date of

return from the leave of absence and by the days and months of the leave of absence for which the employee is eligible for allowable service credit. The payment must include compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from the last day of the leave period until the last day of the month in which payment is received. If payment is received by the executive director after one year, the payment amount is the amount determined under section 356.551. Payment under this paragraph must be made before the date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in law for the applicable plan on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 4. Minnesota Statutes 2016, section 352.04, subdivision 2, is amended to read:

Subd. 2. **Employee contributions.** (a) The employee contribution to the fund must be equal to the following percent of salary:

from July 1, 2010, to June 30, 2014	5
from July 1, 2014, and thereafter <u>to June 30, 2017</u>	5.5
<u>after June 30, 2017</u>	<u>6</u>

(b) These contributions must be made by deduction from salary as provided in subdivision 4.

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 5. Minnesota Statutes 2016, section 352.04, subdivision 3, is amended to read:

Subd. 3. **Employer contributions.** (a) The employer contribution to the fund must be equal to the following percent of salary:

from July 1, 2010, to June 30, 2014	5
from July 1, 2014, and thereafter <u>to June 30, 2017</u>	5.5
<u>from July 1, 2017, to June 30, 2019</u>	<u>7</u>

4.1 after June 30, 2019 8

4.2 (b) Contribution increases under paragraph (a) must be paid starting the first day of the
4.3 first full pay period after the effective date of the increase.

4.4 (c) The employer contribution rate must decrease to be equal to the employee contribution
4.5 rate under subdivision 2 once the market value of the assets of the general state employees
4.6 retirement plan of the Minnesota State Retirement System equals or exceeds the actuarial
4.7 accrued liability of the plan as determined by the actuary retained under section 356.214.
4.8 The reduction is effective on the first day of the first full pay period of the fiscal year
4.9 immediately following the issuance of the actuarial valuation upon which the reduction is
4.10 based.

4.11 **EFFECTIVE DATE.** This section is effective July 1, 2017.

4.12 Sec. 6. Minnesota Statutes 2016, section 352.04, subdivision 8, is amended to read:

4.13 Subd. 8. **Department required to pay omitted salary deductions.** (a) If a department
4.14 fails to take deductions past due for a period of 60 days or less from an employee's salary
4.15 as provided in this section, those deductions must be taken on later payroll abstracts.

4.16 (b) If a department fails to take deductions past due for a period in excess of 60 days
4.17 from an employee's salary as provided in this section, the department, and not the employee,
4.18 must pay on later payroll abstracts the employee and employer contributions and an amount
4.19 ~~equivalent to 8.5 percent until June 30, 2015, and eight percent thereafter of the total amount~~
4.20 ~~due in lieu of interest, or if the delay in payment exceeds one year, 8.5 percent until June~~
4.21 ~~30, 2015, and eight percent thereafter compound annual interest~~ at the applicable annual
4.22 rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date
4.23 the employee and employer contributions should have been deducted to the date payment
4.24 of the total amount due is paid by the department.

4.25 (c) If a department fails to take deductions past due for a period of 60 days or less and
4.26 the employee is no longer in state service so that the required deductions cannot be taken
4.27 from the salary of the employee, the department must nevertheless pay the required employer
4.28 contributions. If any department fails to take deductions past due for a period in excess of
4.29 60 days and the employee is no longer in state service, the omitted contributions must be
4.30 recovered under paragraph (b).

4.31 (d) If an employee from whose salary required deductions were past due for a period of
4.32 60 days or less leaves state service before the payment of the omitted deductions and
4.33 subsequently returns to state service, the unpaid amount is considered the equivalent of a

refund. The employee accrues no right by reason of the unpaid amount, except that the employee may pay the amount of omitted deductions as provided in section 352.23.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 7. Minnesota Statutes 2016, section 352.04, subdivision 9, is amended to read:

Subd. 9. **Erroneous deductions, canceled warrants.** (a) Deductions taken from the salary of an employee for the retirement fund in excess of required amounts must, upon discovery and verification by the department making the deduction, be refunded to the employee.

(b) If a deduction for the retirement fund is taken from a salary warrant or check, and the check is canceled or the amount of the warrant or check returned to the funds of the department making the payment, the sum deducted, or the part of it required to adjust the deductions, must be refunded to the department or institution if the department applies for the refund on a form furnished by the director. The department's payments must likewise be refunded to the department.

(c) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plans specified in section 356.99, that section applies. If the employee should have been covered by the plan governed by chapter 352D, 353D, 354B, or 354D, the employee deductions and employer contributions taken in error must be directly transferred to the applicable employee's account in the correct retirement plan, with interest at the ~~rate of 0.71 percent per month until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, per month, compounded annually, from the first day of the month following the month in which coverage should have commenced in the correct defined contribution plan until the end of the month in which the transfer occurs.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 8. Minnesota Statutes 2016, section 352.23, is amended to read:

352.23 TERMINATION OF RIGHTS; REPAYMENT OF REFUND.

(a) When any employee accepts a refund as provided in section 352.22, all existing allowable service credits and all rights and benefits to which the employee was entitled before accepting the refund terminate.

(b) Terminated service credits and rights must not again be restored until the former employee acquires at least six months of allowable service credit after taking the last refund. In that event, the employee may repay all refunds previously taken from the retirement fund.

(c) Repayment of refunds entitles the employee only to credit for service covered by (1) salary deductions; (2) payments previously made in lieu of salary deductions as permitted under law in effect when the payment in lieu of deductions was made; (3) payments made to obtain credit for service as permitted by laws in effect when payment was made; and (4) allowable service previously credited while receiving temporary workers' compensation as provided in section 352.01, subdivision 11, paragraph (a), clause (3).

(d) Payments under this section for repayment of refunds are to be paid with interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date the refund was taken until the date the refund is repaid. They may be paid in a lump sum or by payroll deduction in the manner provided in section 352.04. Payment may be made in a lump sum up to six months after termination from service.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 9. Minnesota Statutes 2016, section 352.27, is amended to read:

352.27 CREDIT FOR BREAK IN SERVICE TO PROVIDE UNIFORMED SERVICE.

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

(b) The employee may obtain credit by paying into the fund an equivalent employee contribution based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the employee would have received if the employee had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the employee's

average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service.

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

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

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

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

(g) The employing unit shall pay interest on all equivalent employee and employer contribution amounts payable under this section. Interest must be ~~computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or the break in service to the end of the month in which the payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 10. Minnesota Statutes 2016, section 352.92, subdivision 1, is amended to read:

Subdivision 1. **Employee contributions.** (a) Employee contributions of covered correctional employees must be in an amount equal to the following percent of salary:

~~from July 1, 2010, to June 30, 2014~~ 8.6

from July 1, 2014, ~~and thereafter~~ to June 30, 2017 9.1

8.1 after June 30, 2017 9.6

8.2 (b) These contributions must be made by deduction from salary as provided in section
8.3 352.04, subdivision 4.

8.4 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
8.5 first full pay period after the effective date of the increase.

8.6 **EFFECTIVE DATE.** This section is effective July 1, 2017.

8.7 Sec. 11. Minnesota Statutes 2016, section 352.92, subdivision 2, is amended to read:

8.8 Subd. 2. **Employer contributions.** (a) The employer shall contribute for covered
8.9 correctional employees an amount equal to the following percent of salary:

8.10 ~~from July 1, 2010, to June 30, 2014~~ ~~12.1~~

8.11 from July 1, 2014, ~~and thereafter~~ to June 30, 2017 12.85

8.12 after June 30, 2017 14.4

8.13 (b) Contribution increases under paragraph (a) must be paid starting the first day of the
8.14 first full pay period after the effective date of the increase.

8.15 **EFFECTIVE DATE.** This section is effective July 1, 2017.

8.16 Sec. 12. Minnesota Statutes 2016, section 352.92, is amended by adding a subdivision to
8.17 read:

8.18 Subd. 2a. **Supplemental employer contribution.** Effective July 1, 2017, the employer
8.19 shall pay a supplemental contribution of 4.45 percent of salary for covered correctional
8.20 employees until the market value of the assets of the correctional state employees retirement
8.21 plan of the Minnesota State Retirement System equals or exceeds the actuarial accrued
8.22 liability of the plan as determined by the actuary retained under section 356.214. The
8.23 expiration of the supplemental employer contribution is effective the first day of the first
8.24 full pay period of the fiscal year immediately following the issuance of the actuarial valuation
8.25 upon which the expiration is based.

8.26 **EFFECTIVE DATE.** This section is effective the first day of the first full pay period
8.27 after July 1, 2017.

8.28 Sec. 13. Minnesota Statutes 2016, section 352.955, subdivision 3, is amended to read:

8.29 Subd. 3. **Payment of additional equivalent contributions.** (a) An eligible employee
8.30 who is transferred to plan coverage and who elects to transfer past service credit under this
8.31 section must pay an additional member contribution for that prior service period. The

additional member contribution is the amount computed under paragraph (b), plus the greater of the amount computed under paragraph (c), or 40 percent of the unfunded actuarial accrued liability attributable to the past service credit transfer.

(b) The executive director shall compute, for the most recent 12 months of service credit eligible for transfer, or for the entire period eligible for transfer if less than 12 months, the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2.

(c) The executive director shall compute, for any service credit being transferred on behalf of the eligible employee and not included under paragraph (b), the difference between the employee contribution rate or rates for the general state employees retirement plan and the employee contribution rate or rates for the correctional state employees retirement plan applied to the eligible employee's salary during that transfer period, plus compound interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2.

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

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

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

(g) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraph (a), the

10.1 applicable department shall pay an additional equivalent employer contribution amount.
10.2 The additional employer contribution is the amount computed under paragraph (d), plus the
10.3 greater of the amount computed under paragraph (e), or 60 percent of the unfunded actuarial
10.4 accrued liability attributable to the past service credit transfer.

10.5 (h) The unfunded actuarial accrued liability attributable to the past service credit transfer
10.6 is the present value of the benefit obtained by the transfer of the service credit to the
10.7 correctional state employees retirement plan reduced by the amount of the asset transfer
10.8 under subdivision 4, by the amount of the member contribution equivalent payment computed
10.9 under paragraph (b), and by the amount of the employer contribution equivalent payment
10.10 computed under paragraph (d).

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

10.15 **EFFECTIVE DATE.** This section is effective July 1, 2017.

10.16 Sec. 14. Minnesota Statutes 2016, section 352B.013, subdivision 2, is amended to read:

10.17 Subd. 2. **Purchase procedure.** (a) An employee covered by the plan specified in this
10.18 chapter may purchase credit for allowable service in the plan for a period specified in
10.19 subdivision 1 if the employee makes a payment as specified in paragraph (b) or (c), whichever
10.20 applies. The employing unit, at its option, may pay the employer portion of the amount
10.21 specified in paragraph (b) on behalf of its employees.

10.22 (b) If payment is received by the executive director within one year from the date the
10.23 employee returned to work following the authorized leave, the payment amount is equal to
10.24 the employee and employer contribution rates specified in section 352B.02 at the end of
10.25 the leave period multiplied by the employee's hourly rate of salary on the date of return
10.26 from the leave of absence and by the days and months of the leave of absence for which
10.27 the employee is eligible for allowable service credit. The payment must include compound
10.28 interest at the ~~monthly rate of 0.71 percent until June 30, 2015, and 0.667 percent per month~~
10.29 ~~thereafter~~ applicable monthly rate or rates specified in section 356.59, subdivision 2, from
10.30 the last day of the leave period until the last day of the month in which payment is received.
10.31 If payment is received by the executive director after one year from the date the employee
10.32 returned to work following the authorized leave, the payment amount is the amount
10.33 determined under section 356.551. Payment under this paragraph must be made before the
10.34 date of termination from public employment covered under this chapter.

(c) If the employee terminates employment covered by this chapter during the leave or following the leave rather than returning to covered employment, payment must be received by the executive director within 30 days after the termination date. The payment amount is equal to the employee and employer contribution rates specified in section 352B.02 on the day prior to the termination date, multiplied by the employee's hourly rate of salary on that date and by the days and months of the leave of absence prior to termination.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 15. Minnesota Statutes 2016, section 352B.02, subdivision 1a, is amended to read:

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

(1) before the first day of the first pay period beginning after July 1, 2014	12.4 percent
(2) on or after the first day of the first pay period beginning after from July 1, 2014, to June 30, 2016	13.4 percent
(3) after June 30, 2016 from July 1, 2016, to June 30, 2017	14.4 percent
from July 1, 2017, to June 30, 2019	14.9
after June 30, 2019	15.4

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

(c) Contribution increases under paragraph (a) must be paid starting the first day of the first full pay period after the effective date of the increase.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 16. Minnesota Statutes 2016, section 352B.02, subdivision 1c, is amended to read:

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

(1) before the first day of the first pay period beginning after July 1, 2014	18.6 percent
(2) on or after the first day of the first pay period beginning after from July 1, 2014, to June 30, 2016	20.1 percent
(3) after June 30, 2016 from July 1, 2016, to June 30, 2017	21.6 percent
from July 1, 2017, to June 30, 2019	22.35

12.1 after June 30, 2019 23.1

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

12.4 (c) Contribution increases under paragraph (a) must be paid starting the first day of the
12.5 first full pay period after the effective date of the increase.

12.6 (d) Effective July 1, 2017, department heads shall pay a supplemental employer
12.7 contribution equal to seven percent of the salary upon which deductions were made until
12.8 the market value of the assets of the State Patrol retirement plan of the Minnesota State
12.9 Retirement System equals or exceeds the actuarial accrued liability of the plan as determined
12.10 by the actuary retained under section 356.214. The expiration of the supplemental employer
12.11 contribution is effective the first day of the first full pay period of the fiscal year immediately
12.12 following the issuance of the actuarial valuation upon which the expiration is based.

12.13 **EFFECTIVE DATE.** The amendments to paragraphs (a) and (c) are effective July 1,
12.14 2017. The amendments to paragraph (d) are effective the first day of the first full pay period
12.15 after July 1, 2017.

12.16 Sec. 17. Minnesota Statutes 2016, section 352B.085, is amended to read:

12.17 **352B.085 SERVICE CREDIT FOR CERTAIN DISABILITY LEAVES OF**
12.18 **ABSENCE.**

12.19 A member on leave of absence receiving temporary workers' compensation payments
12.20 and a reduced salary or no salary from the employer who is entitled to allowable service
12.21 credit for the period of absence under section 352B.011, subdivision 3, paragraph (b), may
12.22 make payment to the fund for the difference between salary received, if any, and the salary
12.23 that the member would normally receive if the member was not on leave of absence during
12.24 the period. The member shall pay an amount equal to the member and employer contribution
12.25 rate under section 352B.02, subdivisions 1b and 1c, on the differential salary amount for
12.26 the period of the leave of absence. The employing department, at its option, may pay the
12.27 employer amount on behalf of the member. Payment made under this subdivision must
12.28 include interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter,~~
12.29 applicable annual rate or rates specified in section 356.59, subdivision 2, per year, and must
12.30 be completed within one year of the member's return from the leave of absence.

12.31 **EFFECTIVE DATE.** This section is effective July 1, 2017.

13.1 Sec. 18. Minnesota Statutes 2016, section 352B.086, is amended to read:

13.2 **352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.**

13.3 (a) A member who is absent from employment by reason of service in the uniformed
13.4 services, as defined in United States Code, title 38, section 4303(13), and who returns to
13.5 state employment in a position covered by the plan upon discharge from service in the
13.6 uniformed services within the time frame required in United States Code, title 38, section
13.7 4312(e), may obtain service credit for the period of the uniformed service, provided that
13.8 the member did not separate from uniformed service with a dishonorable or bad conduct
13.9 discharge or under other than honorable conditions.

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

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

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

13.29 (e) To receive allowable service credit under this section, the contributions specified in
13.30 this section must be transmitted to the fund during the period which begins with the date
13.31 on which the individual returns to state employment covered by the plan and which has a
13.32 duration of three times the length of the uniformed service period, but not to exceed five
13.33 years. If the determined payment period is calculated to be less than one year, the

14.1 contributions required under this section to receive service credit must be transmitted to the
14.2 fund within one year from the discharge date.

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

14.6 (g) The employing unit shall pay interest on all equivalent member and employer
14.7 contribution amounts payable under this section. Interest must be computed at the ~~rate of~~
14.8 ~~8.5 percent until June 30, 2015, and eight percent thereafter~~ applicable annual rate or rates
14.9 specified in section 356.59, subdivision 2, compounded annually, from the end of each
14.10 fiscal year of the leave or break in service to the end of the month in which payment is
14.11 received.

14.12 **EFFECTIVE DATE.** This section is effective July 1, 2017.

14.13 Sec. 19. Minnesota Statutes 2016, section 352B.11, subdivision 4, is amended to read:

14.14 Subd. 4. **Reentry into state service.** When a former member, who has become separated
14.15 from state service that entitled the member to membership and has received a refund of
14.16 retirement payments, reenters the state service in a position that entitles the member to
14.17 membership, that member shall receive credit for the period of prior allowable state service
14.18 if the member repays into the fund the amount of the refund, plus interest ~~on it at the rate~~
14.19 ~~of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate
14.20 or rates specified in section 356.59, subdivision 2, compounded annually, at any time before
14.21 subsequent retirement. Repayment may be made in installments or in a lump sum.

14.22 **EFFECTIVE DATE.** This section is effective July 1, 2017.

14.23 Sec. 20. Minnesota Statutes 2016, section 352D.05, subdivision 4, is amended to read:

14.24 Subd. 4. **Repayment of refund.** (a) A participant in the unclassified program may repay
14.25 regular refunds taken under section 352.22, as provided in section 352.23.

14.26 (b) A participant in the unclassified program or an employee covered by the general
14.27 employees retirement plan who has withdrawn the value of the total shares may repay the
14.28 refund taken and thereupon restore the service credit, rights and benefits forfeited by paying
14.29 into the fund the amount refunded plus interest at the ~~rate of 8.5 percent until June 30, 2015,~~
14.30 ~~and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59,
14.31 subdivision 2, compounded annually, from the date that the refund was taken until the date

15.1 that the refund is repaid. If the participant had withdrawn only the employee shares as
15.2 permitted under prior laws, repayment must be pro rata.

15.3 (c) Except as provided in section 356.441, the repayment of a refund under this section
15.4 must be made in a lump sum.

15.5 **EFFECTIVE DATE.** This section is effective July 1, 2017.

15.6 Sec. 21. Minnesota Statutes 2016, section 352D.11, subdivision 2, is amended to read:

15.7 Subd. 2. **Payments by employee.** An employee entitled to purchase service credit may
15.8 make the purchase by paying to the state retirement system an amount equal to the current
15.9 employee contribution rate in effect for the state retirement system applied to the current
15.10 or final salary rate multiplied by the months and days of prior temporary, intermittent, or
15.11 contract legislative service. Payment shall be made in one lump sum unless the executive
15.12 director of the state retirement system agrees to accept payment in installments over a period
15.13 of not more than three years from the date of the agreement. Installment payments shall be
15.14 charged interest at the ~~rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~
15.15 applicable annual rate or rates specified in section 356.59, subdivision 2, compounded
15.16 annually.

15.17 **EFFECTIVE DATE.** This section is effective July 1, 2017.

15.18 Sec. 22. Minnesota Statutes 2016, section 352D.12, is amended to read:

15.19 **352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.**

15.20 (a) An employee who is a participant in the unclassified program and who has prior
15.21 service credit in a covered plan under chapter 352, 353, 354, 354A, or 422A may, within
15.22 the time limits specified in this section, elect to transfer to the unclassified program prior
15.23 service contributions to one or more of those plans.

15.24 (b) For participants with prior service credit in a plan governed by chapter 352, 353,
15.25 354, 354A, or 422A, "prior service contributions" means the accumulated employee and
15.26 equal employer contributions with interest at the ~~rate of 8.5 percent until June 30, 2015,~~
15.27 ~~and eight percent thereafter~~ applicable annual rate or rates specified in section 356.59,
15.28 subdivision 2, compounded annually, based on fiscal year balances.

15.29 (c) If a participant has taken a refund from a retirement plan listed in this section, the
15.30 participant may repay the refund to that plan, notwithstanding any restrictions on repayment
15.31 to that plan, ~~plus 8.5 percent interest until June 30, 2015, and eight percent interest thereafter~~
15.32 with interest at the applicable annual rate or rates specified in section 356.59, subdivision

2, compounded annually, and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter compounded annually based on fiscal year balances. If a person repays a refund and subsequently elects to have the money transferred to the unclassified program, the repayment amount, including interest, is added to the fiscal year balance in the year which the repayment was made.

(d) A participant electing to transfer prior service contributions credited to a retirement plan governed by chapter 352, 353, 354, 354A, or 422A as provided under this section must complete a written application for the transfer and repay any refund within one year of the commencement of the employee's participation in the unclassified program.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 23. Minnesota Statutes 2016, section 356.215, subdivision 8, is amended to read:

Subd. 8. ~~Interest and salary~~ **Actuarial assumptions.** (a) The actuarial valuation must use the applicable following ~~interest~~ investment return assumption:

(1) select and ultimate interest rate assumption

	plan	ultimate interest rate assumption
	teachers retirement plan	8.5%

The select preretirement interest rate assumption for the period through June 30, 2017, is eight percent.

(2) single rate interest rate for all plans other than the teachers retirement plan, the investment return assumption is:

	plan	interest rate <u>investment return</u> assumption
	general state employees retirement plan	8% <u>7.5%</u>
	correctional state employees retirement plan	8 <u>7.5</u>
	State Patrol retirement plan	8 <u>7.5</u>
	legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
	judges retirement plan	8 <u>7.5</u>
	general public employees retirement plan	8
	public employees police and fire retirement plan	8
	local government correctional service retirement plan	8

17.1	St. Paul teachers retirement plan	8
17.2	Bloomington Fire Department Relief Association	6
17.3	local monthly benefit volunteer firefighter relief	5
17.4	associations	
17.5	monthly benefit retirement plans in the statewide	6
17.6	volunteer firefighter retirement plan	

17.7 (b)(1) ~~If funding stability has been attained,~~ The actuarial valuation for each of the
17.8 covered retirement plans listed in section 356.415, subdivision 2, must use a take into account
17.9 the postretirement adjustment rate actuarial assumption equal to the postretirement adjustment
17.10 rate or rates applicable to the plan as specified in section 354A.27, subdivision 7; 354A.29,
17.11 subdivision 9; 7, or 356.415, subdivision 1, whichever applies.

17.12 ~~(2) if funding stability has not been attained, the valuation must use a select postretirement~~
17.13 ~~adjustment rate actuarial assumption equal to the postretirement adjustment rate specified~~
17.14 ~~in section 354A.27, subdivision 6a; 354A.29, subdivision 8; or 356.415, subdivision 1a,~~
17.15 ~~1b, 1c, 1d, 1e, or 1f, whichever applies, for a period ending when the approved actuary~~
17.16 ~~estimates that the plan will attain the defined funding stability measure, and thereafter an~~
17.17 ~~ultimate postretirement adjustment rate actuarial assumption equal to the postretirement~~
17.18 ~~adjustment rate under section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415,~~
17.19 ~~subdivision 1, for the applicable period or periods beginning when funding stability is~~
17.20 ~~projected to be attained.~~

17.21 (c) The actuarial valuation must use the applicable following single rate future salary
17.22 increase assumption, the applicable following modified single rate future salary increase
17.23 assumption, or the applicable following graded rate future salary increase assumption:

17.24 (1) single rate future salary increase assumption

17.25	plan	future salary increase assumption
17.26	legislators retirement plan	5%
17.27	judges retirement plan	2.75
17.28	Bloomington Fire Department Relief Association	4

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

17.31	plan	future salary increase assumption
17.32	local government correctional service retirement plan	assumption B
17.33	St. Paul teachers retirement plan	assumption A

17.34 For plans other than the St. Paul teachers
17.35 retirement plan and the local government

18.1 correctional service retirement plan, the select
18.2 calculation is: during the designated select
18.3 period, a designated percentage rate is
18.4 multiplied by the result of the designated
18.5 integer minus T, where T is the number of
18.6 completed years of service, and is added to
18.7 the applicable future salary increase
18.8 assumption. The designated select period is
18.9 ten years and the designated integer is ten for
18.10 the local government correctional service
18.11 retirement plan and 15 for the St. Paul
18.12 Teachers Retirement Fund Association. The
18.13 designated percentage rate is 0.2 percent for
18.14 the St. Paul Teachers Retirement Fund
18.15 Association.

18.16 The ultimate future salary increase assumption is:

18.17	age	A	B
18.18	16	5.9%	8.75%
18.19	17	5.9	8.75
18.20	18	5.9	8.75
18.21	19	5.9	8.75
18.22	20	5.9	8.75
18.23	21	5.9	8.5
18.24	22	5.9	8.25
18.25	23	5.85	8
18.26	24	5.8	7.75
18.27	25	5.75	7.5
18.28	26	5.7	7.25
18.29	27	5.65	7
18.30	28	5.6	6.75
18.31	29	5.55	6.5
18.32	30	5.5	6.5
18.33	31	5.45	6.25
18.34	32	5.4	6.25
18.35	33	5.35	6.25
18.36	34	5.3	6

19.1	35	5.25	6
19.2	36	5.2	5.75
19.3	37	5.15	5.75
19.4	38	5.1	5.75
19.5	39	5.05	5.5
19.6	40	5	5.5
19.7	41	4.95	5.5
19.8	42	4.9	5.25
19.9	43	4.85	5
19.10	44	4.8	5
19.11	45	4.75	4.75
19.12	46	4.7	4.75
19.13	47	4.65	4.75
19.14	48	4.6	4.75
19.15	49	4.55	4.75
19.16	50	4.5	4.75
19.17	51	4.45	4.75
19.18	52	4.4	4.75
19.19	53	4.35	4.75
19.20	54	4.3	4.75
19.21	55	4.25	4.5
19.22	56	4.2	4.5
19.23	57	4.15	4.25
19.24	58	4.1	4
19.25	59	4.05	4
19.26	60	4	4
19.27	61	4	4
19.28	62	4	4
19.29	63	4	4
19.30	64	4	4
19.31	65	4	3.75
19.32	66	4	3.75
19.33	67	4	3.75
19.34	68	4	3.75
19.35	69	4	3.75
19.36	70	4	3.75

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

20.1	general state employees retirement plan of the Minnesota State Retirement System						assumption A
20.2							
20.3	general employees retirement plan of the Public Employees Retirement Association						assumption B
20.4							
20.5	Teachers Retirement Association						assumption C
20.6	public employees police and fire retirement plan						assumption D
20.7	State Patrol retirement plan						assumption E
20.8	correctional state employees retirement plan of the Minnesota State Retirement System						assumption F
20.9							
20.10	service						
20.11	length	A	B	C	D	E	F
20.12	1	10.25%	11.78%	12%	12.75%	7.75%	5.75%
20.13	2	7.85	8.65	9	10.75	7.25	5.6
20.14	3	6.65	7.21	8	8.75	6.75	5.45
20.15	4	5.95	6.33	7.5	7.75	6.5	5.3
20.16	5	5.45	5.72	7.25	6.25	6.25	5.15
20.17	6	5.05	5.27	7	5.85	6	5
20.18	7	4.75	4.91	6.85	5.55	5.75	4.85
20.19	8	4.45	4.62	6.7	5.35	5.6	4.7
20.20	9	4.25	4.38	6.55	5.15	5.45	4.55
20.21	10	4.15	4.17	6.4	5.05	5.3	4.4
20.22	11	3.95	3.99	6.25	4.95	5.15	4.3
20.23	12	3.85	3.83	6	4.85	5	4.2
20.24	13	3.75	3.69	5.75	4.75	4.85	4.1
20.25	14	3.55	3.57	5.5	4.65	4.7	4
20.26	15	3.45	3.45	5.25	4.55	4.55	3.9
20.27	16	3.35	3.35	5	4.55	4.4	3.8
20.28	17	3.25	3.26	4.75	4.55	4.25	3.7
20.29	18	3.25	3.25	4.5	4.55	4.1	3.6
20.30	19	3.25	3.25	4.25	4.55	3.95	3.5
20.31	20	3.25	3.25	4	4.55	3.8	3.5
20.32	21	3.25	3.25	3.9	4.45	3.75	3.5
20.33	22	3.25	3.25	3.8	4.35	3.75	3.5
20.34	23	3.25	3.25	3.7	4.25	3.75	3.5
20.35	24	3.25	3.25	3.6	4.25	3.75	3.5
20.36	25	3.25	3.25	3.5	4.25	3.75	3.5
20.37	26	3.25	3.25	3.5	4.25	3.75	3.5
20.38	27	3.25	3.25	3.5	4.25	3.75	3.5
20.39	28	3.25	3.25	3.5	4.25	3.75	3.5

21.1	29	3.25	3.25	3.5	4.25	3.75	3.5
21.2	30 or more	3.25	3.25	3.5	4.25	3.75	3.5

21.3 (d) The actuarial valuation must use the applicable following payroll growth assumption
 21.4 for calculating the amortization requirement for the unfunded actuarial accrued liability
 21.5 where the amortization retirement is calculated as a level percentage of an increasing payroll:

21.6	plan	payroll growth assumption
21.7	general state employees retirement plan of the Minnesota	3.5%
21.8	State Retirement System	
21.9	correctional state employees retirement plan	3.5
21.10	State Patrol retirement plan	3.5
21.11	judges retirement plan	2.75
21.12	general employees retirement plan of the Public	3.5
21.13	Employees Retirement Association	
21.14	public employees police and fire retirement plan	3.5
21.15	local government correctional service retirement plan	3.5
21.16	teachers retirement plan	3.75
21.17	St. Paul teachers retirement plan	4

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

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

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

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

21.25 **EFFECTIVE DATE.** (a) The amendments to paragraph (a) are effective July 1, 2017.

21.26 (b) The amendments to paragraph (b) are effective January 1, 2018.

21.27 Sec. 24. Minnesota Statutes 2016, section 356.215, subdivision 11, is amended to read:

21.28 Subd. 11. **Amortization contributions.** (a) In addition to the exhibit indicating the level
 21.29 normal cost, the actuarial valuation of the retirement plan must contain an exhibit for financial
 21.30 reporting purposes indicating the additional annual contribution sufficient to amortize the
 21.31 unfunded actuarial accrued liability and must contain an exhibit for contribution
 21.32 determination purposes indicating the additional contribution sufficient to amortize the
 21.33 unfunded actuarial accrued liability. For the retirement plans listed in subdivision 8, paragraph
 21.34 (c), but excluding the legislators retirement plan, the additional contribution must be

22.1 calculated on a level percentage of covered payroll basis by the established date for full
22.2 funding in effect when the valuation is prepared, assuming annual payroll growth at the
22.3 applicable percentage rate set forth in subdivision 8, paragraph (d). For all other retirement
22.4 plans and for the legislators retirement plan, the additional annual contribution must be
22.5 calculated on a level annual dollar amount basis.

22.6 (b) For any retirement plan other than a retirement plan governed by paragraph (d), (e),
22.7 (f), (g), (h), (i), or (j), if there has not been a change in the actuarial assumptions used for
22.8 calculating the actuarial accrued liability of the fund, a change in the benefit plan governing
22.9 annuities and benefits payable from the fund, a change in the actuarial cost method used in
22.10 calculating the actuarial accrued liability of all or a portion of the fund, or a combination
22.11 of the three, which change or changes by itself or by themselves without inclusion of any
22.12 other items of increase or decrease produce a net increase in the unfunded actuarial accrued
22.13 liability of the fund, the established date for full funding is the first actuarial valuation date
22.14 occurring after June 1, 2020.

22.15 (c) For any retirement plan, if there has been a change in any or all of the actuarial
22.16 assumptions used for calculating the actuarial accrued liability of the fund, a change in the
22.17 benefit plan governing annuities and benefits payable from the fund, a change in the actuarial
22.18 cost method used in calculating the actuarial accrued liability of all or a portion of the fund,
22.19 or a combination of the three, and the change or changes, by itself or by themselves and
22.20 without inclusion of any other items of increase or decrease, produce a net increase in the
22.21 unfunded actuarial accrued liability in the fund, the established date for full funding must
22.22 be determined using the following procedure:

22.23 (i) the unfunded actuarial accrued liability of the fund must be determined in accordance
22.24 with the plan provisions governing annuities and retirement benefits and the actuarial
22.25 assumptions in effect before an applicable change;

22.26 (ii) the level annual dollar contribution or level percentage, whichever is applicable,
22.27 needed to amortize the unfunded actuarial accrued liability amount determined under item
22.28 (i) by the established date for full funding in effect before the change must be calculated
22.29 using the interest assumption specified in subdivision 8 in effect before the change;

22.30 (iii) the unfunded actuarial accrued liability of the fund must be determined in accordance
22.31 with any new plan provisions governing annuities and benefits payable from the fund and
22.32 any new actuarial assumptions and the remaining plan provisions governing annuities and
22.33 benefits payable from the fund and actuarial assumptions in effect before the change;

(iv) the level annual dollar contribution or level percentage, whichever is applicable, needed to amortize the difference between the unfunded actuarial accrued liability amount calculated under item (i) and the unfunded actuarial accrued liability amount calculated under item (iii) over a period of 30 years from the end of the plan year in which the applicable change is effective must be calculated using the applicable interest assumption specified in subdivision 8 in effect after any applicable change;

(v) the level annual dollar or level percentage amortization contribution under item (iv) must be added to the level annual dollar amortization contribution or level percentage calculated under item (ii);

(vi) the period in which the unfunded actuarial accrued liability amount determined in item (iii) is amortized by the total level annual dollar or level percentage amortization contribution computed under item (v) must be calculated using the interest assumption specified in subdivision 8 in effect after any applicable change, rounded to the nearest integral number of years, but not to exceed 30 years from the end of the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and not to be less than the period of years beginning in the plan year in which the determination of the established date for full funding using the procedure set forth in this clause is made and ending by the date for full funding in effect before the change; and

(vii) the period determined under item (vi) must be added to the date as of which the actuarial valuation was prepared and the date obtained is the new established date for full funding.

(d) For the general employees retirement plan of the Public Employees Retirement Association, the established date for full funding is June 30, 2031.

(e) For the Teachers Retirement Association, the established date for full funding is June 30, 2037.

(f) For the correctional state employees retirement plan and the State Patrol retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, ~~2038~~ 2047.

(g) For the judges retirement plan, the established date for full funding is June 30, ~~2038~~ 2047.

(h) For the public employees police and fire retirement plan, the established date for full funding is June 30, 2038.

(i) For the St. Paul Teachers Retirement Fund Association, the established date for full funding is June 30, 2042. In addition to other requirements of this chapter, the annual actuarial valuation must contain an exhibit indicating the funded ratio and the deficiency or sufficiency in annual contributions when comparing liabilities to the market value of the assets of the fund as of the close of the most recent fiscal year.

(j) For the general state employees retirement plan of the Minnesota State Retirement System, the established date for full funding is June 30, ~~2040~~ 2047.

(k) For the retirement plans for which the annual actuarial valuation indicates an excess of valuation assets over the actuarial accrued liability, the valuation assets in excess of the actuarial accrued liability must be recognized as a reduction in the current contribution requirements by an amount equal to the amortization of the excess expressed as a level percentage of pay over a 30-year period beginning anew with each annual actuarial valuation of the plan.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 25. Minnesota Statutes 2016, section 356.415, subdivision 1a, is amended to read:

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

(1) ~~for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ a postretirement increase of ~~two~~ 1.5 percent must be applied each year, ~~effective on January 1,~~ to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) ~~for each successive January 1, if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan,~~ for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of ~~two~~

25.1 1.5 percent for each month that the person has been receiving an annuity or benefit must
25.2 be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

25.3 ~~(b) Increases under this subdivision for the general state employees retirement plan or~~
25.4 ~~the correctional state employees retirement plan terminate on December 31 of the calendar~~
25.5 ~~year in which two prior consecutive actuarial valuations prepared by the approved actuary~~
25.6 ~~under sections 356.214 and 356.215 and the standards for actuarial work promulgated by~~
25.7 ~~the Legislative Commission on Pensions and Retirement indicate that the market value of~~
25.8 ~~assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability~~
25.9 ~~of the retirement plan and increases under subdivision 1 recommence after that date. Increases~~
25.10 ~~under this subdivision for the legislators retirement plan established under chapter 3A,~~
25.11 ~~including the constitutional officers specified in that chapter, and for the unclassified state~~
25.12 ~~employees retirement program, terminate on December 31 of the calendar year in which~~
25.13 ~~two prior consecutive actuarial valuations prepared by the approved actuary under sections~~
25.14 ~~356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative~~
25.15 ~~Commission on Pensions and Retirement indicate that the market value of assets of the~~
25.16 ~~general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued~~
25.17 ~~liability of the retirement plan and increases under subdivision 1 recommence after that~~
25.18 ~~date.~~

25.19 ~~(c) After having met the definition of funding stability under paragraph (b), the increase~~
25.20 ~~provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1,~~
25.21 ~~for the general state employees retirement plan or the correctional state employees retirement~~
25.22 ~~plan, is again to be applied in a subsequent year or years if the market value of assets of the~~
25.23 ~~applicable plan equals or is less than:~~

25.24 ~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive~~
25.25 ~~actuarial valuations; or~~

25.26 ~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent~~
25.27 ~~actuarial valuation.~~

25.28 ~~(d) After having met the definition of funding stability under paragraph (b), the increase~~
25.29 ~~provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1,~~
25.30 ~~for the legislators retirement plan, including the constitutional officers, and for the~~
25.31 ~~unclassified state employees retirement program, is again to be applied in a subsequent year~~
25.32 ~~or years if the market value of assets of the general state employees retirement plan equals~~
25.33 ~~or is less than:~~

26.1 ~~(1) 85 percent of the actuarial accrued liabilities of the applicable plan for two consecutive~~
 26.2 ~~actuarial valuations; or~~

26.3 ~~(2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most recent~~
 26.4 ~~actuarial valuation.~~

26.5 ~~(e)~~ (b) An increase in annuity or benefit payments under this subdivision must be made
 26.6 automatically unless written notice is filed by the annuitant or benefit recipient with the
 26.7 executive director of the applicable covered retirement plan requesting that the increase not
 26.8 be made.

26.9 **EFFECTIVE DATE.** This section is effective January 1, 2018.

26.10 Sec. 26. Minnesota Statutes 2016, section 356.415, subdivision 1e, is amended to read:

26.11 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.** (a)
 26.12 Retirement annuity, disability benefit, or survivor benefit recipients of the State Patrol
 26.13 retirement plan are entitled to a postretirement adjustment annually ~~on~~ effective as of each
 26.14 January 1 if the definition of funding stability under paragraph (b) has not been met, as
 26.15 follows:

26.16 (1) a postretirement increase of one percent must be applied each year, ~~effective on~~
 26.17 ~~January 1~~, to the monthly annuity or benefit of each annuitant or benefit recipient who has
 26.18 been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the
 26.19 calendar year immediately before the adjustment; and

26.20 (2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit
 26.21 for at least one full month, but less than 12 full months as of the June 30 of the calendar
 26.22 year immediately before the adjustment, an annual postretirement increase of 1/12 of one
 26.23 percent for each month that the person has been receiving an annuity or benefit must be
 26.24 applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

26.25 ~~(b) Increases under paragraph (a) for the State Patrol retirement plan terminate on~~
 26.26 ~~December 31 of the calendar year in which two prior consecutive actuarial valuations for~~
 26.27 ~~the plan prepared by the approved actuary under sections 356.214 and 356.215 and the~~
 26.28 ~~standards for actuarial work promulgated by the Legislative Commission on Pensions and~~
 26.29 ~~Retirement indicates that the market value of assets of the retirement plan equals or exceeds~~
 26.30 ~~85 percent of the actuarial accrued liability of the retirement plan. Thereafter, increases~~
 26.31 ~~under paragraph (a) become effective again on the December 31 of the calendar year in~~
 26.32 ~~which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared~~
 26.33 ~~by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial~~

~~work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of the assets of the retirement plan equals or is less than 80 percent of the actuarial accrued liability of the retirement plan for two years, or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan for one year and increases under paragraph (c) commence after that date.~~

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

~~(1) a postretirement increase of 1.5 percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and~~

~~(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied.~~

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

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

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 27. Minnesota Statutes 2016, section 356.415, subdivision 1f, is amended to read:

Subd. 1f. **Annual postretirement adjustments; Minnesota State Retirement System judges retirement plan.** ~~(a) The increases provided under this subdivision are in lieu of increases under subdivision 1 or 1a for retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan.~~

28.1 ~~(b)~~ (a) Retirement annuity, disability benefit, or survivor benefit recipients of the judges
28.2 retirement plan are entitled to a postretirement adjustment annually ~~on~~, effective as of each
28.3 January 1 if the definition of funding stability under paragraph (b) has not been met, as
28.4 follows:

28.5 (1) a postretirement increase of 1.75 percent must be applied each year, ~~effective on~~
28.6 ~~January 1~~, to the monthly annuity or benefit of each annuitant or benefit recipient who has
28.7 been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the
28.8 calendar year immediately before the adjustment; and

28.9 (2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit
28.10 for at least one full month, but less than 12 full months as of the June 30 of the calendar
28.11 year immediately before the adjustment, an annual postretirement increase of 1/12 of 1.75
28.12 percent for each month that the person has been receiving an annuity or benefit must be
28.13 applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

28.14 ~~(e)~~ (b) Increases under ~~this subdivision~~ paragraph (a) terminate on December 31 of the
28.15 calendar year in which two prior consecutive actuarial valuations prepared by the approved
28.16 actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated
28.17 by the Legislative Commission on Pensions and Retirement indicates that the market value
28.18 of assets of the judges retirement plan equals or exceeds 70 percent of the actuarial accrued
28.19 liability of the retirement plan; and increases under ~~subdivision 1 or 1a, whichever is~~
28.20 applicable, paragraph (c) begin on the January 1 next following after that date.

28.21 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the judges
28.22 retirement plan are entitled to a postretirement adjustment annually, effective as of each
28.23 January 1 if the definition of funding stability under paragraph (d) has not been met, as
28.24 follows:

28.25 (1) a postretirement increase of two percent must be applied each year to the monthly
28.26 annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity
28.27 or a benefit for at least 12 full months as of the June 30 of the calendar year immediately
28.28 before the adjustment; and

28.29 (2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit
28.30 for at least one full month, but less than 12 full months as of the June 30 of the calendar
28.31 year immediately before the adjustment, an annual postretirement increase of 1/12 of two
28.32 percent for each month that the person has been receiving an annuity or benefit must be
28.33 applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

(d) Increases under paragraph (c) terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under section 356.214 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicate that the market value of assets of the judges retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under paragraph (e) begin after that date.

(e) Retirement annuity, disability benefit, or survivor benefit recipients of the judges retirement plan are entitled to a postretirement adjustment annually, effective as of each January 1, as follows:

(1) a postretirement increase of 2.5 percent must be applied each year to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 12 full months as of the June 30 of the calendar year immediately before the adjustment; and

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least one full month, but less than 12 full months as of the June 30 of the calendar year immediately before the adjustment, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied to the monthly annuity or benefit amount of the annuitant or benefit recipient.

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

EFFECTIVE DATE. This section is effective January 1, 2018.

Sec. 28. **[356.59] INTEREST RATES.**

Subdivision 1. **Applicable interest rates.** Whenever the payment of interest is required with respect to any payment, including refunds, remittances, shortages, contributions, or repayments, the rate of interest is the rate or rates specified in subdivisions 2 to 5 for each public retirement plan.

Subd. 2. **Minnesota State Retirement System.** The interest rates for all retirement plans administered by the Minnesota State Retirement System are as follows:

	<u>Annual</u>	<u>Monthly</u>
<u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
<u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>

30.1 after June 30, 2017 7.5 percent 0.625 percent

30.2 Subd. 3. **Public Employees Retirement Association.** The interest rates for all retirement
 30.3 plans administered by the Public Employees Retirement Association are as follows:

30.4		<u>Annual</u>	<u>Monthly</u>
30.5	<u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
30.6	<u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
30.7	<u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

30.8 Subd. 4. **Teachers Retirement Association.** The interest rates for the retirement plan
 30.9 administered by the Teachers Retirement Association are as follows:

30.10		<u>Annual</u>	<u>Monthly</u>
30.11		<u>8.5 percent</u>	<u>0.71 percent</u>

30.12 Subd. 5. **St. Paul Teachers Retirement Fund Association.** The interest rates for the
 30.13 retirement plan administered by the St. Paul Teachers Retirement Fund Association are as
 30.14 follows:

30.15		<u>Annual</u>	<u>Monthly</u>
30.16	<u>before July 1, 2015</u>	<u>8.5 percent</u>	<u>0.71 percent</u>
30.17	<u>from July 1, 2015, to June 30, 2017</u>	<u>8.0 percent</u>	<u>0.667 percent</u>
30.18	<u>after June 30, 2017</u>	<u>7.5 percent</u>	<u>0.625 percent</u>

30.19 **EFFECTIVE DATE.** This section is effective July 1, 2017.

30.20 Sec. 29. Minnesota Statutes 2016, section 490.121, subdivision 4, is amended to read:

30.21 Subd. 4. **Allowable service.** (a) "Allowable service" means any calendar month, subject
 30.22 to the service credit limit in subdivision 22, served as a judge at any time, during which the
 30.23 judge received compensation for that service from the state, municipality, or county,
 30.24 whichever applies, and for which the judge made any required member contribution. It also
 30.25 includes any month served as a referee in probate for all referees in probate who were in
 30.26 office before January 1, 1974.

30.27 (b) "Allowable service" also means a period of authorized leave of absence for which
 30.28 the judge has made a payment in lieu of contributions, not in an amount in excess of the
 30.29 service credit limit under subdivision 22. To obtain the service credit, the judge shall pay
 30.30 an amount equal to the normal cost of the judges retirement plan on the date of return from
 30.31 the leave of absence, as determined in the most recent actuarial report for the plan filed with
 30.32 the Legislative Commission on Pensions and Retirement, multiplied by the judge's average
 30.33 monthly salary rate during the authorized leave of absence and multiplied by the number

of months of the authorized leave of absence, plus ~~annual compound interest at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ interest at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the date of the termination of the leave to the date on which payment is made. The payment must be made within one year of the date on which the authorized leave of absence terminated. Service credit for an authorized leave of absence is in addition to a uniformed service leave under section 490.1211.

(c) "Allowable service" does not mean service as a retired judge.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 30. Minnesota Statutes 2016, section 490.1211, is amended to read:

490.1211 UNIFORMED SERVICE.

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

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

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

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

(e) To receive allowable service credit under this section, the contributions specified in this section and section 490.121 must be transmitted to the fund during the period which begins with the date on which the individual returns to judicial employment and which has a duration of three times the length of the uniformed service period, but not to exceed five years. If the determined payment period is calculated to be less than one year, the contributions required under this section to receive service credit may be within one year from the discharge date.

(f) The amount of allowable service credit obtainable under this section and section 490.121 may not exceed five years, unless a longer purchase period is required under United States Code, title 38, section 4312.

(g) The state court administrator shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be ~~computed at the rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in section 356.59, subdivision 2, compounded annually, from the end of each fiscal year of the leave or break in service to the end of the month in which payment is received.

EFFECTIVE DATE. This section is effective July 1, 2017.

Sec. 31. Minnesota Statutes 2016, section 490.124, subdivision 12, is amended to read:

Subd. 12. **Refund.** (a) A person who ceases to be a judge is entitled to a refund in an amount that is equal to all of the member's employee contributions to the judges' retirement fund plus interest computed under section 352.22, subdivision 2.

(b) A refund of contributions under paragraph (a) terminates all service credits and all rights and benefits of the judge and the judge's survivors under this chapter.

(c) A person who becomes a judge again after taking a refund under paragraph (a) may reinstate the previously terminated allowable service credit, rights, and benefits by repaying the total amount of the previously received refund. The refund repayment must include ~~interest on the total amount previously received at the annual rate of 8.5 percent until June 30, 2015, and eight percent thereafter~~ at the applicable annual rate or rates specified in

33.1 section 356.59, subdivision 2, compounded annually, from the date on which the refund
33.2 was received until the date on which the refund is repaid.

33.3 **EFFECTIVE DATE.** This section is effective July 1, 2017.

33.4 Sec. 32. **REPEALER.**

33.5 Minnesota Statutes 2016, section 356.415, subdivision 1, is repealed.

33.6 **EFFECTIVE DATE.** This section is effective January 1, 2018.