

**POTENTIAL 2012 OMNIBUS RETIREMENT BILL THROUGH  
FEBRUARY 21, 2012**

..... moves to amend H.F. No. 2199; S.F. No. 1808, as follows:

Delete everything after the enacting clause and insert:

**"ARTICLE 1**

**STATUTORY ACTUARIAL ASSUMPTION AND CONFORMING CHANGES**

Section 1. Minnesota Statutes 2010, section 3A.03, subdivision 2, is amended to read:

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

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

(c) If the former member of the legislature again becomes a member of the legislature after having taken a refund as provided in paragraph (a), the member is a member of the 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 ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually from the date on which the refund was taken to the date on which the refund is repaid. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

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

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 2. Minnesota Statutes 2010, 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 ~~applicable rate of 8.5 percent~~ per year, and must be completed within one year of the return from leave of absence. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 3. Minnesota Statutes 2010, 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 ~~a the applicable monthly rate of 0.71 percent~~ from the last day of the leave period until the last day of the month in which payment is received. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021. 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, 2012.

Sec. 4. Minnesota Statutes 2010, section 352.04, subdivision 8, is amended to read:

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

(b) If a department fails to take deductions past due for a period in excess of 60 days from an employee's salary as provided in this section, the department, and not the employee, must pay on later payroll abstracts the employee and employer contributions and an amount equivalent to ~~8.5~~ the applicable percent of the total amount due in lieu of interest, or if the delay in payment exceeds one year, ~~8.5 percent~~ the applicable rate of compound annual interest. The applicable percent or rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

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

(d) If an employee from whose salary required deductions were past due for a period of 60 days or less leaves state service before the payment of the omitted deductions and 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, 2012.

Sec. 5. Minnesota Statutes 2010, 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 applicable monthly rate of 0.71 percent 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. The applicable rate is 0.71 percent per month before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent per month for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 6. Minnesota Statutes 2010, section 352.23, is amended to read:

**352.23 TERMINATION OF RIGHTS.**

When any employee accepts a refund as provided in section 352.22, all existing service credits and all rights and benefits to which the employee was entitled before accepting the refund terminate. They 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. Repayment of refunds entitles the employee only to credit for service covered by (1) salary deductions; (2) payments made in lieu of salary deductions; (3) payments made to obtain credit for service as permitted by laws in effect when payment was made; and (4) allowable service once credited while receiving temporary workers' compensation as

provided in section 352.01, subdivision 11, clause (5). Payments under this section for repayment of refunds are to be paid with interest at ~~an~~ the applicable annual rate of 8.5 percent compounded annually. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021. 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, 2012.

Sec. 7. Minnesota Statutes 2010, 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 ~~a~~ the applicable rate of 8.5 percent 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. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 8. Minnesota Statutes 2010, section 352.271, is amended to read:

**352.271 METROPOLITAN TRANSIT COMMISSION-TRANSIT  
OPERATING DIVISION EMPLOYEES; CREDIT FOR MILITARY SERVICE.**

Any employee of the Metropolitan Transit Commission Operating Division who was on a leave of absence to enter military service on July 1, 1978, who has not taken a refund of employee contributions as authorized by article 12 of the Metropolitan Transit Commission-Transit Operating Division employees retirement fund document or section 352.22, subdivision 2a, and who returns to service as an employee of the Metropolitan Transit Commission-Transit Operating Division upon discharge from military service as provided in section 192.262 is entitled to allowable service credit for the period of military service. If an employee has taken a refund of employee contributions, and would otherwise be entitled to allowable service credit under this section, the employee is

entitled to allowable service credit for the period of military service upon repayment to the executive director of the system of the amount refunded plus interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually from the date on which the refund was taken to the date of repayment. No employee is entitled to allowable service credit for any voluntary extensions of military service at the instance of the employee beyond any initial period of enlistment, induction, or call to active duty. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 9. Minnesota Statutes 2010, section 352.955, subdivision 2, is amended to read:

**Subd. 2. Payment of additional equivalent contributions; pre-July 1, 2007, coverage transfers.** (a) An eligible employee who was transferred to plan coverage before July 1, 2007, and who elects to transfer past service credit under this section must pay an additional member contribution for that prior service period. The additional member contribution is the difference between the member contribution rate or rates for the general state employees retirement plan of the Minnesota State Retirement System for the period of employment covered by the service credit to be transferred and the member contribution rate or rates for the correctional state employees retirement plan for the period of employment covered by the service credit to be transferred, plus annual compound interest at the rate of 8.5 percent.

(b) 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 January 1, 2008, or the date on which the eligible employee terminates state employment, whichever is earlier.

(c) If an eligible employee elects to transfer past service credit under this section and pays the additional equivalent member contribution amount under paragraphs (a) and (b), the applicable department shall pay an additional equivalent employer contribution amount. The additional employer contribution is the difference between the employer contribution rate or rates for the general state employees retirement plan for the period of employment covered by the service credit to be transferred and the employer contribution rate or rates for the correctional state employees retirement plan for the period of employment covered by the service credit to be transferred, plus annual compound interest at the applicable rate of ~~8.5 percent~~. The applicable rate is 8.5 percent for the period

before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

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

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 10. Minnesota Statutes 2010, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions; post-June 30, 2007, coverage transfers.** (a) An eligible employee who is transferred to plan coverage after June 30, 2007, and who elects to transfer past service credit under this 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 a monthly rate of 0.71 percent.

(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 ~~a the applicable monthly rate of 0.71 percent.~~ The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

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

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

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

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 11. Minnesota Statutes 2010, section 352B.013, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure.** (a) An employee covered by the plan specified in this chapter may purchase credit for allowable service in the 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 section 352B.02 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 ~~a the applicable monthly rate of 0.71 percent~~ from the last day of the leave period until the last day of the month in which payment is received. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021. If payment is received by the executive director after one year from the date the employee returned to work following the authorized leave, 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 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, 2012.

Sec. 12. Minnesota Statutes 2010, section 352B.085, is amended to read:

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

A member 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 under section 352B.011, subdivision 3, paragraph (b), may make payment to the fund for the difference between salary received, if any, and the salary that the member would normally receive if the member was not on leave of absence during the period. The member shall pay an amount equal to the member and employer contribution rate under section 352B.02, subdivisions 1b and 1c, 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 the member. Payment made under this subdivision must include interest at the applicable rate of 8.5 percent per year, and must be completed within one year of the member's return from the leave of absence. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

11.1 **EFFECTIVE DATE.** This section is effective July 1, 2012.

11.2 Sec. 13. Minnesota Statutes 2010, section 352B.086, is amended to read:

11.3 **352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.**

11.4 (a) A member who is absent from employment by reason of service in the uniformed  
11.5 services, as defined in United States Code, title 38, section 4303(13), and who returns to  
11.6 state employment in a position covered by the plan upon discharge from service in the  
11.7 uniformed services within the time frame required in United States Code, title 38, section  
11.8 4312(e), may obtain service credit for the period of the uniformed service, provided that  
11.9 the member did not separate from uniformed service with a dishonorable or bad conduct  
11.10 discharge or under other than honorable conditions.

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

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

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

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

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

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

12.6 (g) The employing unit shall pay interest on all equivalent member and employer  
12.7 contribution amounts payable under this section. Interest must be computed at ~~a~~ the  
12.8 applicable rate of 8.5 percent compounded annually from the end of each fiscal year of  
12.9 the leave or break in service to the end of the month in which payment is received. The  
12.10 applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June  
12.11 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

12.12 **EFFECTIVE DATE.** This section is effective July 1, 2012.

12.13 Sec. 14. Minnesota Statutes 2010, section 352B.11, subdivision 4, is amended to read:

12.14 Subd. 4. **Reentry into state service.** When a former member, who has become  
12.15 separated from state service that entitled the member to membership and has received a  
12.16 refund of retirement payments, reenters the state service in a position that entitles the  
12.17 member to membership, that member shall receive credit for the period of prior allowable  
12.18 state service if the member repays into the fund the amount of the refund, plus interest on  
12.19 it at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually, at any time before  
12.20 subsequent retirement. The applicable rate is 8.5 percent for the period before July 1,  
12.21 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1,  
12.22 2012, through June 30, 2021. Repayment may be made in installments or in a lump sum.

12.23 **EFFECTIVE DATE.** This section is effective July 1, 2012.

12.24 Sec. 15. Minnesota Statutes 2010, section 352D.05, subdivision 4, is amended to read:

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

12.27 (b) A participant in the unclassified program or an employee covered by the general  
12.28 employees retirement plan who has withdrawn the value of the total shares may repay  
12.29 the refund taken and thereupon restore the service credit, rights and benefits forfeited by  
12.30 paying into the fund the amount refunded plus interest at ~~an~~ the applicable annual rate  
12.31 of ~~8.5 percent~~ compounded annually from the date that the refund was taken until the date  
12.32 that the refund is repaid. The applicable rate is 8.5 percent for the period before July 1,  
12.33 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1,

13.1 2012, through June 30, 2021. If the participant had withdrawn only the employee shares  
13.2 as permitted under prior laws, repayment must be pro rata.

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

13.5 **EFFECTIVE DATE.** This section is effective July 1, 2012.

13.6 Sec. 16. Minnesota Statutes 2010, section 352D.11, subdivision 2, is amended to read:

13.7 Subd. 2. **Payments by employee.** An employee entitled to purchase service credit  
13.8 may make the purchase by paying to the state retirement system an amount equal to  
13.9 the current employee contribution rate in effect for the state retirement system applied  
13.10 to the current or final salary rate multiplied by the months and days of prior temporary,  
13.11 intermittent, or contract legislative service. Payment shall be made in one lump sum  
13.12 unless the executive director of the state retirement system agrees to accept payment in  
13.13 installments over a period of not more than three years from the date of the agreement.  
13.14 Installment payments shall be charged interest at ~~an~~ the applicable annual rate ~~of 8.5~~  
13.15 ~~percent~~ compounded annually. The applicable rate is 8.5 percent for the period before July  
13.16 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July  
13.17 1, 2012, through June 30, 2021.

13.18 **EFFECTIVE DATE.** This section is effective July 1, 2012.

13.19 Sec. 17. Minnesota Statutes 2010, section 352D.12, is amended to read:

13.20 **352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.**

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

13.25 (b) For participants with prior service credit in a plan governed by chapter 352, 353,  
13.26 354, 354A, or 422A, "prior service contributions" means the accumulated employee and  
13.27 equal employer contributions with interest at ~~an~~ the applicable annual rate ~~of 8.5 percent~~  
13.28 compounded annually, based on fiscal year balances.

13.29 (c) If a participant has taken a refund from a retirement plan listed in this section,  
13.30 the participant may repay the refund to that plan, notwithstanding any restrictions on  
13.31 repayment to that plan, plus 8.5 percent interest compounded annually and have the  
13.32 accumulated employee and equal employer contributions transferred to the unclassified  
13.33 program with interest at ~~an~~ the applicable annual rate ~~of 8.5 percent~~ 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.

(e) The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 18. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under sections 353.27, subdivision 12, and 353.35;

(3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

(4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

(5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

(6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle

as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary, excluding overtime pay, that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the applicable rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus ~~8.5 percent~~ the applicable rate of interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The employee contributions must be made within one year after the end of the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions 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, excluding overtime pay, during the purchase period that the member would have received if the member 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 member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member'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 clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, 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 member contribution. The governmental subdivision involved may appropriate money for those payments. 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. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at ~~a the applicable rate of 8.5 percent~~ 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. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under subdivision 40.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.



(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19. For an active member who was an active member of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19.

(e) MS 2002 [Expired]

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 19. Minnesota Statutes 2010, section 353.0161, subdivision 2, is amended to read:

**Subd. 2. Purchase procedure.** (a) An employee covered by a plan specified in subdivision 1 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 member returned to work following the authorized leave, or within 30 days after the date of termination of public service if the member did not return to work, 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, or at termination of public service, whichever is earlier, multiplied by the employee's average monthly salary, excluding overtime, upon which deductions were paid during the six months, or portion thereof, before the commencement of the leave of absence and by the number of months of the leave of absence for which the employee wants allowable service credit. Payments made under this paragraph must include compound interest at ~~a the applicable monthly rate of 0.71 percent~~ from the last day of the leave period until the last day of the month in which payment is received. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

(c) 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 the person terminates public service under section 353.01, subdivision 11a.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 20. Minnesota Statutes 2010, section 353.0162, is amended to read:

**353.0162 REDUCED SALARY PERIODS SALARY CREDIT PURCHASE.**

(a) A member may purchase additional salary credit for a period specified in this section.

(b) The applicable period is a period during which the member is receiving a reduced salary from the employer while the member is:

(1) receiving temporary workers' compensation payments related to the member's service to the public employer;

(2) on an authorized medical leave of absence; or

(3) on an authorized partial paid leave of absence as a result of a budgetary or salary savings program offered or mandated by a governmental subdivision.

(c) The differential salary amount is the difference between the average monthly salary received by the member during the period of reduced salary under this section and the average monthly salary of the member, excluding overtime, on which contributions to the applicable plan were made during the period of the last six months of covered

19.1 employment occurring immediately before the period of reduced salary, applied to the  
19.2 member's normal employment period, measured in hours or otherwise, as applicable.

19.3 (d) To receive eligible salary credit, the member shall pay an amount equal to:

19.4 (1) the applicable employee contribution rate under section 353.27, subdivision  
19.5 2; 353.65, subdivision 2; or 353E.03, subdivision 1, as applicable, multiplied by the  
19.6 differential salary amount;

19.7 (2) plus an employer equivalent payment equal to the applicable employer  
19.8 contribution rate in section 353.27, subdivision 3; 353.65, subdivision 3; or 353E.03,  
19.9 subdivision 2, as applicable, multiplied by the differential salary amount;

19.10 (3) plus, if applicable, an equivalent employer additional amount equal to the  
19.11 additional employer contribution rate in section 353.27, subdivision 3a, multiplied by the  
19.12 differential salary amount.

19.13 (e) The employer, by appropriate action of its governing body and documented in its  
19.14 official records, may pay the employer equivalent contributions and, as applicable, the  
19.15 equivalent employer additional contributions on behalf of the member.

19.16 (f) Payment under this section must include interest on the contribution amount or  
19.17 amounts, whichever applies, at ~~an 8.5 percent~~ the applicable annual rate, prorated for  
19.18 applicable months from the date on which the period of reduced salary specified under  
19.19 this section terminates to the date on which the payment or payments are received by the  
19.20 executive director. The applicable rate is 8.5 percent for the period before July 1, 2012,  
19.21 and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012,  
19.22 through June 30, 2021. Payment under this section must be completed within the earlier  
19.23 of 30 days from termination of public service by the employee under section 353.01,  
19.24 subdivision 11a, or one year after the termination of the period specified in paragraph  
19.25 (b), as further restricted under this section.

19.26 (g) The period for which additional allowable salary credit may be purchased is  
19.27 limited to the period during which the person receives temporary workers' compensation  
19.28 payments or for those business years in which the governmental subdivision offers or  
19.29 mandates a budget or salary savings program, as certified to the executive director by a  
19.30 resolution of the governing body of the governmental subdivision. For an authorized  
19.31 medical leave of absence, the period for which allowable salary credit may be purchased  
19.32 may not exceed 12 consecutive months of authorized medical leave.

19.33 (h) To purchase salary credit for a subsequent period of temporary workers'  
19.34 compensation benefits or subsequent authorized medical leave of absence, the member  
19.35 must return to public service and render a minimum of three months of allowable service.

19.36 **EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 21. Minnesota Statutes 2010, section 353.27, subdivision 7a, is amended to read:

Subd. 7a. **Deductions or contributions transmitted by error.** (a) If employee deductions and employer contributions under this section, section 353.50, 353.65, or 353E.03 were erroneously transmitted to the association, but should have been transmitted to a plan covered by chapter 352D, 353D, 354B, or 354D, the executive director shall transfer the erroneous employee deductions and employer contributions to the appropriate retirement fund or individual account, as applicable. The time limitations specified in subdivisions 7 and 12 do not apply. The transfer to the applicable defined contribution plan account must include interest at the applicable rate of 0.71 percent per month, compounded annually, from the first day of the month following the month in which coverage should have commenced in the defined contribution plan until the end of the month in which the transfer occurs. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

(b) A potential transfer under paragraph (a) that is reasonably determined to cause the plan to fail to be a qualified plan under section 401(a) of the federal Internal Revenue Code, as amended, must not be made by the executive director of the association. Within 30 days after being notified by the Public Employees Retirement Association of an unmade potential transfer under this paragraph, the employer of the affected person must transmit an amount representing the applicable salary deductions and employer contributions, without interest, to the retirement fund of the appropriate Minnesota public pension plan, or to the applicable individual account if the proper coverage is by a defined contribution plan. The association must provide the employing unit a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer. If the employing unit receives a credit under this paragraph, the employing unit is responsible for refunding to the applicable employee any amount that had been erroneously deducted from the person's salary.

(c) If erroneous employee deductions and employer contributions reflect a plan coverage error involving any Public Employees Retirement Association plan specified in section 356.99 and any other plan specified in that section, section 356.99 applies.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 22. Minnesota Statutes 2010, section 353.27, subdivision 12, is amended to read:

Subd. 12. **Omitted salary deductions; obligations.** (a) In the case of omission of required deductions for the general employees retirement plan, the public employees police and fire retirement plan, or the local government correctional employees retirement

plan from the salary of an employee, the department head or designee shall immediately, upon discovery, report the employee for membership and deduct the employee deductions under subdivision 4 during the current pay period or during the pay period immediately following the discovery of the omission. Payment for the omitted obligations may only be made in accordance with reporting procedures and methods established by the executive director.

(b) When the entire omission period of an employee does not exceed 60 days, the governmental subdivision may report and submit payment of the omitted employee deductions and the omitted employer contributions through the reporting processes under subdivision 4.

(c) When the omission period of an employee exceeds 60 days, the governmental subdivision shall furnish to the association sufficient data and documentation upon which the obligation for omitted employee and employer contributions can be calculated. The omitted employee deductions must be deducted from the employee's subsequent salary payment or payments and remitted to the association for deposit in the applicable retirement fund. The employee shall pay omitted employee deductions due for the 60 days prior to the end of the last pay period in the omission period during which salary was earned. The employer shall pay any remaining omitted employee deductions and any omitted employer contributions, plus cumulative interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually, from the date or dates each omitted employee contribution was first payable.

(d) An employer shall not hold an employee liable for omitted employee deductions beyond the pay period dates under paragraph (c), nor attempt to recover from the employee those employee deductions paid by the employer on behalf of the employee. Omitted deductions due under paragraph (c) which are not paid by the employee constitute a liability of the employer that failed to deduct the omitted deductions from the employee's salary. The employer shall make payment with interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually. Omitted employee deductions are no longer due if an employee terminates public service before making payment of omitted employee deductions to the association, but the employer remains liable to pay omitted employer contributions plus interest at an annual rate of 8.5 percent compounded annually from the date the contributions were first payable.

(e) The association may not commence action for the recovery of omitted employee deductions and employer contributions after the expiration of three calendar years after the calendar year in which the contributions and deductions were omitted. Except as provided under paragraph (b), no payment may be made or accepted unless the association

has already commenced action for recovery of omitted deductions. An action for recovery commences on the date of the mailing of any written correspondence from the association requesting information from the governmental subdivision upon which to determine whether or not omitted deductions occurred.

(f) The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 23. Minnesota Statutes 2010, section 353.27, subdivision 12a, is amended to read:

Subd. 12a. **Terminated employees: omitted deductions.** A terminated employee who was a member of the general employees retirement plan of the Public Employees Retirement Association, the public employees police and fire retirement plan, or the local government correctional employees retirement plan and who has a period of employment in which previously omitted employer contributions were made under subdivision 12 but for whom no, or only partial, omitted employee contributions have been made, or a member who had prior coverage in the association for which previously omitted employer contributions were made under subdivision 12 but who terminated service before required omitted employee deductions could be withheld from salary, may pay the omitted employee deductions for the period on which omitted employer contributions were previously paid plus interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. A terminated employee may pay the omitted employee deductions plus interest within six months of an initial notification from the association of eligibility to pay those omitted deductions. If a terminated employee is reemployed in a position covered under a public pension fund under section 356.30, subdivision 3, and elects to pay omitted employee deductions, payment must be made no later than six months after a subsequent termination of public service.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 24. Minnesota Statutes 2010, section 353.28, subdivision 5, is amended to read:

Subd. 5. **Interest chargeable on amounts due.** Any amount due under this section or section 353.27, subdivision 4, is payable with interest at ~~an~~ the applicable annual compound rate of ~~8.5 percent~~ from the date due until the date payment is received by the

23.1 association, with a minimum interest charge of \$10. The applicable rate is 8.5 percent  
23.2 for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent  
23.3 for the period from July 1, 2012, through June 30, 2021.

23.4 **EFFECTIVE DATE.** This section is effective July 1, 2012.

23.5 Sec. 25. Minnesota Statutes 2010, section 353.35, subdivision 1, is amended to read:

23.6 Subdivision 1. **Refund rights.** When any former member accepts a refund, all  
23.7 existing service credits and all rights and benefits to which the person was entitled prior  
23.8 to the acceptance of the refund must terminate. The rights and benefits of a former  
23.9 member must not be restored until the person returns to active service and acquires at  
23.10 least six months of allowable service credit after taking the last refund and repays the  
23.11 refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2,  
23.12 plus interest at ~~an~~ the applicable annual rate of 8.5 percent compounded annually. The  
23.13 applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June  
23.14 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. If the  
23.15 person elects to restore service credit in a particular fund from which the person has taken  
23.16 more than one refund, the person must repay all refunds to that fund. All refunds must be  
23.17 repaid within six months of the last date of termination of public service.

23.18 **EFFECTIVE DATE.** This section is effective July 1, 2012.

23.19 Sec. 26. Minnesota Statutes 2010, section 353.665, subdivision 8, is amended to read:

23.20 Subd. 8. **Member and employer contributions.** (a) Effective on the first day  
23.21 of the first full pay period following June 30, 1999, the employee contribution rate for  
23.22 merging former consolidation account active members is the rate specified in section  
23.23 353.65, subdivision 2, and the regular municipal contribution rate on behalf of former  
23.24 consolidation account active members is the rate specified in section 353.65, subdivision 3.  
23.25 (b) The municipality associated with a merging former local consolidation account  
23.26 that had a positive value amortizable base calculation under subdivision 7, paragraph (d),  
23.27 after the preliminary calculation or the second calculation, whichever applies, must make  
23.28 an additional municipal contribution to the public employees police and fire plan for  
23.29 the period from January 1, 2000, to December 31, 2009. The amount of the additional  
23.30 municipal contribution is the amount calculated by the actuary retained under section  
23.31 356.214 and certified by the executive director of the Public Employees Retirement  
23.32 Association by which the amortizable base amount would be amortized on a level dollar  
23.33 annual end-of-the-year contribution basis, using ~~an 8.5 percent~~ the applicable interest

~~rate assumption.~~ The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The additional municipal contribution is payable during the month of January, is without any interest, or if made after January 31, but before the next following December 31, is payable with interest for the period since January 1 at a rate which is equal to the preretirement interest rate assumption specified in section 356.215, subdivision 8, applicable to the public employees police and fire fund expressed as a monthly rate and compounded on a monthly basis or if made after December 31 of the year in which the additional municipal contribution is due is payable with interest at a rate which is four percent greater than the highest interest rate assumption specified in section 356.215, subdivision 8, expressed as a monthly rate and compounded monthly from January 1 of the year in which the additional municipal contribution is due until the date on which payment is made.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 27. Minnesota Statutes 2010, section 354.42, subdivision 7, is amended to read:

Subd. 7. **Erroneous salary deductions or direct payments.** (a) Any deductions taken from the salary of an employee for the retirement fund in excess of amounts required must be refunded to the employee upon the discovery of the error and after the verification of the error by the employing unit making the deduction. The corresponding excess employer contribution and excess additional employer contribution amounts attributable to the erroneous salary deduction must be refunded to the employing unit.

(b) If salary deductions and employer contributions were erroneously transmitted to the retirement fund and should have been transmitted to the plan covered by chapter 352D, 353D, 354B, or 354D, the executive director must transfer these salary deductions and employer contributions to the account of the appropriate person under the applicable plan. The transfer to the applicable defined contribution plan account must include interest at the applicable rate of 0.71 percent per month, compounded annually, from the first day of the month following the month in which coverage should have commenced in the defined contribution plan until the end of the month in which the transfer occurs. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

(c) A potential transfer under paragraph (b) that would cause the plan to fail to be a qualified plan under section 401(a) of the Internal Revenue Code, as amended, must not be made by the executive director. Within 30 days after being notified by the Teachers Retirement Association of an unmade potential transfer under this paragraph,



the employer of the affected person must transmit an amount representing the applicable salary deductions and employer contributions, without interest, to the account of the applicable person under the appropriate plan. The retirement association must provide a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer.

(d) If a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or if a check has been returned to the funds of the employing unit making the payment, a refund of the amount deducted, or any portion of it that is required to adjust the salary deductions, must be made to the employing unit.

(e) Erroneous direct payments of member-paid contributions or erroneous salary deductions that were not refunded during the regular payroll cycle processing must be refunded to the member, plus interest computed using the rate and method specified in section 354.49, subdivision 2.

(f) Any refund under this subdivision that would cause the plan to fail to be a qualified plan under section 401(a) of the Internal Revenue Code, as amended, may not be refunded and instead must be credited against future contributions payable by the employer. The employer is responsible for refunding to the applicable employee any amount that was erroneously deducted from the salary of the employee, with interest as specified in paragraph (e).

(g) If erroneous employee deductions and employer contributions are caused by an error in plan coverage involving the plan and any other plan specified in section 356.99, that section applies.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 28. Minnesota Statutes 2010, section 354.50, subdivision 2, is amended to read:

Subd. 2. **Interest charge.** If a member desires to repay the refunds, payment shall include interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually from date of withdrawal to the date payment is made and shall be credited to the fund. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 29. Minnesota Statutes 2010, section 354.51, subdivision 5, is amended to read:

Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the event that full required member contributions are not deducted from the salary of a teacher, payment must be made as follows:

(1) Payment of shortages in member deductions on salary earned after June 30, 1957, and before July 1, 1981, may be made any time before retirement. Payment must include interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. If payment of a shortage in deductions is not made, the formula service credit of the member must be prorated under section 354.05, subdivision 25, clause (3).

(2) Payment of shortages in member deductions on salary earned after June 30, 1981, are the sole obligation of the employing unit and are payable by the employing unit upon notification by the executive director of the shortage with interest at ~~an~~ the applicable annual rate of ~~8.5 percent~~ compounded annually from the end of the fiscal year in which the shortage occurred to the end of the month in which payment is made and the interest must be credited to the fund. Effective July 1, 1986, the employing unit shall also pay the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the shortages. If the shortage payment is not paid by the employing unit within 60 days of notification, the executive director shall certify the amount of the shortage payment to the applicable county auditor, who shall spread a levy in the amount of the shortage payment over the taxable property of the taxing district of the employing unit if the employing unit is supported by property taxes, or to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit if the employing unit is not supported by property taxes.

(3) Payment may not be made for shortages in member deductions on salary earned before July 1, 1957, for shortages in member deductions on salary paid or payable under paragraph (b), or for shortages in member deductions for persons employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution that exceeds the most recent 36 months.

(b) For a person who is employed by the Minnesota State Colleges and Universities system in a faculty position or in an eligible unclassified administrative position and whose employment was less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions

on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus annual compound interest at the applicable rate of 8.5 percent from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. If the shortage payment is not made by the institution within 60 days of notification, the executive director shall certify the amount of the shortage payment to the commissioner of management and budget, who shall deduct the amount from any state appropriation to the system. An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

(c) The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 30. Minnesota Statutes 2010, section 354.52, subdivision 4, is amended to read:

Subd. 4. **Reporting and remittance requirements.** An employer shall remit all amounts due to the association and furnish a statement indicating the amount due and transmitted with any other information required by the executive director. If an amount due is not received by the association within 14 calendar days of the payroll warrant, the amount accrues interest at ~~an~~ the applicable annual rate ~~of 8.5 percent~~ compounded annually from the due date until the amount is received by the association. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. All amounts due and other employer obligations not remitted within 60 days of notification by the association must be certified to the commissioner of management and budget who shall deduct the amount from any state aid or appropriation amount applicable to the employing unit.

28.1 **EFFECTIVE DATE.** This section is effective July 1, 2012.

28.2 Sec. 31. Minnesota Statutes 2010, section 354.72, subdivision 2, is amended to read:

28.3 Subd. 2. **Purchase procedure.** (a) A teacher may purchase credit for allowable and  
28.4 formula service in the plan for a period specified in subdivision 1 if the teacher makes a  
28.5 payment as specified in paragraph (b), (c), or (d), whichever applies. The employing unit,  
28.6 at its option, may pay the employer portion of the amount on behalf of its employees.

28.7 (b) If payment is received by the executive director by June 30 of the fiscal year of  
28.8 the strike period or authorized leave included under section 354.093, 354.095, or 354.096,  
28.9 payment must equal the total employee and employer contribution rates, including  
28.10 amortization contribution rates if applicable, multiplied by the member's average monthly  
28.11 salary rate on the date the leave or strike period commenced, or for an extended leave  
28.12 under section 354.094, on the salary received during the year immediately preceding the  
28.13 initial year of the leave, multiplied by the months and portions of a month of the leave or  
28.14 strike period for which the teacher seeks allowable service credit.

28.15 (c) If payment is made after June 30 and before the following June 30 for a strike  
28.16 period or for leaves of absence under section 354.093, 354.095, or 354.096, or for an  
28.17 extended leave of absence under section 354.094, the payment must include the amount  
28.18 determined in paragraph (b) plus compound interest at ~~a~~ the applicable monthly rate ~~of~~  
28.19 ~~0.71 percent~~ from June 30 until the last day of the month in which payment is received.  
28.20 The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021,  
28.21 and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

28.22 (d) If payment is received by the executive director after the applicable last permitted  
28.23 date under paragraph (c), the payment amount is the amount determined under section  
28.24 356.551. Notwithstanding payment deadlines specified in section 356.551, payment under  
28.25 this section may be made anytime before the effective date of retirement.

28.26 **EFFECTIVE DATE.** This section is effective July 1, 2012.

28.27 Sec. 32. Minnesota Statutes 2010, section 354A.093, subdivision 6, is amended to read:

28.28 Subd. 6. **Interest requirements.** The employer shall pay interest on all equivalent  
28.29 employee and employer contribution amounts payable under this section. Interest must  
28.30 be computed at ~~a~~ the applicable rate ~~of 8.5 percent~~ compounded annually from the end  
28.31 of each fiscal year of the leave or break in service to the end of the month in which  
28.32 payment is received. The applicable rate is 8.5 percent for the period before July 1, 2012,  
28.33 and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012,  
28.34 through June 30, 2021.

29.1 **EFFECTIVE DATE.** This section is effective July 1, 2012.

29.2 Sec. 33. Minnesota Statutes 2010, section 354A.096, is amended to read:

29.3 **354A.096 MEDICAL LEAVE.**

29.4 Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund  
29.5 Association or the new law coordinated program of the Duluth Teachers Retirement Fund  
29.6 Association who is on an authorized medical leave of absence and subsequently returns  
29.7 to teaching service is entitled to receive allowable service credit, not to exceed one year,  
29.8 for the period of leave, upon making the prescribed payment to the fund. This payment  
29.9 must include the required employee and employer contributions at the rates specified in  
29.10 section 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time  
29.11 monthly salary rate on the date the leave of absence commenced plus annual interest at the  
29.12 applicable rate of 8.5 percent per year from the end of the fiscal year during which the  
29.13 leave terminates to the end of the month during which payment is made. The applicable  
29.14 rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021,  
29.15 and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The member  
29.16 must pay the total amount required unless the employing unit, at its option, pays the  
29.17 employer contributions. The total amount required must be paid by the end of the fiscal  
29.18 year following the fiscal year in which the leave of absence terminated or before the  
29.19 member retires, whichever is earlier. Payment must be accompanied by a copy of the  
29.20 resolution or action of the employing authority granting the leave and the employing  
29.21 authority, upon granting the leave, must certify the leave to the association in a manner  
29.22 specified by the executive director. A member may not receive more than one year of  
29.23 allowable service credit during any fiscal year by making payment under this section. A  
29.24 member may not receive disability benefits under section 354A.36 and receive allowable  
29.25 service credit under this section for the same period of time.

29.26 **EFFECTIVE DATE.** This section is effective July 1, 2012.

29.27 Sec. 34. Minnesota Statutes 2010, section 354A.108, is amended to read:

29.28 **354A.108 PAYMENT BY TEACHERS COLLECTING WORKERS'**  
29.29 **COMPENSATION.**

29.30 (a) A member of the Duluth Teachers Retirement Fund Association who is receiving  
29.31 temporary workers' compensation payments related to the member's teaching service  
29.32 and who either is receiving a reduced salary from the employer or is receiving no salary  
29.33 from the employer is entitled to receive allowable service credit for the period of time

that the member is receiving the workers' compensation payments upon making the required payment amount.

(b) The required amount payable by the member must be calculated first by determining the differential salary amount, which is the difference between the salary received, if any, during the period of time that the member is collecting workers' compensation payments, and the salary that the member received for an identical length period immediately before collecting the workers' compensation payments. The member shall pay an amount equal to the employee contribution rate under section 354A.12, subdivision 1, multiplied by the differential salary amount.

(c) If the member makes the employee payment under this section, the employing unit shall make an employer payment to the Duluth Teachers Retirement Fund Association equal to the employer contribution rate under section 354A.12, subdivision 2a, multiplied by the differential salary amount.

(d) Payments made under this subdivision are payable without interest if paid by June 30 of the year during which the workers' compensation payments are received by the member. If paid after June 30, payments made under this subdivision must include interest at the applicable rate of 8.5 percent per year. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. Payment under this section must be completed within one year of the termination of the workers' compensation payments to the member.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 35. Minnesota Statutes 2010, section 354A.38, subdivision 3, is amended to read:

Subd. 3. **Computation of refund repayment amount.** If the coordinated member elects to repay a refund under subdivision 2, the repayment to the fund must be in an amount equal to refunds the member has accepted plus interest at the applicable rate of 8.5 percent compounded annually from the date that the refund was accepted to the date that the refund is repaid. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 36. Minnesota Statutes 2010, section 354B.23, subdivision 5, is amended to read:

Subd. 5. **Omitted member deductions.** (a) If the employing unit that employs a plan participant fails to deduct the member contribution from the participant's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employing unit must obtain the omitted member deduction by an additional payroll deduction during the pay period next following the discovery of the omission.

(b) If the employing unit of a plan participant fails to deduct the member contribution from the participant's salary and that omission continues for at least 60 days from the date on which the deduction should have been made, the employing unit must pay the amount representing the omitted member contribution, and the full required employer contribution, plus compound interest at ~~an the applicable annual rate of 8.5 percent.~~ The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The contributions and any interest must be made within one year of the date on which the omission was discovered.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 37. Minnesota Statutes 2010, section 354C.12, subdivision 2, is amended to read:

Subd. 2. **Omitted deductions.** If the employer of personnel covered by the supplemental retirement plan as provided in section 354C.11 fails to deduct the member basic contribution from the covered employee's salary and a period of less than 60 days from the date on which the deduction should have been made has elapsed, the employer must obtain the omitted member deduction by an additional payroll deduction during the pay period next following the discovery of the omission. If the employer fails to deduct the member basic contribution from the covered employee's salary and that omission continues for at least 60 days from the date on which the member basic contribution deduction should have been made, the employer must pay the amount representing the omitted member basic contribution, and the full required omitted employer basic contribution, plus compound interest at ~~an the applicable annual rate of 8.5 percent.~~ The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The contributions must be made within one year of the date on which the omission was discovered.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 38. Minnesota Statutes 2010, section 356.195, subdivision 2, is amended to read:

Subd. 2. **Purchase procedure for strike periods.** (a) An employee covered by a plan specified in subdivision 1 may purchase allowable service credit in the applicable plan for any period of time during which the employee was on a public employee strike without pay, not to exceed a period of one year, if the employee makes a payment in lieu of salary deductions 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 applicable pension plan executive director within one year from the end of the strike, the payment amount is equal to the applicable employee and employer contribution rates specified in law for the applicable plan during the strike period, applied to the employee's rate of salary in effect at the conclusion of the strike for the period of the strike without pay, plus compound interest at ~~a~~ the applicable monthly rate ~~of 0.71 percent~~ from the last day of the strike period until the date payment is received. The applicable rate is 0.71 percent before July 1, 2012, and the period after June 30, 2021, and is 0.667 percent for the period from July 1, 2012, through June 30, 2021.

(c) If payment is received by the applicable pension fund director after one year and before five years from the end of the strike, the payment amount is the amount determined under section 356.551.

(d) Payments may not be made more than five years after the end of the strike.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 39. Minnesota Statutes 2010, section 356.215, subdivision 1, is amended to read:

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

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

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

(d) "Entry age actuarial cost method" means an actuarial cost method under which the actuarial present value of the projected benefits of each individual currently covered



by the benefit plan and included in the actuarial valuation is allocated on a level basis over the service of the individual, if the benefit plan is governed by section 69.773, or over the earnings of the individual, if the benefit plan is governed by any other law, between the entry age and the assumed exit age, with the portion of the actuarial present value which is allocated to the valuation year to be the normal cost and the portion of the actuarial present value not provided for at the valuation date by the actuarial present value of future normal costs to be the actuarial accrued liability, with aggregation in the calculation process to be the sum of the calculated result for each covered individual and with recognition given to any different benefit formulas which may apply to various periods of service.

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

(f) "Actuarial value of assets" means:

~~(1) For the July 1, 2009, actuarial valuation, the market value of all assets as of June 30, 2009, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2006, and June 30, 2005, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2005;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2007, and June 30, 2006, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2006;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the~~

~~Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008; and~~

~~(v) if applicable, 80 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(2) For the July 1, 2010, actuarial valuation, the market value of all assets as of June 30, 2010, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2007, and June 30, 2006, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2006;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009; and~~

~~(v) if applicable, 60 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(3) For the July 1, 2011, actuarial valuation, the market value of all assets as of June 30, 2011, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2008, and June 30, 2007, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2007;~~

~~(ii) 40 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

~~(iii) 60 percent of the difference between the actual net change in the market value of the total assets between June 30, 2010, and June 30, 2009, and the computed increase in the market value of the total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2009;~~

~~(iv) 80 percent of the difference between the actual net change in the market value of total assets between June 30, 2011, and June 30, 2010, and the computed increase in the market value of total assets over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2010; and~~

~~(v) if applicable, 40 percent of the difference between the actual net change in the market value of the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets over that fiscal year period if the assets had increased at 8.5 percent annually.~~

~~(4) (1) For the July 1, 2012, actuarial valuation, the market value of all assets as of June 30, 2012, reduced by:~~

~~(i) 20 percent of the difference between the actual net change in the market value of assets other than the Minnesota postretirement investment fund between June 30, 2009, and June 30, 2008, and the computed increase in the market value of assets other than the Minnesota postretirement investment fund over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for July 1, 2008;~~

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

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

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

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

~~(5)~~ (2) For the July 1, 2013, and following actuarial valuations, the market value of all assets as of the preceding June 30, reduced by:

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

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

(iii) 60 percent of the difference between the actual net change in the market value of total assets between the June 30 that occurred one year earlier and the June 30 that occurred two years earlier and the computed increase in the market value of total assets

over that fiscal year period if the assets had earned a rate of return on assets equal to the annual percentage preretirement interest rate assumption used in the actuarial valuation for the July 1 that occurred two years earlier; and

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

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

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

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 40. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is amended to read:

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

**(1) select and ultimate interest rate assumption**

		<u>ultimate</u> preretirement interest rate assumption	<u>ultimate</u> postretirement interest rate assumption
plan			
general state employees retirement plan		8.5%	6.0%
correctional state employees retirement plan		8.5	6.0
State Patrol retirement plan		8.5	6.0
legislators retirement plan		8.5	6.0
elective state officers retirement plan		8.5	6.0
judges retirement plan		8.5	6.0
general public employees retirement plan		8.5	6.0
public employees police and fire retirement plan		8.5	6.0

38.1	local government correctional service		
38.2	retirement plan	8.5	6.0
38.3	teachers retirement plan	8.5	6.0
38.4	Duluth teachers retirement plan	8.5	8.5
38.5	St. Paul teachers retirement plan	8.5	8.5

38.6        The select preretirement interest rate assumption for the period after June 30, 2012,  
38.7 through June 30, 2021, is 8.0 percent. The select postretirement interest rate assumption  
38.8 for the period after June 30, 2012, through June 30, 2021, is 5.5 percent, except for the  
38.9 Duluth teachers retirement plan and the St. Paul teachers retirement plan, each with a  
38.10 select postretirement interest rate assumption for the period after June 30, 2012, through  
38.11 June 30, 2021, of 8.0 percent.

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

38.13		<u>interest rate</u>	
38.14	<u>plan</u>	<u>assumption</u>	
38.15	Fairmont Police Relief Association	5.0	<del>5.0</del>
38.16	Virginia Fire Department Relief Association	5.0	<del>5.0</del>
38.17	Bloomington Fire Department Relief Association	6.0	<del>6.0</del>
38.18	local monthly benefit volunteer firefighters relief		
38.19	associations	5.0	<del>5.0</del>

38.20        (b) ~~Before July 1, 2010,~~ The actuarial valuation must use the applicable following  
38.21 single rate future salary increase assumption, the applicable following modified single  
38.22 rate future salary increase assumption, or the applicable following graded rate future  
38.23 salary increase assumption:

38.24        (1) single rate future salary increase assumption

38.25	<u>plan</u>	<u>future salary increase assumption</u>	
38.26	legislators retirement plan	5.0%	
38.27	judges retirement plan	4.0	
38.28	Fairmont Police Relief Association	3.5	
38.29	Virginia Fire Department Relief Association	3.5	
38.30	Bloomington Fire Department Relief		
38.31	Association	4.0	

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

38.34	<u>plan</u>	<u>future salary increase assumption</u>	
38.35	correctional state employees retirement plan	assumption D	
38.36	State Patrol retirement plan	assumption C	
38.37	local government correctional service retirement plan	assumption C	
38.38	Duluth teachers retirement plan	assumption A	
38.39	St. Paul teachers retirement plan	assumption B	

39.1 The select calculation is: during the  
39.2 designated select period, a designated  
39.3 percentage rate is multiplied by the result of  
39.4 the designated integer minus T, where T is  
39.5 the number of completed years of service,  
39.6 and is added to the applicable future salary  
39.7 increase assumption. The designated select  
39.8 period is five years and the designated  
39.9 integer is five for the general state employees  
39.10 retirement plan. The designated select period  
39.11 is ten years and the designated integer is ten  
39.12 for all other retirement plans covered by  
39.13 this clause. The designated percentage rate  
39.14 is: (1) 0.2 percent for the correctional state  
39.15 employees retirement plan, the State Patrol  
39.16 retirement plan, and the local government  
39.17 correctional service retirement plan; (2)  
39.18 0.6 percent for the general state employees  
39.19 retirement plan; and (3) 0.3 percent for the  
39.20 teachers retirement plan, the Duluth Teachers  
39.21 Retirement Fund Association, and the St.  
39.22 Paul Teachers Retirement Fund Association.  
39.23 The select calculation for the Duluth Teachers  
39.24 Retirement Fund Association is 8.00 percent  
39.25 per year for service years one through seven,  
39.26 7.25 percent per year for service years seven  
39.27 and eight, and 6.50 percent per year for  
39.28 service years eight and nine.

39.29 The ultimate future salary increase assumption is:

39.30	age	A	B	C	D
39.31	16	8.00%	6.90%	7.7500%	7.2500%
39.32	17	8.00	6.90	7.7500	7.2500
39.33	18	8.00	6.90	7.7500	7.2500
39.34	19	8.00	6.90	7.7500	7.2500
39.35	20	6.90	6.90	7.7500	7.2500
39.36	21	6.90	6.90	7.1454	6.6454
39.37	22	6.90	6.90	7.0725	6.5725

40.1	23	6.85	6.85	7.0544	6.5544
40.2	24	6.80	6.80	7.0363	6.5363
40.3	25	6.75	6.75	7.0000	6.5000
40.4	26	6.70	6.70	7.0000	6.5000
40.5	27	6.65	6.65	7.0000	6.5000
40.6	28	6.60	6.60	7.0000	6.5000
40.7	29	6.55	6.55	7.0000	6.5000
40.8	30	6.50	6.50	7.0000	6.5000
40.9	31	6.45	6.45	7.0000	6.5000
40.10	32	6.40	6.40	7.0000	6.5000
40.11	33	6.35	6.35	7.0000	6.5000
40.12	34	6.30	6.30	7.0000	6.5000
40.13	35	6.25	6.25	7.0000	6.5000
40.14	36	6.20	6.20	6.9019	6.4019
40.15	37	6.15	6.15	6.8074	6.3074
40.16	38	6.10	6.10	6.7125	6.2125
40.17	39	6.05	6.05	6.6054	6.1054
40.18	40	6.00	6.00	6.5000	6.0000
40.19	41	5.90	5.95	6.3540	5.8540
40.20	42	5.80	5.90	6.2087	5.7087
40.21	43	5.70	5.85	6.0622	5.5622
40.22	44	5.60	5.80	5.9048	5.4078
40.23	45	5.50	5.75	5.7500	5.2500
40.24	46	5.40	5.70	5.6940	5.1940
40.25	47	5.30	5.65	5.6375	5.1375
40.26	48	5.20	5.60	5.5822	5.0822
40.27	49	5.10	5.55	5.5404	5.0404
40.28	50	5.00	5.50	5.5000	5.0000
40.29	51	4.90	5.45	5.4384	4.9384
40.30	52	4.80	5.40	5.3776	4.8776
40.31	53	4.70	5.35	5.3167	4.8167
40.32	54	4.60	5.30	5.2826	4.7826
40.33	55	4.50	5.25	5.2500	4.7500
40.34	56	4.40	5.20	5.2500	4.7500
40.35	57	4.30	5.15	5.2500	4.7500
40.36	58	4.20	5.10	5.2500	4.7500
40.37	59	4.10	5.05	5.2500	4.7500
40.38	60	4.00	5.00	5.2500	4.7500
40.39	61	3.90	5.00	5.2500	4.7500
40.40	62	3.80	5.00	5.2500	4.7500
40.41	63	3.70	5.00	5.2500	4.7500
40.42	64	3.60	5.00	5.2500	4.7500
40.43	65	3.50	5.00	5.2500	4.7500



41.1	66	3.50	5.00	5.2500	4.7500
41.2	67	3.50	5.00	5.2500	4.7500
41.3	68	3.50	5.00	5.2500	4.7500
41.4	69	3.50	5.00	5.2500	4.7500
41.5	70	3.50	5.00	5.2500	4.7500
41.6	(3) service-related ultimate future salary increase assumption				
41.7	general state employees retirement plan of the				assumption A
41.8	Minnesota State Retirement System				
41.9	general employees retirement plan of the Public				assumption B
41.10	Employees Retirement Association				
41.11	Teachers Retirement Association				assumption C
41.12	public employees police and fire retirement plan				assumption D
41.13	service				
41.14	length	A	B	C	D
41.15	1	<del>10.75</del> <u>10.00%</u>	<del>12.25</del> <u>11.50%</u>	<del>12.00</del> <u>11.25%</u>	<del>13.00</del> <u>12.25%</u>
41.16	2	<del>8.35</del> <u>7.60</u>	<del>9.15</del> <u>8.40</u>	<del>9.00</del> <u>8.25</u>	<del>11.00</del> <u>10.25</u>
41.17	3	<del>7.15</del> <u>6.40</u>	<del>7.75</del> <u>7.00</u>	<del>8.00</del> <u>7.25</u>	<del>9.00</del> <u>8.25</u>
41.18	4	<del>6.45</del> <u>5.70</u>	<del>6.85</del> <u>6.10</u>	<del>7.50</del> <u>6.75</u>	<del>8.00</del> <u>7.25</u>
41.19	5	<del>5.95</del> <u>5.20</u>	<del>6.25</del> <u>5.50</u>	<del>7.25</del> <u>6.50</u>	<del>6.50</del> <u>5.75</u>
41.20	6	<del>5.55</del> <u>4.80</u>	<del>5.75</del> <u>5.00</u>	<del>7.00</del> <u>6.25</u>	<del>6.10</del> <u>5.35</u>
41.21	7	<del>5.25</del> <u>4.50</u>	<del>5.45</del> <u>4.70</u>	<del>6.85</del> <u>6.10</u>	<del>5.80</del> <u>5.05</u>
41.22	8	<del>4.95</del> <u>4.20</u>	<del>5.15</del> <u>4.40</u>	<del>6.70</del> <u>5.95</u>	<del>5.60</del> <u>4.85</u>
41.23	9	<del>4.75</del> <u>4.00</u>	<del>4.85</del> <u>4.10</u>	<del>6.55</del> <u>5.80</u>	<del>5.40</del> <u>4.65</u>
41.24	10	<del>4.65</del> <u>3.90</u>	<del>4.65</del> <u>3.90</u>	<del>6.40</del> <u>5.65</u>	<del>5.30</del> <u>4.55</u>
41.25	11	<del>4.45</del> <u>3.70</u>	<del>4.45</del> <u>3.70</u>	<del>6.25</del> <u>5.50</u>	<del>5.20</del> <u>4.45</u>
41.26	12	<del>4.35</del> <u>3.60</u>	<del>4.35</del> <u>3.60</u>	<del>6.00</del> <u>5.25</u>	<del>5.10</del> <u>4.35</u>
41.27	13	<del>4.25</del> <u>3.50</u>	<del>4.15</del> <u>3.40</u>	<del>5.75</del> <u>5.00</u>	<del>5.00</del> <u>4.25</u>
41.28	14	<del>4.05</del> <u>3.30</u>	<del>4.05</del> <u>3.30</u>	<del>5.50</del> <u>4.75</u>	<del>4.90</del> <u>4.15</u>
41.29	15	<del>3.95</del> <u>3.20</u>	<del>3.95</del> <u>3.20</u>	<del>5.25</del> <u>4.50</u>	<del>4.80</del> <u>4.05</u>
41.30	16	<del>3.85</del> <u>3.10</u>	<del>3.85</del> <u>3.10</u>	<del>5.00</del> <u>4.00</u>	<del>4.80</del> <u>4.05</u>
41.31	17	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>4.75</del> <u>3.75</u>	<del>4.80</del> <u>4.05</u>
41.32	18	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>4.50</del> <u>3.50</u>	<del>4.80</del> <u>4.05</u>
41.33	19	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>4.25</del> <u>3.25</u>	<del>4.80</del> <u>4.05</u>
41.34	20	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>4.00</del> <u>3.15</u>	<del>4.80</del> <u>4.05</u>
41.35	21	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.90</del> <u>3.05</u>	<del>4.70</del> <u>3.95</u>
41.36	22	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.80</del> <u>2.95</u>	<del>4.60</del> <u>3.85</u>
41.37	23	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.70</del> <u>2.85</u>	<del>4.50</del> <u>3.75</u>
41.38	24	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.60</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>
41.39	25	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>
41.40	26	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>
41.41	27	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>
41.42	28	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>

42.1	29	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>
42.2	30 or more	<del>3.75</del> <u>3.00</u>	<del>3.75</del> <u>3.00</u>	<del>3.50</del> <u>2.75</u>	<del>4.50</del> <u>3.75</u>

42.3 (c) ~~Before July 2, 2010~~, The actuarial valuation must use the applicable following  
 42.4 payroll growth assumption for calculating the amortization requirement for the unfunded  
 42.5 actuarial accrued liability where the amortization retirement is calculated as a level  
 42.6 percentage of an increasing payroll:

42.7	plan	payroll growth assumption
42.8	general state employees retirement plan of the	
42.9	Minnesota State Retirement System	<del>3.75</del> <u>3.25%</u>
42.10	correctional state employees retirement plan	<del>4.50</del> <u>3.25</u>
42.11	State Patrol retirement plan	<del>4.50</del> <u>3.25</u>
42.12	legislators retirement plan	<del>4.50</del> <u>3.25</u>
42.13	judges retirement plan	<del>4.00</del> <u>3.25</u>
42.14	general employees retirement plan of the Public	
42.15	Employees Retirement Association	<del>3.75</del> <u>3.25</u>
42.16	public employees police and fire retirement plan	<del>3.75</del> <u>3.25</u>
42.17	local government correctional service retirement plan	<del>4.50</del> <u>3.25</u>
42.18	teachers retirement plan	<del>3.75</del> <u>3.25</u>
42.19	Duluth teachers retirement plan	<del>4.50</del> <u>3.25</u>
42.20	St. Paul teachers retirement plan	<del>5.00</del> <u>3.25</u>

42.21 (d) ~~After July 1, 2010~~, The assumptions set forth in paragraphs (b) and (c) continue  
 42.22 to apply, unless a different salary assumption or a different payroll increase assumption:  
 42.23 (1) has been proposed by the governing board of the applicable retirement plan;  
 42.24 (2) is accompanied by the concurring recommendation of the actuary retained under  
 42.25 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the  
 42.26 most recent actuarial valuation report if section 356.214 does not apply; and  
 42.27 (3) has been approved or deemed approved under subdivision 18.

42.28 **EFFECTIVE DATE.** This section is effective June 30, 2012.

42.29 Sec. 41. Minnesota Statutes 2010, section 356.44, is amended to read:

42.30 **356.44 PARTIAL PAYMENT OF PENSION PLAN REFUND.**

42.31 (a) Notwithstanding any provision of law to the contrary, a member of a pension  
 42.32 plan listed in section 356.30, subdivision 3, with at least two years of forfeited service  
 42.33 taken from a single pension plan, may repay a portion of all refunds. A partial refund  
 42.34 repayment must comply with this section.

42.35 (b) The minimum portion of a refund repayment is one-third of the total service  
 42.36 credit period of all refunds taken from a single plan.

(c) The cost of the partial refund repayment is the product of the cost of the total repayment multiplied by the ratio of the restored service credit to the total forfeited service credit. The total repayment amount includes interest at the applicable annual rate of ~~8.5 percent~~, compounded annually, from the refund date to the date repayment is received.

(d) The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

~~(d)~~ (e) The restored service credit must be allocated based on the relationship the restored service bears to the total service credit period for all refunds taken from a single pension plan.

~~(e)~~ (f) This section does not authorize a public pension plan member to repay a refund if the law governing the plan does not authorize the repayment of a refund of member contributions.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 42. Minnesota Statutes 2010, section 356.50, subdivision 2, is amended to read:

Subd. 2. **Service credit procedure.** (a) To obtain the public pension plan allowable service credit, the eligible person under subdivision 1 shall pay the required member contribution amount. The required member contribution amount is the member contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the unpaid gross salary amounts of the back pay award including unemployment insurance, workers' compensation, or wages from other sources which reduced the back award. No contributions may be made under this clause for compensation covered by a public pension plan listed in section 356.30, subdivision 3, for employment during the removal period. The person shall pay the required member contribution amount within 60 days of the date of receipt of the back pay award or within 60 days of a billing from the retirement fund, whichever is later.

(b) The public employer who wrongfully discharged the public employee must pay an employer contribution on the back pay award. The employer contribution must be based on the employer contribution rate or rates in effect for the pension plan during the period of service covered by the back pay award, applied to the salary amount on which the member contribution amount was determined under paragraph (a). Interest on both the required member and employer contribution amount must be paid by the employer at the applicable annual compound rate of ~~8.5 percent~~ per year, expressed monthly, between the date the contribution amount would have been paid to the date of actual payment. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June

44.1 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. The  
44.2 employer payment must be made within 30 days of the payment under paragraph (a).

44.3 **EFFECTIVE DATE.** This section is effective July 1, 2012.

44.4 Sec. 43. Minnesota Statutes 2010, section 356.551, subdivision 2, is amended to read:

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

44.11 (b) Calculation of this amount must be made using the preretirement interest rate  
44.12 applicable to the public pension plan specified in section 356.215, subdivision 8, and  
44.13 the mortality table adopted for the public pension plan. The calculation must assume  
44.14 continuous future service in the public pension plan until, and retirement at, the age at  
44.15 which the minimum requirements of the fund for normal retirement or retirement with an  
44.16 annuity unreduced for retirement at an early age, including section 356.30, are met with  
44.17 the additional service credit purchased. The calculation must also assume a full-time  
44.18 equivalent salary, or actual salary, whichever is greater, and a future salary history that  
44.19 includes annual salary increases at the applicable salary increase rate for the plan specified  
44.20 in section 356.215, subdivision 4d.

44.21 (c) The prior service credit purchase amount may not be less than the amount  
44.22 determined by applying, for each year or fraction of a year being purchased, the sum  
44.23 of the employee contribution rate, the employer contribution rate, and the additional  
44.24 employer contribution rate, if any, applicable during that period, to the person's annual  
44.25 salary during that period, or fractional portion of a year's salary, if applicable, plus interest  
44.26 at the applicable annual rate of ~~8.5 percent~~ compounded annually from the end of the  
44.27 year in which contributions would otherwise have been made to the date on which the  
44.28 payment is received.

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

44.33 (e) However, the current employer or the prior employer may, at its discretion, pay  
44.34 all or any portion of the payment amount that exceeds an amount equal to the employee  
44.35 contribution rates in effect during the period or periods of prior service applied to the

actual salary rates in effect during the period or periods of prior service, plus interest at the ~~applicable rate of 8.5 percent a year~~ compounded annually from the date on which the contributions would otherwise have been made to the date on which the payment is made. If the employer agrees to payments under this subdivision, the purchaser must make the employee payments required under this subdivision within 90 days of the prior service credit authorization. If that employee payment is made, the employer payment under this subdivision must be remitted to the chief administrative officer of the public pension plan within 60 days of receipt by the chief administrative officer of the employee payments specified under this subdivision.

(f) The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 44. Minnesota Statutes 2010, section 490.121, subdivision 4, is amended to read:

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

(b) "Allowable service" also means a period of authorized leave of absence for which the judge has made a payment in lieu of contributions, not in an amount in excess of the service credit limit under subdivision 22. To obtain the service credit, the judge shall pay an amount equal to the normal cost of the judges retirement plan on the date of return from the leave of absence, as determined in the most recent actuarial report for the plan filed with the Legislative Commission on Pensions and Retirement, multiplied by the judge's average 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 ~~applicable rate of 8.5 percent~~ from the date of the termination of the leave to the date on which payment is made. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021. 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.

46.1 **EFFECTIVE DATE.** This section is effective July 1, 2012.

46.2 Sec. 45. Minnesota Statutes 2010, section 490.1211, is amended to read:

46.3 **490.1211 UNIFORMED SERVICE.**

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

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

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

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

46.30 (e) To receive allowable service credit under this section, the contributions specified  
46.31 in this section and section 490.121 must be transmitted to the fund during the period  
46.32 which begins with the date on which the individual returns to judicial employment and  
46.33 which has a duration of three times the length of the uniformed service period, but not  
46.34 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 ~~a the applicable rate of 8.5 percent~~ 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. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 46. Minnesota Statutes 2010, 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 ~~an the applicable annual rate of 8.5 percent~~, compounded annually, from the date on which the refund was received until the date on which the refund is repaid. The applicable rate is 8.5 percent for the period before July 1, 2012, and the period after June 30, 2021, and is 8.0 percent for the period from July 1, 2012, through June 30, 2021.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

Sec. 47. **TEMPORARY PROVISION; REVISION OF ANNUITY RESERVE, OPTIONAL ANNUITY FORM, AND EARLY RETIREMENT FACTORS.**

On or before January 1, 2013, the governing boards of the Minnesota State Retirement System, the Public Employees Retirement Association, the Teachers Retirement Association, the Duluth Teachers Retirement Fund Association, and the St. Paul Teachers Retirement Fund Association shall revise, for the retirement plan

or plans administered, the annuity reserve factors, optional annuity form factors, and early retirement annuity factors, if the annuity is required to be the actuarial equivalent of the normal retirement annuity form. The revision shall be undertaken with the recommendation of the approved actuary retained by the retirement system, which recommendation must be retained in the permanent records of the governing board. The revised reserve factors also must be submitted for review by the auditing and reviewing actuary retained by the Legislative Commission on Pensions and Retirement and the applicable retirement fund shall reimburse the Legislative Commission on Pensions and Retirement for the cost of the reserve review.

**EFFECTIVE DATE.** This section is effective July 1, 2012.

## ARTICLE 2

### STACKED HYBRID RETIREMENT ARRANGEMENTS FOR IRREGULAR COMPENSATION AMOUNTS

Section 1. Minnesota Statutes 2010, section 352.01, subdivision 13, is amended to read:

Subd. 13. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means wages, or other periodic compensation, paid to an employee before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not include:

- (1) lump-sum sick leave payments;
- (2) severance payments;
- (3) lump-sum annual leave payments and overtime payments made at the time of separation from state service;
- (4) payments in lieu of any employer-paid group insurance coverage, including the difference between single and family rates that may be paid to an employee with single coverage;

- (5) payments made as an employer-paid fringe benefit;
- (6) workers' compensation payments;
- (7) employer contributions to a deferred compensation or tax-sheltered annuity program; ~~and~~

- (8) amounts contributed under a benevolent vacation and sick leave donation program; and

- (9) amounts of irregular compensation as defined in section 356.307 on which employee and employer contributions were transmitted to the unclassified state employees retirement program as provided in section 352D.02, subdivision 7.



49.1 (c) Amounts provided to an employee by the employer through a grievance  
49.2 proceeding or a legal settlement are salary only if the settlement is reviewed by the  
49.3 executive director and the amounts are determined by the executive director to be  
49.4 consistent with paragraph (a) and prior determinations.

49.5 Sec. 2. Minnesota Statutes 2010, section 352.04, subdivision 4, is amended to read:

49.6 Subd. 4. **Payroll deductions.** (a) The head of each department shall have employee  
49.7 contributions deducted from the salary of each employee covered by the system on  
49.8 every payroll abstract and shall approve one voucher payable to the commissioner of  
49.9 management and budget for the aggregate amount deducted on the payroll abstract.

49.10 (b) Deductions from salaries of employees paid direct by any department, institution,  
49.11 or agency of the state must be made by the officer or employee authorized by law to  
49.12 pay the salaries. The head of any department or agency having authority to appoint any  
49.13 employee who receives fees as compensation or who receives compensation on federal  
49.14 payrolls shall collect as the required employee contribution the applicable amounts  
49.15 required in subdivision 2.

49.16 (c) Deductions from salary and amounts collected must be remitted to the director  
49.17 with a statement showing the total amount of earnings or fees, the amount of irregular  
49.18 compensation, and in the case of fees, the number of transactions, and the amount of each  
49.19 of the deductions and collections and the names of the employees on whose account  
49.20 they have been made.

49.21 Sec. 3. Minnesota Statutes 2010, section 352D.02, subdivision 1, is amended to read:

49.22 Subdivision 1. **Coverage.** (a) Employees enumerated in paragraph (c), clauses (2),  
49.23 (3), (4), (6) to (14), and (16) to (18), if they are in the unclassified service of the state or  
49.24 Metropolitan Council and are eligible for coverage under the general state employees  
49.25 retirement plan under chapter 352, are participants in the unclassified program under this  
49.26 chapter unless the employee gives notice to the executive director of the Minnesota State  
49.27 Retirement System within one year following the commencement of employment in the  
49.28 unclassified service that the employee desires coverage under the general state employees  
49.29 retirement plan. For the purposes of this chapter, an employee who does not file notice  
49.30 with the executive director is deemed to have exercised the option to participate in the  
49.31 unclassified program.

49.32 (b) Persons referenced in paragraph (c), clause (5), are participants in the unclassified  
49.33 program under this chapter unless the person was eligible to elect different coverage under  
49.34 section 3A.07 and elected retirement coverage by the applicable alternative retirement

plan. Persons referenced in paragraph (c), clause (15), are participants in the unclassified program under this chapter for judicial employment in excess of the service credit limit in section 490.121, subdivision 22.

(c) Enumerated employees and referenced persons are:

(1) the governor, the lieutenant governor, the secretary of state, the state auditor, and the attorney general;

(2) an employee in the Office of the Governor, Lieutenant Governor, Secretary of State, State Auditor, Attorney General;

(3) an employee of the State Board of Investment;

(4) the head of a department, division, or agency created by statute in the unclassified service, an acting department head subsequently appointed to the position, or an employee enumerated in section 15A.0815 or 15A.083, subdivision 4;

(5) a member of the legislature;

(6) a full-time unclassified employee of the legislature or a commission or agency of the legislature who is appointed without a limit on the duration of the employment or a temporary legislative employee having shares in the supplemental retirement fund as a result of former employment covered by this chapter, whether or not eligible for coverage under the Minnesota State Retirement System;

(7) a person who is employed in a position established under section 43A.08, subdivision 1, clause (3), or in a position authorized under a statute creating or establishing a department or agency of the state, which is at the deputy or assistant head of department or agency or director level;

(8) the regional administrator, or executive director of the Metropolitan Council, general counsel, division directors, operations managers, and other positions as designated by the council, all of which may not exceed 27 positions at the council and the chair;

(9) the executive director, associate executive director, and not to exceed nine positions of the Minnesota Office of Higher Education in the unclassified service, as designated by the Minnesota Office of Higher Education before January 1, 1992, or subsequently redesignated with the approval of the board of directors of the Minnesota State Retirement System, unless the person has elected coverage by the individual retirement account plan under chapter 354B;

(10) the clerk of the appellate courts appointed under article VI, section 2, of the Constitution of the state of Minnesota, the state court administrator and judicial district administrators;

51.1 (11) the chief executive officers of correctional facilities operated by the Department  
51.2 of Corrections and of hospitals and nursing homes operated by the Department of Human  
51.3 Services;

51.4 (12) an employee whose principal employment is at the state ceremonial house;

51.5 (13) an employee of the Agricultural Utilization Research Institute;

51.6 (14) an employee of the State Lottery who is covered by the managerial plan  
51.7 established under section 43A.18, subdivision 3;

51.8 (15) a judge who has exceeded the service credit limit in section 490.121,  
51.9 subdivision 22;

51.10 (16) an employee of Enterprise Minnesota, Inc.;

51.11 (17) a person employed by the Minnesota State Colleges and Universities as faculty  
51.12 or in an eligible unclassified administrative position as defined in section 354B.20,  
51.13 subdivision 6, who was employed by the former state university or the former community  
51.14 college system before May 1, 1995, and elected unclassified program coverage prior to  
51.15 May 1, 1995; ~~and~~

51.16 (18) a person employed by the Minnesota State Colleges and Universities who  
51.17 was employed in state service before July 1, 1995, who subsequently is employed in an  
51.18 eligible unclassified administrative position as defined in section 354B.20, subdivision 6,  
51.19 and who elects coverage by the unclassified program; and

51.20 (19) a person with regular retirement coverage by a defined benefit retirement  
51.21 plan who receives irregular compensation as defined in section 356.307 with respect  
51.22 to the employee or member contribution and employer contribution on that irregular  
51.23 compensation.

51.24 Sec. 4. Minnesota Statutes 2010, section 352D.02, is amended by adding a subdivision  
51.25 to read:

51.26 Subd. 7. Coverage for irregular compensation. (a) A person referenced in  
51.27 subdivision 1, paragraph (c), clause (19), is a participant in the unclassified program by  
51.28 virtue of the receipt of irregular compensation as defined in section 356.307 and the  
51.29 transmission of employee or member contributions and employer contributions with  
51.30 respect to that irregular compensation to the program for the purchase of shares in the  
51.31 Minnesota supplemental investment fund.

51.32 (b) The chief administrative officer of the defined benefit retirement plan that  
51.33 provides the primary defined benefit retirement coverage shall transmit the employee or  
51.34 member and employer contributions associated with the irregular compensation within  
51.35 five business days of receipt.

52.1           (c) A person covered by the unclassified program under subdivision 1, paragraph  
52.2 (c), clause (19), and this subdivision is not eligible for a transfer of unclassified program  
52.3 coverage to the general state employees retirement plan under subdivision 3.

52.4           Sec. 5. Minnesota Statutes 2010, section 352D.04, subdivision 2, is amended to read:

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

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

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

52.10          (d) For members of the legislature, the contributions under this subdivision also must  
52.11 be made on per diem payments received during a regular or special legislative session, but  
52.12 may not be made on per diem payments received outside of a regular or special legislative  
52.13 session, on the additional compensation attributable to a leadership position under section  
52.14 3.099, subdivision 3, living expense payments under section 3.101, or special session  
52.15 living expense payments under section 3.103.

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

52.19          (f) For a person covered by the unclassified program under section 352D.02,  
52.20 subdivision 1, paragraph (c), clause (19), the employee contribution is an amount equal  
52.21 to the percent of the irregular compensation as defined in section 356.307 that is the  
52.22 employee or member contribution rate applicable to the person's defined benefit retirement  
52.23 plan coverage, and the employer contribution is an amount equal to the percent of the  
52.24 irregular compensation as defined in section 356.307 that is the employer contribution rate  
52.25 applicable to the person's defined benefit retirement plan coverage.

52.26          (g) These contributions must be made in the manner provided in section 352.04,  
52.27 subdivisions 4, 5, and 6.

52.28           Sec. 6. Minnesota Statutes 2010, section 353.01, subdivision 10, is amended to read:

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

52.30           (1) the periodic compensation of a public employee, before deductions for deferred  
52.31 compensation, supplemental retirement plans, or other voluntary salary reduction  
52.32 programs, and also means "wages" and includes net income from fees;

52.33           (2) for a public employee who is covered by a supplemental retirement plan under  
52.34 section 356.24, subdivision 1, clause (8), (9), or (10), which require all plan contributions

be made by the employer, the contribution to the applicable supplemental retirement plan when an agreement between the parties establishes that the contribution will either result in a mandatory reduction of employees' wages through payroll withholdings, or be made in lieu of an amount that would otherwise be paid as wages; and

(3) for a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies and who has elected coverage either under the public employees police and fire fund benefit plan under section 353A.08 following the consolidation or under section 353.665, subdivision 4, the rate of salary upon which member contributions to the special fund of the relief association were made prior to the effective date of the consolidation as specified by law and by bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure and the actual periodic compensation of the public employee after the effective date of consolidation.

(b) Salary does not mean:

(1) the fees paid to district court reporters, unused annual vacation or sick leave payments, in lump-sum or periodic payments, severance payments, reimbursement of expenses, lump-sum settlements not attached to a specific earnings period, or workers' compensation payments;

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

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

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

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

(iii) provides increased salary rates for employees who do not have any employer-paid group insurance coverages;

54.1 (4) except as provided in section 353.86 or 353.87, compensation of any kind paid to  
54.2 volunteer ambulance service personnel or volunteer firefighters, as defined in subdivision  
54.3 35 or 36;

54.4 (5) the amount of compensation that exceeds the limitation provided in section  
54.5 356.611; ~~and~~

54.6 (6) amounts paid by a federal or state grant for which the grant specifically  
54.7 prohibits grant proceeds from being used to make pension plan contributions, unless the  
54.8 contributions to the plan are made from sources other than the federal or state grant; and

54.9 (7) for members of the general employees retirement plan and the local government  
54.10 correctional retirement plan, the amount of irregular compensation as defined in  
54.11 section 356.307 on which employee and employer contributions were transmitted to  
54.12 the unclassified state employees retirement program as provided in section 352D.02,  
54.13 subdivision 7.

54.14 (c) Amounts provided to an employee by the employer through a grievance  
54.15 proceeding or a legal settlement are salary only if the settlement is reviewed by the  
54.16 executive director and the amounts are determined by the executive director to be  
54.17 consistent with paragraph (a) and prior determinations.

54.18 Sec. 7. Minnesota Statutes 2010, section 353.27, subdivision 4, is amended to read:

54.19 Subd. 4. **Employer reporting requirements; contributions; member status.**

54.20 (a) A representative authorized by the head of each department shall deduct employee  
54.21 contributions from the salary of each public employee who qualifies for membership in  
54.22 the general employees retirement plan of the Public Employees Retirement Association  
54.23 or in the public employees police and fire retirement plan under this chapter or chapter  
54.24 353D or 353E at the rate under section 353.27, 353.65, 353D.03, or 353E.03, whichever  
54.25 is applicable, that is in effect on the date the salary is paid. The employer representative  
54.26 must also remit payment in a manner prescribed by the executive director for the  
54.27 aggregate amount of the employee contributions and the required employer contributions  
54.28 to be received by the association within 14 calendar days after each pay date. If the  
54.29 payment is less than the amount required, the employer must pay the shortage amount to  
54.30 the association and collect reimbursement of any employee contribution shortage paid  
54.31 on behalf of a member through subsequent payroll withholdings from the wages of the  
54.32 employee. Payment of shortages in employee contributions and associated employer  
54.33 contributions, if applicable, must include interest at the rate specified in section 353.28,  
54.34 subdivision 5, if not received within 30 days following the date the amount was initially  
54.35 due under this section.

(b) The head of each department or the person's designee shall submit for each pay period to the association a salary deduction report in the format prescribed by the executive director. The report must be received by the association within 14 calendar days after each pay date or the employer may be assessed a fine of \$5 per calendar day until the association receives the required data. Data required as part of salary deduction reporting must include, but are not limited to:

(1) the legal names and Social Security numbers of employees who are members;

(2) the amount of each employee's salary deduction;

(3) the total amount of compensation;

(4) the amount of salary defined in section 353.01, subdivision 10, earned in the pay period from which each deduction was made and the salary amount earned by a reemployed annuitant under section 353.37, subdivision 1, or 353.371, subdivision 1, or by a disabled member under section 353.33, subdivision 7 or 7a;

(5) the amount of irregular compensation;

~~(4)~~ (6) the beginning and ending dates of the payroll period covered and the date of actual payment; and

~~(5)~~ (7) adjustments or corrections covering past pay periods as authorized by the executive director.

(c) Employers must furnish the data required for enrollment for each new or reinstated employee who qualifies for membership in the general employees retirement plan of the Public Employees Retirement Association or in the public employees police and fire retirement plan in the format prescribed by the executive director. The required enrollment data on new members must be submitted to the association prior to or concurrent with the submission of the initial employee salary deduction. Also, the employer shall report to the association all member employment status changes, such as leaves of absence, terminations, and death, and shall report the effective dates of those changes, on an ongoing basis for the payroll cycle in which they occur. If an employer fails to comply with the reporting requirements under this paragraph, the executive director may assess a fine of \$25 for each failure if the association staff has notified the employer of the noncompliance and attempted to obtain the missing data or form from the employer for a period of more than three months.

(d) The employer shall furnish data, forms, and reports as may be required by the executive director for proper administration of the retirement system. Before implementing new or different computerized reporting requirements, the executive director shall give appropriate advance notice to governmental subdivisions to allow time for system modifications.

(e) Notwithstanding paragraph (a), the executive director may provide for less frequent reporting and payments for small employers.

(f) The executive director may establish reporting procedures and methods as required to review compliance by employers with the salary and contribution reporting requirements in this chapter. A review of the payroll records of a participating employer may be conducted by the association on a periodic basis or as a result of concerns known to exist within a governmental subdivision. An employer under review must extract requested data and provide records to the association after receiving reasonable advanced notice. Failure to provide requested information or materials will result in the employer being liable to the association for any expenses associated with a field audit, which may include staff salaries, administrative expenses, and travel expenses.

Sec. 8. Minnesota Statutes 2010, section 354.05, subdivision 35, is amended to read:

Subd. 35. **Salary.** (a) Subject to the limitations of section 356.611, "salary" means the periodic compensation, upon which member contributions are required before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not mean:

(1) lump-sum annual leave payments;

(2) lump-sum wellness and sick leave payments;

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

(4) any form of payment made in lieu of any other employer-paid fringe benefit or expense;

(5) any form of severance payments;

(6) workers' compensation payments;

(7) disability insurance payments, including self-insured disability payments;

(8) payments to school principals and all other administrators for services that are in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(9) payments under section 356.24, subdivision 1, clause (4); ~~and~~



(10) payments made under section 122A.40, subdivision 12, except for payments for sick leave that are accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district; and

(11) amounts of irregular compensation as defined in section 356.307 on which employee and employer contributions were transmitted to the unclassified state employees retirement program as provided in section 352D.02, subdivision 7.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 9. Minnesota Statutes 2010, section 354.52, subdivision 4b, is amended to read:

Subd. 4b. **Payroll cycle reporting requirements.** An employing unit shall provide the following data to the association for payroll warrants on an ongoing basis within 14 calendar days after the date of the payroll warrant in a format prescribed by the executive director:

- (1) association member number;
- (2) employer-assigned employee number;
- (3) Social Security number;
- (4) amount of each salary deduction;
- (5) amount of total compensation;
- (6) amount of salary as defined in section 354.05, subdivision 35, from which each deduction was made;
- (7) amount of irregular compensation;
- ~~(6)~~ (8) reason for payment;
- ~~(7)~~ (9) service credit;
- ~~(8)~~ (10) the beginning and ending dates of the payroll period covered and the date of actual payment;
- ~~(9)~~ (11) fiscal year of salary earnings;
- ~~(10)~~ (12) total remittance amount including employee, employer, and additional employer contributions;
- ~~(11)~~ (13) reemployed annuitant salary under section 354.44, subdivision 5; and
- ~~(12)~~ (14) other information as may be required by the executive director.

Sec. 10. Minnesota Statutes 2010, section 354A.011, subdivision 24, is amended to read:

Subd. 24. **Salary; covered salary.** (a) Subject to the limitations of section 356.611, "salary" or "covered salary" means the entire compensation, upon which member contributions are required and made, that is paid to a teacher before deductions for deferred compensation, supplemental retirement plans, or other voluntary salary reduction programs.

(b) "Salary" does not mean:

(1) lump-sum annual leave payments;

(2) lump-sum wellness and sick leave payments;

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

(4) any form of payment that is made in lieu of any other employer-paid fringe benefit or expense;

(5) any form of severance payments;

(6) workers' compensation payments;

(7) disability insurance payments, including self-insured disability payments;

(8) payments to school principals and all other administrators for services that are in addition to the normal work year contract if these additional services are performed on an extended duty day, Saturday, Sunday, holiday, annual leave day, sick leave day, or any other nonduty day;

(9) payments under section 356.24, subdivision 1, clause (4)(ii); ~~and~~

(10) payments made under section 122A.40, subdivision 12, except for payments for sick leave that are accumulated under the provisions of a uniform school district policy that applies equally to all similarly situated persons in the district; and

(11) amounts of irregular compensation as defined in section 356.307 on which employee and employer contributions were transmitted to the unclassified state employees retirement program as provided in section 352D.02, subdivision 7.

(c) Amounts provided to an employee by the employer through a grievance proceeding or a legal settlement are salary only if the settlement is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

Sec. 11. Minnesota Statutes 2010, section 354A.12, subdivision 5, is amended to read:

59.1 Subd. 5. **Reporting and remittance requirements.** (a) Each employing unit shall  
 59.2 provide to the appropriate teachers retirement fund association the following member  
 59.3 data regarding all new or returning employees before the employee's first payroll date in  
 59.4 a format approved by the executive secretary or director. Data changes and the dates of  
 59.5 those changes must be reported to the association on an ongoing basis for the payroll cycle  
 59.6 in which they occur. Data on the member includes:

59.7 (1) legal name, address, date of birth, association member number,  
 59.8 employer-assigned employee number, and Social Security number;

59.9 (2) association status, including, but not limited to, basic, coordinated, exempt  
 59.10 annuitant, exempt technical college teacher, or exempt independent contractor or  
 59.11 consultant;

59.12 (3) employment status, including, but not limited to, full time, part time, intermittent,  
 59.13 substitute, or part-time mobility;

59.14 (4) employment position, including, but not limited to, teacher, superintendent,  
 59.15 principal, administrator, or other;

59.16 (5) employment activity, including, but not limited to, hire, termination, resumption  
 59.17 of employment, disability, or death;

59.18 (6) leaves of absence; and

59.19 (7) other information as may be required by the association.

59.20 (b) Each employing unit shall provide the following data to the appropriate  
 59.21 association for each payroll cycle in a format approved by the executive secretary or  
 59.22 director:

59.23 (1) an association member number;

59.24 (2) employer-assigned employee number;

59.25 (3) Social Security number;

59.26 (4) amount of each salary deduction;

59.27 (5) amount of total compensation;

59.28 (6) amount of salary as defined in section 354A.011, subdivision 24, from which  
 59.29 each deduction was made;

59.30 (7) amount of irregular compensation;

59.31 ~~(6)~~ (8) reason for payment;

59.32 ~~(7)~~ (9) service credit;

59.33 ~~(8)~~ (10) the beginning and ending dates of the payroll period covered and the date  
 59.34 of actual payment;

59.35 ~~(9)~~ (11) fiscal year of salary earnings;

60.1 ~~(10)~~ (12) total remittance amount including employee, employer, and employer  
60.2 additional contributions; and

60.3 ~~(11)~~ (13) other information as may be required by the association.

60.4 (c) On or before August 1 each year, each employing unit must report to the  
60.5 appropriate association giving an itemized summary for the preceding 12 months of the  
60.6 total amount that was withheld from the salaries of teachers for deductions and all other  
60.7 information required by the association.

60.8 (d) An employing unit that does not comply with the reporting requirements  
60.9 under this section shall pay a fine of \$5 per calendar day until the association receives  
60.10 the required member data.

60.11 (e) An employing unit shall remit all amounts that are due to the association and  
60.12 shall furnish for each pay period an itemized statement indicating the total amount that is  
60.13 due and is transmitted with any other information required by the association. All amounts  
60.14 due and other employer obligations that are not remitted within 30 days of notification  
60.15 by the association must be certified by the director or secretary to the commissioner of  
60.16 management and budget, who shall deduct the amount from any state aid or appropriation  
60.17 amount applicable to the employing unit and shall transmit the deducted amount to the  
60.18 applicable association.

60.19 Sec. 12. **[356.307] IRREGULAR COMPENSATION.**

60.20 Subdivision 1. Definition. For purposes of the defined benefit retirement plans  
60.21 listed in subdivision 2, "irregular compensation" means compensation paid for overtime  
60.22 services, shift differential, extracurricular services, extra duty services, uniform  
60.23 allowances, employment incentives, bonuses, payments in lieu of leave time, nonduty day  
60.24 services, recognition rewards, and payments in lieu of insurance coverage.

60.25 Subd. 2. Applicable retirement plans. The definition in subdivision 1 is applicable  
60.26 to the following defined benefit retirement plans:

60.27 (1) general state employees retirement plan of the Minnesota State Retirement  
60.28 System;

60.29 (2) correctional state employees retirement plan of the Minnesota State Retirement  
60.30 System;

60.31 (3) transportation department pilots retirement plan;

60.32 (4) military affairs department personnel retirement plan;

60.33 (5) state fire marshal division fire/arson investigator retirement plan;

60.34 (6) general employees retirement plan of the Public Employees Retirement  
60.35 Association;

61.1           (7) local government correctional service retirement plan of the Public Employees  
61.2   Retirement Association;  
61.3           (8) Teachers Retirement Association;  
61.4           (9) Duluth Teachers Retirement Fund Association;  
61.5           (10) St. Paul Teachers Retirement Fund Association; and  
61.6           (11) judges retirement plan.

61.7           Sec. 13. Minnesota Statutes 2010, section 490.121, is amended by adding a subdivision  
61.8   to read:

61.9           Subd. 21g. **Salary.** "Salary" has the same meaning as the definition of the term in  
61.10   section 352.01, subdivision 13.

61.11          Sec. 14. Minnesota Statutes 2010, section 490.124, is amended by adding a subdivision  
61.12   to read:

61.13          Subd. 15. **Compensation and deduction amount requirements.** The state court  
61.14   administrator shall comply with the compensation and deduction reporting requirements  
61.15   of section 352.04, subdivision 4, paragraph (c).

61.16          Sec. 15. **EFFECTIVE DATE.**

61.17          Sections 1 to 14 are effective July 1, 2012, and apply to compensation paid and  
61.18   deductions made beginning with the first full payroll period beginning after June 30, 2012.

### 61.19                                   **ARTICLE 3**

#### 61.20                                   **MSRS-CORRECTIONAL PLAN MEMBERSHIP CHANGES**

61.21          Section 1. Minnesota Statutes 2010, section 352.91, subdivision 3c, is amended to read:

61.22          Subd. 3c. **Nursing personnel.** (a) "Covered correctional service" means service by  
61.23   a state employee in one of the employment positions at a correctional facility or at the  
61.24   Minnesota Security Hospital, or in the Minnesota sex offender program that are specified  
61.25   in paragraph (b) if at least 75 percent of the employee's working time is spent in direct  
61.26   contact with inmates or patients and the fact of this direct contact is certified to the  
61.27   executive director by the appropriate commissioner.

61.28          (b) The employment positions are as follows:

61.29               (1) registered nurse - senior;

61.30               (2) registered nurse;

61.31               (3) registered nurse - principal;

61.32               (4) licensed practical nurse 2; ~~and~~

- 62.1 (5) registered nurse advance practice; and  
62.2 (6) psychiatric advance practice registered nurse.

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

62.4 Sec. 2. Minnesota Statutes 2010, section 352.91, subdivision 3d, is amended to read:

62.5 Subd. 3d. **Other correctional personnel.** (a) "Covered correctional service" means  
62.6 service by a state employee in one of the employment positions at a correctional facility or  
62.7 at the Minnesota Security Hospital specified in paragraph (b) if at least 75 percent of the  
62.8 employee's working time is spent in direct contact with inmates or patients and the fact of  
62.9 this direct contact is certified to the executive director by the appropriate commissioner.

62.10 (b) The employment positions are:

- 62.11 (1) automotive mechanic;  
62.12 (2) baker;  
62.13 (3) central services administrative specialist, intermediate;  
62.14 (4) central services administrative specialist, principal;  
62.15 (5) chaplain;  
62.16 (6) chief cook;  
62.17 (7) clinical program therapist 1;  
62.18 (8) clinical program therapist 2;  
62.19 (9) clinical program therapist 3;  
62.20 (10) clinical program therapist 4;  
62.21 (11) cook;  
62.22 ~~(8)~~ (12) cook coordinator;  
62.23 ~~(9) corrections program therapist 1;~~  
62.24 ~~(10) corrections program therapist 2;~~  
62.25 ~~(11) corrections program therapist 3;~~  
62.26 ~~(12) corrections program therapist 4;~~  
62.27 (13) corrections inmate program coordinator;  
62.28 (14) corrections transitions program coordinator;  
62.29 (15) corrections security caseworker;  
62.30 (16) corrections security caseworker career;  
62.31 (17) corrections teaching assistant;  
62.32 (18) delivery van driver;  
62.33 (19) dentist;  
62.34 (20) electrician supervisor;  
62.35 (21) general maintenance worker lead;

- 63.1 (22) general repair worker;
- 63.2 (23) library/information research services specialist;
- 63.3 (24) library/information research services specialist senior;
- 63.4 (25) library technician;
- 63.5 (26) painter lead;
- 63.6 (27) plant maintenance engineer lead;
- 63.7 (28) plumber supervisor;
- 63.8 (29) psychologist 1;
- 63.9 (30) psychologist 3;
- 63.10 (31) recreation therapist;
- 63.11 (32) recreation therapist coordinator;
- 63.12 (33) recreation program assistant;
- 63.13 (34) recreation therapist senior;
- 63.14 (35) sports medicine specialist;
- 63.15 (36) work therapy assistant;
- 63.16 (37) work therapy program coordinator; and
- 63.17 (38) work therapy technician.

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

63.19 Sec. 3. Minnesota Statutes 2010, section 352.91, subdivision 3f, is amended to read:

63.20 Subd. 3f. **Additional Department of Human Services personnel.** (a) "Covered  
 63.21 correctional service" means service by a state employee in one of the employment  
 63.22 positions specified in paragraph (b) at the Minnesota Security Hospital or in the Minnesota  
 63.23 sex offender program if at least 75 percent of the employee's working time is spent in  
 63.24 direct contact with patients and the determination of this direct contact is certified to the  
 63.25 executive director by the commissioner of human services.

63.26 (b) The employment positions are:

- 63.27 (1) behavior analyst 2;
- 63.28 (2) behavior analyst 3;
- 63.29 (3) certified occupational therapy assistant 1;
- 63.30 (4) certified occupational therapy assistant 2;
- 63.31 (5) chemical dependency counselor senior;
- 63.32 (6) client advocate;
- 63.33 (7) clinical program therapist 1;
- 63.34 (8) clinical program therapist 2;
- 63.35 (9) clinical program therapist 3;

- 64.1 (10) clinical program therapist 4;
- 64.2 (11) customer services specialist principal;
- 64.3 ~~(8)~~ (12) dental assistant registered;
- 64.4 ~~(9)~~ (13) group supervisor;
- 64.5 ~~(10)~~ (14) group supervisor assistant;
- 64.6 ~~(11)~~ (15) human services support specialist;
- 64.7 ~~(12)~~ (16) licensed alcohol and drug counselor;
- 64.8 ~~(13)~~ (17) licensed practical nurse 1;
- 64.9 ~~(14)~~ (18) management analyst 3;
- 64.10 ~~(15)~~ (19) occupational therapist;
- 64.11 ~~(16)~~ (20) occupational therapist, senior;
- 64.12 ~~(17)~~ (21) psychologist 1;
- 64.13 ~~(18)~~ (22) psychologist 2;
- 64.14 ~~(19)~~ (23) psychologist 3;
- 64.15 ~~(20)~~ (24) recreation program assistant;
- 64.16 ~~(21)~~ (25) recreation therapist lead;
- 64.17 ~~(22)~~ (26) recreation therapist senior;
- 64.18 ~~(23)~~ (27) rehabilitation counselor senior;
- 64.19 ~~(24)~~ (28) security supervisor;
- 64.20 ~~(25)~~ (29) skills development specialist;
- 64.21 ~~(26)~~ (30) social worker senior;
- 64.22 ~~(27)~~ (31) social worker specialist;
- 64.23 ~~(28)~~ (32) social worker specialist, senior;
- 64.24 ~~(29)~~ (33) special education program assistant;
- 64.25 ~~(30)~~ (34) speech pathology clinician;
- 64.26 ~~(31)~~ (35) work therapy assistant; and
- 64.27 ~~(32)~~ (36) work therapy program coordinator.

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

64.29 Sec. 4. **REPEALER.**

64.30 Minnesota Statutes 2010, section 352.91, subdivision 3e, is repealed.

64.31 **EFFECTIVE DATE.** This section is effective as of the day after the last day of the  
64.32 last full pay period in May 2013.



65.1 **ARTICLE 4**

65.2 **HEALTH CARE SAVINGS PLAN MODIFICATIONS**

65.3 Section 1. Minnesota Statutes 2010, section 352.98, subdivision 3, is amended to read:

65.4 Subd. 3. **Contributions.** (a) Contributions to the plan must be defined in a  
65.5 personnel policy or in a collective bargaining agreement of a public employer or political  
65.6 subdivision. The executive director may offer different types of trusts permitted under the  
65.7 Internal Revenue Code to best meet the needs of different employer units.

65.8 (b) Contributions to the plan by or on behalf of the participant must be held in trust  
65.9 for reimbursement of eligible health-related expenses for participants and their dependents  
65.10 following termination from public employment or ~~during active employment~~ in other  
65.11 circumstances set forth in the plan document. The executive director shall maintain  
65.12 a separate account of the contributions made by or on behalf of each participant and  
65.13 the earnings thereon. The executive director shall make available a limited range of  
65.14 investment options, and each participant may direct the investment of the accumulations  
65.15 in the participant's account among the investment options made available by the executive  
65.16 director.

65.17 (c) This section does not obligate a public employer to meet and negotiate in good  
65.18 faith with the exclusive bargaining representative of any public employee group regarding  
65.19 an employer contribution to a postretirement or active employee health care savings plan  
65.20 authorized by this section and section 356.24, subdivision 1, clause (7). It is not the intent  
65.21 of the legislature to authorize the state to incur new funding obligations for the costs of  
65.22 retiree health care or the costs of administering retiree health care plans or accounts.

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

65.24 Sec. 2. Minnesota Statutes 2010, section 352.98, subdivision 4, is amended to read:

65.25 Subd. 4. **Reimbursement for health-related expenses.** The executive director  
65.26 shall reimburse participants at least quarterly for eligible health-related expenses, as  
65.27 allowable by federal and state law, until the participant exhausts the accumulation in the  
65.28 participant's account. If a participant dies prior to exhausting the participant's account  
65.29 balance, the participant's spouse or dependents are eligible to be reimbursed for health care  
65.30 expenses from the account until the account balance is exhausted. If an account balance  
65.31 remains after the death of a participant and all of the participant's legal dependents, the  
65.32 remainder of the account must be paid to the participant's beneficiaries or, if none, to  
65.33 ~~the participant's estate~~ a living person or persons named by the personal representative

66.1 of the estate. The person or persons named must use the account for reimbursement of  
 66.2 allowable health care expenses.

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

66.4 Sec. 3. Minnesota Statutes 2010, section 352.98, subdivision 5, is amended to read:

66.5 Subd. 5. **Fees.** The executive director is authorized to charge uniform fees to  
 66.6 participants to cover the ongoing cost of operating the plan. Any fees not needed must  
 66.7 revert to participant accounts or be used to reduce plan fees in the following year future.

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

66.9 Sec. 4. Minnesota Statutes 2010, section 352.98, subdivision 8, is amended to read:

66.10 Subd. 8. **Exemption from process.** Assets in a ~~health-care~~ health care savings  
 66.11 plan account described in this section must be used for the reimbursement of ~~healthcare~~  
 66.12 health care expenses and are not assignable or subject to execution, levy, attachment,  
 66.13 garnishment, or other legal process, except as provided in section 518.58, 518.581, or  
 66.14 518A.53.

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

## 66.16 **ARTICLE 5**

### 66.17 **MSRS-UNCLASSIFIED RETIREMENT PROGRAM MODIFICATIONS**

66.18 Section 1. Minnesota Statutes 2010, section 352D.02, subdivision 3, is amended to  
 66.19 read:

66.20 Subd. 3. **Transfer to general employees retirement plan.** (a) If permitted under  
 66.21 paragraph (b), an employee referred to in subdivision 1, paragraph (c), clauses (2) to (4),  
 66.22 (6) to (14), and (16) to (18), who is credited with shares in the unclassified program; and  
 66.23 ~~who has credit for allowable service, not later than one month following the termination~~  
 66.24 ~~of covered employment,~~ may elect to terminate participation in the unclassified program  
 66.25 and be covered by the general employees retirement plan ~~by filing a written election~~  
 66.26 ~~with the executive director.~~

66.27 (b) An employee specified in paragraph (a) is permitted to terminate participation  
 66.28 in the unclassified program and be covered by the general employees retirement plan if  
 66.29 the employee:

66.30 (1) was employed before July 1, 2010, and has at least ten years of allowable service  
 66.31 ~~as of the date of the election; or if the employee~~

(2) was first employed after June 30, 2010, and has no more than seven years of allowable service ~~as of the date of the election.~~

The election must be in writing on a form provided by the executive director, and can be made no later than one month following the termination of covered employment.

~~(b)~~ (c) If the transfer election is made, the executive director shall ~~then~~ redeem the employee's total shares and shall credit to the employee's account in the general employees retirement plan the amount of contributions that would have been ~~so~~ credited had the employee been covered by the general employees retirement plan during the employee's entire covered employment ~~or elective state service.~~ The balance of money ~~so~~ redeemed and not credited to the employee's account must be transferred to the general employees retirement plan, except that the executive director must determine:

(1) the employee ~~contribution~~ contributions paid to the unclassified program ~~must be compared to;~~ and

(2) the employee contributions that would have been paid to the general employees retirement plan for the comparable period, if the individual had been covered by that plan.

If clause (1) is greater than clause (2), the difference must be refunded to the employee as provided in section 352.22. If clause (2) is greater than clause (1), the difference must be paid by the employee within six months of electing general employees retirement plan coverage or before the effective date of the annuity, whichever is sooner.

~~(c)~~ (d) An election under paragraph ~~(a)~~ (b) to transfer coverage to the general employees retirement plan is irrevocable during any period of covered employment.

~~(d)~~ (e) A person referenced in subdivision 1, paragraph (c), clause (1), (5), or (15), who is credited with employee shares in the unclassified program is not permitted to terminate participation in the unclassified program and be covered by the general employees retirement plan.

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

## ARTICLE 6

### PERA-ADMINISTERED RETIREMENT PLAN MODIFICATIONS

Section 1. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 2a, is amended to read:

Subd. 2a. **Included employees; mandatory membership.** (a) Public employees whose salary exceeds ~~\$425 in any month~~ the minimum monthly salary figure under subdivision 2e and who are not specifically excluded under subdivision 2b or who have not been provided an option to participate under subdivision 2d, whether individually or by action of the governmental subdivision, must participate as members of the association

68.1 with retirement coverage by the general employees retirement plan under this chapter,  
68.2 the public employees police and fire retirement plan under this chapter, or the local  
68.3 government correctional employees retirement plan under chapter 353E, whichever  
68.4 applies. Membership commences as a condition of their employment on the first day of  
68.5 their employment or on the first day that the eligibility criteria are met, whichever is later.

68.6 Public employees include but are not limited to:

68.7 (1) persons whose salary meets the threshold in this paragraph from employment in  
68.8 one or more positions within one governmental subdivision;

68.9 (2) elected county sheriffs;

68.10 (3) persons who are appointed, employed, or contracted to perform governmental  
68.11 functions that by law or local ordinance are required of a public officer, including, but  
68.12 not limited to:

68.13 (i) town and city clerk or treasurer;

68.14 (ii) county auditor, treasurer, or recorder;

68.15 (iii) city manager as defined in section 353.028 who does not exercise the option  
68.16 provided under subdivision 2d; or

68.17 (iv) emergency management director, as provided under section 12.25;

68.18 (4) physicians under section 353D.01, subdivision 2, who do not elect public  
68.19 employees defined contribution plan coverage under section 353D.02, subdivision 2;

68.20 (5) full-time employees of the Dakota County Agricultural Society;

68.21 (6) employees of the Minneapolis Firefighters Relief Association or Minneapolis  
68.22 Police Relief Association who are not excluded employees under subdivision 2b due  
68.23 to coverage by the relief association pension plan and who elected general employee  
68.24 retirement plan coverage before August 20, 2009; and

68.25 (7) employees of the Red Wing Port Authority who were first employed by the  
68.26 Red Wing Port Authority before May 1, 2011, and who are not excluded employees  
68.27 under subdivision 2b.

68.28 (b) A public employee or elected official who was a member of the association on  
68.29 June 30, 2002, based on employment that qualified for membership coverage by the public  
68.30 employees retirement plan or the public employees police and fire plan under this chapter,  
68.31 or the local government correctional employees retirement plan under chapter 353E as of  
68.32 June 30, 2002, retains that membership for the duration of the person's employment in that  
68.33 position or incumbency in elected office. Except as provided in subdivision 28, the person  
68.34 shall participate as a member until the employee or elected official terminates public  
68.35 employment under subdivision 11a or terminates membership under subdivision 11b.

69.1 (c) If the salary of an included public employee is less than ~~\$425~~ the minimum  
69.2 monthly salary figure under subdivision 2e in any subsequent month, the member retains  
69.3 membership eligibility.

69.4 (d) For the purpose of participation in the MERF division of the general employees  
69.5 retirement plan, public employees include employees who were members of the former  
69.6 Minneapolis Employees Retirement Fund on June 29, 2010, and who participate as  
69.7 members of the MERF division of the association.

69.8 **EFFECTIVE DATE.** This section is effective July 1, 2012.

69.9 Sec. 2. Minnesota Statutes 2010, section 353.01, subdivision 2b, is amended to read:

69.10 Subd. 2b. **Excluded employees.** (a) The following public employees are not eligible  
69.11 to participate as members of the association with retirement coverage by the general  
69.12 employees retirement plan, the local government correctional employees retirement plan  
69.13 under chapter 353E, or the public employees police and fire retirement plan:

69.14 (1) persons whose salary from one governmental subdivision never exceeds ~~\$425~~  
69.15 the minimum monthly salary figure under subdivision 2e in a month;

69.16 (2) public officers who are elected to a governing body, city mayors, or persons who  
69.17 are appointed to fill a vacancy in an elective office of a governing body, whose term of  
69.18 office commences on or after July 1, 2002, for the service to be rendered in that elective  
69.19 position;

69.20 (3) election officers or election judges;

69.21 (4) patient and inmate personnel who perform services for a governmental  
69.22 subdivision;

69.23 (5) except as otherwise specified in subdivision 12a, employees who are hired for  
69.24 a temporary position as defined under subdivision 12a, and employees who resign from  
69.25 a nontemporary position and accept a temporary position within 30 days in the same  
69.26 governmental subdivision;

69.27 (6) employees who are employed by reason of work emergency caused by fire,  
69.28 flood, storm, or similar disaster;

69.29 (7) employees who by virtue of their employment in one governmental subdivision  
69.30 are required by law to be a member of and to contribute to any of the plans or funds  
69.31 administered by the Minnesota State Retirement System, the Teachers Retirement  
69.32 Association, the Duluth Teachers Retirement Fund Association, the St. Paul Teachers  
69.33 Retirement Fund Association, or any police or firefighters relief association governed by  
69.34 section 69.77 that has not consolidated with the Public Employees Retirement Association,  
69.35 or any local police or firefighters consolidation account who have not elected the type of

benefit coverage provided by the public employees police and fire fund under sections 353A.01 to 353A.10, or any persons covered by section 353.665, subdivision 4, 5, or 6, who have not elected public employees police and fire plan benefit coverage. This clause must not be construed to prevent a person from being a member of and contributing to the Public Employees Retirement Association and also belonging to and contributing to another public pension plan or fund for other service occurring during the same period of time. A person who meets the definition of "public employee" in subdivision 2 by virtue of other service occurring during the same period of time becomes a member of the association unless contributions are made to another public retirement fund on the salary based on the other service or to the Teachers Retirement Association by a teacher as defined in section 354.05, subdivision 2;

(8) persons who are members of a religious order and are excluded from coverage under the federal Old Age, Survivors, Disability, and Health Insurance Program for the performance of service as specified in United States Code, title 42, section 410(a)(8)(A), as amended through January 1, 1987, if no irrevocable election of coverage has been made under section 3121(r) of the Internal Revenue Code of 1954, as amended;

(9) employees of a governmental subdivision who have not reached the age of 23 and are enrolled on a full-time basis to attend or are attending classes on a full-time basis at an accredited school, college, or university in an undergraduate, graduate, or professional-technical program, or a public or charter high school;

(10) resident physicians, medical interns, and pharmacist residents and pharmacist interns who are serving in a degree or residency program in public hospitals or clinics;

(11) students who are serving in an internship or residency program sponsored by an accredited educational institution;

(12) persons who hold a part-time adult supplementary technical college license who render part-time teaching service in a technical college;

(13) except for employees of Hennepin County or Hennepin Healthcare System, Inc., foreign citizens who are employed by a governmental subdivision under a work permit, or an H-1b visa initially issued or extended for a combined period less than three years of employment. Upon extension of the employment beyond the three-year period, the foreign citizens must be reported for membership beginning the first of the month thereafter provided the monthly earnings threshold as provided under subdivision 2a is met;

(14) public hospital employees who elected not to participate as members of the association before 1972 and who did not elect to participate from July 1, 1988, to October 1, 1988;

71.1 (15) except as provided in section 353.86, volunteer ambulance service personnel, as  
71.2 defined in subdivision 35, but persons who serve as volunteer ambulance service personnel  
71.3 may still qualify as public employees under subdivision 2 and may be members of the  
71.4 Public Employees Retirement Association and participants in the general employees  
71.5 retirement plan or the public employees police and fire plan, whichever applies, on the  
71.6 basis of compensation received from public employment service other than service as  
71.7 volunteer ambulance service personnel;

71.8 (16) except as provided in section 353.87, volunteer firefighters, as defined in  
71.9 subdivision 36, engaging in activities undertaken as part of volunteer firefighter duties,  
71.10 but a person who is a volunteer firefighter may still qualify as a public employee under  
71.11 subdivision 2 and may be a member of the Public Employees Retirement Association and  
71.12 a participant in the general employees retirement plan or the public employees police  
71.13 and fire plan, whichever applies, on the basis of compensation received from public  
71.14 employment activities other than those as a volunteer firefighter;

71.15 (17) pipefitters and associated trades personnel employed by Independent School  
71.16 District No. 625, St. Paul, with coverage under a collective bargaining agreement by the  
71.17 pipefitters local 455 pension plan who were either first employed after May 1, 1997, or,  
71.18 if first employed before May 2, 1997, elected to be excluded under Laws 1997, chapter  
71.19 241, article 2, section 12;

71.20 (18) electrical workers, plumbers, carpenters, and associated trades personnel who  
71.21 are employed by Independent School District No. 625, St. Paul, or the city of St. Paul,  
71.22 who have retirement coverage under a collective bargaining agreement by the Electrical  
71.23 Workers Local 110 pension plan, the United Association Plumbers Local 34 pension plan,  
71.24 or the pension plan applicable to Carpenters Local 87 who were either first employed after  
71.25 May 1, 2000, or, if first employed before May 2, 2000, elected to be excluded under  
71.26 Laws 2000, chapter 461, article 7, section 5;

71.27 (19) bricklayers, allied craftworkers, cement masons, glaziers, glassworkers,  
71.28 painters, allied tradesworkers, and plasterers who are employed by the city of St. Paul  
71.29 or Independent School District No. 625, St. Paul, with coverage under a collective  
71.30 bargaining agreement by the Bricklayers and Allied Craftworkers Local 1 pension plan,  
71.31 the Cement Masons Local 633 pension plan, the Glaziers and Glassworkers Local L-1324  
71.32 pension plan, the Painters and Allied Trades Local 61 pension plan, or the Twin Cities  
71.33 Plasterers Local 265 pension plan who were either first employed after May 1, 2001, or if  
71.34 first employed before May 2, 2001, elected to be excluded under Laws 2001, First Special  
71.35 Session chapter 10, article 10, section 6;

72.1 (20) plumbers who are employed by the Metropolitan Airports Commission, with  
72.2 coverage under a collective bargaining agreement by the Plumbers Local 34 pension plan,  
72.3 who either were first employed after May 1, 2001, or if first employed before May 2,  
72.4 2001, elected to be excluded under Laws 2001, First Special Session chapter 10, article  
72.5 10, section 6;

72.6 (21) employees who are hired after June 30, 2002, to fill seasonal positions under  
72.7 subdivision 12b which are limited in duration by the employer to 185 consecutive calendar  
72.8 days or less in each year of employment with the governmental subdivision;

72.9 (22) persons who are provided supported employment or work-study positions  
72.10 by a governmental subdivision and who participate in an employment or industries  
72.11 program maintained for the benefit of these persons where the governmental subdivision  
72.12 limits the position's duration to three years or less, including persons participating in a  
72.13 federal or state subsidized on-the-job training, work experience, senior citizen, youth, or  
72.14 unemployment relief program where the training or work experience is not provided as a  
72.15 part of, or for, future permanent public employment;

72.16 (23) independent contractors and the employees of independent contractors;

72.17 (24) reemployed annuitants of the association during the course of that  
72.18 reemployment; and

72.19 (25) persons appointed to serve on a board or commission of a governmental  
72.20 subdivision or an instrumentality thereof.

72.21 (b) Any person performing the duties of a public officer in a position defined in  
72.22 subdivision 2a, paragraph (a), clause (3), is not an independent contractor and is not an  
72.23 employee of an independent contractor.

72.24 **EFFECTIVE DATE.** This section is effective July 1, 2012.

72.25 Sec. 3. Minnesota Statutes 2010, section 353.01, is amended by adding a subdivision  
72.26 to read:

72.27 **Subd. 2e. Minimum monthly salary amount requirement.** The minimum  
72.28 monthly salary amount required for membership under subdivision 2a is:

72.29 (1) \$425 in any month before July 1, 2012;

72.30 (2) \$773 in any month from July 1, 2012, to June 30, 2013; and

72.31 (3) \$773 plus an amount, rounded up or down to the nearest full dollar amount,  
72.32 representing the percentage change in the Consumer Price Index-All Urban Consumers  
72.33 reported by the Bureau of Labor Statistics of the United States Department of Labor from  
72.34 December 2011 to the most recent prior December, as determined and published by the  
72.35 executive director annually after June 30, 2013.



73.1 **EFFECTIVE DATE.** This section is effective July 1, 2012.

73.2 Sec. 4. Minnesota Statutes 2011 Supplement, section 353.01, subdivision 16, is  
73.3 amended to read:

73.4 Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service"  
73.5 means:

73.6 (1) service during years of actual membership in the course of which employee  
73.7 deductions were withheld from salary and contributions were made at the applicable rates  
73.8 under section 353.27, 353.65, or 353E.03;

73.9 (2) periods of service covered by payments in lieu of salary deductions under  
73.10 sections 353.27, subdivision 12, and 353.35;

73.11 (3) service in years during which the public employee was not a member but for  
73.12 which the member later elected, while a member, to obtain credit by making payments to  
73.13 the fund as permitted by any law then in effect;

73.14 (4) a period of authorized leave of absence with pay from which deductions for  
73.15 employee contributions are made, deposited, and credited to the fund;

73.16 (5) a period of authorized personal, parental, or medical leave of absence without  
73.17 pay, including a leave of absence covered under the federal Family Medical Leave Act,  
73.18 that does not exceed one year, and for which a member obtained service credit for each  
73.19 month in the leave period by payment under section 353.0161 to the fund made in place of  
73.20 salary deductions. An employee must return to public service and render a minimum of  
73.21 three months of allowable service in order to be eligible to make payment under section  
73.22 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the  
73.23 employee must be granted allowable service credit for the purchased period;

73.24 (6) a periodic, repetitive leave that is offered to all employees of a governmental  
73.25 subdivision. The leave program may not exceed 208 hours per annual normal work cycle  
73.26 as certified to the association by the employer. A participating member obtains service  
73.27 credit by making employee contributions in an amount or amounts based on the member's  
73.28 average salary, excluding overtime pay, that would have been paid if the leave had not been  
73.29 taken. The employer shall pay the employer and additional employer contributions on  
73.30 behalf of the participating member. The employee and the employer are responsible to pay  
73.31 interest on their respective shares at the rate of 8.5 percent a year, compounded annually,  
73.32 from the end of the normal cycle until full payment is made. An employer shall also make  
73.33 the employer and additional employer contributions, plus 8.5 percent interest, compounded  
73.34 annually, on behalf of an employee who makes employee contributions but terminates  
73.35 public service. The employee contributions must be made within one year after the end of

the annual normal working cycle or within 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

(7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff;

(8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service must be credited if the member pays into the fund equivalent employee contributions 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, excluding overtime pay, during the purchase period that the member would have received if the member 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 member's average salary rate, excluding overtime pay, during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member'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 clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, 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 member contribution. The governmental subdivision involved may appropriate money for those payments. 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. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent 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. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under ~~subdivision 40~~ section 353.0162.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association under chapter 353A or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "allowable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes. For an active member who was an active member of the former Minneapolis Firefighters Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, "allowable service" is the period of service credited by the Minneapolis Firefighters Relief Association as reflected in the transferred records of

the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 6, section 19. For an active member who was an active member of the former Minneapolis Police Relief Association on the day prior to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, "allowable service" is the period of service credited by the Minneapolis Police Relief Association as reflected in the transferred records of the association up to the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19, and the period of service credited under paragraph (a), clause (1), after the effective date of consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19.

(e) MS 2002 [Expired]

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

Sec. 5. Minnesota Statutes 2010, section 353.50, subdivision 7, is amended to read:

Subd. 7. **MERF division account contributions.** (a) After June 30, 2010, the member and employer contributions to the MERF division account are governed by this subdivision.

(b) An active member covered by the MERF division must make an employee contribution of 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10. The employee contribution must be made by payroll deduction by the member's employing unit under section 353.27, subdivision 4, and is subject to the provisions of section 353.27, subdivisions 7, 7a, 7b, 12, 12a, and 12b.

(c) The employer regular contribution to the MERF division account with respect to an active MERF division member is 9.75 percent of the total salary of the member as defined in section 353.01, subdivision 10.

(d) The employer additional contribution to the MERF division account with respect to an active member of the MERF division is 2.68 percent of the total salary of the member as defined in section 353.01, subdivision 10, plus the employing unit's share of \$3,900,000 that the employing unit paid or is payable to the former Minneapolis Employees Retirement Fund under Minnesota Statutes 2008, section 422A.101, subdivision 1a, 2, or 2a, during calendar year 2009, as was certified by the former executive director of the former Minneapolis Employees Retirement Fund.

(e) Annually after June 30, 2012, the employer supplemental contribution to the MERF division account by the city of Minneapolis, Special School District No. 1, Minneapolis, a Minneapolis-owned public utility, improvement, or municipal activity,

Hennepin county, the Metropolitan Council, the Metropolitan Airports Commission, and the Minnesota State Colleges and Universities system is the larger of the following:

(1) the amount by which the total actuarial required contribution determined under section 356.215 by the approved actuary retained by the Public Employees Retirement Association in the most recent actuarial valuation of the MERF division and based on a June 30, 2031, amortization date, after subtracting the contributions under paragraphs (b), (c), and (d), exceeds \$22,750,000 or \$24,000,000, whichever applies; or

(2) the amount of \$27,000,000, but the total supplemental contribution amount plus the contributions under paragraphs (c) and (d) may not exceed \$34,000,000. Each employing unit's share of the total employer supplemental contribution amount is equal to the applicable portion specified in paragraph ~~(g)~~ (h). The initial total actuarial required contribution after June 30, 2012, must be calculated using the mortality assumption change recommended on September 30, 2009, for the Minneapolis Employees Retirement Fund by the approved consulting actuary retained by the Minneapolis Employees Retirement Fund board.

(f) Before January 31, each employing unit must be invoiced for its share of the total employer supplemental contribution amount under paragraph (e). The amount is payable by the employing unit in two parts. The first half of the amount due is payable on or before the July 31 following the date of the invoice, and the second half of the amount due is payable on or before December 15. Each invoice must be based on the actuarial valuation report prepared under section 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement as of the valuation date occurring 18 months earlier.

~~(f)~~ (g) Notwithstanding any provision of paragraph (c), (d), or (e) to the contrary, as of August 1 annually, if the amount of the retirement annuities and benefits paid from the MERF division account during the preceding fiscal year, multiplied by the factor of 1.035, exceeds the market value of the assets of the MERF division account on the preceding June 30, plus state aid of \$9,000,000, \$22,750,000, or \$24,000,000, whichever applies, plus the amounts payable under paragraphs (b), (c), (d), and (e) during the preceding fiscal year, multiplied by the factor of 1.035, the balance calculated is a special additional employer contribution. The special additional employer contribution under this paragraph is payable in addition to any employer contribution required under paragraphs (c), (d), and (e), and is payable on or before the following June 30. The special additional employer contribution under this paragraph must be allocated as specified in paragraph ~~(g)~~ (h).

~~(g)~~ (h) The employer supplemental contribution under paragraph (e) or the special additional employer contribution under paragraph ~~(f)~~ (g) must be allocated between the

city of Minneapolis, Special School District No. 1, Minneapolis, any Minneapolis-owned public utility, improvement, or municipal activity, the Minnesota State Colleges and Universities system, Hennepin County, the Metropolitan Council, and the Metropolitan Airports Commission in proportion to their share of the actuarial accrued liability of the former Minneapolis Employees Retirement Fund as of July 1, 2009, as calculated by the approved actuary retained under section 356.214 as part of the actuarial valuation prepared as of July 1, 2009, under section 356.215 and the Standards for Actuarial Work adopted by the Legislative Commission on Pensions and Retirement.

~~(h)~~ (i) The employer contributions under paragraphs (c), (d), ~~and (e)~~, and (g) must be paid as provided in section 353.28.

~~(i)~~ (j) Contributions under this subdivision are subject to the provisions of section 353.27, subdivisions 4, 7, 7a, 7b, 11, 12, 12a, 12b, 13, and 14.

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

Sec. 6. Minnesota Statutes 2010, section 353.656, subdivision 2, is amended to read:

Subd. 2. **Benefits paid under workers' compensation law.** (a) If a member, ~~as described in subdivision 1, is injured under circumstances which entitle the member to receive benefits under the~~ becomes disabled and receives a disability benefit as specified in this section and is also entitled to receive lump sum or periodic benefits under workers' compensation law, the member shall receive the same benefits as provided in subdivision 1, with disability benefits paid reimbursed and future benefits reduced by all periodic or lump-sum amounts, other than those amounts excluded under paragraph (b), paid to the member under the workers' compensation law, after deduction of amount of attorney fees, authorized under applicable workers' compensation laws, paid by a disabiltant if the total of laws, the single life annuity actuarial equivalent disability benefit amount and the workers' compensation benefit exceeds: amount must be added. The computation must exclude any attorney fees paid by the disabiltant as authorized under applicable workers' compensation laws. The computation must also exclude permanent partial disability payments provided under section 176.101, subdivision 2a, and retraining payments under section 176.102, subdivision 11, if the permanent partial disability or retraining payments are reported to the executive director in a manner specified by the executive director.

(b) The equivalent salary is the amount determined under clause (1) or (2), whichever is greater:

(1) the salary the disabled member received as of the date of the disability; or

(2) the salary currently payable for the same employment position or ~~an employment position~~ substantially similar to the one the person held as of the date of the disability,

~~whichever is greater. The disability benefit must be reduced to that amount which, when added to the workers' compensation benefits, does not exceed the greater of the salaries described in clauses (1) and (2) positions in the applicable government subdivision.~~

~~(b) Permanent partial disability payments provided for in section 176.101, subdivision 2a, and retraining payments provided for in section 176.102, subdivision 11, must not be offset from disability payments due under paragraph (a) if the amounts of the permanent partial or retraining payments are reported to the executive director in a manner specified by the executive director.~~

(c ) If the amount determined under paragraph (a) exceeds the equivalent salary determined under paragraph (b), the disability benefit amount must be reduced to that amount which, when added to the workers' compensation benefits, equals the equivalent salary.

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

## **ARTICLE 7**

### **REVISIONS IN THE PERA PRIVATIZATION LAW**

Section 1. Minnesota Statutes 2010, section 353F.02, subdivision 4, is amended to read:

Subd. 4. **Medical facility.** "Medical facility" means:

(1) Bridges Medical Services;

(2) Cedarview Care Center in Steele County;

~~(2)~~ (3) the City of Cannon Falls Hospital;

~~(3)~~ (4) the Chris Jenson Health and Rehabilitation Center in St. Louis County;

~~(4)~~ (5) Clearwater County Memorial Hospital doing business as Clearwater Health

Services in Bagley;

~~(5)~~ (6) the Dassel Lakeside Community Home;

~~(6)~~ (7) the Douglas County Hospital, with respect to the Mental Health Unit;

~~(7)~~ (8) the Fair Oaks Lodge, Wadena;

~~(8)~~ (9) the Glencoe Area Health Center;

~~(9)~~ (10) Hutchinson Area Health Care;

~~(10)~~ (11) the Lakefield Nursing Home;

~~(11)~~ (12) the Lakeview Nursing Home in Gaylord;

~~(12)~~ (13) the Luverne Public Hospital;

~~(13)~~ (14) the Oakland Park Nursing Home;

~~(14)~~ (15) the RenVilla Nursing Home;

~~(15)~~ (16) the Rice Memorial Hospital in Willmar, with respect to the Department

of Radiology and the Department of Radiation/Oncology;

80.1 ~~(16)~~ (17) the St. Peter Community Health Care Center;  
80.2 (18) the Traverse Care Center in Traverse County;  
80.3 ~~(17)~~ (19) the Waconia-Ridgeview Medical Center;  
80.4 ~~(18)~~ (20) the Weiner Memorial Medical Center, Inc.;  
80.5 ~~(19)~~ (21) the Wheaton Community Hospital; and  
80.6 ~~(20)~~ (22) the Worthington Regional Hospital.

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

80.8 Sec. 2. Minnesota Statutes 2010, section 353F.04, subdivision 1, is amended to read:

80.9 Subdivision 1. **Enhanced augmentation rates.** (a) The deferred annuity of  
80.10 a terminated medical facility or other public employing unit employee is subject  
80.11 to augmentation under section 353.71, subdivision 2, of the edition of Minnesota  
80.12 Statutes published in the year in which the privatization occurred, except that the rate  
80.13 of augmentation is as specified in ~~paragraph (b) or (c), whichever is applicable~~ this  
80.14 subdivision.

80.15 (b) This paragraph applies if the legislation adding the medical facility or other  
80.16 employing unit to section 353F.02, subdivision 4 or 5, as applicable, was enacted before  
80.17 July 26, 2005, and became effective before January 1, 2008, for the Hutchinson Area  
80.18 Health Care or before January 1, 2007, for all other medical facilities and all other  
80.19 employing units. For a terminated medical facility or other public employing unit  
80.20 employee, the augmentation rate is 5.5 percent compounded annually until January 1  
80.21 following the year in which the person attains age 55. From that date to the effective date  
80.22 of retirement, the augmentation rate is 7.5 percent compounded annually.

80.23 (c) If paragraph (b) is not applicable, and if the effective date of the privatization is  
80.24 before January 1, 2011, the augmentation rate is four percent compounded annually until  
80.25 January 1, following the year in which the person attains age 55. From that date to the  
80.26 effective date of retirement, the augmentation rate is six percent compounded annually.

80.27 (d) If the effective date of the privatization is after December 31, 2010, the  
80.28 applicable augmentation rate depends on the result of computations specified in section  
80.29 353.025, subdivision 1. If those computations indicate no loss or a net gain to the fund of  
80.30 the general employees retirement plan of the Public Employees Retirement Association,  
80.31 the augmentation rate is 2.0 percent compounded annually until the effective date of  
80.32 retirement. If the computations under that subdivision indicate a net loss to the fund if  
80.33 a 2.0 percent augmentation rate is used, but a net gain or no loss if a 1.0 percent rate is  
80.34 used, then the augmentation rate is 1.0 percent compounded annually until the effective  
80.35 date of retirement.



81.1 (e) The term "effective date of the privatization" as used in this subdivision means  
81.2 the "effective date" as defined in section 353F.02, subdivision 3.

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

81.4 Sec. 3. Minnesota Statutes 2010, section 353F.07, is amended to read:

81.5 **353F.07 EFFECT ON REFUND.**

81.6 Notwithstanding any provision of chapter 353 to the contrary, terminated medical  
81.7 facility or other public employing unit employees may receive a refund of employee  
81.8 accumulated contributions plus interest ~~at the rate of six percent per year compounded~~  
81.9 ~~annually as provided in accordance with~~ section 353.34, subdivision 2, ~~of the edition~~  
81.10 ~~of Minnesota Statutes published in the year in which the privatization occurred;~~ at any  
81.11 time after the transfer of employment to the successor employer ~~to~~ of the terminated  
81.12 medical facility or other public employing unit. If a terminated medical facility or other  
81.13 public employing unit employee has received a refund from a pension plan ~~enumerated~~  
81.14 listed in section 356.30, subdivision 3, the person may not repay that refund unless the  
81.15 person again becomes a member of one of those ~~enumerated~~ listed plans and complies  
81.16 with section 356.30, subdivision 2.

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

81.18 **ARTICLE 8**

81.19 **TRA ADMINISTRATIVE CHANGES AND RELATED MODIFICATIONS**

81.20 Section 1. Minnesota Statutes 2010, section 16A.06, subdivision 9, is amended to read:

81.21 Subd. 9. **First class city teacher retirement funds aids reporting.** Each year,  
81.22 on or before April 15, the commissioner of management and budget shall report to the  
81.23 chairs of the senate Finance Committee and the house of representatives Ways and Means  
81.24 Committee on expenditures for state aids to the ~~Minneapolis and Saint St. Paul Teacher~~  
81.25 ~~Retirement Fund associations~~ Association, and to the Teachers Retirement Association on  
81.26 behalf of the merged Minneapolis Teachers Retirement Fund Association, under sections  
81.27 354.435, 354A.12, and 423A.02, subdivision 3. This report shall include the amounts  
81.28 expended in the most recent fiscal year and estimates of expected expenditures for the  
81.29 current and next fiscal year.

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

81.31 Sec. 2. Minnesota Statutes 2010, section 126C.41, subdivision 3, is amended to read:

Subd. 3. **Retirement levies.** (a) In 1991 and each year thereafter, a district to which this subdivision applies may levy an additional amount required for contributions to the general employees retirement plan of the Public Employees Retirement Association as the successor of the Minneapolis Employees Retirement Fund as a result of the maximum dollar amount limitation on state contributions to that plan imposed under section 353.505. The additional levy must not exceed the most recent amount certified by the executive director of the Public Employees Retirement Association as the district's share of the contribution requirement in excess of the maximum state contribution under section 353.505.

(b) For taxes payable in 1994 and thereafter, Special School District No. 1, Minneapolis, and Independent School District No. 625, St. Paul, may levy for the increase in the employer retirement fund contributions, under Laws 1992, chapter 598, article 5, section 1.

(c) If the employer retirement fund contributions under section 354A.12, subdivision 2a, are increased for fiscal year 1994 or later fiscal years, Special School District No. 1, Minneapolis, and Independent School District No. 625, St. Paul, may levy in payable 1994 or later an amount equal to the amount derived by applying the net increase in the employer retirement fund contribution rate of the respective teacher retirement fund association between fiscal year 1993 and the fiscal year beginning in the year after the levy is certified to the total covered payroll of the applicable teacher retirement fund association. If an applicable school district levies under this paragraph, they may not levy under paragraph (b).

(d) In addition to the levy authorized under paragraph (c), Special School District No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the contributions under section ~~423A.02~~ 354.435, subdivision ~~3~~ 2, and may also levy in payable 1994 or later an amount equal to the state aid contribution under section ~~354A.12~~ 354.435, subdivision ~~3b~~ 1. Independent School District No. 625, St. Paul, may levy payable in 1997 or later an amount equal to the supplemental contributions under section 423A.02, subdivision 3.

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

**Sec. 3. [354.435] ADDITIONAL CONTRIBUTIONS BY SPECIAL SCHOOL DISTRICT NO. 1 AND CITY OF MINNEAPOLIS.**

**Subdivision 1. Special direct state matching aid.** (a) Special School District No. 1, Minneapolis, and the city of Minneapolis must make additional employer contributions to the Teachers Retirement Association in the amounts specified in paragraph (b). These

83.1 contributions can be made from any available source. If made in whole or in part by a  
83.2 levy, the levy may be classified as that of a special taxing district for purposes of sections  
83.3 275.065 and 276.04, and for all other property tax purposes.

83.4 (b) Each fiscal year \$1,250,000 must be contributed by Special School District  
83.5 No. 1, Minneapolis, and \$1,250,000 must be contributed by the city of Minneapolis to  
83.6 the Teachers Retirement Association and the state shall match this total by paying to  
83.7 the Teachers Retirement Association \$2,500,000. The superintendent of Special School  
83.8 District No. 1, Minneapolis, the mayor of the city of Minneapolis, and the executive  
83.9 director of the Teachers Retirement Association shall jointly certify to the commissioner  
83.10 of management and budget the total amount that has been contributed by Special School  
83.11 District No. 1, Minneapolis, and by the city of Minneapolis to the Teachers Retirement  
83.12 Association. Any certification to the commissioner of management and budget must  
83.13 be made quarterly. If the certifications for a fiscal year exceed the maximum annual  
83.14 direct state matching aid amount in any quarter, the amount of direct state matching aid  
83.15 payable to the Teachers Retirement Association must be limited to the balance of the  
83.16 maximum annual direct state matching aid amount available. The amount required under  
83.17 this paragraph, subject to the maximum direct state matching aid amount, is appropriated  
83.18 annually to the commissioner of management and budget.

83.19 (c) The commissioner of management and budget may prescribe the form of the  
83.20 certifications required under paragraph (b).

83.21 Subd. 2. **Additional contributions.** In addition to any other required contributions,  
83.22 on or before June 30 each fiscal year, Special School District No. 1, Minneapolis, and the  
83.23 city of Minneapolis must each make an additional contribution to the Teachers Retirement  
83.24 Association of \$1,000,000.

83.25 Subd. 3. **Procedure for recovery of deficient or delinquent amounts.** If Special  
83.26 School District No. 1, Minneapolis, or the city of Minneapolis fails to pay the full amount  
83.27 required under subdivision 1, paragraph (b), or subdivision 2, in a timely manner, the  
83.28 executive director is authorized to use section 354.512, or any other process in law to  
83.29 ensure full payment is obtained.

83.30 Subd. 4. **Expiration; repealer.** This section expires and is repealed effective the  
83.31 first day of the fiscal year next following the fiscal year in which the Teachers Retirement  
83.32 Association has no unfunded actuarial accrued liability as determined by the actuarial  
83.33 valuation prepared under section 356.215, by the approved actuary retained under section  
83.34 356.214.

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

84.1 Sec. 4. Minnesota Statutes 2010, section 354.51, subdivision 5, is amended to read:

84.2 Subd. 5. **Payment of shortages.** (a) Except as provided in paragraph (b), in the  
84.3 event that full required member contributions are not deducted from the salary of a  
84.4 teacher, payment must be made as follows:

84.5 (1) Payment of shortages in member deductions on salary earned after June 30,  
84.6 1957, and before July 1, 1981, may be made any time before retirement. Payment must  
84.7 include interest at an annual rate of 8.5 percent compounded annually from the end of the  
84.8 fiscal year in which the shortage occurred to the end of the month in which payment is  
84.9 made and the interest must be credited to the fund. If payment of a shortage in deductions  
84.10 is not made, the formula service credit of the member must be prorated under section  
84.11 354.05, subdivision 25, clause (3).

84.12 (2) Payment of shortages in member deductions on salary earned after June 30,  
84.13 1981, are the sole obligation of the employing unit and are payable by the employing  
84.14 unit upon notification by the executive director of the shortage with interest at an annual  
84.15 rate of 8.5 percent compounded annually from the end of the fiscal year in which the  
84.16 shortage occurred to the end of the month in which payment is made and the interest  
84.17 must be credited to the fund. Effective July 1, 1986, the employing unit shall also pay  
84.18 the employer contributions as specified in section 354.42, subdivisions 3 and 5 for the  
84.19 shortages. If the shortage payment is not paid by the employing unit within 60 days of  
84.20 notification, and if the executive director does not use the recovery procedure in section  
84.21 354.512, the executive director shall certify the amount of the shortage ~~payment~~ to the  
84.22 applicable county auditor, who shall spread a levy in the amount of the shortage payment  
84.23 over the taxable property of the taxing district of the employing unit if the employing unit  
84.24 is supported by property taxes, ~~or to the commissioner of management and budget, who~~  
84.25 ~~shall deduct the amount from any state aid or appropriation amount applicable to the~~  
84.26 ~~employing unit if the employing unit is not supported by property taxes.~~

84.27 (3) Payment may not be made for shortages in member deductions on salary earned  
84.28 before July 1, 1957, for shortages in member deductions on salary paid or payable under  
84.29 paragraph (b), or for shortages in member deductions for persons employed by the  
84.30 Minnesota State Colleges and Universities system in a faculty position or in an eligible  
84.31 unclassified administrative position and whose employment was less than 25 percent  
84.32 of a full academic year, exclusive of the summer session, for the applicable institution  
84.33 that exceeds the most recent 36 months.

84.34 (b) For a person who is employed by the Minnesota State Colleges and Universities  
84.35 system in a faculty position or in an eligible unclassified administrative position and  
84.36 whose employment was less than 25 percent of a full academic year, exclusive of the

summer session, for the applicable institution, upon the person's election under section 354B.21 of retirement coverage under this chapter, the shortage in member deductions on the salary for employment by the Minnesota State Colleges and Universities system institution of less than 25 percent of a full academic year, exclusive of the summer session, for the applicable institution for the most recent 36 months and the associated employer contributions must be paid by the Minnesota State Colleges and Universities system institution, plus annual compound interest at the rate of 8.5 percent from the end of the fiscal year in which the shortage occurred to the end of the month in which the Teachers Retirement Association coverage election is made. ~~If the shortage payment is not made by the institution within 60 days of notification, the executive director shall certify the amount of the shortage payment to the commissioner of management and budget, who shall deduct the amount from any state appropriation to the system.~~ An individual electing coverage under this paragraph shall repay the amount of the shortage in member deductions, plus interest, through deduction from salary or compensation payments within the first year of employment after the election under section 354B.21, subject to the limitations in section 16D.16. The Minnesota State Colleges and Universities system may use any means available to recover amounts which were not recovered through deductions from salary or compensation payments. No payment of the shortage in member deductions under this paragraph may be made for a period longer than the most recent 36 months.

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

Sec. 5. **[354.512] RECOVERY OF DEFICIENCIES.**

In addition to any other remedies permitted under law, if an employing unit or other entity required by law to make any form of payment to the Teachers Retirement Association fails to make full payment within 60 days of notification, the executive director is authorized to certify the amount of deficiency to the commissioner of management and budget, who shall deduct the amount from any state aid or appropriation applicable to the employing unit or entity, and transmit the withheld aid or appropriation to the executive director for deposit in the fund.

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

Sec. 6. Minnesota Statutes 2010, section 354.55, subdivision 11, is amended to read:

Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's

86.1 accumulated deductions in the fund for the purpose of receiving a deferred annuity  
86.2 at retirement.

86.3 (b) The amount of the deferred retirement annuity is determined by section 354.44,  
86.4 subdivision 6, and augmented as provided in this subdivision. The required reserves for  
86.5 the annuity which had accrued when the member ceased to render teaching service must  
86.6 be augmented, as further specified in this subdivision, by the applicable interest ~~rate~~ rates  
86.7 compounded annually from the first day of the month following the month during which  
86.8 the member ceased to render teaching service to the effective date of retirement.

86.9 (c) No augmentation is ~~not~~ creditable if the deferral period is less than three months  
86.10 or if deferral commenced before July 1, 1971.

86.11 (d) For persons who became ~~covered employees~~ members before July 1, 2006, and  
86.12 who terminated service before May 15, 2010, with a deferral period commencing after  
86.13 June 30, 1971, the annuity must be augmented as follows:

86.14 (1) five percent interest compounded annually until January 1, 1981;

86.15 (2) three percent interest compounded annually from January 1, 1981, until January  
86.16 1 of the year following the year in which the deferred annuitant attains age 55; and

86.17 (3) five percent interest compounded annually from the date established in clause (2)  
86.18 to the effective date of retirement.

86.19 (e) For persons who became members before July 1, 2006, and who terminate  
86.20 service after May 14, 2010, the annuity must be augmented as follows:

86.21 (1) three percent interest compounded annually to January 1 of the year following  
86.22 the year in which the deferred annuitant attains age 55;

86.23 (2) five percent interest compounded annually from the date established in clause (1)  
86.24 to the effective date of retirement or until June 30, 2012, whichever is earlier; and

86.25 ~~(4)~~ (3) two percent interest compounded annually after June 30, 2012, to the  
86.26 effective date of retirement.

86.27 (f) For persons who became members after June 30, 2006, and who terminated  
86.28 service before May 15, 2010, the interest rate used to augment the deferred annuity is 2.5  
86.29 percent interest compounded annually to the effective date of retirement.

86.30 ~~(g)~~ (g) For persons who become covered employees after June 30, 2006, and who  
86.31 terminate service after May 14, 2010, the interest rate used to augment the deferred  
86.32 annuity is 2.5 percent interest compounded annually until June 30, 2012, or until the  
86.33 effective date of retirement, whichever is earlier, and two percent interest compounded  
86.34 annually after June 30, 2012, to the effective date of retirement.

86.35 ~~(h)~~ (h) If a person has more than one period of uninterrupted service, a separate  
86.36 average salary determined under section 354.44, subdivision 6, must be used for each

period and the required reserves related to each period must be augmented as specified in this subdivision. The sum of the augmented required reserves is the present value of the annuity. For the purposes of this subdivision, "period of uninterrupted service" means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

~~(g)~~ (i) If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has allowable service credit in the Teachers Retirement Association.

~~(h)~~ (j) If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service must be those applicable to new members.

~~(i)~~ (k) The mortality table and interest rate actuarial assumption used to compute the annuity must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate actuarial assumption under section 356.215 in effect when the member retires.

~~(j)~~ (l) In no case may the annuity payable under this subdivision be less than the amount of annuity payable under section 354.44, subdivision 6.

~~(k)~~ (m) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

~~(l)~~ (n) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

~~(m)~~ (o) The augmentation provided by this subdivision does not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

~~(n)~~ (p) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained under section 356.214.

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

Sec. 7. Minnesota Statutes 2010, section 354A.12, subdivision 3c, is amended to read:

Subd. 3c. **Termination of supplemental contributions and direct matching and state aid.** ~~The supplemental contributions payable to the Minneapolis Teachers Retirement Fund Association by Special School District No. 1 and the city of Minneapolis under section 423A.02, subdivision 3, must be paid to the Teachers Retirement Association and must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214, or 2037, whichever occurs earlier.~~ The supplemental contributions payable to the St. Paul Teachers Retirement Fund Association by Independent School District No. 625 under section 423A.02, subdivision 3, or the direct state aid under subdivision 3a to the St. Paul Teachers Retirement Fund Association must continue until the current assets of the fund equal or exceed the actuarial accrued liability of the fund as determined in the most recent actuarial report for the fund by the actuary retained under section 356.214 or until 2037, whichever occurs earlier.

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

Sec. 8. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is amended to read:

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

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
Fairmont Police Relief Association	5.0	5.0
Virginia Fire Department Relief Association	5.0	5.0



89.1	Bloomington Fire Department Relief		
89.2	Association	6.0	6.0
89.3	local monthly benefit volunteer firefighters		
89.4	relief associations	5.0	5.0

89.5 (b) Before July 1, 2010, the actuarial valuation must use the applicable following

89.6 single rate future salary increase assumption, the applicable following modified single

89.7 rate future salary increase assumption, or the applicable following graded rate future

89.8 salary increase assumption:

89.9 (1) single rate future salary increase assumption

89.10	plan	future salary increase assumption
89.11	legislators retirement plan	5.0%
89.12	judges retirement plan	4.0
89.13	Fairmont Police Relief Association	3.5
89.14	Virginia Fire Department Relief Association	3.5
89.15	Bloomington Fire Department Relief	
89.16	Association	4.0

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

89.18 future salary increase assumption

89.19	plan	future salary increase assumption
89.20	correctional state employees retirement plan	assumption D
89.21	State Patrol retirement plan	assumption C
89.22	local government correctional service retirement plan	assumption C
89.23	Duluth teachers retirement plan	assumption A
89.24	St. Paul teachers retirement plan	assumption B

89.25 For plans other than the Duluth teachers

89.26 retirement plan, the select calculation

89.27 is: during the designated select period, a

89.28 designated percentage rate is multiplied by

89.29 the result of the designated integer minus T,

89.30 where T is the number of completed years of

89.31 service, and is added to the applicable future

89.32 salary increase assumption. ~~The designated~~

89.33 ~~select period is five years and the designated~~

89.34 ~~integer is five for the general state employees~~

89.35 ~~retirement plan.~~ The designated select period

89.36 is ten years and the designated integer is ten

89.37 for all ~~other~~ retirement plans covered by

89.38 this clause. The designated percentage rate

90.1 is: (1) 0.2 percent for the correctional state  
90.2 employees retirement plan, the State Patrol  
90.3 retirement plan, and the local government  
90.4 correctional service retirement plan; and (2)  
90.5 ~~0.6 percent for the general state employees~~  
90.6 ~~retirement plan; and (3) 0.3 percent for the~~  
90.7 ~~teachers retirement plan, the Duluth Teachers~~  
90.8 ~~Retirement Fund Association, and the St.~~  
90.9 Paul Teachers Retirement Fund Association.  
90.10 The select calculation for the Duluth Teachers  
90.11 Retirement Fund Association is 8.00 percent  
90.12 per year for service years one through seven,  
90.13 7.25 percent per year for service years seven  
90.14 and eight, and 6.50 percent per year for  
90.15 service years eight and nine.

90.16 The ultimate future salary increase assumption is:

90.17	age	A	B	C	D
90.18	16	8.00%	6.90%	7.7500%	7.2500%
90.19	17	8.00	6.90	7.7500	7.2500
90.20	18	8.00	6.90	7.7500	7.2500
90.21	19	8.00	6.90	7.7500	7.2500
90.22	20	6.90	6.90	7.7500	7.2500
90.23	21	6.90	6.90	7.1454	6.6454
90.24	22	6.90	6.90	7.0725	6.5725
90.25	23	6.85	6.85	7.0544	6.5544
90.26	24	6.80	6.80	7.0363	6.5363
90.27	25	6.75	6.75	7.0000	6.5000
90.28	26	6.70	6.70	7.0000	6.5000
90.29	27	6.65	6.65	7.0000	6.5000
90.30	28	6.60	6.60	7.0000	6.5000
90.31	29	6.55	6.55	7.0000	6.5000
90.32	30	6.50	6.50	7.0000	6.5000
90.33	31	6.45	6.45	7.0000	6.5000
90.34	32	6.40	6.40	7.0000	6.5000
90.35	33	6.35	6.35	7.0000	6.5000
90.36	34	6.30	6.30	7.0000	6.5000
90.37	35	6.25	6.25	7.0000	6.5000
90.38	36	6.20	6.20	6.9019	6.4019
90.39	37	6.15	6.15	6.8074	6.3074
90.40	38	6.10	6.10	6.7125	6.2125

91.1	39	6.05	6.05	6.6054	6.1054
91.2	40	6.00	6.00	6.5000	6.0000
91.3	41	5.90	5.95	6.3540	5.8540
91.4	42	5.80	5.90	6.2087	5.7087
91.5	43	5.70	5.85	6.0622	5.5622
91.6	44	5.60	5.80	5.9048	5.4078
91.7	45	5.50	5.75	5.7500	5.2500
91.8	46	5.40	5.70	5.6940	5.1940
91.9	47	5.30	5.65	5.6375	5.1375
91.10	48	5.20	5.60	5.5822	5.0822
91.11	49	5.10	5.55	5.5404	5.0404
91.12	50	5.00	5.50	5.5000	5.0000
91.13	51	4.90	5.45	5.4384	4.9384
91.14	52	4.80	5.40	5.3776	4.8776
91.15	53	4.70	5.35	5.3167	4.8167
91.16	54	4.60	5.30	5.2826	4.7826
91.17	55	4.50	5.25	5.2500	4.7500
91.18	56	4.40	5.20	5.2500	4.7500
91.19	57	4.30	5.15	5.2500	4.7500
91.20	58	4.20	5.10	5.2500	4.7500
91.21	59	4.10	5.05	5.2500	4.7500
91.22	60	4.00	5.00	5.2500	4.7500
91.23	61	3.90	5.00	5.2500	4.7500
91.24	62	3.80	5.00	5.2500	4.7500
91.25	63	3.70	5.00	5.2500	4.7500
91.26	64	3.60	5.00	5.2500	4.7500
91.27	65	3.50	5.00	5.2500	4.7500
91.28	66	3.50	5.00	5.2500	4.7500
91.29	67	3.50	5.00	5.2500	4.7500
91.30	68	3.50	5.00	5.2500	4.7500
91.31	69	3.50	5.00	5.2500	4.7500
91.32	70	3.50	5.00	5.2500	4.7500
91.33	(3) service-related ultimate future salary increase assumption				
91.34	general state employees retirement plan of the Minnesota State Retirement System				assumption A
91.35					
91.36	general employees retirement plan of the Public Employees Retirement Association				assumption B
91.37					
91.38	Teachers Retirement Association				assumption C
91.39	public employees police and fire retirement plan				assumption D
91.40	service				
91.41	length	A	B	C	D
91.42	1	10.75%	12.25%	12.00%	13.00%
91.43	2	8.35	9.15	9.00	11.00

92.1	3	7.15	7.75	8.00	9.00
92.2	4	6.45	6.85	7.50	8.00
92.3	5	5.95	6.25	7.25	6.50
92.4	6	5.55	5.75	7.00	6.10
92.5	7	5.25	5.45	6.85	5.80
92.6	8	4.95	5.15	6.70	5.60
92.7	9	4.75	4.85	6.55	5.40
92.8	10	4.65	4.65	6.40	5.30
92.9	11	4.45	4.45	6.25	5.20
92.10	12	4.35	4.35	6.00	5.10
92.11	13	4.25	4.15	5.75	5.00
92.12	14	4.05	4.05	5.50	4.90
92.13	15	3.95	3.95	5.25	4.80
92.14	16	3.85	3.85	5.00	4.80
92.15	17	3.75	3.75	4.75	4.80
92.16	18	3.75	3.75	4.50	4.80
92.17	19	3.75	3.75	4.25	4.80
92.18	20	3.75	3.75	4.00	4.80
92.19	21	3.75	3.75	3.90	4.70
92.20	22	3.75	3.75	3.80	4.60
92.21	23	3.75	3.75	3.70	4.50
92.22	24	3.75	3.75	3.60	4.50
92.23	25	3.75	3.75	3.50	4.50
92.24	26	3.75	3.75	3.50	4.50
92.25	27	3.75	3.75	3.50	4.50
92.26	28	3.75	3.75	3.50	4.50
92.27	29	3.75	3.75	3.50	4.50
92.28	30 or more	3.75	3.75	3.50	4.50

92.29 (c) Before July 2, 2010, the actuarial valuation must use the applicable following

92.30 payroll growth assumption for calculating the amortization requirement for the unfunded

92.31 actuarial accrued liability where the amortization retirement is calculated as a level

92.32 percentage of an increasing payroll:

92.33	plan	payroll growth assumption
92.34	general state employees retirement plan of the	
92.35	Minnesota State Retirement System	3.75%
92.36	correctional state employees retirement plan	4.50
92.37	State Patrol retirement plan	4.50
92.38	legislators retirement plan	4.50
92.39	judges retirement plan	4.00
92.40	general employees retirement plan of the Public	
92.41	Employees Retirement Association	3.75
92.42	public employees police and fire retirement plan	3.75

93.1	local government correctional service retirement plan	4.50
93.2	teachers retirement plan	3.75
93.3	Duluth teachers retirement plan	4.50
93.4	St. Paul teachers retirement plan	5.00

93.5 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to  
 93.6 apply, unless a different salary assumption or a different payroll increase assumption:

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

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

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

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

93.13 Sec. 9. Minnesota Statutes 2010, section 356.415, subdivision 1d, is amended to read:

93.14 Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.**

93.15 (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers  
 93.16 Retirement Association are entitled to a postretirement adjustment annually on January  
 93.17 1, as follows:

93.18 (1) for January 1, 2011, and January 1, 2012, no postretirement increase is payable;

93.19 (2) for January 1, 2013, and each successive January 1 until funding stability is  
 93.20 restored, a postretirement increase of two percent must be applied each year, effective  
 93.21 on January 1, to the monthly annuity or benefit amount of each annuitant or benefit  
 93.22 recipient who has been receiving an annuity or a benefit for at least 18 full months prior  
 93.23 to the January 1 increase;

93.24 (3) for January 1, 2013, and each successive January 1 until funding stability is  
 93.25 restored, for each annuitant or benefit recipient who has been receiving an annuity or a  
 93.26 benefit for at least six full months before the January 1 increase, an annual postretirement  
 93.27 increase of 1/12 of two percent for each month the person has been receiving an annuity or  
 93.28 benefit must be applied, effective January 1, ~~following the year in~~ for which the person has  
 93.29 been retired for at least six months but less than 12 18 months;

93.30 (4) for each January 1 following the restoration of funding stability, a postretirement  
 93.31 increase of 2.5 percent must be applied each year, effective January 1, to the monthly  
 93.32 annuity or benefit amount of each annuitant or benefit recipient who has been receiving an  
 93.33 annuity or a benefit for at least 18 full months prior to the January 1 increase; and

93.34 (5) for each January 1 following the restoration of funding stability, for each  
 93.35 annuitant or benefit recipient who has been receiving an annuity or a benefit for at least six

94.1 full months before the January 1 increase, an annual postretirement increase of 1/12 of  
94.2 2.5 percent for each month the person has been receiving an annuity or benefit must be  
94.3 applied, effective January 1, ~~following the year in~~ for which the person has been retired  
94.4 for at least six months but less than 12 18 months.

94.5 (b) Funding stability is restored when the market value of assets of the Teachers  
94.6 Retirement Association equals or exceeds 90 percent of the actuarial accrued liabilities of  
94.7 the Teachers Retirement Association in the most recent prior actuarial valuation prepared  
94.8 under section 356.215 and the standards for actuarial work by the approved actuary  
94.9 retained by the Teachers Retirement Association under section 356.214.

94.10 (c) An increase in annuity or benefit payments under this section must be made  
94.11 automatically unless written notice is filed by the annuitant or benefit recipient with the  
94.12 executive director of the Teachers Retirement Association requesting that the increase  
94.13 not be made.

94.14 (d) The retirement annuity payable to a person who retires before becoming eligible  
94.15 for Social Security benefits and who has elected the optional payment as provided in  
94.16 section 354.35 must be treated as the sum of a period-certain retirement annuity and a life  
94.17 retirement annuity for the purposes of any postretirement adjustment. The period-certain  
94.18 retirement annuity plus the life retirement annuity must be the annuity amount payable  
94.19 until age 62, 65, or normal retirement age, as selected by the member at retirement, for an  
94.20 annuity amount payable under section 354.35. A postretirement adjustment granted on  
94.21 the period-certain retirement annuity must terminate when the period-certain retirement  
94.22 annuity terminates.

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

94.24 Sec. 10. Minnesota Statutes 2010, section 423A.02, subdivision 3, is amended to read:

94.25 Subd. 3. **Reallocation of amortization or supplementary amortization state**  
94.26 **aid.** (a) Seventy percent of the difference between \$5,720,000 and the current year  
94.27 amortization aid and supplemental amortization aid distributed under subdivisions 1  
94.28 and 1a that is not distributed for any reason to a municipality for use by a local police  
94.29 or salaried fire relief association must be distributed by the commissioner of revenue  
94.30 according to this paragraph. The commissioner shall distribute 50 percent of the amounts  
94.31 derived under this paragraph to the Teachers Retirement Association, ten percent to the  
94.32 Duluth Teachers Retirement Fund Association, and 40 percent to the St. Paul Teachers  
94.33 Retirement Fund Association to fund the unfunded actuarial accrued liabilities of the  
94.34 respective funds. These payments shall be made on or before June 30 each fiscal year. If  
94.35 the St. Paul Teachers Retirement Fund Association becomes fully funded, its eligibility

for this aid ceases. Amounts remaining in the undistributed balance account at the end of the biennium if aid eligibility ceases cancel to the general fund.

(b) In order to receive amortization and supplementary amortization aid under paragraph (a), prior to June 30 Independent School District No. 625, St. Paul, must make ~~contributions~~ an additional contribution of \$800,000 each year to the St. Paul Teachers Retirement Fund Association in accordance with the following schedule:

<del>Fiscal Year</del>	<del>Amount</del>
<del>1996</del>	\$ 0
<del>1997</del>	\$ 0
<del>1998</del>	\$ 200,000
<del>1999</del>	\$ 400,000
<del>2000</del>	\$ 600,000
<del>2001 and thereafter</del>	\$ 800,000

~~(c) Special School District No. 1, Minneapolis, and the city of Minneapolis must each make contributions to the Teachers Retirement Association in accordance with the following schedule:~~

<del>Fiscal Year</del>	<del>City amount</del>	<del>School district amount</del>
<del>1996</del>	\$ 0	\$ 0
<del>1997</del>	\$ 0	\$ 0
<del>1998</del>	\$ 250,000	\$ 250,000
<del>1999</del>	\$ 400,000	\$ 400,000
<del>2000</del>	\$ 550,000	\$ 550,000
<del>2001</del>	\$ 700,000	\$ 700,000
<del>2002</del>	\$ 850,000	\$ 850,000
<del>2003 and thereafter</del>	\$ 1,000,000	\$ 1,000,000

~~(d)~~ (c) Thirty percent of the difference between \$5,720,000 and the current year amortization aid and supplemental amortization aid under subdivisions 1 and 1a that is not distributed for any reason to a municipality for use by a local police or salaried firefighter relief association must be distributed under section 69.021, subdivision 7, paragraph (d), as additional funding to support a minimum fire state aid amount for volunteer firefighter relief associations.

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

Sec. 11. **RECOVERY OF PRIOR DEFICIENCIES.**

Subdivision 1. Authorization. Due to a determination by the Office of the Legislative Auditor, Financial Audit Division, that the city of Minneapolis has failed to pay, beginning in 1998, the full amounts required under Minnesota Statutes 2010, section

96.1 354A.12, subdivision 3b, and Minnesota Statutes 2010, section 423A.02, subdivision 3,  
96.2 and earlier versions of these provisions, to the Minneapolis Teachers Retirement Fund  
96.3 Association or to its successor organization, the Teachers Retirement Association, the  
96.4 executive director of the Teachers Retirement Association is authorized to obtain payment  
96.5 of the deficiency under procedures specified in this section.

96.6 Subd. 2. **Deficient amount.** The amount of the deficiency is the shortage amount as  
96.7 determined by the Office of the Legislative Auditor, \$727,070, plus additional shortage, if  
96.8 any, by the city of Minneapolis that has occurred since the auditor's determination.

96.9 Subd. 3. **Recovery procedure.** The executive director of the Teachers Retirement  
96.10 Association is authorized to certify the deficiency amount to the commissioner of  
96.11 management and budget, who shall deduct the amount of the deficiency from any state  
96.12 aid for the city of Minneapolis, and transmit the withheld aid to the executive director for  
96.13 deposit in the Teachers Retirement Association pension fund.

96.14 Subd. 4. **Interest.** If interest is not already included in the auditor's determined  
96.15 amount, the executive director of the Teachers Retirement Association is authorized  
96.16 to add, to the amount of the deficiency determined under subdivision 2 and certified  
96.17 under subdivision 3, interest at the preretirement interest rate specified for the Teachers  
96.18 Retirement Association in Minnesota Statutes, section 356.215, expressed in monthly  
96.19 terms and compounded annually, from the first of the month following the date each  
96.20 underpayment occurred until the first of the month following the date that the withheld  
96.21 aid is transmitted to the Teachers Retirement Association.

96.22 Subd. 5. **Expiration.** Authority for the executive director of the Teachers  
96.23 Retirement Association to certify shortages for collection under this section expires two  
96.24 years from the date of enactment.

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

96.26 Sec. 12. **REPEALER.**

96.27 Minnesota Statutes 2010, sections 128D.18; and 354A.12, subdivision 3b, are  
96.28 repealed.

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



97.1 **ARTICLE 9**

97.2 **FEDERAL INTERNAL REVENUE CODE CONFORMITY PROVISIONS**

97.3 Section 1. Minnesota Statutes 2010, section 356.611, subdivision 2, is amended to read:

97.4 Subd. 2. **Federal compensation limits.** (a) For members of a covered pension plan  
97.5 enumerated in section 356.30, subdivision 3, and of the plan established under chapter  
97.6 353D, compensation in excess of the limitation specified in section 401(a)(17) of the  
97.7 Internal Revenue Code, as amended, for changes in the cost of living under section  
97.8 401(a)(17)(B) of the Internal Revenue Code, may not be included for contribution and  
97.9 benefit computation purposes.

97.10 (b) Notwithstanding paragraph (a), for members specified in paragraph (a) who  
97.11 first contributed to a plan specified in that paragraph before July 1, 1995, the annual  
97.12 compensation limit specified in ~~Internal Revenue Code~~ section 401(a)(17) of the Internal  
97.13 Revenue Code on June 30, 1993, applies if that provides a greater allowable annual  
97.14 compensation.

97.15 (c) To the extent required by the federal Internal Revenue Code, sections 3401(h)  
97.16 and 414(u)(12), an individual receiving a differential wage payment as defined in section  
97.17 3401(h)(2) of the federal Internal Revenue Code from an employer shall be treated  
97.18 as employed by that employer, and the differential wage payment will be treated as  
97.19 compensation for purposes of applying the limits on annual additions under section 415(c)  
97.20 of the federal Internal Revenue Code.

97.21 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2009.

97.22 Sec. 2. Minnesota Statutes 2010, section 356.611, subdivision 3, is amended to read:

97.23 Subd. 3. **Maximum benefit limitations.** ~~A member's~~ An annuitant's annual benefit,  
97.24 if necessary, must be reduced to the extent required by section 415(b) of the federal  
97.25 Internal Revenue Code, as adjusted by the United States secretary of the treasury under  
97.26 section 415(d) of the federal Internal Revenue Code for any applicable increases in the  
97.27 cost of living, including applicable increases in the cost of living after the member's  
97.28 termination of employment. For purposes of section 415 of the federal Internal Revenue  
97.29 Code, the limitation year of a pension plan covered by this section must be the fiscal year  
97.30 or calendar year of that plan, whichever is applicable. If an annuitant participated in more  
97.31 than one pension plan in which the employer participates, the benefits under each plan  
97.32 must be reduced proportionately, if necessary, to satisfy the applicable limitation.

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

98.1 Sec. 3. Minnesota Statutes 2010, section 356.611, subdivision 3a, is amended to read:

98.2 Subd. 3a. **Maximum annual addition limitation, defined contribution plans.** The  
98.3 annual additions on behalf of a member to ~~the~~ a defined contribution plan established  
98.4 ~~under chapter 352D or 353D for any limitation year beginning after December 31, 2001,~~  
98.5 shall not exceed the ~~lesser of 100 percent of the member's compensation, as defined for~~  
98.6 ~~purposes of~~ applicable limitation on annual additions under section 415(c) of the federal  
98.7 Internal Revenue Code; or \$40,000, as adjusted by the United States secretary of the  
98.8 treasury under section 415(d) of the federal Internal Revenue Code.

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

98.10 Sec. 4. Minnesota Statutes 2010, section 356.611, subdivision 4, is amended to read:

98.11 Subd. 4. **Compensation.** ~~(a)~~ For purposes of this section, compensation means a  
98.12 member's compensation actually paid or made available for any limitation year including  
98.13 all items of remuneration described in federal treasury regulation section 1.415 (c)-2(b)  
98.14 and excluding all items of remuneration described in federal treasury regulation section  
98.15 1.415 (c)-2(c). Compensation for pension plan purposes for any limitation year shall not  
98.16 exceed the applicable federal compensation limit described in subdivision 2.

98.17 ~~(b) Compensation for any period includes:~~

98.18 ~~(1) any elective deferral as defined in section 402(g)(3) of the federal Internal~~  
98.19 ~~Revenue Code;~~

98.20 ~~(2) any elective amounts that are not includable in a member's gross income by~~  
98.21 ~~reason of sections 125 or 457 of the federal Internal Revenue Code; and~~

98.22 ~~(3) any elective amounts that are not includable in a member's gross income by~~  
98.23 ~~reason of section 132(f)(4) of the federal Internal Revenue Code.~~

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

98.25 Sec. 5. Minnesota Statutes 2010, section 356.611, is amended by adding a subdivision  
98.26 to read:

98.27 Subd. 5. **Limitation year.** Unless otherwise specifically provided, for purposes of  
98.28 section 415 of the federal Internal Revenue Code, the limitation year of a pension plan  
98.29 covered by this section is the calendar year or fiscal year, whichever is applicable.

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

98.31 Sec. 6. Minnesota Statutes 2010, section 356.635, subdivision 6, is amended to read:

98.32 Subd. 6. **Eligible retirement plan.** (a) An "eligible retirement plan" is:

99.1 (1) an individual retirement account under section 408(a) or 408A of the federal  
99.2 Internal Revenue Code;  
99.3 (2) an individual retirement annuity plan under section 408(b) of the federal Internal  
99.4 Revenue Code;  
99.5 (3) an annuity plan under section 403(a) of the federal Internal Revenue Code;  
99.6 (4) a qualified trust plan under section 401(a) of the federal Internal Revenue Code  
99.7 that accepts the distributee's eligible rollover distribution;  
99.8 (5) an annuity contract under section 403(b) of the federal Internal Revenue Code;  
99.9 (6) an eligible deferred compensation plan under section 457(b) of the federal  
99.10 Internal Revenue Code, which is maintained by a state or local government and which  
99.11 agrees to separately account for the amounts transferred into the plan; or  
99.12 (7) in the case of an eligible rollover distribution to a nonspousal beneficiary, an  
99.13 individual account or annuity treated as an inherited individual retirement account under  
99.14 section 402(c)(11) of the federal Internal Revenue Code.  
99.15 (b) For distributions of after-tax contributions which are not includable in gross  
99.16 income, the after-tax portion may be transferred only to an individual retirement  
99.17 account or annuity described in section 408(a) or (b) of the federal Internal Revenue  
99.18 Code, to a Roth individual retirement account described in section 408A of the federal  
99.19 Internal Revenue Code, or to a qualified ~~defined contribution~~ plan described in either  
99.20 section 401(a) or 403(a) of the federal Internal Revenue Code, that agrees to separately  
99.21 account for the amounts transferred, including separately accounting for the portion of  
99.22 the distribution which is includable in gross income and the portion of the distribution  
99.23 which is not includable.

99.24 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2008.

99.25 Sec. 7. Minnesota Statutes 2010, section 356.635, subdivision 9, is amended to read:

99.26 Subd. 9. **Military service.** Contributions, benefits, including death and disability  
99.27 benefits under section 401(a)(37) of the Internal Revenue Code, and service credit with  
99.28 respect to qualified military service must be provided according to section 414(u) of the  
99.29 Internal Revenue Code.

99.30 **EFFECTIVE DATE.** This section is effective retroactively from January 1, 2007.

## 99.31 **ARTICLE 10**

### 99.32 **AUTHORIZED PUBLIC PENSION FUND INVESTMENT REVISIONS**

99.33 Section 1. Minnesota Statutes 2010, section 11A.07, subdivision 4, is amended to read:

100.1 Subd. 4. **Duties and powers.** The director, at the direction of the state board, shall:

100.2 (1) plan, direct, coordinate, and execute administrative and investment functions

100.3 in conformity with the policies and directives of the state board and the requirements of

100.4 this chapter and of chapter 356A;

100.5 (2) prepare and submit biennial and annual budgets to the board and with the

100.6 approval of the board submit the budgets to the Department of Management and Budget;

100.7 (3) employ professional and clerical staff as necessary. Employees whose primary

100.8 responsibility is to invest or manage money or employees who hold positions designated

100.9 as unclassified under section 43A.08, subdivision 1a, are in the unclassified service of the

100.10 state. Other employees are in the classified service. Unclassified employees who are

100.11 not covered by a collective bargaining agreement are employed under the terms and

100.12 conditions of the compensation plan approved under section 43A.18, subdivision 3b;

100.13 (4) report to the state board on all operations under the director's control and

100.14 supervision;

100.15 (5) maintain accurate and complete records of securities transactions and official

100.16 activities;

100.17 (6) establish a policy relating to the purchase and sale of securities on the basis of

100.18 competitive offerings or bids. The policy is subject to board approval;

100.19 (7) cause securities acquired to be kept in the custody of the commissioner of

100.20 management and budget or other depositories consistent with chapter 356A, as the state

100.21 board deems appropriate;

100.22 (8) prepare and file with the director of the Legislative Reference Library, by

100.23 December 31 of each year, a report summarizing the activities of the state board, the

100.24 council, and the director during the preceding fiscal year. The report must be prepared

100.25 so as to provide the legislature and the people of the state with a clear, comprehensive

100.26 summary of the portfolio composition, the transactions, the total annual rate of return,

100.27 and the yield to the state treasury and to each of the funds whose assets are invested by

100.28 the state board, and the recipients of business placed or commissions allocated among

100.29 the various commercial banks, investment bankers, money managers, and brokerage

100.30 organizations and the amount of these commissions or other fees. ~~The report must contain~~

100.31 ~~financial statements for funds managed by the board prepared in accordance with generally~~

100.32 ~~accepted accounting principles.~~ The report must include an executive summary;

100.33 (9) include on the state board's Web site its annual report and an executive summary

100.34 of its quarterly reports;

101.1 (10) require state officials from any department or agency to produce and provide  
101.2 access to any financial documents the state board deems necessary in the conduct of  
101.3 its investment activities;

101.4 (11) receive and expend legislative appropriations; and

101.5 (12) undertake any other activities necessary to implement the duties and powers  
101.6 set forth in this subdivision consistent with chapter 356A.

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

101.8 Sec. 2. Minnesota Statutes 2010, section 11A.14, subdivision 14, is amended to read:

101.9 Subd. 14. **Reports required.** As of each valuation date, or as often as the state  
101.10 board determines, each participant shall be informed of the number of units owned and the  
101.11 current value of the units. ~~Annually, the state board shall provide each participant financial~~  
101.12 ~~statements prepared in accordance with generally accepted accounting principles.~~

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

101.14 Sec. 3. Minnesota Statutes 2010, section 11A.24, is amended to read:

101.15 **11A.24 AUTHORIZED INVESTMENTS.**

101.16 Subdivision 1. **Securities generally.** ~~(a) The state board shall have the authority is~~  
101.17 authorized to purchase, sell, lend ~~or~~ and exchange the ~~following~~ securities specified in this  
101.18 section, for funds or accounts specifically made subject to this section, including puts and  
101.19 call options and future contracts traded on a contract market regulated by a governmental  
101.20 agency or by a financial institution regulated by a governmental agency. These securities  
101.21 may be owned directly or through shares in exchange-traded or mutual funds, or as units  
101.22 in commingled trusts ~~that own the securities described in subdivisions 2 to 6~~, subject to  
101.23 any limitations as specified in this section.

101.24 (b) Any agreement to lend securities must be concurrently collateralized with cash  
101.25 or securities with a market value of not less than 100 percent of the market value of the  
101.26 loaned securities at the time of the agreement. Any agreement for put and call options  
101.27 and futures contracts may only be entered into with a fully offsetting amount of cash or  
101.28 securities. Only securities authorized by this section, excluding those under subdivision 6,  
101.29 paragraph (a), clauses (1) to ~~(4)~~ (3), may be accepted as collateral or offsetting securities.

101.30 Subd. 2. **Government obligations.** The state board ~~may~~ is authorized to invest  
101.31 funds in governmental bonds, notes, bills, mortgages, and other evidences of indebtedness  
101.32 ~~provided~~ if the issue is backed by the full faith and credit of the issuer or if the issue  
101.33 is rated among the top four quality rating categories by a nationally recognized rating

102.1 agency. The obligations in which the board may invest under this subdivision ~~include~~ are  
 102.2 guaranteed or insured issues of ~~(a)~~:

102.3 (1) the United States, its agencies, its instrumentalities, or organizations created  
 102.4 and regulated by an act of Congress; ~~(b)~~

102.5 (2) the Dominion of Canada and or any of its provinces, provided the principal and  
 102.6 interest is are payable in United States dollars; ~~(c)~~

102.7 (3) any of the states and or any of their municipalities, political subdivisions,  
 102.8 agencies or instrumentalities; ~~(d) the International Bank for Reconstruction and~~  
 102.9 ~~Development, the Inter-American Development Bank, the Asian Development Bank, the~~  
 102.10 ~~African Development Bank, or and~~

102.11 (4) any other United States government sponsored organization of which the United  
 102.12 States is a member, provided if the principal and interest is are payable in United States  
 102.13 dollars.

102.14 Subd. 3. **Corporate obligations.** (a) The state board ~~may~~ is authorized to invest  
 102.15 funds in bonds, notes, debentures, transportation equipment obligations, ~~or~~ and any other  
 102.16 longer term evidences of indebtedness issued or guaranteed by a corporation organized  
 102.17 under the laws of the United States or any state ~~thereof~~ of the United States, or the  
 102.18 Dominion of Canada or any Canadian province ~~thereof~~ provided that if:

102.19 (1) the principal and interest of obligations of corporations incorporated or organized  
 102.20 under the laws of the Dominion of Canada or any Canadian province thereof shall be  
 102.21 are payable in United States dollars; and

102.22 (2) the obligations shall be are rated among the top four quality categories by a  
 102.23 nationally recognized rating agency.

102.24 (b) The state board may invest in unrated corporate obligations or in corporate  
 102.25 obligations that are not rated among the top four quality categories as provided in  
 102.26 paragraph (a), clause (2), ~~provided that if~~:

102.27 (1) the aggregate value of these obligations may does not exceed five percent of the  
 102.28 market or book value, whichever is less, of the fund for which the state board is investing;

102.29 (2) the state board's participation is limited to 50 percent of a single offering subject  
 102.30 to this paragraph; and

102.31 (3) the state board's participation is limited to 25 percent of an issuer's obligations  
 102.32 subject to this paragraph.

102.33 Subd. 4. **Other obligations.** (a) The state board ~~may~~ is authorized to invest funds  
 102.34 ~~in bankers acceptances, certificates of deposit, deposit notes, commercial paper, mortgage~~  
 102.35 ~~securities and asset backed securities, repurchase agreements and reverse repurchase~~  
 102.36 ~~agreements, guaranteed investment contracts, savings accounts, and guaranty fund~~

103.1 ~~certificates, surplus notes, or debentures of domestic mutual insurance companies if they~~  
 103.2 ~~conform to the following provisions:~~

103.3 (1) ~~bankers acceptances and deposit notes of United States banks are limited to those~~  
 103.4 ~~if issued by banks~~ a United States bank that is rated in the highest four quality categories  
 103.5 by a nationally recognized rating agency;

103.6 (2) ~~certificates of deposit are limited to those if issued by (i) a United States banks~~  
 103.7 ~~and savings institutions that are~~ bank or savings institution that is rated in the top four  
 103.8 quality categories by a nationally recognized rating agency or whose certificates of deposit  
 103.9 are fully insured by federal agencies; ~~or (ii) certificates of deposits issued by a credit~~  
 103.10 ~~unions union in amounts up to an amount within the limit of the insurance coverage~~  
 103.11 provided by the National Credit Union Administration;

103.12 (3) ~~commercial paper is limited to those if issued by a United States corporations~~  
 103.13 ~~corporation or their~~ its Canadian subsidiaries subsidiary and if rated in the highest two  
 103.14 quality categories by a nationally recognized rating agency;

103.15 (4) ~~mortgage securities shall be~~ and asset-backed securities if rated in the top four  
 103.16 quality categories by a nationally recognized rating agency;

103.17 (5) ~~collateral for repurchase agreements and reverse repurchase agreements is~~  
 103.18 ~~limited to~~ if collateralized with letters of credit and or securities authorized in this section;

103.19 (6) ~~guaranteed investment contracts are limited to those if issued by an insurance~~  
 103.20 ~~companies company or banks~~ a bank that is rated in the top four quality categories by a  
 103.21 nationally recognized rating agency or to alternative guaranteed investment contracts  
 103.22 ~~where~~ if the underlying assets comply with the requirements of this section;

103.23 (7) ~~savings accounts are limited to those if fully insured by a federal agencies~~  
 103.24 agency; and

103.25 (8) ~~asset backed securities shall be rated in the top four quality categories by a~~  
 103.26 ~~nationally recognized rating agency~~ guaranty fund certificates, surplus notes, or debentures  
 103.27 if issued by a domestic mutual insurance company.

103.28 (b) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates  
 103.29 of deposit and collateralization agreements executed by the state board under paragraph  
 103.30 (a), clause (2).

103.31 (c) In addition to investments authorized by paragraph (a), clause (4), the state board  
 103.32 ~~may~~ is authorized to purchase from the Minnesota Housing Finance Agency all or any  
 103.33 part of a pool of residential mortgages, not in default, that has previously been financed  
 103.34 by the issuance of bonds or notes of the agency. The state board may also enter into a  
 103.35 commitment with the agency, at the time of any issue of bonds or notes, to purchase at  
 103.36 a specified future date, not exceeding 12 years from the date of the issue, the amount of

mortgage loans then outstanding and not in default that have been made or purchased from the proceeds of the bonds or notes. The state board may charge reasonable fees for any such commitment and may agree to purchase the mortgage loans at a price sufficient to produce a yield to the state board comparable, in its judgment, to the yield available on similar mortgage loans at the date of the bonds or notes. The state board may also enter into agreements with the agency for the investment of any portion of the funds of the agency. The agreement must cover the period of the investment, withdrawal privileges, and any guaranteed rate of return.

Subd. 5. **Corporate stocks.** The state board ~~may~~ is authorized to invest funds in stocks or convertible issues of any corporation organized under the laws of the United States or ~~the any of its states thereof~~, the Dominion of Canada or any of its provinces, or any corporation listed on an exchange that is regulated by an agency of the United States or of the Canadian national government, ~~if they conform to the following provisions:~~

~~(a) The aggregate value of corporate stock investments, as adjusted for realized profits and losses, shall not exceed 85 percent of the market or book value, whichever is less, of a fund, less the aggregate value of investments according to subdivision 6;~~

~~(b) Investments shall~~ An investment in any corporation must not exceed five percent of the total outstanding shares of ~~any one~~ that corporation, except that the state board may hold up to 20 percent of the shares of a real estate investment trust and up to 20 percent of the shares of a closed-end mutual fund.

Subd. 5a. **Asset mix limitations.** The aggregate value of investments under subdivision 5, plus the aggregate value of all investments under subdivision 6, must not exceed 85 percent of the market value of a fund.

Subd. 6. **Other investments.** (a) In addition to the investments authorized in subdivisions 1 to 5, and subject to the provisions in paragraph (b), the state board ~~may~~ is authorized to invest funds in:

(1) ~~venture capital~~ equity and debt investment businesses through participation in limited partnerships, trusts, private placements, limited liability corporations, limited liability companies, limited liability partnerships, and corporations;

(2) real estate ownership interests or loans secured by mortgages or deeds of trust or shares of real estate investment trusts through investment in limited partnerships, ~~bank sponsored~~ bank-sponsored collective funds, trusts, mortgage participation agreements, and insurance company commingled accounts, including separate accounts;

~~(3) regional and mutual funds through bank sponsored collective funds and open-end investment companies registered under the Federal Investment Company Act of 1940, and closed-end mutual funds listed on an exchange regulated by a governmental agency;~~



105.1 ~~(4)~~ (3) resource investments through limited partnerships, trusts, private placements,  
105.2 limited liability corporations, limited liability companies, limited liability partnerships,  
105.3 and corporations; and

105.4 ~~(5)~~ (4) international securities.

105.5 (b) The investments authorized in paragraph (a) must conform to the following  
105.6 provisions:

105.7 (1) the aggregate value of all investments made ~~according to~~ under paragraph (a),  
105.8 clauses (1) to ~~(4)~~ (3), may not exceed 35 percent of the market value of the fund for  
105.9 which the state board is investing;

105.10 (2) there must be at least four unrelated owners of the investment other than the state  
105.11 board for investments made under paragraph (a), clause (1), (2), or (3), ~~or (4)~~;

105.12 (3) state board participation in an investment vehicle is limited to 20 percent thereof  
105.13 for investments made under paragraph (a), clause (1), (2), or (3), ~~or (4)~~; and

105.14 (4) state board participation in a limited partnership does not include a general  
105.15 partnership interest or other interest involving general liability. The state board may not  
105.16 engage in any activity as a limited partner which creates general liability.

105.17 (c) All financial, business, or proprietary data collected, created, received, or  
105.18 maintained by the state board in connection with investments authorized by paragraph (a),  
105.19 clause (1), (2), or ~~(4)~~ (3), are nonpublic data under section 13.02, subdivision 9. As used  
105.20 in this paragraph, "financial, business, or proprietary data" means data, as determined by  
105.21 the responsible authority for the state board, that is of a financial, business, or proprietary  
105.22 nature, the release of which could cause competitive harm to the state board, the legal  
105.23 entity in which the state board has invested or has considered an investment, the managing  
105.24 entity of an investment, or a portfolio company in which the legal entity holds an interest.  
105.25 As used in this section, "business data" is data described in section 13.591, subdivision 1.  
105.26 Regardless of whether they could be considered financial, business, or proprietary data, the  
105.27 following data received, prepared, used, or retained by the state board in connection with  
105.28 investments authorized by paragraph (a), clause (1), (2), or ~~(4)~~ (3), are public at all times:

105.29 (1) the name and industry group classification of the legal entity in which the state  
105.30 board has invested or in which the state board has considered an investment;

105.31 (2) the state board commitment amount, if any;

105.32 (3) the funded amount of the state board's commitment to date, if any;

105.33 (4) the market value of the investment by the state board;

105.34 (5) the state board's internal rate of return for the investment, including expenditures  
105.35 and receipts used in the calculation of the investment's internal rate of return; and

105.36 (6) the age of the investment in years.

Subd. 7. **Appropriation.** There is annually appropriated to the state board, from the assets of the funds for which the state board invests ~~pursuant~~ relating to authorized investments under subdivision 6, clause paragraph (a), sums sufficient to pay the costs for the management of these ~~funds~~ assets by private management firms.

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

Sec. 4. Minnesota Statutes 2010, section 69.77, subdivision 9, is amended to read:

Subd. 9. **Local police and paid fire relief association investment authority.**

(a) The ~~funds~~ special fund of the association must be invested in securities that are authorized investments under section 356A.06, subdivision 6 or 7, whichever applies. ~~Notwithstanding any provision of section 356A.06, subdivision 6 or 7 to the contrary, the special fund of the relief association may be additionally invested in:~~

~~(1) open-end investment companies registered under the federal Investment Company Act of 1940, if the portfolio investments of the investment companies comply with the type of securities authorized for investment under section 356A.06, subdivision 7, up to 75 percent of the market value of the assets of the fund; and~~

~~(2) domestic government and corporate debt obligations that are not rated in the top four quality categories by a nationally recognized rating agency, and comparable unrated securities if the percentage of these assets does not exceed five percent of the total assets of the special fund or 15 percent of the special fund's nonequity assets, whichever is less; the special fund's participation is limited to 50 percent of a single offering of the debt obligations, and the special fund's participation is limited to 25 percent of an issuer's debt obligations that are not rated in the top four quality categories. Securities held by the association before June 2, 1989, that do not meet the requirements of this subdivision may be retained after that date if they were proper investments for the association on that date.~~

~~(b) The governing board of the association may select and appoint investment agencies to act for and in its behalf or may certify special fund assets for investment by the State Board of Investment under section 11A.17. The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools or in a separately managed account at the discretion of the State Board of Investment as provided in section 11A.14. The governing board of the association may select and appoint a qualified private firm to measure management performance and return on investment, and the firm ~~shall~~ must use the formula or formulas developed by the state board under section 11A.04, clause (11).~~

(c) The governing board of the association may certify general fund assets of the relief association for investment by the State Board of Investment in fixed income pools

107.1 or in a separately managed account at the discretion of the State Board of Investment  
107.2 as provided in section 11A.14.

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

107.4 Sec. 5. Minnesota Statutes 2010, section 69.775, is amended to read:

107.5 **69.775 INVESTMENTS.**

107.6 (a) The special fund assets of a relief association governed by sections 69.771 to  
107.7 69.776 must be invested in securities that are authorized investments under section  
107.8 356A.06, subdivision 6 or 7, whichever applies.

107.9 ~~(b) Notwithstanding the foregoing, up to 75 percent of the market value of the assets~~  
107.10 ~~of the special fund, not including any money market mutual funds, may be invested in~~  
107.11 ~~open-end investment companies registered under the federal Investment Company Act of~~  
107.12 ~~1940, if the portfolio investments of the investment companies comply with the type of~~  
107.13 ~~securities authorized for investment under section 356A.06, subdivision 7.~~

107.14 ~~(c) Securities held by the associations before June 2, 1989, that do not meet the~~  
107.15 ~~requirements of this section may be retained after that date if they were proper investments~~  
107.16 ~~for the association on that date.~~

107.17 ~~(d) The governing board of the association may select and appoint investment~~  
107.18 ~~agencies to act for and in its behalf or may certify special fund assets for investment by the~~  
107.19 ~~State Board of Investment under section 11A.17.~~

107.20 ~~(e) The governing board of the association may certify general fund assets of the~~  
107.21 ~~relief association for investment by the State Board of Investment in fixed income pools~~  
107.22 ~~or in a separately managed account at the discretion of the State Board of Investment~~  
107.23 ~~as provided in section 11A.14.~~

107.24 ~~(f)~~ (b) The governing board of the association may select and appoint a qualified  
107.25 private firm to measure management performance and return on investment, and the  
107.26 firm ~~shall~~ must use the formula or formulas developed by the state board under section  
107.27 11A.04, clause (11).

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

107.29 Sec. 6. Minnesota Statutes 2010, section 354A.08, is amended to read:

107.30 **354A.08 AUTHORIZED INVESTMENTS.**

107.31 ~~(a)~~ In addition to investments authorized under section 356A.06, subdivision 7, a  
107.32 teachers retirement fund association may receive, hold, and dispose of:

~~(1) real estate or personal property acquired by it, whether the acquisition was by purchase, or any other lawful means, as provided in this chapter or in the association's articles of incorporation; and~~

~~(2) domestic government and corporate debt obligations that are not rated in the top four quality categories by a nationally recognized rating agency, and comparable unrated securities if the percentage of these assets does not exceed five percent of the total assets of the pension plan or 15 percent of the pension plan's nonequity assets, whichever is less, if the pension plan's participation is limited to 50 percent of a single offering of the debt obligations, and if the pension plan's participation is limited to 25 percent of an issuer's debt obligations that are not rated in the top four quality categories.~~

~~(b) In addition to other authorized real estate investments, an association may also invest funds in Minnesota situs nonfarm real estate ownership interests or loans secured by mortgages or deeds of trust. The board may also certify assets for investment by the State Board of Investment as provided under section 11A.17.~~

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

Sec. 7. Minnesota Statutes 2010, section 356.219, subdivision 1, is amended to read:

Subdivision 1. **Report required.** (a) ~~Except as indicated in subdivision 4,~~ The State Board of Investment, on behalf of the public pension funds and programs for which it is the investment authority, and any Minnesota public pension plan that is not fully invested through the State Board of Investment, including a local police or firefighters relief association governed by sections 69.77 or 69.771 to 69.775, shall report the information specified in subdivision 3 to the state auditor. The state auditor may prescribe a form or forms for the purposes of the reporting requirements contained in this section.

(b) A local police or firefighters relief association governed by section 69.77 or sections 69.771 to 69.775 is fully invested during a given calendar year for purposes of this section if all assets of the applicable pension plan beyond sufficient cash equivalent investments to cover six months expected expenses are invested under section 11A.17. The board of any fully invested public pension plan remains responsible for submitting investment policy statements and subsequent revisions as required by subdivision 3, paragraph (a).

(c) For purposes of this section, the State Board of Investment is considered to be the investment authority for any Minnesota public pension fund required to be invested by the State Board of Investment under section 11A.23, or for any Minnesota public pension fund authorized to invest in the supplemental investment fund under section 11A.17 and which is fully invested by the State Board of Investment.

- 109.1 (d) This section does not apply to the following plans:  
 109.2 (1) the Minnesota unclassified employees retirement program under chapter 352D;  
 109.3 (2) the public employees defined contribution plan under chapter 353D;  
 109.4 (3) the individual retirement account plans under chapters 354B and 354D;  
 109.5 (4) the higher education supplemental retirement plan under chapter 354C;  
 109.6 (5) any alternative retirement benefit plan established under section 383B.914; and  
 109.7 (6) the University of Minnesota faculty retirement plan.

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

109.9 Sec. 8. Minnesota Statutes 2010, section 356.219, subdivision 8, is amended to read:

109.10 Subd. 8. **Timing of reports.** (a) For salaried firefighter relief associations, police  
 109.11 relief associations, and volunteer firefighter relief associations, the information required  
 109.12 under this section must be submitted by the due date for reports required under section  
 109.13 69.051, subdivision 1 or 1a, as applicable. If a relief association satisfies the definition of  
 109.14 a fully invested plan under subdivision 1, paragraph (b), for the calendar year covered  
 109.15 by the report required under section 69.051, subdivision 1 or 1a, as applicable, the chief  
 109.16 administrative officer of the covered pension plan shall certify that compliance on a form  
 109.17 prescribed by the state auditor. The state auditor shall transmit annually to the State Board  
 109.18 of Investment a list or lists of covered pension plans which submitted certifications in  
 109.19 order to facilitate reporting by the State Board of Investment under paragraph (c).

109.20 (b) For ~~the Minneapolis Teachers Retirement Fund Association,~~ the St. Paul  
 109.21 Teachers Retirement Fund Association, the Duluth Teachers Retirement Fund Association,  
 109.22 ~~the Minneapolis Employees Retirement Fund,~~ and the University of Minnesota faculty  
 109.23 supplemental retirement plan, ~~and the applicable administrators for the University of~~  
 109.24 ~~Minnesota faculty retirement plan and the individual retirement account plans under~~  
 109.25 ~~chapters 354B and 354D,~~ the information required under this section must be submitted to  
 109.26 the state auditor by June 1 of each year.

109.27 (c) The State Board of Investment, on behalf of pension funds specified in  
 109.28 subdivision 1, paragraph (c), must report information required under this section by  
 109.29 September 1 of each year.

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

109.31 Sec. 9. Minnesota Statutes 2010, section 356A.06, subdivision 6, is amended to read:

109.32 Subd. 6. **Limited list of authorized investment securities.** (a) ~~Except to the~~  
 109.33 ~~extent otherwise authorized by law,~~ **Authority.** This subdivision specifies the investment

110.1 authority for a limited list plan. A limited list plan is a covered pension plan ~~may invest its~~  
110.2 ~~assets only in investment securities authorized by this subdivision if the plan~~ that does not:

110.3 (1) have assets with a ~~book~~ market value in excess of \$1,000,000;

110.4 (2) use the services of an investment advisor registered with the Securities and  
110.5 Exchange Commission in accordance with the Investment Advisers Act of 1940, or  
110.6 registered as an investment advisor in accordance with sections 80A.58, and 80A.60, for  
110.7 the investment of at least 60 percent of its assets, calculated on ~~book~~ market value;

110.8 (3) use the services of the State Board of Investment for the investment of at least 60  
110.9 percent of its assets, calculated on ~~book~~ market value; or

110.10 (4) use a combination of the services of an investment advisor meeting the  
110.11 requirements of clause (2) and the services of the State Board of Investment for the  
110.12 investment of at least 75 percent of its assets, calculated on ~~book~~ market value.

110.13 (b) **Investment agency appointment authority.** ~~securities authorized for The~~  
110.14 governing board of a covered pension plan covered by this subdivision are: may select  
110.15 and appoint investment agencies to act for or on its behalf.

110.16 (c) **Savings accounts; similar vehicles.** A limited list plan is authorized to invest in:

110.17 (1) certificates of deposit issued, to the extent of available insurance or  
110.18 collateralization, by a financial institution that is a member of the Federal Deposit  
110.19 Insurance Corporation or the Federal Savings and Loan Insurance Corporation, that is  
110.20 insured by the National Credit Union Administration, or that is authorized to do business  
110.21 in this state and has deposited with the chief administrative officer of the plan a sufficient  
110.22 amount of marketable securities as collateral in accordance with section 118A.03;

110.23 (2) guaranteed investment contracts, limited to those issued by insurance companies  
110.24 or banks rated in the top four quality categories by a nationally recognized rating agency  
110.25 or to alternative guaranteed investment contracts where the underlying assets comply  
110.26 with the requirements of this paragraph; and

110.27 (3) savings accounts, to the extent of available insurance, with a financial institution  
110.28 that is a member of the Federal Deposit Insurance Corporation or the Federal Savings and  
110.29 Loan Insurance Corporation; limited to those fully insured by federal agencies.

110.30 (3) (d) **Government-backed obligations.** A limited list plan is authorized to invest  
110.31 in governmental obligations as further specified in this paragraph, including bonds, notes,  
110.32 bills, or other fixed obligations, issued by the United States, an agency or instrumentality  
110.33 of the United States, an organization established and regulated by an act of Congress or by  
110.34 a state, state agency or instrumentality, municipality, or other governmental or political  
110.35 subdivision that mortgages, and other evidences of indebtedness, if the issue is backed  
110.36 by the full faith and credit of the issuer or if the issue is rated among the top four quality

111.1 rating categories by a nationally-recognized rating agency. The obligations in which plans  
111.2 are authorized to invest under this paragraph are guaranteed or insured issues of:

111.3 ~~(i) for the obligation in question, issues an obligation that equals or exceeds the~~  
111.4 ~~stated investment yield of debt securities not exempt from federal income taxation and of~~  
111.5 ~~comparable quality;~~

111.6 ~~(ii) for an obligation that is a revenue bond, has been completely self-supporting~~  
111.7 ~~for the last five years; and~~

111.8 ~~(iii) for an obligation other than a revenue bond, has issued an obligation backed by~~  
111.9 ~~the full faith and credit of the applicable taxing jurisdiction and has not been in default on~~  
111.10 ~~the payment of principal or interest on the obligation in question or any other nonrevenue~~  
111.11 ~~bond obligation during the preceding ten years;~~

111.12 (1) the United States, one of its agencies, one of its instrumentalities, or an  
111.13 organization created and regulated by an act of Congress;

111.14 (2) the Dominion of Canada or one of its provinces if the principal and interest are  
111.15 payable in United States dollars;

111.16 (3) a state or one of its municipalities, political subdivisions, agencies, or  
111.17 instrumentalities; or

111.18 (4) any United States government-sponsored organization of which the United States  
111.19 is a member if the principal and interest are payable in United States dollars.

111.20 ~~(4) (e) **Corporate obligations.** A limited list plan is authorized to invest in corporate~~  
111.21 ~~obligations, including bonds, notes, debentures, or other regularly issued and readily~~  
111.22 ~~marketable evidences of indebtedness issued by a corporation organized under the laws~~  
111.23 ~~of any state that during the preceding five years has had on average annual net pretax~~  
111.24 ~~earnings at least 50 percent greater than the annual interest charges and principal payments~~  
111.25 ~~on the total issued debt of the corporation during that period and that, for the obligation~~  
111.26 ~~in question, has issued an obligation rated in one of the top three quality categories by~~  
111.27 ~~Moody's Investors Service, Incorporated, or Standard and Poor's Corporation; and~~

111.28 ~~(5) shares in an open-end investment company registered under the federal~~  
111.29 ~~Investment Company Act of 1940, if the portfolio investments of the company are limited~~  
111.30 ~~to investments that meet the requirements of clauses (1) to (4). transportation equipment~~  
111.31 obligations, or any other longer-term evidences of indebtedness issued or guaranteed by  
111.32 a corporation organized under the laws of the United States or any of its states, or the  
111.33 Dominion of Canada or any of its provinces if:

111.34 (1) the principal and interest are payable in United States dollars; and

111.35 (2) the obligations are rated among the top four quality categories by a nationally  
111.36 recognized rating agency.

112.1 (f) **Mutual fund authority, limited list authorized assets.** Securities authorized  
 112.2 under paragraphs (c) to (e) may be owned directly or through shares in exchange-traded  
 112.3 funds, or through open-end mutual funds, or as units of commingled trusts.

112.4 (g) **Extended mutual fund authority.** Notwithstanding restrictions in other  
 112.5 paragraphs of this subdivision, a limited list plan is authorized to invest the assets of  
 112.6 the special fund in exchange-traded funds and open-end mutual funds, if their portfolio  
 112.7 investments comply with the type of securities authorized for investment under section  
 112.8 356A.06, subdivision 7, paragraphs (c) to (g). Investments under this paragraph must not  
 112.9 exceed 75 percent of the assets of the special fund, not including any money market  
 112.10 investments through mutual or exchange-traded funds.

112.11 (h) **Supplemental fund authority.** The governing body of a limited list plan may  
 112.12 certify special fund assets to the State Board of Investment for investment under section  
 112.13 11A.17.

112.14 (i) **Assets mix restrictions.** A limited list plan must conform to the asset mix  
 112.15 limitations specified in section 356A.06, subdivision 7.

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

112.17 Sec. 10. Minnesota Statutes 2010, section 356A.06, subdivision 7, is amended to read:

112.18 Subd. 7. **Expanded list of authorized investment securities.** (a) **Authority.**

112.19 ~~Except to the extent otherwise authorized by law, A covered pension plan not described by~~  
 112.20 ~~subdivision 6, paragraph (a), is an expanded list plan and shall invest its assets only in~~  
 112.21 ~~accordance with as specified in this subdivision. The governing board of an expanded list~~  
 112.22 ~~plan may select and appoint investment agencies to act for or on its behalf.~~

112.23 (b) **Securities generally; investment forms.** ~~The covered pension~~ An expanded list  
 112.24 ~~plan has the authority~~ is authorized to purchase, sell, lend, ~~or~~ and exchange the investment  
 112.25 ~~securities specified in paragraphs (c) to (i) authorized under this subdivision, including~~  
 112.26 ~~puts and call options and future contracts traded on a contract market regulated by a~~  
 112.27 ~~governmental agency or by a financial institution regulated by a governmental agency.~~  
 112.28 ~~These securities may be owned directly or through shares in exchange-traded or mutual~~  
 112.29 ~~funds, or as units in commingled trusts that own the securities described in paragraphs (c)~~  
 112.30 ~~to (i), including real estate investment trusts and insurance company commingled accounts,~~  
 112.31 ~~including separate accounts, subject to any limitations specified in this subdivision.~~

112.32 (c) **Government obligations.** ~~The covered pension~~ An expanded list plan may  
 112.33 is authorized to invest funds in governmental bonds, notes, bills, mortgages, and other  
 112.34 evidences of indebtedness if the issue is backed by the full faith and credit of the issuer or  
 112.35 the issue is rated among the top four quality rating categories by a nationally recognized



113.1 rating agency. The obligations in which funds may be invested under this paragraph  
 113.2 ~~include~~ are guaranteed or insured issues of:

113.3 (1) the United States, one of its agencies, one of its instrumentalities, or organizations  
 113.4 an organization created and regulated by an act of Congress;

113.5 (2) the Dominion of Canada and or one of its provinces, ~~provided if~~ the principal  
 113.6 and interest ~~is~~ are payable in United States dollars;

113.7 (3) ~~the states and their~~ a state or one of its municipalities, political subdivisions,  
 113.8 agencies, or instrumentalities; and

113.9 (4) ~~the International Bank for Reconstruction and Development, the Inter-American~~  
 113.10 ~~Development Bank, the Asian Development Bank, the African Development Bank, or~~  
 113.11 ~~any other~~ a United States government-sponsored government-sponsored organization of  
 113.12 which the United States is a member, ~~provided if~~ the principal and interest ~~is~~ are payable  
 113.13 in United States dollars.

113.14 (d) **Investment-grade corporate obligations.** ~~The covered pension~~ An expanded  
 113.15 list plan may is authorized to invest funds in bonds, notes, debentures, transportation  
 113.16 equipment obligations, or any other longer term evidences of indebtedness issued or  
 113.17 guaranteed by a corporation organized under the laws of the United States or any ~~state~~  
 113.18 ~~thereof~~ of its states, or the Dominion of Canada or any ~~province thereof~~ of its provinces if  
 113.19 ~~they conform to the following provisions:~~

113.20 (1) the principal and interest ~~of obligations of corporations incorporated or organized~~  
 113.21 ~~under the laws of the Dominion of Canada or any province thereof must be~~ are payable in  
 113.22 United States dollars; and

113.23 (2) the obligations must be ~~are~~ rated among the top four quality categories by a  
 113.24 nationally recognized rating agency.

113.25 (e) **Below-investment-grade corporate obligations.** An expanded list plan is  
 113.26 authorized to invest in unrated corporate obligations or in corporate obligations that are  
 113.27 not rated among the top four quality categories by a nationally recognized rating agency if:

113.28 (1) the aggregate value of these obligations does not exceed five percent of the  
 113.29 covered pension plan's market value;

113.30 (2) the covered pension plan's participation is limited to 50 percent of a single  
 113.31 offering subject to this paragraph; and

113.32 (3) the covered pension plan's participation is limited to 25 percent of an issuer's  
 113.33 obligations subject to this paragraph.

113.34 ~~(e)~~ (f) **Other obligations.** (1) ~~The covered pension~~ An expanded list plan may is  
 113.35 authorized to invest funds in ~~bankers acceptances, certificates of deposit, deposit notes,~~  
 113.36 ~~commercial paper, mortgage participation certificates and pools, asset backed securities,~~

114.1 ~~repurchase agreements and reverse repurchase agreements, guaranteed investment~~  
114.2 ~~contracts, savings accounts, and guaranty fund certificates, surplus notes, or debentures of~~  
114.3 ~~domestic mutual insurance companies if they conform to the following provisions:~~

114.4 (i) bankers acceptances and deposit notes of United States banks are limited to those  
114.5 if issued by banks a United States bank that is rated in the highest four quality categories  
114.6 by a nationally recognized rating agency;

114.7 (ii) certificates of deposit ~~are limited to those if issued by (A) a United States~~  
114.8 ~~banks and bank or savings institutions that are~~ institution rated in the highest four quality  
114.9 categories by a nationally recognized rating agency or whose certificates of deposit are  
114.10 fully insured by federal agencies, ~~or (B) if issued by a credit unions union in amounts~~  
114.11 ~~up to an amount within the limit of the insurance coverage provided by the National~~  
114.12 Credit Union Administration;

114.13 (iii) commercial paper ~~is limited to those if issued by a United States corporations~~  
114.14 corporation or their its Canadian subsidiaries subsidiary and if rated in the highest two  
114.15 quality categories by a nationally recognized rating agency;

114.16 (iv) mortgage ~~participation or pass through certificates evidencing interests in pools~~  
114.17 ~~of first mortgages or trust deeds on improved real estate located in the United States where~~  
114.18 ~~the loan to value ratio for each loan as calculated in accordance with section 61A.28,~~  
114.19 ~~subdivision 3, does not exceed 80 percent for fully amortizable residential properties and~~  
114.20 ~~in all other respects meets the requirements of section 61A.28, subdivision 3~~ securities  
114.21 and asset-backed securities if rated in the top four quality categories by a nationally  
114.22 recognized rating agency;

114.23 (v) ~~collateral for repurchase agreements and reverse repurchase agreements is~~  
114.24 ~~limited to~~ if collateralized with letters of credit and or securities authorized in this section;

114.25 (vi) guaranteed investment contracts ~~are limited to those if issued by an insurance~~  
114.26 ~~companies company or banks a bank that is rated in the top four quality categories by a~~  
114.27 nationally recognized rating agency or to alternative guaranteed investment contracts  
114.28 where if the underlying assets comply with the requirements of this subdivision;

114.29 (vii) savings accounts ~~are limited to those if fully insured by a federal agencies~~  
114.30 agency; and

114.31 (viii) ~~asset backed securities must be rated in the top four quality categories by a~~  
114.32 ~~nationally recognized rating agency~~ guaranty fund certificates, surplus notes, or debentures  
114.33 if issued by a domestic mutual insurance company.

114.34 (2) Sections 16A.58, 16C.03, subdivision 4, and 16C.05 do not apply to certificates  
114.35 of deposit and collateralization agreements executed by the covered pension plan under  
114.36 clause (1), item (ii).

(3) In addition to investments authorized by clause (1), item (iv), ~~the covered pension~~  
~~an expanded list plan may~~ is authorized to purchase from the Minnesota Housing Finance  
Agency all or any part of a pool of residential mortgages, not in default, that has previously  
been financed by the issuance of bonds or notes of the agency. The covered pension plan  
may also enter into a commitment with the agency, at the time of any issue of bonds or  
notes, to purchase at a specified future date, not exceeding 12 years from the date of the  
issue, the amount of mortgage loans then outstanding and not in default that have been  
made or purchased from the proceeds of the bonds or notes. The covered pension plan may  
charge reasonable fees for any such commitment and may agree to purchase the mortgage  
loans at a price sufficient to produce a yield to the covered pension plan comparable, in  
its judgment, to the yield available on similar mortgage loans at the date of the bonds or  
notes. The covered pension plan may also enter into agreements with the agency for the  
investment of any portion of the funds of the agency. The agreement must cover the period  
of the investment, withdrawal privileges, and any guaranteed rate of return.

~~(f) (g) Corporate stocks. The covered pension~~ An expanded list plan may is  
authorized to invest funds in stocks or convertible issues of any corporation organized  
under the laws of the United States or ~~the~~ any of its states ~~thereof~~, any corporation  
organized under the laws of the Dominion of Canada or any of its provinces, or any  
corporation listed on an exchange that is regulated by an agency of the United States or of  
the Canadian national government; ~~if they conform to the following provisions:~~

~~(1) the aggregate value of investments under this paragraph, plus paragraphs (g) and~~  
~~(k), plus equity investments under paragraphs (h), (i), and (j), as adjusted for realized~~  
~~gains and losses, must not exceed 85 percent of the market or book value, whichever is~~  
~~less, of a fund; and~~

~~(2) investments~~ An investment in any corporation must not exceed five percent of  
the total outstanding shares of ~~any one~~ that corporation, except that an expanded list plan  
may hold up to 20 percent of the shares of a real estate investment trust and up to 20  
percent of the shares of a closed mutual fund.

~~(g) Developed market foreign stocks investments. In addition to investments~~  
~~authorized under paragraph (f), the covered pension fund may invest in foreign stock sold~~  
~~on an exchange in any developed market country that is included in the Europe, Australia,~~  
~~and Far East Index.~~

~~(h) Commingled or mutual investments. The covered pension plan may invest~~  
~~in index funds or mutual funds, including index mutual funds, through bank-sponsored~~  
~~collective funds and shares of open-end investment companies registered under the~~

116.1 ~~Federal Investment Company Act of 1940, to the extent that these funds comply with~~  
 116.2 ~~paragraphs (c) to (j).~~

116.3 ~~(i) **Real estate investment trust; related investments.** The covered pension plan~~  
 116.4 ~~may invest in real estate investment trusts secured by mortgages or deeds of trust and~~  
 116.5 ~~sold on an exchange, and insurance company commingled accounts, including separate~~  
 116.6 ~~accounts, of a debt or equity nature.~~

116.7 ~~(j) **Exchange traded funds.** The covered pension plan may invest funds in exchange~~  
 116.8 ~~traded funds, subject to the maximums, the requirements, and the limitations set forth in~~  
 116.9 ~~paragraphs (c) to (i), as applicable.~~

116.10 ~~(k) (h) **Other investments.** (1) In addition to the investments authorized in~~  
 116.11 ~~paragraphs (b) to (j) (g), and subject to the provisions in clause (2), the covered pension~~  
 116.12 ~~an expanded list plan may is authorized to invest funds in:~~

116.13 ~~(i) venture capital equity and debt investment businesses through participation in~~  
 116.14 ~~limited partnerships, trusts, private placements, limited liability corporations, limited~~  
 116.15 ~~liability companies, limited liability partnerships, and corporations;~~

116.16 ~~(ii) real estate ownership interests or loans secured by mortgages or deeds of trust or~~  
 116.17 ~~shares of real estate investment trusts, through investment in limited partnerships or bank~~  
 116.18 ~~sponsored, bank-sponsored collective funds, trusts, mortgage participation agreements,~~  
 116.19 ~~and insurance company commingled accounts, including separate accounts;~~

116.20 ~~(iii) regional and mutual funds through bank sponsored collective funds and~~  
 116.21 ~~open-end investment companies registered under the Federal Investment Company Act of~~  
 116.22 ~~1940 to the extent that a fund or a portion of a fund does not qualify under paragraph (h);~~

116.23 ~~(iv) (iii) resource investments through limited partnerships, trusts, private~~  
 116.24 ~~placements, limited liability corporations, limited liability companies, limited liability~~  
 116.25 ~~partnerships, and corporations; and~~

116.26 ~~(v) (iv) international debt securities and emerging market equity securities.~~

116.27 (2) The investments authorized in clause (1) must conform to the following  
 116.28 provisions:

116.29 (i) the aggregate value of all investments made ~~according to~~ under clause (1),  
 116.30 ~~including allocated amounts of index and mutual funds items (i), (ii), and (iii), may not~~  
 116.31 ~~exceed 20~~ 35 percent of the market value of the fund for which the ~~covered pension~~  
 116.32 ~~expanded list plan~~ expanded list plan is investing;

116.33 (ii) there must be at least four unrelated owners of the investment other than the  
 116.34 ~~covered pension expanded list plan~~ expanded list plan for investments made under clause (1), item (i), (ii),  
 116.35 ~~or (iii), or (iv);~~

117.1 (iii) ~~covered pension plan~~ the expanded list plan's participation in an investment  
117.2 vehicle is limited to 20 percent thereof for investments made under clause (1), item (i),  
117.3 (ii), or (iii), ~~or (iv)~~; and

117.4 (iv) ~~covered pension plan~~ the expanded list plan's participation in a limited  
117.5 partnership does not include a general partnership interest or other interest involving  
117.6 general liability. The ~~covered pension~~ expanded list plan may not engage in any activity  
117.7 as a limited partner which creates general liability; and

117.8 (v) for volunteer firefighter relief associations, emerging market equity and  
117.9 international debt investments authorized under clause (1), item (iv), must not exceed 15  
117.10 percent of the association's special fund market value.

117.11 (i) Supplemental plan investments. The governing body of an expanded list plan  
117.12 may certify assets to the State Board of Investment for investment under section 11A.17.

117.13 (j) Asset mix limitations. The aggregate value of an expanded list plan's  
117.14 investments under paragraphs (g) and (h) and equity investments under paragraph (i),  
117.15 regardless of the form in which these investments are held, must not exceed 85 percent of  
117.16 the covered plan's market value.

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

117.18 Sec. 11. **INVESTMENT AUTHORITY TRANSITION PROVISION.**

117.19 If any investment by the State Board of Investment or any covered pension plan fund  
117.20 was an authorized investment under law in effect immediately before the effective date  
117.21 of applicable sections of this act, but is not authorized by this act, the applicable assets  
117.22 must be liquidated before June 30, 2013.

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

117.24 Sec. 12. **REPEALER.**

117.25 Minnesota Statutes 2010, section 356.219, subdivision 4, is repealed.

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

117.27 **ARTICLE 11**

117.28 **LOCAL RELIEF ASSOCIATION OR CONSOLIDATION ACCOUNT**  
117.29 **MERGERS WITH PERA-P&F**

117.30 Section 1. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 1a, is  
117.31 amended to read:

Subd. 1a. **Covered retirement plans.** The provisions of this section apply to ~~the following local retirement plans:~~

~~(1) the Bloomington Firefighters Relief Association;~~

~~(2) the Fairmont Police Relief Association; and~~

~~(3) the Virginia Fire Department Relief Association.~~

**EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section is effective as of the date for consolidation set by the board of the Public Employees Retirement Association in consultation with the State Board of Investment, but not later than June 29, 2012.

(b) For the Virginia fire consolidation account, this section is effective on June 29, 2012, which is the effective date of merger.

Sec. 2. Minnesota Statutes 2011 Supplement, section 69.77, subdivision 4, is amended to read:

Subd. 4. **Relief association financial requirements; minimum municipal obligation.** (a) The officers of the relief association shall determine the financial requirements of the relief association and minimum obligation of the municipality for the following calendar year in accordance with the requirements of this subdivision. The financial requirements of the relief association and the minimum obligation of the municipality must be determined on or before the submission date established by the municipality under subdivision 5.

(b) The financial requirements of the relief association for the following calendar year must be based on the most recent actuarial valuation or survey of the special fund of the association if more than one fund is maintained by the association, or of the association, if only one fund is maintained, prepared in accordance with sections 356.215, subdivisions 4 to 15, and 356.216, as required under subdivision 10. If an actuarial estimate is prepared by the actuary of the relief association as part of obtaining a modification of the benefit plan of the relief association and the modification is implemented, the actuarial estimate must be used in calculating the subsequent financial requirements of the relief association.

(c) If the relief association has an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the total of the amounts calculated under clauses (1), (2), and (3), constitute the financial requirements of the relief association for the following year. If the relief association does not have an unfunded actuarial accrued liability as reported in the most recent actuarial valuation or survey, the amount calculated under clauses (1) and (2) constitute the financial requirements of the relief association for the following year. The financial requirement elements are:

119.1 (1) the normal level cost requirement for the following year, expressed as a dollar  
119.2 amount, which must be determined by applying the normal level cost of the relief  
119.3 association as reported in the actuarial valuation or survey and expressed as a percentage  
119.4 of covered payroll to the estimated covered payroll of the active membership of the relief  
119.5 association, including any projected change in the active membership, for the following  
119.6 year;

119.7 (2) for the Bloomington Fire Department Relief Association, ~~the Fairmont Police~~  
119.8 ~~Relief Association, and the Virginia Fire Department Relief Association~~, to the dollar  
119.9 amount of normal cost determined under clause (1) must be added an amount equal to the  
119.10 dollar amount of the administrative expenses of the special fund of the association if more  
119.11 than one fund is maintained by the association, or of the association if only one fund is  
119.12 maintained, for the most recent year, multiplied by the factor of 1.035. The administrative  
119.13 expenses are those authorized under section 69.80; and

119.14 (3) to the dollar amount of normal cost and expenses determined under clauses  
119.15 (1) and (2) must be added an amount equal to the level annual dollar amount which  
119.16 is sufficient to amortize the unfunded actuarial accrued liability as determined from  
119.17 the actuarial valuation or survey of the fund, using an interest assumption set at the  
119.18 applicable rate specified in section 356.215, subdivision 8, by that fund's amortization  
119.19 date as specified in paragraph (d).

119.20 (d) ~~The Virginia Fire Department Relief Association special fund amortization date~~  
119.21 ~~is December 31, 2010. The Fairmont Police Relief Association special fund amortization~~  
119.22 ~~date is December 31, 2020.~~ The Bloomington Fire Department Relief Association  
119.23 special fund amortization date is determined under section 356.216, clause (2). The  
119.24 amortization date specified in this paragraph supersedes any amortization date specified in  
119.25 any applicable special law.

119.26 (e) The minimum obligation of the municipality is an amount equal to the financial  
119.27 requirements of the relief association reduced by the estimated amount of member  
119.28 contributions from covered salary anticipated for the following calendar year and the  
119.29 estimated amounts anticipated for the following calendar year from the applicable state aid  
119.30 program established under sections 69.011 to 69.051 receivable by the relief association  
119.31 after any allocation made under section 69.031, subdivision 5, paragraph (b), clause (2),  
119.32 or 423A.01, subdivision 2, paragraph (a), clause (6), from the local police and salaried  
119.33 firefighters' relief association amortization aid program established under section 423A.02,  
119.34 subdivision 1, from the supplementary amortization state-aid program established under  
119.35 section 423A.02, subdivision 1a, and from the additional amortization state aid under  
119.36 section 423A.02, subdivision 1b.

120.1        **EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section  
120.2        is effective as of the date for consolidation set by the board of the Public Employees  
120.3        Retirement Association in consultation with the State Board of Investment, but not later  
120.4        than June 29, 2012.

120.5        (b) For the Virginia fire consolidation account, this section is effective on June 29,  
120.6        2012, which is the effective date of merger.

120.7        Sec. 3. Minnesota Statutes 2011 Supplement, section 353.668, subdivision 4, is  
120.8        amended to read:

120.9        Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of  
120.10       the consolidation under Laws 2011, First Special Session chapter 8, article 7, section 19,  
120.11       the chief administrative officer of the Minneapolis Police Relief Association shall transfer  
120.12       the entire assets of the special fund of the Minneapolis Police Relief Association other  
120.13       than the health insurance account to the public employees police and fire retirement fund  
120.14       at market value. Unless ineligible or inappropriate, the transfer must be in the form of  
120.15       investment securities and must include any accounts receivable that are determined by the  
120.16       State Board of Investment as being capable of being collected. An amount, in cash, must  
120.17       be transferred by the city of Minneapolis equal to the market value recognized by the relief  
120.18       association of investment securities that are determined by the executive director of the  
120.19       State Board of Investment not to be in compliance with the requirements and limitations  
120.20       set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24 or not to be appropriate for  
120.21       retention in light of the established investment objectives of the State Board of Investment  
120.22       or of accounts receivable determined by the executive director of the State Board of  
120.23       Investment as being incapable of being collected. Legal and beneficial title to assets that  
120.24       are determined noncompliant or inappropriate securities or that are uncollectible accounts  
120.25       receivable are transferred to the city of Minneapolis on the effective date of consolidation  
120.26       under Laws 2011, First Special Session chapter 8, article 7, section 19. Any accounts  
120.27       payable on the effective date of consolidation under Laws 2011, First Special Session  
120.28       chapter 8, article 7, section 19, are an obligation of the public employees police and fire  
120.29       retirement fund and reduce the asset value for purposes of subdivision 6. The transferred  
120.30       assets must be deposited in the public employees police and fire retirement fund. The  
120.31       amount of the health insurance account as of the date of the consolidation must remain  
120.32       deposited in the financial institution retained by the former Minneapolis Police Relief  
120.33       Association on May 1, 2011, and that financial institution must act as the custodian of the  
120.34       account. The health insurance account may be transferred from the financial institution  
120.35       that holds the account to a successor financial institution on June 30, 2012, under the



121.1 requirements of this subdivision and the terms of an agreement between the Minneapolis  
121.2 Police Relief Association and the successor financial institution dated December 30,  
121.3 2011, that provides for the transfer. The financial institution shall perform all trustee and  
121.4 fiduciary duties with respect to the account as a condition to the retention of the account.  
121.5 The executive director of the Minneapolis Police Relief Association, prior to the effective  
121.6 date of consolidation, shall estimate three calendar years of the administrative expenses  
121.7 related to the operation of the account and shall prepay those expenses from the account to  
121.8 the financial institution prior to the effective date of consolidation. After the three-year  
121.9 prepayment period, the beneficiaries of the account are responsible for the payment of the  
121.10 administrative expenses related to the operation of the account.

121.11 (b) Upon the transfer of assets to the State Board of Investment under paragraph  
121.12 (a), legal title to those transferred assets vests with the State Board of Investment on  
121.13 behalf of the public employees police and fire retirement plan, and beneficial title to the  
121.14 transferred assets remains with the former membership of the former Minneapolis Police  
121.15 Relief Association.

121.16 (c) The public employees police and fire retirement plan and fund is the successor in  
121.17 interest to all claims for or against the Minneapolis Police Relief Association. The public  
121.18 employees police and fire retirement plan and fund is not liable for any claim against the  
121.19 Minneapolis Police Relief Association, its governing board, or its administrative staff  
121.20 acting in a fiduciary capacity, under chapter 356A or common law, which is founded upon  
121.21 a claim of a breach of fiduciary duty if the act or acts constituting the claimed breach were  
121.22 not undertaken in good faith. The public employees police and fire retirement plan may  
121.23 assert any applicable defense to any claim in any judicial or administrative proceeding  
121.24 that the Minneapolis Police Relief Association, its board, or its administrative staff would  
121.25 otherwise have been entitled to assert, and the public employees police and fire retirement  
121.26 plan may assert any applicable defense that it has in its capacity as a statewide agency.

121.27 (d) The Public Employees Retirement Association shall indemnify any former  
121.28 fiduciary of the Minneapolis Police Relief Association consistent with the provisions of  
121.29 section 356A.11. The indemnification may be effected by the purchase by the Public  
121.30 Employees Retirement Association of reasonable fiduciary liability tail insurance for the  
121.31 officers and directors of the former Minneapolis Police Relief Association. Consistent  
121.32 with section 69.80, the relief association may purchase reasonable fiduciary liability tail  
121.33 insurance for its officers and directors prior to the effective date of consolidation under  
121.34 Laws 2011, First Special Session chapter 8, article 7, section 19.

121.35 (e) Office equipment and other physical assets of the special fund of the Minneapolis  
121.36 Police Relief Association that are not needed by the Public Employees Retirement

122.1 Association may be sold by the special fund of the Minneapolis Police Relief Association  
122.2 to the general fund of the Minneapolis Police Relief Association or to any successor  
122.3 fraternal organization of the Minneapolis Police Relief Association at fair market value,  
122.4 with the proceeds of that sale deposited in the public employees police and fire retirement  
122.5 fund and included in the transferred asset value under subdivision 6.

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

122.7 Sec. 4. **[353.669] CONSOLIDATION OF THE FAIRMONT POLICE RELIEF**  
122.8 **ASSOCIATION.**

122.9 Subdivision 1. **Membership transfer.** On the effective date of consolidation, the  
122.10 retired members, including surviving spouses, of the Fairmont Police Relief Association  
122.11 are transferred to the public employees police and fire retirement plan, are no longer  
122.12 members of the former Fairmont Police Relief Association, and are members of the public  
122.13 employees police and fire retirement plan.

122.14 Subd. 2. **Benefit liability transfer.** The liability for the payment of retirement  
122.15 annuities, service pensions, and survivor benefits of the retired members, service  
122.16 pensioners, surviving spouses, and any other retirement benefit recipients of the former  
122.17 Fairmont Police Relief Association, as contained in the transferred records of the former  
122.18 relief association, is transferred to the public employees police and fire retirement plan on  
122.19 the effective date of consolidation.

122.20 Subd. 3. **Transfer of records.** On the effective date of consolidation, the  
122.21 chief administrative officer of the Fairmont Police Relief Association shall transfer all  
122.22 records and documents relating to the special fund of the former Fairmont Police Relief  
122.23 Association to the executive director of the Public Employees Retirement Association. To  
122.24 the extent possible, original copies of all records and documents must be transferred.

122.25 Subd. 4. **Transfer of assets; transfer of title to assets.** (a) On the effective date of  
122.26 consolidation, the chief administrative officer of the Fairmont Police Relief Association  
122.27 shall transfer the entire assets of the special fund of the Fairmont Police Relief Association  
122.28 to the public employees police and fire retirement fund at market value. Unless ineligible  
122.29 or inappropriate as determined by the State Board of Investment, the transfer must be  
122.30 in the form of investment securities and must include any accounts receivable that are  
122.31 determined by the State Board of Investment as being capable of being collected. The city  
122.32 of Fairmont must transfer, in cash, an amount equal to the market value, as recognized by  
122.33 the relief association of any investment securities that are determined by the executive  
122.34 director of the State Board of Investment to be not in compliance with the requirements  
122.35 and limitations set forth in sections 11A.09, 11A.14, 11A.23, and 11A.24, or to be

123.1 inappropriate for retention in light of the established investment objectives of the State  
123.2 Board of Investment, or of any accounts receivable that are determined by the executive  
123.3 director as being incapable of being collected. The legal and beneficial title to assets that  
123.4 are determined to be noncompliant or inappropriate securities or that are determined to be  
123.5 uncollectable accounts receivable are transferred from the relief association special fund  
123.6 to the city of Fairmont as of the effective date of consolidation. Any accounts payable  
123.7 of the special fund of the Fairmont Police Relief Association on the effective date of  
123.8 consolidation, are an obligation of the public employees police and fire retirement fund  
123.9 and reduce the value of the transferred relief association special fund assets for purposes  
123.10 of subdivision 6. Assets transferred from the special fund of the Fairmont Police Relief  
123.11 Association must be deposited in the public employees police and fire retirement fund  
123.12 and must be managed by the State Board of Investment through the Minnesota combined  
123.13 investment funds under section 11A.14.

123.14 (b) Upon the transfer of the assets to the management of the State Board of  
123.15 Investment under paragraph (a), legal title to those transferred assets vests with the State  
123.16 Board of Investment on behalf of the public employees police and fire retirement plan,  
123.17 and beneficial title to the transferred assets remains with the former membership of the  
123.18 former Fairmont Police Relief Association.

123.19 (c) The public employees police and fire retirement plan and fund is the successor in  
123.20 interest to all claims for and against the Fairmont Police Relief Association. The public  
123.21 employees police and fire retirement plan and fund is not liable for any claim against the  
123.22 Fairmont Police Relief Association or its governing board acting in a fiduciary capacity  
123.23 under chapter 356A or under common law which is founded upon a claim of a breach of  
123.24 fiduciary duty if the act or acts constituting the claimed breach were not undertaken in  
123.25 good faith. The public employees police and fire retirement plan may assert any applicable  
123.26 defense to any claim in any judicial or administrative proceeding that the former Fairmont  
123.27 Police Relief Association or its former governing board would otherwise have been  
123.28 entitled to assert and the public employees police and fire retirement plan may assert any  
123.29 applicable defense that it has in its capacity as a statewide agency.

123.30 (d) The Public Employees Retirement Association shall indemnify any former  
123.31 fiduciary of the Fairmont Police Relief Association consistent with the provisions of  
123.32 section 356A.11. The indemnification may be effected by the purchase by the Public  
123.33 Employees Retirement Association of reasonable fiduciary liability tail insurance for the  
123.34 officers and directors of the former Fairmont Police Relief Association.

123.35 Subd. 5. **Benefits.** (a) The annuities, service pensions, and other retirement benefits  
123.36 of or attributable to retired members and surviving spouses of the Fairmont Police Relief

124.1 Association who had that status as of the effective date of consolidation, continue after  
124.2 consolidation in the same amount and under the same terms as provided under Minnesota  
124.3 Statutes 2000, sections 423.41 to 423.46, 423.48 to 423.59, 423.61, and 423.62; Laws  
124.4 1963, chapter 423; Laws 1977, chapter 100; and Laws 1999, chapter 222, article 3, section  
124.5 4, except as provided in paragraph (b).

124.6 (b) The annual base salary figure for pension and benefit determinations upon  
124.7 consolidation and for the balance of calendar year 2012 is \$106,666.67. After December  
124.8 31, 2012, annual postretirement adjustments of pensions and benefits in force must be  
124.9 calculated solely under section 356.415, subdivision 1c.

124.10 Subd. 6. **Calculation of final funded status; employer contributions.** (a) As of  
124.11 the effective date of consolidation, the approved actuary retained by the Public Employees  
124.12 Retirement Association under section 356.214 shall determine the final funded status of  
124.13 the Fairmont Police Relief Association special fund. The final funded status is the present  
124.14 value of future benefits payable from the Fairmont Police Relief Association as of the  
124.15 effective date of consolidation after subtracting the market value of the transferred assets  
124.16 of the Fairmont Police Relief Association as of the effective date of consolidation. The  
124.17 present value of future benefits figure must be calculated using the applicable actuarial  
124.18 assumptions for the public employees police and fire retirement plan specified in or  
124.19 established under section 356.215. If there is a remainder present value of future benefits  
124.20 amount, the city of Fairmont shall pay to the public employees police and fire retirement  
124.21 fund an amount sufficient, on a level annual dollar basis, to amortize the calculated  
124.22 remainder present value of future benefits amount by December 31, 2020. Payments shall  
124.23 be made annually on or before December 31, beginning in 2012.

124.24 (b) If there are assets of the former Fairmont Police Relief Association in excess of  
124.25 the present value of future benefits as of the effective date of consolidation, these assets  
124.26 must be credited to an interest bearing suspense account within the public employees  
124.27 police and fire retirement fund, must be used to offset any amount payable under paragraph  
124.28 (c) until June 30, 2015, and, after June 30, 2015, must be paid to the city of Fairmont. The  
124.29 suspense account must be credited with the same rate of investment return as the public  
124.30 employees police and fire retirement fund.

124.31 (c) If, after the effective date of consolidation, the postretirement or preretirement  
124.32 interest rate actuarial assumption applicable to the public employees police and fire  
124.33 retirement plan under section 356.215, subdivision 8, is modified from the rates specified  
124.34 in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of  
124.35 future benefits amount calculation under paragraph (a), updated for the passage of time,

125.1 must be revised and the amortization contribution by the city of Fairmont for the balance  
125.2 of the amortization period must be redetermined and certified to the city of Fairmont.

125.3 **EFFECTIVE DATE.** This section is effective as of the date for consolidation set  
125.4 by the board of the Public Employees Retirement Association in consultation with the  
125.5 State Board of Investment, but not later than June 29, 2012.

125.6 Sec. 5. **[353.6691] MERGER OF THE VIRGINIA FIRE DEPARTMENT**  
125.7 **RELIEF ASSOCIATION.**

125.8 Subdivision 1. **Merger authorized.** On the effective date of merger, the Virginia  
125.9 fire department consolidation account of the Public Employees Retirement Association  
125.10 under chapter 353A becomes a part of the public employees police and fire retirement plan  
125.11 and fund governed by sections 353.63 to 353.659.

125.12 Subd. 2. **Benefit liability transfer.** All current and future liabilities of the Virginia  
125.13 fire department consolidation account under chapter 353A are liabilities of the public  
125.14 employees police and fire retirement plan and fund as of the effective date of merger and  
125.15 the accrued benefits of the members of the consolidation account are the obligation of the  
125.16 public employees police and fire retirement plan and fund.

125.17 Subd. 3. **Transfer of assets; transfer to title assets.** On the effective date of merger,  
125.18 the assets of the Virginia fire department consolidation account must be transferred to the  
125.19 public employees police and fire retirement fund. Upon transfer, the market value of the  
125.20 assets of the consolidation account, less any amount of residual assets under subdivision 5,  
125.21 are assets of the public employees police and fire fund as of the effective date of merger,  
125.22 and the assets, excluding the distribution amount under subdivision 5, become an asset of  
125.23 the public employees police and fire retirement fund. The public employees police and  
125.24 fire retirement fund also must be credited as an asset with the amount of any receivable  
125.25 assets from employer contributions under subdivision 5.

125.26 Subd. 4. **Benefits.** A person who received a service pension, a disability benefit, or a  
125.27 survivor benefit from the Virginia fire department consolidation account for the month  
125.28 prior to the effective date of merger and who has not previously elected postretirement  
125.29 adjustments under section 356.415, subdivision 1c, rather than the postretirement  
125.30 adjustment mechanism of the Virginia Fire Department Relief Association under section  
125.31 353A.08, subdivision 1, may elect future postretirement adjustments under section  
125.32 356.415, subdivision 1c, or the retention of the former Virginia Fire Department Relief  
125.33 Association postretirement adjustment mechanism. The election must be made in writing  
125.34 on a form prescribed by the executive director on or before September 1, 2012. Unless

modified by an election under this subdivision, the benefit plan election by any person or on behalf of any person under section 353A.08 remains binding.

**Subd. 5. Calculation of final funded status; employer contributions.** (a) As of the effective date of merger, the approved actuary retained by the Public Employees Retirement Association under section 356.214 shall determine the final funded status of the former Virginia Fire Department Relief Association special fund. The final funded status is the present value of future benefits payable from the Virginia fire department consolidation account as of the effective date of merger after subtracting the market value of the transferred assets of the Virginia fire department consolidation account as of the effective date of merger. The present value of future benefits figure must be calculated using the applicable actuarial assumptions for the public employees police and fire retirement plan specified in or established under section 356.215. If there is a remainder present value of future benefits amount, the city of Virginia shall pay to the public employees police and fire retirement fund an amount sufficient, on a level annual dollar basis, to amortize the calculated remainder present value of future benefits amount by December 31, 2020. Payments shall be made annually on or before December 31, beginning in 2012.

(b) If there are assets of the former Virginia fire department consolidation account in excess of the present value of future benefits as of the effective date of merger, these assets shall be credited to an interest bearing suspense account within the public employees police and fire retirement fund until January 1, 2013. The suspense account must be credited with the same rate of investment return as the public employees police and fire retirement fund.

(c) If, after the effective date of merger, the postretirement or preretirement interest rate actuarial assumption applicable to the public employees police and fire retirement plan under section 356.215, subdivision 8, is modified from the rates specified in Minnesota Statutes 2010, section 356.215, subdivision 8, the remainder present value of future benefits amount calculation under paragraph (a), updated for the passage of time, must be revised and any amortization contribution by the city of Virginia for the balance of the amortization period must be redetermined and certified to the city of Virginia.

(d) On January 1, 2013, one-half of any suspense account under paragraph (b) must be paid as an additional ad hoc postretirement adjustment to the service pensioners, disabilitants, and surviving spouses of the former Virginia fire consolidation account. The additional ad hoc postretirement adjustment for each recipient is the total amount available for the adjustment divided by the total number of recipients as of January 1, 2013, of the former Virginia fire consolidation account. On January 1, 2014, if the suspense account has earned investment income equal to or greater than the preretirement interest rate assumption applicable to the public employees police and fire retirement plan under section

356.215, subdivision 8, the balance remaining of the suspense account under paragraph (b) must be paid as an additional ad hoc postretirement adjustment to the service pensioners, disabilitants, and surviving spouses of the former Virginia fire consolidation account, divided by the total number of recipients as of January 1, 2014. Nothing in this paragraph may be deemed to authorize the payment of a postretirement adjustment to an estate.

**EFFECTIVE DATE.** This section is effective on June 29, 2012, which is the effective date of merger.

Sec. 6. Minnesota Statutes 2011 Supplement, section 356.215, subdivision 8, is amended to read:

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

plan	preretirement interest rate assumption	postretirement interest rate assumption
general state employees retirement plan	8.5%	6.0%
correctional state employees retirement plan	8.5	6.0
State Patrol retirement plan	8.5	6.0
legislators retirement plan	8.5	6.0
elective state officers retirement plan	8.5	6.0
judges retirement plan	8.5	6.0
general public employees retirement plan	8.5	6.0
public employees police and fire retirement plan	8.5	6.0
local government correctional service retirement plan	8.5	6.0
teachers retirement plan	8.5	6.0
Duluth teachers retirement plan	8.5	8.5
St. Paul teachers retirement plan	8.5	8.5
<del>Fairmont Police Relief Association</del>	<del>5.0</del>	<del>5.0</del>
<del>Virginia Fire Department Relief Association</del>	<del>5.0</del>	<del>5.0</del>
Bloomington Fire Department Relief Association	6.0	6.0
local monthly benefit volunteer firefighters relief associations	5.0	5.0

(b) Before July 1, 2010, the actuarial valuation must use the applicable following single rate future salary increase assumption, the applicable following modified single rate future salary increase assumption, or the applicable following graded rate future salary increase assumption:

(1) single rate future salary increase assumption

128.1	plan	future salary increase assumption
128.2	legislators retirement plan	5.0%
128.3	judges retirement plan	4.0
128.4	<del>Fairmont Police Relief Association</del>	<del>3.5</del>
128.5	<del>Virginia Fire Department Relief Association</del>	<del>3.5</del>
128.6	Bloomington Fire Department Relief	
128.7	Association	4.0
128.8	(2) age-related select and ultimate future salary increase assumption or graded rate	
128.9	future salary increase assumption	
128.10	plan	future salary increase assumption
128.11	correctional state employees retirement plan	assumption D
128.12	State Patrol retirement plan	assumption C
128.13	local government correctional service retirement plan	assumption C
128.14	Duluth teachers retirement plan	assumption A
128.15	St. Paul teachers retirement plan	assumption B
128.16	The select calculation is: during the	
128.17	designated select period, a designated	
128.18	percentage rate is multiplied by the result of	
128.19	the designated integer minus T, where T is	
128.20	the number of completed years of service,	
128.21	and is added to the applicable future salary	
128.22	increase assumption. The designated select	
128.23	period is five years and the designated	
128.24	integer is five for the general state employees	
128.25	retirement plan. The designated select period	
128.26	is ten years and the designated integer is ten	
128.27	for all other retirement plans covered by	
128.28	this clause. The designated percentage rate	
128.29	is: (1) 0.2 percent for the correctional state	
128.30	employees retirement plan, the State Patrol	
128.31	retirement plan, and the local government	
128.32	correctional service retirement plan; (2)	
128.33	0.6 percent for the general state employees	
128.34	retirement plan; and (3) 0.3 percent for the	
128.35	teachers retirement plan, the Duluth Teachers	
128.36	Retirement Fund Association, and the St.	
128.37	Paul Teachers Retirement Fund Association.	



129.1     The select calculation for the Duluth Teachers  
129.2     Retirement Fund Association is 8.00 percent  
129.3     per year for service years one through seven,  
129.4     7.25 percent per year for service years seven  
129.5     and eight, and 6.50 percent per year for  
129.6     service years eight and nine.

129.7           The ultimate future salary increase assumption is:

129.8	age	A	B	C	D
129.9	16	8.00%	6.90%	7.7500%	7.2500%
129.10	17	8.00	6.90	7.7500	7.2500
129.11	18	8.00	6.90	7.7500	7.2500
129.12	19	8.00	6.90	7.7500	7.2500
129.13	20	6.90	6.90	7.7500	7.2500
129.14	21	6.90	6.90	7.1454	6.6454
129.15	22	6.90	6.90	7.0725	6.5725
129.16	23	6.85	6.85	7.0544	6.5544
129.17	24	6.80	6.80	7.0363	6.5363
129.18	25	6.75	6.75	7.0000	6.5000
129.19	26	6.70	6.70	7.0000	6.5000
129.20	27	6.65	6.65	7.0000	6.5000
129.21	28	6.60	6.60	7.0000	6.5000
129.22	29	6.55	6.55	7.0000	6.5000
129.23	30	6.50	6.50	7.0000	6.5000
129.24	31	6.45	6.45	7.0000	6.5000
129.25	32	6.40	6.40	7.0000	6.5000
129.26	33	6.35	6.35	7.0000	6.5000
129.27	34	6.30	6.30	7.0000	6.5000
129.28	35	6.25	6.25	7.0000	6.5000
129.29	36	6.20	6.20	6.9019	6.4019
129.30	37	6.15	6.15	6.8074	6.3074
129.31	38	6.10	6.10	6.7125	6.2125
129.32	39	6.05	6.05	6.6054	6.1054
129.33	40	6.00	6.00	6.5000	6.0000
129.34	41	5.90	5.95	6.3540	5.8540
129.35	42	5.80	5.90	6.2087	5.7087
129.36	43	5.70	5.85	6.0622	5.5622
129.37	44	5.60	5.80	5.9048	5.4078
129.38	45	5.50	5.75	5.7500	5.2500
129.39	46	5.40	5.70	5.6940	5.1940
129.40	47	5.30	5.65	5.6375	5.1375
129.41	48	5.20	5.60	5.5822	5.0822
129.42	49	5.10	5.55	5.5404	5.0404

130.1	50	5.00	5.50	5.5000	5.0000
130.2	51	4.90	5.45	5.4384	4.9384
130.3	52	4.80	5.40	5.3776	4.8776
130.4	53	4.70	5.35	5.3167	4.8167
130.5	54	4.60	5.30	5.2826	4.7826
130.6	55	4.50	5.25	5.2500	4.7500
130.7	56	4.40	5.20	5.2500	4.7500
130.8	57	4.30	5.15	5.2500	4.7500
130.9	58	4.20	5.10	5.2500	4.7500
130.10	59	4.10	5.05	5.2500	4.7500
130.11	60	4.00	5.00	5.2500	4.7500
130.12	61	3.90	5.00	5.2500	4.7500
130.13	62	3.80	5.00	5.2500	4.7500
130.14	63	3.70	5.00	5.2500	4.7500
130.15	64	3.60	5.00	5.2500	4.7500
130.16	65	3.50	5.00	5.2500	4.7500
130.17	66	3.50	5.00	5.2500	4.7500
130.18	67	3.50	5.00	5.2500	4.7500
130.19	68	3.50	5.00	5.2500	4.7500
130.20	69	3.50	5.00	5.2500	4.7500
130.21	70	3.50	5.00	5.2500	4.7500

130.22	(3) service-related ultimate future salary increase assumption		
130.23	general state employees retirement plan of the		assumption A
130.24	Minnesota State Retirement System		
130.25	general employees retirement plan of the Public		assumption B
130.26	Employees Retirement Association		
130.27	Teachers Retirement Association		assumption C
130.28	public employees police and fire retirement plan		assumption D

130.29	service				
130.30	length	A	B	C	D
130.31	1	10.75%	12.25%	12.00%	13.00%
130.32	2	8.35	9.15	9.00	11.00
130.33	3	7.15	7.75	8.00	9.00
130.34	4	6.45	6.85	7.50	8.00
130.35	5	5.95	6.25	7.25	6.50
130.36	6	5.55	5.75	7.00	6.10
130.37	7	5.25	5.45	6.85	5.80
130.38	8	4.95	5.15	6.70	5.60
130.39	9	4.75	4.85	6.55	5.40
130.40	10	4.65	4.65	6.40	5.30
130.41	11	4.45	4.45	6.25	5.20
130.42	12	4.35	4.35	6.00	5.10
130.43	13	4.25	4.15	5.75	5.00

131.1	14	4.05	4.05	5.50	4.90
131.2	15	3.95	3.95	5.25	4.80
131.3	16	3.85	3.85	5.00	4.80
131.4	17	3.75	3.75	4.75	4.80
131.5	18	3.75	3.75	4.50	4.80
131.6	19	3.75	3.75	4.25	4.80
131.7	20	3.75	3.75	4.00	4.80
131.8	21	3.75	3.75	3.90	4.70
131.9	22	3.75	3.75	3.80	4.60
131.10	23	3.75	3.75	3.70	4.50
131.11	24	3.75	3.75	3.60	4.50
131.12	25	3.75	3.75	3.50	4.50
131.13	26	3.75	3.75	3.50	4.50
131.14	27	3.75	3.75	3.50	4.50
131.15	28	3.75	3.75	3.50	4.50
131.16	29	3.75	3.75	3.50	4.50
131.17	30 or more	3.75	3.75	3.50	4.50

131.18 (c) Before July 2, 2010, the actuarial valuation must use the applicable following  
131.19 payroll growth assumption for calculating the amortization requirement for the unfunded  
131.20 actuarial accrued liability where the amortization retirement is calculated as a level  
131.21 percentage of an increasing payroll:

131.22	plan	payroll growth assumption
131.23	general state employees retirement plan of the	
131.24	Minnesota State Retirement System	3.75%
131.25	correctional state employees retirement plan	4.50
131.26	State Patrol retirement plan	4.50
131.27	legislators retirement plan	4.50
131.28	judges retirement plan	4.00
131.29	general employees retirement plan of the Public	
131.30	Employees Retirement Association	3.75
131.31	public employees police and fire retirement plan	3.75
131.32	local government correctional service retirement plan	4.50
131.33	teachers retirement plan	3.75
131.34	Duluth teachers retirement plan	4.50
131.35	St. Paul teachers retirement plan	5.00

131.36 (d) After July 1, 2010, the assumptions set forth in paragraphs (b) and (c) continue to  
131.37 apply, unless a different salary assumption or a different payroll increase assumption:  
131.38 (1) has been proposed by the governing board of the applicable retirement plan;  
131.39 (2) is accompanied by the concurring recommendation of the actuary retained under  
131.40 section 356.214, subdivision 1, if applicable, or by the approved actuary preparing the  
131.41 most recent actuarial valuation report if section 356.214 does not apply; and

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

132.2           **EFFECTIVE DATE.** (a) For the Fairmont Police Relief Association, this section  
132.3 is effective as of the date for consolidation set by the board of the Public Employees  
132.4 Retirement Association in consultation with the State Board of Investment, but not later  
132.5 than June 29, 2012.

132.6           (b) For the Virginia fire consolidation account, this section is effective on June 29,  
132.7 2012, which is the effective date of merger.

132.8           Sec. 7. Laws 2002, chapter 392, article 1, section 8, is amended to read:

132.9           Sec. 8. **REVISOR INSTRUCTIONS.**

132.10          ~~(a) In the next and subsequent editions of Minnesota Statutes, the revisor of statutes~~  
132.11 ~~shall not print Minnesota Statutes, sections 423.41 to 423.62, but shall denote those~~  
132.12 ~~sections as "[LOCAL, CITY OF FAIRMONT, POLICE PENSIONS.]."~~

132.13          ~~(b)~~ In the next and subsequent editions of Minnesota Statutes, the revisor of statutes  
132.14 shall, in each section indicated in column A, replace the cross-reference specified in  
132.15 column B with the cross-reference set forth in column C:

132.16	Column A	Column B	Column C
132.17	69.021, subd. 10	69.77, subd. 2a	69.77, subd. 3
132.18	69.021, subd. 10	69.77, subd. 2b	69.77, subd. 4
132.19	69.021, subd. 10	69.77, subd. 2c	69.77, subd. 5
132.20	299A.465, subd. 5	424.03	Minnesota Statutes, 2000,
132.21			424.03
132.22	353A.07, subd. 6	69.77, subd. 2a	69.77, subd. 3
132.23	353A.09, subd. 4	69.77, subd. 2a	69.77, subd. 3
132.24	356.216	69.77, subd. 2b	69.77, subd. 4
132.25	356.219, subd. 2	69.77, subd. 2g	69.77, subd. 9
132.26	423.01, subd. 2	69.77, subd. 2b	69.77, subd. 4
132.27	423A.18	69.77, subd. 2i	69.77, subd. 11
132.28	423A.19, subd. 4	69.77, subd. 2i	69.77, subd. 11
132.29	423B.06, subd. 1	69.77, subd. 2a	69.77, subd. 3
132.30	423B.06, subd. 1	69.77, subd. 2b	69.77, subd. 4
132.31	423B.06, subd. 1	69.77, subd. 2c	69.77, subd. 5
132.32	423B.06, subd. 1	69.77, subd. 2d	69.77, subd. 6
132.33	423B.06, subd. 1	69.77, subd. 2e	69.77, subd. 7
132.34	423B.06, subd. 1	69.77, subd. 2f	69.77, subd. 8
132.35	423B.21, subd. 1	69.77, subd. 2b	69.77, subd. 4

133.1 **EFFECTIVE DATE.** This section is effective as of the date for consolidation set  
133.2 by the board of the Public Employees Retirement Association in consultation with the  
133.3 State Board of Investment, but not later than June 29, 2012.

133.4 Sec. 8. **TERMINATION OF THE FAIRMONT POLICE RELIEF**  
133.5 **ASSOCIATION.**

133.6 On the effective date of consolidation, the Fairmont Police Relief Association  
133.7 ceases to exist.

133.8 **EFFECTIVE DATE.** This section is effective as of the date for consolidation set  
133.9 by the board of the Public Employees Retirement Association in consultation with the  
133.10 State Board of Investment, but not later than June 29, 2012.

133.11 Sec. 9. **TERMINATION OF THE VIRGINIA FIRE DEPARTMENT RELIEF**  
133.12 **ASSOCIATION.**

133.13 On the effective date of merger, the Virginia fire department consolidation account  
133.14 ceases to exist.

133.15 **EFFECTIVE DATE.** This section is effective on June 29, 2012, which is the  
133.16 effective date of merger.

133.17 Sec. 10. **REPEALER.**

133.18 Subdivision 1. **Fairmont Police Relief Association.** (a) Laws 1963, chapter 423;  
133.19 and Laws 1999, chapter 222, article 3, sections 3; 4; and 5, are repealed.

133.20 (b) Minnesota Statutes 2010, section 423A.06, is repealed.

133.21 (c) The revisor shall show Minnesota Statutes, sections 423.41, 423.42, 423.43,  
133.22 423.44, 423.45, 423.46, 423.48, 423.49, 423.50, 423.51, 423.52, 423.53, 423.54, 423.55,  
133.23 423.56, 423.57, 423.58, 423.59, 423.61, and 423.62, as repealed.

133.24 (d) Laws 1947, chapter 624, sections 1; 2; 3; 4; 5; 6; 8; 9; 10; 11; 12; 13; 14; 15;  
133.25 16; 17; 18; 19; 21; and 22, are repealed.

133.26 Subd. 2. **Virginia fire department consolidation account.** Laws 1953, chapter  
133.27 399, as amended by Laws 1961, chapter 420, section 1, Laws 1961, chapter 420, section 2,  
133.28 Laws 1961, chapter 420, section 3, Laws 1961, chapter 420, section 4, Laws 1961, chapter  
133.29 420, section 5, Laws 1961, chapter 420, section 6, Laws 1963, chapter 407, section 1,  
133.30 Laws 1965, chapter 546, section 1, Laws 1965, chapter 546, section 2, Laws 1965, chapter  
133.31 546, section 3, Laws 1969, chapter 578, section 1, Laws 1969, chapter 578, section 2,  
133.32 Laws 1969, chapter 578, section 3; Laws 1961, chapter 420, sections 2, as amended by

134.1 Laws 1965, chapter 546, section 2, Laws 1965, chapter 546, section 3, Laws 1969, chapter  
134.2 578, section 1; 3; 4; 5, as amended by Laws 1963, chapter 407, section 1, Laws 1969,  
134.3 chapter 578, section 2; and 6; Laws 1963, chapter 407, section 1, as amended by Laws  
134.4 1969, chapter 578, section 2; Laws 1965, chapter 546, sections 1; 2, as amended by Laws  
134.5 1969, chapter 578, section 1; and 3; Laws 1969, chapter 578, sections 1; 2; and 3; Laws  
134.6 1974, chapter 183, as amended by Laws 1991, chapter 62, section 1; Laws 1982, chapter  
134.7 574, section 1; Laws 1982, chapter 578, article 1, section 14; Laws 1983, chapter 69,  
134.8 section 1; Laws 1984, chapter 547, section 27; Laws 1987, chapter 372, article 2, section  
134.9 14; Laws 1988, chapter 709, sections 1, as amended by Laws 1989, chapter 319, article 4,  
134.10 section 2, Laws 1989, chapter 319, article 18, section 11; and 2; Laws 1991, chapter 62,  
134.11 sections 1; and 2; and Laws 1992, chapter 465, section 1, are repealed.

134.12 **EFFECTIVE DATE.** Subdivision 1 is effective as of the date for consolidation  
134.13 of the Fairmont Police Relief Association set by the board of the Public Employees  
134.14 Retirement Association in consultation with the State Board of Investment, but not later  
134.15 than June 29, 2012.

134.16 Subdivision 2 is effective for the Virginia fire consolidation account on June 29,  
134.17 2012, which is the effective date of merger."