COMPILATION OF PROPOSED LEGISLATION HEARD AND LAID OVER BY THE COMMISSION FOR POSSIBLE FURTHER CONSIDERATION

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

Delete everything after the enacting clause and insert:

"ARTICLE 1

INTEREST, SALARY, AND PAYROLL GROWTH ASSUMPTION CHANGES

Section 1. Minnesota Statutes 2014, section 356.215, subdivision 8, is amended to read:

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

(1) select and ultimate interest rate assumption

plan	ultimate interest rate assumption
~~general state employees retirement plan~~	~~8.5%~~
~~correctional state employees retirement plan~~	~~8.5~~
~~State Patrol retirement plan~~	~~8.5~~
~~legislators retirement plan, and for the constitutional officers calculation of total plan liabilities~~	~~0~~
~~judges retirement plan~~	~~8.5~~
~~general public employees retirement plan~~	~~8.5~~
~~public employees police and fire retirement plan~~	~~8.5~~
~~local government correctional service retirement plan~~	~~8.5~~
teachers retirement plan	8.5%
~~St. Paul teachers retirement plan~~	~~8.5~~

~~Except for the legislators retirement plan and the constitutional officers calculation of total plan liabilities,~~ The select preretirement interest rate assumption for the period ~~after June 30, 2012,~~ through June 30, 2017, is 8 percent.

(2) single rate interest rate assumption

plan	interest rate assumption
general state employees retirement plan	8%
correctional state employees retirement plan	8
State Patrol retirement plan	8
legislators retirement plan, and for the constitutional officers calculation of total plan liabilities	0
judges retirement plan	8
general public employees retirement plan	8
public employees police and fire retirement plan	8
local government correctional service retirement plan	8
St. Paul teachers retirement plan	8
Bloomington Fire Department Relief Association	6
local monthly benefit volunteer firefighters relief associations	5

(b)(1) If funding stability has been attained, the valuation must use a postretirement adjustment rate actuarial assumption equal to the postretirement adjustment rate specified in section 354A.27, subdivision 7; 354A.29, subdivision 9; or 356.415, subdivision 1, whichever applies.

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

(c) 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

plan	future salary increase assumption
legislators retirement plan	5%
judges retirement plan	3
Bloomington Fire Department Relief Association	4

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

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

For plans other than the St. Paul teachers retirement plan and the local government correctional service retirement plan, the select calculation is: during the designated select period, a designated percentage rate is multiplied by the result of the designated integer minus T, where T is the number of completed years of service, and is added to the applicable future salary increase assumption. The designated select period is ten years and the designated integer is ten for the local government correctional service retirement plan and 15 for the St. Paul Teachers Retirement Fund Association. The designated percentage rate is 0.2 percent for the St. Paul Teachers Retirement Fund Association.

The ultimate future salary increase assumption is:

age	A	B
16	5.9%	~~9%~~8.75%
17	5.9	~~9~~8.75
18	5.9	~~9~~8.75
19	5.9	~~9~~8.75
20	5.9	~~9~~8.75
21	5.9	~~8.75~~8.5
22	5.9	~~8.5~~8.25
23	5.85	~~8.25~~8
24	5.8	~~8~~7.75
25	5.75	~~7.75~~7.5
26	5.7	~~7.5~~7.25
27	5.65	~~7.25~~7
28	5.6	~~7~~6.75
29	5.55	~~6.75~~6.5

30	5.5	~~6.75~~<u>6.5</u>
31	5.45	~~6.5~~<u>6.25</u>
32	5.4	~~6.5~~<u>6.25</u>
33	5.35	~~6.5~~<u>6.25</u>
34	5.3	~~6.25~~<u>6</u>
35	5.25	~~6.25~~<u>6</u>
36	5.2	~~6~~<u>5.75</u>
37	5.15	~~6~~<u>5.75</u>
38	5.1	~~6~~<u>5.75</u>
39	5.05	~~5.75~~<u>5.5</u>
40	5	~~5.75~~<u>5.5</u>
41	4.95	~~5.75~~<u>5.5</u>
42	4.9	~~5.5~~<u>5.25</u>
43	4.85	~~5.25~~<u>5</u>
44	4.8	~~5.25~~<u>5</u>
45	4.75	~~5~~<u>4.75</u>
46	4.7	~~5~~<u>4.75</u>
47	4.65	~~5~~<u>4.75</u>
48	4.6	~~5~~<u>4.75</u>
49	4.55	~~5~~<u>4.75</u>
50	4.5	~~5~~<u>4.75</u>
51	4.45	~~5~~<u>4.75</u>
52	4.4	~~5~~<u>4.75</u>
53	4.35	~~5~~<u>4.75</u>
54	4.3	~~5~~<u>4.75</u>
55	4.25	~~4.75~~<u>4.5</u>
56	4.2	~~4.75~~<u>4.5</u>
57	4.15	~~4.5~~<u>4.25</u>
58	4.1	~~4.25~~<u>4</u>
59	4.05	~~4.25~~<u>4</u>
60	4	~~4.25~~<u>4</u>
61	4	~~4.25~~<u>4</u>
62	4	~~4.25~~<u>4</u>
63	4	~~4.25~~<u>4</u>
64	4	~~4.25~~<u>4</u>
65	4	~~4~~<u>3.75</u>
66	4	~~4~~<u>3.75</u>
67	4	~~4~~<u>3.75</u>
68	4	~~4~~<u>3.75</u>
69	4	~~4~~<u>3.75</u>
70	4	~~4~~<u>3.75</u>

(3) service-related ultimate future salary increase assumption

general state employees retirement plan of the Minnesota State Retirement System	assumption A
general employees retirement plan of the Public Employees Retirement Association	assumption B
Teachers Retirement Association	assumption C
public employees police and fire retirement plan	assumption D
State Patrol retirement plan	assumption E
correctional state employees retirement plan of the Minnesota State Retirement System	assumption F

service length	A	B	C	D	E	F
1	~~10.5%~~10.25%	~~12.03%~~11.78%	12%	~~13%~~12.75%	~~8%~~7.75%	~~6%~~5.75%
2	~~8.1~~7.85	~~8.9~~8.65	9	~~11~~10.75	~~7.5~~7.25	~~5.85~~5.6
3	~~6.9~~6.65	~~7.46~~7.21	8	~~9~~8.75	~~7~~6.75	~~5.7~~5.45
4	~~6.2~~5.95	~~6.58~~6.33	7.5	~~8~~7.75	~~6.75~~6.5	~~5.55~~5.3
5	~~5.7~~5.45	~~5.97~~5.72	7.25	~~6.5~~6.25	~~6.5~~6.25	~~5.4~~5.15
6	~~5.3~~5.05	~~5.52~~5.27	7	~~6.1~~5.85	~~6.25~~6	~~5.25~~5
7	~~5~~4.75	~~5.16~~4.91	6.85	~~5.8~~5.55	~~6~~5.75	~~5.1~~4.85
8	~~4.7~~4.45	~~4.87~~4.62	6.7	~~5.6~~5.35	~~5.85~~5.6	~~4.95~~4.7
9	~~4.5~~4.25	~~4.63~~4.38	6.55	~~5.4~~5.15	~~5.7~~5.45	~~4.8~~4.55
10	~~4.4~~4.15	~~4.42~~4.17	6.4	~~5.3~~5.05	~~5.55~~5.3	~~4.65~~4.4
11	~~4.2~~3.95	~~4.24~~3.99	6.25	~~5.2~~4.95	~~5.4~~5.15	~~4.55~~4.3
12	~~4.1~~3.85	~~4.08~~3.83	6	~~5.1~~4.85	~~5.25~~5	~~4.45~~4.2
13	~~4~~3.75	~~3.94~~3.69	5.75	~~5~~4.75	~~5.1~~4.85	~~4.35~~4.1
14	~~3.8~~3.55	~~3.82~~3.57	5.5	~~4.9~~4.65	~~4.95~~4.7	~~4.25~~4
15	~~3.7~~3.45	~~3.7~~3.45	5.25	~~4.8~~4.55	~~4.8~~4.55	~~4.15~~3.9
16	~~3.6~~3.35	~~3.6~~3.35	5	~~4.8~~4.55	~~4.65~~4.4	~~4.05~~3.8
17	~~3.5~~3.25	~~3.51~~3.26	4.75	~~4.8~~4.55	~~4.5~~4.25	~~3.95~~3.7
18	~~3.5~~3.25	~~3.5~~3.25	4.5	~~4.8~~4.55	~~4.35~~4.1	~~3.85~~3.6
19	~~3.5~~3.25	~~3.5~~3.25	4.25	~~4.8~~4.55	~~4.2~~3.95	~~3.75~~3.5
20	~~3.5~~3.25	~~3.5~~3.25	4	~~4.8~~4.55	~~4.05~~3.8	~~3.75~~3.5
21	~~3.5~~3.25	~~3.5~~3.25	3.9	~~4.7~~4.45	~~4~~3.75	~~3.75~~3.5
22	~~3.5~~3.25	~~3.5~~3.25	3.8	~~4.6~~4.35	~~4~~3.75	~~3.75~~3.5
23	~~3.5~~3.25	~~3.5~~3.25	3.7	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
24	~~3.5~~3.25	~~3.5~~3.25	3.6	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
25	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
26	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
27	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
28	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
29	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5
30 or more	~~3.5~~3.25	~~3.5~~3.25	3.5	~~4.5~~4.25	~~4~~3.75	~~3.75~~3.5

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

plan	payroll growth assumption
general state employees retirement plan of the Minnesota State Retirement System	~~3.75%~~3.5%
correctional state employees retirement plan	~~3.75~~3.5
State Patrol retirement plan	~~3.75~~3.5
judges retirement plan	~~3~~2.75
general employees retirement plan of the Public Employees Retirement Association	~~3.75~~3.5
public employees police and fire retirement plan	~~3.75~~3.5
local government correctional service retirement plan	~~3.75~~3.5
teachers retirement plan	3.75
St. Paul teachers retirement plan	4

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2015, and applies to actuarial valuations prepared for an actuarial valuation date after that date.

ARTICLE 2

CONFORMING CHANGES IN REFUND REPAYMENT PROVISIONS RELATED TO INTEREST ASSUMPTION CHANGE

Section 1. Minnesota Statutes 2014, section 3A.03, subdivision 2, is amended to read:

Subd. 2. **Refund.** (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.

(e) No person may be required to apply for or to accept a refund. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

Sec. 2. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 3. Minnesota Statutes 2014, 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 percent~~ the applicable rate of the total amount due in lieu of interest, or if the delay in payment exceeds one year, ~~8.5 percent~~ the applicable rate compound annual interest. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

(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.

Sec. 4. Minnesota Statutes 2014, 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 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 before July 1, 2015, and is 0.667 percent for the period after June 30, 2015.

Sec. 5. Minnesota Statutes 2014, 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 annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. 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.

Sec. 6. Minnesota Statutes 2014, 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 annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually from the date on which the refund was taken to the date of repayment. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. 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.

Sec. 7. Minnesota Statutes 2014, section 352B.11, subdivision 4, is amended to read:

Subd. 4. **Reentry into state service.** When a former member, who has become separated from state service that entitled the member to membership and has received a refund of retirement payments, reenters the state service in a position that entitles the member to membership, that member shall receive credit for the period of prior allowable state service if the member repays into the fund the amount of the refund, plus interest on it at ~~an annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually, at any time before subsequent retirement. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. Repayment may be made in installments or in a lump sum.

Sec. 8. Minnesota Statutes 2014, section 352D.05, subdivision 4, is amended to read:

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

(b) A participant in the unclassified program or an employee covered by the general employees retirement plan who has withdrawn the value of the total shares may repay the refund taken and thereupon restore the service credit, rights and benefits forfeited by paying into the fund the amount refunded plus interest at ~~an annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually from the date that the refund was taken until the date that the refund is repaid. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. If the participant had withdrawn only the employee shares as permitted under prior laws, repayment must be pro rata.

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

Sec. 9. Minnesota Statutes 2014, section 352D.12, is amended to read:

352D.12 TRANSFER OF PRIOR SERVICE CONTRIBUTIONS.

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

(b) For participants with prior service credit in a plan governed by chapter 352, 353, 354, 354A, or 422A, "prior service contributions" means the accumulated employee and equal employer contributions with interest at ~~an annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually, based on fiscal year balances. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

(c) If a participant has taken a refund from a retirement plan listed in this section, the participant may repay the refund to that plan, notwithstanding any restrictions on repayment to that plan, plus ~~8.5 percent~~ the applicable interest compounded annually and have the accumulated employee and equal employer contributions transferred to the unclassified program with interest at ~~an annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually based on fiscal year balances. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. 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.

Sec. 10. Minnesota Statutes 2014, 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, 2015, and is 0.667 percent for the period after June 30, 2015.

(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.

Sec. 11. Minnesota Statutes 2014, 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. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

(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. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. 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~~ the applicable annual rate ~~of 8.5 percent~~ compounded annually from the date the contributions were first payable. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

(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.

Sec. 12. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015. 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.

Sec. 13. Minnesota Statutes 2014, 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 association, with a minimum interest charge of $10. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

Sec. 14. Minnesota Statutes 2014, section 353.35, subdivision 1, is amended to read:

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

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

(c) The rights and benefits of a former member must not be restored until the person returns to active service and acquires at least six months of allowable service credit after taking the last refund and repays the refund or refunds taken and interest received under section 353.34, subdivisions 1 and 2, 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, 2015, and 8 percent for the period after June 30, 2015. If the person elects to restore service credit in a particular fund from which the person has taken more than one refund, the person must repay all refunds to that fund. All refunds must be repaid within six months of the last date of termination of public service.

Sec. 15. Minnesota Statutes 2014, section 354A.093, subdivision 6, is amended to read:

Subd. 6. **Interest requirements.** The employer 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 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 16. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 17. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015. The contributions and any interest must be made within one year of the date on which the omission was discovered.

Sec. 18. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015. The contributions must be made within one year of the date on which the omission was discovered.

Sec. 19. Minnesota Statutes 2014, section 356.44, is amended to read:

356.44 PARTIAL PAYMENT OF PENSION PLAN REFUND.

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

(b) The minimum portion of a refund repayment is one-third of the total service 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. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

(d) 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) 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.

Sec. 20. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 21. **EFFECTIVE DATE.**

Sections 1 to 20 are effective July 1, 2015.

ARTICLE 3

CONFORMING CHANGES IN LEAVE AND PRIOR SERVICE CREDIT PURCHASE PROVISIONS RELATED TO INTEREST ASSUMPTION CHANGE

Section 1. Minnesota Statutes 2014, 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, 2015, and is 0.667 percent for the period after June 30, 2015. 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.

Sec. 2. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 352.955, subdivision 3, is amended to read:

Subd. 3. **Payment of additional equivalent contributions.** (a) An eligible employee who is transferred to plan coverage 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~~ the applicable monthly rate ~~of 0.71 percent~~. The applicable rate is 0.71 percent before July 1, 2015, and is 0.667 percent for the period after June 30, 2015.

(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, 2015, and is 0.667 percent for the period after June 30, 2015.

(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.

Sec. 4. Minnesota Statutes 2014, 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, 2015, and is 0.667 percent for the period after June 30, 2015. 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.

Sec. 5. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 352B.086, is amended to read:

352B.086 SERVICE CREDIT FOR UNIFORMED SERVICE.

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

(b) The member may obtain credit by paying into the fund an equivalent member contribution based on the member 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 member would have received if the member had continued to provide employment services to the state rather than to provide uniformed service, or if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the purchase period.

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

(d) If the member equivalent contributions provided for in this section are not paid in full, the 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 section.

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

(f) The amount of allowable 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 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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 352D.11, subdivision 2, is amended to read:

Subd. 2. **Payments by employee.** An employee entitled to purchase service credit may make the purchase by paying to the state retirement system an amount equal to the current employee contribution rate in effect for the state retirement system applied to the current or final salary rate multiplied by the months and days of prior temporary, intermittent, or contract legislative service. Payment shall be made in one lump sum unless the executive director of the state retirement system agrees to accept payment in installments over a period of not more than three years from the date of the agreement. Installment payments shall be charged interest at ~~an annual~~ the applicable rate ~~of 8.5 percent~~ compounded annually. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

Sec. 8. Minnesota Statutes 2014, 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. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. An employer shall also make the employer and additional employer contributions, plus ~~8.5 percent~~ the applicable interest rate, 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, 2015, and 8 percent for the period after June 30, 2015. 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 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 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, 2015, and 8 percent for the period after June 30, 2015.Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under 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) 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 December 29, 2011, "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 December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011. For an active member who was an active member of the former Minneapolis Police Relief Association on December 29, 2011, "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 December 30, 2011, and the period of service credited under paragraph (a), clause (1), after December 30, 2011.

(d) MS 2002 [Expired]

Sec. 9. Minnesota Statutes 2014, 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~~ <u>the applicable</u> 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, 2015, and is 0.667 percent for the period after June 30, 2015.

(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.

Sec. 10. Minnesota Statutes 2014, 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 employment occurring immediately before the period of reduced salary, applied to the member's normal employment period, measured in hours or otherwise, as applicable.

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

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

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

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

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

(f) Payment under this section must include interest on the contribution amount or amounts, whichever applies, at ~~an 8.5 percent~~ the applicable annual rate, prorated for applicable months from the date on which the period of reduced salary specified under this section terminates to the date on which the payment or payments are received by the executive director. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. Payment under this section must be completed within the earlier of 30 days from termination of public service by the employee under section 353.01, subdivision 11a, or one year after the termination of the period specified in paragraph (b), as further restricted under this section.

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

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

Sec. 11. Minnesota Statutes 2014, section 354A.096, is amended to read:

354A.096 MEDICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus annual interest at the applicable rate ~~of 8.5 percent~~ per year from the end of the fiscal year during which the leave terminates to the end of the month during which payment is made. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015. The member must pay the total amount required unless the employing unit, at its option, pays the employer contributions. The total amount required must be paid by the end of the fiscal year following the fiscal year in which the leave of absence terminated or before the member retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or action of the employing authority granting the leave and the employing authority, upon granting the leave, must certify the leave to the association in a manner specified by the executive director. A member may not receive more than one year of allowable service credit during any fiscal year by making payment under this section. A member may not receive disability benefits under section 354A.36 and receive allowable service credit under this section for the same period of time.

Sec. 12. Minnesota Statutes 2014, section 354A.108, is amended to read:

354A.108 PAYMENT BY TEACHERS COLLECTING WORKERS' COMPENSATION.

(a) A member of the Duluth Teachers Retirement Fund Association who is receiving temporary workers' compensation payments related to the member's teaching service and who either is receiving a reduced salary from the employer or is receiving no salary 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 <u>applicable</u> rate ~~of 8.5 percent~~ per year. <u>The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.</u> Payment under this section must be completed within one year of the termination of the workers' compensation payments to the member.

Sec. 13. Minnesota Statutes 2014, 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, 2015, and is 0.667 percent for the period after June 30, 2015.

(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.

Sec. 14. Minnesota Statutes 2014, 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, 2015, and 8 percent for the period after June 30, 2015. The employer payment must be made within 30 days of the payment under paragraph (a).

Sec. 15. Minnesota Statutes 2014, section 356.551, subdivision 2, is amended to read:

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

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

(c) The prior service credit purchase amount may not be less than the amount determined by applying, for each year or fraction of a year being purchased, the sum of the employee contribution rate, the employer contribution rate, and the additional employer contribution rate, if any, applicable during that period, to the person's annual salary during that period, or fractional portion of a year's salary, if applicable, plus interest at the applicable annual rate ~~of 8.5 percent~~ compounded annually from the end of the year in which contributions would otherwise have been made to the date on which the payment is received. The applicable rate is 8.5 percent for the period before July 1, 2015, and 8 percent for the period after June 30, 2015.

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

(e) However, the current employer or the prior employer may, at its discretion, pay all or any portion of the payment amount that exceeds an amount equal to the employee 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 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.

Sec. 16. Minnesota Statutes 2014, 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, 2015, and 8 percent

<u>for the period after June 30, 2015.</u> 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.

Sec. 17. Minnesota Statutes 2014, section 490.1211, is amended to read:

490.1211 UNIFORMED SERVICE.

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

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

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

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

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

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

(g) The state court administrator shall pay interest on all equivalent member and employer contribution amounts payable under this section. Interest must be computed at ~~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, 2015, and 8 percent for the period after June 30, 2015.

Sec. 18. **EFFECTIVE DATE.**

Sections 1 to 17 are effective July 1, 2015.

ARTICLE 4

POSTRETIREMENT ADJUSTMENT FINANCIAL SUSTAINABILITY TRIGGER MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 354A.29, subdivision 7, is amended to read:

Subd. 7. **Eligibility for payment of postretirement adjustments.** (a) Annually, after June 30, the board of trustees of the St. Paul Teachers Retirement Fund Association must determine the amount of any postretirement adjustment using the procedures in this subdivision and subdivision 8 or 9, whichever is applicable.

(b) On January 1, each ~~eligible~~ person who has been receiving an annuity or benefit under the articles of incorporation, the bylaws, or this chapter ~~for at least three calendar months as of the end of the last day of the previous calendar year~~, whose effective date of benefit commencement occurred on or before July 1 of the calendar year immediately before the adjustment, is eligible to receive a postretirement increase as specified in subdivision 8 or 9.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 2. Minnesota Statutes 2014, section 354A.29, subdivision 8, is amended to read:

Subd. 8. **Calculation of postretirement adjustments; ~~transitional provision~~ percentage based.** (a) For purposes of computing postretirement adjustments for eligible benefit recipients of the St. Paul Teachers Retirement Fund Association, the accrued liability funding ratio based on the actuarial value of assets of the plan as determined by the two most recent actuarial valuations prepared under sections 356.214 and 356.215 determines the postretirement increase, as follows:

Funding ratio	Postretirement increase
Less than 80 percent	1 percent
At least 80 percent but less than 90 percent	2 percent

(b) The amount determined under paragraph (a) is the full postretirement increase to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred ~~during~~ after January 1 of the calendar year immediately before the postretirement increase is applied, the ~~full increase~~ amount determined under paragraph (a) must be ~~prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement increase is applied, calculated to the third decimal place~~ reduced by 50 percent.

(c) If the accrued liability funding ratio based on the actuarial value of assets is at least 90 percent in two consecutive actuarial valuations, ~~this subdivision expires and~~ subsequent postretirement increases must be paid as specified in subdivision 9.

(d) If, following a postretirement increase under paragraph (a), the accrued liability funding ratio, based on the actuarial value of assets, falls below 80 percent for two consecutive actuarial valuations, the applicable postretirement increase must be reduced to one percent until January 1 of the calendar year next following the date on which the requirements for an increase under paragraph (a) are again satisfied.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 3. Minnesota Statutes 2014, section 354A.29, subdivision 9, is amended to read:

Subd. 9. **Calculation of postretirement adjustments; CPI based.** (a) This subdivision applies if the requirements of subdivision 8 ~~has expired~~, paragraph (c), have been satisfied.

(b) A percentage adjustment must be computed and paid under this subdivision to eligible persons under subdivision 7. This adjustment is determined by reference to the Consumer Price Index for urban wage earners and clerical workers all items index as reported by the Bureau of Labor Statistics within the United States Department of Labor each year as part of the determination of annual cost-of-living adjustments to recipients of federal old-age, survivors, and disability insurance. For calculations of postretirement adjustments under paragraph (c), the term "average third quarter Consumer Price Index value" means the sum of the monthly index values as initially reported by the Bureau of Labor Statistics for the months of July, August, and September, divided by three.

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

(d) The amount calculated under paragraph (c) is the full postretirement adjustment to be applied as a permanent increase to the regular payment of each eligible member on January 1 of the next calendar year. For any eligible member whose effective date of benefit commencement occurred ~~during~~ after January 1 of the calendar year immediately before the postretirement adjustment is applied, the ~~full increase~~ amount determined under paragraph (c) must be ~~prorated on the basis of whole calendar quarters in benefit payment status in the calendar year prior to the January 1 on which the postretirement adjustment is applied, calculated to the third decimal place~~ reduced by 50 percent.

(e) The adjustment calculated under paragraph (c) must not be less than zero nor greater than five percent.

(f) In the event the accrued liability funding ratio based on the actuarial value of assets falls below 90 percent for two consecutive actuarial valuations, the applicable postretirement increase must be determined under subdivision 8 until January 1 of the calendar year next following the date on which the requirements of subdivision 8, paragraph (c), are again satisfied.

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 4. Minnesota Statutes 2014, section 356.415, subdivision 1, is amended to read:

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

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit amount for at least one full month, but less than 12 full months as of the current

June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective on January 1 following the calendar year in which the person has been retired for less than 12 months.

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 5. Minnesota Statutes 2014, section 356.415, subdivision 1a, is amended to read:

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

(1) for each successive January 1 if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan, a postretirement increase of two percent must be applied each year, effective on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months before the January 1 increase; and

(2) for each successive January 1 if the definition of funding stability under paragraph (b) has not been met as of the prior July 1 for or with respect to the applicable retirement plan, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of two percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for ~~at least six months, but has been retired for less than 18~~ 12 months.

(b) ~~The increases provided by this subdivision commence on January 1, 2011.~~ Increases under this subdivision for the general state employees retirement plan, or the correctional state employees retirement plan~~, or the judges retirement plan~~ terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date. Increases under this subdivision for the legislators retirement plan ~~or the elected state officers retirement plan~~, including the constitutional officers, and for the unclassified state employees retirement program terminate on December 31 of the calendar year in which ~~the~~ two prior consecutive actuarial ~~valuation~~ valuations prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the general state employees retirement plan equals or exceeds 90 percent of the actuarial accrued liability of the retirement plan and increases under subdivision 1 recommence after that date.

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

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

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

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 6. Minnesota Statutes 2014, section 356.415, subdivision 1c, is amended to read:

Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the public employees police and fire retirement plan are entitled to a postretirement adjustment annually on January 1, ~~until~~ <u>if the definition of</u> funding stability ~~is restored~~ <u>under paragraph (c) has not been met</u>, as follows:

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

(2) for each annuitant or benefit recipient whose annuity or benefit effective date is on or before June 1, 2014, who has been receiving the annuity or benefit for at least one full month, but not less than 11 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent for each month of annuity or benefit receipt; and

(3) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, unless Laws 2014, chapter 296, article 13, section 27, applies, who will have been receiving an annuity or benefit for at least 36 full months as of the immediate preceding June 30, an amount equal to one percent; or

(4) for each annuitant or benefit recipient whose annuity or benefit effective date is after June 1, 2014, unless Laws 2014, chapter 296, article 13, section 27, applies, who has been receiving the annuity or benefit for at least 25 full months, but less than 36 months as of the immediate preceding June 30, an amount equal to 1/12 of one percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.

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

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

(2) for each annuitant or benefit recipient who has been receiving the annuity or benefit for at least 25 full months, but less than 36 full months, as of the immediate preceding June 30, an amount equal to 1/12 of ~~the percentage increase in the Consumer Price Index for urban wage earners and clerical workers all items index published by the Bureau of Labor Statistics of the United States Department of Labor between the immediate preceding June 30 and the June 30 occurring 12 months previous for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective, but not to exceed 1/12 of~~ 2.5 percent for each full month of annuity or benefit receipt during the fiscal year in which the annuity or benefit was effective.

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

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 7. Minnesota Statutes 2014, section 356.415, subdivision 1d, is amended to read:

Subd. 1d. **Teachers Retirement Association annual postretirement adjustments.** (a) Retirement annuity, disability benefit, or survivor benefit recipients of the Teachers Retirement Association are entitled to a postretirement adjustment annually on January 1, as follows:

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

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

~~(3)~~ (2) for ~~January 1, 2013, and~~ each successive January 1 until funding stability is restored, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months ~~before the January 1 increase~~ as of the current June 30, an annual postretirement increase of 1/12 of two percent for each month the person has been receiving an annuity or benefit must be applied, effective the January 1~~, for which the person has been retired for at least six months but less than 18 months~~ following the calendar year in which the person retired;

~~(4)~~ (3) for each January 1 following the restoration of funding stability, a postretirement increase of 2.5 percent must be applied each year, effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least 18 full months prior to the January 1 increase; and

~~(5)~~ (4) for each January 1 following the restoration of funding stability, for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one month, but less than 12 full months ~~before the January 1 increase~~ as of the current June 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person has been receiving an annuity or benefit must be applied, effective the January 1~~, for which the person has been retired for at least six months but less than 18 months~~ following the calendar year in which the person retired.

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

(c) After having met the definition of funding stability under paragraph (b), the increase provided in paragraph (a), clauses (1) and (2), rather than an increase under subdivision 1, or the increase under paragraph (a), clauses (3) and (4), is again to be applied in a subsequent year or years if the market value of assets of the plan equals or is less than:

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

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

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 8. Minnesota Statutes 2014, section 356.415, subdivision 1e, is amended to read:

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

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of one percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for ~~at least six months, but has been retired for~~ less than ~~18~~ 12 months.

(b) ~~The increases provided by this subdivision commence on January 1, 2014.~~ Increases under paragraph (a) for the State Patrol retirement plan terminate on December 31 of the calendar year in which two prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of assets of the retirement plan equals or exceeds 85 percent of the actuarial accrued liability of the retirement plan; however, thereafter, increases under paragraph (a) become effective again on the December 31 of the calendar year in which the actuarial valuation, or prior consecutive actuarial valuations for the plan prepared by the approved actuary under sections 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative Commission on Pensions and Retirement indicates that the market value of the assets of the retirement plan equals or is less than 80 percent of the actuarial accrued liability of the retirement plan for two years, or equals or is less than 75 percent of the actuarial accrued liability of the retirement plan for one year and increases under paragraph (c) ~~recommence~~ commence after that date.

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

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 1.5 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for ~~at least six months, but has been retired for~~ less than ~~18~~ 12 months.

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

Sec. 9. Minnesota Statutes 2014, section 356.415, subdivision 1f, is amended to read:

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

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

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

(2) for each annuitant or benefit recipient who has been receiving an annuity or a benefit for at least ~~six~~ one full month, but less than 12 full months as of the current June 30, an annual postretirement increase of 1/12 of 1.75 percent for each month that the person has been receiving an annuity or benefit must be applied, effective January 1, following the calendar year in which the person has been retired for ~~at least six months, but has been retired for~~ less than ~~18~~ 12 months.

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

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

EFFECTIVE DATE. This section is effective June 30, 2015.

ARTICLE 5

CONTRIBUTION STABILIZER PROVISION MODIFICATIONS

Section 1. Minnesota Statutes 2014, section 352.045, is amended to read:

352.045 PROCEDURE FOR REVISING EMPLOYEE AND EMPLOYER CONTRIBUTIONS IN CERTAIN INSTANCES.

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

Subd. 2. **Determination.** For purposes of this section, a contribution sufficiency exists if, for ~~purposes of~~ the applicable plan, the total of the employee contributions, the employer contributions, and any additional employer contributions, if applicable, exceeds the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement. For purposes of this section, a contribution deficiency exists if, for the applicable plan, the total employee contributions, employer contributions, and any additional employer contributions are less than the total of the normal cost, the administrative expenses, and the amortization contribution of the retirement plan as reported in the most recent actuarial valuation of the retirement plan prepared by the approved actuary retained under section 356.214 and prepared under section 356.215 and the standards for actuarial work of the Legislative Commission on Pensions and Retirement.

Subd. 3a. **Contribution rate revision; general state employees retirement plan.** (a) Notwithstanding the contribution rates ~~stated in plan law~~ as specified in law governing the applicable retirement plan, the board of directors of the Minnesota State Retirement System may adjust the employee and employer contribution rates for the general state employees retirement plan ~~must be adjusted:~~

~~(1)~~ if the regular actuarial valuation of the plan prepared under section 356.215 indicates that there is a contribution sufficiency greater than one percent of covered payroll ~~and that the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates must be decreased as determined under paragraph (b) to a level such that the sufficiency is no greater than one percent of covered payroll based on the most recent actuarial valuation;~~ or

~~(2) if the regular actuarial valuation of the plan under section 356.215 indicates~~ that there is a contribution deficiency under subdivision 2 equal to or greater than ~~0.5~~ one-half of one percent of covered payroll ~~and that the deficiency has existed for at least two consecutive years, the employee and employer contribution rates must be increased as determined under paragraph (c) to a level such that no deficiency exists based on the most recent actuarial valuation~~.

(b) If the actuarially ~~required~~ determined contribution of the plan is less than the total support provided by the combined employee and employer contribution rates by more than one percent of covered payroll, the plan employee and employer contribution rates ~~must~~ may be decreased incrementally over one or more years ~~by no more than 0.25 percent of pay each for employee and employer contribution rates~~ to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. ~~No contribution rate~~ Any decrease ~~may be made until at least two years have elapsed since any adjustment under this paragraph has been fully implemented~~ in employee and employer contribution rates must not result in total contributions that are less than the sum of the normal cost and administrative expenses of the retirement plan.

(c) If the actuarially required contribution exceeds the total support provided by the employee and employer contribution rates, the board of directors may increase the employee and employer contribution rates ~~must be increased~~ equally to eliminate that contribution deficiency. ~~If the contribution deficiency is:~~

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

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

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

(d) To determine if an adjustment is to be made, the board of directors shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates calculated based on the actuarial value of assets and calculated based on the market value of assets; the funded ratio calculated based on the actuarial value of assets; the funded ratio calculated based on the market value of assets; the remaining number of years to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contribution projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

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

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

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

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

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

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

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

Sec. 2. Minnesota Statutes 2014, section 353.27, subdivision 3b, is amended to read:

Subd. 3b. **Change in employee and employer contributions in certain instances.** (a) For purposes of this section:

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

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

(b) Notwithstanding the contribution rate provision specified under subdivisions 2, 3, and 3a, the board of trustees of the Public Employees Retirement Association may adjust the employee and employer contributions to the general employees retirement plan under subdivisions 2 and 3 ~~must be adjusted:~~

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

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

(c) If the actuarially ~~required~~ determined contribution of the general employees retirement plan is less than the total support provided by the combined employee and employer contribution rates under subdivisions 2, 3, and 3a, by more than one percent of covered payroll, the general employees retirement plan coordinated program employee and employer contribution rates under subdivisions 2 and 3 ~~must~~ may be decreased ~~incrementally~~ over one or more years ~~by no more than 0.25 percent of pay each for employee and employer matching contribution rates~~ to a level such that there remains a contribution sufficiency of at least one percent of covered payroll. ~~No contribution rate decrease may be made until at least two years have elapsed since any adjustment under this subdivision has been fully implemented.~~ Any decrease in employee and employer contribution rates may not result in total contributions that are less than the total of the normal cost of the retirement plan and the administrative expenses of the retirement plan.

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

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

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

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

(e) ~~The general employees retirement plan contribution sufficiency or deficiency determination under paragraphs (a) to (d) must be made without the inclusion of the contributions to, the funded condition of, or the actuarial funding requirements of the MERF division.~~ To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets;

the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

(f) Any ~~recommended~~ adjustment to the contribution rates must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement by January 15 following the receipt of the most recent annual actuarial valuation prepared under section 356.215. If the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, the recommended adjustment becomes effective for any salary paid on or after the January 1 next following the legislative session in which the Legislative Commission on Pensions and Retirement did not take any action to disapprove or modify the Public Employees Retirement Association Board of Trustees' ~~recommendation to adjust~~ adjustment to the employee and employer rates.

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

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

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

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

Sec. 3. Minnesota Statutes 2014, section 354.42, subdivision 4b, is amended to read:

Subd. 4b. **Contribution rate revision.** (a) Notwithstanding the contribution rate provisions under subdivisions 2 and 3, the board of trustees of the Teachers Retirement Association may adjust the employee and employer contribution rates ~~may be adjusted as follows:~~

~~(1)~~ if~~, after June 30, 2015,~~ the regular actuarial valuation of the plan under section 356.215 indicates that there is a contribution sufficiency under subdivision 4a equal to or greater than one percent of covered payroll ~~and the sufficiency has existed for at least two consecutive years, the employee and employer contribution rates for the plan may each be decreased to a level such that the sufficiency equals no more than one percent of covered payroll based on the most recent actuarial valuation;~~ or

~~(2)~~ if~~, after June 30, 2015,~~ the regular valuation of the plan under section 356.215 indicates that there is a deficiency equal to or greater than ~~0.25~~ one-half of one percent of covered payroll ~~and the deficiency has existed for at least two consecutive years, the employee and employer contribution rates for the applicable plan may each be increased by:~~

~~(i) 0.25 percent if the deficiency is less than two percent of covered payroll;~~

~~(ii) 0.5 percent if the deficiency is equal to or greater than two percent of covered payroll and less than or equal to four percent; and~~

~~(iii) 0.75 percent if the deficiency is greater than four percent~~. Any decrease in employee and employer contribution rates must not result in the total of contribution rates that is less than the total of normal cost and administrative expenses.

(b) To determine if an adjustment is to be made, the board of trustees shall consult with the approved actuary retained under section 356.214 and shall take into consideration factors that include, but are not limited to, the contribution rates based on actuarial value of assets and contribution rates based on the market value of assets; the funded ratio based on the actuarial value of assets and based on the market value of assets; the number of years remaining to the amortization target date; the recent experience of the investment markets; and the results of the 30-year funding, disbursements, and contributions projections prepared every other year as required under the standards for actuarial work adopted by the Legislative Commission on Pensions and Retirement.

EFFECTIVE DATE. This section is effective July 1, 2015.

Sec. 4. Minnesota Statutes 2014, section 354.42, subdivision 4d, is amended to read:

Subd. 4d. **Reporting; commission review.** A contribution rate increase or decrease made under subdivision 4b~~, as determined by the executive director of the Teachers Retirement Association,~~ must be reported to the chair and the executive director of the Legislative Commission on Pensions and Retirement on or before the next February 1 and, if the Legislative Commission on Pensions and Retirement does not recommend against the rate change or does not recommend a modification in the rate change, is effective on the next July 1 following the determination ~~by the executive director~~ that a contribution deficiency or sufficiency exists based on the most recent actuarial valuation under section 356.215.

EFFECTIVE DATE. This section is effective July 1, 2015."

Delete the title and insert:

"A bill for an act

relating to retirement; various statewide and major local defined benefit Minnesota public employee retirement plans; modifying the financial sustainability triggers for postretirement adjustment mechanisms; modifying provisions directing criteria for making recommendations to adjust employee and employer contribution rates; amending Minnesota Statutes 2014, sections 3A.03, subdivision 2; 352.01, subdivision 13a; 352.017, subdivision 2; 352.04, subdivisions 8, 9; 352.045; 352.23; 352.27; 352.271; 352.955, subdivision 3; 352B.013, subdivision 2; 352B.085; 352B.086; 352B.11, subdivision 4; 352D.05, subdivision 4; 352D.11, subdivision 2; 352D.12; 353.01, subdivision 16; 353.0161, subdivision 2; 353.0162; 353.27, subdivisions 3b, 7a, 12, 12a; 353.28, subdivision 5; 353.35, subdivision 1; 354.42, subdivisions 4b, 4d; 354A.093, subdivision 6; 354A.096; 354A.108; 354A.29, subdivisions 7, 8, 9; 354A.38, subdivision 3; 354B.23, subdivision 5; 354C.12, subdivision 2; 356.195, subdivision 2; 356.215, subdivision 8; 356.415, subdivisions 1, 1a, 1c, 1d, 1e, 1f; 356.44; 356.50, subdivision 2; 356.551, subdivision 2; 490.121, subdivision 4; 490.1211; 490.124, subdivision 12."