A bill for an act
relating to retirement; Public Employees Retirement Association; revising
the definition of salary; amending Minnesota Statutes 2012, section 353.01,
subdivision 10.

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

Section 1. Minnesota Statutes 2012, section 353.01, subdivision 10, is amended to read:
Subd. 10. Salary. (a) Subject to the limitations of section 356.611, "salary" means:
(1) the wages or periodic compensation of payable to a public employee, by the
employing governmental subdivision before;
(i) employee retirement deductions that are designated as picked-up contributions
under section 356.62; and
(ii) any employee-elected tax-sheltered deductions for deferred compensation,
supplemental retirement plans, or other voluntary salary reduction programs; and also
means "wages" and includes net income from fees that would have otherwise been
available as a cash payment to the employee;
(2) for a public employee who is covered by a supplemental retirement plan under
section 356.24, subdivision 1, clause (8), (9), or (10), or (12) which require all plan
contributions be made by the employer, the contribution contributions to the applicable
supplemental retirement plan when an agreement between the parties establishes that the
contribution contributions will either result in a mandatory reduction of employees' wages
through payroll withholdings, or be made in lieu of an amount that would otherwise be
paid as wages; and
(3) for a public employee who has prior service covered by a local police or
firefighters relief association that has consolidated with the Public Employees Retirement
Association or to which section 353.665 applies and who has elected coverage either
under the public employees police and fire fund benefit plan under section 353A.08
following the consolidation or under section 353.665, subdivision 4, the rate of salary
upon which member contributions to the special fund of the relief association were made
prior to the effective date of the consolidation as specified by law and by bylaw provisions
governing the relief association on the date of the initiation of the consolidation procedure
and the actual periodic compensation of the public employee after the effective date of
consolidation:—

(4) for a public employee who receives payment through a grievance, settlement,
or court order that is attached to a specific period in which the employee's regular salary
was not earned or paid to the member due to suspension, leave of absence, or period of
involuntary termination that is not a wrongful discharge under section 356.50, the amount
that is equivalent to the earnings the member would have otherwise earned during the
applicable period;

(5) for a member who is absent from employment by reason of an authorized
personal, parental, medical, or military leave of absence, the amount paid to the employee
during the leave period that is equivalent to the earnings the member would have otherwise
earned during the applicable period; and

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

(b) Salary does not mean:

(1) the fees paid to district court reporters;

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

(3) payment of the value of hours donated under a benevolent vacation, personal,
or sick leave donation program;

(4) payments for accrued compensatory or overtime hours that are made at the time
of termination of public service and that include pay for work performed in a calendar or
school year prior to the year in which the payment is issued;

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

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

(7) lump-sum settlements not attached to a specific earnings period.
3.1 (8) workers' compensation payments or disability insurance payments, including
payments from employer self-insurance arrangements;

3.3 (9) employer-paid amounts used by an employee toward the cost of insurance
coverage, employer-paid fringe benefits, flexible spending accounts, cafeteria plans, health
care expense accounts, day care expenses, or any payments in lieu of any employer-paid

group insurance coverage, including the difference between single and family rates that
may be paid to a member with single coverage and certain amounts determined by the

executive director to be ineligible;

3.9 (10) employer-paid fringe benefits, including, but not limited to:

3.10 (i) employer-paid premiums for all types of insurance;

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

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

3.13 (iv) the value of any nonmonetary benefits;

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

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

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

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

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

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

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

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

3.34 (13) the amount of compensation that exceeds the limitation provided in section
3.35 356.611; and

Section 1.
(6) Amounts paid by a federal or state grant for which the grant specifically prohibits grant proceeds from being used to make pension plan contributions, unless the contributions to the plan are made from sources other than the federal or state grant; and

(15) Bonus pay that is not performance or merit pay under paragraph (a), clause (6).

(c) Amounts, other than those provided under paragraph (a), clause (4), provided to an employee by the employer through a grievance proceeding, a court order, or a legal settlement are salary only if the settlement or court order is reviewed by the executive director and the amounts are determined by the executive director to be consistent with paragraph (a) and prior determinations.

**EFFECTIVE DATE.** This section is effective the day following final enactment, except that paragraph (b), clause (9), item (vii), is effective retroactively from August 1, 2007.