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OMNIBUS RETIREMENT BILL II

..... moves to amend S.F. No.; H.F. No. 1152, as follows:

Delete everything after the enacting clause and insert:

"ARTICLE 1

STATE PATROL RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES

Section 1. Minnesota Statutes 2012, section 352B.011, subdivision 4, is amended to read:

Subd. 4. **Average monthly salary.** (a) Subject to the limitations of section 356.611, "average monthly salary" means the average of the highest monthly salaries for five years of service as a member upon which contributions were deducted from pay under section 352B.02, or upon which appropriate contributions or payments were made to the fund to receive allowable service and salary credit as specified under the applicable law. Average monthly salary must be based upon all allowable service if this service is less than five years.

(b) The salary used for the calculation of "average monthly salary" means the salary of the member as defined in section 352.01, subdivision 13. "Average monthly salary" includes the salary of the member during the period of covered employment rendered after reaching the allowable service credit limit of section 352B.08, subdivision 2, paragraph (b). The salary used for the calculation of "average monthly salary" does not include any lump-sum annual leave payments and overtime payments made at the time of separation from state service, any amounts of severance pay, or any reduced salary paid during the period the person is entitled to workers' compensation benefit payments for temporary disability.

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

Sec. 2. Minnesota Statutes 2012, section 352B.02, subdivision 1a, is amended to read:

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

- (1) before the first day of the first pay period beginning after July 1, ~~2011~~ 2014 ~~10.40~~ 12.4 percent
- (2) on or after the first day of the first pay period beginning after July 1, ~~2011~~ 2014, to June 30, 2016 ~~12.40~~ 13.4 percent
- (3) after June 30, 2016 14.4 percent

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

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

2.1 Sec. 3. Minnesota Statutes 2012, section 352B.02, subdivision 1c, is amended to read:

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

2.5	(1) before the first day of the first pay period beginning	
2.6	after July 1, 2011 <u>2014</u>	15.60 <u>18.6</u> percent
2.7	(2) on or after the first day of the first pay period	
2.8	beginning after July 1, 2011 <u>2014</u> , to June 30, 2016	18.60 <u>20.1</u> percent
2.9	(3) after June 30, 2016	<u>21.6</u> percent

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

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

2.13 Sec. 4. Minnesota Statutes 2012, section 352B.08, subdivision 1, is amended to read:

2.14 Subdivision 1. **Eligibility; when to apply; accrual.** (a) Every member who is
2.15 credited with three or more years of allowable service if first employed before July 1, ~~2010~~
2.16 2013, or with at least ~~five~~ ten years of allowable service if first employed after June 30,
2.17 ~~2010~~ 2013, is entitled to separate from state service and upon becoming 50 years old, is
2.18 entitled to receive a life annuity, upon separation from state service.

2.19 (b) Members must apply for an annuity in a form and manner prescribed by the
2.20 executive director.

2.21 (c) No application may be made more than 90 days before the date the member is
2.22 eligible to retire by reason of both age and service requirements.

2.23 (d) An annuity begins to accrue no earlier than 180 days before the date the
2.24 application is filed with the executive director.

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

2.26 Sec. 5. Minnesota Statutes 2012, section 352B.08, subdivision 2, is amended to read:

2.27 Subd. 2. **Normal retirement annuity.** (a) The annuity must be paid in monthly
2.28 installments. The annuity shall be equal to the amount determined by multiplying
2.29 the average monthly salary of the member by the percent specified in section 356.315,
2.30 subdivision 6, for each year of allowable service and ~~pro-rata~~ prorated for additional
2.31 completed months of allowable service, unless restricted under paragraph (b).

2.32 (b) Allowable service in excess of 33 years must not be used in computing the
2.33 annuity. This restriction does not apply to any member who has at least 28 years of
2.34 allowable service before July 1, 2013.

3.1 (c) When the annuity commences, any member contributions attributable to
3.2 allowable service not used to compute the annuity due to the restrictions in paragraph (b)
3.3 must be refunded using procedures specified in section 352B.11, subdivision 1.

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

3.5 Sec. 6. Minnesota Statutes 2012, section 352B.08, subdivision 2a, is amended to read:

3.6 Subd. 2a. **Early retirement.** Any member who has become at least 50 years old
3.7 and who has at least three years of allowable service if first employed before July 1,
3.8 ~~2010~~ 2013, or who has at least ~~five~~ ten years of allowable service if first employed after
3.9 June 30, ~~2010~~ 2013, is entitled upon application to a reduced retirement annuity equal
3.10 to the annuity calculated under subdivision 2, reduced by one-tenth of one percent for
3.11 each month that the member is under age 55 at the time of retirement, ~~if first employed~~
3.12 the effective date of retirement is before July 1, 2010, or reduced by two-tenths of one
3.13 percent 2015. If the effective date of retirement is after June 30, 2015, the reduction is
3.14 0.34 percent for each month that the member is under age 55 at the time of retirement ~~if~~
3.15 ~~first employed after June 30, 2010.~~

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

3.17 Sec. 7. Minnesota Statutes 2012, section 352B.10, subdivision 5, is amended to read:

3.18 Subd. 5. **Optional annuity.** A disabilitant may elect, in lieu of spousal survivorship
3.19 coverage under section 352B.11, ~~subdivisions~~ subdivision 2b and 2e, the normal disability
3.20 benefit or an optional annuity as provided in section 352B.08, subdivision 3. The choice
3.21 of an optional annuity must be made in writing, on a form prescribed by the executive
3.22 director, and must be made before the commencement of the payment of the disability
3.23 benefit, or within 90 days before reaching age 55 or before reaching the five-year
3.24 anniversary of the effective date of the disability benefit, whichever is later. The optional
3.25 annuity is effective on the date on which the disability benefit begins to accrue, or the
3.26 month following the attainment of age 55 or following the five-year anniversary of the
3.27 effective date of the disability benefit, whichever is later.

3.28 Sec. 8. Minnesota Statutes 2012, section 352B.11, subdivision 1, is amended to read:

3.29 Subdivision 1. **Refund of payments.** (a) A member who has not received other
3.30 benefits under this chapter is entitled to a refund of payments made by salary deduction,
3.31 plus interest, if the member is separated, either voluntarily or involuntarily, from the state
3.32 service that entitled the member to membership.

4.1 (b) A refund under section 352B.08, subdivision 2, paragraph (c), does not result in
4.2 a forfeiture of salary credit for the allowable service credit covered by the refund.

4.3 ~~(b)~~ (c) In the event of the member's death, if there are no survivor benefits payable
4.4 under this chapter, a refund plus interest is payable to the last designated beneficiary on
4.5 a form filed with the director before death, or if no designation is filed, is payable to
4.6 the member's estate. Interest under this subdivision must be calculated as provided in
4.7 section 352.22, subdivision 2. To receive a refund, the application must be made on a
4.8 form prescribed by the executive director.

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

4.10 Sec. 9. Minnesota Statutes 2012, section 352B.11, subdivision 2b, is amended to read:

4.11 Subd. 2b. **Surviving spouse benefit eligibility.** (a) If an active member with
4.12 three or more years of allowable service if first employed before July 1, ~~2010~~ 2013, or
4.13 with at least five years of allowable service if first employed after June 30, ~~2010~~ 2013,
4.14 dies before attaining age 55, the surviving spouse is entitled to ~~the a benefit specified in~~
4.15 ~~subdivision 2e, paragraph (b)~~ for life equal to 50 percent of the average monthly salary
4.16 of the deceased member. On the first of the month next following the date on which the
4.17 deceased member would have attained exact age 55, in lieu of continued receipt of the
4.18 prior benefit, the surviving spouse is eligible to commence receipt of the second half of
4.19 a 100 percent joint and survivor annuity if this provides a larger benefit. The joint and
4.20 survivor annuity must be computed assuming the exact age 55 for the deceased member
4.21 and the age of the surviving spouse on the date of death.

4.22 (b) If an active member with less than three years of allowable service if first
4.23 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
4.24 first employed after June 30, ~~2010~~ 2013, dies at any age, the surviving spouse is entitled to
4.25 receive ~~the a benefit specified in subdivision 2e, paragraph (e)~~ for life equal to 50 percent
4.26 of the average monthly salary of the deceased member.

4.27 (c) If an active member with three or more years of allowable service if first
4.28 employed before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first
4.29 employed after June 30, ~~2010~~ 2013, dies on or after attaining exact age 55, the surviving
4.30 spouse is entitled to receive ~~the benefits specified in subdivision 2e, paragraph (d)~~ a benefit
4.31 for life equal to 50 percent of the average monthly salary of the deceased member, or the
4.32 second half of a 100 percent joint and survivor annuity, whichever is larger. The joint and
4.33 survivor annuity must be computed using the age of the deceased member on the date of
4.34 death and the age of the surviving spouse on that same date.

5.1 (d) If a disabilitant dies while receiving a disability benefit under section 352B.10
 5.2 or before the benefit under that section commenced, and an optional annuity was not
 5.3 elected under section 352B.10, subdivision 5, the surviving spouse is entitled to receive
 5.4 the a benefit specified in subdivision 2e, paragraph (b) for life equal to 50 percent of the
 5.5 average monthly salary of the deceased member. On the first of the month next following
 5.6 the date on which the deceased member would have attained exact age 55, in lieu of
 5.7 continued receipt of the prior benefit, the surviving spouse is eligible to commence receipt
 5.8 of the second half of a 100 percent joint and survivor annuity if this provides a larger
 5.9 benefit. The joint and survivor annuity must be computed assuming the exact age 55 for
 5.10 the deceased member and the age of the surviving spouse on the date of death.

5.11 (e) If a former member with three or more years of allowable service if first employed
 5.12 before July 1, ~~2010~~ 2013, or with at least five years of allowable service if first employed
 5.13 after June 30, ~~2010~~ 2013, who terminated from service and has not received a refund or
 5.14 commenced receipt of any other benefit provided by this chapter, dies, the surviving
 5.15 spouse is entitled to receive the as a benefit specified in subdivision 2e, paragraph (e) the
 5.16 second half of a 100 percent joint and survivor annuity, commencing on the first of the
 5.17 month next following the deceased member's date of death, or the first of the month next
 5.18 following the date on which the deceased member would have attained age 55, whichever
 5.19 is later. The joint and survivor annuity must be computed using the age of the deceased
 5.20 member on the date of death and the age of the surviving spouse on that same date.

5.21 (f) If a former member with less than three years of allowable service if first
 5.22 employed before July 1, ~~2010~~ 2013, or with fewer than five years of allowable service if
 5.23 first employed after June 30, ~~2010~~ 2013, who terminated from service and has not received
 5.24 a refund or commenced receipt of any other benefit, if applicable, provided by this chapter,
 5.25 dies, the surviving spouse is entitled to receive the refund specified in subdivision 2e,
 5.26 paragraph (f) or, if none, the children or, if none, the deceased member's estate is entitled to
 5.27 a refund of the employee contributions plus interest computed as specified in subdivision 1.

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

5.29 Sec. 10. Minnesota Statutes 2012, section 356.415, subdivision 1e, is amended to read:

5.30 Subd. 1e. **Annual postretirement adjustments; State Patrol retirement plan.**

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

5.34 (1) a postretirement increase of ~~1.5~~ one percent must be applied each year, effective
 5.35 on January 1, to the monthly annuity or benefit of each annuitant or benefit recipient

6.1 who has been receiving an annuity or a benefit for at least 18 full months before the
6.2 January 1 increase; and

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

6.8 (b) The increases provided by this subdivision commence on January 1, ~~2011~~
6.9 2014. Increases under ~~this subdivision~~ paragraph (a) for the State Patrol retirement plan
6.10 terminate on December 31 of the calendar year in which the actuarial valuation prepared
6.11 by the approved actuary under sections 356.214 and 356.215 and the standards for
6.12 actuarial work promulgated by the Legislative Commission on Pensions and Retirement
6.13 indicates that the market value of assets of the retirement plan equals or exceeds ~~90~~
6.14 85 percent of the actuarial accrued liability of the retirement plan and increases under
6.15 ~~subdivision 1~~ paragraph (c) recommence after that date.

6.16 (c) Retirement annuity, disability benefit, or survivor benefit recipients of the State
6.17 Patrol retirement plan are entitled to a postretirement adjustment annually on January
6.18 1, as follows:

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

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

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

6.34 (e) (e) An increase in annuity or benefit payments under this subdivision must be
6.35 made automatically unless written notice is filed by the annuitant or benefit recipient

7.1 with the executive director of the applicable covered retirement plan requesting that the
7.2 increase not be made.

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

7.4 Sec. 11. **REPEALER.**

7.5 Minnesota Statutes 2012, section 352B.11, subdivision 2c, is repealed.

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

7.7 **ARTICLE 2**

7.8 **PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN**
7.9 **FINANCIAL SOLVENCY MEASURES**

7.10 Section 1. Minnesota Statutes 2012, section 353.01, subdivision 17a, is amended to read:

7.11 Subd. 17a. **Average salary.** (a) "Average salary," for purposes of calculating a
7.12 retirement annuity under section 353.29, subdivision 3, means an amount equivalent to
7.13 the average of the highest salary of the member, police officer, or firefighter, whichever
7.14 applies, upon which employee contributions were paid for any five successive years of
7.15 allowable service, based on dates of salary periods as listed on salary deduction reports.
7.16 "Average salary" includes the salary of the employee during the period of covered
7.17 employment rendered after reaching the allowable service credit limit of section 353.651,
7.18 subdivision 3, paragraph (b). Average salary must be based upon all allowable service if
7.19 this service is less than five years.

7.20 (b) "Average salary" may not include any reduced salary paid during a period
7.21 in which the employee is entitled to benefit payments from workers' compensation for
7.22 temporary disability, unless the average salary is higher, including this period.

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

7.24 Sec. 2. Minnesota Statutes 2012, section 353.01, subdivision 41, is amended to read:

7.25 Subd. 41. **Duty disability.** "Duty disability," physical or psychological, means a
7.26 condition that is expected to prevent a member, for a period of not less than 12 months,
7.27 from performing the normal duties of the position held by a person who is a member of the
7.28 public employees police and fire retirement plan, and that is the direct result of an injury
7.29 incurred during, or a disease arising out of, the performance of ~~normal duties or the actual~~
7.30 ~~performance of less frequent~~ inherently dangerous duties, ~~either of which are specific to~~
7.31 ~~protecting the property and personal safety of others and that present inherent dangers that~~
7.32 are specific to the positions covered by the public employees police and fire retirement plan.

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

8.2 Sec. 3. Minnesota Statutes 2012, section 353.01, subdivision 47, is amended to read:

8.3 Subd. 47. **Vesting.** (a) "Vesting" means obtaining a nonforfeitable entitlement
8.4 to an annuity or benefit from a retirement plan administered by the Public Employees
8.5 Retirement Association by having credit for sufficient allowable service under paragraph
8.6 (b) ~~or~~, (c), or (d), whichever applies.

8.7 (b) For purposes of qualifying for an annuity or benefit as a basic or coordinated plan
8.8 member of the general employees retirement plan of the Public Employees Retirement
8.9 Association:

8.10 (1) a public employee who first became a member of the association before July
8.11 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
8.12 years of allowable service as defined under subdivision 16; and

8.13 (2) a public employee who first becomes a member of the association after June 30,
8.14 2010, is 100 percent vested when the person has accrued credit for not less than five years
8.15 of allowable service as defined under subdivision 16.

8.16 (c) For purposes of qualifying for an annuity or benefit as a member of the ~~police~~
8.17 ~~and fire plan or a member of the~~ local government correctional employees retirement plan:

8.18 (1) a public employee who first became a member of the association before July
8.19 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
8.20 years of allowable service as defined under subdivision 16; and

8.21 (2) a public employee who first becomes a member of the association after June
8.22 30, 2010, is vested at the following percentages when the person has accrued credited
8.23 allowable service as defined under subdivision 16, as follows:

8.24 (i) 50 percent after five years;

8.25 (ii) 60 percent after six years;

8.26 (iii) 70 percent after seven years;

8.27 (iv) 80 percent after eight years;

8.28 (v) 90 percent after nine years; and

8.29 (vi) 100 percent after ten years.

8.30 (d) For purposes of qualifying for an annuity or benefit as a member of the public
8.31 employees police and fire retirement plan:

8.32 (1) a public employee who first became a member of the association before July
8.33 1, 2010, is 100 percent vested when the person has accrued credit for not less than three
8.34 years of allowable service as defined under subdivision 16;

9.1 (2) a public employee who first becomes a member of the association after June 30,
 9.2 2010, and before July 1, 2014, is vested at the following percentages when the person has
 9.3 accrued credited allowable service as defined under subdivision 16, as follows:

- 9.4 (i) 50 percent after five years;
- 9.5 (ii) 60 percent after six years;
- 9.6 (iii) 70 percent after seven years;
- 9.7 (iv) 80 percent after eight years;
- 9.8 (v) 90 percent after nine years; and
- 9.9 (vi) 100 percent after ten years; and

9.10 (3) a public employee who first becomes a member of the association after June
 9.11 30, 2014, is vested at the following percentages when the person has accrued credited
 9.12 allowable service as defined under subdivision 16, as follows:

- 9.13 (i) 50 percent after ten years;
- 9.14 (ii) 55 percent after 11 years;
- 9.15 (iii) 60 percent after 12 years;
- 9.16 (iv) 65 percent after 13 years;
- 9.17 (v) 70 percent after 14 years;
- 9.18 (vi) 75 percent after 15 years;
- 9.19 (vii) 80 percent after 16 years;
- 9.20 (viii) 85 percent after 17 years;
- 9.21 (ix) 90 percent after 18 years;
- 9.22 (x) 95 percent after 19 years; and
- 9.23 (xi) 100 percent after 20 or more years.

9.24 Sec. 4. Minnesota Statutes 2012, section 353.031, subdivision 4, is amended to read:

9.25 Subd. 4. **Additional requirements; eligibility for police and fire or local**
 9.26 **government correctional service retirement plan disability benefits.** (a) If an
 9.27 application for disability benefits is filed within two years of the date of the injury or the
 9.28 onset of the illness that gave rise to the disability application, the application must be
 9.29 supported by evidence that the applicant is unable to perform the duties of the position
 9.30 held by the applicant on the date of the injury or the onset of the illness causing the
 9.31 disability. The employer must provide evidence indicating whether the applicant is able or
 9.32 unable to perform the duties of the position held on the date of the injury or onset of the
 9.33 illness causing the disability ~~and the specifications,~~ a clear explanation of any duties that
 9.34 the individual can or cannot perform, and an explanation of why the employer may or may
 9.35 not authorize continued employment to the applicant in the current or some other position.

10.1 (b) If an application for disability benefits is filed more than two years after the
 10.2 date of injury or the onset of an illness causing the disability, the application must be
 10.3 supported by evidence that the applicant is unable to perform the ~~most recent~~ duties that
 10.4 ~~are~~ were expected to be performed by the applicant during the 90 days ~~before~~ preceding
 10.5 ~~the filing of last day the application~~ applicant performed services for the employer. The
 10.6 employer must provide evidence of the duties that ~~are~~ were expected to be performed by
 10.7 the applicant during the 90 days ~~before~~ preceding ~~the filing of last day the application~~
 10.8 applicant performed services, whether the applicant can or cannot perform those duties
 10.9 overall, ~~and the specifications~~ a clear explanation of any duties that the applicant can
 10.10 or cannot perform, and an explanation of why the employer may or may not authorize
 10.11 continued employment to the applicant in the current or some other position.

10.12 (c) Any report supporting a claim to disability benefits under section 353.656 or
 10.13 353E.06 must specifically relate the disability to its cause; and for any claim to duty
 10.14 disability from an injury or illness arising out of an act of duty, the report must state the
 10.15 specific act of duty giving rise to the claim, and relate the cause of disability to inherently
 10.16 dangerous duties ~~specific tasks or functions required to be performed by the employee in~~
 10.17 ~~fulfilling the employee's duty-related acts which must be specific to the inherent dangers of~~
 10.18 ~~the positions eligible for membership in~~ covered by the public employees police and fire
 10.19 fund plan and the local government correctional service retirement plan. Any report that
 10.20 does not relate the cause of disability to ~~specific acts or functions~~ inherently dangerous
 10.21 duties performed by the employee may not be relied upon as evidence to support eligibility
 10.22 for benefits and may be disregarded in the executive director's decision-making process.

10.23 (d) Any application for duty disability must be supported by a first report of injury as
 10.24 defined in section 176.231.

10.25 (e) If a member who has applied for and been approved for disability benefits before
 10.26 the termination of service does not terminate service or is not placed on an authorized
 10.27 leave of absence as certified by the governmental subdivision within 45 days following
 10.28 the date on which the application is approved, the application shall be canceled. If an
 10.29 approved application for disability benefits has been canceled, a subsequent application
 10.30 for disability benefits may not be filed on the basis of the same medical condition for a
 10.31 minimum of one year from the date on which the previous application was canceled.

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

10.33 Sec. 5. Minnesota Statutes 2012, section 353.35, subdivision 1, is amended to read:

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

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

11.6 (c) The rights and benefits of a former member must not be restored until the person
11.7 returns to active service and acquires at least six months of allowable service credit
11.8 after taking the last refund and repays the refund or refunds taken and interest received
11.9 under section 353.34, subdivisions 1 and 2, plus interest at an annual rate of 8.5 percent
11.10 compounded annually. If the person elects to restore service credit in a particular fund
11.11 from which the person has taken more than one refund, the person must repay all refunds
11.12 to that fund. All refunds must be repaid within six months of the last date of termination
11.13 of public service.

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

11.15 Sec. 6. Minnesota Statutes 2012, section 353.65, subdivision 2, is amended to read:

11.16 Subd. 2. **Employee contribution.** (a) For members other than members who were
11.17 active members of the former Minneapolis Firefighters Relief Association on December
11.18 29, 2011, or for members other than members who were active members of the former
11.19 Minneapolis Police Relief Association on December 29, 2011, the employee contribution
11.20 is ~~9.4 percent~~ an amount equal to the following percentage of the total salary of the each
11.21 member in calendar year 2010 and is, as follows: 9.6 percent of the salary of the member
11.22 in each before calendar year after 2010 2014; 10.2 percent in calendar year 2014; and 10.8
11.23 percent in calendar year 2015 and thereafter.

11.24 (b) For members who were active members of the former Minneapolis Firefighters
11.25 Relief Association on December 29, 2011, the employee contribution is an amount
11.26 equal to eight percent of the monthly unit value under section 353.01, subdivision 10a,
11.27 multiplied by 80 and expressed as a biweekly amount for each member. The employee
11.28 contribution made by a member with at least 25 years of service credit as an active
11.29 member of the former Minneapolis Firefighters Relief Association must be deposited in
11.30 the postretirement health care savings account established under section 352.98.

11.31 (c) For members who were active members of the former Minneapolis Police Relief
11.32 Association on December 29, 2011, the employee contribution is an amount equal to eight
11.33 percent of the monthly unit value under section 353.01, subdivision 10b, multiplied by 80
11.34 and expressed as a biweekly amount for each member. The employee contribution made
11.35 by a member with at least 25 years of service credit as an active member of the former

12.1 Minneapolis Police Relief Association must be deposited in the postretirement health care
12.2 savings account established under section 352.98.

12.3 (d) Contributions under this section must be made by deduction from salary in
12.4 the manner provided in subdivision 4. Where any portion of a member's salary is paid
12.5 from other than public funds, the member's employee contribution is based on the total
12.6 salary received from all sources.

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

12.8 Sec. 7. Minnesota Statutes 2012, section 353.65, subdivision 3, is amended to read:

12.9 Subd. 3. **Employer contribution.** (a) With respect to members other than members
12.10 who were active members of the former Minneapolis Firefighters Relief Association on
12.11 December 29, 2011, or for members other than members who were active members of
12.12 the former Minneapolis Police Relief Association on December 29, 2011, the employer
12.13 contribution is ~~14.1 percent~~ an amount equal to the following percentage of the total salary
12.14 of the each member in calendar year 2010 and is, as follows: 14.4 percent of the salary of
12.15 the member in each before calendar year after 2010 2014; 15.3 percent in calendar year
12.16 2014; and 16.2 percent in calendar year 2015 and thereafter.

12.17 (b) With respect to members who were active members of the former Minneapolis
12.18 Firefighters Relief Association on December 29, 2011, the employer contribution is an
12.19 amount equal to the amount of the member contributions under subdivision 2, paragraph
12.20 (b).

12.21 (c) With respect to members who were active members of the former Minneapolis
12.22 Police Relief Association on December 29, 2011, the employer contribution is an amount
12.23 equal to the amount of the member contributions under subdivision 2, paragraph (c).

12.24 (d) Contributions under this subdivision must be made from funds available to the
12.25 employing subdivision by the means and in the manner provided in section 353.28.

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

12.27 Sec. 8. Minnesota Statutes 2012, section 353.651, subdivision 3, is amended to read:

12.28 Subd. 3. **Retirement annuity formula.** (a) The average salary as defined in
12.29 section 353.01, subdivision 17a, multiplied by the percent specified in section 356.315,
12.30 subdivision 6, ~~per year~~ multiplied by years of allowable service, multiplied by the
12.31 applicable vesting percentage indicated in section 353.01, subdivision 47, determines the
12.32 amount of the normal retirement annuity. If the member has earned allowable service

13.1 for performing services other than those of a police officer or firefighter, the annuity
13.2 representing that service must be computed under sections 353.29 and 353.30.

13.3 (b) For a member first enrolled in the public employees police and fire retirement
13.4 plan after June 30, 2014, the average salary as defined in section 353.01, subdivision 17a,
13.5 paragraph (a), includes salary for all years for which contributions have been reported to
13.6 the public employees police and fire retirement plan, but allowable service included in
13.7 the calculation is limited to 33 years and the normal retirement annuity must not exceed
13.8 99 percent of the average salary.

13.9 (c) When the annuity begins for members of the public employees police and fire
13.10 retirement plan enrolled after June 30, 2014, a prorated share of the contributions for
13.11 allowable service exceeding 33 years must be refunded to the member. The prorated
13.12 share of the contributions to be refunded is determined by multiplying the accumulated
13.13 deductions paid by the member to the public employees police and fire retirement plan by
13.14 a percentage determined using the number of months of service in excess of 396 as the
13.15 numerator and the total number of months of allowable service on which contributions
13.16 were reported as the denominator. Interest as defined in section 353.34, subdivision 2,
13.17 is to be applied to the prorated share of contributions from the first of the 397th month
13.18 of allowable service reported to the public employees police and fire retirement plan to
13.19 the first of the month the annuity begins.

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

13.21 Sec. 9. Minnesota Statutes 2012, section 353.651, subdivision 4, is amended to read:

13.22 Subd. 4. **Early retirement.** (a) A person who becomes a public employees police
13.23 and fire retirement plan member after June 30, 2007, or a former member who is reinstated
13.24 as a member of the plan after that date, who is at least 50 years of age and who is at least
13.25 partially vested under section 353.01, subdivision 47, upon the termination of public
13.26 service before July 1, 2014, if the person is other than a county sheriff or after January 4,
13.27 2015, if the person is a county sheriff is entitled upon application to a retirement annuity
13.28 equal to the normal annuity calculated under subdivision 3, reduced by two-tenths of one
13.29 percent for each month that the member is under age 55 at the time of retirement.

13.30 (b) Upon the termination of public service before July 1, 2014, if the person is
13.31 other than a county sheriff or upon the termination of public service before January 5,
13.32 2015, if the person is a county sheriff, any public employees police and fire retirement
13.33 plan member who first became a member of the plan before July 1, 2007, and who is
13.34 not specified in paragraph (a), upon attaining at least 50 years of age with at least three
13.35 years of allowable service is entitled upon application to a retirement annuity equal to the

14.1 normal annuity calculated under subdivision 3, reduced by one-tenth of one percent for
14.2 each month that the member is under age 55 at the time of retirement.

14.3 (c) A person other than a county sheriff who is a member of the public employees
14.4 police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a
14.5 member of the public employees police and fire retirement plan on or after January 5,
14.6 2015, and who is at least 50 years old and is at least partially vested under section 353.01,
14.7 subdivision 47, and whose benefit effective date is after July 1, 2014, if other than a
14.8 county sheriff or after January 4, 2015, if a county sheriff and on or before July 1, 2019, is
14.9 entitled upon application to a retirement annuity equal to the normal annuity calculated
14.10 under subdivision 3, reduced for each month the member is under age 55 at the time of
14.11 retirement by applying a blended monthly rate that is equivalent to the sum of:

14.12 (1) one-sixtieth of the annual rate of five percent, prorated for each month the
14.13 person's benefit effective date is after July 1, 2014, or after December 31, 2014, whichever
14.14 applies; and

14.15 (2) one-sixtieth of the annual rate provided under paragraph (a) or (b), whichever
14.16 applies, for each month the person's benefit effective date is before July 1, 2019.

14.17 (d) A person other than a county sheriff who is a member of the public employees
14.18 police and fire retirement plan on or after July 1, 2014, or a county sheriff who is a member
14.19 of the public employees police and fire retirement plan on or after January 5, 2015, and
14.20 who is at least 50 years old and is at least partially vested under section 353.01, subdivision
14.21 47, whose benefit effective date is after July 1, 2019, is entitled, upon application, to a
14.22 retirement annuity equal to the normal annuity calculated under subdivision 3, reduced by
14.23 five percent annually, prorated for each month that the member is under age 55.

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

14.25 Sec. 10. Minnesota Statutes 2012, section 353.657, subdivision 2a, is amended to read:

14.26 Subd. 2a. **Death while eligible survivor benefit.** (a) If a member or former member
14.27 who has attained the age of at least 50 years and either who is vested under section
14.28 353.01, subdivision 47, or who has credit for at least 30 years of allowable service,
14.29 regardless of age attained, dies before the annuity or disability benefit becomes payable,
14.30 notwithstanding any designation of beneficiary to the contrary, the surviving spouse may
14.31 elect to receive a death while eligible survivor benefit.

14.32 (b) Notwithstanding the definition of surviving spouse in section 353.01, subdivision
14.33 20, a former spouse of the member, if any, is entitled to a portion of the death while
14.34 eligible survivor benefit if stipulated under the terms of a marriage dissolution decree
14.35 filed with the association. If there is no surviving spouse or child or children, a former

15.1 spouse may be entitled to a lump-sum refund payment under section 353.32, subdivision
15.2 1, if provided for in a marriage dissolution decree but not a death while eligible survivor
15.3 benefit despite the terms of a marriage dissolution decree filed with the association.

15.4 (c) The benefit may be elected instead of a refund with interest under section 353.32,
15.5 subdivision 1, or surviving spouse benefits otherwise payable under subdivisions 1 and
15.6 2. The benefit must be an annuity equal to the 100 percent joint and survivor annuity
15.7 which the member could have qualified for on the date of death, computed as provided in
15.8 sections 353.651, ~~subdivisions 2 and~~ subdivision 3, and 353.30, subdivision 3.

15.9 (d) The surviving spouse may apply for the annuity at any time after the date
15.10 on which the deceased employee would have attained the required age for retirement
15.11 based on the employee's allowable service. Sections 353.34, subdivision 3, and 353.71,
15.12 subdivision 2, apply to a deferred annuity payable under this subdivision.

15.13 (e) No payment accrues beyond the end of the month in which entitlement to
15.14 such annuity has terminated. An amount equal to the excess, if any, of the accumulated
15.15 contributions which were credited to the account of the deceased employee over and
15.16 above the total of the annuities paid and payable to the surviving spouse must be paid to
15.17 the deceased member's last designated beneficiary or, if none, to the legal representative of
15.18 the estate of such deceased member.

15.19 (f) Any member may request in writing, with the signed consent of the spouse, that
15.20 this subdivision not apply and that payment be made only to the designated beneficiary, as
15.21 otherwise provided by this chapter.

15.22 (g) For a member who is employed as a full-time firefighter by the Department of
15.23 Military Affairs of the state of Minnesota, allowable service as a full-time state Military
15.24 Affairs Department firefighter credited by the Minnesota State Retirement System may be
15.25 used in meeting the minimum allowable service requirement of this subdivision.

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

15.27 Sec. 11. Minnesota Statutes 2012, section 353.657, subdivision 3a, is amended to read:

15.28 Subd. 3a. **Maximum and minimum family benefits.** (a) The maximum monthly
15.29 benefit per family must not exceed the following percentages of the member's average
15.30 monthly salary as specified in subdivision 3:

15.31 (1) 80 percent, if the member's death was a line of duty death; or

15.32 (2) 70 percent, if the member's death was not a line of duty death or occurred while
15.33 the member was receiving a disability benefit that accrued before July 1, 2007.

15.34 (b) The minimum monthly benefit per family, including the joint and survivor
15.35 optional annuity under subdivision 2a, and section 353.656, subdivision 1a, must not be

16.1 less than the following percentage of the member's average monthly salary as specified in
 16.2 subdivision 3:

16.3 (1) 60 percent, if the death was a line of duty death; or

16.4 (2) 50 percent, if the death was not a line of duty death or occurred while the member
 16.5 was receiving a disability benefit that accrued before July 1, 2007.

16.6 (c) If the maximum under paragraph (a) is exceeded, the monthly benefit of the
 16.7 joint annuitant, surviving spouse, and dependent children, as applicable, must each be
 16.8 reduced to the amount necessary proportionately so that the total family benefit does
 16.9 not exceed the applicable maximum. The joint and survivor optional annuity, surviving
 16.10 spouse, or dependent children benefit, as applicable, must be restored, plus applicable
 16.11 postretirement adjustments under Minnesota Statutes 2008, section 356.41 or section
 16.12 356.415, as the dependent child or children become no longer dependent under section
 16.13 353.01, subdivision 15, or in the event of the death of the joint and survivor annuity
 16.14 recipient or the surviving spouse.

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

16.16 Sec. 12. Minnesota Statutes 2012, section 353E.001, subdivision 1, is amended to read:

16.17 Subdivision 1. **Duty disability.** "Duty disability," physical or psychological, means
 16.18 a condition that is expected to prevent a member, for a period of not less than 12 months,
 16.19 from performing the normal duties of a local government correctional service employee as
 16.20 defined under section 353E.02 and that is the direct result of an injury incurred during, or
 16.21 a disease arising out of, the performance of ~~normal duties or the actual performance of~~
 16.22 ~~less frequent~~ inherently dangerous duties, either of which are specific to protecting the
 16.23 property and personal safety of others and that present inherent dangers that are specific to
 16.24 the positions covered by the local government correctional service retirement plan.

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

16.26 Sec. 13. Minnesota Statutes 2012, section 356.415, subdivision 1b, is amended to read:

16.27 Subd. 1b. **Annual postretirement adjustments; PERA; general employees**
 16.28 **retirement plan and local government correctional retirement plan.** (a) Retirement
 16.29 annuity, disability benefit, or survivor benefit recipients of the general employees
 16.30 retirement plan of the Public Employees Retirement Association and the local government
 16.31 correctional service retirement plan are entitled to a postretirement adjustment annually
 16.32 on January 1, as follows:

17.1 (1) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
17.2 restored for the applicable retirement plan, a postretirement increase of one percent must
17.3 be applied each year, effective on January 1, to the monthly annuity or benefit amount of
17.4 each annuitant or benefit recipient who has been receiving an annuity or benefit for at least
17.5 12 full months as of the current June 30;

17.6 (2) for ~~January 1, 2011, and~~ each successive January 1 until funding stability is
17.7 restored for the applicable retirement plan, for each annuitant or benefit recipient who has
17.8 been receiving an annuity or a benefit for at least one full month, but less than 12 full
17.9 months as of the current June 30, an annual postretirement increase of 1/12 of one percent
17.10 for each month the person has been receiving an annuity or benefit must be applied;

17.11 (3) for each January 1 following the restoration of funding stability for the applicable
17.12 retirement plan, a postretirement increase of 2.5 percent must be applied each year,
17.13 effective January 1, to the monthly annuity or benefit amount of each annuitant or benefit
17.14 recipient who has been receiving an annuity or benefit for at least 12 full months as of
17.15 the current June 30; and

17.16 (4) for each January 1 following restoration of funding stability for the applicable
17.17 retirement plan, for each annuity or benefit recipient who has been receiving an annuity or
17.18 a benefit for at least one full month, but less than 12 full months as of the current June
17.19 30, an annual postretirement increase of 1/12 of 2.5 percent for each month the person
17.20 has been receiving an annuity or benefit must be applied.

17.21 (b) Funding stability is restored when the market value of assets of the applicable
17.22 retirement plan equals or exceeds 90 percent of the actuarial accrued liabilities of the
17.23 applicable plan in the two most recent prior consecutive actuarial valuation valuations
17.24 prepared under section 356.215 and the standards for actuarial work by the approved
17.25 actuary retained by the Public Employees Retirement Association under section 356.214.

17.26 (c) ~~If, after applying the increase as provided for in paragraph (a), clauses (3)~~
17.27 ~~and (4), the market value of the applicable retirement plan is determined in the next~~
17.28 ~~subsequent actuarial valuation prepared under section 356.215 to be less than 90 percent~~
17.29 ~~of the actuarial accrued liability of any of the applicable Public Employees Retirement~~
17.30 ~~Association plans, After having met the definition of funding stability under paragraph~~
17.31 (b), the increase provided in paragraph (a), clauses (1) and (2), are rather than an increase
17.32 under subdivision 1, is again to be applied as of the next successive January until funding
17.33 stability is again restored. in a subsequent year or years if the market value of assets of
17.34 the applicable plan equals or is less than:

17.35 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
17.36 consecutive actuarial valuations; or

18.1 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
 18.2 recent actuarial valuation.

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

18.7 (e) The retirement annuity payable to a person who retires before becoming eligible
 18.8 for Social Security benefits and who has elected the optional payment, as provided in
 18.9 section 353.29, subdivision 6, must be treated as the sum of a period-certain retirement
 18.10 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
 18.11 The period-certain retirement annuity plus the life retirement annuity must be the
 18.12 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
 18.13 adjustment granted on the period-certain retirement annuity must terminate when the
 18.14 period-certain retirement annuity terminates.

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

18.16 Sec. 14. Minnesota Statutes 2012, section 356.415, subdivision 1c, is amended to read:

18.17 Subd. 1c. **Annual postretirement adjustments; PERA-police and fire.** (a)
 18.18 Retirement annuity, disability benefit, or survivor benefit recipients of the public
 18.19 employees police and fire retirement plan are entitled to a postretirement adjustment
 18.20 annually on January 1, until funding stability is restored, as follows:

18.21 (1) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 18.22 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 18.23 been receiving the annuity or benefit for at least 12 full months as of the immediate
 18.24 preceding June 30, an amount equal to one percent in each year; or

18.25 (2) for ~~January 1, 2011, and for January 1, 2012,~~ for each annuitant or benefit
 18.26 recipient whose annuity or benefit effective date is on or before June 1, 2014, who has
 18.27 been receiving the annuity or benefit for at least one full month, but not less than 11
 18.28 months, as of the immediate preceding June 30, an amount equal to 1/12 of one percent ~~in~~
 18.29 each year for each month of annuity or benefit receipt; and

18.30 (3) for ~~January 1, 2013, and each successive January 1 that follows the loss of~~
 18.31 ~~funding stability as defined under paragraph (b) until funding stability as defined under~~
 18.32 ~~paragraph (b) is again restored,~~ for each annuitant or benefit recipient whose annuity
 18.33 or benefit effective date is after June 1, 2014, who has will have been receiving the an
 18.34 annuity or benefit for at least ~~12~~ 36 full months as of the immediate preceding June 30,
 18.35 an amount equal to the ~~percentage increase in the Consumer Price Index for urban wage~~

19.1 ~~earners and clerical workers all items index published by the Bureau of Labor Statistics of~~
19.2 ~~the United States Department of Labor between the immediate preceding June 30 and the~~
19.3 ~~June 30 occurring 12 months previous, but not to exceed 1.5 one percent; or~~

19.4 ~~(4) for January 1, 2013, and each successive January 1 that follows the loss of funding~~
19.5 ~~stability as defined under paragraph (b) until funding stability as defined under paragraph~~
19.6 ~~(b) is again restored, for each annuitant or benefit recipient whose annuity or benefit~~
19.7 ~~effective date is after June 1, 2014, who has been receiving the annuity or benefit for at~~
19.8 ~~least one 25 full month months, but less than 36 months as of the immediate preceding June~~
19.9 ~~30, an amount equal to 1/12 of the percentage increase in the Consumer Price Index for~~
19.10 ~~urban wage earners and clerical workers all items index published by the Bureau of Labor~~
19.11 ~~Statistics of the United States Department of Labor between the immediate preceding June~~
19.12 ~~30 and the June 30 occurring 12 months previous for each full month of annuity or benefit~~
19.13 ~~receipt, but not to exceed 1/12 of 1.5 one percent for each full month of annuity or benefit~~
19.14 ~~receipt during the fiscal year in which the annuity or benefit was effective;~~

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

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

19.26 ~~(6) for each January 1 following the restoration of funding stability as defined under~~
19.27 ~~paragraph (b) and during the continuation of funding stability as defined under paragraph~~
19.28 ~~(b); (2) for each annuitant or benefit recipient who has been receiving the annuity or benefit~~
19.29 ~~for at least ~~one~~ 25 full month months, but less than 36 full months, as of the immediate~~
19.30 ~~preceding June 30, an amount equal to 1/12 of the percentage increase in the Consumer~~
19.31 ~~Price Index for urban wage earners and clerical workers all items index published by~~
19.32 ~~the Bureau of Labor Statistics of the United States Department of Labor between the~~
19.33 ~~immediate preceding June 30 and the June 30 occurring 12 months previous for each full~~
19.34 ~~month of annuity or benefit receipt during the fiscal year in which the annuity or benefit~~
19.35 ~~was effective, but not to exceed 1/12 of 2.5 percent for each full month of annuity or~~
19.36 ~~benefit receipt during the fiscal year in which the annuity or benefit was effective.~~

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

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

20.12 (1) 85 percent of the actuarial accrued liabilities of the applicable plan for two
 20.13 consecutive actuarial valuations; or

20.14 (2) 80 percent of the actuarial accrued liabilities of the applicable plan for the most
 20.15 recent actuarial valuation.

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

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

20.21 **ARTICLE 3**

20.22 **JUDGES RETIREMENT PLAN FINANCIAL SOLVENCY MEASURES**

20.23 Section 1. Minnesota Statutes 2012, section 356.315, is amended by adding a
 20.24 subdivision to read:

20.25 Subd. 8a. **Judges plan.** The applicable benefit accrual rate is 2.5 percent.

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

20.27 Sec. 2. Minnesota Statutes 2012, section 356.415, subdivision 1, is amended to read:

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

20.32 (1) a postretirement increase of 2.5 percent must be applied each year, effective
 20.33 January 1, to the monthly annuity or benefit of each annuitant or benefit recipient who has

21.1 been receiving an annuity or a benefit for at least 12 full months prior to the January 1
21.2 increase; and

21.3 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
21.4 benefit amount for at least one full month, an annual postretirement increase of 1/12 of 2.5
21.5 percent for each month that the person has been receiving an annuity or benefit must be
21.6 applied, effective on January 1 following the calendar year in which the person has been
21.7 retired for less than 12 months.

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

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

21.12 (d) The retirement annuity payable to a person who retires before becoming eligible
21.13 for Social Security benefits and who has elected the optional payment as provided in
21.14 section 353.29, subdivision 6, must be treated as the sum of a period certain retirement
21.15 annuity and a life retirement annuity for the purposes of any postretirement adjustment.
21.16 The period certain retirement annuity plus the life retirement annuity must be the
21.17 annuity amount payable until age 62 for section 353.29, subdivision 6. A postretirement
21.18 adjustment granted on the period certain retirement annuity must terminate when the
21.19 period certain retirement annuity terminates.

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

21.21 Sec. 3. Minnesota Statutes 2012, section 356.415, is amended by adding a subdivision
21.22 to read:

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

21.27 (b) Retirement annuity, disability benefit, or survivor benefit recipients of the
21.28 judges retirement plan are entitled to a postretirement adjustment annually on January
21.29 1, as follows:

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

21.34 (2) for each annuitant or benefit recipient who has been receiving an annuity or a
21.35 benefit for at least six full months, an annual postretirement increase of 1/12 of 1.75

22.1 percent for each month that the person has been receiving an annuity or benefit must be
22.2 applied, effective January 1, following the calendar year in which the person has been
22.3 retired for at least six months, but has been retired for less than 18 months.

22.4 (c) Increases under this subdivision terminate on December 31 of the calendar
22.5 year in which the actuarial valuation prepared by the approved actuary under sections
22.6 356.214 and 356.215 and the standards for actuarial work promulgated by the Legislative
22.7 Commission on Pensions and Retirement indicates that the market value of assets of the
22.8 judges retirement plan equals or exceeds 70 percent of the actuarial accrued liability of
22.9 the retirement plan. Increases under subdivision 1 or 1a, whichever is applicable, begin
22.10 on the January 1 next following that date.

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

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

22.16 Sec. 4. Minnesota Statutes 2012, section 490.121, subdivision 21f, is amended to read:

22.17 Subd. 21f. **Normal retirement date.** (a) For a judge in the tier I program, "normal
22.18 retirement date" means the date a ~~the~~ judge attains ~~the~~ age of 65.

22.19 (b) For a judge in the tier II program, "normal retirement date" means the date
22.20 the judge attains age 66.

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

22.22 Sec. 5. Minnesota Statutes 2012, section 490.121, subdivision 22, is amended to read:

22.23 Subd. 22. **Service credit limit.** "Service credit limit" means, for a judge covered
22.24 by tier I, the greater of: (1) 24 years of allowable service under this chapter; or (2)₂ for
22.25 judges ~~a~~ judge with allowable service rendered before July 1, 1980, the number of years of
22.26 allowable service under chapter 490, which, when multiplied by the percentage listed in
22.27 section 356.315, subdivision 7 or 8, whichever is applicable to each year of service, equals
22.28 76.8. For a judge covered by tier II, there is no service credit limit.

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

22.30 Sec. 6. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision
22.31 to read:

23.1 Subd. 25. Tier I. "Tier I" is the benefit program of the retirement plan with a
23.2 membership specified by section 490.1221, paragraph (b), and governed by sections
23.3 356.315, subdivisions 7 and 8; 356.415, subdivisions 1 and 1f; and 490.121 to 490.133,
23.4 except as modified in sections 356.315, subdivision 8a; 490.121, subdivision 21f,
23.5 paragraph (b); 490.1222; 490.123, subdivision 1a, paragraph (b); and 490.124, subdivision
23.6 1, paragraphs (c) and (d).

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

23.8 Sec. 7. Minnesota Statutes 2012, section 490.121, is amended by adding a subdivision
23.9 to read:

23.10 Subd. 26. Tier II. "Tier II" is the benefit program of the retirement plan with a
23.11 membership specified by section 490.1221, paragraph (c), and governed by sections
23.12 356.315, subdivision 8a; 356.415, subdivisions 1 and 1f; 490.121 to 490.133, as modified
23.13 in section 490.121, subdivision 21f, paragraph (b); 490.1222; 490.123, subdivision 1a,
23.14 paragraph (b); and 490.124, subdivision 1, paragraphs (c) and (d).

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

23.16 Sec. 8. **[490.1221] JUDGES PLAN PROGRAMS.**

23.17 (a) Members of the judges retirement plan are members of either the tier I or tier II
23.18 program.

23.19 (b) A tier I program judge is a person who was first appointed or elected as a judge
23.20 before July 1, 2013, who was not eligible for the tier II program because the judge had
23.21 five or more years of allowable service on or before December 30, 2013, or did not elect
23.22 that program.

23.23 (c) A tier II program judge is a person who:

23.24 (1) was first appointed or elected as a judge after June 30, 2013; or

23.25 (2) was first appointed or elected as a judge before July 1, 2013, had less than five
23.26 years of allowable service on or before December 30, 2013, and made an election under
23.27 section 14 to be in the tier II program.

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

23.29 Sec. 9. **[490.1222] APPLICATION OF SERVICE CREDIT LIMIT.**

23.30 The service credit limit specified in section 490.121, subdivision 22, does not apply
23.31 to a judge in the tier II program.

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

24.2 Sec. 10. Minnesota Statutes 2012, section 490.123, subdivision 1a, is amended to read:

24.3 Subd. 1a. **Member contribution rates.** (a) A judge ~~who is covered by the federal~~
24.4 ~~Old Age, Survivors, Disability, and Health Insurance Program and~~ in the tier I program
24.5 whose service does not exceed the service credit limit in section 490.121, subdivision 22,
24.6 shall contribute to the fund from each salary payment a sum equal to ~~8.00~~ 9.00 percent
24.7 of salary.

24.8 (b) A judge in the tier II program shall contribute to the fund from each salary
24.9 payment a sum equal to 7.00 percent of salary.

24.10 ~~(b) The contribution~~ (c) Contributions under this subdivision ~~is~~ are payable by salary
24.11 deduction. The deduction must be made by the state court administrator under section
24.12 352.04, subdivisions 4, 5, and 8.

24.13 **EFFECTIVE DATE.** This section is effective beginning on the first day of the first
24.14 full payroll period following an increase in judicial salaries of at least one percent due to
24.15 action by the legislature during calendar year 2013 or later.

24.16 Sec. 11. Minnesota Statutes 2012, section 490.123, subdivision 1b, is amended to read:

24.17 Subd. 1b. **Employer contribution rate.** (a) The employer contribution rate to the
24.18 fund on behalf of a judge is ~~20.5~~ 22.5 percent of salary. The employer obligation continues
24.19 after a judge exceeds the service credit limit in section 490.121, subdivision 22.

24.20 (b) The employer contribution must be paid by the state court administrator. The
24.21 employer contribution is payable at the same time as member contributions are made
24.22 under subdivision 1a or as employee contributions are made to the unclassified program
24.23 governed by chapter 352D for judges whose service exceeds the limit in section 490.121,
24.24 subdivision 22, are remitted.

24.25 **EFFECTIVE DATE.** This section is effective the first day of the first full payroll
24.26 period after June 30, 2013.

24.27 Sec. 12. Minnesota Statutes 2012, section 490.124, subdivision 1, is amended to read:

24.28 Subdivision 1. **Basic Retirement annuity.** (a) Except as qualified hereinafter from
24.29 and after the mandatory retirement date, the normal retirement date, the early retirement
24.30 date, or one year from the disability retirement date, as the case may be, a retiring judge is
24.31 eligible to receive a retirement annuity from the judges' retirement fund.

24.32 (b) For a tier I program judge, the retirement annuity is an amount equal to:

25.1 (1) the percent specified in section 356.315, subdivision 7, multiplied by the judge's
 25.2 final average compensation with that result then multiplied by the number of years and
 25.3 fractions of years of allowable service rendered before July 1, 1980; plus

25.4 (2) the percent specified in section 356.315, subdivision 8, multiplied by the judge's
 25.5 final average compensation with that result then multiplied by the number of years and
 25.6 fractions of years of allowable service rendered after June 30, 1980.

25.7 (c) For a tier II program judge who was first appointed or elected as a judge before
 25.8 July 1, 2013, the retirement annuity is an amount equal to:

25.9 (1) the percent specified in section 356.315, subdivision 8, multiplied by the judge's
 25.10 final average compensation with that result then multiplied by the number of years and
 25.11 fractions of years of allowable service rendered before January 1, 2014; plus

25.12 (2) the percentage specified in section 356.315, subdivision 8a, multiplied by the
 25.13 judge's final average compensation with that result then multiplied by the number of years
 25.14 and fractions of years of allowable service rendered after December 31, 2013.

25.15 (d) For a tier II program judge who was first appointed or elected as a judge after
 25.16 June 30, 2013, the retirement annuity is an amount equal to the percent specified in section
 25.17 356.315, subdivision 8a, multiplied by the judge's final average compensation with that
 25.18 result then multiplied by the number of years and fractions of years of allowable service.

25.19 (e) (e) For a judge in the tier I program, service that exceeds the service credit limit in
 25.20 section 490.121, subdivision 22, must be excluded in calculating the retirement annuity, but
 25.21 the compensation earned by the judge during this period of judicial service must be used in
 25.22 determining a judge's final average compensation and calculating the retirement annuity.

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

25.24 Sec. 13. **MEMBER CONTRIBUTION INCREASE CONDITION.**

25.25 Any increase in judicial salaries enacted by the legislature during calendar year 2013
 25.26 or later is not applicable to a judge in the tier I program if the member contribution rate
 25.27 applicable to that judge in the tier I program under section 10 is not deducted from the
 25.28 salary of the judge.

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

25.30 Sec. 14. **TIER II PROGRAM ELECTION; PRE-JULY 1, 2013, JUDGES.**

25.31 Subdivision 1. **Authority.** A person who was first appointed or elected as a judge
 25.32 covered by the Minnesota State Retirement System judges retirement plan before July 1,

26.1 2013, is eligible to elect treatment as a tier II program judge if the judge has less than five
 26.2 years of allowable service on the date the judge makes a valid election under subdivision 2.

26.3 Subd. 2. **Election procedure.** An eligible judge under subdivision 1 may elect
 26.4 to be subject to provisions of Minnesota Statutes, chapter 490, applicable to a tier II
 26.5 program judge rather than the tier I program by electing that treatment in writing before
 26.6 January 1, 2014, on a form provided by the executive director of the Minnesota State
 26.7 Retirement System.

26.8 Subd. 3. **Effect of election.** (a) The election is irrevocable.

26.9 (b) An eligible judge who fails to make an election remains in the tier I program.

26.10 (c) If the tier II program is elected by an eligible judge, member contributions based on
 26.11 revised member contribution rates under Minnesota Statutes, section 490.123, subdivision
 26.12 1a, begin on the first day of the first full pay period occurring after January 1, 2014.

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

26.14 Delete the title and insert:

26.15 "A bill for an act
 26.16 relating to retirement, State Patrol, public employees police and fire, and judges
 26.17 retirement plans; increasing member and employer contributions; increasing
 26.18 vesting to ten years for new hires; capping allowable service for computing
 26.19 annuities; modifying the trigger for increasing or lowering annual postretirement
 26.20 adjustments for all plans; modifying duty disability definitions and clarifying
 26.21 disability application requirements for the public employees police and fire and
 26.22 local government correctional plan; increasing the reduction for early retirement;
 26.23 clarifying survivor benefit provisions; delaying the first annual postretirement
 26.24 adjustment for the public employees police and fire retirement plan; increase the
 26.25 normal retirement age for new judge; permitting existing judges to elect to be
 26.26 treated as a new judge for benefit and contribution purposes; amending Minnesota
 26.27 Statutes 2012, sections 352B.011, subdivision 4; 352B.02, subdivisions 1a, 1c;
 26.28 352B.08, subdivisions 1, 2, 2a; 352B.10, subdivision 5; 352B.11, subdivisions 1,
 26.29 2b; 353.01, subdivisions 17a, 41, 47; 353.031, subdivision 4; 353.35, subdivision
 26.30 1; 353.65, subdivisions 2, 3; 353.651, subdivisions 3, 4; 353.657, subdivisions
 26.31 2a, 3a; 353E.001, subdivision 1; 356.315, by adding a subdivision; 356.415,
 26.32 subdivisions 1, 1b, 1c, 1e, by adding a subdivision; 490.121, subdivisions 21f,
 26.33 22, by adding subdivisions; 490.123, subdivisions 1a, 1b; 490.124, subdivision
 26.34 1; proposing coding for new law in Minnesota Statutes, chapter 490; repealing
 26.35 Minnesota Statutes 2012, section 352B.11, subdivision 2c."